

**Masraf Al Rayan (Q.S.C.)**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2008**

## 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 30 September 2008, comprising of the interim condensed consolidated balance sheet as at 30 September 2008 and the related interim condensed consolidated statements of income, changes in shareholders' equity and cash flows for the nine month period then ended and explanatory notes.

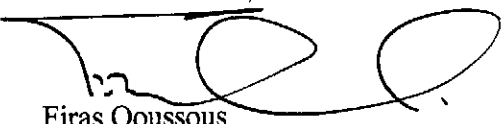
Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, International Financial Reporting Standard "IAS 34 Interim Financial Reporting" ("IAS 34"), the applicable provisions of Qatar Central Bank regulations and Masraf's undertaking to operate in accordance with Islamic Shari'a rules and principles. 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 Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, IAS 34 and the applicable provisions of Qatar Central Bank regulations.




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

Date: 19 October 2008  
Doha

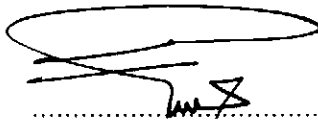
# Masraf Al Rayan (Q.S.C.)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET At 30 September 2008

	<i>30 September 2008 QAR '000 (Reviewed)</i>	<i>31 December 2007 QAR '000 (Audited)</i>
<b>ASSETS</b>		
Cash on hand and balances with Qatar Central Bank	439,148	456,775
Balances and investments with banks and other financial institutions	816,739	2,324,288
Receivables and balances from financing activities	10,587,257	6,737,837
Financial investments	858,803	549,796
Investment properties	33,872	-
Investment in associates	56,654	9,502
Property, furniture and equipment	4 82,081	50,361
Other assets	412,720	62,911
<b>TOTAL ASSETS</b>	<b>13,287,274</b>	<b>10,191,470</b>
<b>LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>		
<b>LIABILITIES</b>		
Customers' current accounts	631,638	405,834
Other Liabilities	156,718	89,916
<b>TOTAL LIABILITIES</b>	<b>788,356</b>	<b>495,750</b>
<b>UNRESTRICTED INVESTMENT ACCOUNTS</b>	<b>7,017,883</b>	<b>4,537,102</b>
<b>EQUITY</b>		
Paid up share capital	4,124,654	3,749,685
Legal reserve	5 453,612	453,612
Fair value reserve	(2,425)	1,360
Risk reserve	6 93,592	93,592
Proposed dividend	7 -	749,938
Retained earnings	811,602	110,431
<b>TOTAL EQUITY</b>	<b>5,481,035</b>	<b>5,158,618</b>
<b>TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>	<b>13,287,274</b>	<b>10,191,470</b>

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 Dr. Hussain Ali Al Abdalla  
 Chairman and Managing Director

.....  
 Esam Youssif Janahi  
 Deputy Chairman

.....  
  
 Adel Mustafawi  
 Chief Executive Officer – Al Rayan

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

# Masraf Al Rayan (Q.S.C.)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT Nine Months Ended 30 September 2008

	<i>Three Months Ended 30</i>		<i>Nine Months Ended 30</i>	
	<i>September</i>		<i>September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Income from financing activities	150,307	85,923	351,447	152,568
Income from investing activities	377,364	329,280	545,194	971,933
<b>Total income from financing and investing activities</b>	<b>527,671</b>	<b>415,203</b>	<b>896,641</b>	<b>1,124,501</b>
Commission and fee income	35,212	22,336	121,925	50,851
Commission and fee expense	(7,187)	-	(7,621)	(86)
<b>Net commission and fee income</b>	<b>28,025</b>	<b>22,336</b>	<b>114,304</b>	<b>50,765</b>
(Loss) /Gain on foreign exchange	(9,365)	13,239	(13,735)	17,526
Share of loss in associate	-	-	(441)	-
<b>TOTAL OPERATING INCOME</b>	<b>546,331</b>	<b>450,778</b>	<b>996,769</b>	<b>1,192,792</b>
General and administrative expenses	(41,091)	(23,327)	(123,629)	(57,478)
Depreciation	(3,453)	(1,406)	(9,135)	(3,123)
<b>PROFIT FOR THE PERIOD BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS</b>	<b>501,787</b>	<b>426,045</b>	<b>864,005</b>	<b>1,132,191</b>
Share of unrestricted investment accounts holders in the:				
- Net profit	(50,747)	(42,079)	(162,834)	(80,141)
- Risk reserve	-	(1,440)	-	(3,016)
<b>NET PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS</b>	<b>451,040</b>	<b>382,526</b>	<b>701,171</b>	<b>1,049,034</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (QAR)</b>	<b>0.60</b>	<b>0.51</b>	<b>0.93</b>	<b>1.40</b>

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

# Masraf Al Rayan (Q.S.C.)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Nine Months Ended 30 September 2008

	<i>Nine Months Ended 30 September</i>	
	<b>2008</b>	<b>2007</b>
	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	701,171	1,049,034
Adjustments for:		
Depreciation	9,135	3,123
Gain on sale of financial investments	(127,418)	(6,350)
Gain on sale of investment properties	(363,012)	(836,400)
Operating profit before changes in operating assets and liabilities	219,876	209,407
<b>Net decrease (increase) in assets:</b>		
Cash reserve with Qatar Central Bank	(230,366)	(49,485)
Receivables and balances from financing activities	(3,849,420)	(6,194,808)
Other assets	(349,809)	(84,277)
<b>Net increase (decrease) in liabilities:</b>		
Customers' current accounts	225,804	310,748
Other liabilities	66,802	40,116
<b>Net cash used in operating activities</b>	<b>(3,917,113)</b>	<b>(5,768,299)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of financial investments	(328,503)	(354,177)
Purchase of investment properties	(84,680)	(195,526)
Investment in associates	(49,643)	-
Purchase of property and equipment	(40,855)	(35,042)
Proceeds from sale of financial investments	145,620	34,956
Proceeds from sale of investment properties	413,819	962,956
<b>Net cash (used in) from investing activities</b>	<b>55,758</b>	<b>413,167</b>
<b>FINANCING ACTIVITIES</b>		
Payment of cash dividend	(374,969)	-
Equity transaction cost		(50)
Increase in unrestricted investment accounts	2,480,781	3,701,014
<b>Net cash from financing activities</b>	<b>2,105,812</b>	<b>3,700,964</b>
Net decrease in cash and cash equivalents during the period	(1,755,543)	(1,654,168)
Balance of cash and cash equivalents at 1 January	2,709,862	3,975,823
<b>Balance of cash and cash equivalents at 30 September</b>	<b>954,319</b>	<b>2,321,655</b>

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

# Masraf Al Rayan (Q.S.C.)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Nine Months Ended 30 September 2008

	Share capital QAR '000	Legal Reserve QAR '000	Fair value reserve QAR '000	Risk reserve QAR '000	Proposed dividend	Retained earnings QAR '000	Total QAR '000
<b>Balance at 1 January 2007</b>	3,749,685	215,172	908	2,204	-	110,615	4,078,584
Equity transaction cost deducted from share premium	-	(50)	-	-	-	-	(50)
Net changes in fair value reserve	-	-	(732)	-	-	-	(732)
Total income and expense for the period recognised directly in equity	-	(50)	(732)	-	-	1,049,034	(782)
Profit for the period	-	-	-	-	-	1,049,034	1,049,034
Total income and expense for the period	-	(50)	(732)	-	-	1,049,034	1,048,252
Transfers to risk reserves	-	-	-	14,013	-	(14,013)	-
<b>Balance at 30 September 2007</b>	<b>3,749,685</b>	<b>215,122</b>	<b>176</b>	<b>16,217</b>	<b>-</b>	<b>1,145,636</b>	<b>5,126,836</b>
<b>Balance at 1 January 2008</b>	3,749,685	453,612	1,360	93,592	749,938	110,431	5,158,618
Dividend toward uncalled share capital	374,969	-	-	-	(374,969)	-	-
Payment of cash dividend	-	-	-	-	(374,969)	-	(374,969)
Net changes in fair value reserve	-	-	(3,785)	-	-	-	(3,785)
Total income and expense for the period recognised directly in equity	374,969	-	(3,785)	-	(749,938)	-	(378,754)
Profit for the period	-	-	-	-	-	701,171	701,171
Total income and expense for the period	374,969	-	(3,785)	-	(749,938)	701,171	322,417
<b>Balance at 30 September 2008</b>	<b>4,124,654</b>	<b>453,612</b>	<b>(2,425)</b>	<b>93,592</b>	<b>-</b>	<b>811,602</b>	<b>5,481,035</b>

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

# Masraf Al Rayan (Q.S.C.)

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## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008

### 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 Incorporation, Islamic Shari'a principles and regulations of Qatar Central Bank.

Masraf operates through its head office located on Grand Hamad Street in Doha and three local branches, all operating in the State of Qatar. Masraf is listed and its shares are traded in the Doha Securities Market.

The interim condensed consolidated financial statements of Masraf Al Rayan Q.S.C. for the nine months ended 30 September 2008 were authorised for issue in accordance with a resolution of the Board of Directions on 19 October 2008.

### 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.

These interim condensed consolidated financial statements should be read in conjunction with the 2007 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 nine months ended 30 September 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

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 Co. LLC ("subsidiary"). Al Rayan Investment was incorporated on 3 April 2007 in Qatar and has an authorised and paid-up share capital of USD 100 million.

#### Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the period ended 31 December 2007.

### 3 SEGMENT INFORMATION

Masraf is organised into one main business segment which deals in Islamic banking. Geographically, Masraf operates in the State of Qatar, where it has all its assets and performs all its activities.

### 4 PROPERTY, FURNITURE AND EQUIPMENT

During the nine months ended 30 September 2008, the Group acquired assets with a cost of QR 40,855 thousand (31 December 2007: QR 55,802 thousand).

# Masraf Al Rayan (Q.S.C.)

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008

### 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. However, in accordance with Masraf's Articles of Association, 20% of the net profit for the period shall be transferred to the legal reserve until the reserve equals 100% of the paid up share capital. No transfer has been made for the period ended 30 September 2008 as Masraf will transfer the required amount by 31 December 2008.

### 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 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.

### 7 DIVIDEND

On 26 March 2008, the Annual General Assembly approved the payment of 20% of the issued share capital as dividend, 10% cash dividend and 10% payment toward the uncalled share capital.

### 8 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>30 September 2008 QAR '000 (Reviewed)</i>	<i>31 December 2007 QAR '000 (Audited)</i>
Payable not later than 1 year	16,906	23,991
Payable later than 1 year and not later than 5 years	<u>46,569</u>	<u>69,475</u>
	<u>63,475</u>	<u>93,466</u>
<b>(b) Deferred or contingent commitments</b>		
Letter of guarantees	2,889,257	123,527
Letter of credit	<u>719,681</u>	<u>454,676</u>
	<u>3,608,938</u>	<u>578,203</u>
<b>(c) Other contracts &amp; commitments</b>		
Ijara unused limits	306,808	399,358
Profit rate swap	2,585,390	50,931
Forward foreign exchange contract	<u>8,550,045</u>	<u>4,186,844</u>
	<u>11,442,243</u>	<u>4,637,133</u>



# Masraf Al Rayan (Q.S.C.)

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008

### 9 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, directors and key management personnel of the Masraf, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

#### Related party transactions

##### (a) Balance Sheet items

	<i>30 September 2008 QAR '000 (Reviewed)</i>	<i>31 December 2007 QAR '000 (Audited)</i>
<b>Assets</b>		
Ijarah	661,682	1,344,214
Mudaraba	<u>2,411,877</u>	<u>2,454,866</u>
	<u>3,073,559</u>	<u>3,799,080</u>
<b>Liabilities</b>		
Unrestricted investment accounts	<u>86,378</u>	<u>75,837</u>

##### (b) Income statement elements

	<i>Nine Months Ended 30 September</i>	
	<i>2008 QAR '000 (Reviewed)</i>	<i>2007 QAR '000 (Reviewed)</i>
Income from investing activities (i)	127,418	-
Fee and commission (ii)	56,635	21,798
Profit on Ijarah	24,656	43,492
Profit on Mudarabha	<u>98,564</u>	<u>22,430</u>
	<u>307,273</u>	<u>87,720</u>

- (i) During the period, Masraf Al Rayan acquired 1,081,081 shares in Gulf Tunis Investment Company, a company established in Cayman Islands from a related party, Gulf Finance House for an amount of QR 18,202 thousand. Subsequently, Masraf Al Rayan sold the shares to a third party for an amount of QR 145,620 thousand which resulted in a profit of QR 127,418 thousand.
- (ii) During the period, Masraf Al Rayan recognized a fee of QR 54,608 thousand under an underwriting agreement with a related party, Gulf Finance House, for underwriting services in relation to the private placement of shares in the share capital of Tunis Bay Investment Company, a Cayman Islands incorporated company.
- (iii) In addition to the above during the period, Masraf purchased investment property amounting to QR 84,680 thousand from a founder shareholder, Qatari Diar Real Estate Investment Company. Subsequently, Masraf Al Rayan sold 60% of the investment property to a third party for an amount of QR 413,819 thousand which resulted in a profit of QR 363,012 thousand.

### 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.