

Masraf Al Rayan (Q.S.C.)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2010

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF MASRAF AL RAYAN (Q.S.C.)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Masraf Al Rayan (Q.S.C.) ("Masraf") and its subsidiary (together referred to as the "Group") as at 31 March 2010, comprising of the interim condensed consolidated statement of financial position as at 31 March 2010 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the three month period then ended and the related explanatory notes.

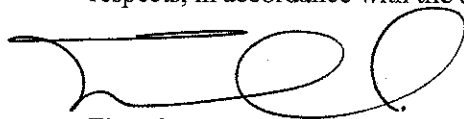
The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

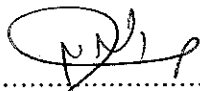
Date: 12 April 2010
Doha

Masraf Al Rayan (Q.S.C.)

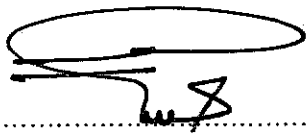
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	<i>31 March 2010 QAR '000 Notes (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>	<i>31 March 2009 QAR '000 (Unaudited)</i>
ASSETS			
Cash on hand and balances with Qatar Central Bank	930,809	716,080	613,507
Balances and investments with banks and other financial institutions	5,094,936	4,256,684	3,079,554
Receivables and balances from financing activities	20,544,289	17,750,462	14,489,895
Financial investments	944,234	945,406	954,012
Investment properties	91,250	-	-
Investment in associates	390,344	211,931	61,466
Property, furniture and equipment	4 83,076	82,675	87,737
Other assets	104,045	160,563	541,315
TOTAL ASSETS	28,182,983	24,123,801	19,827,486
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customers' current accounts	1,580,267	1,470,060	625,066
Other Liabilities	381,607	331,010	781,159
TOTAL LIABILITIES	1,961,874	1,801,070	1,406,225
UNRESTRICTED INVESTMENT ACCOUNTS	19,977,504	16,360,977	13,131,942
EQUITY			
Paid up share capital	5,073,324	4,124,654	4,124,654
Legal reserve	5 633,382	633,382	545,316
Fair value reserve	2,522	465	(1,105)
Risk reserve	6 237,953	237,953	199,885
Proposed dividend	7 -	948,670	-
Retained earnings	296,424	16,630	420,569
TOTAL EQUITY	6,243,605	5,961,754	5,289,319
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	28,182,983	24,123,801	19,827,486



 Dr. Hussain Ali Al Abdalla
 Chairman and Managing Director



 Adel Mustafawi
 Chief Executive Officer

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENT

Three Months Ended 31 March 2010

	<i>Three Months Ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Income from financing activities	358,417	205,940
Income from investing activities	<u>14,353</u>	<u>18,342</u>
Total income from financing and investing activities	<u>372,770</u>	<u>224,282</u>
Commission and fee income	23,736	47,537
Commission and fee expense	<u>(15,132)</u>	<u>-</u>
Net commission and fee income	8,604	47,537
Gain on foreign exchange	16,233	8,803
Other income	517	85,868
Share of results of associates	<u>(1,789)</u>	<u>244</u>
TOTAL OPERATING INCOME	396,335	366,734
General and administrative expenses	(64,829)	(49,007)
Depreciation	(4,643)	(3,812)
Reversal of provision for impairment of other assets	91,250	-
Provisions for impairment of receivables from financing activities	<u>(56)</u>	<u>(2,254)</u>
PROFIT FOR THE PERIOD BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS	418,057	311,661
Share of unrestricted investment accounts holders in the:		
- Net profit	<u>(116,246)</u>	<u>(101,868)</u>
NET PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS	<u>301,811</u>	<u>209,793</u>
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	<u>0.40</u>	<u>0.28</u>

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED CASH FLOW STATEMENT

Three Months Ended 31 March 2010

	<i>Three Months Ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit for the period	301,811	209,793
Adjustments for:		
Depreciation	4,643	3,812
Provisions for impairment of receivables from financing activities	56	2,254
Share of results of associates	1,789	(244)
Reversal of provision for impairment of other assets	(91,250)	-
Operating profit before changes in operating assets and liabilities	217,049	215,615
Net decrease (increase) in assets:		
Cash reserve with Qatar Central Bank	(328,971)	(19,810)
Receivables and balances from financing activities	(2,793,883)	(1,166,412)
Other assets	16,118	56,901
Net increase (decrease) in liabilities:		
Customers' current accounts	110,207	211,350
Other liabilities	28,580	604,166
Net cash used in operating activities	(2,750,900)	(98,190)
INVESTING ACTIVITIES		
Purchase of financial investments	-	(63,620)
Proceeds from financial investments	3,413	-
Investment in associates	(139,802)	-
Purchase of property, furniture and equipment	(5,044)	(6,286)
Proceeds from sale of financial investments	-	25,428
Net cash used in investing activities	(141,433)	(44,478)
FINANCING ACTIVITIES		
Payment of cash dividend	-	(618,698)
Increase in unrestricted investment accounts	3,616,343	2,647,837
Net cash from financing activities	3,616,343	2,029,139
Increase in cash and cash equivalents during the period	724,010	1,886,471
Balance of cash and cash equivalents at 1 January	4,609,151	1,415,660
Balance of cash and cash equivalents at 31 March	5,333,161	3,302,131

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three Months Ended 31 March 2010

	Share capital QAR '000	Legal reserve QAR '000	Fair value reserve QAR '000	Risk reserve QAR '000	Proposed dividend QAR '000	Retained earnings QAR '000	Total QAR '000
Balance at 1 January 2009	4,124,654	545,316	(5,064)	199,885	618,698	210,776	5,694,265
Payment of cash dividend for 2008	-	-	-	-	(618,698)	-	(618,698)
Net changes in fair value reserve	-	-	3,959	-	-	-	3,959
Total income and expense for the period recognised directly in equity	-	-	3,959	-	(618,698)	-	(614,739)
Profit for the period	-	-	-	-	-	209,793	209,793
Total income and expense for the period	-	-	3,959	-	(618,698)	209,793	(404,946)
Balance at 31 March 2009	4,124,654	545,316	(1,105)	199,885	-	420,569	5,289,319
Balance at 1 January 2010	4,124,654	633,382	465	237,953	948,670	16,630	5,961,754
Dividend paid towards uncalled share capital	948,670	-	-	-	(948,670)	-	-
Net changes in fair value reserve	-	-	2,057	-	-	-	2,057
Total income and expense for the period recognised directly in equity	948,670	-	2,057	-	(948,670)	-	2,057
Profit for the period	-	-	-	-	-	301,811	301,811
Total income and expense for the period	948,670	-	2,057	-	(948,670)	301,811	303,868
Social and Sports Fund appropriation (Note 8)	-	-	-	-	-	(22,017)	(22,017)
Balance at 31 March 2010	5,073,324	633,382	2,522	237,953	-	296,424	6,243,605



Adel

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.



Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010

1 LEGAL STATUS AND MAIN ACTIVITIES

Masraf Al Rayan (Q.S.C.) ("Masraf") was incorporated as Qatari Public Shareholding Company under Article 68 of Qatar Commercial Companies' Law No. 5 of 2002, under decision No. 11 of 2006 dated 4 January 2006 of the Minister of Economy.

Masraf is engaged in banking, financing and investing activities in accordance with its Articles of Association, Islamic Shari'a principles and regulations of Qatar Central Bank.

Masraf and its subsidiary (together referred to as the "Group") operates through its head office located on Grand Hamad Street in Doha and seven local branches, all operating in the State of Qatar. Masraf is listed and its shares are traded in the Qatar Exchange.

The interim condensed consolidated financial statements comprise the financial statements of Masraf Al Rayan (Q.S.C.) and its subsidiary Al Rayan Investment LLC. Masraf owns 100% of the issued share capital of Al Rayan Investment LLC ("subsidiary"). Al Rayan Investment LLC was incorporated on 3 April 2007 in Qatar and has an authorised and paid-up share capital of USD 100 million.

The interim condensed consolidated financial statements of Masraf Al Rayan Q.S.C. for the three months ended 31 March 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 12 April 2010.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the International Accounting Standard (IAS) 34 - Interim Financial Reporting and the applicable provisions of Qatar Central Bank regulations. For matters for which no AAOIFI standards exist, Masraf applies the relevant International Financial Reporting Standards.

These interim condensed consolidated financial statements should be read in conjunction with the 2009 annual financial statements and the notes attached thereto.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. In addition, the results for the three months ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as noted below:

New standards adopted as of 1 January 2010

IFRS 3, 'Business combinations'

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of income. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'

The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Group's financial statements.

Improvements to IFRS

'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

3 OPERATING SEGMENTS

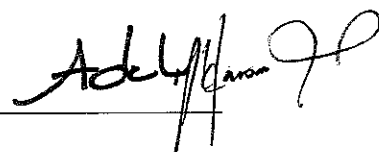
For management purposes, the Group is divided into three operating segments which are as follows:

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps loan syndication and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Al Rayan Investment has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuk and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.

Unallocated assets, liabilities and revenues are related to some central functions and non core business operations, like common property & equipments, cash functions, development projects related payables etc.

The performance of the Group's main segments can be illustrated below:

	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Al Rayan Investment</i>	<i>Unallocated and inter- group transactions</i>	<i>Total</i>
<i>31 March 2010</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Operating income	456,755	26,270	4,560	-	487,585
Expenses	(100,936)	(11,060)	(4,250)	(69,528)	(185,774)
Net profit / (loss)	355,819	15,210	310	(69,528)	301,811
Total Assets	26,158,052	1,245,360	378,609	400,962	28,182,983
Total Liabilities and unrestricted investment accounts	20,279,726	1,371,834	2,703	285,115	21,939,378



Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010

3 OPERATING SEGMENTS (continued)

31 March 2009

	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
Operating income	328,131	32,639	5,964	-	366,734
Expenses	(97,029)	(4,839)	(4,182)	(50,891)	(156,941)
Net profit / (loss)	231,102	27,800	1,782	(50,891)	209,793
Total Assets	18,251,852	1,080,134	365,364	130,136	19,827,486
Total Liabilities and unrestricted investment accounts	12,741,993	916,849	6,302	873,023	14,538,167

4 PROPERTY, FURNITURE AND EQUIPMENT

During the three months ended 31 March 2010, the Group acquired assets with a cost of QR 5,044 thousand and disposed nil (31 December 2009: QR 23,788 thousand and 11,138 thousand respectively).

5 LEGAL RESERVE

According to Qatar Central Bank Law No.33 of 2006, 10% of the net profit is required to be transferred to legal reserve. In addition to this the extraordinary general assembly held on 22 December 2008, approved the amendment of paragraph of the Articles of Association to be 10% of the profit for the period is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. No transfer has been made for the period ended 31 March 2010 as Masraf will transfer the required amount by 31 December 2010.

6 RISK RESERVE

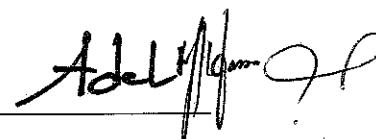
In accordance with Qatar Central Bank regulations, risk reserve has been created to cover contingencies on the both the public and private sector financing activities, with a minimum requirement of 1.5% of the total private sector exposure granted by the Masraf and its branches inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees excluded from the gross direct finance, which should be appropriated from share holders profit according to Qatar Central Bank Circular No 87/2008. No transfer has been made for the period ended 31 March 2010 as Masraf will transfer the required amount by 31 December 2010.

7 DIVIDEND

On 8 March 2010, the Annual General Assembly approved a dividend of 23% of the issued share capital towards uncalled share capital.

8 SOCIAL AND SPORTS FUND

In accordance with Law No. 13 of 2008 and further clarifications for the law issued in 2010, the Group made an appropriation for an amount equivalent to 2.5% of net profit relating to the year ended 31 December 2009 for the support of sports, cultural and charitable activities.



Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010

9 COMMITMENTS

(a) Operating lease commitments

Masraf has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these rent agreements are as follows:

	<i>31 March 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Payable not later than 1 year	22,626	20,118
Payable later than 1 year and not later than 5 years	23,203	19,996
	<u>45,829</u>	<u>40,114</u>

(b) Trade finance contingencies

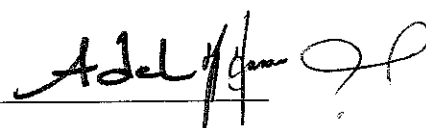
	<i>31 March 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Letter of guarantees	4,855,879	3,763,973
Letter of credit	698,231	711,638
	<u>5,554,110</u>	<u>4,475,611</u>

(c) Other contracts & commitments

	<i>31 March 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Commitments and unused credit limits	1,180,820	1,048,334
Profit rate swap	2,557,610	2,562,240
Unilateral promise to buy/sell currencies	1,040,520	10,022,683
	<u>4,778,950</u>	<u>13,633,257</u>

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the cash flow statement represent cash on hand, current account with Qatar Central Bank and balances with banks and other financial institutions with an original maturity of three months or less.



Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2010

11 RELATED PARTY DISCLOSURES

These include various transactions with Board Members and Executive Management or with the companies which held significant interests or any other parties having significant influence on the financial or operational decisions of Masraf. As at the balance sheet date, such significant accounts include;

Related party transactions

(a) Financial position items

	<i>31 March 2010 QAR'000 (Unaudited)</i>	<i>31 December 2009 QAR'000 (Audited)</i>
Assets		
Murabaha	<u>4,416,192</u>	<u>4,292,326</u>
Liabilities		
Current Account	302	-
Unrestricted investment accounts holders	<u>1,723,044</u>	<u>1,650,366</u>
	<u>1,723,346</u>	<u>1,650,326</u>

(b) Income statement items

	<i>31 March 2010 QAR'000 (Unaudited)</i>	<i>31 March 2009 QAR'000 (Unaudited)</i>
Income from financing activities	73,984	57,490
Gain from foreign exchange operations	<u>8</u>	<u>357</u>
	<u>73,992</u>	<u>57,847</u>
Profit paid on unrestricted investment accounts	<u>16,093</u>	<u>6,873</u>

Compensation of key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	<i>31 March 2010 QAR'000 (Unaudited)</i>	<i>31 March 2009 QAR'000 (Unaudited)</i>
Remuneration of directors including meeting allowances	<u>2,568</u>	<u>2,628</u>
Salaries and other benefits	<u>1,497</u>	<u>947</u>