Masraf Al Rayan (Q.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

Ernst & Young

P.O. Box 164
3rd Floor, Al-Abdulghani Tower
Airport Road
Doha, State of Qatar
Tel: +974 441 4599
Fax: +974 441 4649
www.ey.com/me

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MASRAF AL RAYAN (Q.S.C.)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Masraf Al Rayan (Q.S.C) (the "Masraf") and its subsidiary (the "Group") which comprises the consolidated statement of financial position as at 31 December 2009 and the 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.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these 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 in accordance with the Islamic Shari'a Rules and Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 the relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate for 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MASRAF AL RAYAN (Q.S.C.) (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009 and its financial performance and its cash flows for the year ended 31 December 2009 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 and 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 2010
Doha
State of Qatar

ERNST & YOUNG
Doha

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	*2009* *QAR'000*	*2008* *QAR '000*
ASSETS			
Cash and balances with Qatar Central Bank	4	**716,080**	501,209
Balances and investments with banks and other financial institutions	5	**4,256,684**	1,285,571
Receivables and balances from financing activities	6	**17,750,462**	13,325,737
Financial investments	7	**945,406**	911,861
Investment in associates	8	**211,931**	61,222
Property, furniture and equipment	9	**82,675**	85,263
Other assets	10	**160,563**	598,216
TOTAL ASSETS		**24,123,801**	16,769,079
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customers' current accounts		**1,470,060**	413,716
Other liabilities	11	**331,010**	176,993
TOTAL LIABILITIES		**1,801,070**	590,709
UNRESTRICTED INVESTMENT ACCOUNTS	12	**16,360,977**	10,484,105
EQUITY			
Paid up share capital	13	**4,124,654**	4,124,654
Legal reserve	13	**633,382**	545,316
Fair value reserve	13	**465**	(5,064)
Risk reserve	13	**237,953**	199,885
Proposed dividend	13	**948,670**	618,698
Retained earnings		**16,630**	210,776
TOTAL EQUITY		**5,961,754**	5,694,265
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		**24,123,801**	16,769,079

The consolidated financial statements have been approved by the Board of Directors on 25 January 2010 and were signed on their behalf by:

Dr. Hussain Ali Al Abdalla
Chairman & Managing Director

Adel Mustafawi
Chief Executive Officer

The attached notes 1 to 26 form an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT
Year Ended 31 December 2009

	Notes	2009 QAR'000	2008 QAR'000
Income from financing activities	14	**1,082,571**	522,666
Income from investing activities	15	**67,496**	805,712
Total income from financing and investing activities		**1,150,067**	1,328,378
Commission and fees income		**196,165**	117,048
Commission and fees expense		**(1,675)**	(19,875)
Net commission and fee income	16	**194,490**	97,173
Gain from foreign exchange operations		**27,986**	717
Other income	17	**195,598**	3,171
Share of results of associates		**(167)**	(903)
TOTAL OPERATING INCOME		**1,567,974**	1,428,536
General and administrative expenses	18	**(190,456)**	(170,829)
Depreciation	9	**(15,238)**	(12,862)
Provision for impairment of receivables from financing activities	6	**(8,512)**	-
Provision for impairment of other assets	10	**(36,405)**	(72,810)
PROFIT FOR THE YEAR BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS		**1,317,363**	1,172,035
Less : Share of unrestricted investment accounts holders in the:			
- Net profit	19	**(436,705)**	(249,879)
- Investment risk reserve	19	**-**	(5,116)
NET PROFIT FOR THE YEAR DUE TO SHAREHOLDERS		**880,658**	917,040
BASIC EARNINGS PER SHARE (QAR)	20	**1.17**	1.22

The attached notes 1 to 26 form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
Year Ended 31 December 2009

	Notes	*31 December 2009* *QAR'000*	*December 2008* *QAR'000*
OPERATING ACTIVITIES			
Profit for the year		**880,658**	917,040
Adjustments for:			
Depreciation	9	**15,238**	12,862
Provision for impairment of receivables from financing activities		**8,512**	-
Provision for impairment of other assets	10	**36,405**	72,810
Gain on sale of property, furniture and equipment		**(239)**	-
Gain on sale of financial investments		**-**	(130,622)
Gain on sale of investments	15	**-**	(605,020)
Share of loss of associates and foreign exchange loss	8	**736**	903
Operating profit before changes in operating assets and liabilities		**941,310**	267,973
Net decrease (increase) in assets:			
Cash reserve with Qatar Central Bank	4	**7,507**	(299,919)
Receivables and balances from financing activities	6	**(4,433,237)**	(6,587,900)
Other assets	10	**401,248**	(608,115)
Net increase (decrease) in liabilities:			
Customers' current accounts		**1,056,344**	7,882
Other liabilities		**154,017**	87,077
Net cash flows used in operating activities		**(1,872,811)**	(7,133,002)
INVESTING ACTIVITIES			
Purchase of property, furniture and equipment	9	**(23,788)**	(47,764)
Purchase of investments		**-**	(84,680)
Purchase of financial investments		**(63,323)**	(452,008)
Proceeds from sale of financial investments		**39,081**	210,270
Proceeds from sale of investments		**-**	689,701
Proceeds from sale of property and furniture and equipment		**11,377**	-
Investment in associates		**(151,445)**	(52,623)
Net cash flows from investing activities		**(188,098)**	262,896
FINANCING ACTIVITIES			
Payment of cash dividends	13	**(618,698)**	(374,969)
Increase in unrestricted investment accounts	12	**5,873,098**	5,950,873
Net cash flow from financing activities		**5,254,400**	5,575,904
Net (decrease)/increase in cash and cash equivalents		**3,193,491**	(1,294,202)
Cash and cash equivalents at the beginning of the year		**1,415,660**	2,709,862
Cash and cash equivalents at 31 December	21	**4,609,151**	1,415,660

The attached notes 1 to 26 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2009

	Notes	*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*
At 1 January 2009		4,124,654	545,316	(5,064)	199,885	618,698	210,776	5,694,265
Net changes in fair value reserve		-	-	5,529	-	-	-	5,529
Total income and expense for the year recognised directly in equity		-	-	5,529	-	-	-	5,529
Profit for the year		-	-	-	-	-	880,658	880,658
Total income and expense for the year		-	-	5,529	-	-	880,658	886,187
Payment of cash dividends for 2008	13	-	-	-	-	(618,698)	-	(618,698)
Transfer to reserves		-	88,066	-	38,068	-	(126,134)	-
Proposed dividend for 2009		-	-	-	-	948,670	(948,670)	-
Balance at 31 December 2009		**4,124,654**	**633,382**	**465**	**237,953**	**948,670**	**16,630**	**5,961,754**

The attached notes 1 to 26 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year Ended 31 December 2009

	Notes	*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*
At 1 January 2008		3,749,685	453,612	1,360	93,592	749,938	110,431	5,158,618
Net changes in fair value reserve		-	-	(6,424)	-	-	-	(6,424)
Total income and expense for the year recognised directly in equity		-	-	(6,424)	-	-	-	(6,424)
Profit for the year		-	-	-	-	-	917,040	917,040
Total income and expense for the year		-	-	(6,424)	-	-	917,040	910,616
Dividend paid towards the uncalled share capital	13	374,969	-	-	-	(374,969)	-	-
Payment of cash dividends for 2007	13	-	-	-	-	(374,969)	-	(374,969)
Proposed cash dividends for 2008	13	-	-	-	-	618,698	(618,698)	-
Transfer to reserves		-	91,704	-	106,293	-	(197,997)	-
Balance at 31 December 2008		**4,124,654**	**545,316**	**(5,064)**	**199,885**	**618,698**	**210,776**	**5,694,265**

The attached notes 1 to 26 form an integral part of these financial statements

1 LEGAL STATUS AND MAIN ACTIVITIES

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

Masraf is engaged in banking, financing and investing activities in accordance with its Article 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 six local branches, all operating in the State of Qatar. Masraf is listed and its shares are traded in the Qatar Exchange.

Masraf owns 100% of the issued share capital of Al Rayan Investment LLC ("Subsidiary"). Al Rayan Investment was incorporated on 3 April 2007 in Qatar and has an authorised and paid up capital of QAR 364 millions. The subsidiary commenced operations in January 2008.

The consolidated financial statements of Masraf Al Rayan Q.S.C. for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 25 January 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following standards, amendments and interpretations. The adoption of these standards, amendments and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management and to include the financial guarantee contracts in the contractual maturity analysis.

IFRS 8 Operating segments

The new standard which replaced IAS 14 'Segment Reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the Chief Operating decision maker.

The following amendments and interpretations became effective in 2009, but were not relevant for the Group's operations:

IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 9 and IAS 39	Embedded derivatives
IAS 32 and IAS 1(Amendment)	Puttable financial instruments and obligations arising on liquidation
IAS 23	Borrowing costs
IFRS 2	Share based payments – Vesting conditions and cancellations

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations issued but not adopted

The following standards, amendments and interpretations have been issued but are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Group:

Standard /interpretation	Content	Effective date
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 July 2009
IFRS 3	Business combinations	1 July 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group. The Group did not early adopt new or amended standards in 2009.

(b) Basis of preparation and consolidation

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of available for sale investments, unilateral promise to buy/sell currencies and profit rate swaps.

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

The consolidated financial statements of Masraf and its subsidiary (the "Group") 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 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, Masraf applies the relevant International Financial Reporting Standards (IFRS).

The consolidated financial statements comprise the financial statements of Masraf Al Rayan (Q.S.C) and its subsidiary. A subsidiary is an entity over which Masraf has power to control which is other than fiduciary in nature.

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 statement of income from the date of acquisition or up to the date of disposal, as appropriate.

All inter group balances and transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The details of the subsidiary are as follows:

Name of Subsidiary	Country of Incorporation	Share Capital QAR'000	Ownership %
Al Rayan Investment LLC	Qatar	364,050	100

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency transactions

Foreign currency transactions during the year are translated at the rate of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Qatari Riyals at the rates of exchange prevailing at the year end. Any differences are taken to the income statement as foreign currency exchange gains or losses.

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

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 balance sheet date, and their statement of incomes are translated at the weighted average exchange rates for the year.

(d) 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.

(e) Financial 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 off, 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 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 income statement under provision for impairment of financial investments.

Held to maturity investments are measured at amortised cost less provision for impairment. 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 income statement as a provision for impairment of financial investments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 balance sheet 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.

(g) 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 that require delivery of assets within the time frame generally established by regulation or conventions in the market place.

(h) 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.

(i) 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 instructions, 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 income statement when incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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 the 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.

(k) 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.

(l) Off balance sheet items

Funds managed on behalf of customers are included in contracts and other commitments and include:

-Restricted investment funds invested on behalf of customers under proxy or Wakala contracts in accordance with the terms and investment products agreed with the customers. Results of such investments are not included in the income statement, but paid directly to the customers when accrued after deducting the Masraf's commission or share of profit, as Mudareb or agent, this is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Masraf 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 the Masraf's Mudaraba percentage agreed upon and declared.
- In case any expense or loss incurred is proved to be resulting from negligence by the 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 the Masraf at the year end are net losses, then Qatar Central Bank, being the authority responsible for determining the 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 the Masraf funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(n) 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.

(o) 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 the Masraf's interest in the associate.

The consolidated statement of income 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 statement of income.

(p) Offsetting

Offsetting of assets against liabilities and liabilities against assets should not be set-off unless there is a religious or legal right and an actual expectation of set- off.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet 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 statement of income. 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.

(r) Investment risk reserve

This is the amount appropriated by the 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.

(s) 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.

(t) Impairment of financial assets

An assessment is made at each balance sheet 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 statement of income.

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 loan 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.

u) Contingent liabilities and other commitments

At the balance sheet date contingent liabilities and other commitments do not represent actual assets or liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

v) 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 income statement.

w) 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

x) 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 the Bank 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 head office. Income and expenses directly associated with each segment are included in determining operating segment performance.

y) 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 remeasured 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.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

3.1 Financial instruments

(a) Definition and classification

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

3.2 Risk Management

3.2.1 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.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk Management (continued)

3.2.1 Introduction (continued)

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 make use of probabilities derived from historical experience adjusted to reflect the economic environment.

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 utilization 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.

3.2.2 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 counter parties.

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 collateral obtained are as follows:

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

Management monitors the market value of collaterals.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk Management (continued)

3.2.2 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.

(a) 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 balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2009 QAR'000	*Gross maximum exposure 2008 QAR'000*
Cash and balances with Qatar Central Bank (excluding cash on hand)	**642,139**	445,779
Balances and investments with banks and other financial institutions	**4,256,684**	1,285,571
Receivables and balances from financing activities	**17,750,462**	13,325,737
Financial investments	**945,406**	911,861
Other receivables	**37,712**	348,690
Total on balance sheet	**23,632,403**	16,317,638
Contingent liabilities	**4,475,611**	3,536,816
Total off balance sheet	**4,475,611**	3,536,816
Total credit risk exposure	**28,108,014**	19,854,454

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 collateral is QR 22,135 millions. The main types of collateral obtained are cash 4% , mortgages 13% , Government guarantees 44% and other eligible securities 39% of the total collateral.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk Management (continued)

3.2.2 Credit risk (continued)

(b) Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets, based on the Group's credit rating system:

	Neither past due nor impaired			
	High grade QAR'000	*Standard grade QAR'000*	*Watch list or impaired grade QAR'000*	*Total 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	**4,256,684**	-	-	**4,256,684**
Receivables and balances from financing activities				
-Retail	**203,607**	-	**22,647**	**226,254**
-Corporate	**8,750,325**	-	**208,210**	**8,958,535**
-Real estate	**8,505,410**	-	**60,263**	**8,565,673**
Financial investments	**945,406**	-	-	**945,406**
Other receivables	**21,869**	**15,843**	-	**37,712**
	23,399,381	**15,843**	**291,120**	**23,706,344**

	Neither past due nor impaired			
	High grade QAR'000	*Standard grade QAR'000*	*Watch list or impaired grade QAR'000*	*Total QAR'000*
At 31 December 2008				
Cash and balances with Qatar Central Bank	501,209	-	-	501,209
Balances and investments with banks and other financial institutions	1,285,571	-	-	1,285,571
Receivables and balances from financing activities				-
-Retail	53,635	-	-	53,635
-Corporate	9,960,871	-	25,926	9,986,797
-Real estate	3,271,516	-	13,789	3,285,305
Financial investments	911,861	-	-	911,861
Other receivables	-	275,880	72,810	348,690
	15,984,663	275,880	112,525	16,373,068

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.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2. Risk Management (continued)

3.2.2 Credit risk (continued)

(c) 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	***61 to 90 days***	***Total 2009***
	QAR'000	***QAR'000***	***QAR'000***
Receivables and balances from financing activities:			
Retail	**12,138**	**13**	**12,151**
Corporate	**40,036**	**521**	**40,557**
Real estate	**24,410**	**-**	**24,410**
Total	**76,584**	**534**	**77,118**

	Less than 60 days	*61 to 90 days*	*Total 2008*
	QAR'000	*QAR'000*	*QAR'000*
Receivables and balances from financing activities:			
Retail	-	-	-
Corporate	3,362	1,050	4,412
Real estate	347	358	705
Total	3,709	1,408	5,117

As of 31 December 2009, the Group did not obtain any additional collaterals against the past due but not impaired receivables and balances from financing activities.

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk Management (continued)

3.2.2 Credit risk (continued)

(d) Concentration analysis

The distribution of assets, liabilities and contingent liabilities by geographic region and industry sector is as follows:

	2009			2008		
	Assets QAR'000	***Liabilities and equity QAR'000***	***Contingent liabilities QAR'000***	*Assets QAR'000*	*Liabilities and equity QAR'000*	*Contingent liabilities QAR'000*
By geographic region						
Qatar	**20,900,684**	**21,689,813**	**2,088,049**	14,025,533	16,548,834	3,536,816
GCC countries	**743,717**	**2,195,118**	**-**	886,945	220,245	-
Others	**2,479,400**	**238,870**	**2,387,562**	1,856,601	-	-
Total	**24,123,801**	**24,123,801**	**4,475,611**	16,769,079	16,769,079	3,536,816
By industry sector						
Government	**33,085**	**2,081,338**	**-**	36,777	4,813,515	2,705
Government agencies	**7,560,132**	**2,391,722**	**-**	8,224,884	1,814,929	788,368
Commercial	**1,373,805**	**3,263,140**	**3,458,787**	1,764,392	1,074,182	2,311,711
Real estate	**9,309,218**	**160,737**	**994,213**	3,248,528	169,939	434,032
Banks	**4,982,555**	**8,246,470**	**-**	1,731,350	2,119,706	-
Consumption	**226,254**	**1,592,614**	**22,611**	51,156	811,438	-
Others	**638,752**	**6,387,780**	**-**	1,711,992	5,965,370	-
Total	**24,123,801**	**24,123,801**	**4,475,611**	16,769,079	16,769,079	3,536,816

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2. Risk Management (continued)

3.2.2 Credit risk (continued)

(e) Credit risk exposure for each internal risk rating

Neither past due nor impaired	***2009***	*2008*
	QAR'000	*QAR'000*
Equivalent grades		
AAA to AA-	**1,101,801**	6,322,185
A+ to A-	**3,765,029**	229,581
BBB+ to BBB-	**-**	150,159
BB+ to B-	**-**	-
Below B-	**69,190**	-
Unrated	**18,479,204**	9,558,618
Total	**23,415,224**	16,260,543

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 QR 17,459 million (2008: QR 13,286 million).

3.2.3 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.

3.2.4 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.

3.2.5 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.

3.2.6 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 off-balance sheet 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)

3.2 Risk Management (continued)

3.2.6 Profit rate risk (continued)

The following tables summarise the reprising profile of the Group's assets, liabilities and off-balance sheet exposures.

At 31 December 2009	*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*
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
Other assets and property, furniture and equipment	-	-	-	-	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**	-	-

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

3.2 Risk Management (continued)

3.2.6 Profit rate risk (continued)

At 31 December 2008	*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*
Cash and balances with Qatar Central Bank	-	-	-	-	501,209	501,209
Balances and investments with banks and other financial institutions	626,532	-	-	-	659,039	1,285,571
Receivables and balances from financing activities	7,436,027	391,550	5,099,903	398,257	-	13,325,737
Financial investments and investment in associates	-	-	-	819,621	153,462	973,083
Other assets and property, furniture and equipment	-	-	-	-	683,479	683,479
TOTAL ASSETS	8,062,559	391,550	5,099,903	1,217,878	1,997,189	16,769,079
Customers' current accounts	-	-	-	-	413,716	413,716
Other liabilities	-	-	-	-	176,993	176,993
Unrestricted investment accounts holders	8,731,794	1,647,149	-	11,050	94,112	10,484,105
Total shareholders' equity	-	-	-	-	5,694,265	5,694,265
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	8,731,794	1,647,149	-	11,050	6,379,086	16,769,079
Profit Rate Sensitivity Gap	(669,235)	(1,255,599)	5,099,903	1,206,828	(4,381,897)	-
Cumulative Profit Rate Sensitivity Gap	(669,235)	(1,924,834)	3,175,069	4,381,897	-	-

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk Management (continued)

3.2.7 Profit rate sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's income statement. The sensitivity of the 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.

	2009		*2008*	
Currency	***Increase in basis points***	***Sensitivity of net profit QAR'000***	*Increase in basis points*	*Sensitivity of net profit QAR'000*
QR	**10**	**5,540**	10	3,568
USD	**10**	**(547)**	10	(2,657)
EUR	**10**	**(348)**	10	352
AED	**10**	**297**	10	297
GBP	**10**	**15**	10	(7)
Currency	***Decrease in basis points***	***Sensitivity of net profit QAR'000***	*Decrease in basis points*	*Sensitivity of net profit QAR'000*
QR	**10**	**(5,540)**	10	(3,568)
USD	**10**	**547**	10	2,657
EUR	**10**	**348**	10	(352)
AED	**10**	**(297)**	10	(297)
GBP	**10**	**(15)**	10	7

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk Management (continued)

3.2.8 Liquidity risk

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 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.

At 31 December 2009	*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*
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**

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk Management (continued)

3.2.8 Liquidity risk (continued)

At 31 December 2008	*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*
Customers' current account	413,716	-	-	-	-	413,716
Other liabilities	-	176,993	-	-	-	176,993
Unrestricted investment accounts holders	7,721,553	1,104,353	1,647,149	11,050	-	10,484,105
Total Liabilities	8,135,269	1,281,346	1,647,149	11,050	-	11,074,814

Liquidity risk and funding management

Contingent liabilities	3,536,816	-	-	-	-	3,536,816
Total	3,536,816	-	-	-	-	3,536,816

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk Management (continued)

3.2.8 Liquidity risk (continued)

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

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 shareholders' 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)

3.2 Risk Management (continued)

3.2.8 Liquidity risk (continued)

At 31 December 2008	*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	130,089	-	-	-	371,120	501,209
Balances and investments with banks and other financial institutions	1,285,571	-	-	-	-	1,285,571
Receivables and balances from financing activities	6,529,726	906,301	391,550	5,099,903	398,257	13,325,737
Financial investments and investment in associates	23,120	-	-	-	949,963	973,083
Property, furniture and equipment	-	-	-	-	85,263	85,263
Other assets	-	598,216	-	-	-	598,216
TOTAL ASSETS	7,968,506	1,504,517	391,550	5,099,903	1,804,603	16,769,079
Customers' current accounts	413,716	-	-	-	-	413,716
Other liabilities	-	176,993	-	-	-	176,993
Unrestricted investment accounts holders	7,721,553	1,104,353	1,647,149	11,050	-	10,484,105
Total shareholders' equity	-	-	-	-	5,694,265	5,694,265
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	8,135,269	1,281,346	1,647,149	11,050	5,694,265	16,769,079
Liquidity Gap	(166,763)	223,171	(1,255,599)	5,088,853	(3,889,662)	-

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk management (continued)

3.2.9 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	***2009***	*2008*	***2009***	*2008*
	QAR'000	*QAR'000*	***QAR'000***	*QAR'000*
Balances with Central Bank excluding cash	**642,139**	445,779	**642,139**	445,779
Balances and investments with banks and other financial institutions	**4,256,684**	1,285,571	**4,256,684**	1,285,571
Receivables and balances from financing activities	**17,750,462**	13,325,737	**17,750,462**	13,325,737
Financial investments	**945,406**	911,861	**801,291**	800,983
Financial liabilities				
Unrestricted investment accounts	**16,360,977**	10,484,105	**16,360,977**	10,484,105

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.

3.2.10 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

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk management (continued)

3.2.10 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-Dec-09	*Level 1*	*Level 2*	*Level 3*
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*
Financial assets				
Financial investments available-for-sale				
Quoted investments :				
Equities	10,614	10,614	-	-
Derivative financial instruments	21,869	-	21,869	-
	32,483	**10,614**	**21,869**	-
Financial liabilities				
Derivative financial instruments	**11,615**	-	11,615	-
	11,615	-	**11,615**	-

3.2.11 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 income statement, with all other variables held constant:

	2009		*2008*	
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%**	**260**	+10%	-
GBP	**+10%**	**(29)**	+10%	34
Others	**+10%**	**722**	+10%	36,353
EUR	**-10%**	**(260)**	-10%	-
GBP	**-10%**	**29**	-10%	(34)
Others	**-10%**	**(722)**	-10%	(36,353)

3 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

3.2 Risk management (continued)

3.2.11 Currency risk (Continued)

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 the other currency exposures are limited and the Group is not significantly exposed to the other currencies exposures.

3.2.12 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 period.

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.

3.2.13 Capital Adequacy

	2009 *QAR'000*	*2008* *QAR'000*
Tier 1 Capital	**5,639,004**	4,876,258
Tier 2 Capital	**157,695**	191,060
Total capital	**5,796,699**	5,067,318
Total risk weighted assets	**23,425,919**	15,309,160
Tier 1 Capital ratio	**24.07%**	31.85%
Total Capital ratio	**24.74%**	33.10%

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%.

4 CASH AND BALANCES WITH QATAR CENTRAL BANK

	2009 *QAR'000*	*2008* *QAR'000*
Cash on hand	**73,941**	55,430
Cash reserve with Qatar Central Bank *	**363,613**	371,120
Current account with Qatar Central Bank	**278,526**	74,659
	716,080	501,209

* 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

	2009 *QAR'000*	*2008* *QAR'000*
Current accounts	**4,866**	659,039
Deposits with Islamic Banks	**4,251,818**	626,532
	4,256,684	1,285,571

6 RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES

	2009 *QAR'000*	*2008* *QAR'000*
(a) By type		
Receivables and balances from financing activities:		
Murabaha	**14,555,499**	8,757,371
Ijarah	**1,954,088**	1,715,903
Mudaraba	**2,390,750**	3,080,900
Musharaka	**269,371**	-
Others	**4,371**	2,479
Total receivables and balances from financing activities	**19,174,079**	13,556,653
Deferred profit	**(1,415,130)**	(230,916)
Specific provisions (d)	**(8,487)**	-
Net receivables and balances from financing activities	**17,750,462**	13,325,737

During the year, Masraf has sold certain receivables and balances from financing activities relating to the real estate sector to the Government of Qatar, in consideration of cash, as part of the Government of Qatar initiatives to support the banking sector.

6 RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES (continued)

(b) By sector

	Murabaha QAR'000	*Ijarah QAR'000*	*Mudaraba QAR'000*	*Musharaka QAR'000*	*Others QAR'000*	***Total 2009 QAR'000***
Government	34,530	-	-	-	-	**34,530**
Government institutions	5,565,675	-	2,390,750	-	-	**7,956,425**
Real estate	7,514,169	1,759,511	-	215,862	-	**9,489,542**
Contracting	420,251	-	-	23,919	-	**444,170**
Consumer	132,960	107,861	-	-	4,371	**245,192**
Services	670,252	75,077	-	-	-	**745,329**
Other	217,662	11,639	-	29,590	-	**258,891**
	14,555,499	1,954,088	2,390,750	269,371	4,371	**19,174,079**

	Murabaha QAR'000	*Ijarah QAR'000*	*Mudaraba QAR'000*	*Musharaka QAR'000*	*Others QAR'000*	*Total 2008 QAR'000*
Government	36,777	-	-	-	-	36,777
Government institutions	5,966,446	-	2,343,500	-	-	8,309,946
Real estate	1,715,238	1,674,620	-	-	-	3,389,858
Contracting	71,223	13,488	812	-	-	85,523
Consumer	55,680	-	-	-	2,479	58,159
Services	766,894	12,703	736,588	-	-	1,516,185
Other	145,113	15,092	-	-	-	160,205
	8,757,371	1,715,903	3,080,900	-	2,479	13,556,653

(c) By beneficiary

	2009 QAR'000	*2008 QAR'000*
Government and government institutions	**7,990,955**	8,346,723
Retail	**245,192**	58,159
Corporate	**1,448,390**	1,761,913
Real estate	**9,489,542**	3,389,858
	19,174,079	13,556,653

6 RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES (continued)

(d) Movement in allowance for impairment

The total non-performing receivables and balances from financing activities at 31 December 2009 amounted to QAR 11,231thousands, representing 0.06% of the gross receivables and balances from financing activities (31 December 2008: nil).

	2009 ***QAR'000***	*2008* *QAR'000*
Balance as at 1 January	**-**	-
Allowance for individually impairment made during the year	**8,487**	-
Write off during the year	**25**	-
Balance at 31 December	**8,512**	-

7 FINANCIAL INVESTMENTS

(a) Available for sale investments

	2009 ***QAR'000***	*2008* *QAR'000*
Quoted equities	**10,614**	23,120
Unquoted equities	**69,120**	69,120
	79,734	92,240

(b) Held to maturity investments

Sukuk	**865,672**	819,621
	945,406	911,861

7 FINANCIAL INVESTMENTS (continued)

	2009			2008		
	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 USD	**324,414**	**-**	**324,414**	278,362	-	278,362
Foreign Sukuk in USD	**225,711**	**18,203**	**243,914**	225,711	18,203	243,914
Foreign Sukuk in AED	**297,344**	**-**	**297,344**	297,345	-	297,345
	847,469	**18,203**	**865,672**	801,418	18,203	819,621
Held to maturity investments by nature of income						
Fixed profit rate	**50,967**	**18,203**	**69,170**	-	18,203	18,203
Floating profit rate	**796,502**	**-**	**796,502**	801,418	-	801,418
	847,469	**18,203**	**865,672**	801,418	18,203	819,621

Note:

The fair value of held to maturity investments as at 31 December 2009 amounted to QR 721,557 thousand (2008: QR 708,743 thousand).

During March 2009, the Masraf took up the Government's offer to buy the Qatar Exchange equity investment portfolios of local banks, and has sold certain available for sale equity securities to the Government of Qatar for cash.

8 INVESTMENT IN ASSOCIATES

The Group's interest in its associates as at 31 December 2009 is as follows:

		Our share					*Carrying value*	
Name	*Country of incorporation*	*Assets*	*Liabilities*	*Operating income (loss)*	*Results*	*%interest held*	***2009***	*2008*
							QAR'000	*QAR'000*
Pak-Qatar General Takaful Limited (A)	Pakistan	3,392	1,063	61	2,329	19.49%	**2,329**	2,629
Pak-Qatar Family Takaful Limited (B)	Pakistan	5,444	1,929	(274)	3,515	22.14%	**3,515**	3,950
National Mass Housing (C)	Oman	49,642	-	-	-	20.00%	**49,642**	49,643
CI San Trading (D)	Qatar	5,000	-	-	-	50.00%	**5,000**	5,000
Kirnaf Investment and Instalment Company (E)	Saudi Arabia	151,445	-	-	-	48.00%	**151,445**	-
							211,931	61,222

8 INVESTMENT IN ASSOCIATES (continued)

A) Pak – Qatar General Takaful Limited

	2009 *QAR'000*	*2008* *QAR'000*
Balance at beginning of the year	**2,629**	3,563
Less: Shares of loss	**(123)**	(909)
Exchange differences	**(177)**	(25)
Balance at the year end	**2,329**	2,629

The company was incorporated in Pakistan on 17 August 2007 with paid-up share capital of Pak Rupees 300,000,000 to conduct the Sharia compliant Takaful business.

B) Pak-Qatar Family Takaful Limited

	2009 **QAR'000**	2008 QAR'000
Balance at beginning of the year	**3,950**	5,939
Less: Shares of profit	**291**	(1,043)
Exchange differences	**(726)**	(946)
Balance at the year end	**3,515**	3,950

The Company was incorporated in Pakistan on 17 August 2007 with paid-up share capital of Pak Rupees 500,000,000 to conduct the Sharia compliant Takaful business.

C) The Company was incorporated in Oman on 26 June 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 company and individual clients.

D) The Company was incorporated in Qatar on 7 October 2008 with paid up share capital of QR 10,000,000 to conduct sale, purchase, lease and rent properties.

E) The Company was incorporated in Kingdom of Saudi Arabia on 4 April 2009 with paid up share capital of Saudi Riyal 300,000,000 to conduct leasing business.

As at the date of the financial position, CI San Trading was still in the pre-operating stage. Accordingly, the balances in the balance sheet represent the acquisition cost.

9 PROPERTY, FURNITURE AND EQUIPMENT

	Land & building QAR'000	*Leasehold improvements QAR'000*	*Furniture, fixtures and office equipment QAR'000*	*Computer hardware QAR'000*	*Work in progress QAR'000*	*Total QAR'000*
As at 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**

9 PROPERTY, FURNITURE AND EQUIPMENT (continued)

	Land & building QAR'000	*Leasehold improvements QAR'000*	*Furniture, fixtures and office equipment QAR'000*	*Computer hardware QAR'000*	*Work in progress QAR'000*	*Total QAR'000*
As at December 2008						
Cost:						
Balance at 1 January 2008	-	32,470	7,246	13,397	2,689	55,802
Additions	14,020	17,207	3,023	12,542	972	47,764
Balance at 31 December 2008	14,020	49,677	10,269	25,939	3,661	103,566
Accumulated depreciation:						
Balance at 1 January 2008	-	1,394	586	3,461	-	5,441
Depreciation for the year	322	4,406	1,427	6,707	-	12,862
Balance at 31 December 2008	322	5,800	2,013	10,168	-	18,303
Net book value:						
At 31 December 2008	13,698	43,877	8,256	15,771	3,661	85,263

10 OTHER ASSETS

	2009 QAR'000	2008 QAR'000
Advances to suppliers	6,446	4,765
Accrued profit	41,463	42,286
Prepayments and other receivables	96,811	202,475
Receivables from sale of investments	125,058	421,500
	269,778	671,026
Less: provision for impairment	(109,215)	(72,810)
	160,563	598,216

The Group provided an amount of QR 109,215 thousands (2008: 72,810 thousands) as a provision of impairment on receivables due from Financial Cities Development Company from the sale of the Group's share in Gulf Tunis Investment Company.

Other receivables includes positive fair value of derivatives amounting to QR 21,869 thousands.

11 OTHER LIABILITIES

	2009 QAR'000	2008 QAR'000
Unearned commission	65,457	23,527
Accrued expenses	7,334	24,511
Provision for employees end of service benefits (a)	5,796	3,484
Other staff provisions	36,909	35,674
Dividend payable	76,054	34,647
Escrow accounts	91,013	3,090
Others	48,447	52,060
	331,010	176,993

Other liabilities include negative fair value of derivatives amounting to QR 11,615 thousands.

(a) Provision for employees end of service benefits

	2009 QAR'000	2008 QAR'000
Balance at beginning of the year	3,484	1,316
Provisions for the year	2,557	2,317
End of service benefits paid during the year	(245)	(149)
Balance at 31 December	5,796	3,484

12 UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS

	2009 ***QAR'000***	*2008* *QAR'000*
(a) By type		
Saving accounts	**283,793**	233,566
Call accounts	**8,879,743**	7,130,204
Time deposits	**7,102,410**	3,026,223
Profit payable to unrestricted investment accounts holders	**70,643**	68,499
Share in the fair value reserve	**14**	(3,761)
Share in the investment risk reserve (A)	**24,374**	29,374
	16,360,977	10,484,105

	2009 ***QAR'000***	*2008* *QAR'000*
(b) By sector		
Government and government institutions	**4,378,328**	6,606,858
Individuals	**922,792**	629,780
Banks	**8,246,470**	2,119,706
Corporate	**2,718,356**	1,033,649
Profit payable to unrestricted investment accounts holders	**70,643**	68,499
Share in the fair value reserve	**14**	(3,761)
Share in the investment risk reserve (A)	**24,374**	29,374
	16,360,977	10,484,105

A) The balance of investment risk reserve include an amount of QR 1,661 thousand represents the share of unrestricted investments accounts holders in the gain on sale of investment in 2008 and it is not available for distribution only 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 87/2008, no risk reserve is deducted from the profit of unrestricted investment accounts holders, and the total risk reserve is transferred from shareholders' profit as an appropriation.

13 SHARE CAPITAL

	2009 ***QAR'000***	*2008* *QAR'000*
Authorised		
750,000,000 shares at QAR 10 each	**7,500,000**	7,500,000
Issued & paid-up		
749,936,932 shares at QAR 5.50 each (2008: QR 5)	**4,124,654**	4,124,654

13 SHARE CAPITAL (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.

	2009 ***QAR'000***	*2008* *QAR'000*
Opening balance	**545,316**	453,612
Transfer from retained earnings (a)	**88,066**	91,704
	633,382	545,316

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

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 the Masraf and its branches inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees excluded from the gross direct finance, which should be appropriated from share holders profit according to Qatar Central Bank Circular No 87/2009.

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

	2009 ***QAR'000***	*2008* *QAR'000*
Balance at the beginning of the year	**(5,064)**	1,360
Net unrealised gains/(losses) on available for sale financial investments	**5,543**	(10,185)
Net change during the year	**479**	(8,825)
Share of unrestricted investment accounts holders in the fair value reserve	**(14)**	3,761
Balance at the end of the year (shareholders' share)	**465**	(5,064)

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

Proposed dividend

The Board of Directors in its meeting held on 25 January 2010 proposed a dividend of 23% of the paid up share capital towards the uncalled share capital (QAR 1.265 per share) amounting to QAR 948,670 thousand.

This proposal is subject to the approval of the shareholders annual general assembly.

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

14 INCOME FROM FINANCING ACTIVITIES

	2009 QAR'000	*2008 QAR'000*
Income from Murabaha	**853,904**	248,421
Income from Istesna	**-**	771
Income from Ijarah	**98,270**	95,635
Income from Mudaraba	**113,140**	177,839
Income from Musharaka	**17,257**	-
Total	**1,082,571**	522,666

15 INCOME FROM INVESTING ACTIVITIES

	2009 QAR'000	*2008 QAR'000*
(a) Income from investments with banks and other financial institutions:	**33,963**	37,834
(b) Investments revenues:		
Dividend income	**3,007**	-
Income from held to maturity investments	**30,526**	32,037
Gain from sale of available for sale investments	**-**	130,821
Gain from sale of investments	**-**	605,020
Total	**67,496**	805,712

16 NET COMMISSION AND FEES INCOME

	2009 QAR'000	*2008 QAR'000*
Commission and fees income		
Commission on financing activities	**102,564**	33,171
Commission on trade finance activities	**26,916**	12,416
Commission from underwriting fees	**-**	54,608
Commission on banking services	**66,685**	16,853
	196,165	117,048
Commission and fees expenses	**(1,675)**	(19,875)
	194,490	97,173

17 OTHER INCOME

	2009 QAR'000	*2008 QAR'000*
Income from QIA (a)	**190,709**	-
Rent income	**4,282**	3,171
Miscellaneous	**607**	-
	195,598	3,171

17 OTHER INCOME (Continued)

(a) 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, 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.

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 *QAR'000*	*2008* *QAR'000*
Staff costs	**122,576**	97,328
Rent and maintenance	**25,559**	24,067
Advertising expenses	**16,600**	15,827
Annual general assembly expenses	**3,889**	12,117
Board of Directors remuneration	**9,722**	6,182
Legal, professional and consulting fees	**6,384**	5,070
Information technology	**3,268**	1,313
Sharia Board compensation	**699**	893
Other operating expenses	**1,759**	8,032
	190,456	170,829

19 SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS IN THE PROFIT

	2009 *QAR'000*	*2008* *QAR'000*
Share of unrestricted investment accounts holders in the profit before Masraf's Mudaraba income	**712,021**	551,108
Masraf's Mudaraba income	**(573,343)**	(283,496)
Share of unrestricted investment account holders	**138,678**	267,612
Support provided by Masraf	**303,027**	-
Investment risk reserve	**-**	(5,116)
Risk reserve utilised during the year	**-**	(7,548)
Investment risk reserve utilised during the year	**(5,000)**	(5,069)
Share of unrestricted investment account holders after the Masraf's support	**436,705**	249,879

Rates of profit allotment:	*2009* %	*2008* %
More than one year deposits	**5.56**	4.91
One year deposits	**5.32**	4.45
Six months deposits	**5.21**	4.30
Three months deposits	**4.96**	3.94
Call accounts	**4.00**	3.45
Saving accounts	**3.08**	2.46
Saving accounts-millionaire	**3.31**	3.61

20 BASIC AND DILUTED EARNINGS PER SHARE

A 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.

	2009 QAR'000	*2008 QAR'000*
Profit for the year due to shareholders (QAR '000)	**880,658**	917,040
Weighted average number of shares outstanding during the year (thousands) (a)	**749,937**	749,937
Basic earnings per share (QAR)	**1.17**	1.22

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

	2009 Nos'000	*December 2008 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.

21 CASH AND CASH EQUIVALENTS

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

	2009 QAR'000	*2008 QAR'000*
Cash on hand and balances with Qatar Central Bank excluding cash reserve	**352,467**	130,089
Balances with banks and other financial institutions	**4,256,684**	1,285,571
	4,609,151	1,415,660

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

22 OFF BALANCE SHEET ITEMS

(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:

	2009 QAR'000	*2008 QAR'000*
Payable not later than 1 year	**20,118**	19,676
Payable later than 1 year and not later than 5 years	**19,996**	37,721
	40,114	57,397

22 OFF BALANCE SHEET ITEMS (continued)

(b) Trade finance contingent

	2009 QAR'000	*2008 QAR'000*
Letter of guarantees	**3,763,973**	2,863,872
Letter of credits	**711,638**	672,944
	4,475,611	3,536,816

(c) Other contracts

	2009 QAR'000	*2008 QAR'000*
Ijara unutilised limits	**1,048,334**	342,645
Profit rate swap (A)	**2,562,240**	2,580,761
Unilateral promise to buy/sell currencies (B)	**10,022,683**	13,223,036
	13,633,257	16,146,442

(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.

(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 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**

23 OPERATING SEGMENTS

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

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps loan syndication and 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.

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

31 December 2009	**Corporate Banking**	**Retail Banking**	**Al Rayan Investment**	**Unallocated and inter-group transactions**	**Total**
	QAR'000	***QAR'000***	***QAR'000***	***QAR'000***	***QAR'000***
Operating income	**1,444,790**	**79,146**	**44,038**	**-**	**1,567,974**
Expenses	**(401,263)**	**(35,442)**	**(15,522)**	**(235,089)**	**(687,316)**
Net profit / (loss)	**1,043,527**	**43,704**	**28,516**	**(235,089)**	**880,658**
Total Assets	**22,352,591**	**1,139,525**	**386,447**	**245,238**	**24,123,801**
Total liabilities and unrestricted investment account	**16,684,184**	**1,148,021**	**98**	**329,744**	**18,162,047**

31 December 2008					
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
Operating income	1,409,204	10,211	9,121	-	1,428,536
Expenses	(253,535)	(1,460)	(15,974)	(240,527)	(511,496)
Net profit / (loss)	1,155,669	8,751	(6,853)	(240,527)	917,040
Total Assets	15,581,993	145,888	357,719	683,479	16,769,079
Total liabilities and unrestricted investment account	10,664,221	233,557	43	176,993	11,074,814

24 GEOGRAPHICAL SEGMENTS

	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**

	Qatar QAR'000	*GCC QAR'000*	*Other Countries QAR'000*	*Total QAR'000*
At 31 December 2008				
Cash and balances with Qatar Central Bank	501,209	-	-	501,209
Due from banks and other financial institutions	321,635	296,043	667,893	1,285,571
Receivables and balances from financing activities	12,492,298	-	833,439	13,325,737
Financial investments	370,602	541,259	-	911,861
Investment in associates	5,000	49,643	6,579	61,222
Property, furniture and equipment	85,263	-	-	85,263
Other assets	249,526	-	348,690	598,216
TOTAL ASSETS	14,025,533	886,945	1,856,601	16,769,079
Customers' current accounts	413,716	-	-	413,716
Other liabilities	176,993	-	-	176,993
Unrestricted investment accounts	10,263,860	220,245	-	10,484,105
Equity	5,694,265	-	-	5,694,265
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS AND EQUITY	16,548,834	220,245	-	16,769,079

25 RELATED PARTY DISCLOSURES

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

Related party transactions

(a) Balance sheet items

	2009 QAR'000	*2008 QAR'000*
Assets		
Murabaha	**4,292,326**	839,553
Ijarah	**-**	661,682
Mudaraba	**-**	2,343,501
	4,292,326	3,844,736
Liabilities		
Unrestricted investment accounts holders	**1,650,366**	1,728,160

(b) Off balance sheet items

Letter of guarantee	**-**	178,612

(c) Income statement items

	2009 QAR'000	*2008 QAR'000*
Income from investing activities	**-**	127,418
Income from financing activities	**258,461**	160,636
Fee and commission	**5,646**	56,635
Gain from foreign exchange operations	**7,067**	-
	271,174	344,689
Profit paid on unrestricted investment accounts	**63,348**	-

Compensation of key management personnel

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

	2009 QAR'000	*2008 QAR'000*
Bonus to the founding committee members including meeting allowances	**9,722**	6,182
Salaries and other benefits	**4,093**	3,708

26 COMPARATIVE INFORMATION

Certain figures of previous period have been reclassified to conform to the presentation for the current year.