

Masraf Al Rayan (Q.S.C.)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 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 September 2010, comprising of the interim consolidated statement of financial position as at 30 September 2010 and the related interim consolidated statement of income for the three - month and nine - month periods ended 30 September 2010, related interim consolidated statements of cash flows and changes in equity for the nine 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: 17 October 2010
Doha

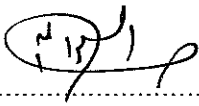


Masraf Al Rayan (Q.S.C.)

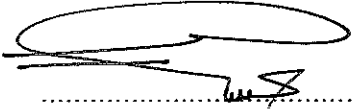
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	<i>30 September 2010</i>	<i>31 December 2009</i>	<i>30 September 2009</i>
	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>
	<i>Notes (Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
ASSETS			
Cash on hand and balances with Qatar Central Bank	1,663,717	716,080	587,161
Balances and investments with banks and other financial institutions	3,511,956	4,256,684	1,964,309
Receivables and balances from financing activities	24,173,506	17,750,462	17,410,905
Financial investments	2,299,996	945,406	949,024
Investment properties	91,250	-	-
Investment in associates	390,278	211,931	61,170
Property, furniture and equipment	82,211	82,675	91,169
Other assets	71,491	160,563	281,750
TOTAL ASSETS	32,284,405	24,123,801	21,345,488
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customers' current accounts	1,193,398	1,470,060	1,001,587
Other Liabilities	498,611	331,010	421,557
TOTAL LIABILITIES	1,692,009	1,801,070	1,423,144
UNRESTRICTED INVESTMENT ACCOUNTS	23,737,457	16,360,977	14,240,416
EQUITY			
Paid up share capital	5,073,324	4,124,654	4,124,654
Legal reserve	633,382	633,382	545,316
Fair value reserve	4,134	465	663
Risk reserve	237,953	237,953	199,885
Proposed dividend	-	948,670	-
Retained earnings	906,146	16,630	811,410
TOTAL EQUITY	6,854,939	5,961,754	5,681,928
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	32,284,405	24,123,801	21,345,488



 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.

Adel



Masraf Al Rayan (Q.S.C.)

INTERIM CONSOLIDATED INCOME STATEMENT

Nine Months Ended 30 September 2010

	<u>Three Months Ended 30</u>		<u>Nine Months Ended 30</u>	
	<u>September</u>		<u>September</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>QAR '000</u>	<u>QAR '000</u>	<u>QAR '000</u>	<u>QAR '000</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Income from financing activities	422,880	297,714	1,169,050	767,868
Income from investing activities	30,076	15,603	59,358	52,104
Total income from financing and investing activities	452,956	313,317	1,228,408	819,972
Commission and fee income	37,833	67,054	83,945	169,667
Commission and fee expense	(314)	-	(15,573)	-
Net commission and fee income	37,519	67,054	68,372	169,667
Gain on foreign exchange	7,409	6,610	30,859	23,108
Other income	33,955	1,252	101,855	129,996
Share of results of associates	-	(211)	(1,528)	(52)
TOTAL OPERATING INCOME	531,839	388,022	1,427,966	1,142,691
General and administrative expenses	(60,768)	(45,635)	(180,930)	(150,392)
Depreciation	(5,136)	(4,084)	(14,622)	(11,523)
Provisions for impairment of receivables from financing activities	-	(3,380)	(1,649)	(5,634)
Provision for impairment of other assets	-	-	-	(36,405)
Reversal of provision for impairment of other assets	-	-	91,250	-
PROFIT FOR THE PERIOD BEFORE SHARE OF UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS	465,935	334,923	1,322,015	938,737
Share of unrestricted investment accounts holders in the:				
- Net profit	(159,100)	(120,779)	(410,482)	(338,103)
PROFIT FOR THE PERIOD DUE TO SHAREHOLDERS	306,835	214,144	911,533	600,634
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	0.41	0.29	1.22	0.80

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

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Masraf Al Rayan (Q.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine Months Ended 30 September 2010

	<i>Nine Months Ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>QAR '000</i>	<i>QAR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit for the period	911,533	600,634
Adjustments for:		
Depreciation	14,622	11,523
Gain on disposal of property, furniture and equipment	-	(239)
Provisions for impairment of receivables from financing activities	1,649	5,634
Provision for impairment of other assets	-	36,405
Share of results of associates	1,528	52
Reversal of provision for impairment of other assets	<u>(91,250)</u>	<u>-</u>
Operating profit before changes in operating assets and liabilities	838,082	654,009
Net decrease (increase) in assets:		
Cash reserve with Qatar Central Bank	(489,905)	(79,591)
Receivables and balances from financing activities	(6,424,693)	(4,090,802)
Other assets	48,672	280,061
Net increase (decrease) in liabilities:		
Customers' current accounts	(276,662)	587,871
Other liabilities	<u>145,584</u>	<u>244,564</u>
Net cash used in operating activities	<u>(6,158,922)</u>	<u>(2,403,888)</u>
INVESTING ACTIVITIES		
Purchase of financial investments	(1,485,056)	(56,864)
Purchase of property, furniture and equipment	(14,158)	(17,820)
Proceeds from disposal of property, furniture and equipment	-	630
Proceeds from sale of financial investments	134,135	25,428
Investment in associates	<u>(139,475)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,504,554)</u>	<u>(48,626)</u>
FINANCING ACTIVITIES		
Payment of cash dividend	-	(618,698)
Increase in unrestricted investment accounts	<u>7,376,480</u>	<u>3,756,311</u>
Net cash from financing activities	<u>7,376,480</u>	<u>3,137,613</u>
(Decrease)/increase in cash and cash equivalents	(286,996)	685,099
Balance of cash and cash equivalents at 1 January	<u>4,609,151</u>	<u>1,415,660</u>
Balance of cash and cash equivalents at 30 September	<u><u>4,322,155</u></u>	<u><u>2,100,759</u></u>

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

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Masraf Al Rayan (Q.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine Months Ended 30 September 2010

	<i>Paid up share capital</i> QAR '000	<i>Legal reserve</i> QAR '000	<i>Fair value reserve</i> QAR '000	<i>Risk reserve</i> QAR '000	<i>Proposed dividend</i> QAR '000	<i>Retained earnings</i> QAR '000	<i>Total</i> 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 2008	-	-	-	-	(618,698)	-	(618,698)
Net changes in fair value reserve	-	-	5,727	-	-	-	5,727
Total income and expense for the period recognised directly in equity	-	-	5,727	-	(618,698)	-	(612,971)
Profit for the period	-	-	-	-	-	600,634	600,634
Total income and expense for the period	-	-	5,727	-	(618,698)	600,634	(12,337)
Balance at 30 September 2009	4,124,654	545,316	663	199,885	-	811,410	5,681,928
Balance at 1 January 2010	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	-	-	3,669	-	-	-	3,669
Total income and expense for the period recognised directly in equity	948,670	-	3,669	-	(948,670)	-	3,669
Profit for the period	-	-	-	-	-	911,533	911,533
Total income and expense for the period	948,670	-	3,669	-	(948,670)	911,533	915,202
Social and sports fund appropriation (Note 8)	-	-	-	-	-	(22,017)	(22,017)
Balance at 30 September 2010	5,073,324	633,382	4,134	237,953	-	906,146	6,854,939

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

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Masraf Al Rayan (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 and Trade.

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 in 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 nine months ended 30 September 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 17 October 2010.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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 nine months ended 30 September 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 income statement. 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 September 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 and 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 & equipment, cash functions, development projects related payables etc.

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

30 September 2010 (Unaudited)	Corporate	Retail	Al Rayan	Unallocated	Total
	banking	banking	investment	and inter-	
	QAR'000	QAR'000	QAR'000	group	QAR'000
				transactions	
Operating income	1,409,871	86,974	22,371	-	1,519,216
Expenses	(364,018)	(33,794)	(12,670)	(197,201)	(607,683)
Net profit / (loss)	1,045,853	53,180	9,701	(197,201)	911,533
Total assets	30,869,913	1,428,262	392,570	(406,340)	32,284,405
Total liabilities and unrestricted investment accounts	23,459,386	2,031,769	6,943	(68,632)	25,429,466

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Masraf Al Rayan (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010

3 OPERATING SEGMENTS (continued)

<i>30 September 2009 (Unaudited)</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	1,051,011	56,313	35,367	-	1,142,691
Expenses	(337,128)	(25,673)	(11,707)	(167,549)	(542,057)
Net profit / (loss)	713,883	30,640	23,660	(167,549)	600,634
Total assets	20,393,557	949,755	375,033	(372,857)	21,345,488
Total Liabilities and unrestricted investment accounts	14,490,930	1,198,078	5,095	(30,543)	15,663,560

4 PROPERTY, FURNITURE AND EQUIPMENT

During the nine months ended 30 September 2010, the Group acquired assets with a cost of QR 14,158 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 September 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 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 financing against cash guarantees are 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 September 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 September 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 September 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Payable not later than 1 year	22,820	20,118
Payable later than 1 year and not later than 5 years	18,814	19,996
	<u>41,634</u>	<u>40,114</u>

(b) Trade finance contingencies

	<i>30 September 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Letter of guarantees	5,321,583	3,763,973
Letter of credit	788,090	711,638
	<u>6,109,673</u>	<u>4,475,611</u>

(c) Other contracts & commitments

	<i>30 September 2010 QAR '000 (Unaudited)</i>	<i>31 December 2009 QAR '000 (Audited)</i>
Commitments and unused credit limits	3,343,255	1,048,334
Profit rate swap	2,548,350	2,562,240
Unilateral promise to buy/sell currencies	8,564,243	10,022,683
	<u>14,455,848</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.

Adel

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Masraf Al Rayan (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 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 September 2010 QAR'000 (Unaudited)</i>	<i>31 December 2009 QAR'000 (Audited)</i>
Assets		
Murabaha	<u>4,555,441</u>	<u>4,292,326</u>
Liabilities		
Current Account	217	-
Unrestricted investment accounts holders	<u>1,410,256</u>	<u>1,650,366</u>
	<u>1,410,473</u>	<u>1,650,366</u>

(b) Income statement items

	<i>30 September 2010 QAR'000 (Unaudited)</i>	<i>30 September 2009 QAR'000 (Unaudited)</i>
Income from financing activities	223,049	196,243
Gain on foreign exchange	<u>102,127</u>	<u>994</u>
	<u>325,176</u>	<u>197,237</u>
Profit paid on unrestricted investment accounts	<u>50,297</u>	<u>45,627</u>

Compensation of key management personnel

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

	<i>30 September 2010 QAR'000 (Unaudited)</i>	<i>30 September 2009 QAR'000 (Unaudited)</i>
Remuneration of directors including meeting allowances	<u>7,829</u>	<u>4,540</u>
Salaries and other benefits	<u>4,115</u>	<u>2,809</u>

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