

Masraf Al Rayan (Q.S.C.)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 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 subsidiary (together referred to as the "Group") as at 30 June 2009, comprising of the interim consolidated balance sheet as at 30 June 2009 and the related interim consolidated statement of income for the three - month and six - month periods ended 30 June 2009, related interim consolidated statements of changes in equity and cash flows for the six 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: 15 July 2009
Doha

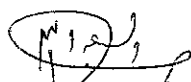


Masraf Al Rayan (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

At 30 June 2009

	30 June 2009 QAR '000 <i>(Reviewed)</i>	31 December 2008 QAR '000 <i>(Audited)</i>	30 June 2008 QAR '000 <i>(Reviewed)</i>
ASSETS			
Cash on hand and balances with Qatar Central Bank	686,119	501,209	603,806
Balances and investments with banks and other financial institutions	3,576,854	1,285,571	986,073
Receivables and balances from financing activities	4 16,886,124	13,325,737	10,668,320
Financial investments	951,770	911,861	849,052
Investment in associates	61,381	61,222	8,087
Property, furniture and equipment	5 89,608	85,263	81,559
Other assets	361,194	598,216	450,672
TOTAL ASSETS	22,613,050	16,769,079	13,647,569
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customers' current accounts	656,239	413,716	699,875
Other Liabilities	243,385	176,993	464,987
TOTAL LIABILITIES	899,624	590,709	1,164,862
UNRESTRICTED INVESTMENT ACCOUNTS	16,246,289	10,484,105	7,446,427
EQUITY			
Paid up share capital	4,124,654	4,124,654	4,124,654
Legal reserve	6 545,316	545,316	453,612
Fair value reserve	16	(5,064)	3,860
Risk reserve	7 199,885	199,885	93,592
Proposed dividend	8 -	618,698	-
Retained earnings	597,266	210,776	360,562
TOTAL EQUITY	5,467,137	5,694,265	5,036,280
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	22,613,050	16,769,079	13,647,569



Dr. Hussain Ali Al Abdalla
Chairman and Managing Director



Adel Mustafawi
Chief Executive Officer

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.



Masraf Al Rayan (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENT

Six Months Ended 30 June 2009

	<i>Three Months Ended 30 June</i>		<i>Six Months Ended 30 June</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Income from financing activities	264,214	105,175	470,154	201,140
Income from investing activities	18,159	23,742	36,501	167,830
Total income from financing and investing activities	282,373	128,917	506,655	368,970
Commission and fee income	48,879	16,224	102,613	86,713
Commission and fee expense	-	(300)	-	(434)
Net commission and fee income	48,879	15,924	102,613	86,279
Gain /(loss) on foreign exchange	7,695	(7,914)	16,498	(4,370)
Other income	54,371	-	128,744	-
Share of results of associates	(85)	(441)	159	(441)
TOTAL OPERATING INCOME	393,233	136,486	754,669	450,438
General and administrative expenses	(61,048)	(46,378)	(104,757)	(82,538)
Depreciation	(3,627)	(3,095)	(7,439)	(5,682)
Provisions for impairment of receivables from financing activities	-	-	(2,254)	-
Provision for impairment of other assets	(36,405)	-	(36,405)	-
PROFIT FOR THE PERIOD BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS	292,153	87,013	603,814	362,218
Share of unrestricted investment accounts holders in the:				
- Net profit	(115,456)	(55,938)	(217,324)	(112,087)
NET PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS	176,697	31,075	386,490	250,131
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	0.24	0.04	0.52	0.33

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED CASH FLOW STATEMENT

Six Months Ended 30 June 2009

	<i>Six Months Ended 30 June</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	386,490	250,131
Adjustments for:		
Depreciation	7,439	5,682
Gain on disposal of property and equipment	(239)	-
Provisions for impairment of receivables from financing activities	2,254	-
Provision for impairment of other assets	36,405	-
Gain on sale of financial investments	-	(127,418)
Share of results of associates	(159)	441
	<u>432,190</u>	<u>128,836</u>
Operating profit before changes in operating assets and liabilities	432,190	128,836
Net decrease (increase) in assets:		
Cash reserve with Qatar Central Bank	(139,416)	(190,971)
Receivables and balances from financing activities	(3,562,641)	(3,930,483)
Other assets	200,617	(387,761)
Net increase (decrease) in liabilities:		
Customers' current accounts	242,523	294,041
Other liabilities	66,392	375,071
	<u>(2,760,335)</u>	<u>(3,711,267)</u>
Net cash used in operating activities	<u>(2,760,335)</u>	<u>(3,711,267)</u>
INVESTING ACTIVITIES		
Purchase of financial investments	(60,257)	(313,984)
Purchase of property, furniture and equipment	(12,175)	(36,880)
Proceeds from disposal of property, furniture and equipment	630	-
Proceeds from sale of financial investments	25,428	145,620
	<u>(46,374)</u>	<u>(205,244)</u>
Net cash used in from investing activities	<u>(46,374)</u>	<u>(205,244)</u>
FINANCING ACTIVITIES		
Payment of cash dividend	(618,698)	(374,968)
Increase in unrestricted investment accounts	5,762,184	2,909,324
	<u>5,143,486</u>	<u>2,534,356</u>
Net cash from financing activities	<u>5,143,486</u>	<u>2,534,356</u>
Increase (decrease) in cash and cash equivalents during the period	2,336,777	(1,382,155)
Balance of cash and cash equivalents at 1 January	1,415,660	2,709,862
Balance of cash and cash equivalents at 30 June	<u>3,752,437</u>	<u>1,327,707</u>

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six Months Ended 30 June 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	3,749,685	453,612	1,360	93,592	749,938	110,431	5,158,618
Dividend paid towards the uncalled share capital	374,969	-	-	-	(374,969)	-	-
Payment of cash dividend for 2007	-	-	-	-	(374,969)	-	(374,969)
Net changes in fair value reserve	-	-	2,500	-	-	-	2,500
Total income and expense for the period recognised directly in equity	374,969	-	2,500	-	(749,938)	-	(372,469)
Profit for the period	-	-	-	-	-	250,131	250,131
Total income and expense for the period	374,969	-	2,500	-	(749,938)	250,131	(122,338)
Balance at 30 June 2008	4,124,654	453,612	3,860	93,592	-	360,562	5,036,280
Balance at 1 January 2009	4,124,654	545,316	(5,064)	199,885	618,698	210,776	5,694,265
Payment of cash dividend for 2008	-	-	-	-	(618,698)	-	(618,698)
Net changes in fair value reserve	-	-	5,080	-	-	-	5,080
Total income and expense for the period recognised directly in equity	-	-	5,080	-	(618,698)	-	(613,618)
Profit for the period	-	-	-	-	-	386,490	386,490
Total income and expense for the period	-	-	5,080	-	(618,698)	386,490	(227,128)
Balance at 30 June 2009	4,124,654	545,316	16	199,885	-	597,266	5,467,137

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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 five local branches, all operating in the State of Qatar. Masraf is listed and its shares are traded in the Qatar Exchange.

The interim condensed consolidated financial statements of Masraf Al Rayan Q.S.C. for the six months ended 30 June 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 15 July 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 six months ended 30 June 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 standard 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 year ended 31 December 2008.

Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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 RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES

	<i>30 June 2009 QAR '000 (Reviewed)</i>	<i>31 December 2008 QAR '000 (Audited)</i>
Total receivables and balances from financing activities	17,981,714	13,556,653
Less:		
Deferred profit	(1,093,336)	(230,916)
Provisions for impairment	(2,254)	-
	<u>16,886,124</u>	<u>13,325,737</u>

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

Masraf has the right to re-purchase its real estate portfolio, or any part of it, after a three year period from the date of sale and within a maximum period of ten years at the original sale price less any cash collected subsequent to the purchase.

5 PROPERTY, FURNITURE AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired and disposed assets with a cost of QR 12,175 thousand and QR 391 thousand respectively (31 December 2008: QR 47,764 thousand and nil respectively).

6 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 30 June 2009 as Masraf will transfer the required amount by 31 December 2009.

7 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. No transfer has been made for the period ended 30 June 2009 as Masraf will transfer the required amount by 31 December 2009.

Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009

8 DIVIDEND

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

9 OTHER INCOME

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, 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 six month period ended 30 June 2009.

10 COMMITMENTS

(a) Operating lease commitments

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

	<i>30 June 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>27,933</u>	<u>37,721</u>
	<u>47,509</u>	<u>57,397</u>

(b) Deferred or contingent commitments

	<i>30 June 2009 QAR '000 (Reviewed)</i>	<i>31 December 2008 QAR '000 (Audited)</i>
Letter of guarantees	3,463,858	2,863,872
Letter of credit	<u>713,644</u>	<u>672,944</u>
	<u>4,177,502</u>	<u>3,536,816</u>

(c) Other contracts & commitments

	<i>30 June 2009 QAR '000 (Reviewed)</i>	<i>31 December 2008 QAR '000 (Audited)</i>
Profit rate swap	2,571,500	2,580,761
Forward foreign exchange contract	<u>17,168,988</u>	<u>13,223,036</u>
	<u>19,740,488</u>	<u>15,803,797</u>

Masraf Al Rayan (Q.S.C.)

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009

11 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.