

Masraf Al Rayan (Q.S.C.)
INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2009

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Masraf Al Rayan (Q.S.C.) ("Masraf") and its subsidiaries (together referred to as the "Group") as at 31 March 2009, comprising of the interim condensed consolidated balance sheet as at 31 March 2009 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the three month period then ended and the related explanatory notes.


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

Scope of review

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

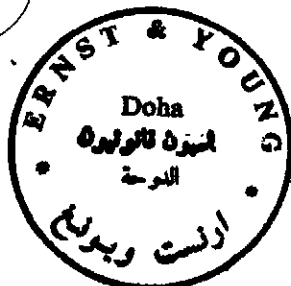
Conclusion

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



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

Date: 20 April 2009
Doha

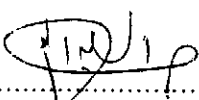


Masraf Al Rayan (Q.S.C.)

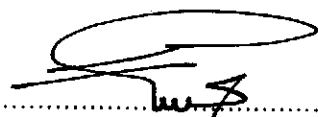
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

Three Months Ended 31 March 2009

	<i>31 March 2009 QAR '000 (Reviewed)</i>	<i>31 December 2008 QAR '000 (Audited)</i>	<i>31 March 2008 QAR '000 (Reviewed)</i>
ASSETS			
Cash on hand and balances with Qatar Central Bank	613,507	501,209	4,792,909
Balances and investments with banks and other financial institutions	3,079,554	1,285,571	2,412,630
Receivables and balances from financing activities	14,489,895	13,325,737	6,587,175
Financial investments	954,012	911,861	551,145
Investment in associates	61,466	61,222	9,290
Property, furniture and equipment	87,737	85,263	76,464
Other assets	541,315	598,216	956,734
TOTAL ASSETS	19,827,486	16,769,079	15,386,347
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customers' current accounts	625,066	413,716	312,990
Current account from banks	-	-	310,333
Other Liabilities	781,159	176,993	476,265
TOTAL LIABILITIES	1,406,225	590,709	1,099,588
UNRESTRICTED INVESTMENT ACCOUNTS	13,131,942	10,484,105	9,286,293
EQUITY			
Paid up share capital	4,124,654	4,124,654	4,124,654
Legal reserve	545,316	545,316	453,612
Fair value reserve	(1,105)	(5,064)	387
Risk reserve	199,885	199,885	82,910
Proposed dividend	-	618,698	-
Retained earnings	420,569	210,776	338,903
TOTAL EQUITY	5,289,319	5,694,265	5,000,466
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	19,827,486	16,769,079	15,386,347



 Dr. Hussain Ali Al Abdalla
 Chairman and Managing Director



 Adel Mustafawi
 Chief Executive Officer

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Three Months Ended 31 March 2009

	<i>Three Months Ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Income from financing activities	205,940	95,965
Income from investing activities	18,342	144,153
Total income from financing and investing activities	224,282	240,118
Commission and fee income	47,537	70,489
Commission and fee expense	-	(134)
Net commission and fee income	47,537	70,355
Gain on foreign exchange	8,803	3,565
Other income	85,868	-
Share of results of associates	244	-
TOTAL OPERATING INCOME	366,734	314,038
General and administrative expenses	(49,007)	(35,014)
Depreciation	(3,812)	(2,587)
Provisions for impairment of receivables from financing activities	(2,254)	-
PROFIT FOR THE PERIOD BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS	311,661	276,437
Share of unrestricted investment accounts holders in the:		
- Net profit	(101,868)	(53,662)
- Risk reserve	-	(4,985)
NET PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS	209,793	217,790
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	0.28	0.29

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Three Months Ended 31 March 2009

	<i>Three Months Ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
OPERATING ACTIVITIES		
Profit for the period	209,793	217,790
Adjustments for:		
Depreciation	3,812	2,587
Provisions for impairment of receivables from financing activities	2,254	(127,418)
Share of results of associates	(244)	-
	<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities	215,615	92,959
Net decrease (increase) in assets:		
Cash reserve with Qatar Central Bank	(19,810)	(94,385)
Receivables and balances from financing activities	(1,166,412)	150,662
Other assets	56,901	(529,773)
Net increase (decrease) in liabilities:		
Customers' current accounts	211,350	(92,844)
Banks' current account	-	310,333
Other liabilities	604,166	386,349
	<hr/>	<hr/>
Net cash from operating activities	(98,190)	223,301
INVESTING ACTIVITIES		
Purchase of financial investments	(63,620)	(20,313)
Purchase of property and equipment	(6,286)	(28,690)
Proceeds from sale of financial investments	25,428	145,620
	<hr/>	<hr/>
Net cash (used in) from investing activities	(44,478)	96,617
FINANCING ACTIVITIES		
Payment of cash dividend	(618,698)	(374,968)
Increase in unrestricted investment accounts	2,647,837	4,385,141
	<hr/>	<hr/>
Net cash from financing activities	2,029,139	4,010,173
Net increase in cash and cash equivalents during the period	1,886,471	4,330,091
Balance of cash and cash equivalents at 1 January	1,415,660	2,709,862
	<hr/>	<hr/>
Balance of cash and cash equivalents at 31 March	3,302,131	7,039,953

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three Months Ended 31 March 2009

	Share capital QAR '000	Legal Reserve QAR '000	Fair value reserve QAR '000	Risk reserve QAR '000	Proposed dividend	Retained earnings QAR '000	Total QAR '000
Balance at 1 January 2008	<u>3,749,685</u>	<u>453,612</u>	<u>1,360</u>	<u>93,592</u>	<u>749,938</u>	<u>110,431</u>	<u>5,158,618</u>
Dividend paid towards the uncalled share capital	374,969				(374,969)		-
Payment of cash dividends for 2007	-	-	-	-	(374,969)	-	(374,969)
Net changes in fair value reserve	-	-	(973)	-	-	-	(973)
Total income and expense for the period recognised directly in equity	374,969	-	(973)	-	(749,938)	-	(375,942)
Profit for the period	-	-	-	-	-	217,790	217,790
Total income and expense for the period	374,969	-	(973)	-	(749,938)	217,790	(158,152)
Transfers to risk reserve	-	-	-	(10,682)	-	10,682	-
Balance at 31 March 2008	<u>4,124,654</u>	<u>453,612</u>	<u>387</u>	<u>82,910</u>	<u>-</u>	<u>388,903</u>	<u>5,000,466</u>
Balance at 1 January 2009	<u>4,124,654</u>	<u>545,316</u>	<u>(5,064)</u>	<u>199,885</u>	<u>618,698</u>	<u>210,776</u>	<u>5,694,265</u>
Payment of cash dividend for 2008	-	-	-	-	(618,698)	-	(618,698)
Net changes in fair value reserve	-	-	3,959	-	-	-	3,959
Total income and expense for the period recognised directly in equity	-	-	3,959	-	(618,698)	-	(614,739)
Profit for the period	-	-	-	-	-	209,793	209,793
Total income and expense for the period	-	-	3,959	-	(618,698)	209,793	(404,946)
Balance at 31 March 2009	<u>4,124,654</u>	<u>545,316</u>	<u>(1,105)</u>	<u>199,885</u>	<u>-</u>	<u>420,569</u>	<u>5,289,319</u>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2009

1 LEGAL STATUS AND MAIN ACTIVITIES

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

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

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

The interim condensed consolidated financial statements of Masraf Al Rayan Q.S.C. for the three months ended 31 March 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 19 April 2009.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These interim condensed consolidated financial statements should be read in conjunction with the 2008 annual financial statements and the notes attached thereto.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. In addition, the results for the three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

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 that is used for internal reporting purposes provided to the chief operating decision-maker of the Masraf. The Masraf concluded that the segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. Disclosures required under IFRS 8 are shown in Note 3 to the interim condensed financial statements.

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

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the period ended 31 December 2008.

Masraf Al Rayan (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2009

3 SEGMENT INFORMATION

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

4 PROPERTY, FURNITURE AND EQUIPMENT

During the three months ended 31 March 2009, the Group acquired assets with a cost of QR 6,286 thousand (31 December 2008: QR 47,764 thousand).

5 LEGAL RESERVE

According to Qatar Central Bank Law No.33 of 2006, 10% of the net profit is required to be transferred to legal reserve. In addition to this the extraordinary general assembly held on 22 December 2008, approved the amendment of paragraph of the Articles of Association to be 10% of the profit for the period is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. No transfer has been made for the period ended 31 March 2009 as Masraf will transfer the required amount by 31 December 2009.

6 RISK RESERVE

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

7 DIVIDEND

On 31 March 2009, the Annual General Assembly approved the payment of 15% cash dividend.

8 COMMITMENTS

(a) Operating lease commitments

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

	<i>31 March 2009 QAR '000 (Reviewed)</i>	<i>31 December 2008 QAR '000 (Audited)</i>
Payable not later than 1 year	19,576	19,676
Payable later than 1 year and not later than 5 years	<u>32,827</u>	<u>37,721</u>
	<u>52,403</u>	<u>57,397</u>

Masraf Al Rayan (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2009

(b) Deferred or contingent commitments

Letter of guarantees	3,587,332	2,863,872
Letter of credit	<u>658,285</u>	<u>672,944</u>
	<u>4,245,617</u>	<u>3,536,816</u>

(c) Other contracts & commitments

Profit rate swap	2,576,130	2,580,761
Forward foreign exchange contract	<u>10,290,347</u>	<u>13,223,036</u>
	<u>12,866,477</u>	<u>15,803,797</u>

9 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.