

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

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 MARCH 2011**

## 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 2011, comprising of the interim consolidated statement of financial position as at 31 March 2011 and the related interim consolidated statements of income, cash flows and changes in shareholder's equity for the three month period then ended and the related explanatory notes.

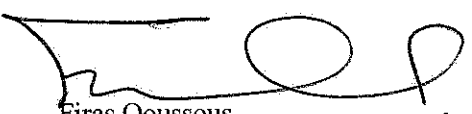
The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### 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: 19 April 2011  
Doha

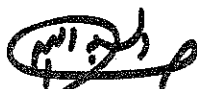


# Masraf Al Rayan (Q.S.C.)

## UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	<i>31 March 2011 QAR '000 (Unaudited)</i>	<i>31 December 2010 QAR '000 (Audited)</i>	<i>31 March 2010 QAR '000 (Unaudited)</i>
	<i>Notes</i>		
<b>ASSETS</b>			
Cash on hand and balances with Qatar Central Bank	1,420,773	1,481,785	930,809
Balances and investments with banks and other financial institutions	392,589	4,988,930	5,094,936
Receivables and balances from financing activities	26,519,554	25,063,967	20,544,289
Financial investments	4	12,094,453	2,136,919
Investment property	934,294	160,220	91,250
Investment in associates	406,712	386,494	390,344
Property, furniture and equipment	5	84,991	86,956
Other assets	345,792	378,100	104,045
<b>TOTAL ASSETS</b>	<b>42,199,158</b>	<b>34,683,371</b>	<b>28,182,983</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND SHAREHOLDERS EQUITY</b>			
Customers' current accounts	1,149,267	1,292,350	1,580,267
Other liabilities	1,010,225	540,031	381,607
<b>TOTAL LIABILITIES</b>	<b>2,159,492</b>	<b>1,832,381</b>	<b>1,961,874</b>
<b>EQUITY OF INVESTMENTS ACCOUNTHOLDERS</b>	<b>32,585,591</b>	<b>25,724,198</b>	<b>19,977,504</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Attributable to shareholders of the parent</b>			
Paid up share capital	6	7,049,408	5,073,324
Legal reserve	7	-	633,382
Fair value reserve	5,441	6,117	2,522
Risk reserve	8	-	237,953
Proposed dividend	9	-	1,976,084
Retained earnings	398,883	70,924	296,424
	7,453,732	7,126,449	6,243,605
Non-controlling interest	343	343	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7,454,075</b>	<b>7,126,792</b>	<b>6,243,605</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND SHAREHOLDERS' EQUITY</b>	<b>42,199,158</b>	<b>34,683,371</b>	<b>28,182,983</b>

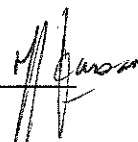


Dr. Hussain Ali Al Abdulla  
Chairman and Managing Director



Adel Mustafawi  
Group Chief Executive Officer

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.



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

## UNAUDITED INTERIM CONSOLIDATED STATEMENT OF INCOME

Three Months Ended 31 March 2011

	<i>Three Months Ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Income from financing activities	286,222	358,417
Income from investing activities	130,913	14,353
<b>Total income from financing and investing activities</b>	<b>417,135</b>	<b>372,770</b>
Commission and fee income	137,279	23,736
Commission and fee expense	(303)	(15,132)
<b>Net commission and fee income</b>	<b>136,976</b>	<b>8,604</b>
Gain from foreign exchange operations	11,886	16,233
Other income	586	517
Share of results of associates	20,218	(1,789)
<b>TOTAL OPERATING INCOME</b>	<b>586,801</b>	<b>396,335</b>
General and administrative expenses	(78,398)	(64,829)
Depreciation	(5,120)	(4,643)
Impairment losses on receivables from financing activities	(1,583)	(56)
Recoveries of impairment losses on other assets	-	91,250
<b>PROFIT FOR THE PERIOD BEFORE RETURN ON EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>	<b>501,700</b>	<b>418,057</b>
Less : Return on equity of investment accountholders	(173,741)	(116,246)
<b>NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>	<b>327,959</b>	<b>301,811</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (QAR)</b>	<b>0.44</b>	<b>0.40</b>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

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

## UNAUDITED INTERIM CONSOLIDATED CASH FLOW STATEMENT

Three Months Ended 31 March 2011

	Notes	Three Months Ended 31 March	
		2011 QAR '000 (Unaudited)	2010 QAR '000 (Unaudited)
<b>OPERATING ACTIVITIES</b>			
Profit for the period		327,959	301,811
Adjustments for:			
Depreciation		5,120	4,643
Impairment losses on receivables from financing activities		1,583	56
Share of results of associates		(20,218)	1,789
Recovery of impairment losses on other assets		-	(91,250)
Operating profit before changes in operating assets and liabilities		314,444	217,049
<b>Net decrease (increase) in assets:</b>			
Cash reserve with Qatar Central Bank		(304,211)	(328,971)
Receivables and balances from financing activities		(1,457,170)	(2,793,883)
Other assets		32,308	16,118
<b>Net increase (decrease) in liabilities:</b>			
Customers' current accounts		(143,083)	110,207
Other liabilities		506,599	28,580
<b>Net cash used in operating activities</b>		<b>(1,051,113)</b>	<b>(2,750,900)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, furniture and equipment	5	(3,155)	(5,044)
Purchase of financial investments		(10,000,000)	-
Purchase of investment property		(774,074)	-
Proceeds from redemption of financial investments		5,385	3,413
Investment in associates		-	(139,802)
<b>Net cash used in investing activities</b>		<b>(10,771,844)</b>	<b>(141,433)</b>
<b>FINANCING ACTIVITIES</b>			
Increase in equity of investment accountholders		6,861,393	3,616,343
<b>Net cash from financing activities</b>		<b>6,861,393</b>	<b>3,616,343</b>
(Decrease) increase in cash and cash equivalents during the period		(4,961,564)	724,010
Balance of cash and cash equivalents at 1 January		5,568,028	4,609,151
<b>Balance of cash and cash equivalents at 31 March</b>	11	<b>606,464</b>	<b>5,333,161</b>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

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

### UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Three Months Ended 31 March 2011

	Paid up 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	Equity attributable to shareholders of parent QAR '000	Non- controlling interest QAR '000	Total QAR '000
At 1 January 2011	5,073,324	-	6,117	-	1,976,084	70,924	7,126,449	343	7,126,792
Net changes in fair value reserve	-	-	(676)	-	-	-	(676)	-	(676)
Profit for the period	-	-	-	-	-	327,959	327,959	-	327,959
Dividend paid towards uncalled share capital	1,976,084	-	-	-	(1,976,084)	-	-	-	-
<b>Balance at 31 March 2011 (Unaudited)</b>	<b>7,049,408</b>	<b>-</b>	<b>5,441</b>	<b>-</b>	<b>-</b>	<b>398,883</b>	<b>7,453,732</b>	<b>343</b>	<b>7,454,075</b>
At 1 January 2010	4,124,654	633,382	465	237,953	948,670	16,630	5,961,754	-	5,961,754
Net changes in fair value reserve	-	-	2,057	-	-	-	2,057	-	2,057
Profit for the period	-	-	-	-	-	301,811	301,811	-	301,811
Dividend paid towards uncalled share capital	948,670	-	-	-	(948,670)	-	-	-	-
Social and sports fund appropriation	-	-	-	-	-	(22,017)	(22,017)	-	(22,017)
<b>Balance at 31 March 2010 (Unaudited)</b>	<b>5,073,324</b>	<b>633,382</b>	<b>2,522</b>	<b>237,953</b>	<b>-</b>	<b>296,424</b>	<b>6,243,605</b>	<b>-</b>	<b>6,243,605</b>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

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

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## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2011

### 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 and its subsidiaries (together referred to as "the Group") is engaged in banking, financing, investing and brokerage activities in accordance with its Articles of Incorporation, Islamic Shari'a principles and regulations of Qatar Central Bank and operates through its head office and 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 three months ended 31 March 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 19 April 2011.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The interim condensed consolidated financial statements of Masraf Al Rayan and its subsidiaries (together referred to as the "Group") for the three month period ended 31 March 2011 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. In addition, results for the three month period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

#### **Significant Accounting Policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010 except for the new and amended conceptual framework financial accounting standards, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, related regulations of Qatar Central Bank and applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards (the "IFRSs").

#### **New and amended accounting standard and framework**

During 2010, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments", which are effective as of 1 January 2011.

#### ***Statement of financial accounting no.1: conceptual framework for the financial reporting by Islamic financial institutions***

The amended conceptual framework provides the basis for the financial accounting standards issued by AAOIFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework state that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as the legal form.

The adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2011

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

#### *Financial accounting standard (FAS 25) "Investment in sukuk, shares and similar instruments".*

The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

The adoption of FAS 25 had an effect on the classification and measurement of the Groups financial assets. As a result of the application of this new standard, the classification of the investment portfolio were revisited and changes if any, were made in these classification in line with FAS 25.

The adoption of this standard did not have any material impact on the financial position or performance of the Group.

#### **Basis of consolidation**

These interim condensed consolidated financial statements include the financial statements of Masraf Al Rayan and its fully-owned subsidiaries after elimination of intercompany transactions and balances.

	<i>Country of incorporation</i>	<i>Share capital</i>	<i>Percentage of ownership</i>
Al Rayan Investment LLC	Qatar	USD 100,000,000	100%
Al Rayan Financial Brokerage	Qatar	QAR 5,000,000	100%
Lusail Waterfront Real Estate Co.	Qatar	QAR 200,000	100%

### 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, financing 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 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, furniture and equipment, cash functions, development projects related payables etc.

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



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

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011

#### 3 OPERATING SEGMENTS (continued)

31 March 2011 (unaudited)	<i>Corporate Banking</i> <i>QAR'000</i>	<i>Retail Banking</i> <i>QAR'000</i>	<i>Al Rayan Investment</i> <i>QAR'000</i>	<i>Unallocated</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
Operating income	553,257	31,651	1,893	-	586,801
Expenses	(165,142)	(10,182)	(2,525)	(80,993)	(258,842)
Net profit / (loss)	<u>388,115</u>	<u>21,469</u>	<u>(632)</u>	<u>(80,993)</u>	<u>327,959</u>
Total assets	<u>39,567,987</u>	<u>1,415,394</u>	<u>82,847</u>	<u>1,132,930</u>	<u>42,199,158</u>
Total liabilities	<u>31,566,238</u>	<u>2,385,988</u>	<u>12,552</u>	<u>780,305</u>	<u>34,745,083</u>
31 March 2010 (unaudited)	<i>Corporate Banking</i> <i>QAR'000</i>	<i>Retail Banking</i> <i>QAR'000</i>	<i>Al Rayan Investment</i> <i>QAR'000</i>	<i>Unallocated</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
Operating income	456,755	26,270	4,560	-	487,585
Expenses	(100,936)	(11,060)	(4,250)	(69,528)	(185,774)
Net profit / (loss)	<u>355,819</u>	<u>15,210</u>	<u>310</u>	<u>(69,528)</u>	<u>301,811</u>
Total assets	<u>26,158,052</u>	<u>1,245,360</u>	<u>73,958</u>	<u>705,613</u>	<u>28,182,983</u>
Total liabilities	<u>20,279,726</u>	<u>1,371,834</u>	<u>2,703</u>	<u>285,115</u>	<u>21,939,378</u>

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

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011

#### 4 FINANCIAL INVESTMENTS

	<i>31 March 2011 QAR'000 (Unaudited)</i>	<i>31 December 2010 QAR'000 (Audited)</i>
Financial instruments in		
- Equity type instruments		
Quoted	21,564	16,470
Unquoted	<u>109,461</u>	<u>151,606</u>
	<u>131,025</u>	<u>168,076</u>
- Debt – type instrument		
Quoted	699,230	702,643
Unquoted	<u>11,264,198</u>	<u>1,266,200</u>
	<u>11,963,428</u>	<u>1,968,843</u>
	<u>12,094,453</u>	<u>2,136,919</u>

#### 5 PROPERTY, FURNITURE AND EQUIPMENT

During the three months ended 31 March 2011, the Group acquired assets with a cost of QR 3,155 thousand (31 March 2010: QAR 5,004 thousand).

#### 6 SHARE CAPITAL

	<i>31 March 2011 QAR'000 (Unaudited)</i>	<i>31 December 2010 QAR'000 (Audited)</i>
<i>Authorised</i>		
750,000,000 shares at QAR 10 each	<u>7,500,000</u>	<u>7,500,000</u>
<i>Issued &amp; paid-up</i>		
	<i>No. of shares</i>	<i>Amount QAR'000</i>
At 1 January 2011	749,936,932	5,073,324
Dividend towards uncalled share capital (at QAR 2.635 per share)	-	<u>1,976,084</u>
	<u>749,936,932</u>	<u>7,049,408</u>

#### 7 LEGAL RESERVE

According to Qatar Central Bank Law No. 33 of 2006, 10% of the net profit is required to be transferred to the legal reserve until the reserve equals 100% of the paid up capital. No transfer has been made for the period ended 31 March 2011 as Masraf will transfer the required amount by 31 December 2011.

Also, the General Assembly, in its meeting held on 28 March 2011 and after the approval of Qatar Central Bank and the Ministry of Business and Trade, has resolved to transfer the balance of legal reserve as of 31 December 2009 to retained earnings for the purpose of capitalising the reserve into the uncalled portion of the share capital.

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011

### 8 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 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 are excluded from the gross direct finance, and should be appropriated from share holders profit according to Qatar Central Bank Circular No 87/2009. No transfer has been made for the period ended 31 March 2011 as Masraf will transfer the required amount by 31 December 2011.

Also, the General Assembly, in its meeting held on 28 March 2011 and after the approval of Qatar Central Bank, has resolved to transfer the balance of risk reserve as of 31 December 2009 to retained earnings for the purpose of capitalising the reserve into the uncalled portion of the share capital.

### 9 DIVIDEND

On 28 March 2011, the General Assembly approved a dividend of 38.95% (2010: 23%) of the paid up share capital towards the uncalled share capital QAR 2.635 per share (2010: QAR 1.265 per share) amounting to QAR 1,976,084 thousands (2010: QAR 948,670 thousands).

### 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>31 March 2011 QAR '000 (Unaudited)</i>	<i>31 December 2010 QAR '000 (Audited)</i>
Payable not later than 1 year	18,128	21,400
Payable later than 1 year and not later than 5 years	11,547	13,980
	<u>29,675</u>	<u>35,380</u>

#### (b) Trade finance contingencies

	<i>31 March 2011 QAR '000 (Unaudited)</i>	<i>31 December 2010 QAR '000 (Audited)</i>
Letter of guarantees	5,388,239	4,786,953
Letter of credit	1,835,997	795,524
	<u>7,224,236</u>	<u>5,582,477</u>

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011

### 10 COMMITMENTS (continued)

#### (e) Other contracts & commitments

	<i>31 March 2011 QAR '000 (Unaudited)</i>	<i>31 December 2010 QAR '000 (Audited)</i>
Ijara unutilised limits	981,948	744,473
Profit rate swap	2,548,350	2,548,350
Unilateral promise to buy/sell currencies	17,915,363	10,629,267
	<u>21,445,661</u>	<u>13,922,090</u>

### 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.

### 12 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>31 March 2011 QAR '000 (Unaudited)</i>	<i>31 December 2010 QAR '000 (Audited)</i>
<b>Assets</b>		
Murabaha	4,406,066	4,482,693
<b>Liabilities</b>		
Current Account	232	216
Equity of investments account holders	1,955,898	1,423,201
	<u>1,956,130</u>	<u>1,423,417</u>

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

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011

#### 12 RELATED PARTY DISCLOSURES (continued)

##### (b) Statement of income items

	<i>31 March 2011 QAR'000 (Unaudited)</i>	<i>31 March 2010 QAR'000 (Unaudited)</i>
Income from financing activities	70,570	73,984
Gain from foreign exchange operations	<u>3,341</u>	<u>8</u>
	<u>73,911</u>	<u>73,992</u>
Return on equity of investment accountholders	<u>14,488</u>	<u>16,093</u>

##### Compensation of key management personnel

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

	<i>31 March 2011 QAR'000 (Unaudited)</i>	<i>31 March 2010 QAR'000 (Unaudited)</i>
Remuneration of directors including meeting allowances	<u>2,726</u>	<u>2,568</u>
Salaries and other benefits	<u>1,264</u>	<u>1,497</u>