

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

MASRAF AL RAYAN (Q.S.C.)

30 SEPTEMBER 2014

Masraf Al Rayan (Q.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2014

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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 September 2014 condensed consolidated interim financial statements of Masraf Al Rayan (Q.S.C.) ("the Bank") and its subsidiaries (together referred to as the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 September 2014;
- the condensed consolidated income statement for the three and nine month periods ended 30 September 2014;
- the condensed consolidated statement of changes in owners' equity for the nine month period ended 30 September 2014;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2014;
- the condensed consolidated statement of changes in restricted investment for the nine month period ended 30 September 2014; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these 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 the Qatar Central Bank regulations. Our responsibility is to express a conclusion on these 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 September 2014 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 the Qatar Central Bank regulations.

20 October 2014
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION


As at 30 September 2014

	Notes	30 September 2014 (Reviewed)	31 December 2013 (Audited)	30 September 2013 (Reviewed)
ASSETS				
Cash and balances with Qatar Central Bank		3,586,930	3,510,514	4,650,131
Due from banks		3,821,012	4,334,667	1,204,210
Financing assets	8	54,928,180	41,440,198	43,262,719
Investment securities	9	14,475,840	15,016,627	15,905,693
Investment in associates and joint ventures		418,281	1,457,278	1,459,547
Investment property		91,250	91,250	91,250
Fixed assets		121,740	55,283	57,764
Other assets		386,755	641,820	273,733
TOTAL ASSETS		77,829,988	66,547,637	66,905,047
LIABILITIES				
Due to banks	10	5,336,378	6,765,067	5,307,236
Customer current accounts		5,261,475	3,514,402	2,952,330
Other liabilities		1,428,369	746,906	621,894
TOTAL LIABILITIES		12,026,222	11,026,375	8,881,460
EQUITY OF INVESTMENT ACCOUNT HOLDERS	11	54,724,309	44,816,865	47,783,255
OWNERS' EQUITY				
Share capital	12	7,500,000	7,500,000	7,500,000
Legal reserve	12	632,746	632,746	292,292
Risk reserve	12	875,414	875,414	787,141
Fair value reserves	12	44,369	26,888	17,914
Foreign currency translation reserve	12	176	-	-
Other reserves	12	26,809	26,809	18,866
Retained earnings		1,762,780	1,461,491	1,488,701
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		10,842,294	10,523,348	10,104,914
Non-controlling interests	13	237,163	181,049	135,418
TOTAL OWNERS' EQUITY		11,079,457	10,704,397	10,240,332
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		77,829,988	66,547,637	66,905,047

These condensed consolidated interim financial statements were approved by the Board of Directors on 20 October 2014 and were signed on its behalf by:



 Dr. Hussain Ali Al Abdulla
 Chairman and Managing Director



 Adel Mustafawi
 Group Chief Executive Officer

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three and Nine-Month Periods Ended 30 September 2014

	<i>For The Three-Month Period Ended 30 September</i>		<i>For The Nine-Month Period Ended 30 September</i>		
	<i>Note</i>	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>
Net income from financing activities		526,207	453,121	1,530,724	1,333,600
Net income from investing activities		153,650	175,203	417,476	521,863
Total net income from financing and investing activities		679,857	628,324	1,948,200	1,855,463
Fee and commission income		45,196	37,035	177,265	107,021
Fee and commission expense		(348)	(197)	(1,112)	(924)
Net fee and commission income		44,848	36,838	176,153	106,097
Net foreign exchange gain		33,402	14,736	67,072	41,102
Share of results of associates and joint ventures		(1,044)	(435)	3,897	10,212
Gain on sale of investment in an associate	14	74,468	-	74,468	-
Other income		771	1,273	5,456	4,535
TOTAL INCOME		832,302	680,736	2,275,246	2,017,409
Staff costs		(63,117)	(55,747)	(194,419)	(173,572)
Depreciation		(3,915)	(3,912)	(12,326)	(12,212)
Other expenses		(60,611)	(46,719)	(164,681)	(113,361)
Finance expense		(14,514)	(19,849)	(37,577)	(59,937)
TOTAL EXPENSES		(142,157)	(126,227)	(409,003)	(359,082)
Net impairment losses on financing assets		(17,760)	-	(17,383)	(26,220)
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		672,385	554,509	1,848,860	1,632,107
Less: Return to investment account holders		(124,228)	(118,440)	(373,744)	(356,503)
PROFIT FOR THE PERIOD BEFORE TAX		548,157	436,069	1,475,116	1,275,604
Tax expense		(318)	-	(1,810)	(137)
NET PROFIT FOR THE PERIOD		547,839	436,069	1,473,306	1,275,467
Net profit for the period attributable to:					
Equity holders of the Bank		522,482	429,497	1,426,289	1,250,253
Non-controlling interests		25,357	6,572	47,017	25,214
		547,839	436,069	1,473,306	1,275,467
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	16	0.697	0.573	1.902	1.667

The attached notes 1 to 20 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 Nine-Month Period Ended 30 September 2014

	Share capital	Legal reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners equity
Balance at 1 January 2014 (Audited)	7,500,000	632,746	875,414	26,888	-	26,809	1,461,491	9,061,857	181,049	9,242,906
Change in foreign currency translation reserve	-	-	-	-	(15,834)	-	-	(15,834)	-	(15,834)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	16,010	-	-	16,010	-	16,010
Fair value reserve movement	-	-	-	17,481	-	-	-	17,481	-	17,481
Profit for the period	-	-	-	-	-	-	1,426,289	1,426,289	47,017	1,473,306
Dividend paid (Note 12)	-	-	-	-	-	-	(1,125,000)	(1,125,000)	-	(1,125,000)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	9,097	9,097
Balance at 30 September 2014 (Reviewed)	7,500,000	632,746	875,414	44,369	176	26,809	1,762,780	9,380,803	237,163	9,617,966
Balance at 1 January 2013 (Audited)	7,500,000	292,292	787,141	9,244	-	18,866	988,448	9,595,991	138,074	9,734,065
Fair value reserve movement	-	-	-	8,670	-	-	-	8,670	-	8,670
Profit for the period	-	-	-	-	-	-	1,250,253	1,250,253	25,214	1,275,467
Dividend paid (Note 12)	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	(27,870)	(27,870)
Balance at 30 September 2013 (Reviewed)	7,500,000	292,292	787,141	17,914	-	18,866	1,488,701	10,104,914	135,418	10,240,332

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine-Month Period Ended 30 September 2014

	Notes	For the Nine-Month Period Ended 30 September	
		2014 (Reviewed)	2013 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before tax		1,475,116	1,275,604
Adjustments for:			
Net impairment loss on financing assets		17,383	26,220
Fair value gain on investment securities carried as fair value through income statement		(62,790)	(14,791)
Depreciation		12,326	12,212
Net gain on sale of investment securities		(21,598)	(13,135)
Dividend income		(15,320)	(8,032)
Share of results of associates and joint ventures		(3,907)	(10,212)
Gain on sale of investment in an associate		(74,468)	-
Amortisation of premium and discount on investment securities		(2,406)	(9)
Profit before changes in operating assets and liabilities		1,324,336	1,267,857
Change in reserve account with Qatar Central Bank		(257,599)	(300,253)
Change in financing assets		(13,505,365)	(1,569,723)
Change in other assets		255,065	126,463
Change in due to banks		(1,428,689)	(1,076,641)
Change in customer current accounts		1,747,073	449,591
Change in other liabilities		158,410	122,488
		(11,706,769)	(980,218)
Dividends received		15,320	8,032
Tax paid		(451)	(1,559)
Net cash used in operating activities		(11,691,900)	(973,745)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(10,970,997)	(4,327,315)
Proceeds from sale/redemption of investment securities / associates		13,119,691	1,469,083
Acquisition of fixed assets		(78,783)	(7,758)
Dividend received from an associate		5,420	-
Investment in associates		-	1,000
Net cash from / (used in) investing activities		2,075,331	(2,864,990)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		9,906,720	5,276,031
Dividends paid		(994,262)	(750,000)
Net movement in non-controlling interest		9,097	(27,870)
Net cash from financing activities		8,921,555	4,498,161
Net (decrease) / increase in cash and cash equivalents		(695,014)	659,426
Cash and cash equivalents at 1 January		5,571,863	2,918,547
Effects of exchange rate changes on cash and cash equivalents held		176	-
Cash and cash equivalents at 30 September	17	4,877,025	3,577,973

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2014

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 nine-month period ended 30 September 2014 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Group 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:

<i>Entity’s name</i>	<i>Country of incorporation</i>	<i>Entity’s capital</i>	<i>Entity’s activities</i>	<i>Effective percentage of ownership</i>	
				<i>30 September 2014</i>	<i>31 December 2013</i>
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	50.9%	56.4%
Al Rayan GCC Fund (Q)	Qatar	Not applicable***	Investment activities	27.7%	26.7%
Al Rayan (UK) Limited	UK	GBP 100,000,000	Investment activities	100.0%	-
Al Rayan Partners*	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Islamic Bank of Britain PLC**	UK	GBP 121,218,700	Islamic banking	98.34%	-

* subsidiary of Al Rayan Investment L.L.C. Effective 3 April 2014, the ownership was transferred to Masraf Al Rayan (Q.S.C.)

** subsidiary of Al Rayan (UK) Limited (Note 19)

*** open-ended funds (The Bank consolidates Al Rayan GCC Funds even though the holding is less than 50% as it has power to govern the financial and operating policies of the Funds with the objective of obtaining benefits from its operations)

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 2013. In addition, results for the nine-month period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2014

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 2013.

New standards, amendments and interpretations issued

No new accounting standard and interpretation have been issued by AAOIFI during 2014 effective from annual periods beginning on or after 1 January 2014.

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 2013.

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 2013.

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

(i) Valuation of financial instruments

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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5 USE OF ESTIMATES AND JUDGMENTS (continued)

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

(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:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
30 September 2014 (Reviewed)				
Risk management instruments	-	44,359	-	44,359
Investment securities	776,772	-	-	776,772
	776,772	44,359	-	821,131
Risk management instruments	-	41,223	-	41,223
	-	41,223	-	41,223
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2013 (Audited)				
Risk management instruments	-	13,112	-	13,112
Investment securities	418,974	-	-	418,974
	418,974	13,112	-	432,086
Risk management instruments	-	6,443	-	6,443
	-	6,443	-	6,443

Investment securities totalling QAR 4,797 thousand are carried at cost (31 December 2013: QAR 4,678 thousand) since the fair value cannot be reliably measured.

During the reporting periods 30 September 2014 and 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
30 September 2014 (Reviewed)					
Cash and balances with QCB	-	-	3,586,930	3,586,930	3,586,930
Due from banks	-	-	3,821,012	3,821,012	3,821,012
Financing assets	-	-	54,928,180	54,928,180	54,928,180
Investment securities:					
- Measured at fair value	527,161	254,408	-	781,569	781,569
- Measured at amortised cost	-	-	13,694,271	13,694,271	13,659,302
Other assets	-	-	228,491	228,491	228,491
Risk management instruments	44,359	-	-	44,359	44,359
	571,520	254,408	76,258,884	77,084,812	77,049,843
Due to banks	-	-	5,336,378	5,336,378	5,336,378
Customer current accounts	-	-	5,261,475	5,261,475	5,261,475
Equity of investment account holders	-	-	54,724,309	54,724,309	54,724,309
Risk management instruments	41,223	-	-	41,223	41,223
	41,223	-	65,322,162	65,363,385	65,363,385
	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
31 December 2013 (Audited)					
Cash and balances with QCB	-	-	3,510,514	3,510,514	3,510,514
Due from banks	-	-	4,334,667	4,334,667	4,334,667
Financing assets	-	-	41,440,198	41,440,198	41,440,198
Investment securities:					
- Measured at fair value	302,972	120,680	-	423,652	423,652
- Measured at amortised cost	-	-	14,592,975	14,592,975	14,493,319
Other assets	-	-	390,206	390,206	390,206
Risk management instruments	13,112	-	-	13,112	13,112
	316,084	120,680	64,268,560	64,705,324	64,605,668
Due to banks	-	-	6,765,067	6,765,067	6,765,067
Customer current accounts	-	-	3,514,402	3,514,402	3,514,402
Equity of investment account holders	-	-	44,816,865	44,816,865	44,816,865
Risk management instruments	6,443	-	-	6,443	6,443
	6,443	-	55,096,334	55,102,777	55,102,777

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2014

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 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.

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

Information about operating segments

30 September 2014 (Reviewed)	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
<i>External revenue:</i>						
Total income from financing and investing activities	1,511,716	272,178	101,858	62,448	-	1,948,200
Net fee and commission income	154,976	-	18,560	2,617	-	176,153
Foreign exchange gain / (loss)	67,088	-	(16)	-	-	67,072
Share of results of associates and joint ventures	-	-	-	-	3,897	3,897
Gain on sale of an associate	-	-	-	-	74,468	74,468
Other income	-	-	-	-	5,456	5,456
Total segment revenue	1,733,780	272,178	120,402	65,065	83,821	2,275,246
<i>Other material non-cash items:</i>						
Net (impairment losses) / recoveries on financing assets	(17,772)	328	-	61	-	(17,383)
Reportable segment profit before tax	1,395,812	220,183	90,049	(6,337)	(224,591)	1,475,116
Reportable segment assets	65,061,079	7,720,602	816,042	3,563,944	668,321	77,829,988
Reportable segment liabilities	8,350,749	1,717,162	27,115	541,298	1,389,898	12,026,222
Reportable segment equity of investment account holders	46,512,315	5,783,257	-	2,428,737	-	54,724,309

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2014

7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 September 2013 (Reviewed)	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Asset Management</i>	<i>International operations</i>	<i>Unallocated</i>	<i>Total</i>
<i>External revenue:</i>						
Total income from financing and investing activities	1,597,689	213,934	43,840	-	-	1,855,463
Net fee and commission income	97,935	-	8,162	-	-	106,097
Foreign exchange gain / (loss)	41,120	-	(18)	-	-	41,102
Share of results of associates and joint ventures	-	-	-	-	10,212	10,212
Other income	-	-	-	-	4,535	4,535
Total segment revenue	1,736,744	213,934	51,984	-	14,747	2,017,409
<i>Other material non-cash items:</i>						
Net impairment loss on financing assets	(26,220)	-	-	-	-	(26,220)
Reportable segment profit before tax	1,343,922	161,935	38,155	-	(268,408)	1,275,604
Reportable segment assets	60,278,807	5,709,955	630,642	-	285,643	66,905,047
Reportable segment liabilities	7,850,737	633,751	7,046	-	389,926	8,881,460
Reportable segment equity of investment account holders	42,868,986	4,914,269	-	-	-	47,783,255

8 FINANCING ASSETS

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
(a) By type			
Murabaha	49,530,871	38,375,758	39,896,328
Ijarah	3,755,051	3,705,824	3,597,847
Istisna'a	1,210,911	983,684	851,127
Musharaka	3,217,964	520,050	458,637
Others	63,522	127,112	125,313
Total financing assets	57,778,319	43,712,428	44,929,252
Deferred profit	(2,792,589)	(2,235,105)	(1,589,923)
Allowance for impairment and profit in suspense (note b)	(57,550)	(37,125)	(76,610)
Net financing assets	54,928,180	41,440,198	43,262,719

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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8 FINANCING ASSETS (continued)

The total non-performing financing assets at 30 September 2014 amounted to QAR 69,358 thousand representing 0.12% of the gross financing assets (31 December 2013: QAR 42,390 thousand representing 0.10% of the gross financing assets; 30 September 2013: QAR 37,566 thousand representing 0.08% of the gross financing assets).

Specific impairment of financing assets includes QAR 2,843 thousand of profit in suspense (31 December 2013: QAR 3,209 thousand; 30 September 2013: QAR 5,068 thousand).

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

	30 September 2014 (Reviewed)	31 December 2013 (Audited)	30 September 2013 (Reviewed)
Balance as at 1 January	37,125	49,722	49,722
Acquired from business combination	3,408	-	-
Charge for the period / year	17,772	29,757	26,918
Recoveries / reversals during the period / year	(755)	(42,249)	-
Write off during the period / year	-	(105)	(30)
Balance at 30 September / 31 December	<u>57,550</u>	<u>37,125</u>	<u>76,610</u>

9 INVESTMENT SECURITIES

	30 September 2014 (Reviewed)	31 December 2013 (Audited)	30 September 2013 (Reviewed)
<i>Investments classified as fair value through income statement</i>			
Investments classified as held for trading (Quoted)			
• Equity type investments	323,055	181,032	175,183
• Debt type investments			
- Fixed profit rate	<u>204,106</u>	<u>121,940</u>	<u>117,833</u>
	<u>527,161</u>	<u>302,972</u>	<u>293,016</u>
<i>Debt-type investments classified as amortised cost</i>			
Fixed profit rate – Quoted	1,247,009	436,842	236,948
Floating profit rate – Quoted	98,476	121,274	124,686
Government of Qatar Sukuk – Quoted	962,571	910,580	-
Government of Qatar Sukuk – Unquoted	11,408,058	13,146,122	15,160,447
Less: Allowance for impairment	<u>(21,843)</u>	<u>(21,843)</u>	<u>(21,843)</u>
	<u>13,694,271</u>	<u>14,592,975</u>	<u>15,500,238</u>
<i>Equity-type investments classified as fair value through equity</i>			
- Quoted	249,611	116,002	107,789
- Unquoted	<u>4,797</u>	<u>4,678</u>	<u>4,650</u>
	<u>254,408</u>	<u>120,680</u>	<u>112,439</u>
	<u>14,475,840</u>	<u>15,016,627</u>	<u>15,905,693</u>

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9 INVESTMENT SECURITIES (continued)

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

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
<i>Positive fair value:</i>			
Balance at 1 January	26,344	9,244	9,244
Net change in fair value	17,646	16,830	8,670
Share of fair value reserve of associates	1,862	814	-
Balance at 30 September / 31 December	<u>45,852</u>	<u>26,888</u>	<u>17,914</u>
<i>Negative fair value:</i>			
Balance at 1 January	544	-	-
Net change in fair value	(2,027)	-	-
Balance at 30 September / 31 December	<u>(1,483)</u>	<u>-</u>	<u>-</u>
Total fair value at 30 September / 31 December	<u>44,369</u>	<u>26,888</u>	<u>17,914</u>

10 DUE TO BANKS

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Current accounts	211,300	573,840	575,193
Commodity murabaha payable	1,936,112	1,426,604	404,793
Wakala payable	3,188,966	4,764,623	4,327,250
	<u>5,336,378</u>	<u>6,765,067</u>	<u>5,307,236</u>

11 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Saving accounts	2,819,683	1,843,583	1,768,770
Term accounts	47,987,584	40,334,469	39,754,153
Call accounts	3,809,407	2,538,393	6,172,444
Profit payable to equity of investment account holders	105,495	99,305	87,169
Share in the fair value reserves	1,839	1,115	719
Investment risk reserve	301	-	-
	<u>54,724,309</u>	<u>44,816,865</u>	<u>47,783,255</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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12 OWNERS' EQUITY

(a) Share capital

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
<i>Authorised</i> 750,000,000 shares at QAR 10 each	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>

(b) Legal reserve

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Balance at 1 January	632,746	292,292	292,292
Transfer from retained earnings	<u>-</u>	<u>340,454</u>	<u>-</u>
Balance at 30 September / 31 December	<u>632,746</u>	<u>632,746</u>	<u>292,292</u>

According to QCB Law No. 13 of 2012, 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 September 2014 as Masraf will transfer the required amount by 31 December 2014.

(c) Risk reserve

In accordance with QCB circular 102/2011, 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 or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions. No transfer has been made for the period ended 30 September 2014 as Masraf will transfer the required amount by 31 December 2014.

(d) Fair value reserves

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

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Balance at 1 January	26,888	9,244	9,244
Net unrealised gains	17,458	17,945	8,575
Share of other comprehensive income of associates	<u>1,862</u>	<u>814</u>	<u>814</u>
	46,208	28,003	18,633
Share of equity of investment account holders in the fair value reserves	<u>(1,839)</u>	<u>(1,115)</u>	<u>(719)</u>
Balance at 30 September / 31 December (shareholders' share)	<u>44,369</u>	<u>26,888</u>	<u>17,914</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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12 OWNERS' EQUITY (continued)

(e) Dividend

On 3 March 2014, the General Assembly approved a cash dividend of 15% of the paid up share capital (2013: 10%) amounting to QAR 1,125 million (2013: QAR 750 million).

(f) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on risk management instruments that hedge the Group's net investment in foreign operations.

(g) Other reserves

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Balance at 1 January	26,809	18,866	18,866
Share of results of associates	-	7,943	-
Balance at 30 September / 31 December	<u>26,809</u>	<u>26,809</u>	<u>18,866</u>

This represents the Bank's share of profit from investment in associates and joint ventures, net of cash dividend received, as required by QCB regulations.

No transfer has been made for the period ended 30 September 2014 as Masraf will transfer the share of results of associates to other reserves by 31 December 2014.

13 NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Al Rayan GCC Fund (F), Al Rayan GCC Fund (Q) and Islamic Bank of Britain PLC of 49.1%, 72.3% and 1.66%, respectively (31 December 2013: 43.6%, 73.3% and nil, respectively).

At 30 September 2013, the Group's non-controlling interest included 49% of the share capital of SapuraCrest Qatar L.L.C. SapuraCrest Qatar L.L.C., previously 51% owned by Al Rayan Investment LLC, a wholly-owned subsidiary of Masraf, was liquidated during 2013.

14 GAIN ON SALE OF INVESTMENT IN AN ASSOCIATE

During the period, the Bank has sold fully its 50% stake in Seef Lusail Real Estate Development Company (W.L.L.) (associate) to Qatari Diar Infrastructure Company (49%) and Qatari Diar Real Estate Investment Company (1%) for a consideration of QAR 1.5 billion.

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15 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:

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Payable not later than 1 year	24,268	23,795	17,838
Payable later than 1 year and not later than 5 years	<u>24,250</u>	<u>34,397</u>	<u>26,436</u>
	<u>48,518</u>	<u>58,192</u>	<u>44,274</u>

(b) Contingent liabilities

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Unutilised credit facilities	22,174,693	15,290,101	3,781,063
Guarantees	10,337,388	8,040,566	7,640,769
Letters of credit	<u>9,083,317</u>	<u>11,430,735</u>	<u>11,621,675</u>
	<u>41,595,398</u>	<u>34,761,402</u>	<u>23,043,507</u>

(c) Other undertakings and commitments

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Profit rate swap	4,647,029	-	-
Unilateral promise to buy/sell currencies	<u>25,819,404</u>	<u>18,516,075</u>	<u>14,052,890</u>
	<u>30,466,433</u>	<u>18,516,075</u>	<u>14,052,890</u>

16 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.

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>1,426,289</u>	<u>1,250,253</u>
Weighted average number of shares outstanding during the period	<u>750,000</u>	<u>750,000</u>
Basic earnings per share (QAR)	<u>1.902</u>	<u>1.667</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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17 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:

	<i>30 September 2014 (Reviewed)</i>	<i>30 September 2013 (Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	1,056,013	2,373,763
Due from banks	<u>3,821,012</u>	<u>1,204,210</u>
	<u>4,877,025</u>	<u>3,577,973</u>

18 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

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Liabilities			
Current account - customer	171	184	181
Equity of investment account holders - customer	<u>3,423,775</u>	<u>3,541,599</u>	<u>2,706,318</u>
	<u>3,423,946</u>	<u>3,541,783</u>	<u>2,706,499</u>

(b) Condensed consolidated income statement items

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>
Loss from foreign exchange operations – customer	<u>-</u>	<u>21</u>
Return on equity of investment account holders - customer	<u>7,922</u>	<u>11,115</u>

(c) Transactions with key management personnel

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

	<i>30 September 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 September 2013 (Reviewed)</i>
Financing	<u>16</u>	<u>10,011</u>	<u>191</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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18 RELATED PARTIES (continued)

(c) Transactions with key management personnel (continued)

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

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>
Remuneration to Board of Directors including meeting allowances	<u>12,969</u>	<u>11,583</u>
Salaries and other benefits	<u>12,353</u>	<u>6,372</u>

19 BUSINESS COMBINATION

On 2 February 2014, the Group acquired 95.02% of the ordinary shares and voting interest in Islamic Bank of Britain PLC ("IBB") and obtained control of IBB. Further, the Group increased its shareholding from 95.02% to 98.34% by raising Tier 1 capital through the issuance of new IBB shares on 3 February 2014. The acquisition was accounted for using the acquisition method of accounting.

During the period following the acquisition to 30 September 2014, IBB has contributed net operating income of QAR 65 million and net loss of QAR 6 million to the Group results. Management estimates that if the acquisition had occurred on 1 January 2014, then IBB would have contributed net operating income of QAR 71 million and net loss of QAR 8 million to the Group results for the nine months ended 30 September 2014. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2014.

The assets and liabilities acquired are required to be measured at their acquisition-date fair values. The following fair values of the identifiable assets and liabilities have been recognized on a provisional basis, as the Group is in the process of finalizing the Purchase Price Allocation exercise.

	<i>30 September 2014 (Reviewed)</i>
IBB's net book value before fair value adjustments (100%)	147,693
Fair value adjustment of identifiable assets and liabilities	<u>-</u>
Fair value of identifiable assets and liabilities	147,693
Cash consideration transferred	(140,339)
Non-controlling interest at the date of acquisition (4.98%)*	<u>(7,354)</u>
Goodwill and other intangibles	<u>-</u>

* Non-controlling interest increased to QAR 10,119 thousand due to issuance of additional capital amounting to QAR 459 million.

If any new information is obtained about the facts and circumstances that existed at the acquisition date that identifies any adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised accordingly.

20 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.