Honour is the reward
for what we give,
not what we receive.

His Highness

Sheikh Hamad Bin Khalifa Al Thani

The Emir of the State of Qatar

His Highness

Sheikh Tamim Bin Hamad Al Thani

The Heir Apparent of the State of Qatar

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Message from the Chairman & Managing Director

On behalf of the Board of Directors, I would like to express my pleasure to meet you at the Ordinary General Meeting to discuss Masraf Al Rayan's business and activities during the year and the financial results for the financial year ended 31/12/2010.

This meeting comes at the end of the Board of Directors tenure of Masraf Al Rayan. The Board was responsible for the founding and building of the organization from inception.

After five years, it is apparent the fruits of the Board of Directors' dedication and hard work through Masraf Al Rayan's achievement as a strong, competitive and leading Bank.

With the financial crisis dissipating in 2010, Masraf Al Rayan moved into a new era driven by numerous factors, mainly, the trust in the economy of Qatar, the expected growth in GDP especially with the liquefied gas production reaching 77 million metric tons; a fact that positions Qatar as one of the top gas producing countries in the world.

In 2010, Masraf Al Rayan has achieved significant milestones in different aspects, which are summed up as follows:

On a financial aspect, Masraf Al Rayan recorded a net profit of QR 1.211 billion, an increase of 37.5% over the year 2009. Masraf Al Rayan's assets have grown to QR 34.7 billion, an increase of 43.8%. Most of the profits are earned from the financial activities which have reached QR 25 billion, an increase of 41.2% compared to the previous year. The book value of the share has also increased to reach QR 9.4 per share.

The Board has discussed distributing Masraf Al Rayan's profits for the year 2010. In light with the previous resolution of the Board to pay off the uncalled share capital value from the profit, the Board has recommended the distribution of 38.95% of the paid-up capital which equals to QR 2.635 per share therefore, the paid-up percentage of the nominal value of the share will reach 94%. Distributions to be appropriated from Masraf Al Rayan profits of 2010, the legal and the risk reserves. These distributions are subject to the approval of Qatar Central Bank and the Ministry of Business and Trade.

The remaining 6% of the nominal value of each share which is equivalent to Dirham 60 will be paid from the profits of the first half of 2011.

The Board has submitted this recommendation to the General Meeting for approval after we obtained the approval of the concerned authorities.

This decision sets the ground for growth and allows Masraf Al Rayan to overcome the restriction on full payment of share capital.

We believe and trust the shareholder's understanding and support of the decision.

On the aspect of Information Technology and services, Masraf Al Rayan has launched Al Rayan Phone, which facilitates to our clients to access a world of banking services any time either through self-service banking or through our professional dedicated team at the Call Center. Masraf Al Rayan also launched Al Rayan Net, an internet banking service offering 24-hour access to bank accounts. Additionally, Al Rayan SMS was launched allowing customers to enquire about account balances and recent transactions via SMS messages.

Masraf Al Rayan has reinforced its technology infrastructure and completed several projects. One of the projects is the 'New Card Managing System Project' which included the launch of the new Islamic Credit Cards, Pre-paid cards, electronic statements for accounts and credit cards. Additionally, the bank has completed the data security project, which has won the international ISO27001-2005 certification in data security. Moreover, Masraf Al Rayan has also launched its new website, with friendly design and content reflecting the real image of where the organization has reached.

We have also continued to strengthen what we believe is our most precious asset, the human resources. This was achieved by introducing very ambitious training programs for employees to acquire better skills in order to achieve excellence. These programs take place in Qatar in association with the Ministry of Labour and other government entities and in the neighboring countries.

Our focused training plans include recruiting interns from high schools and colleges and participating in career fairs to offer highly talented students competitive opportunities.

Masraf Al Rayan management focuses on Qatari employees, in line with the Qatarization strategy and Qatar's vision for the year 2030 - a vision that is reflected clearly in the Board's policy and the management's strategy.

Masraf Al Rayan takes a leading role in fulfilling social responsibilities. This stems from believing into national duties and responsibilities through participating in social events, donating to charities and supporting social, sports and other activities.

Masraf Al Rayan has prudently expanded in Qatar in order to offer customers quality banking services. At the end of the year Masraf Al Rayan operated through 8 branches and established four new companies: Al Rayan Brokerage fully owned by Masraf Al Rayan Real Estate Development Co., fully owned by Al Rayan Investment, SapuraCrest-Qatar, in which Al Rayan Investment owns a share of 51% while SapuraCrest International owns the rest and Linc Facilities Services, the Joint venture of Masraf Al Rayan, Doha Land and Linc Services (USA) with equal share.

We are looking forward to the future with confidence. We have set a working strategy for the coming years to continue with the same spirit and dedication of the Board's first period which we followed for the last five years. An approach that includes a risk-free strategy with prudent expansion plans.

Finally, I would like to take this opportunity on behalf of the Masraf Al Rayan board to express my gratitude to His Highness Sheikh Hamad Bin Khalifa Al Thani, Emir of the state of Qatar, His Highness Sheikh Tamim Bin Hamad Al Thani the Heir Apparent for their guidance and support of the economic growth. I would also like to extend my thanks to His Excellency Sheikh Abdullah Bin Saud Al Thani, Governor of Qatar Central Bank, and His Excellency Sheikh Fahad Bin Faisal Al Thani, Deputy Governor, for their continued support to banks and financial institutions in Qatar. Finally I would like to thank the executive management for their continuous efforts which played a major role in Masraf Al Rayan achieving a leading position.

At the end we ask Allah to lead us to the right path to offer the best for our shareholders and customers.

Regards,

Dr. Hussain Ali Al Abdulla
Chairman and Managing Director

Message from the Chief Executive Officer

2010 was a challenging year and a year of achievement at Masraf Al Rayan. During the year, the bank continued its growth path even as the global financial crisis continued to affect many economies and establishments. During 2010, Masraf Al Rayan also accomplished its first five-year-plan, capping it with outstanding results.

The statistics and numbers confirm that Masraf Al Rayan is the undisputed leader among all banks and local financial institutions in Qatar with respect to the growth in customer deposits, loans and assets, as well as return on assets, employee profitability and cost-to-income ratio. Masraf Al Rayan has also taken the number two position in the shareholders' equity and the growth in net profits.

The financial reports for Masraf Al Rayan in 2010, which has been approved by Qatar Central Bank, shows that the bank has achieved a net profit of 1.211 billion Qatari riyals, a growth of 37.5% compared to 2009, with the total operating profits touching 1,938.831 million Qatari Riyals.

The total assets during the year reached 34.683 billion Qatari Riyals, achieving a growth of 43.8%, while the shareholders' equity increased to 7.127 billion Qatari Riyals. The Earnings Per Share [EPS] is 1.615 Qatari Riyal, compared to 1.174 Qatari Riyal in the previous year.

In 2010, the focus was on removing all the obstacles and challenges facing Masraf Al Rayan to enable us to expand and grow. One of our priorities was to meet the shareholders' and investors' expectations to complete the capital. The Masraf Al Rayan Board of Directors has approved the plan to transfer profits, the legal reserves and the reserve risk outstanding capital as they might reach 94%. The remainder [6% of the capital] will be paid from the profits of the first half of 2011. This suggestion has been welcomed and approved by the shareholders.

Regarding our expansion and exposure, during 2010, Masraf Al Rayan continued to implement its growth strategy, which saw it open new branches in The Mall in D-Ring Road, the Salwa Road and the C-Ring Road, bringing the total number of branches to eight. The bank continues to work on its international expansion and entering into partnerships which would result in the birth of four new companies.

In 2010, Masraf Al Rayan also focused on completing its technical projects aimed at improving the services to customers, wherever they are, and providing them with the infrastructure to carry out their transactions with convenience. This resulted in the launch of new services such as Al Rayan Net, Al Rayan SMS and the Al Rayan Phone facilities provided through our Call Centres.

Last year, Masraf Al Rayan also focused its attention on training and human resources to enable our employees to provide better services for customers. Besides, we aggressively moved ahead on engaging Qatari national employees - providing them special training to help build their skills and expertise to the desired levels. The percentage of Qatari employees in Masraf Al Rayan by end of 2010 is 33.23%, which is one of the highest percentages among banks and local financial institutions.

Masraf Al Rayan also focused on governance in 2010, moving ahead to meet all the required obligations, including transparency, and reaffirming its commitment to corporate governance guidelines set by the Qatar Central Bank and Qatar Financial Markets Authority.

We look forward to a new era at Masraf Al Rayan, which is a continuation of our current approach and journey. There are no limits on our ambitions and we are optimistic about the national economy, and the wise leadership of the State of Qatar, which has carved a reputation for itself around the globe.

In conclusion, I wish to assure our shareholders and our customers that the future is reminiscent of that trust they have bestowed on us, as the team at Masraf Al Rayan continues to work to provide the best at all times.

Adel Mustafawi
Chief Executive Officer

Corporate Governance

Leadership in Masraf Al Rayan

BOARD OF DIRECTORS

Dr Hussain Ali Al Abdulla
Chairman and Managing Director

Sheikh Al Hussain Bin Ali Bin Ahmed Al Thani
Vice Chairman

Mr Nasser Hasan Al Ansari
Board Member

Mr Turki Mohamed Al Khater
Board Member

Mr Abdullah Ahmed Abdullah Al Malki
Board Member

Mr Khalaf Sultan Al Dhaheri
Board Member

Mr Abdul Rahman Ali Al Saeed
Board Member

Sheikh Saleh Bin Ali Abdul Rahman Al Rashid
Board Member

Sheikh Nasser Bin Hamad Bin Nasser Al Thani
Board Member

SENIOR MANAGEMENT

Adel Mustafawi
Chief Executive Officer

Jamal Darwiche
Chief Operating Officer/Acting GM - Retail Banking

Mohamed Mursal
General Manager Financial Controls

Syed Hasan
General Manager Corporate Banking

Abdulla Al Mulla
AGM Administration & Human Resources

Fadel Al Enazi
AGM Information Systems

Tariq Masood
AGM Operations

Khalid Fakhroo
AGM Engineering

Khaled Ramadan
AGM Alternative Delivery Channels

Hassan Al-Hammadi
AGM - Treasury

Aized Habib
AGM - Corporate Banking

Abdelmonem El Hassan
General Legal Counsel

Majdi Al Fatih Awouda
Chief Internal Auditor

Zakaria Glaoui
Executive Manager Private Banking/Branches

Hassan Al Awad
Executive Manager IT Infrastructure & Operations

Odayapurath Abdul Razak
Executive Manager Card Center

Subramaniam Yenamandara
Central Operations/Card Centre

Manahil Maki
Executive Manager Credit Risk

Mahboob Haider
Executive Manager - Mfg. & Trade Relationship

Hussein Hammam
Executive Manager SME

Mohamed Hussein
Executive Manager, Head of Operations and System Risk

Adel Fadhul
Executive Manager, Trade Finance

Fawzi Siam
Senior Manager Shari'a Audit

Dareer Mohamed
Compliance Manager

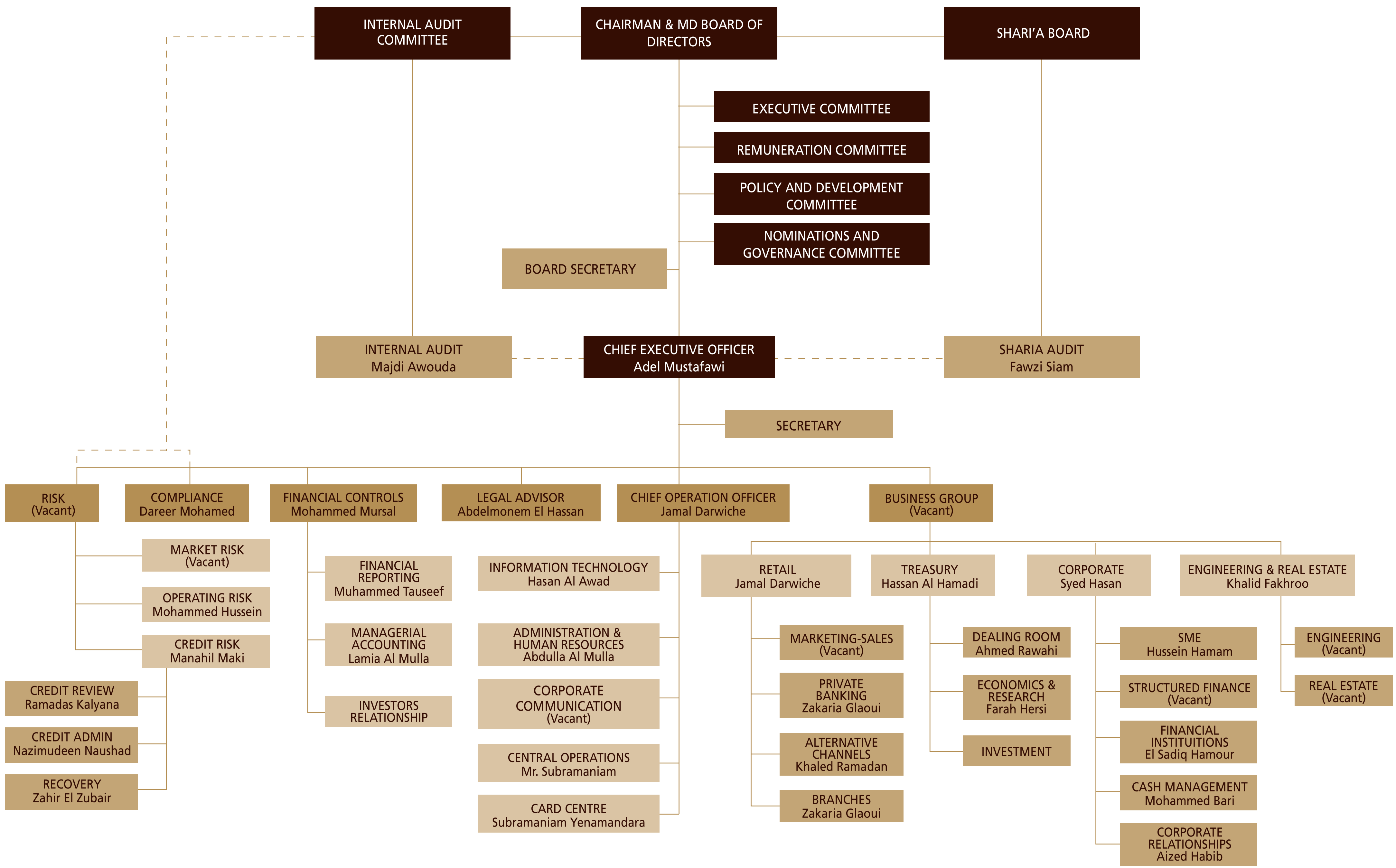
SHARI'A SUPERVISORY BOARD

Sheikh Dr. Waleed Bin Hadi
Board of Shari'a Chairman

Sheikh Dr. Abdul Sattar Abu Ghuddah
Board of Shari'a Member

Sheikh Nizam Yaqoubi
Board of Shari'a Member

Masraf Al Rayan Organizational Chart



Board of Directors' Report on Corporate Governance in Masraf Al Rayan 2010

There has been great interest in corporate governance in the last few years, for which international organizations have set new criteria considering it the ideal system which will allow for better governance and control of any corporation through the principles and terms implemented by the management and Board of Directors in any institution.

In that, Qatar Central Bank and Qatar Financial Markets Authority issued corporate governance guidelines to all banks, financial institutions and companies listed in the financial market.

The Board of Directors at Masraf Al Rayan is committed to follow these guidelines as part of its commitment towards its shareholders and customers, being responsible of assuring the bank's financial strength, protecting the rights of the investors and depositors, keeping the financial statements transparent, accurate and credible as well as its commitment to comply with all the rules and regulations issued by other authorities in Qatar.

BOARD OF DIRECTORS

After amendments made during 2009 on the formation of the Board of Directors as a result of the resignation of Dr. Issam Janahi, former Vice Chairman of the Board and the selection of Sheikh Al Hussain Bin Ali Bin Ahmed Al Thani as Vice Chairman and the appointment of Sheikh Nasser Bin Hamad Bin Nasser Al Thani as a Member of the Board in addition to appointing Mr. Turki Mohammad Al Khater as a Member of the Board to succeed Mr. Hamad Bin Abdullah Al Attiya upon the request of the General Retirement and Social Insurance Authority. The formation of Masraf Al Rayan first Board is as follows:

Name	Title	Nationality	Joining Date
Dr. Hussain Ali Al Abdulla	Chairman & Managing Director	Qatari	4/1/2006
Sheikh Al Hussain bin Ali bin Ahmed Al Thani	Vice Chairman	Qatari	4/1/2006
Sheikh Saleh Ali Abdul Rahman Al Rashed	Board Member	Saudi	4/1/2006
Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari	5/4/2006
Mr. Naser Hasan Al Ansari	Board Member	Qatari	4/1/2006
Mr. Turki Mohammad Al Khater	Board Member	Qatari	2/6/2009
Mr. Abdullah Ahmad Al Maleki	Board Member	Qatari	4/1/2006
Mr. Khalaf Sultan Al Dhaheri	Board Member	UAE	4/1/2006
Mr. Abdul Rahman Ali Al Saeed	Board Member	Kuwaiti	4/1/2006

The Board of Directors held six meetings during 2010 on the following dates:

First meeting:	25/1/2010
Second meeting:	12/4/2010
Third meeting:	31/5/2010
Fourth meeting:	16/8/2010
Fifth meeting:	18/10/2010
Sixth meeting:	20/12/2010

SHARI'A SUPERVISORY BOARD

Masraf Al Rayan Shari'a Supervisory Board members are:

- Sheikh Dr. Waleed Bin Hadi	President
- Sheikh Nizam Yaqoubi	Member
- Sheikh Dr. Abdul Sattar Abu Ghuddah	Member

The Shari'a Supervisory Board reviews the contracts and responds to the enquiries, additionally, it sets solutions for the challenges which would appear during the implementation. The Supervisory Board responsibilities also include supervising the bank's operations and assuring its compliance with the regulations and principles of Shari'a. The Shari'a Supervisory Board will submit its report for Masraf Al Rayan financial year 2010 to the General Assembly at its meeting due to be held in March 2011.

BOARD COMMITTEES

The Board of Directors' Committees were formed pursuant to the corporate governance guidelines and had performed their functions as specified in the approved terms of reference:

EXECUTIVE COMMITTEE

According to the Board resolution no. 12/T/2009 dated 24/6/2009 the Committee members are:

- Sheikh Al Hussain Bin Ali Bin Ahmed Al Thani	President
- Mr. Turki Mohammed Al Khater	Member
- Mr. Naser Hasan Al Ansari	Member
- Mr. Abdul Rahman Ali Al Saeed	Member

The Executive Committee is one of the most important Board Committees as it assists the Board in reviewing the activities of Masraf Al Rayan and it plays a major role in studying the issues related to the credit transactions and the bank's activities in order to present them to the Board, raise recommendations and acquire its approval.

Executive Committee main responsibilities:

- Review the main duties of the Board
- Discuss matters which fall under the purview of the Board or those that may arise between Board meetings
- Provide reports and recommendations to the Board of Directors and upon request
- Present recommendations and approve financial matters, according to the delegated authorities
- Endorse risk policy
- Recommend approval of the policies and regulations or any amendments or additions
- Approve or recommend country or bank limits and incorporate necessary amendments, if needed

The Committee studied, reviewed and made appropriate decisions on several matters that were referred to it. The Executive Committee held the following meetings during 2010:

First meeting:	25/1/2010
Second meeting:	28/2/2010
Third meeting:	12/4/2010
Fourth meeting:	11/5/2010
Fifth meeting:	12/10/2010

INTERNAL AUDIT COMMITTEE

The Committee name was changed according to Board decision number 9/2/2009 dated 19/4/2009 from the Internal Audit Committee to become Internal Audit and Risk Committee. The Committee members are as follows as approved by the Board:

- Mr. Khalaf Sultan Al Dhaheri	President
- Sheikh Saleh bin Ali Abdul Rahman Al Rashed	Member
- Mr. Abdullah Ahmed Abdullah Al Maleki	Member
- Sheikh Nasser bin Hamad bin Nasser Al Thani	Member

On 16/8/2010 and upon recommendation by the Committee, the Board of Directors adopted decision number 12/4/2010 approving to reassign the "risks" functions to become the responsibility of the Executive Committee and to amend the Terms of Reference of the Executive Committee and the Internal Audit Committee in conformity to their responsibilities and adopt the new name "Internal Audit Committee" wherever mentioned.

Internal Audit Committee has the following responsibilities:

- Appoint the internal audit staff and adopt a policy for contracting the external auditors.
- Supervise and monitor the independence of the external auditors and their objectivity and discuss with them the nature and scope of the audit and effectiveness in accordance with international auditing standards and international financial reporting standards.
- Overseeing the accuracy and validity of the financial statements and the annual, semi-annual and quarterly reports, review the data and reports in particular with regards to their compliance with accounting, transparency, listing in the market and disclosure standards.
- Coordination with the Board and senior executive management and Chief Financial Officer of the Bank or designate and arrange meetings with the external auditors at least once a year.
- Study any important and unusual issues included or will be included in the financial statements.
- Revision of financial and internal control systems and risk management.
- Discuss the internal controls system with the management and ensure the performance of the management of its duties towards the development of an effective internal controls system.
- Considering the results of the investigations in the internal control issues entrusted to it by the Board of Directors.
- Ensure coordination between the external and internal auditors and verify and supervise the effectiveness of the internal audit.
- Review the accounting and financial policies and procedures of the Bank.
- Review letter of appointment of the external auditor, his work plan and any queries he requested from senior management of the bank as well as the responses of the management.
- Ensure prompt response to Board of Directors queries and matters raised by external auditors.

- Developing rules to be approved by the Board of Directors allowing the staff of the bank to report confidentially their concerns regarding any issues that are likely to raise suspicion, and to ensure appropriate arrangements for an independent and fair investigation about these issues while preserving confidentiality and protecting the staff from any retaliation.
- Oversee compliance with the rules of professional conduct.
- Reporting to the Board of Directors on matters provided for in this article.
- Consider any other matters determined by the Board of Directors.

In cooperation with the Internal Audit Department, the Committee reviewed many relevant issues and has submitted their reports to the Board of Directors.

The Committee held the following meetings in 2010:

First meeting:	24/1/2010
Second meeting:	12/4/2010
Third meeting:	28/6/2010
Fourth meeting:	17/10/2010

REMUNERATION AND COMPENSATION COMMITTEE

The committee was formed in compliance with the corporate governance guidelines under the Board resolution No. 8 - 4/5/2009 of 16/11/2009 as follows:

- Sheikh Al Hussain Bin Ali Bin Ahmed Al Thani	President
- Mr. Khalaf Sultan Al Dhaheri	Member
- Mr. Abdullah Ahmed Abdullah Al Maleki	Member

The Committee has the following responsibilities:

- Determining the remuneration policy at the bank, including the emoluments of the Chairman and all members of the Board and the senior executive management.
- Updating regulations of the rewards and compensation whenever the need arises.
- Proposing remuneration of the members of the Board of Directors and executive management, taking into account the following:
  - The value of awards granted to members of the Board of Directors and executive management in similar financial institutions, local and regional.
  - Profits and achievements of the bank during the financial year and compare them with the results of previous years.
  - Economic and financial conditions during the fiscal year.
  - Responsibilities and scope of tasks of the Board members and senior executive management.
  - Observing the relevant articles in Masraf Al Rayan Articles of Association that determine the value of the bonuses for the members of the Board of Directors.
- Proposing the bases that determine the annual bonuses for staff.
- Presenting the remuneration policy and principles to shareholders in a general assembly for approval and public announcement.

The Committee appointed a coordinator on 11/1/2010, and defined the Terms of Reference for the Committee in addition to proposing controls for awarding bonuses to Directors and executive management

Moreover, the committee prepared chart for rewards, compensation and allowances to Masraf Al Rayan Board Members and put forward its recommendations related to the annual rewards for the Chairman and members of the Board and the senior management and established basis that determine the annual bonus for employees.

NOMINATION AND GOVERNANCE COMMITTEE

Objectives:

Evaluate the nominees for membership in the Board of Directors and the executive management and submit recommendations concerning the nominees as well as evaluating the extent of the efficiency and effectiveness of the Board of Directors in addition to giving directives concerning renewal for Board membership and replacing members.

Committee Formation

This committee was formed in compliance with the corporate governance guidelines according to the Board resolution number 12/2/2010 dated 12/4/2010 and it consists of:

- Sheikh Al Hussain Bin Ali Bin Ahmed Al Thani	President
- Mr. Turki Mohammed Al Khater	Member
- Mr. Abdullah Ahmad Abdullah Al Maleki	Member

The Committee has the following responsibilities:

- Adoption and publication of its terms of reference showing its authority and role.
- Proposing appointment of Board members and the re-nomination for election by the General Assembly.
- Supervise the implementation steps for the call for nominations to the Board, and consider applications received to ensure matching of applicants for membership conditions.
- Determining qualifications for Board membership, including independence.
- Make sure that candidates can give sufficient time to carry out their duties as members of the Board as well as their skills, knowledge and experience and professionalism, technical, academic and personality.
- Consider any conditions or requirements relating to the nomination or election or appointment of Board members from Qatar Central Bank or any other authority.
- Evaluate candidates for senior executive management positions, and submit recommendations to the Board of Directors.
- Perform an annual self-assessment of the Board's performance.
- Follow-up Board Committees' self-assessments.
- Supervise Board structure and composition of its committees.
- Establishing an orientation program for new members, propose training programs for them as needed.

The Committee held a meeting on 12/10/2010 in which the following subjects were discussed:

- Adopt the Terms of Reference of the Committee.
- Appointment of Board of Directors' secretary.
- Discuss the election method (cumulative voting - and the established voting).
- Timetable for calling the elections and the election activities.
- Board committees and self assessment for the Board performance.
- Adopt orientation program for new Board members.

POLICIES AND DEVELOPMENT COMMITTEE:

Formation was amended according to Board of Directors' resolution number 9/4/2010 dated 16/8/2010.

Committee comprises of:

Mr. Naser Hasan Al Ansari	President
Mr. Khalaf Sultan Al Dhaheri	Member
Mr. Abdullah Ahmad Abdullah Al Maleki	Member

The Committee has the following responsibilities:

- Study, prepare and develop strategies.
- Review and set objectives.
- Study, prepare and develop policies.
- Study, prepare and develop systems.
- Study, prepare and develop plans.
- Review budget.

The Committee pursued its obligations starting from appointing Committee coordinator and adopting Committee Terms of Reference then reviewed the following policies which were referred to it:

- Internal Audit Policy
- Corporate Governance Policy
- Anti Money Laundering Policy
- Credit Policy
- Personnel Policy

Moreover, the Committee discussed Masraf Al Rayan strategies and work plan for the coming five years (2011 - 2015) and submitted its recommendations to the Board.

Additionally, the Committee reviewed the matters referred from the Board again:

- Results of the reviewing of the Internal Audit Policy.
- Results of reviewing the Corporate Governance policy at Masraf Al Rayan.
- Results of reviewing Anti Money Laundering Policy.
- Results of reviewing the Credit Policy.
- Results of reviewing Personnel Policy.
- Results of reviewing the Whistle Blowing Policy.

The Committee held two meetings on 5/3/2010 and 17/10/2010.

CHARTER OF THE BOARD

The Corporate Governance Charter aims at providing frame of responsibility and control over the Bank in addition to ensuring the existence of a supervision that is based on respect of values according to the laws and related regulations.

Masraf Al Rayan solemnly believes that following this Charter will enhance - in the long run - trust with shareholders, clients and employees and different stakeholders in addition to establishing and supporting Masraf Al Rayan reputation in the money market.

The Board Charter is binding not only on the Board members but on all staff and the Board of Directors is considered responsible for implementing this Charter and applying it by all staff at Masraf Al Rayan.

This Charter was prepared in compliance with the local laws and rules and international standards. The Charter will be revised from time to time considering the guidelines, the acquired experiences, work needs and according to the requirements of Qatari laws and related regulations.

Masraf Al Rayan Board of Directors approved this Charter by resolution number 14/2/2010 dated 12/4/2010.

The Charter dealt with shareholders rights, gave a presentation on the duties and obligations of the Board of Directors, duties of the Chairman and executive and non-executive members. It also discusses the subject of conflict of interests and disclosure and showed in details the responsibilities of the Board of Directors' committees and frame of work and governance reports in addition to including signed declarations and undertakings by members of the Board.

Masraf Al Rayan Governance Charter was published on the internal intranet as well as on Masraf Al Rayan website to make it available for all.

REMUNERATION OF THE BOARD OF DIRECTORS

The Remuneration and Compensation Committee discussed the Board of Directors' bonus and that of the senior management and found that setting such bonus must depend on what is applied in the similar banks and institutions at the first place. Also, it must be connected with profit and achievements that the bank had realized during the fiscal year and comparing it with the results of previous years. Moreover, the economic and financial position during the fiscal year, the responsibilities and scope of duties of the Board members and the senior executive management must be taken into consideration and that bonuses must be within the permitted level in the Articles of Association and related regulations.

The Board agreed to the recommendation of the Committee and submitted its recommendations before the General Assembly who adopted the Board of Directors bonus for the year 2009 which did not exceed 0.68% form net profit which Masraf Al Rayan had realized during 2009.

LIST OF BONUS, FEES AND ALLOWANCES OF MEMBERS OF THE BOARD OF MASRAF AL RAYAN

The Remuneration and Compensation Committee recommended that the List of Bonus, Fees and Allowances for Board Members be adopted. The Board had agreed to this List and it was endorsed by the Masraf Al Rayan General Assembly in its meeting held on 8/3/2010.

The List included a presentation to regulations on which the List was based and the Board of Directors resolutions in that regard and the basis on which bonus for the Board of Directors and senior management are based while this chart is being updated annually by the Remuneration and Compensation Committee and it will be presented before the Board for final approval prior to submitting before the Ordinary General Assembly meeting for adoption.

Policies:

Masraf Al Rayan is committed in its work to follow an adopted group of policies that determine the framework and controls on all activities. These policies are updated and amended through the Policies and Development Committee before approval by the Board.

On 12/10/2010 and according to the recommendation of the Policies and Development Committee the Board adopted the following updated policies:

- Internal Audit Policy
- Corporate Governance Policy
- Anti Money Laundering policy

- Credit Policy
- Personnel Policy
- Whistle Blowing Policy

CREDIT LIMITS FOR BANKS AND COUNTRIES

In compliance with Qatar Central Bank regulations, the Treasury Department recommends setting credit limits for banks that Masraf Al Rayan has business relationships with as well as credit limits for countries, the Board approves these limits in the mid of the year and submit the limits to Qatar Central Bank.

According to the Board of Directors resolution number 6/3/2010 dated 31/5/2010, the Board endorsed, after making the required amendments, the new limits for the banks and countries for Masraf Al Rayan for the period extending from 1/6/2010 to 31/5/2011 in compliance with the regulations of Qatar Central Bank.

INTERNAL CONTROLS, INCLUDING SUPERVISING FINANCIAL MATTERS, INVESTMENTS AND RISK CONTROL

The staff of the internal audit, compliance and risk management form the first level of controls that the management uses to ensure compliance with the regulations of regulatory bodies. These functions report directly whenever necessary to both the senior management and the Board of Directors, as such, the Board has full view on the outcomes of the internal controls. This means monitoring policies and procedures on granting and evaluating risks related to credit, investment, liquidity, market, capital adequacy, concentration, foreign exchange, profit rate, pricing, profitability, budgets, accounting operations, legal, money laundering, insurance on assets, related parties and interests, compliance with laws and regulations, internal and external auditing, evaluation of performance, disclosures to all competent parties.

In addition to monitoring these risks, personnel policies which organize staff appointment and cost and set regulations for incentives and development of their skills and advance their behavior and work ethics and other policies are revised to ensure compliance with the best practices and the requirements of the regulating bodies therein.

The Internal Audit Department reviews the performance of the Risk and Compliance to provide assurance to the Audit Committee of the Board of Directors that these duties are performed efficiently and to report on any matters that needs more attention.

Moreover, the activities of Masraf Al Rayan are entirely subjected to controls set by policies which the Board of Director would adopt and these policies include the following:

1- ALM & Treasury Policy
2- Credit & Risks Policy
3- Internal Audit Policy
4- Financial Policy
5- Investment Policy
6- Personnel Policy
7- Corporate Governance Policy
8- Whistle Blowing Policy
9- Anti Money Laundering Policy

Assessment of the Board and Senior Management in the application of internal controls including the number of violation notifications made to the Board (including risk management) and how the Board dealt with these issues:

No reports of major violations that needed the intervention of the Board were made; routine matters were resolved by the Compliance and Risk Departments according to the applied policies.

Failure to apply internal controls or weakness in application or emergency cases which influenced or may influence the company's financial performance and the action that the company took to cure this failure:

Compliance is the responsibility of the Compliance Manager where he makes continuous and comprehensive reviews and submits reports to the management on compliance violations to take necessary corrective measures. No unusual cases occurred that will influence or may influence the financial performance of Masraf Al Rayan.

Company compliance with rules and conditions governing disclosure and listing on the market:

Masraf Al Rayan Board of Directors is committed to the principles of transparency in performing its business with regards to the requirements of disclosure on all that may affect the financial performance of the bank or the movement of its shares' prices. Information of the Board members was provided to Qatar Financial Markets Authority as well as to Qatar Exchange to make known their ownership of shares. The Board Charter identifies the responsibilities of the Board and its committees.

The Board is also keen to provide Qatar Exchange with financial statements and clarifications as set by the Qatar Exchange regulations, in addition, the Board publishes the financial statements once approved by the Board of Directors according to the Commercial Companies Law, Qatar Central Bank regulations, Qatar Exchange rules, and the regulations of Qatar Financial Markets Authority.

Financial statements are published supported with external auditors' report who confirms in his reports that the reports and financial statements of Masraf Al Rayan are issued in conformity to the international accounting and auditing standards and that the external auditor has obtained all the data and information that are necessary to perform the audit.

The financial statements and the external auditors' reports are published on the Qatar Exchange website and on the local media and some GCC newspapers according to what is stated in the Articles of Association of Masraf Al Rayan and the Commercial Companies Law.

Company compliance with internal control systems for risk identification and management:

The Board of Directors gives special attention to setting internal control systems by clearly determining its responsibilities including its position in the organization chart and its relationship with other departments in a way that would ensure its independence and effectiveness. The Board provides adequate resources and fast and clear reporting lines to the Board of Directors and senior management and provide it with necessary authority to have access to information within the frame of clear and adequate policy and procedures and making annual revisions to these policies. The Board ensures that the duties of the Internal Audit include the audit of activities of the Compliance Manager. In addition to the above, the Executive Management in collaboration and coordination with the Compliance Manager takes the necessary corrective and disciplinary action if any violations are discovered and submit periodical reports to the Board on matters related to the policies and procedures of the compliance to help in improving them.

Process applied by the Bank to determine, evaluate and manage risks:

CREDIT RISKS

The Bank's Credit Policy Manual is considered the pillar of the Credit Risk Management's function. It includes all procedures and rules that govern and regulate the process of granting financing to customers. This is basically to follow a standardized approach in the process of credit evaluation & management.

The Bank extends credit facilities only after the applicants meet a set of requirements namely, a clearly identified purpose of the requested facility, adequacy of sources of repayment, customer creditworthiness and experience, acceptable risk level as per MAR approved risk level as per MAR approved risk appetite, and sufficient collaterals to protect the Bank's rights.

There is no individual credit delegated authority and the approval of non-salary related credit application has to go through a credit committee in the Bank which consists of the following:

1- Retail Credit Committee for credit facility limits up to QR 15 Million
2- Group Credit Committee for credit facility limits up to QR 150 Million
3- Executive Committee for credit facility limits up to QR 300 Million
4- Board Committee for credit facility limits above QR 300 Million

A) CREDIT RISK DIVISION

The Credit Risk Division in Masraf Al Rayan follows a number of procedures to identify, assess, measure and monitor risks associated with any financing.

B) MEASURING OF CREDIT RISK IS MADE AS DETAILED BELOW

1- Determining credit types and economic sectors for which the bank extends financing.
2- Establishing a limit cap for group exposure as well as pricing modules.
3- Determining direction of percentage of financing to asset and percentage of each type of credit to financing portfolio or equity.
4- Determining types of collaterals, its mechanism of evaluation, the approved professional agents which conduct the evaluation, its financing to collateral value (FTV) and taking precautionary steps to protect the bank against any risk such as obtaining property insurance and periodical evaluation of these collaterals.
5- Establishing rules for granting facilities to Bank's main shareholders, Board members, senior management members, Bank's staff, and their relatives. This is in addition to implementing rules for: approving granting credit facility; obtaining information and documents which are mandatory for finance granting and credit authorities, as well as establishing rules for independent credit review, and rules for credit rating and allocating provisions.
6- Activating the roles of Credit Administration to follow up the completion of all documents and securities as required by the credit committee in order to activate the limits in the system.
7- Specifying risk degrees agreed by the Bank's Board for financing deals in general.

C) IMPLEMENTATION OF SOUND MEASURES TO DETERMINE CREDIT RISKS

Granting credit facilities is based on sound measures as detailed below:

1- Obtaining sufficient information in order to make a comprehensive evaluation of the client and types of risk underlying the requested facility, as well as to be able to rate the client as per the Bank internal credit rating system.
2- The legal eligibility of the applicant to honor his/her commitment.

3- Knowledge of the customer's reputation, experience, market share (industry share) and purpose of the requested facility.

4- The nature of the current and future risks of the credit applicant, industry, and sensitivity to the economic developments and the relation between profit and risk.

5- Source of repayment and customer's commitment to settle previous debts and type of the acceptable collaterals.

6- Analysis of customer's financial position based on updated audited financials.

7- Establishing credit limit caps for all on & off-balance sheet items, credit limit caps for industry, countries, and establishing credit limit caps based on the customer risk rating.

8- Establishing credit limit caps which can be extended for equity on one obligor level, group level and inter-related relations level as well as those with overlapping interests.

9- Conducting stress-testing on regular basis to review the applied regulations to face up the deep and unexpected changes in the market.

10- Currently, the Bank is in the process of establishing a corporate risk system and the Credit Bureau system. These systems will be applied in 2011 for corporate financing as well.

D) EXISTENCE OF PROCEDURES TO HANDLE AND FOLLOW UP CREDIT

This includes:

1. Existence of a filling system to handle customers' files and update its information and documents.
2. Follow-up the execution of the credit facilities to make sure that everything is complying with the procedures, policies, laws and compliance regulations namely, the client's current financial position, existence of sufficient securities with a coverage suitable to the current status of the customer, and the client's utilization of the facilities. This task is made through a portfolio updated report submitted on periodical basis.
3. Internal credit rating of the client which helps in: granting financing and follow up its quality, facility pricing, determining credit portfolio characteristics and credit concentration, determining defaulting accounts and sufficiency of its provisions.

E) EXISTENCE OF SUFFICIENT CONTROL ON CREDIT RISKS

Risk monitoring is exercised via the existence of the following:

1. Internal controls to make sure that any exception or deviation in the credit policy or credit procedures and credit limits, is reported.
2. A Collection Unit to detect defaulted credit at an early stage through generating a daily past dues report and advise the concerned business unit in order to avoid it in future.

Each quarter, Credit Risk Division conducts an independent review and audit on all financing exposure/portfolio, its status, credit concentrations and industry performance, and escalates recommendations, in case of any, to Senior Management to take the necessary steps. The Credit Risk Division, also follows up all credit facilities and increase in limits and audit the performance of the portfolio on regular basis in order to detect any cautious alerts or indications in order to take the necessary actions in the right time. Moreover, the Committee reviews non-active facilities, risk rating based exposures and makes recommendation, in case of any, to the Board.

Credit Administration is an independent unit whose task consists of reviewing credit approval conditions, collaterals, facilities agreements, and limit activation. The function of this unit is always constant and in line with the Bank's strategy.

MARKET RISKS

The Bank monitors market risks by using the latest banking standards depending on Qatar Central Bank regulations and the principles of Basel II and using the expertise of internationally experienced staff.

The relevant staff monitor several risks linked to the market such as foreign exchange risks, profit rates, pricing, liquidity, general investments, clients' deposits investments, commodities prices, capital adequacy and liquidity

To mitigate these risks, the bank diversifies its activities in different countries, sectors, products and client segments and takes proactive steps to manage these risks.

Masraf Al Rayan issues internal reports on daily, weekly and monthly basis to the management to assist in taking proper decisions and monitor the market risks.

These reports include daily reports such as reports on the market reaction and daily reports on the performance of the Qatar Exchange, a weekly report on the treasury in addition to the monthly report to the Assets and Liabilities Committee (ALCO) which shows the budget position, banking ratios and pressure tests on budget, analyzing gaps in assets and liabilities. ALCO members are from the senior management and this report is discussed in its monthly meeting where decisions are made and followed up.

To facilitate the work of the Treasury, the Bank implemented the OPICS system in 2010 which is a special treasury automated system, and is one of the most efficient systems used for the purposes of the treasury; it facilitates developing the financial products and solutions in general. On the other side, it assists to a great extent in giving information related to monitoring and mitigating risks.

MASRAF AL RAYAN OPERATIONAL RISK

Masraf Al Rayan Operational Risk Methodology and Mitigation framework provides an integrated platform and disciplined approach to identify, assess and evaluate, manage and mitigate, control and communicate, as well report the various risks associated with Bank's activities in the business segments of investments like corporate finance, capital markets and treasury, as well as internal operations (internal controls and systems) and external operations (legal and compliance) and supporting services for bank operations such as information technology (IT) and human resources.

SUMMARY OF OPERATIONAL RISK METHODOLOGY

The ORM strategy will focus on Risk team being structured by business group to ensure specialization and efficient coordination between business groups and Risk. The framework starts with MAR strategic goals; this includes Business functions and process, followed by determining the likelihood, consequences and control of the risk. Finally, the risk treatment is applied which is risk mitigation strategies which are in place. This followed by constant monitoring the risk and treatment and communication with MAR departments.

In addition, the following steps will also be taken;

- All staff is reminded of their responsibility towards risk management.
- All staff report operational risk events as and when they occur.
- Operational risk coordinators in each department work on the reported risk incident dealing with operational risk issues related to their department/s.
- The OP risk coordinators will coordinate with operational risk to ensure efficient and effective implementation.
- Operational risk Framework will be developed for each major process in liaison with the OP risk coordinators through risk assessment, review of internal and external auditors report, brainstorming sessions with Risk, review of reported operational risk events and losses etc.

RISK MITIGATION

In an effort to encourage better risk management practices, MAR is keenly interested in efforts to better mitigate and manage operational risk. In MAR controls and programs are in place that has the potential to reduce the exposure, frequency, or severity of an event and hence, manage risk exposures. MAR controls are examined to know whether the control is truly reducing risk, or merely transferring exposure from the operational risk area to another business sector.

OPERATIONAL RISK DEPARTMENT'S ACHIEVEMENTS 2010 IN TERMS OF INFORMATION SECURITY

- BS ISO/IEC 27001 certification successfully completed
- Internet Banking Monitoring Project completed
- VISA Card Self-Assessment Questionnaire completed and submitted

BUSINESS CONTINUITY

- Masraf Al Rayan Business Continuity Documentation completed
- BCM Training and Awareness completed
- BCM Testing for all critical departments completed
- Security committee formed and training completed
- Al Rayan Investment Business Continuity Plan and testing completed

OPERATIONAL RISK REPORT

Operational risk event is an event resulting from inadequate or failed internal processes, people or system or from external events. For an event to be regarded as a risk it does not have to result in a financial loss. An event would still be categorized as a risk event if it results in a financial gain.

Escalation Procedure

1. On the discovery of an operational risk event the concerned staff is required to report the occurrence of the risk event to their manager.
2. The Manager is required to initiate a review of the event and complete the operational Risk Event Incident Form.
3. The operational Risk Incident Form and the supporting documents should be submitted to Ops Department.
4. Head of Operational Risk shall review the incident and liaise with the Head of concerned dept. to ensure that appropriate action plan is put in place to mitigate recurrence of similar events in the future.

Apart from risk reporting escalation from departments, the Operational risk department submits quarterly reports such as Operational risk report, Loss data reports and risk register events to senior management.

Currently overall strategy of Operational Risk is based on risk avoidance and mitigation and good structure and controls is in place that absorbs and reduces operational risk events.

Dr. Hussain Ali Al Abdulla

Chairman and Managing Director

Business Overview

Vision, Mission & Strategy

VISION

Masraf Al Rayan strives to become the foremost Islamic Bank the GCC region has ever produced by offering a broad spectrum of Islamic banking products and services, through efficient and reliable channels, to all sectors of the market in which it operates; and to maintain its twin objectives of furnishing a high return on shareholder investment and satisfying its individual customers.

MISSION

We are committed to creating added value for both shareholders and customers by providing Islamic oriented corporate, retail and investment banking products and services. In doing so, we will:

- Build a well-balanced financial institution across retail, corporate, advisory and asset management services
- Provide market-leading Islamic financial services while holding Shari'a principles at the heart of all our activities
- Focus on product and service innovation, delivered according to international standards
- Fully utilize Masraf Al Rayan's large capital base and diverse shareholder ownership
- Build a strong franchise system, serving both Islamic and non-Islamic customers, first in the GCC and then beyond

STRATEGY

The bank has already formulated its strategic plans for the future, and set goals to be achieved up to the year 2010. We plan to:

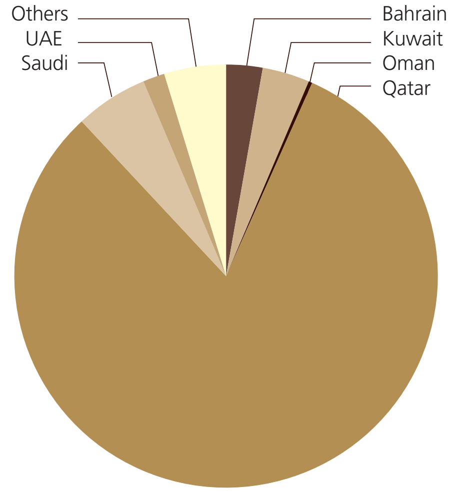
- Develop new Islamic Shari'a-compliant products and add innovative features to prevailing market products
- Become the market leader both inside and outside Qatar through financing, international offerings and expert advisory services
- Build service-delivery and brand-distinction expertise

Our corporate values derive from our strategy, and encompass:

- Leadership at all times and at all levels
- Team spirit
- Market-led, customer-focused
- Professionalism and entrepreneurial spirit
- Honesty, integrity and objectivity in all relationships
- Respect for each other and for the values of the bank

A Summary of MAR Shareholders' Information on November 29, 2010

Nationality	Number of Shareholders	No. of Shares	Percentage
Bahrain	32,598	21,504,603	2.87%
Kuwait	39,190	26,548,275	3.54%
Oman	12,138	3,738,285	0.50%
Qatar	75,250	610,277,700	81.37%
Saudi	91,009	42,395,991	5.65%
UAE	29,618	12,082,229	1.61%
Others	4,739	33,452,917	4.46%
Totals	284,542	750,000,000	100.00%



Top 10 Shareholders

Name	Client Type	Nationality	Shares
Qatar Holding	Government	Qatar	75,000,000
Special Projects Company LLC	Corporate	Qatar	17,004,136
Qatari Diyar Real Estate Investment Company	Government	Qatar	14,300,000
Brooq Trading Company	Corporate	Qatar	13,950,000
General Authority for Retirement and Pensions Fund	Government	Qatar	13,400,000
Qatar Foundation Fund	Government	Qatar	13,400,000
Education & Healh Fund	Government	Qatar	13,400,000
Kuwait Finance & Investment Company (KFIC) - Customer Account	Corporate	Kuwait	12,328,115
Manazel Trading Company	Corporate	Qatar	11,018,334
Qatar National Bank	Corporate	Qatar	10,750,000

* MAR is a public shareholding company listed in Qatar Exchange.

Masraf Al Rayan Branch Network

No.	Branch Name	Location
1	Al Sadd Branch	Al Sadd Street, Barwa Building, Ground Floor
2	Masraf Al Rayan Main Branch	Grand Hamad Street
3	Al Shafi Branch	Al-Salam (Al-Shafi) Street
4	City Center Branch	City Center, 1st Floor
5	Qatar University Branch	Qatar University, Food Court Area
6	Salwa Road Branch	Salwa Road, Next to Hyundai Showroom
7	Mall Branch	D-Ring Road, The Mall Shopping Center
8	C-Ring Road Branch	C-Ring Road, Financial Square

Human Resources

Masraf Al Rayan currently has a talented, dedicated team of 322 employees. At Masraf Al Rayan we believe that success largely depends on the energy and efforts of its employees, serving customers in all areas of our business interests. Our employees come from diverse backgrounds and are highly valued for their contribution in setting up and building the Bank. With our business constantly evolving, employees share a common passion for achieving the Bank's vision through consistent and focused effort.

We provide our people with the development and knowledge resources they need to be successful in all aspects of their lives - both personally and professionally. Within MAR, employees have access to learning, knowledge and professional support. And we regularly recognize and reward achievement through our efficient performance management system based on balanced scorecards. We continually refine our rewards and recognition process to recognize high performers.

Without great people, we cannot be a great Bank hence we consistently strive to provide an environment where talented people can develop, flourish and make a difference, and this is made possible through our comprehensive orientation sessions, individual development plans, coaching department spotlight, talent management & career developement programs.

Masraf Al Rayan is currently establishing improved HR systems and processes for smooth and effective functioning and people management. Over a period of time, this will help the organization in attracting and retaining pivotal talent, and hence achieving business results.

In order to ensure that our employees are satisfied, the Bank has also designed employee suggestion scheme through which we are utilizing the inputs of our employees to develop MAR.

At Masraf Al Rayan we endeavor to provide a balanced environment for the workforce to develop and grow by offering a broad range of career opportunities across all areas of business. An integral part of these efforts is the development of various programs for Qataris ranging from fresh graduates to experienced employees.
A key development this year was the initiative to develop scholarship programs and develop a training program with College of North Atlantic for our Qatari trainees to provide them full insight into the Bank's unique banking practices, together with an understanding of Islamic banking principles.

As a result of this highly successful Qatarization recruitment program, 33.23% of our current employees are Qataris. And, because we continue to grow, we are continuously searching for talented and experienced people at every level who would like to share the passion and pride of the 322 employees already serving our customers.

Qatarization

Based on the management's belief in the significant contribution of Qatari nationals to the development and growth of the country, Qatarization is one of the main pillars of the recruitment and training system at Masraf Al Rayan. Qatarization is essential in order to build local skills that are capable of efficiently managing diverse activities in the future. Furthermore, the Bank has signed an agreement with the Ministry of Labour to send 20 Qatari high school graduates (male & female) to study at the prestigious North Atlantic College as part of a 1-2 year, intensive banking training program which covers the following areas:

- English (Maximum 1 year based on level)
- Banking
- Islamic Banking
- Work environment skills
- Customer service and currency exchange
- IT skills for bankers
- Introduction to AML&CFT, and fraud prevention
- Anti money laundering

More than 300 Qatari national students have been nominated for the program, where they have been interviewed and sent to the North Atlantic College in batches as follows:

First batch: March - June 2010:
Masraf Al Rayan sponsored eight trainees, covering tuition fees in addition to a monthly allowance. Seven trainees have successfully passed the program and were later employed by the bank.

Second batch: September 2010 - June 2011:
Two trainees were sponsored by Masraf Al Rayan, covering monthly allowances. They are to be employed by the Bank on completion of the program.

Third batch: January 2011 - May 2012:
Masraf Al Rayan is in the process of sending 10 trainees to study starting 2011.

Masraf Al Rayan participates in annual job fairs to highlight the Bank's role in the development and growth of the Qatari economy, and providing employment opportunities to Qatari nationals. In 2010, Masraf Al Rayan participated in the Qatar Job Fair, in addition to the exhibitions held at Qatar Universities. Every year, Masraf Al Rayan offers internship training opportunities to university students according to their fields of specialization, aiming at introducing a practical implementation of their specialties within a professional banking environment.

In collaboration with the Ministry of Labour, Masraf Al Rayan offers annual summer training opportunities to high school students, through a summer training program at the Bank's branches in order to offer the students a first hand experience of the banking industry.

Corporate Banking

Masraf Al Rayan Corporate Banking Division is a leading provider of Shari'a compliant products and services to corporate clients operating in key sectors of Qatar and GCC economies. Core to our commitment to deliver a responsible financial solution is our focus on our clients. We believe that the best way to build real, sustainable value for our shareholders is to keep the interest of our clients first through deep understanding of their business risks and opportunities in the context of local, regional and global economies. It is through the expertise and the continuous seamless efforts of Masraf Al Rayan senior management and the corporate banking relationship management team in understanding the business and industry dynamics vis-à-vis the client's needs, we are able to offer tailor-made solutions to our clients and strategic partners, who are among some of the key players contributing to the growth and development of The State of Qatar and the regional economies.

Our strategy has been to steer a very high but balanced growth. This required us to keep majority risk exposure limited to government and quasi-government entities supporting core infrastructure projects and other initiatives in various sectors of State of Qatar economy, such as healthcare, telecom, sports, utility, real estate, trade, financial service, transportation, energy, petrochemical, media, manufacturing, water, aviation and contracting etc. Going forward, we will continue to work with our clients in supporting various key state sponsored infrastructure projects while continue to diversify into other economic sectors partnering with our small and medium sector, investment (Al Rayan Investment, a 100% owned subsidiary of Masraf Al Rayan) retail, private banking and wealth management teams. It is by partnering with the product specialists groups we deliver a full range of both cross-border and local corporate banking solutions ranging from cash management, trade, foreign exchange and profit rate hedging, asset management, capital market derivatives, securitization, corporate finance & equity advisory, placement, structured products and acquisition financing.

The corporate banking business model is organized along the industry lines drawing upon the strength of the relationship management team with the expertise, knowledge, and deep understanding of the client business and the markets they operate. We take pride with the fact that 50% of the core relationship management team members are Qatari nationals, who under the Bank's talent program are being groomed to take up leadership roles in the future.

Seamless execution of client focused strategy, strong commitment and dedication to excellence resulted in building a very strong and sound corporate banking business and asset portfolio. The corporate banking team had won several large tickets financing advisory, and structuring mandates that brought prestigious awards for innovative structuring. Going forward, our new 2011 initiatives in achieving higher operating efficiency in delivery channel, talent management and product reach should further strengthen our market positioning, hence a sustainable and balanced core business growth.

Retail Banking

Masraf Al Rayan's retail segment made client service and the development of long-term client relationships the cornerstone of its operating philosophy. 2010 was another important year when we continued to build our capabilities in order to provide a full range of financial services and advice to meet the day-to-day banking, financing and investment needs of personal clients.

We continued to take steps to make it easier for clients of our retail bank to do business with us by expanding our branch and ATM networks, and by extending the hours of operation through our branches in shopping centers. Over the past year, we invested significantly in our business by adding client facing employees and we redesigned processes to make it easier for our employees to serve our clients. Through commitment and exceptional effort, our employees have changed the customer experience. Their clear determination to master the fundamentals of service stood out. We are beginning to see the results of these changes: more business from both new and existing clients, higher market shares in consumer financing and deposits.

Despite our success, we will not become complacent. Our clients' needs are changing and to remain relevant, we will continue to use our financial strength and expert capabilities to provide them with sound advice and excellent service. Our experience in 2010 has reinforced our appreciation for the need to continue to improve and adapt the way we deliver products and services as well as to continue investing in the infrastructure necessary to support our businesses now and in the future.

Within the Retail Banking division, we always strive to provide our customers with a comprehensive range of products to satisfy all customer segment requirements in accordance with Shari'a principles. Innovation and creativity are pivotal to our success and we continuously strive to set the standards of Islamic banking and finance - making sure customers' funds are working for them in the best possible way.

We aim to enhance our customer experience across all contact points, that is why we have adopted an aggressive strategy to expand our Branch and Alternative Delivery Channels Network in order to satisfy our customer requirements in a convenient and secure manner.

We promise our customers a distinct banking experience and this is achieved in part through the carefully planned and elegant facilities which create an atmosphere of calm and intimacy. We have adopted a modern banking process which effectively eliminates inefficiency. A further unique quality of Masraf Al Rayan's retail banking is decentralised operations - which results in each branch being fully independent from an operational perspective. To extend our services further, we have developed a dedicated Ladies Section; an indication of the importance Masraf Al Rayan attributes to the role that women are playing in Qatar's remarkable economic growth.

Ratings and Awards

Within a short period of time, Masraf Al Rayan has established itself as one of the most successful Islamic banks in Qatar. A strong focus on banking fundamentals has resulted in impressive ratings from Moody's, the premier credit rating agency. The first Islamic bank in Qatar to earn these ratings from Moody's, it is an affirmation of the fact that Masraf Al Rayan is cementing its position as one of the most respected Islamic financial institutions in Qatar.

Moody's Investors Service

August 4, 2009

Masraf Al Rayan

Mr. Farah Hersi
Chief Economist

Dear Sir,

We are pleased to inform that Moody's Investors Service today assigned the following ratings (in both local and foreign currency) to Masraf al Rayan:

- Bank Financial Strength Rating (BFSR) D+
- Baseline Credit Assessment (BCA) Ba1

▪ **Long-term issuer rating**	**A3**
▪ **Short-term issuer rating**	**Prime-2**
▪ **Outlook**	**Stable**

As a matter of reference, the bank's long-term issuer rating includes a four-notch uplift, reflecting our expectation that system support would be made available should the need arise. We view Masraf Al Rayan as one of the most successful government-owned Islamic banks in Qatar, itself considered as a "high-support" country for deposit-taking banks.

These ratings will be kept **confidential** until you provide us with your formal agreement for publication. On notice, we would be pleased to proceed with the dissemination of the ratings, via a Press Release we will kindly ask you to review prior to its publication.

We remain at your entire disposal for coordinating the remaining steps of the rating process.

Sincerely,

Anouar Hassoune
VP Senior Credit Officer
Moody's France
Phone: +33 1 5330-3340

Moody's Investors Service

Rating Action: **Moody's assigns A3/P-2/D+ ratings to Masraf Al Rayan (Qatar); outlook stable**

Global Credit Research - 12 Aug 2009

First-time ratings

Paris, August 12, 2009 -- Moody's Investors Service has today assigned A3 long-term and Prime-2 short-term local and foreign currency issuer ratings as well as a D+ bank financial strength rating (BFSR) to Masraf Al Rayan ("MAR"). The rating outlook is stable. This is Moody's first public rating assigned to an Islamic bank in Qatar.

With USD4.6 billion of assets at 31 December 2008, MAR is a small financial institution by domestic and regional standards and holds a market share of around 5% in domestic banking assets. However, it is one of Qatar's most successful Islamic banks and commands around 25% of the country's Shari'ah-compliant banking assets. MAR's immediate domestic Islamic banking competitors, International Islamic Bank and Qatar Islamic Bank (both not rated), are older and more entrenched players.

Despite having been established as recently as January 2006, MAR began operations with authorized capital as large as USD2.1 billion, of which USD1.1 billion was issued and paid up at year-end 2008. MAR already boasts one of the most significant market capitalizations in Qatar, standing at USD6.2 billion at 30 June 2009. However, MAR still has a short track record and small customer base, serving around 8,000 retail and around 400 corporate customers through a network of only five branches. Despite its small size, MAR enjoys a solid brand name and a strong reputation as one of the most dynamic Shari'ah-compliant financial institutions in the country.

The D+ BFSR -- which maps to a baseline credit assessment (BCA) of Ba1-- reflects MAR's growing franchise as one of Qatar's few Islamic banks, its close ties with the government of Qatar, strong financial performance and asset quality, as well as ample capitalisation and satisfactory liquidity. However, the rating is constrained by a short track record and limited absolute size, high degree of concentration risks, rapid balance sheet growth, as well as a still imbalanced funding continuum that is heavily reliant on short-term customer deposits, generating both maturity mismatches and displaced commercial risks.

Moody's believes the D+ BFSR and Ba1 BCA capture the bank's standalone risk profile, which balances very strong financial metrics with lower qualitative scores, which themselves factor in the recurring weaknesses of Islamic banks in the Middle East: namely, high concentration risks, constrained liquidity management, still developing risk management architectures, challenging balance sheet management on both the asset and liability sides, and -- in the case of MAR -- small size, a limited track record and an unseasoned/untested business model.

Moody's assesses the probability of systemic support in the event of a stress situation to be very high, based on (i) Moody's assessment of Qatar (rated Aa2) as a high-support environment, especially for domestic, retail deposit-taking institutions like MAR; (ii) evidence of systemic support that was provided to troubled domestic retail banks in the past; and (iii) the bank's status as one of Qatar's most successful Shari'ah-compliant financial institutions, and its 33% ownership by Qatari public sector entities. However, Moody's does not consider MAR to be a Government-Related Issuer (GRI) and as such, does not apply its GRI methodology to assess MAR's credit profile. Given the support assessment, MAR's long-term global local currency (GLC) issuer rating is set at A3, underpinned by its BCA of Ba1 and the Qatari government's systemic support capability -- resulting in a four-notch uplift from the bank's BCA.

The outlook on the ratings is stable. Moody's considers both an upgrade and a downgrade of the bank's current BFSR and issuer ratings to be unlikely over the medium term. The rating agency says that an upgrade of the bank's BFSR and/or issuer rating could be triggered by significant asset as well as business expansion, which would in turn lead to further diversification, both by name and sector, especially in the retail segment. The BFSR and/or issuer rating could also be upgraded if the mix of funding sources were to incorporate more term financing as an alternative to the bank's binary approach between capital and customer deposits, and if buffers against displaced commercial risks are gradually built up.

Conversely, the BFSR and/or issuer rating could be downgraded in the event of deteriorating profitability, a steep decline in asset quality, or a sudden and sharp tightening of the bank's liquidity profile or capitalisation that would be triggered by a pace of growth that far exceeds expectations and plans. Downward rating pressure would also arise if reputation or displaced commercial risks materialize, or if the current links with Qatar's government and public sector at large weaken.

The principal methodologies used in rating MAR were "Bank Financial Strength Ratings: Global Methodology" (February 2007) and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" (March 2007), which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

Masraf Al Rayan is headquartered in Doha, Qatar, and reported total assets of QAR22,613 million (USD6.2 billion) at 30 June 2009.

Paris
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Moody's Investors Service

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Operational Performance 2010

We at Masraf Al Rayan believe in centralization of all operations in order to achieve operational efficiency and quality of service as we are conscious of the fact that operational efficiency is the key for the success of all business units of the Bank. By creating the centralized operations department, we have been able to create a strong pool of technical experts in all areas of operations and create an efficient, error-free workflow to mitigate operational risk and to maximize speed and quality of service.

Centralized Operations Department is headed by the Assistant General Manager - Operations, a very senior member of the Management who heads various sections of this important department, including:

1. Trade Finance (Documentary Credits / Guarantees / Collections)
2. Fund Transfer and Cheque Clearing (Inward & Outward Remittances -local and worldwide, Clearing Cheques)
3. Credit Operations (Booking of all kinds of Financing Deals, documentation, reporting and follow-up)
4. Treasury Operations and Back Office (Recording and follow-up of all treasury transactions including money market and Forex transactions)
5. Branch Operations (All transactions handled at the branches and implementation of related procedures).
6. Shareholders' Affairs Unit (Maintaining relationship with our shareholders, distribution of dividends and handling IPOs).
7. The Card Centre (Creating in-house ATM Switch and Card Management System (CMS) supporting both Debit, Credit and Pre-paid cards).
   - Eid Prepaid Card
   - Student Card
   - Pay&Go Card
   - Credit Cards
8. Retail Product Support
9. Project Management Office
   The Program Management Office (PMO) was established and has actively managed projects to enable and enhance both project delivery and coordination between departments. Some of the key projects included the implementation of the Call Center, Pre-paid card products, ATM monitoring and in-house ATM switch and CMS platforms

Each of the above Sections is headed by an experienced manager who collectively manages a team of over 40 staff at Centralized Operations Department. The staff members at Operations go through rigorous training in their respective areas as well as other areas to ensure availability of experienced staff in at all times in response to our clients' needs.

All transactions at Centralized Operations are executed in accordance with the well structured workflows and procedures and are monitored by the Operational Risk Department to ensure improvement in the quality of service and turn-around time on continuous basis.

With the above structure and state-of-the-art technology tools that connect various business units, branch network and other departments with the Centralized Operations, we have been able to achieve record results in year 2009 that has contributed positively in the success of the Bank and growth in business.

Subsidiary

Al Rayan Investment

In April 2007, Masraf Al Rayan launched its 100% owned subsidiary, Al Rayan Investment, the first Shari'a compliant financial institution licensed by the Qatar Financial Centre Regulatory Authority. A pioneer in its class, the launch of Al Rayan Investment further highlighted Masraf Al Rayan's status as a progressive force in the financial markets.

Having commenced with a starting capital of US$ 100 million, Al Rayan Investment has grown rapidly and profitably. Business is focused on two areas, Real Estate & Financial Advisory and Asset Management, both targeting institutional and HNW clients.

VISION
The Islamic investment bank of choice.

MISSION
Deliver superior financial solutions based on Islamic values.

VALUES

- Culture
  Invest in people to nurture an environment fostering teamwork to achieve excellence.
- Integrity
  The institution to trust.
- Customer Satisfaction
  Maximize value for our clients by being a trusted advisor, consistently surpassing expectations.
- Ethos
  Adhering to Islamic ethico-legal principles in all aspects of our business.

FUNCTION
Al Rayan Investment's range of investment products have been carefully selected and designed to produce excellent risk-adjusted returns while being entirely Shari'a compliant. Before being offered to clients, all products undergo a rigorous due diligence process to ensure that they meet important risk/return criteria.

FUTURE GROWTH
Al Rayan Investment's strategy is to link the real economy with Islamic finance adding value to the overall Islamic finance industry. The next phase of growth is to create an investment banking platform connecting the GCC and Asia with a two-way flow of capital. To facilitate this, Al Rayan Investment will be launching new investment products and adding relevant resources.

CONTINUED EXCELLENCE IN 2010
Al Rayan Investment established two joint ventures in the oil & gas and facilities management industries in Qatar. SapuraCrest Qatar is our JV effort with SapuraCrest Petroleum, a Malaysian leader in oil & gas services. Linc Facilities Services MENA, is our joint venture effort with ABM Industries, a US-based world leader in providing facilities management services.

Al Rayan Investment has continued to build out its team of professionals combining outstanding Qatari talent with rich experience from the region and around the world. As a testament to clients' recognition of our commitment to exceptional solutions, Al Rayan Investment continued to win new business in 2010 in both Real Estate & Financial Advisory as well as Asset Management with mandates now over $1.7 billion.

Shari'a Supervisory Board Report

For the year ending December 2010

Masraf Al Rayan Shari'a Supervisory Board has reviewed the contracts introduced, answered the questions of the administration, and contributed in finding solutions for practical difficulties that might appear during implementation.

The Board views that the business conducted is in accordance with the Board governance, as well as the reviewed financial lists and the profit and loss statements for the financial year 2010 are in compliance with the Islamic Shari'a rules.

Masraf Al Rayan is responsible for applying Shari'a governance. Our responsibility is limited in fatwa and the review of transactions introduced to us through Shari'a Audit within its permissible capabilities.

The Board thanks Masraf Al Rayan staff and begs Allah to grant them all the success to serve the Islamic economy, and bless the shareholders' funds and dealers with the bank, and sustain everyone with faithfulness in action and word.

His Eminence
Sheikh Dr. Waleed Bin Hadi
Chairman of Shari'a Supervisory Board

His Eminence
Sheikh Dr. Nizam Yaqoubi
Member of Shari'a Supervisory Board

His Eminence
Sheikh Abdul Sattar Abu Ghuddah
Member of Shari'a Supervisory Board

The Financial Overview

Independent Auditors' Report

To the shareholders of Masraf Al Rayan (Q.S.C.)

We have audited the accompanying consolidated financial statements of Masraf Al Rayan (Q.S.C) (the "Masraf") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2010, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, the applicable provisions of Qatar Central Bank regulations and the Islamic Shari'a Rules and Principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with both the International Standards on Auditing and Auditing Standards for Islamic Financial Institutions. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Masraf and Qatar Central Bank regulations.

Report on other legal and regulatory matters

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group and that we are not aware of any contravention by the Masraf of its Articles of Association, the Qatar Commercial Companies Law No. 5 of 2002, the applicable provisions of Qatar Central Bank regulations and Law No 33 of 2006 during the financial year that would materially affect its activities or its financial position.

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

Date: 25 January 2011
Doha
State of Qatar

Consolidated Statement of Financial Position
at 31 December 2010

	2010 QAR'000	2009 QAR '000
ASSETS		
Cash and balances with Qatar Central Bank	**1,481,785**	716,080
Balances and investments with banks and other financial institutions	**4,988,930**	4,256,684
Receivables and balances from financing activities	**25,063,967**	17,750,462
Financial investments	**2,136,919**	945,406
Investment property	**160,220**	-
Investment in associates	**386,494**	211,931
Property, furniture and equipment	**86,956**	82,675
Other assets	**378,100**	160,563
TOTAL ASSETS	**34,683,371**	24,123,801
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		
LIABILITIES		
Customers' current accounts	**1,292,350**	1,470,060
Other liabilities	**540,031**	331,010
TOTAL LIABILITIES	**1,832,381**	1,801,070
UNRESTRICTED INVESTMENT ACCOUNTS	**25,724,198**	16,360,977
EQUITY		
Attributable to shareholders of the parent		
Paid-up share capital	**5,073,324**	4,124,654
Legal reserve	**-**	633,382
Fair value reserve	**6,117**	465
Risk reserve	**-**	237,953
Proposed dividend	**1,976,084**	948,670
Retained earnings	**70,924**	16,630
	7,126,449	5,961,754
Non-controlling interest	**343**	-
TOTAL EQUITY	**7,126,792**	5,961,754
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	**34,683,371**	24,123,801

....
Dr. Hussain Ali Al Abdulla
Chairman & Managing Director

....
Adel Mustafawi
Chief Executive Officer

The attached notes 1 to 27 form an integral part of these financial statements

Consolidated Income Statement
Year ended 31 December 2010

	2010 QAR'000	2009 QAR '000
Income from financing activities	**1,618,272**	1,082,571
Income from investing activities	**86,690**	67,496
Total income from financing and investing activities	**1,704,962**	1,150,067
Commission and fees income	**111,057**	196,165
Commission and fees expense	**(15,839)**	(1,675)
Net commission and fee income	**95,218**	194,490
Gain from foreign exchange operations	**37,262**	27,986
Other income	**103,178**	195,598
Share of results of associates	**(1,789)**	(167)
TOTAL OPERATING INCOME	**1,938,831**	1,567,974
General and administrative expenses	**(217,311)**	(190,456)
Depreciation	**(19,848)**	(15,238)
Impairment losses on receivables from financing activities	**(1,477)**	(8,512)
Impairment losses on financial investments	**(7,281)**	-
Impairment losses on other assets	**(1,563)**	(36,405)
Recoveries of impairment losses on other assets	**91,250**	-
PROFIT FOR THE YEAR BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS	**1,782,601**	1,317,363
Less: Share of unrestricted investment accounts holders in the:		
- Net profit	**(571,257)**	(436,705)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	**1,211,344**	880,658
BASIC/DILUTED EARNINGS PER SHARE (QAR)	**1.615**	1.174

The attached notes 1 to 27 form an integral part of these financial statements

Notes To The Consolidated Financial Statements
at 31 December 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 Ministry of Business and Trade.

Masraf and its subsidiaries (together referred to as "the Group") is engaged in banking, financing, investing and brokerage activities in accordance with its Articles of Incorporation, Islamic Shari'a principles and regulations of Qatar Central Bank and operates through its head office and local branches, all operating in the State of Qatar. The Masraf is listed and its shares are traded in the Qatar Exchange.

The consolidated financial statements of Masraf Al Rayan Q.S.C. for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 25 January 2011.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of available for sale investments and derivative financial instruments.

The consolidated financial statements are stated in Qatari Riyals and all values are rounded to the nearest QAR thousand except when otherwise indicated.

Statement of compliance
The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Qatar Commercial Companies Law No. 5 of 2002 and relevant laws and instructions issued by Qatar Central Bank. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standards exist, the Group applies the relevant International Financial Reporting Standards (IFRS).

Basis of consolidation
The consolidated financial statements comprise the financial statements of Masraf and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting year as Masraf, using consistent accounting policies.

All intra-group balances and transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

The consolidated financial statements of the Group include the financial statements of Masraf and its fully-owned subsidiaries listed below:

Name of subsidiaries	Country of incorporation	Share Capital
Al Rayan Investment LLC	Qatar	USD 100,000,000
Al Rayan Financial Brokerage	Qatar	QAR 5,000,000
Lusail Waterfront Real Esatate Co.	Qatar	QAR 200,000

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. Amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 3	Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
IFRIC 17	Distributions of Non-cash Assets to Owners effective 1 July 2009

2.3 Summary of significant accounting policies

(a) Foreign currency translation

(i) Functional and presentation currency
The consolidated financial statements are presented in Qatari Riyals, which is the Group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the consolidated income statement as foreign currency exchange gains or losses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies
As at the reporting date, the assets and liabilities of subsidiaries are translated into the Group's presentation currency at the rate of exchange ruling at the statement of financial position date, and their income statements are translated at the weighted average exchange rates for the year.

(b) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition
All financial assets and liabilities are initially recognized on the trade date, i.e., the date that Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Notes To The Consolidated Financial Statements
at 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

(b) Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs.

(iii) Available-for-sale investments
Available-for-sale investments are valued at fair value on an individual basis. Unrealised gains or losses arising from a change in fair value are recognised directly in the fair value reserve which is distributed between shareholders' equity and unrestricted investments accounts, until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain previously recognised in shareholders' equity and the unrestricted investments accounts is included in the consolidated income statement. In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognised in the consolidated income statement under impairment losses of financial investments.

(iv) Held-to-maturity investments
Held to maturity investments are measured at amortised cost less impairment losses. In case where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognised in the consolidated income statement as impairment losses on financial investments.

(c) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement ; or

- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

(d) Fair values

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the statement of financial position date.

For investments where there is no quoted market price, an estimate of the fair value is determined by one of the following methods:

- Recoverable amount estimated by the portfolio manager
- Cost

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions.

(e) Recognition of financial transactions

All purchase transactions of financial assets are recognised on the trade date, which is the date that the Group is committed to buy the asset. Sale of financial assets is recognised on the settlement date. The ordinary purchases and sales of financial assets require delivery of assets within the time frame generally established by regulation or conventions in the market place.

(f) Equity transaction costs

Equity transaction costs are accounted for as a deduction from share premium. These costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers. The equity transaction costs are accounted for as a deduction from share premium to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

(g) Offsetting

Financial assets and financial liabilities should not be set-off unless there is a enforceable or legal right and an actual expectation of set-off.

(h) Derivative financial instruments

The Group enters into certain Islamic derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and profit rate swaps. The Group also sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Notes To The Consolidated Financial Statements
at 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

(i) Distribution of profit between unrestricted investment accounts holders and shareholders

The Group complies with the directives of Qatar Central Bank as follows:

- A net gain on all items of income and expenses at the year end is the net profit distributable between the shareholders and the unrestricted investment accounts.
- The share of the unrestricted investment account holders is calculated out from the net profit on the basis of daily balances of their balances after deducting Masraf's Mudaraba percentage agreed upon and declared.
- In case any expense or loss incurred is proved to be resulting from negligence by Masraf due to violation of the directives of Qatar Central Bank or proper banking conventions, the unrestricted investment account shall not be charged with these losses, subject to the discretion of Qatar Central Bank.
- In case the results of Masraf at the year-end are net losses, then Qatar Central Bank, being the authority responsible for determining Masraf's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of unrestricted investment funds with Masraf funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(j) Leasing

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

(k) Revenue recognition

- Income on financing contracts of Murabaha and Istesna are recognised on time apportionment basis using the declining instalment method. When receivables from financing activities become non-performing and where collectability is doubtful, income is suspended as per the instructions of Qatar Central Bank.

- Ijarah income is recognised on accrual basis and the profit rate is determined in advance upon agreement of all parties.

- Income on Mudaraba financing is recognised when the right to receive payment is established or distribution by the Mudarib.

- Income from dividends and investment funds are recognised when the right to receive the dividend is established.

- Other investments income is recognised on an accrual basis.

- Fees and commission income is recognised when earned.

- Profit is allocated proportionately between unrestricted investment accounts and shareholders on the basis of the average balances outstanding during the year after deduction of Masraf's share as Mudarib.

(l) Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised in the consolidated income statement.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of financing activity covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

Notes To The Consolidated Financial Statements
at 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Investment property

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both.

Investment property is measured at cost including transaction costs. Transaction costs include transfer taxes, professional fees or legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(o) Property, furniture and equipment

Property, furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. The cost of these assets is depreciated using the straight-line method over the estimated useful lives of the assets as per Qatar Central Bank regulations, as follows:

Computer software and hardware	3 years
Furniture, fixtures and office equipment	6-7 years
Leasehold Improvements	10 years
Buildings	20 years

Repairs and maintenance expenses are charged to the consolidated income statement when incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income/expenses in the consolidated income statement.

Notes To The Consolidated Financial Statements
at 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

(p) Receivables and balances from financing activities

Receivables and balances from financing activities are stated at their gross principal amounts less amounts received on account of these transactions, provision for impairment and deferred profit relating to future years.

Murabaha receivables
Murabaha receivables consist mainly of deferred sales transaction agreements (Murabaha) and are stated net of deferred profits and provision for impairment.

Mudaraba
Mudaraba financing are partnership in which Masraf contributes capital. These are stated at the fair value of consideration given less impairment.

Receivables from financing activities are written off, in events where all collection attempts have proved useless, against the provision. Proceeds from receivables from financing activities that have been previously written off are recognised in the provision.

For purchase order Murabaha transactions, the principle of committing the purchase order is applied in accordance with Qatar Central Bank instructions, similarly for Ijarah transactions ending with ownership (Ijarah Muntahia Bittamleek), the principle of committing the landlord and leaseholder is applied.

(q) 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.

(r) Investments in associates

Group investments in associates are accounted for under the equity method of accounting. These are entities over which Masraf exercises significant influence but not control and which are neither subsidiaries nor joint ventures.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of Masraf's interest in the associate.

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associates. The Group determines at the end of the reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Notes To The Consolidated Financial Statements
at 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

(s) Employees end of service benefits and pension fund

- The Group provides for end of service benefits to its expatriate employees in accordance with the Qatar Labour Law. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other provisions under other liabilities.

- The Group also provides for its contribution to the pension fund in accordance with the Retirement and Pension Law No. 24 of 2002 for Qatari and GCC employees, which is included in staff costs under general and administrative expenses.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

(u) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated income statement. The amortisation of the premium received is recognized in the consolidated income statement under commission and fees income.

(v) Investment risk reserve

This is the amount appropriated by Masraf out of the income of investment account holders, after allocating the mudarib share, in order to maintain against future losses for investment account holders.

(w) Contingent liabilities

Contingent liabilities include Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the statement of financial position date except for assets and obligations relating to fair value gains or losses on these derivative financial instruments.

(x) Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, which has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in relation to impairment of financial assets discussed below:

The Group reviews its doubtful financial contracts and investments on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors of Masraf as its chief operating decision maker. All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in the head office. Income and expenses directly associated with each segment are included in determining operating segment performance.

2.4 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the International Accounting Standards Board's (IASB) work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IAS 9 will primarily have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of adopting IFRS 9, however, as the impact of the adoption depends on the assets held by the Group at the date of the adoption, it is not practicable to quantify the effect.

Improvements to IFRSs (issued in May 2010)

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below:

IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements
IAS 27	Consolidated and Separate Financial Statements

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

3.1 Financial instruments

Definition and classification

The Group's financial instruments represent the financial assets and liabilities. Financial assets comprise balances with Qatar Central Bank, balances and investments with banks and other financial institutions, receivables from financing activities, certain financial investments, derivative financial assets and certain other assets. Financial liabilities comprise customers' current accounts, derivative financial liabilities and certain other liabilities. Financial instruments also include balances due to unrestricted investment accounts holders and contingent liabilities and commitments under "off financial position items".

Note 2 to the financial statements explain the accounting policies used to recognise and measure the major financial instruments and related income and expenses.

Risk management and structure

Introduction
Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, profit risk, liquidity risk, operating risk and market risk, which include trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Board of Directors
The Board of Directors is responsible for the risk management methodology and approving strategic plans and risk management principles.

Risk management function
The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group.

Assets and liabilities
The Group's management is responsible for managing the Group's assets and liabilities and the overall financial structure and also responsible for the Group's credit and liquidity risk.

Internal audit
Risk management processes throughout the Group are audited annually by the Internal Audit Department that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems
The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. Masraf also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk type activities and the module makes use of probabilities derived from historical experience adjusted to reflect the economic environment.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.1 Financial instruments (continued)

Risk Management and structure (continued)

Risk measurement and reporting systems (continued)
Information compiled from all business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, risk unit, and the head of each business division.

On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Group on the utilisation of market limits, analysis of propriety investments and liquidity, plus any other risk developments.

Risk mitigation
As a part of overall risk management, the Group uses swap deals and other instruments to manage exposures from changes in profit rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

3.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collaterals obtained are as follows:

- For securities lending: cash or securities.
- For commercial lending: mortgages over real estate properties, inventory, cash or securities.
- For retail lending: mortgages over residential properties and securities.

Management monitors the market value of collaterals.

Notes To The Consolidated Financial Statements
at 31 December 2010

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

The Group also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 6.

3.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2010 QAR'000	Gross maximum exposure 2009 QAR'000
Balances and investments with banks and other financial institutions	4,988,930	4,256,684
Receivables and balances from financing activities	25,063,967	17,750,462
Financial investments	1,968,843	865,672
Other receivables	340,516	37,712
Total statement of financial position items	32,362,256	22,910,530
Letters of guarantee	4,786,953	3,763,973
Letters of credit	795,524	711,638
Total contingent liabilities items	5,582,477	4,475,611
Total credit risk exposure	37,944,733	27,386,141

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Total maximum exposure net of collaterals is QAR 28,566 million (2009: QAR 22,135 million). The main types of collaterals obtained are cash 1% (2009: 4%), mortgages 59% (2009: 13%), government guarantees 23% (2009: 44%) and other eligible securities 17% (2009: 39%) of the total collateral.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.2 Risk concentration for maximum exposure by Sector

An industry sector analysis of the Group's maximum exposure to credit risk for the components of the statement of financial position is shown below. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2010 QAR'000	Gross maximum exposure 2009 QAR'000
Statement of financial position		
Government	-	33,084
Government institutions	10,500,625	7,560,133
Real-estate	2,877,166	8,565,595
Contracting	6,902,483	423,210
Consumer	201,507	221,883
Services	9,505,410	4,955,261
Others	2,375,065	1,151,364
Total statement of financial position	32,362,256	22,910,530
Contingent liabilities		
Government and government institutions	629,242	-
Commercial and others	4,953,235	4,475,611
Total contingent liabilities	5,582,477	4,475,611
Total	37,944,733	27,386,141

Notes To The Consolidated Financial Statements
at 31 December 2010

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Credit quality of financial assets with credit risk exposure by class

(a) Receivables and balances from financing activities

At 31 December 2010	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	QAR'000	QAR'000	QAR'000	QAR'000
Risk grading:				
High grade	11,083,462	-	-	11,083,462
Standard grade	13,714,194	266,373	-	13,980,567
Sub-standard	-	-	354	354
Bad debt	-	-	11,239	11,239
Gross	24,797,656	266,373	11,593	25,075,622
Less: Allowance for impairment	-	(285)	(11,370)	(11,655)
Net	24,797,656	266,088	223	25,063,967

At 31 December 2009	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	QAR'000	QAR'000	QAR'000	QAR'000
Risk grading:				
High grade	17,459,342	-	-	17,459,342
Standard grade	-	288,376	-	288,376
Sub-standard	-	-	21	21
Bad debt	-	-	11,210	11,210
Gross	17,459,342	288,376	11,231	17,758,949
Less: Allowance for impairment	-	-	(8,487)	(8,487)
Net	17,459,342	288,376	2,744	17,750,462

It is the Group's policy to maintain accurate and consistent risk ratings across the financing portfolio. This facilitates focused management of the applicable risks and the comparison of financing exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Notes To The Consolidated Financial Statements
at 31 December 2010

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Credit quality of financial assets with credit risk exposure by class (continued)

(b) Balances and investments with banks and other financial institutions

Exposures to balances and investments with banks and other financial institutions are all of High grade. There are no past due or impaired balances in the portfolio as at 31 December 2010 (2009: nil).

(c) Financial investments

Certain held to maturity investments amounting to QAR 7,281 thousand (2009: nil) are impaired during the year.

	2010 QAR'000	2009 QAR'000
Held to maturity investments	1,976,124	865,672
Less: Allowance for impairment	(7,281)	-
	1,968,843	865,672

(d) Other receivables

Accrued profit on certain held to maturity investments are impaired during the year amounting to QAR 1,563 thousand (2009: nil). The remaining exposures are either of high grade or standard grade.

(e) Age analysis of past due but not impaired receivables and balances from financing activities

Past due receivables and balances from financing activities to customers include those that are only past due by a few days. The majority of the past due receivables and balances from financing activities to customers are not considered to be impaired. An analysis of past due installments, by age, are provided below:

	Less than 60 days QAR'000	61 to 90 days QAR'000	Total 2010 QAR'000
Receivables and balances from financing activities:			
Retail	7,173	375	7,548
Corporate	110,067	505	110,572
Real estate	126,982	21,271	148,253
Total	244,222	22,151	266,373

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Credit quality of financial assets with credit risk exposure by class (continued)

	Less than 60 days QAR'000	61 to 90 days QAR'000	Total 2009 QAR'000
Receivables and balances from financing activities:			
Retail	21,979	75	22,054
Corporate	197,614	1,020	198,634
Real estate	67,688	-	67,688
Total	287,281	1,095	288,376

Note:

The past due but not impaired receivables and balances from financing activities as of 31 December 2009 have been restated to recognize the full outstanding balance within each past due category. Previously, the table showed only the amount overdue as of 31 December 2009.

As of 31 December 2010, the Group did not obtain any additional collaterals against the past due but not impaired receivables and balances from financing activities.

(f) Impaired receivables and balances from financing activities

The details of the gross amount of impaired receivables by type is as follows:

	2010 QAR'000	2009 QAR'000
Receivables and balances from financing activities:		
Retail	717	480
Corporate	10,876	10,751
Total	11,593	11,231

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.4 Credit quality of financial assets with credit risk exposure by internal risk rating

Neither past due nor impaired	2010 QAR'000	2009 QAR'000
Equivalent grades		
AAA to AA-	1,981,839	351,191
A+ to A-	568,642	3,765,029
BBB to BBB-	3,129,650	70
Unrated	32,264,602	23,269,851
Total	37,944,733	27,386,141

Unrated exposures represent financing activities granted to corporations and individuals which do not have external credit rating. Also, the ratings used by the Group are in line with the ratings and definitions published by international rating agencies. The above exposures include financing activities which are neither past due nor impaired amounting to QAR 24,798 million (2009: QAR 17,459 million).

3.3 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and equity prices. The Group manages its market risks within the framework of limits defined by the Qatar Central Bank. Setting the internal framework for the management of market risks and ensuring compliance with this framework is the responsibility of the committee of policies and procedures in the Group.

Assets and liabilities profit rate gaps are reviewed on a regular basis which is used to reduce the profit rate gaps to within the limits established by the Board. The Group manages its exposure to currency exchange rate fluctuations to within the levels defined by the Board of Directors, which sets limits on currency position exposures. Positions are monitored on an ongoing basis.

3.3.1 Profit rate risk

(a) Profit rate risk

Profit rate risk reflects the risk of a change in profit rates which might affect future earnings or the fair value of financial instruments. Exposure to profit rate risk is managed by the Group using, where appropriate, various financial instruments, primarily profit rate swaps. Maturities of assets and liabilities have been determined on the basis of contractual pricing.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.3 Market risk (continued)

3.3.1 Profit rate risk

The following tables summarise the reprising profile of the Group's assets, liabilities and contingent liability exposures.

	Within 3 months QAR'000	3 to12 months QAR'000	1 to 5 years QAR'000	Over 5 years QAR'000	Non-profit sensitive QAR'000	Total QAR'000
At 31 December 2010						
Cash and balances with Qatar Central Bank	-	-	-	-	1,481,785	1,481,785
Balances and investments with banks and other financial institutions	4,860,010	-	-	-	128,920	4,988,930
Receivables and balances from financing activities	11,923,868	6,169,655	5,957,156	1,013,288	-	25,063,967
Financial investments and investment in associates	96,196	43,686	1,215,253	850,754	317,524	2,523,413
Investment property, property, furniture and equipment and other assets	-	-	-	-	625,276	625,276
TOTAL ASSETS	16,880,074	6,213,341	7,172,409	1,864,042	2,553,505	34,683,371
Customers' current accounts	-	-	-	-	1,292,350	1,292,350
Other liabilities	-	-	-	-	540,031	540,031
Unrestricted investment accounts holders	22,836,474	2,729,557	10,247	-	147,920	25,724,198
Total equity	-	-	-	-	7,126,792	7,126,792
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	22,836,474	2,729,557	10,247	-	9,107,093	34,683,371
Profit Rate Sensitivity Gap	(5,956,400)	3,483,784	7,162,162	1,864,042	(6,553,588)	-
Cumulative Profit Rate Sensitivity Gap	(5,956,400)	(2,472,616)	4,689,546	6,553,588	-	-

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.3 Market risk (continued)

3.3.1 Profit rate risk (continued)

	Within 3 months	3 to12 months	1 to 5 years	Over 5 years	Non-profit sensitive	Total
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
At 31 December 2009						
Cash and balances with Qatar Central Bank	-	-	-	-	716,080	716,080
Balances and investments with banks and other financial institutions	4,251,818	-	-	-	4,866	4,256,684
Receivables and balances from financing activities	4,772,672	8,327,609	4,150,021	500,160	-	17,750,462
Financial investments and investment in associates	123,894	-	-	743,783	289,660	1,157,337
Property, furniture and equipment and other assets	-	-	-	-	243,238	243,238
TOTAL ASSETS	9,148,384	8,327,609	4,150,021	1,243,943	1,253,844	24,123,801
Customers' current accounts	-	-	-	-	1,470,060	1,470,060
Other liabilities	-	-	-	-	331,010	331,010
Unrestricted investment accounts holders	15,787,212	456,619	80,410	-	36,736	16,360,977
Total shareholders' equity	-	-	-	-	5,961,754	5,961,754
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	15,787,212	456,619	80,410	-	7,799,560	24,123,801
Profit Rate Sensitivity Gap	(6,638,828)	7,870,990	4,069,611	1,243,943	(6,545,716)	-
Cumulative Profit Rate Sensitivity Gap	(6,638,828)	1,232,162	5,301,773	6,545,716	-	-

Notes To The Consolidated Financial Statements
at 31 December 2010

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.3 Market risk (continued)

3.3.1 Profit rate risk (continued)

(b) Profit rate sensitivity

The following table demonstrates the profit rate sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates on the income generated for one year, based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of equity is calculated by revaluing fixed rate available for sale financial assets. The sensitivity of equity is analysed by maturity of the asset. Total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

	2010		2009	
Currency	Increase in basis points	Sensitivity of net profit QAR'000	Increase in basis points	Sensitivity of net profit QAR'000
QAR	10	2,691	10	5,540
USD	10	2,839	10	(547)
EUR	10	2,290	10	(348)
AED	10	173	10	297
GBP	10	(134)	10	15

Currency	Decrease in basis points	Sensitivity of net profit QAR'000	Decrease in basis points	Sensitivity of net profit QAR'000
QAR	10	(2,691)	10	(5,540)
USD	10	(2,839)	10	547
EUR	10	(2,290)	10	348
AED	10	(173)	10	(297)
GBP	10	134	10	(15)

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.3 Market risk (continued)

3.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group takes on exposure to the effect of fluctuations in prevailing foreign currency exchange rates on its financial position. The Board of Directors have set maximum limits on the level of currencies exposure, which are monitored daily.

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the consolidated income statement, with all other variables held constant:

	2010		2009	
Currency	Change in currency rate in %	Effect on income statement QAR'000	Change in currency rate in %	Effect on income statement QAR'000
EUR	+10%	76	+10%	260
GBP	+10%	3	+10%	(29)
Others	+10%	(165)	+10%	722
EUR	-10%	(76)	-10%	(260)
GBP	-10%	(3)	-10%	29
Others	-10%	165	-10%	(722)

The Group manages its currency exposures within limits laid down by the Board of Directors. Limits are laid down for each currency individually and in total at the beginning of the year. The Qatar Riyal is pegged to the US Dollar. Although the Group is not exposed to any currency risk due to the peg, limits are set for US Dollar exposures. All other currency exposures are limited and the Group is not significantly exposed to other currencies exposures.

3.3.3 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available-for-sale. A 10 per cent increase in the Qatar Exchange index at 31 December 2010 would have increased equity by QAR 1,647 thousand (2009: QAR 1,061 thousand). An equivalent decrease would have resulted in an equivalent but opposite impact.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4 Liquidity risk

(a) Analysis of financial and contingent liabilities by remaining contractual maturities

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, the management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities and metals and commodities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The Group maintains a portfolio of highly marketable and diverse assets readily liquefiable in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with Qatar Central Bank. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

	Within one month QAR'000	One to 3 months QAR'000	3 to 12 months QAR'000	1 to 5 Years QAR'000	Over 5 years QAR'000	Total QAR'000
At 31 December 2010						
Customers' current account	1,292,350	-	-	-	-	1,292,350
Other liabilities	540,031	-	-	-	-	540,031
Unrestricted investment accounts holders	16,059,065	6,973,373	2,774,889	10,817	-	25,818,144
Total Liabilities	17,891,446	6,973,373	2,774,889	10,817	-	27,650,525
Liquidity risk and funding management						
Contingent liabilities	5,582,477	-	-	-	-	5,582,477
Total	5,582,477	-	-	-	-	5,582,477

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

	One month QAR'000	One to 3 months QAR'000	3 to 12 months QAR'000	1 to 5 Years QAR'000	Over 5 years QAR'000	Total QAR'000
At 31 December 2009						
Customers' current account	1,470,060	-	-	-	-	1,470,060
Other liabilities	-	331,010	-	-	-	331,010
Unrestricted investment accounts holders	14,047,971	1,802,591	470,123	85,638	-	16,406,323
Total Liabilities	15,518,031	2,133,601	470,123	85,638	-	18,207,393
Liquidity risk and funding management						
Contingent liabilities	4,475,611	-	-	-	-	4,475,611
Total	4,475,611	-	-	-	-	4,475,611

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at 31 December 2010

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

The maturity profile of the assets and liabilities at 31 December:

At 31 December 2010	Up to One month QAR'000	1-3 months QAR'000	3-12 months QAR'000	1-5 years QAR'000	Over 5 years QAR'000	Total QAR'000
Cash and balances with Qatar Central Bank	1,481,785	-	-	-	-	1,481,785
Balances and investments with banks and other financial institutions	4,688,930	300,000	-	-	-	4,988,930
Receivables and balances from financing activities	7,270,147	4,653,721	6,169,655	5,957,156	1,013,288	25,063,967
Financial investments and investment in associates	96,196	-	43,686	1,215,253	1,168,278	2,523,413
Investment property and property, furniture and equipment	-	-	-	-	247,176	247,176
Other assets	378,100	-	-	-	-	378,100
TOTAL ASSETS	13,915,158	4,953,721	6,213,341	7,172,409	2,428,742	34,683,371
Customers' current accounts	1,292,350	-	-	-	-	1,292,350
Other liabilities	540,031	-	-	-	-	540,031
Unrestricted investment accounts holders	16,040,170	6,944,224	2,729,557	10,247	-	25,724,198
Total equity	-	-	-	-	7,126,792	7,126,792
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	17,872,551	6,944,224	2,729,557	10,247	7,126,792	34,683,371
Liquidity Gap	(3,957,393)	(1,990,503)	3,483,784	7,162,162	(4,698,050)	-

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at 31 December 2010

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

At 31 December 2009	Up to One month QAR'000	1-3 months QAR'000	3-12 months QAR'000	1-5 years QAR'000	Over 5 years QAR'000	Total QAR'000
Cash and balances with Qatar Central Bank	352,467	-	-	-	363,613	716,080
Balances and investments with banks and other financial institutions	4,256,684	-	-	-	-	4,256,684
Receivables and balances from financing activities	3,430,307	1,342,365	8,327,609	4,150,021	500,160	17,750,462
Financial investments and investment in associates	8,609	123,894	-	-	1,024,834	1,157,337
Property, furniture and equipment	-	-	-	-	82,675	82,675
Other assets	-	160,563	-	-	-	160,563
TOTAL ASSETS	8,048,067	1,626,822	8,327,609	4,150,021	1,971,282	24,123,801
Customers' current accounts	1,470,060	-	-	-	-	1,470,060
Other liabilities	-	331,010	-	-	-	331,010
Unrestricted investment accounts holders	14,037,795	1,786,153	456,619	80,410	-	16,360,977
Total equity	-	-	-	-	5,961,754	5,961,754
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	15,507,855	2,117,163	456,619	80,410	5,961,754	24,123,801
Liquidity Gap	(7,459,788)	(490,341)	7,870,990	4,069,611	(3,990,472)	-

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

(b) Fair value of financial assets and liabilities

Based on the methods used to determine the fair value of financial instruments explained in note 2, following are the financial assets and liabilities:

	Carrying value		Fair value	
Financial assets	2010	2009	2010	2009
	QAR'000	QAR'000	QAR'000	QAR'000
Balances with Central Bank excluding cash	1,358,033	642,139	1,358,033	642,139
Balances and investments with banks and other financial institutions	4,988,930	4,256,684	4,988,930	4,256,684
Receivables and balances from financing activities	25,063,967	17,750,462	25,063,967	17,750,462
Financial investments	2,136,919	945,406	2,091,054	801,291
Financial liabilities				
Customers' current accounts	1,292,350	1,470,060	1,292,350	1,470,060
Unrestricted investment accounts	25,724,198	16,360,977	25,724,198	16,360,977

i) Receivables and balances from financing activities

Receivables and balances from financing activities are net of allowance for impairment. The estimated fair value of receivables and balances from financing activities is not significantly different from its carrying value, as a significant portion of the portfolio is subject to frequent re-pricing in line with market rates.

ii) Financial investments

Financial investments includes held to maturity and available for sale investments. Available for sale investments are measured at fair value. Fair value for held-to-maturity investment is primarily based on market prices, where ever market price is not available, the Group establishes the fair value using valuation techniques that includes discounted cash flow analysis, recent arms length transactions and other valuation techniques commonly used by market participants. The fair values of held to maturity investments are stated in note 7.

iii) Unrestricted investment accounts

The estimated fair value of unrestricted investment accounts not different from the carrying values on the financial position date, as almost the total portfolio maturity is of very short duration and is re-priced at market profit rates.

(c) Fair value disclosures

The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

(c) Fair value disclosures (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2010 QAR'000	Level 1 QAR'000	Level 2 QAR'000	Level 3 QAR'000
Financial assets				
Financial investments available-for-sale:				
Quoted equities	16,470	16,470	-	-
Unquoted equities	151,606	-	151,606	-
	168,076	16,470	151,606	-
Derivative financial instruments:				
Profit rate swap	5,554	-	5,554	-
Unilateral promise to buy/sell currencies	5,591	-	5,591	-
	11,145	-	11,145	-
Financial liabilities				
Derivative financial instruments:				
Profit rate swap	5,554	-	5,554	-
Unilateral promise to buy/sell currencies	16,911	-	16,911	-
	22,465	-	22,465	-

	31 December 2009 QAR'000	Level 1 QAR'000	Level 2 QAR'000	Level 3 QAR'000
Financial assets				
Financial investments available-for-sale:				
Quoted equities	10,614	10,614	-	-
Unquoted equities	69,120	-	69,120	-
	79,734	10,614	69,120	-
Derivative financial instruments:				
Profit rate swap	11,615	-	11,615	-
Unilateral promise to buy/sell currencies	10,254	-	10,254	-
	21,869	-	21,869	-
Financial liabilities				
Derivative financial instruments:				
Profit rate swap	11,615	-	11,615	-

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3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.5 Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital. No changes were made in the objectives, policies and processes from the previous year.

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank.

Capital Adequacy

	2010 QAR'000	2009 QAR'000
Tier 1 Capital	6,401,414	5,639,004
Tier 2 Capital	26,426	157,695
Total capital	6,427,840	5,796,699
Total risk weighted assets	33,452,538	23,425,919
Tier 1 Capital ratio	19.14%	24.07%
Total Capital ratio	19.21%	24.74%

Tier 1 capital includes paid-up share capital, legal reserve, other reserves and retained earnings after excluding proposed dividend.

Tier 2 capital comprises the risk reserve and fair value reserve (45% if positive and 100% if negative).

The minimum accepted capital adequacy ratio determined by Qatar Central Bank is 10% whilst the minimum determined by Basel Committee is 8%.

3.6 Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact. The Group seeks to minimize actual or potential losses from operational risks failure through a framework of policies and procedures that identify, assess, control, manage, and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

3.7 Other risks

Other risks to which the Group is exposed are regulatory risk, legal risk, and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the Group, with guidelines and policies being issued as appropriate.

Notes To The Consolidated Financial Statements
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4 CASH AND BALANCES WITH QATAR CENTRAL BANK

	2010 QAR'000	2009 QAR'000
Cash on hand	123,752	73,941
Cash reserve with Qatar Central Bank*	902,687	363,613
Current account with Qatar Central Bank	455,346	278,526
	1,481,785	716,080

* The cash reserve with Qatar Central Bank represents mandatory reserve not used for the daily operations of the Group.

5 BALANCES AND INVESTMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010 QAR'000	2009 QAR'000
Current accounts	128,920	4,866
Deposits with Islamic Banks	4,860,010	4,251,818
	4,988,930	4,256,684

6 RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES

	2010 QAR'000	2009 QAR'000
(a) By type		
Receivables and balances from financing activities:		
Murabaha	22,881,173	14,555,499
Mudaraba	2,205,665	2,390,750
Ijarah	1,256,699	1,954,088
Musharaka	148,728	269,371
Others	10,960	4,371
Total receivables and balances from financing activities	26,503,225	19,174,079
Deferred profit	(1,427,603)	(1,415,130)
Allowance for impairment (c)	(11,655)	(8,487)
Net receivables and balances from financing activities	25,063,967	17,750,462

Notes To The Consolidated Financial Statements
at 31 December 2010

6 RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES (continued)

(b) By sector

	Murabaha QAR'000	Mudaraba QAR'000	Ijarah QAR'000	Musharaka QAR'000	Others QAR'000	Total 2010 QAR'000
Government institutions	8,294,960	2,205,665	-	-	-	10,500,625
Real estate	1,827,838	-	925,884	120,946	2,498	2,877,166
Contracting	6,870,898	-	26,787	4,798	-	6,902,483
Consumer	191,226	-	-	2,538	8,462	202,226
Services	4,223,388	-	304,028	-	-	4,527,416
Other	45,259	-	-	20,447	-	65,706
	21,453,569	2,205,665	1,256,699	148,729	10,960	25,075,622

	Murabaha QAR'000	Mudaraba QAR'000	Ijarah QAR'000	Musharaka QAR'000	Others QAR'000	Total 2009 QAR'000
Government	33,084	-	-	-	-	33,084
Government institutions	5,169,383	2,390,750	-	-	-	7,560,133
Real estate	6,590,222	-	1,759,511	215,862	-	8,565,595
Contracting	407,778	-	-	23,919	-	431,697
Consumer	114,022	-	107,861	-	-	221,883
Services	623,500	-	75,077	-	-	698,577
Other	202,359	-	11,639	29,589	4,393	247,980
	13,140,348	2,390,750	1,954,088	269,370	4,393	17,758,949

6 RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES (continued)

(c) Movement in allowance for impairment

The total non-performing receivables and balances from financing activities at 31 December 2010 amounted to QAR 11,593 representing 0.05% of the gross receivables and balances from financing activities (2009: QAR 11,231 thousand, representing 0.06% of the gross receivables and balances from financing activities).

	2010 QAR'000	2009 QAR'000
Balance as at 1 January	8,487	-
Allowance for impairment made during the year*	3,168	8,512
Write-off during the year	-	(25)
Balance at 31 December	11,655	8,487

* This includes net profit of QAR 2,343 thousand suspended during the year.

7 FINANCIAL INVESTMENTS

(a) Available for sale investments

	2010 QAR'000	2009 QAR'000
Quoted equities	16,470	10,614
Unquoted equities	151,606	69,120
	168,076	79,734
(b) Held to maturity investments		
Sukuk	1,968,843	865,672
	2,136,919	945,406

Held to maturity investments are net of allowance for impairment losses of QAR 7,281 thousand (2009: nil) booked during the year.

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7 FINANCIAL INVESTMENTS (continued)

	2010			2009		
	Quoted QAR '000	Unquoted QAR '000	Total QAR '000	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
Held to maturity investments by type						
Local Sukuk in QAR	-	1,250,000	1,250,000	-	-	-
Local Sukuk in USD	310,762	-	310,762	324,414	-	324,414
Foreign Sukuk in USD	218,430	16,200	234,630	225,711	18,203	243,914
Foreign Sukuk in AED	173,451	-	173,451	297,344	-	297,344
	702,643	1,266,200	1,968,843	847,469	18,203	865,672
Held to maturity investments by nature of income						
Fixed profit rate	93,686	1,266,200	1,309,886	50,967	18,203	69,170
Floating profit rate	658,957	-	658,957	796,502	-	796,502
	702,643	1,266,200	1,968,843	847,469	18,203	865,672

Note:

The fair value of held to maturity investments as at 31 December 2010 amounted to QAR 1,923 million (2009: QAR 722 million).

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8 INVESTMENT PROPERTY

Investment property pertains to freehold land and is carried at cost, which is also the fair value as at 31 December 2010.

	2010 QAR'000	2009 QAR'000
Balance at 1 January	-	-
Transferred from available for sale investments	68,970	-
Additions	91,250	-
Balance at 31 December	160,220	-

9 INVESTMENT IN ASSOCIATES

The Group's interest in its associates as at 31 December is as follows:

Name	Country of incorporation	% interest held		Group share				Carrying value	
		2010	2009	Assets	Liabilities	Operating income (loss)	Results	2010 QAR'000	2009 QAR'000
Pak-Qatar General Takaful Limited (A)	Pakistan	19.49	19.49	-	-	-	-	-	2,329
Pak-Qatar Family Takaful Limited (A)	Pakistan	18.76	22.14	-	-	-	-	-	3,515
National Mass Housing (B)	Oman	20.00	20.00	48,473	175	721	(1,344)	48,298	49,642
CI San Trading (C)	Qatar	50.00	50.00	5,000	-	-	-	5,000	5,000
Kirnaf Investment and Installment Company (D)	Saudi Arabia	48.00	48.00	300,984	10,188	(3,983)	(445)	290,796	151,445
Daman Insurance - Beema (E)	Qatar	20.00	-	40,400	-	-	-	40,400	-
Linc Facility Services (F)	Qatar	33.33	-	2,000	-	-	-	2,000	-
								386,494	211,931

Notes To The Consolidated Financial Statements
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9 INVESTMENT IN ASSOCIATES (continued)

Associates' movement during the year is as follows:

	2010 QAR'000	2009 QAR'000
Balance at 1 January	211,931	61,222
Investments acquired during the year	182,196	151,445
Share in associates' results	(1,789)	(167)
Associates reclassified to financial investments – available-for-sale	(5,844)	-
Exchange differences	-	(569)
Balance at 31 December	386,494	211,931

Notes:

A) During the year, these associates were reclassified to available-for-sale investments due to absence of significant influence.

B) The Company was incorporated in Oman on 19 November 2008 with paid-up share capital of Omani Riyal 5,250,000 to conduct design services, consultancy services, project management, marketing, advertising, sales and construction for its real estate and individual clients.

C) The Company was incorporated in Qatar on 7 October 2008 with paid-up share capital of QAR 10 million to conduct sale, purchase, lease and rent of properties.

D) The Company was incorporated in Kingdom of Saudi Arabia on 5 April 2009 with paid-up share capital of Saudi Riyal 510 million to conduct leasing business.

E) The Company was incorporated in Qatar on 18 October 2009 with paid-up share capital of QAR 200 million and is engaged in insurance activities.

F) The Company was incorporated in Qatar on 8 November 2010 with paid-up share capital of QAR 6 million and is engaged in facility management.

G) As at reporting date, CI San Trading, Daman Insurance - Beema and Linc Facility Services are still in the pre-operating stage. Accordingly, the investment balances represent the acquisition cost.

H) All investments are not listed.

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10 PROPERTY, FURNITURE AND EQUIPMENT

	Land & building	Leasehold improvements	Furniture, fixtures and office equipment	Computer hardware	Work in progress	Total
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
As at 31 December 2010						
Cost:						
Balance at 1 January 2010	14,154	43,927	12,229	42,094	3,674	116,078
Additions	9	4,513	5,312	10,091	4,204	24,129
Balance at 31 December 2010	14,163	48,440	17,541	52,185	7,878	140,207
Accumulated depreciation:						
Balance at 1 January 2010	673	8,962	3,539	20,229	-	33,403
Depreciation for the year	358	4,705	2,343	12,442	-	19,848
Balance at 31 December 2010	1,031	13,667	5,882	32,671	-	53,251
Net book value:						
At 31 December 2010	13,132	34,773	11,659	19,514	7,878	86,956

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10 PROPERTY, FURNITURE AND EQUIPMENT (continued)

	Land & building	Leasehold improvements	Furniture, fixtures and office equipment	Computer hardware	Work in progress	Total
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
As at 31 December 2009						
Cost:						
Balance at 1 January 2009	14,020	49,677	10,269	25,939	3,661	103,566
Additions	134	3,341	3,975	16,325	13	23,788
Disposals	-	(9,091)	(2,015)	(170)	-	(11,276)
Balance at 31 December 2009	14,154	43,927	12,229	42,094	3,674	116,078
Accumulated depreciation:						
Balance at 1 January 2009	322	5,800	2,013	10,168	-	18,303
Depreciation for the year	351	3,230	1,596	10,061	-	15,238
Disposals	-	(68)	(70)	-	-	(138)
Balance at 31 December 2009	673	8,962	3,539	20,229	-	33,403
Net book value:						
At 31 December 2009	13,481	34,965	8,690	21,865	3,674	82,675

11 OTHER ASSETS

	2010 QAR'000	2009 QAR'000
Prepayments and other receivables	329,976	96,811
Accrued profit	42,182	41,463
Advances to suppliers	7,505	6,446
Receivables from sale of investments	-	125,058
	379,663	269,778
Less: provision for impairment	(1,563)	(109,215)
	378,100	160,563

Notes:

(i) In 2009, the Group provided an amount of QAR 109,215 thousand as provision for impairment on receivables due from Financial Cities Development Company for the sale of the Group's share in Gulf Tunis Investment Company. The receivables have been partially recovered in 2010 and the remaining balance was written off.

(ii) During 2010, the Group provided an amount of QAR 1,563 thousand as provision for impairment on accrued profit relating to certain held to maturity investments.

(iii) Other receivables include positive fair value of derivatives amounting to QAR 11,145 thousand.

12 OTHER LIABILITIES

	2010 QAR'000	2009 QAR'000
Escrow accounts	173,049	91,013
Unearned commission	126,702	65,457
Dividend payable	71,563	76,054
Social and sports fund	34,526	-
Other staff provisions	31,055	36,909
Accrued expenses	9,222	7,334
Provision for employees end of service benefits (a)	8,825	5,796
Others	85,089	48,447
	540,031	331,010

Other liabilities include negative fair value of derivatives amounting to QAR 22,465 thousand.

(a) Provision for employees end of service benefits

	2010 QAR'000	2009 QAR'000
Balance at 1 January	5,796	3,484
Provisions for the year	4,252	2,557
End of service benefits paid during the year	(1,223)	(245)
Balance at 31 December	8,825	5,796

Notes To The Consolidated Financial Statements
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13 UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS

	2010 QAR'000	2009 QAR'000
(a) By type		
Saving accounts	374,986	283,793
Call accounts	2,265,384	8,879,743
Time deposits	22,935,908	7,102,410
Profit payable to unrestricted investment accounts holders	147,701	70,643
Share in the fair value reserve	219	14
Share in the investment risk reserve (A)	-	24,374
	25,724,198	16,360,977

	2010 QAR'000	2009 QAR'000
(b) By sector		
Government and governmental institutions	4,646,350	4,378,328
Individuals	1,544,436	922,792
Banks	8,134,454	8,246,470
Corporate	11,251,038	2,718,356
Profit payable to unrestricted investment accounts holders	147,701	70,643
Share in the fair value reserve	219	14
Share in the investment risk reserve (A)	-	24,374
	25,724,198	16,360,977

A) In 2009, the balance of investment risk reserve includes an amount of QAR 1,661 thousand, representing the share of unrestricted investments accounts holders in the gain on sale of investment in 2008, which is not available for distribution up to the extent received in cash from the sale, in accordance with Qatar Central Bank instructions.

Also, in accordance with Qatar Central Bank circular No. 87/2009, no risk reserve is deducted from the profit of unrestricted investment accounts holders and the total risk reserve is transferred from the shareholders' profit as an appropriation.

14 EQUITY

Paid-up share capital

	2010 QAR'000	2009 QAR'000
Authorised		
750,000,000 shares at QAR 10 each	7,500,000	7,500,000

Issued & paid-up	No. of shares	Amount QAR'000
At 1 January 2010	749,936,932	4,124,654
Dividend towards uncalled share capital (at QAR 1.265 per share)	-	948,670
At 31 December 2010	749,936,932	5,073,324

Notes To The Consolidated Financial Statements
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14 EQUITY (continued)

Legal reserve
In accordance with the Qatar Commercial Companies' Law No. 5 of 2002, share premium equivalent to 7.08% of the paid-up share capital was transferred to legal reserve account. Share premium on 27,700,000 shares of main founders were exempted from payment of share premium.

	2010 QAR'000	2009 QAR'000
Balance at 1 January	633,382	545,316
Transfer from retained earnings (a)	-	88,066
Transfer to retained earnings (b)	(633,382)	-
Balance at 31 December	-	633,382

(a) According to Qatar Central Bank Law No. 33 of 2006, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid-up capital.

(b) The Board of Directors, in its meeting held on 25 January 2011 and after the approval of Qatar Central Bank, has resolved to transfer the balance of legal reserve as of 31 December 2009 to retained earnings for the purpose of capitalizing the reserve into the uncalled portion of the share capital, subject to the approval of the Ministry of Business and Trade.

Fair value reserve
This reserve comprises changes in fair value of available-for-sale investments.

	2010 QAR'000	2009 QAR'000
Balance at the beginning of the year	465	(5,064)
Net unrealised gains on available for sale financial investments	5,871	5,543
Net change during the year	6,336	479
Share of unrestricted investment accounts holders in the fair value reserve	(219)	(14)
Balance at the end of the year (shareholders' share)	6,117	465

Fair value reserve represents unearned gains/ (losses), being not available for distribution unless realised and charged to the consolidated income statement.

Risk reserve
In accordance with Qatar Central Bank regulations, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 1.5% of the total private sector exposure granted by 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 87/2009.

Also, the Board of Directors, in its meeting held on 25 January 2011 and after the approval of Qatar Central Bank, has resolved to transfer the balance of risk reserve as of 31 December 2009 to retained earnings for the purpose of capitalizing the reserve into the uncalled portion of the share capital.

Proposed dividend
The Board of Directors in its meeting held on 25 January 2011 proposed a dividend of 38.95% (2009: 23%) of the paid-up share capital towards the uncalled share capital (QAR 2.635 per share, 2009: QAR 1.265 per share) amounting to QAR 1,976,084 thousand (2009: QAR 948,670 thousand). The proposed dividend includes an amount of QAR 633,382 thousand and QAR 237,953 thousand that was transferred from the legal reserve and risk reserve respectively.

This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

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14 EQUITY (continued)

Retained earnings
Retained earnings include an amount of QAR 14,182 thousand which represents the shareholders share in the gain on sale of investment in 2008 and it is not available for distribution up to the extent received in cash from the sale in accordance with Qatar Central Bank instructions.

Social and Sports Fund
Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 52.3 million for an amount equivalent to 2.5% of the net profit relating to the years ended 31 December 2010 and 2009 for the support of sports, cultural and charitable activities.

15 NON-CONTROLLING INTEREST

This represents the Group's non-controlling interest in Sapura Crest amounting to 49% of the share capital.
Sapura Crest is 51% owned by Al Rayan Investment LLC, a wholly-owned subsidiary of Masraf.

16 INCOME FROM FINANCING ACTIVITIES

	2010 QAR'000	2009 QAR'000
Income from Murabaha	1,419,926	853,904
Income from Istesna	479	-
Income from Ijarah	109,306	98,270
Income from Mudaraba	73,428	113,140
Income from Musharaka	15,133	17,257
Total	1,618,272	1,082,571

17 INCOME FROM INVESTING ACTIVITIES

	2010 QAR'000	2009 QAR'000
(a) Income from investments with banks and other financial institutions:	17,252	33,963
(b) Investments revenues:		
Dividend income	531	3,007
Income from held to maturity investments	68,907	30,526
Total	86,690	67,496

18 NET COMMISSION AND FEES INCOME

	2010 QAR'000	2009 QAR'000
Commission and fees income		
Commission on financing activities	60,464	102,564
Commission on trade finance activities	31,929	26,916
Commission on banking services	18,664	66,685
	111,057	196,165
Commission and fees expenses	(15,839)	(1,675)
	95,218	194,490

19 OTHER INCOME

	2010 QAR'000	2009 QAR'000
Income from QIA (a)	94,875	190,709
Rent income	2,696	4,282
Miscellaneous	5,607	607
	103,178	195,598

(a) During 2010, the Group received an amount of QAR 94,875 thousand from QIA representing compensation for the dividend paid on behalf of QIA towards the uncalled share capital.

(In 2009: pursuant to the implementation of the directives of the Government of the State of Qatar to subscribe in the equity shares of the national banks and due to the inability of Masraf to issue new shares as its existing shares were partially paid, Qatar Investment Authority (QIA) agreed to acquire 10% of the existing shares of Masraf through the Qatar Exchange and pay Masraf the price differential between the closing price of Masraf's share on the Qatar Exchange on 12 October 2008 and the price at which the shares were actually acquired by QIA from existing shares on Qatar Exchange in 2009. The balance represents the amount received for the shares that were purchased during the year).

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2010 QAR'000	2009 QAR'000
Staff costs	132,654	122,576
Rent and maintenance	31,988	25,559
Advertising expenses	15,166	16,600
Legal, professional and consulting fees	12,204	6,384
Board of Directors remuneration	10,422	9,722
Information technology	4,443	3,268
Shari'a Board compensation	1,063	699
Other operating expenses	9,371	5,648
	217,311	190,456

21 SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS IN THE NET PROFIT

	2010 QAR'000	2009 QAR'000
Share of unrestricted investment accounts holders in the profit before Masraf's Mudaraba income	931,695	712,021
Masraf's Mudaraba income	(795,127)	(573,343)
Share of unrestricted investment account holders	136,568	138,678
Support provided by Masraf	434,689	303,027
Investment risk reserve utilised during the year	-	(5,000)
Share of unrestricted investment account holders after Masraf's support	571,257	436,705

Rates of profit allotment:	2010 %	2009 %
More than one year deposits	4.00	5.56
One year deposits	3.75	5.32
Six-months deposits	3.74	5.21
Three-months deposits	3.55	4.96
Call accounts	1.56	4.00
Saving accounts	1.80	3.08
Saving accounts-millionaire	2.50	3.31

22 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2010 QAR'000	2009 QAR'000
Profit for the year due to shareholders (QAR '000)	1,211,344	880,658
Weighted average number of shares outstanding during the year (thousand) (a)	749,937	749,937
Basic earnings per share (QAR)	1.615	1.174

(a) The weighted average number of shares has been calculated as follows:

	2010 Nos'000	2009 Nos'000
Weighted average number of shares at 31 December	749,937	749,937

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

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23 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents comprise the following:

	2010 QAR'000	2009 QAR'000
Cash on hand and balances with Qatar Central Bank excluding cash reserve	579,098	352,467
Balances with banks and other financial institutions	4,988,930	4,256,684
	5,568,028	4,609,151

The cash reserve with Qatar Central Bank has been excluded as it is not used in the day-to-day operations of the Group.

24 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital commitments

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

	2010 QAR'000	2009 QAR'000
Payable not later than 1 year	21,400	20,118
Payable later than 1 year and not later than 5 years	13,980	19,996
	35,380	40,114

(b) Contingent liabilities

	2010 QAR'000	2009 QAR'000
Letters of guarantee	4,786,953	3,763,973
Letters of credit	795,524	711,638
	5,582,477	4,475,611

(c) Other undertakings and commitments

	2010 QAR'000	2009 QAR'000
Ijara unutilized limits	744,473	1,048,334
Profit rate swap (A)	2,548,350	2,562,240
Unilateral promise to buy/sell currencies (B)	10,629,267	10,022,683
	13,922,090	13,633,257

(A) Profit rate swap
Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal. In the case of currency swaps, fixed profit payments and principal are exchanged in different currencies.

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24 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(B) Unilateral promise to buy/sell currencies
Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the derivatives fair value.

Figures in QAR'000

	Positive fair value	Negative fair value	Notional Amount	Within three months	3 - 12 months	1 - 5 years
As at 31 December 2010						
Derivatives for customers						
Profit rate swaps	5,554	5,554	2,548,350	-	1,019,340	1,529,010
Unilateral promise to buy/sell currencies	5,591	16,911	10,629,267	10,373,421	255,846	-
	11,145	22,465	13,177,617	10,373,421	1,275,186	1,529,010

Figures in QAR'000

	Positive fair value	Negative fair value	Notional Amount	Within three months	3 - 12 months	1 - 5 years
As at 31 December 2009						
Derivatives for customers						
Profit rate swaps	11,615	11,615	2,562,240	-	-	2,562,240
Unilateral promise to buy/sell currencies	10,254	-	10,022,683	8,339,765	1,682,918	-
	21,869	11,615	12,584,923	8,339,765	1,682,918	2,562,240

25 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, financing syndication and 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 sukuks 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.

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25 OPERATING SEGMENTS (continued)

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

31 December 2010	Corporate Banking	Retail Banking	Al Rayan Investment	Unallocated	Total
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
Operating income	1,894,977	118,785	16,319	-	2,030,081
Expenses	(527,605)	(45,131)	(9,590)	(236,411)	(818,737)
Net profit / (loss)	1,367,372	73,654	6,729	(236,411)	1,211,344
Total Assets	32,729,654	1,347,778	83,108	522,831	34,683,371
Total liabilities and unrestricted investment account	25,438,527	1,872,634	12,353	233,065	27,556,579

31 December 2009	Corporate Banking	Retail Banking	Al Rayan Investment	Unallocated	Total
	QAR'000	QAR'000	QAR'000	QAR'000	QAR'000
Operating income	1,456,242	79,146	32,586	-	1,567,974
Expenses	(446,180)	(35,442)	(8,934)	(196,760)	(687,316)
Net profit / (loss)	1,010,062	43,704	23,652	(196,760)	880,658
Total Assets	21,988,541	1,139,525	73,257	922,478	24,123,801
Total liabilities and unrestricted investment account	16,370,994	1,148,021	98	642,934	18,162,047

26 GEOGRAPHICAL SEGMENTS

	Qatar	GCC	Other Countries	Total
	QAR'000	QAR'000	QAR'000	QAR'000
At 31 December 2010				
Cash and balances with Qatar Central Bank	1,481,785	-	-	1,481,785
Due from banks and other financial institutions	3,640,389	1,057,301	291,240	4,988,930
Receivables and balances from financing activities	23,711,961	-	1,352,006	25,063,967
Financial investments	1,466,722	399,162	271,035	2,136,919
Investment property	160,220	-	-	160,220
Investment in associates	41,597	339,094	5,803	386,494
Property, furniture and equipment	86,956	-	-	86,956
Other assets	378,100	-	-	378,100
TOTAL ASSETS	30,967,730	1,795,557	1,920,084	34,683,371
Customers' current accounts	1,246,997	2,681	42,672	1,292,350
Other liabilities	540,031	-	-	540,031
Unrestricted investment accounts	23,862,173	1,255,759	606,266	25,724,198
Equity	7,126,792	-	-	7,126,792
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	32,775,993	1,258,440	648,938	34,683,371

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26 GEOGRAPHICAL SEGMENTS (continued)

	Qatar QAR'000	GCC QAR'000	Other Countries QAR'000	Total QAR'000
At 31 December 2009				
Cash and balances with Qatar Central Bank	716,080	-	-	716,080
Due from banks and other financial institutions	4,251,819	1,370	3,495	4,256,684
Receivables and balances from financing activities	15,280,400	-	2,470,062	17,750,462
Financial investments	404,147	541,259	-	945,406
Investment in associates	5,000	201,088	5,843	211,931
Property, furniture and equipment	82,675	-	-	82,675
Other assets	160,563	-	-	160,563
TOTAL ASSETS	20,900,684	743,717	2,479,400	24,123,801
Customers' current accounts	1,393,854	3,730	72,476	1,470,060
Other liabilities	331,010	-	-	331,010
Unrestricted investment accounts	14,003,195	2,191,388	166,394	16,360,977
Equity	5,961,754	-	-	5,961,754
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	21,689,813	2,195,118	238,870	24,123,801

27 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 statement of financial position date, such significant accounts include:

Transactions with related parties

(a) Statement of financial position items

	2010 QAR'000	2009 QAR'000
Assets		
Murabaha	4,482,693	4,292,326
Liabilities		
Current account	216	-
Unrestricted investment accounts holders	1,423,201	1,650,366
	1,423,417	1,650,366

27 RELATED PARTY DISCLOSURES (continued)

Transactions with related parties (continued)

(b) Income statement items

	2010 QAR'000	2009 QAR'000
Income from financing activities	298,795	258,461
Commission and fees income	-	5,646
Gain from foreign exchange operations	187,674	7,067
	486,469	271,174
Profit paid on unrestricted investment accounts	63,187	63,348

Compensation of key management personnel
The remuneration of directors and other members of key management during the year were as follows:

	2010 QAR'000	2009 QAR'000
Remuneration to Board of Directors including meeting allowances	10,422	9,722
Salaries and other benefits	4,930	4,093