CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MASRAF AL RAYAN (Q.S.C.)

30 JUNE 2013

Contents

KPMG
KPMG
Audit
2nd Floor
Area 25, C Ring Road
PO Box 4473, Doha
State of Qatar

Telephone +974 4457 6444
Fax +974 4442 5626
Website www.kpmg.com.qa

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

Introduction

We have reviewed the accompanying 30 June 2013 condensed consolidated interim financial statements of Masraf Al Rayan (Q.S.C.) ("the Bank") and its subsidiaries (together referred to as the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2013;
- the condensed consolidated income statement for the three and six month periods ended 30 June 2013;
- the condensed consolidated statement of changes in owners' equity for the six month period ended 30 June 2013;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2013;
- the condensed consolidated statement of changes in restricted investment for the six month period ended 30 June 2013; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial statements consists 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 Auditing Standards for Islamic Financial Institutions 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 30 June 2013 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI and the applicable provisions of Qatar Central Bank regulations.

22 July 2013
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

Masraf Al Rayan (Q.S.C.) QAR '000s

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	***30 June 2013 (Reviewed)***	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
ASSETS				
Cash and balances with Qatar Central Bank		**2,432,909**	2,267,508	2,940,539
Due from banks		**2,685,181**	2,627,154	5,436,272
Financing assets	8	**44,175,058**	42,769,216	37,982,301
Investment securities	9	**12,875,368**	11,961,322	12,196,228
Investment in associates and joint ventures		**1,459,168**	1,449,521	1,449,091
Investment property		**91,250**	91,250	91,250
Fixed assets		**59,079**	62,218	68,486
Other assets		**493,136**	400,196	369,557
TOTAL ASSETS		**64,271,149**	61,628,385	60,533,724
LIABILITIES				
Due to banks	10	**7,372,245**	6,383,877	17,831,987
Customer current accounts		**3,404,443**	2,502,739	2,029,195
Other liabilities		**661,468**	500,828	488,603
TOTAL LIABILITIES		**11,438,156**	9,387,444	20,349,785
EQUITY OF INVESTMENT ACCOUNT HOLDERS	11	**43,040,441**	42,506,876	31,330,369
OWNERS' EQUITY				
Share capital	12	**7,500,000**	7,500,000	7,500,000
Legal reserve	12	**292,292**	292,292	141,871
Risk reserve	12	**787,141**	787,141	450,000
Fair value reserves	12	**16,013**	9,244	7,933
Retained earnings		**1,078,070**	1,007,314	753,423
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**9,673,516**	9,595,991	8,853,227
Non-controlling interests	13	**119,036**	138,074	343
TOTAL OWNERS' EQUITY		**9,792,552**	9,734,065	8,853,570
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**64,271,149**	61,628,385	60,533,724

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 July 2013 and were signed on its behalf by:

....	....
Dr. Hussain Ali Al Abdulla	Adel Mustafawi
Chairman and Managing Director	Group Chief Executive Officer

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

Masraf Al Rayan (Q.S.C.) QAR '000s

CONDENSED CONSOLIDATED INCOME STATEMENT
For the Three and Six-Month Periods Ended 30 June 2013

	Note	*For The Three-Month Period Ended 30 June* 2013 (Reviewed)	2012 (Reviewed)	*For The Six-Month Period Ended 30 June* 2013 (Reviewed)	2012 (Reviewed)
Net income from financing activities		**445,487**	407,738	**888,048**	802,973
Net income from investing activities		**166,341**	157,738	**339,091**	314,544
Total net income from financing and investing activities		**611,828**	565,476	**1,227,139**	1,117,517
Fee and commission income		**37,795**	30,370	**69,986**	57,246
Fee and commission expense		**(419)**	(526)	**(727)**	(1,015)
Net fee and commission income		**37,376**	29,844	**69,259**	56,231
Net foreign exchange gain		**13,432**	11,113	**26,366**	22,176
Share of results of associates		**-**	7,446	**10,647**	7,446
Other income		**1,927**	2,697	**3,262**	28,801
TOTAL INCOME		**664,563**	616,576	**1,336,673**	1,232,171
Staff costs		**(63,361)**	(55,184)	**(117,825)**	(106,475)
Depreciation		**(4,228)**	(5,102)	**(8,300)**	(9,858)
Other expenses		**(34,606)**	(26,708)	**(66,642)**	(52,505)
Finance expense		**(20,365)**	(32,266)	**(40,088)**	(61,392)
TOTAL EXPENSES		**(122,560)**	(119,260)	**(232,855)**	(230,230)
Net (impairment losses) recoveries on financing assets		**(31)**	15,495	**(26,220)**	(8,894)
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**541,972**	512,811	**1,077,598**	993,047
Less: Return to investment account holders		**(114,634)**	(140,675)	**(238,063)**	(267,415)
PROFIT FOR THE PERIOD BEFORE TAX		**427,338**	372,136	**839,535**	725,632
Tax expense		**-**	(477)	**(137)**	(477)
NET PROFIT FOR THE PERIOD		**427,338**	371,659	**839,398**	725,155
Net profit for the period attributable to:					
Equity holders of the Bank		**420,631**	371,659	**820,756**	725,155
Non-controlling interests		**6,707**	-	**18,642**	-
		427,338	371,659	**839,398**	725,155
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	15	**0.561**	0.496	**1.094**	0.967

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

Masraf Al Rayan (Q.S.C.) QAR '000s

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Six-Month Period Ended 30 June 2013

	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserves*	*Retained earnings*	*Total equity attributable to equity holders of the Bank*	*Non-controlling interests*	*Total owners' equity*
Balance at 1 January 2013 (Audited)	**7,500,000**	**292,292**	**787,141**	**9,244**	**1,007,314**	**9,595,991**	**138,074**	**9,734,065**
Fair value reserve movement	-	-	-	**6,769**	-	**6,769**	-	**6,769**
Profit for the period	-	-	-	-	**820,756**	**820,756**	**18,642**	**839,398**
Dividend paid (Note 12)	-	-	-	-	**(750,000)**	**(750,000)**	-	**(750,000)**
Net movement in non-controlling interests	-	-	-	-	-	-	**(37,680)**	**(37,680)**
Balance at 30 June 2013 (Reviewed)	**7,500,000**	**292,292**	**787,141**	**16,013**	**1,078,070**	**9,673,516**	**119,036**	**9,792,552**
Balance at 1 January 2012 (Audited)	7,500,000	141,871	450,000	8,795	403,268	8,503,934	343	8,504,277
Fair value reserve movement	-	-	-	(862)	-	(862)	-	(862)
Profit for the period	-	-	-	-	725,155	725,155	-	725,155
Dividend paid (Note 12)	-	-	-	-	(375,000)	(375,000)	-	(375,000)
Balance at 30 June 2012 (Reviewed)	7,500,000	141,871	450,000	7,933	753,423	8,853,227	343	8,853,570

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

Masraf Al Rayan (Q.S.C.) QAR 000s

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six-Month Period Ended 30 June 2013

	Notes	*For the Six-Month Period Ended 30 June* **2013 (Reviewed)**	*2012 (Reviewed)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before tax		**839,535**	725,632
Adjustments for:			
Net impairment loss on financing assets		**26,220**	8,894
Fair value gain on investment securities carried as fair value through income statement		**(9,338)**	(1,068)
Depreciation		**8,300**	9,858
Net gain on sale of investment securities		**(10,511)**	-
Dividend income		**(7,351)**	(992)
Share of results of associates		**(10,647)**	(7,446)
Amortisation of premium and discount on investment securities		**(1,843)**	(3,280)
Profit before changes in operating assets and liabilities		**834,365**	731,598
Change in reserve account with Qatar Central Bank		**(198,794)**	(9,959)
Change in financing assets		**(1,432,062)**	(3,225,368)
Change in other assets		**(92,940)**	(30,763)
Change in due to banks		**988,368**	4,636,726
Change in customer current accounts		**901,704**	(2,142,163)
Change in other liabilities		**162,062**	(14,391)
		1,162,703	(54,320)
Dividends received		**7,351**	992
Tax paid		**(1,559)**	(1,009)
Net cash from / (used in) operating activities		**1,168,495**	(54,337)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		**(1,189,951)**	(155,623)
Proceed from sale/redemption of investment securities		**304,638**	9,094
Acquisition of fixed assets		**(5,161)**	(7,838)
Investment in associates		**1,000**	(10,300)
Net cash used in investing activities		**(889,474)**	(164,667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		**533,293**	2,433,430
Dividends paid		**(750,000)**	(375,000)
Net movement in non-controlling interest		**(37,680)**	-
Net cash (used in) / from financing activities		**(254,387)**	2,058,430
Net increase in cash and cash equivalents		**24,634**	1,839,426
Cash and cash equivalents at 1 January		**2,918,547**	5,019,926
Cash and cash equivalents at 30 June	16	**2,943,181**	6,859,352

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

Masraf Al Rayan (Q.S.C.) QAR '000s

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the Six-Month Period Ended 30 June 2013

	At 1 January 2013 (Audited)			**Movements during the period**			**At 30 June 2013 (Reviewed)**		
	No. of Units	Value per unit in QAR	Total value	Gross income	Profit paid	Bank's fee as an agent	No. of Units	Value per unit in QAR	Total value
Wakil and Muakil	**1**	**2,518,381**	**2,518,381**	**114,586**	**(106,947)**	**7,639**	**1**	**2,518,381**	**2,518,381**

	At 1 January 2012 (Audited)			Movements during the period			At 30 June 2012 (Reviewed)		
	No. of Units	Value per unit in QAR	Total value	Gross income	Profit paid	Bank's fee as an agent	No. of Units	Value per unit in QAR	Total value
Wakil and Muakil	1	2,518,381	2,518,381	113,956	(106,359)	7,597	1	2,518,381	2,518,381

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

Masraf Al Rayan (Q.S.C.) QAR '000s

1 REPORTING ENTITY

Masraf Al Rayan (Q.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Article 68 of Qatar Commercial Companies' Law No. 5 of 2002, under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Grand Hamad Steet, Doha, Qatar. The condensed consolidated interim financial statements of the Bank for the six-month period ended 30 June 2013 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Bank is primarily involved in banking, financing, investing and brokerage activities, and has 12 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan.

The principal subsidiaries of the Group are as follows:

Entity's name	*Country of incorporation*	*Entity's capital*	*Entity's activities*	*Effective percentage of ownership*	
				30 June 2013	*31 December 2012*
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan GCC Fund (F)	Qatar	Not applicable**	Investment activities	62.9%	63.4%
Al Rayan GCC Fund (Q)	Qatar	Not applicable**	Investment activities	32.9%	26.5%
Sapura Crest*	Qatar	QAR 700,000	Oil and gas services	51.0%	51.0%
Al Rayan Partners *	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%

* subsidiaries of Al Rayan Investment L.L.C.
** open-ended funds

2 BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of Qatar Central Bank ("QCB") regulations. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

The condensed consolidated interim 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 2012. In addition, results for the six-month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial investments classified as "investments at fair value through equity", "investments at fair value through income statement" and derivative financial instruments.

The condensed consolidated interim financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2012, except for the following:

New standards, amendments and interpretations issued

The following accounting standard and interpretations have been issued by AAOIFI during 2012 effective from annual periods beginning on or after 1 January 2013 and are expected to be relevant to the Group:

FAS – 26 'Investment in Real estate'
FAS 26 was issued in June 2012 to replace FAS 17 and is applicable for direct investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation or both. Subsequent to initial recognition, investment in real estate can be measured at cost or fair value. If the Group chooses fair value model, any fair value gains arising from fair value of investment in real estate should be directly recognised in equity under 'property fair value reserve' until disposal. Fair value losses below cost shall be recognised in the income statement. If the Bank chooses cost model, then the investment in real estate is carried at cost less accumulated depreciation (where applicable) and accumulated impairment losses, if any.

The adoption of this standard did not have a significant impact on the Group's condensed consolidated interim financial statements.

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

5 USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

The preparation of the condensed consolidated interim financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the annual consolidated financial statements as at 31 December 2012.

Masraf Al Rayan (Q.S.C.) QAR '000s

5 USE OF ESTIMATES AND JUDGMENTS (continued)

(b) Critical accounting judgments in applying the Group's accounting policies

(i) *Valuation of financial instruments*

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

(ii) *Financial asset and liability classification*

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total*
30 June 2013 (Reviewed)				
Risk management instruments	-	43,459	-	43,459
Investment securities	455,311	-	4,947	460,258
	455,311	**43,459**	**4,947**	**503,717**
Risk management instruments	-	38,761	-	38,761
	-	**38,761**	**-**	**38,761**

Masraf Al Rayan (Q.S.C.) QAR '000s

5 USE OF ESTIMATES AND JUDGMENTS (continued)

(b) Critical accounting judgments in applying the Group's accounting policies (continued)

(ii) Financial asset and liability classification (continued)

31 December 2012 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Total*
Risk management instruments	-	13,256	-	13,256
Investment securities	344,619	-	5,070	349,689
	344,619	13,256	5,070	362,945
Risk management instruments	-	9,391	-	9,391
	-	9,391	-	9,391

During the reporting period 30 June 2013 and 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Fair value through income statement	***Fair value through equity***	***Amortised cost***	***Total carrying amount***	***Fair value***
30 June 2013 (Reviewed)					
Cash and balances with QCB	-	-	2,432,909	2,432,909	2,432,909
Due from banks	-	-	2,685,181	2,685,181	2,685,181
Financing assets	-	-	44,175,058	44,175,058	44,175,058
Investment securities:					
- Measured at fair value	356,018	104,240	-	460,258	460,258
- Measured at amortised cost	-	-	12,415,110	12,415,110	12,385,616
Other assets	-	-	386,688	386,688	386,688
Risk management instruments	43,459	-	-	43,459	43,459
	399,477	**104,240**	**62,094,946**	**62,598,663**	**62,569,169**
Due to banks	-	-	7,372,245	7,372,245	7,372,245
Customer current accounts	-	-	3,404,443	3,404,443	3,404,443
Financing liabilities	-	-	43,040,441	43,040,441	43,040,441
Risk management instruments	38,761	-	-	38,761	38,761
	38,761	**-**	**53,817,129**	**53,855,890**	**53,855,890**

Masraf Al Rayan (Q.S.C.) QAR '000s

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
31 December 2012 (Audited)					
Cash and balances with QCB	-	-	2,267,508	2,267,508	2,267,508
Due from banks	-	-	2,627,154	2,627,154	2,627,154
Financing assets	-	-	42,769,216	42,769,216	42,769,216
Investment securities:					
- Measured at fair value	324,865	24,824	-	349,689	349,689
- Measured at amortised cost	-	-	11,611,633	11,611,633	11,590,339
Other assets	-	-	326,480	326,480	326,480
Risk management instruments	13,256	-	-	13,256	13,256
	338,121	24,824	59,601,991	59,964,936	59,943,642
Due to banks	-	-	6,383,877	6,383,877	6,383,877
Customer current accounts	-	-	2,502,739	2,502,739	2,502,739
Financing liabilities	-	-	42,506,876	42,506,876	42,506,876
Risk management instruments	9,391	-	-	9,391	9,391
	9,391	-	51,393,492	51,402,883	51,402,883

7 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments.

- 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.
- Asset Management 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 & equipments, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries

Masraf Al Rayan (Q.S.C.) QAR '000s

7 OPERATING SEGMENTS (continued)

Information about operating segments

30 June 2013 (Reviewed)	***Corporate Banking***	***Retail Banking***	***Asset Management***	***Unallocated***	***Total***
External revenue:					
Total income from financing and investing activities	1,058,620	136,407	32,112	-	**1,227,139**
Net fee and commission income	63,737	-	5,522	-	**69,259**
Foreign exchange gain / (loss)	26,378	-	(12)	-	**26,366**
Share of results of associates and joint ventures	-	-	-	10,647	**10,647**
Other income	-	-	-	3,262	**3,262**
Total segment revenue	**1,148,735**	**136,407**	**37,622**	**13,909**	**1,336,673**
Other material non-cash items:					
Net impairment loss on financing assets	**(26,220)**	-	-	-	**(26,220)**
Reportable segment profit before tax	**877,644**	**101,813**	**28,494**	**(168,416)**	**839,535**
Reportable segment assets	**58,098,319**	**5,224,257**	**607,118**	**341,455**	**64,271,149**
Reportable segment liabilities	**48,902,023**	**5,122,444**	**5,134**	**448,996**	**54,478,597**

30 June 2012 (Reviewed)	*Corporate Banking*	*Retail Banking*	*Asset Management*	*Unallocated*	*Total*
External revenue:					
Total income from financing and investing activities	1,028,542	81,688	7,287	-	1,117,517
Net fee and commission income	51,923	-	4,308	-	56,231
Foreign exchange gain	22,176	-	-	-	22,176
Share of results of associates and joint ventures	-	-	-	7,446	7,446
Other income	-	-	-	28,801	28,801
Total segment revenue	1,102,641	81,688	11,595	36,247	1,232,171
Other material non-cash items:					
Net impairment loss on financing assets	(8,894)	-	-	-	(8,894)
Reportable segment profit before tax	792,837	53,791	4,314	(125,310)	725,632
Reportable segment assets	56,575,280	3,244,703	397,081	316,660	60,533,724
Reportable segment liabilities	48,199,324	3,190,912	14,880	275,038	51,680,154

Masraf Al Rayan (Q.S.C.) QAR '000s

8 FINANCING ASSETS

	30 June 2013 (Reviewed)	31 December 2012 (Audited)	30 June 2012 (Reviewed)
(a) By type			
Murabaha	**41,030,652**	39,631,243	35,546,487
Ijarah	**3,223,522**	3,424,472	2,978,628
Istisna'a	**944,787**	784,106	624,061
Musharaka	**317,429**	122,112	153,075
Others	**123,476**	110,256	104,056
Total financing assets	**45,639,866**	44,072,189	39,406,307
Deferred profit	**(1,388,471)**	(1,253,251)	(1,311,146)
Provision for impairment and profit in suspense (note b)	**(76,337)**	(49,722)	(112,860)
Net financing assets	**44,175,058**	42,769,216	37,982,301

The total non-performing financing assets at 30 June 2013 amounted to QAR 38,234 thousand representing 0.08% of the gross financing assets (31 December 2012: QAR 39,911 thousand representing 0.09% of the gross financing assets; 30 June 2012: QAR 324,639 thousand representing 0.82% of the gross financing assets).

Specific impairment of financing assets includes QAR 4,794 thousand of profit in suspense (31 December 2012: QAR 4,369 thousand; 30 June 2012: QAR 24,142 thousand).

(b) Movement in the provision for impairment on financing assets

	30 June 2013 (Reviewed)	31 December 2012 (Audited)	30 June 2012 (Reviewed)
Balance as at 1 January	**49,722**	87,226	87,226
Charge for the period / year	**26,645**	5,847	42,752
Recoveries / reversals during the period / year	**-**	(43,329)	(17,110)
Write off during the period / year	**(30)**	(22)	(8)
Balance at 30 June / 31 December	**76,337**	49,722	112,860

Masraf Al Rayan (Q.S.C.) QAR '000s

9 INVESTMENT SECURITIES

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Investments classified as fair value through income statement			
Investments classified as held for trading (Quoted)			
• Equity type investments	**163,247**	159,275	-
• Debt type investments			
- Fixed profit rate	**192,771**	158,838	141,390
- Floating profit rate	**-**	6,752	-
	356,018	324,865	141,390
Debt-type investments classified at amortised cost			
Fixed profit rate – Quoted	**236,879**	50,967	50,967
Fixed profit rate – Unquoted	**-**	-	10,193
Floating profit rate – Quoted	**152,880**	332,509	675,797
Government of Qatar Sukuk – Unquoted	**12,047,194**	11,250,000	11,250,000
Less: Provision for impairment	**(21,843)**	(21,843)	(21,843)
	12,415,110	11,611,633	11,965,114
Equity-type investments classified as fair value through equity			
- Quoted	**99,293**	19,754	18,383
- Unquoted	**4,947**	5,070	71,341
	104,240	24,824	89,724
	12,875,368	11,961,322	12,196,228

The cumulative change in fair value of equity-type investments classified as fair value through equity during the period / year is as follows:

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Positive fair value:			
Balance at 1 January	**9,244**	8,795	8,795
Net change in fair value	**6,769**	449	(862)
Balance at 30 June / 31 December	**16,013**	9,244	7,933

Masraf Al Rayan (Q.S.C.) QAR '000s

10 DUE TO BANKS

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Current accounts	**581,243**	566,379	1,160,318
Commodity murabaha payable	**412,609**	851,898	2,188,219
Wakala payable	**6,378,393**	4,965,600	14,483,450
	7,372,245	6,383,877	17,831,987

11 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Saving accounts	**1,873,500**	1,519,970	1,138,230
Term accounts	**36,968,516**	38,691,069	27,290,356
Call accounts	**4,098,559**	2,158,704	2,777,372
Profit payable to equity of investment account holders	**99,223**	136,762	124,097
Share in the fair value reserves	**643**	371	314
	43,040,441	42,506,876	31,330,369

12 OWNERS' EQUITY

(a) Share capital

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Authorised			
750,000,000 shares at QAR 10 each	**7,500,000**	7,500,000	7,500,000

(b) Legal reserve

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Balance at 1 January	**292,292**	141,871	141,871
Transfer from retained earnings	**-**	150,421	-
Balance at 30 June / 31 December	**292,292**	292,292	141,871

According to QCB Law No. 33 of 2006, 10% of the profit for the year 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 2013 as Masraf will transfer the required amount by 31 December 2013.

Masraf Al Rayan (Q.S.C.) QAR '000s

12 OWNERS' EQUITY (continued)

(c) Fair value reserves

This reserve comprises changes in fair value of equity-type investments classified as fair value through equity.

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Balance at 1 January	**9,244**	8,795	8,795
Net unrealised (losses) gains	**7,412**	820	(548)
Net change during the period / year	**16,656**	9,615	8,247
Share of equity of investment account holders in the fair value reserves	**(643)**	(371)	(314)
Balance at 30 June / 31 December (shareholders' share)	**16,013**	9,244	7,933

Fair value reserves represent unearned gains/ (losses), being not available for distribution unless realised and charged to the condensed consolidated income statement.

(d) Risk reserve

In accordance with QCB regulations, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% 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 and finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB Circular No 87/2008. No transfer has been made for the period ended 30 June 2013 as Masraf will transfer the required amount by 31 December 2013.

(e) Dividend

On 18 February 2013, the General Assembly approved a cash dividend of 10% of the paid up share capital (2012: 5%) amounting to QAR 750 million (2012: QAR 375 million).

13 NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Sapura Crest amounting to 49% of the share capital (31 December 2012: 49%), 37.1% in Al Rayan GCC Fund (F) (31 December 2012: 36.6%) and 67.1% in Al Rayan GCC Fund (Q) (31 December 2012: 73.5%).

Masraf Al Rayan (Q.S.C.) QAR '000s

14 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital commitments

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

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Payable not later than 1 year	**20,215**	22,157	19,706
Payable later than 1 year and not later than 5 years	**30,454**	35,179	43,457
	50,669	57,336	63,163

(b) Contingent liabilities

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Unutilised credit facilities	**4,697,295**	7,403,642	2,266,218
Guarantees	**7,628,057**	5,510,161	4,506,256
Letters of credit	**10,311,399**	2,711,280	883,467
	22,636,751	15,625,083	7,655,941

(c) Other undertakings and commitments

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Profit rate swap	-	1,529,010	1,529,010
Unilateral promise to buy/sell currencies	**18,977,448**	16,091,124	12,894,972
	18,977,448	17,620,134	14,423,982

15 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

	For the Six-Month Period Ended 30 June	
	2013 (Reviewed)	*2012 (Reviewed)*
Profit for the period attributable to equity holders of the Bank	**820,756**	725,155
Weighted average number of shares outstanding during the period	**750,000**	750,000
Basic earnings per share (QAR)	**1.094**	0.967

There were no potentially dilutive shares outstanding at any time during the period. Therefore, the diluted earnings per share are equal to the basic earnings per share.

Masraf Al Rayan (Q.S.C.) QAR '000s

16 CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	30 June 2013 (Reviewed)	*30 June 2012 (Reviewed)*
Cash on hand and balances with QCB excluding cash reserve	**258,000**	1,423,080
Due from banks	**2,685,181**	5,436,272
	2,943,181	6,859,352

17 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

Transactions with related parties

(a) Condensed consolidated statement of financial position items

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Assets			
Murabaha - customer	**-**	4,316,378	4,263,648
Liabilities			
Current account - customer	**7**	215	203
Equity of investment account holders - customer	**1,896,943**	5,512,704	2,631,113
	1,896,950	5,512,919	2,631,316

(b) Condensed consolidated income statement items

	For the Six-Month Period Ended 30 June	
	2013 (Reviewed)	*2012 (Reviewed)*
Income from financing activities - customer	**-**	122,225
Loss from foreign exchange operations - customer	**21**	(8,025)
	21	114,200
Return on equity of investment account holders - customer	**8,740**	10,440

Masraf Al Rayan (Q.S.C.) QAR '000s

17 RELATED PARTIES (continued)

(c) Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the period as follows:

	30 June 2013 (Reviewed)	*31 December 2012 (Audited)*	*30 June 2012 (Reviewed)*
Credit card financing	77	283	252

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

	For the Six-Month Period Ended 30 June	
	2013 (Reviewed)	*2012 (Reviewed)*
Remuneration to Board of Directors including meeting allowances	**7,722**	6,714
Salaries and other benefits	**3,962**	6,056

18 COMPARATIVE FIGURES

The comparative figures presented have been reclassified where necessary to preserve consistency with the current period figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative period.