

**Masraf Al Rayan (Q.S.C.)**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2010**

## 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 2010, comprising of the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statement of income, for the three - month and six - month periods ended 30 June 2010, related interim consolidated statements of cash flows and changes in equity 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: 18 July 2010  
Doha



# Masraf Al Rayan (Q.S.C.)

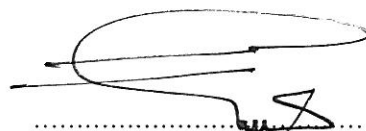
## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	<i>30 June 2010 QAR '000 Notes (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>	<i>30 June 2009 QAR '000 (Unaudited)</i>
<b>ASSETS</b>			
Cash on hand and balances with Qatar Central Bank	<b>800,053</b>	716,080	686,119
Balances and investments with banks and other financial institutions	<b>4,603,214</b>	4,256,684	3,576,854
Receivables and balances from financing activities	<b>20,902,610</b>	17,750,462	16,886,124
Financial investments	<b>2,106,756</b>	945,406	951,770
Investment properties	<b>91,250</b>	-	-
Investment in associates	<b>390,314</b>	211,931	61,381
Property, furniture and equipment	<b>82,666</b>	82,675	89,608
Other assets	<b>97,533</b>	160,563	361,194
<b>TOTAL ASSETS</b>	<b>29,074,396</b>	24,123,801	22,613,050
<b>LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' current accounts	<b>1,239,392</b>	1,470,060	656,239
Other Liabilities	<b>469,226</b>	331,010	243,385
<b>TOTAL LIABILITIES</b>	<b>1,708,618</b>	1,801,070	899,624
<b>UNRESTRICTED INVESTMENT ACCOUNTS</b>	<b>20,819,721</b>	16,360,977	16,246,289
<b>EQUITY</b>			
Paid up share capital	<b>5,073,324</b>	4,124,654	4,124,654
Legal reserve	<b>633,382</b>	633,382	545,316
Fair value reserve	<b>2,087</b>	465	16
Risk reserve	<b>237,953</b>	237,953	199,885
Proposed dividend	<b>-</b>	948,670	-
Retained earnings	<b>599,311</b>	16,630	597,266
<b>TOTAL EQUITY</b>	<b>6,546,057</b>	5,961,754	5,467,137
<b>TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>	<b>29,074,396</b>	24,123,801	22,613,050

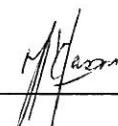


Dr. Hussain Ali Al Abdalla  
Chairman and Managing Director



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.)

## INTERIM CONSOLIDATED INCOME STATEMENT

Six Months Ended 30 June 2010

	<i>Three Months Ended 30 June</i>		<i>Six Months Ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Income from financing activities	387,753	264,214	746,170	470,154
Income from investing activities	14,929	18,159	29,282	36,501
<b>Total income from financing and investing activities</b>	<b>402,682</b>	<b>282,373</b>	<b>775,452</b>	<b>506,655</b>
Commission and fee income	22,376	48,879	46,112	102,613
Commission and fee expense	(127)	-	(15,259)	-
<b>Net commission and fee income</b>	<b>22,249</b>	<b>48,879</b>	<b>30,853</b>	<b>102,613</b>
Gain on foreign exchange	7,217	7,695	23,450	16,498
Other income	67,383	54,371	67,900	128,744
Share of results of associates	261	(85)	(1,528)	159
<b>TOTAL OPERATING INCOME</b>	<b>499,792</b>	<b>393,233</b>	<b>896,127</b>	<b>754,669</b>
General and administrative expenses	(55,333)	(61,048)	(120,162)	(104,757)
Depreciation	(4,843)	(3,627)	(9,486)	(7,439)
Provisions for impairment of receivables from financing activities	(1,593)	-	(1,649)	(2,254)
Provision for impairment of other assets	-	(36,405)	-	(36,405)
Reversal of provision for impairment of other assets	-	-	91,250	-
<b>PROFIT FOR THE PERIOD BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS</b>	<b>438,023</b>	<b>292,153</b>	<b>856,080</b>	<b>603,814</b>
Share of unrestricted investment accounts holders in the:				
- Net profit	(135,136)	(115,456)	(251,382)	(217,324)
<b>NET PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS</b>	<b>302,887</b>	<b>176,697</b>	<b>604,698</b>	<b>386,490</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (QAR)</b>	<b>0.40</b>	<b>0.24</b>	<b>0.81</b>	<b>0.52</b>

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

# Masraf Al Rayan (Q.S.C.)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Six Months Ended 30 June 2010

	<i>Six Months Ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	604,698	386,490
Adjustments for:		
Depreciation	9,486	7,439
Gain on disposal of property, furniture and equipment	-	(239)
Provisions for impairment of receivables from financing activities	1,649	2,254
Provision for impairment of other assets	-	36,405
Share of results of associates	1,528	(159)
Reversal of provision for impairment of other assets	(91,250)	-
Operating profit before changes in operating assets and liabilities	526,111	432,190
<b>Net decrease (increase) in assets:</b>		
Cash reserve with Qatar Central Bank	(277,085)	(139,416)
Receivables and balances from financing activities	(3,153,797)	(3,562,641)
Other assets	22,630	200,617
<b>Net increase (decrease) in liabilities:</b>		
Customers' current accounts	(230,668)	242,523
Other liabilities	116,199	66,392
<b>Net cash used in operating activities</b>	<b>(2,996,610)</b>	<b>(2,760,335)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of financial investments	(1,290,448)	(60,257)
Purchase of property, furniture and equipment	(9,477)	(12,175)
Proceeds from disposal of property, furniture and equipment	-	630
Proceeds from sale of financial investments	130,720	25,428
Investment in associates	(139,511)	-
<b>Net cash used in investing activities</b>	<b>(1,308,716)</b>	<b>(46,374)</b>
<b>FINANCING ACTIVITIES</b>		
Payment of cash dividend	-	(618,698)
Increase in unrestricted investment accounts	4,458,544	5,762,184
<b>Net cash from financing activities</b>	<b>4,458,544</b>	<b>5,143,486</b>
Increase in cash and cash equivalents	153,218	2,336,777
Balance of Cash and cash equivalents at 1 January	4,609,151	1,415,660
<b>Balance of Cash and cash equivalents at 30 June</b>	<b>4,762,369</b>	<b>3,752,437</b>

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

## Masraf Al Rayan (Q.S.C.)

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six Months Ended 30 June 2010

	Share capital QAR '000	Legal reserve QAR '000	Fair value reserve QAR '000	Risk reserve QAR '000	Proposed dividend QAR '000	Retained earnings QAR '000	Total QAR '000
Balance at 1 January 2009	4,124,654	545,316	(5,064)	199,885	618,698	210,776	5,694,265
Payment of cash dividend for 2009	-	-	-	-	(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
<b>Balance at 1 January 2010</b>	4,124,654	633,382	465	237,953	948,670	16,630	5,961,754
Dividend paid towards uncalled share capital	948,670	-	-	-	(948,670)	-	-
Net changes in fair value reserve	-	-	1,622	-	-	-	1,622
Total income and expense for the period recognised directly in equity	948,670	-	1,622	-	(948,670)	-	1,622
Profit for the period	-	-	-	-	-	604,698	604,698
Total income and expense for the period	948,670	-	1,622	-	(948,670)	604,698	606,320
Social and sports fund appropriation (Note 8)	-	-	-	-	-	(22,017)	(22,017)
<b>Balance at 30 June 2010</b>	5,073,324	633,382	2,087	237,953	-	599,311	6,546,057

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

# Masraf Al Rayan (Q.S.C.)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2010

### 1 LEGAL STATUS AND MAIN ACTIVITIES

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

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

Masraf and its subsidiary (together referred to as the “Group”) operates through its head office located on Grand Hamad Street in Doha and seven 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 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 LLC (“subsidiary”). Al Rayan Investment LLC was incorporated on 3 April 2007 in Qatar and has an authorised and paid-up share capital of USD 100 million.

The interim condensed consolidated financial statements of Masraf Al Rayan Q.S.C. for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 18 July 2010.

### 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 2009 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 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

#### **Significant Accounting Policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except as noted below:

#### *New standards adopted as of 1 January 2010*

##### *IFRS 3, ‘Business combinations’*

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of income. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

# Masraf Al Rayan (Q.S.C.)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2010

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'*

The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Group's financial statements.

#### *Improvements to IFRS*

'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

### 3 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 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 sukuk 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:

	<i>Corporate banking</i>	<i>Retail banking</i>	<i>Al Rayan investment</i>	<i>Unallocated and inter- group transactions</i>	<i>Total</i>
<i>30 June 2010</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Operating income	922,993	54,757	9,627	-	987,377
Expenses	(221,999)	(22,264)	(8,768)	(129,648)	(382,679)
Net profit / (loss)	700,994	32,493	859	(129,648)	604,698
Total assets	27,812,477	1,290,177	381,354	(409,612)	29,074,396
Total liabilities and unrestricted investment accounts	21,009,308	1,532,848	4,992	(18,809)	22,528,339



# Masraf Al Rayan (Q.S.C.)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2010

### 3 OPERATING SEGMENTS (continued)

<i>30 June 2009</i>	<i>Corporate banking QAR'000</i>	<i>Retail banking QAR'000</i>	<i>Al Rayan investment QAR'000</i>	<i>Unallocated and inter- group transactions QAR'000</i>	<i>Total QAR'000</i>
Operating income	692,084	37,640	24,945	-	754,669
Expenses	(240,130)	(15,853)	(8,265)	(103,931)	(368,179)
Net profit / (loss)	451,954	21,787	16,680	(103,931)	386,490
Total assets	21,412,902	1,081,416	383,948	(265,216)	22,613,050
Total Liabilities and unrestricted investment accounts	16,102,026	1,127,527	9,816	(93,456)	17,145,913

### 4 PROPERTY, FURNITURE AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired assets with a cost of QR 9,477 thousand and disposed nil (31 December 2009: QR 23,788 thousand and 11,138 thousand respectively).

### 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 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 2010 as Masraf will transfer the required amount by 31 December 2010.

### 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. No transfer has been made for the period ended 30 June 2010 as Masraf will transfer the required amount by 31 December 2010.

### 7 DIVIDEND

On 8 March 2010, the Annual General Assembly approved a dividend of 23% of the issued share capital towards the uncalled share capital.

### 8 SOCIAL AND SPORTS FUND

In accordance with Law No. 13 of 2008 and further clarifications for the law issued in 2010, the Group made an appropriation for an amount equivalent to 2.5% of net profit relating to the year ended 31 December 2009 for the support of sports, cultural and charitable activities.

# Masraf Al Rayan (Q.S.C.)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2010

### 9 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 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Payable not later than 1 year	23,190	20,118
Payable later than 1 year and not later than 5 years	<u>21,565</u>	<u>19,996</u>
	<u>44,755</u>	<u>40,114</u>

#### (b) Trade finance contingencies

	<i>30 June 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Letter of guarantees	4,901,178	3,763,973
Letter of credit	<u>763,398</u>	<u>711,638</u>
	<u>5,664,576</u>	<u>4,475,611</u>

#### (c) Other contracts & commitments

	<i>30 June 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Commitments and unused credit limits	4,025,382	1,048,334
Profit rate swap	2,552,980	2,562,240
Unilateral promise to buy/sell currencies	<u>6,592,603</u>	<u>10,022,683</u>
	<u>13,170,965</u>	<u>13,633,257</u>

### 10 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.

# Masraf Al Rayan (Q.S.C.)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2010

### 11 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 financial position date, such significant accounts include;

#### Related party transactions

##### (a) Financial position items

	<i>30 June 2010 QAR'000 (Unaudited)</i>	<i>31 December 2009 QAR'000 (Audited)</i>
<b>Assets</b>		
Murabaha	<u>4,339,920</u>	<u>4,292,326</u>
<b>Liabilities</b>		
Current Account	405	-
Unrestricted investment accounts holders	<u>1,636,280</u>	<u>1,650,366</u>
	<u>1,636,685</u>	<u>1,650,326</u>

##### (b) Income statement items

	<i>30 June 2010 QAR'000 (Unaudited)</i>	<i>30 June 2009 QAR'000 (Unaudited)</i>
Income from financing activities	148,367	125,191
Gain /(loss)from foreign exchange operations	<u>4,309</u>	<u>(81)</u>
	<u>152,676</u>	<u>125,110</u>
Profit paid on unrestricted investment accounts	<u>43,787</u>	<u>17,718</u>

#### Compensation of key management personnel

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

	<i>30 June 2010 QAR'000 (Unaudited)</i>	<i>30 June 2009 QAR'000 (Unaudited)</i>
Remuneration of directors including meeting allowances	<u>5,222</u>	<u>3,040</u>
Salaries and other benefits	<u>2,806</u>	<u>1,868</u>