

Masraf Al Rayan (Q.S.C.)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2008

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

Introduction

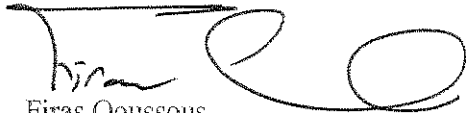
We have reviewed the accompanying interim condensed financial statements of Masraf Al Rayan (Q.S.C.) (the "Masraf") as of 31 March 2008, comprising of the interim condensed balance sheet as of 31 March 2008 and the related interim condensed statements of income, changes in shareholders' equity and cash flows for the three month period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, International Financial Reporting Standard "IAS 34 Interim Financial Reporting" ("IAS 34") and Masraf's undertaking to operate in accordance with Islamic Shari'a rules and principles. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, IAS 34 and Qatar Central Bank regulations.



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

Date: 17 April 2008
Doha

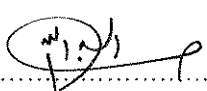


Masraf Al Rayan (Q.S.C.)

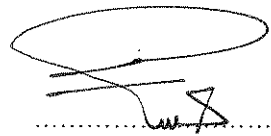
UNAUDITED CONDENSED BALANCE SHEET

At 31 March 2008

| | 31 March 2008 QAR '000 (Reviewed) | 31 December 2007 QAR '000 (Audited) |
|---|--|--|
| ASSETS | | |
| Cash on hand and balances with Qatar Central Bank | 4,792,909 | 456,775 |
| Balances and investments with banks and other financial institutions | 2,412,630 | 2,324,288 |
| Receivables and balances from financing activities | 6,587,175 | 6,737,837 |
| Financial investments | 551,145 | 549,796 |
| Investment in subsidiary | 364,050 | 364,050 |
| Investment in associates | 9,290 | 9,502 |
| Property, furniture and equipment | 76,464 | 50,361 |
| Other assets | 592,684 | 62,911 |
| TOTAL ASSETS | 15,386,347 | 10,555,520 |
| LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY | | |
| LIABILITIES | | |
| Customers' current accounts | 312,990 | 405,834 |
| Current accounts from Banks | 310,333 | - |
| Other Liabilities | 476,265 | 89,916 |
| TOTAL LIABILITIES | 1,099,588 | 495,750 |
| UNRESTRICTED INVESTMENT ACCOUNTS | 9,286,293 | 4,901,152 |
| EQUITY | | |
| Paid up share capital | 4,124,654 | 3,749,685 |
| Legal reserve | 453,612 | 453,612 |
| Fair value reserve | 387 | 1,360 |
| Risk reserve | 82,910 | 93,592 |
| Proposed dividend | - | 749,938 |
| Retained earnings | 338,903 | 110,431 |
| TOTAL EQUITY | 5,000,466 | 5,158,618 |
| TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY | 15,386,347 | 10,555,520 |

.....

 Dr. Hussain Ali Al Abdalla
 Chairman and Managing Director

.....
 Esam Youssif Janahi
 Deputy Chairman

.....

 Adel Mustafawi
 Chief Executive Officer – Al Rayan

The attached notes 1 to 8 form part of these interim condensed financial statements

Masraf Al Rayan (Q.S.C.)

UNAUDITED CONDENSED INCOME STATEMENT

Three Months Ended 31 March 2008

| | <i>Three Months Ended</i> | |
|---|---------------------------|----------------------|
| | <i>31 March</i> | |
| | <i>2008</i> | <i>2007</i> |
| | <i>QR'000</i> | <i>QR'000</i> |
| | <i>(Reviewed)</i> | <i>(Reviewed)</i> |
| <i>Note</i> | | |
| Income from financing activities | 95,965 | 11,010 |
| Income from investing activities | <u>144,153</u> | <u>51,484</u> |
| Total income from financing and investing activities | <u>240,118</u> | <u>62,494</u> |
| Commission and fee income | 70,489 | 2,705 |
| Commission and fee expense | <u>(134)</u> | <u>(13)</u> |
| Net commission and fee income | 70,355 | 2,692 |
| Gain on foreign exchange | <u>3,565</u> | <u>56</u> |
| TOTAL OPERATING INCOME | 314,038 | 65,242 |
| General and administrative expenses | (35,014) | (16,616) |
| Depreciation | <u>(2,587)</u> | <u>(761)</u> |
| PROFIT FOR THE PERIOD BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS | 276,437 | 47,865 |
| Share of unrestricted investment accounts holders in the: | | |
| - Net profit | (53,662) | (3,181) |
| - Risk reserve | <u>(4,985)</u> | <u>(1,185)</u> |
| NET PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS | <u>217,790</u> | <u>43,499</u> |
| BASIC AND DILUTED EARNINGS PER SHARE (QAR) | <u>0.29</u> | <u>0.06</u> |

The attached notes 1 to 8 form part of these interim condensed financial statements

Masraf Al Rayan (Q.S.C.)

UNAUDITED CONDENSED CASH FLOW STATEMENT

Three Months Ended 31 March 2008

| | <i>Three Months Ended</i> | |
|---|---------------------------|-------------------|
| | <i>31 March</i> | |
| | <i>2008</i> | <i>2007</i> |
| <i>Note</i> | <i>QR'000</i> | <i>QR'000</i> |
| | <i>(Reviewed)</i> | <i>(Reviewed)</i> |
| OPERATING ACTIVITIES | | |
| Profit for the period | 217,790 | 43,499 |
| Adjustments for: | | |
| Depreciation | 2,587 | 761 |
| Gain on sale of financial investment | <u>(127,418)</u> | <u>-</u> |
| Operating profit before changes in operating assets and liabilities | 92,959 | 44,260 |
| Net decrease (increase) in assets: | | |
| Cash reserve with Qatar Central Bank | (94,385) | (7,794) |
| Receivables and balances from financing activities | 150,662 | (840,738) |
| Other assets | (529,773) | (11,219) |
| Net increase (decrease) in liabilities: | | |
| Customers' current accounts | (92,844) | 29,446 |
| Banks' current account | 310,333 | - |
| Other liabilities | <u>386,349</u> | <u>(7,377)</u> |
| Net cash from (used in) operating activities | <u>223,301</u> | <u>(793,422)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of financial investments | (20,313) | (33,529) |
| Purchase of property and equipment | (28,690) | (5,085) |
| Proceeds from sale of investment securities | <u>145,620</u> | <u>-</u> |
| Net cash from (used in) investing activities | <u>96,617</u> | <u>(38,614)</u> |
| FINANCING ACTIVITIES | | |
| Payment of cash dividend | (374,968) | - |
| Equity transaction cost | - | (50) |
| Increase in unrestricted investment accounts | <u>4,385,141</u> | <u>161,440</u> |
| Net cash from financing activities | <u>4,010,173</u> | <u>161,390</u> |
| Net increase in cash and cash equivalents during the period | 4,330,091 | (670,646) |
| Balance of cash and cash equivalents at 1 January | <u>2,709,862</u> | <u>3,975,823</u> |
| Balance of cash and cash equivalents at 31 March | <u>7,039,953</u> | <u>3,305,177</u> |

The attached notes 1 to 8 form part of these interim condensed financial statements

Masraf Al Rayan (Q.S.C.)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY Three Months Ended 31 March 2008

| | Share capital QAR '000 | Legal Reserve QAR '000 | Fair value reserve QAR '000 | Risk reserve QAR '000 | Retained earnings QAR '000 | Total QAR '000 |
|--|------------------------------|------------------------------|--------------------------------------|-----------------------------|----------------------------------|-------------------|
| Balance at 1 January 2007 | 3,749,685 | 215,172 | 908 | 2,204 | 110,614 | 4,078,583 |
| Equity transaction costs recognised directly in equity | - | (50) | - | - | - | (50) |
| Net changes in fair value reserve | - | - | (457) | - | - | (457) |
| Total income and expense for the period recognised directly in equity | - | (50) | (457) | - | - | (507) |
| Profit for the period | - | - | - | - | 43,499 | 43,499 |
| Total income and expense for the period | - | (50) | (457) | - | 43,499 | 42,992 |
| Transfers to risk reserve | - | - | - | 9,323 | (9,323) | - |
| Balance at 31 March 2007 | 3,749,685 | 215,122 | 451 | 11,527 | 144,790 | 4,121,575 |

The attached notes 1 to 8 form part of these interim condensed financial statements

Masraf Al Rayan (Q.S.C.)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)

Three Months Ended 31 March 2008

| | Share capital QAR '000 | Legal Reserve QAR '000 | Fair value reserve QAR '000 | Risk reserve QAR '000 | Proposed dividend QAR '000 | Retained earnings QAR '000 | Total QAR '000 |
|---|------------------------------|------------------------------|-----------------------------------|-----------------------------|----------------------------------|----------------------------------|-------------------|
| Balance at 1 January 2008 | 3,749,685 | 453,612 | 1,360 | 93,592 | 749,938 | 110,431 | 5,158,618 |
| Dividend paid toward the uncalled share capital | 374,969 | - | - | - | (374,969) | - | - |
| Payment of cash dividend | - | - | - | - | (374,969) | - | (374,969) |
| Net changes in fair value reserve | - | - | (973) | - | - | - | (973) |
| Total income and expense for the period recognised directly in equity Profit for the period | 374,969 | - | (973) | - | (749,938) | 217,790 | (375,942) |
| | - | - | - | - | - | 217,790 | 217,790 |
| Total income and expense for the period Transfers from risk reserve | 374,969 | - | (973) | - | (749,938) | 217,790 | (158,152) |
| | - | - | - | (10,682) | - | 10,682 | - |
| Balance at 31 March 2008 | 4,124,654 | 453,612 | 387 | 82,910 | - | 338,903 | 5,000,466 |

The attached notes 1 to 8 form part of these interim condensed financial statements

Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

At 31 March 2008

1. LEGAL STATUS AND MAIN ACTIVITIES

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

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

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

The interim condensed financial statements of Masraf Al Rayan Q.S.C. for the three months ended 31 March 2008 were authorized for issue in accordance with a resolution of the Board of Directors on 17 April 2008.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the International Accounting Standard (IAS) 34 - Interim Financial Reporting.

These interim financial statements should be read in conjunction with the 2007 financial statements and the notes attached thereto.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. In addition, the results for the three months ended 31 March 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

Significant accounting policies

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

3. LEGAL RESERVE

According to Qatar Central Bank Law No.33 of 2006, 10% of the net profit is required to be transferred to legal reserve. However, in accordance with Masraf's Articles of Association, 20% of the net profit for the period shall be transferred to the legal reserve until the reserve equals 100% of the paid up share capital. No transfer has been made for the period ended 31 March 2008 as the Masraf will transfer the total amount by 31 December 2008.

4. PROPOSED DIVIDEND

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

Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

At 31 March 2008

5. OFF BALANCE SHEET ITEMS

(a) Operating lease commitments

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

| | <i>31 March 2008 QAR '000 (Reviewed)</i> |
|--|--|
| Payable not later than 1 year | 22,553 |
| Payable later than 1 year and not later than 5 years | <u>58,890</u> |
| | <u>81,443</u> |

(b) Deferred or contingent commitments

| | |
|----------------------|------------------|
| Letter of guarantees | 2,018,883 |
| Letter of credit | <u>605,727</u> |
| | <u>2,624,610</u> |

(c) Other contracts and commitments

| | <i>31 March 2008 QAR '000 (Reviewed)</i> |
|---------------------------------|--|
| Profit rate swap | 50,304 |
| Restricted investments balances | <u>19,659</u> |
| | <u>69,963</u> |

6. RELATED PARTY DISCLOSURES

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

Related party transactions

(a) Balance Sheet items

| | <i>31 March 2008 QAR '000 (Reviewed)</i> |
|-----------------------|--|
| Assets | |
| Ijarah | 583,256 |
| Mudaraba | <u>2,672,784</u> |
| | <u>3,256,040</u> |
| Liabilities | |
| Current account | <u>3,477</u> |
| Contingent commitment | <u>1,088,451</u> |

Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
At 31 March 2008

6. RELATED PARTY DISCLOSURES (Continued)

(b) Income statement elements

| | <i>31 March 2008 QAR '000 (Reviewed)</i> |
|--------------------------------------|--|
| Income from investing activities (i) | 127,418 |
| Fee and commission (ii) | 55,891 |
| Profit on Ijarah | 14,430 |
| Profit on Mudarabha | <u>32,747</u> |
| | <u>230,486</u> |

- (i) During the period, Masraf Al Rayan acquired 1,081,081 shares in Gulf Tunis Investment Company, a company established in Cayman Islands from a related party, Gulf Finance House for an amount of QR 18,202 thousand. Subsequently, Masraf Al Rayan sold the shares to a third party for an amount of QR 145,620 thousand which resulted in a profit of QR 127,418 thousand.
- (ii) In addition to the above during the period, Masraf Al Rayan recognized a fee of QR 54,608 thousand under an underwriting agreement with a related party, Gulf Finance House, for underwriting services in relation to the private placement of shares in the share capital of Tunis Bay Investment Company, a Cayman Islands incorporated company.

7. 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.

8. SEGMENT INFORMATION

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