

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

MASRAF AL RAYAN (Q.S.C.)

30 SEPTEMBER 2016

Masraf Al Rayan (Q.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2016

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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 2016 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 2016;
- the condensed consolidated income statement for the three and nine month periods ended 30 September 2016;
- the condensed consolidated statement of changes in owners' equity for the nine month period ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2016; 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 2016 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.

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251


17 October 2016
Doha
State of Qatar

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION


As at 30 September 2016

	Notes	30 September 2016 (Reviewed)	31 December 2015 (Audited)	30 September 2015 (Reviewed)
ASSETS				
Cash and balances with Qatar Central Bank		2,768,129	2,736,915	2,867,313
Due from banks		2,210,452	2,376,269	2,461,234
Financing assets	8	66,979,114	62,566,639	60,329,958
Investment securities	10	13,988,038	14,624,801	13,210,466
Investment in associates		506,079	469,052	429,837
Fixed assets		150,631	147,482	144,406
Other assets		348,994	410,255	441,279
TOTAL ASSETS		86,951,437	83,331,413	79,884,493
LIABILITIES				
Due to banks	11	16,425,191	13,344,591	13,630,387
Customer current accounts		6,623,786	6,183,762	5,866,053
Other liabilities		1,578,745	2,005,333	1,613,144
TOTAL LIABILITIES		24,627,722	21,533,686	21,109,584
EQUITY OF INVESTMENT ACCOUNT HOLDERS	12	50,044,762	49,439,504	46,891,447
OWNERS' EQUITY				
Share capital	13	7,500,000	7,500,000	7,500,000
Legal reserve	13	1,447,869	1,447,869	1,033,195
Risk reserve	13	1,136,540	1,136,540	1,008,646
Fair value reserves	13	(363)	12,590	15,916
Foreign currency translation reserve	13	(9,727)	(1,479)	(169)
Other reserves	13	80,468	80,468	41,165
Retained earnings		2,115,000	1,867,805	1,942,027
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		12,269,787	12,043,793	11,540,780
Non-controlling interest	14	9,166	314,430	342,682
TOTAL OWNERS' EQUITY		12,278,953	12,358,223	11,883,462
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		86,951,437	83,331,413	79,884,493

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 October 2016 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 19 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 2016

	<i>For The Three-Month Period Ended 30 September</i>		<i>For The Nine-Month Period Ended 30 September</i>		
	<i>Note</i>	<i>2016 (Reviewed)</i>	<i>2015 (Reviewed)</i>	<i>2016 (Reviewed)</i>	<i>2015 (Reviewed)</i>
Net income from financing activities		660,040	580,939	1,930,457	1,725,360
Net income from investing activities		133,072	45,180	397,399	329,378
Total net income from financing and investing activities		793,112	626,119	2,327,856	2,054,738
Fee and commission income		89,427	52,731	220,065	152,390
Fee and commission expense		(422)	(375)	(1,291)	(1,016)
Net fee and commission income		89,005	52,356	218,774	151,374
Net foreign exchange gain		22,833	33,852	99,721	80,704
Share of results of associates		4,916	-	49,896	16,432
Gain on sale of investment in an associate		-	46,536	93,071	139,607
Other income		2,139	1,020	6,383	4,689
TOTAL INCOME		912,005	759,883	2,795,701	2,447,544
Staff costs		(65,693)	(68,285)	(213,216)	(214,497)
Depreciation		(4,060)	(3,937)	(12,057)	(11,424)
Other expenses		(31,314)	(30,234)	(136,452)	(162,347)
Finance expense		(82,294)	(29,410)	(266,641)	(76,954)
TOTAL EXPENSES		(183,361)	(131,866)	(628,366)	(465,222)
Net recoveries / (impairment losses) on financing assets		14,003	(553)	25,581	5,066
Net impairment losses on investment securities		-	(12,399)	(1,127)	(42,616)
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		742,647	615,065	2,191,789	1,944,772
Less: Return to investment account holders		(232,920)	(150,801)	(629,980)	(453,133)
PROFIT FOR THE PERIOD BEFORE TAX		509,727	464,264	1,561,809	1,491,639
Tax (expense) credit		(860)	(111)	(1,691)	2,578
NET PROFIT FOR THE PERIOD		508,867	464,153	1,560,118	1,494,217
Net profit for the period attributable to:					
Equity holders of the Bank		508,723	515,555	1,559,695	1,513,886
Non-controlling interest		144	(51,402)	423	(19,669)
		508,867	464,153	1,560,118	1,494,217
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	16	0.678	0.687	2.080	2.019

The attached notes 1 to 19 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 2016

	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 2016 (Audited)	7,500,000	1,447,869	1,136,540	12,590	(1,479)	80,468	1,867,805	12,043,793	314,430	12,358,223
Change in foreign currency translation reserve	-	-	-	-	(141,288)	-	-	(141,288)	-	(141,288)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	133,040	-	-	133,040	-	133,040
Fair value reserve movement (Note 13d)	-	-	-	(12,953)	-	-	-	(12,953)	-	(12,953)
Profit for the period	-	-	-	-	-	-	1,559,695	1,559,695	423	1,560,118
Dividend paid (Note 13f)	-	-	-	-	-	-	(1,312,500)	(1,312,500)	-	(1,312,500)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(305,687)	(305,687)
Balance at 30 September 2016 (Reviewed)	7,500,000	1,447,869	1,136,540	(363)	(9,727)	80,468	2,115,000	12,269,787	9,166	12,278,953
Balance at 1 January 2015 (Audited)	7,500,000	1,033,195	1,008,646	28,805	63	41,165	1,740,641	11,352,515	367,985	11,720,500
Change in foreign currency translation reserve	-	-	-	-	(53,022)	-	-	(53,022)	-	(53,022)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	52,790	-	-	52,790	-	52,790
Fair value reserve movement (Note 13d)	-	-	-	(12,889)	-	-	-	(12,889)	-	(12,889)
Profit for the period	-	-	-	-	-	-	1,513,886	1,513,886	(19,669)	1,494,217
Dividend paid (Note 13f)	-	-	-	-	-	-	(1,312,500)	(1,312,500)	-	(1,312,500)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	(5,634)	(5,634)
Balance at 30 September 2015 (Reviewed)	7,500,000	1,033,195	1,008,646	15,916	(169)	41,165	1,942,027	11,540,780	342,682	11,883,462

The attached notes 1 to 19 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 2016

		<i>For the Nine-Month Period Ended 30 September</i>	
	<i>Note</i>	2016 (Reviewed)	2015 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before tax		1,561,809	1,491,639
Adjustments for:			
Net recoveries and reversals on financing assets		(25,581)	(5,066)
Net impairment losses on investment securities		1,127	42,616
Fair value (gain) / loss on investment securities carried as fair value through income statement		(1,051)	41,454
Depreciation		12,057	11,424
Net gain on sale of investment securities		(5,636)	(41,838)
Dividend income		(4,891)	(23,430)
Share of results of associates		(49,896)	(16,432)
Gain on sale of investment in an associate		(93,071)	(139,607)
Gain on sale of investment property		-	(1,661)
Loss on sale of fixed assets		-	40
Amortisation of premium and discount on investment securities		(1,075)	(945)
Employees' end of service benefit provisions		4,200	5,053
		<u>1,397,992</u>	<u>1,363,247</u>
Profit before changes in operating assets and liabilities			
Change in reserve account with Qatar Central Bank		5,519	381,358
Change in financing assets		(4,384,808)	(2,417,847)
Change in other assets		61,261	(90,829)
Change in due to banks		3,080,600	9,070,094
Change in customer current accounts		440,024	987,801
Change in other liabilities		(555,533)	422,212
		<u>45,055</u>	<u>9,716,036</u>
Dividend received		4,891	23,430
Employees' end of service benefits paid		(2,134)	(1,605)
Tax paid		(1,193)	(1,272)
Net cash from operating activities		<u>46,619</u>	<u>9,736,589</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(544,653)	(3,572,205)
Proceeds from sale/redemption of investment securities		956,876	4,721,055
Acquisition of fixed assets		(19,082)	(36,658)
Dividend received from associates		13,458	9,428
Proceeds from sale of investment property		-	92,911
Net cash from investing activities		<u>406,599</u>	<u>1,214,531</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		605,785	(10,800,320)
Dividends paid		(1,186,119)	(1,364,088)
Net movement in non-controlling interest		(305,687)	(5,634)
Net cash used in financing activities		<u>(886,021)</u>	<u>(12,170,042)</u>
Net decrease in cash and cash equivalents		(432,803)	(1,218,922)
Cash and cash equivalents at 1 January		2,779,011	4,162,549
NON-CASH ITEMS			
Investment in subsidiaries reclassified to investment securities		230,093	-
Effects of exchange rate changes on cash and cash equivalents held		73,626	14,744
Cash and cash equivalents at 30 September	17	<u>2,649,927</u>	<u>2,958,371</u>

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2016

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 Qatar Commercial Companies’ Law No. 11 of 2015, 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 2016 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 13 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 2016</i>	<i>31 December 2015</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	-	55.4%
Al Rayan GCC Fund (Q)**	Qatar	Not applicable	Investment activities	-	16.5%
Al Rayan (UK) Limited	UK	GBP 100,000,000	Investment activities	100.0%	100.0%
Al Rayan Partners	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC)*	UK	GBP 121,218,700	Islamic banking	98.34%	98.34%

* Subsidiary of Al Rayan (UK) Limited

** Reclassified during the period as equity-type investments classified as fair value through equity (unquoted) in accordance with QCB instructions (Note 9)

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 2015. In addition, results for the nine-month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 risk management 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
For the Nine-Month Period Ended 30 September 2016

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 2015.

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2016

Financial Accounting Standard No. 27 (FAS 27): Investment Accounts

FAS 27 updates and replaces previous accounting standards relating to investment accounts – FAS 5: Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and Their Equivalent.

This standard applies to investment accounts based on Mudaraba contracts which represent "equity of investment accountholders and on Mudaraba contracts that are placed on "short-term basis" (overnight, seven days, one month basis) by other financial institutions as "interbank-bank deposits" for the purpose of liquidity management. However, it is not applicable to own equity instruments, wakala contracts, reverse murabaha, musharaka or sukuk.

During the period, the Group applied FAS 27 as it is effective from financial periods beginning from 1 January 2016. Accordingly, adoption of FAS 27 did not have a significant impact on the Group's condensed consolidated interim financial statements.

New standards, amendments and interpretations issued but not yet effective

There are no new accounting standards, amendments and interpretations that are issued but not yet effective.

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 2015.

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 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2016

5 USE OF ESTIMATES AND JUDGMENTS (continued)

(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. 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:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
30 September 2016 (Reviewed)				
Risk management instruments	-	9,947	-	9,947
Investment securities	112,766	82,535	-	195,301
	<u>112,766</u>	<u>92,482</u>	<u>-</u>	<u>205,248</u>
Risk management instruments	-	8,853	-	8,853
	<u>-</u>	<u>8,853</u>	<u>-</u>	<u>8,853</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2016

5 USE OF ESTIMATES AND JUDGMENTS (continued)

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

(ii) *Financial asset and liability classification (continued)*

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2015 (Audited)				
Risk management instruments	-	15,827	-	15,827
Investment securities	499,149	-	-	499,149
	<u>499,149</u>	<u>15,827</u>	<u>-</u>	<u>514,976</u>
Risk management instruments	-	7,764	-	7,764
	<u>-</u>	<u>7,764</u>	<u>-</u>	<u>7,764</u>

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investment securities for which the fair value amounts to QAR 2,749 million (31 December 2015: QAR 2,602 million) derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 6.

Investment securities totalling QAR 4,702 thousand are carried at cost (31 December 2015: QAR 4,695 thousand).

During the reporting periods 30 September 2016 and 31 December 2015, there were no transfers among Levels 1, 2 and 3 fair value measurements.

(iii) *Impairment of investments in equity and debt securities*

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note as disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015.

(iv) *Useful lives of fixed assets*

The Group's management determines the estimated useful life of fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2016

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 2016 (Reviewed)					
Cash and balances with QCB	-	-	2,768,129	2,768,129	2,768,129
Due from banks	-	-	2,210,452	2,210,452	2,210,452
Financing assets	-	-	66,979,114	66,979,114	66,979,114
Investment securities:					
- Measured at fair value	19,570	180,433	-	200,003	200,003
- Measured at amortised cost	-	-	13,788,035	13,788,035	13,924,091
Other assets	-	-	244,622	244,622	244,622
Risk management instruments	9,947	-	-	9,947	9,947
	29,517	180,433	85,990,352	86,200,302	86,336,358
Due to banks	-	-	16,425,191	16,425,191	16,425,191
Customer current accounts	-	-	6,623,786	6,623,786	6,623,786
Other liabilities	-	-	847,180	847,180	847,180
Equity of investment account holders	-	-	50,044,762	50,044,762	50,044,762
Risk management instruments	8,853	-	-	8,853	8,853
	8,853	-	73,940,919	73,949,772	73,949,772

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine-Month Period Ended 30 September 2016

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

	<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 2015 (Audited)					
Cash and balances with QCB	-	-	2,736,915	2,736,915	2,736,915
Due from banks	-	-	2,376,269	2,376,269	2,376,269
Financing assets	-	-	62,566,639	62,566,639	62,566,639
Investment securities:					
- Measured at fair value	401,101	102,743	-	503,844	503,844
- Measured at amortised cost	-	-	14,120,957	14,120,957	14,176,135
Other assets	-	-	259,555	259,555	259,555
Risk management instruments	15,827	-	-	15,827	15,827
	<u>416,928</u>	<u>102,743</u>	<u>82,060,335</u>	<u>82,580,006</u>	<u>82,635,184</u>
Due to banks	-	-	13,344,591	13,344,591	13,344,591
Customer current accounts	-	-	6,183,762	6,183,762	6,183,762
Other liabilities	-	-	805,372	805,372	805,372
Equity of investment account holders	-	-	49,439,504	49,439,504	49,439,504
Risk management instruments	7,764	-	-	7,764	7,764
	<u>7,764</u>	<u>-</u>	<u>69,773,229</u>	<u>69,780,993</u>	<u>69,780,993</u>

7 OPERATING SEGMENTS

The Group has four 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.
- International Operations includes financing, deposits and other products and services with corporate and individual customers in the Group's international locations.

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.

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.

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7 OPERATING SEGMENTS (continued)

Information about operating segments

30 September 2016 (Reviewed)	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
<i>External revenue:</i>						
Total income from financing and investing activities	1,696,396	471,202	17,092	143,166	-	2,327,856
Net fee and commission income	185,398	-	24,167	9,209	-	218,774
Foreign exchange gain	98,210	-	-	1,511	-	99,721
Share of results of associates	-	-	-	-	49,896	49,896
Gain on sale of an associate	-	-	-	-	93,071	93,071
Other income	-	-	-	-	6,383	6,383
Total segment revenue	1,980,004	471,202	41,259	153,886	149,350	2,795,701
<i>Other material non-cash items:</i>						
Net recoveries and reversals / (impairment losses) on financing assets	27,420	-	-	(1,839)	-	25,581
Net impairment losses on investment securities	(1,127)	-	-	-	-	(1,127)
Reportable segment profit before tax	1,266,181	371,712	25,955	25,603	(127,642)	1,561,809
Reportable segment assets	65,452,694	13,829,180	482,801	6,303,689	883,073	86,951,437
Reportable segment liabilities	19,942,185	1,972,890	16,795	1,430,654	1,265,198	24,627,722
Reportable segment equity of investment account holders	34,240,507	11,484,578	-	4,319,677	-	50,044,762

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7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 September 2015 (Reviewed)	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
<i>External revenue:</i>						
Total income from financing and investing activities	1,560,423	355,394	30,549	108,372	-	2,054,738
Net fee and commission income	118,917	-	26,897	5,560	-	151,374
Foreign exchange gain / (loss)	80,726	-	(22)	-	-	80,704
Share of results of associates	-	-	-	-	16,432	16,432
Gain on sale of an associate	-	-	-	-	139,607	139,607
Other income	-	-	-	-	4,689	4,689
Total segment revenue	1,760,066	355,394	57,424	113,932	160,728	2,447,544
<i>Other material non-cash items:</i>						
Net recoveries / (impairment losses) on financing assets	5,602	-	-	(536)	-	5,066
Net impairment losses on investment securities	(10,595)	-	(32,021)	-	-	(42,616)
Reportable segment profit before tax	1,314,832	296,597	(1,861)	23,606	(141,535)	1,491,639
Reportable segment assets	62,707,096	10,515,530	890,436	5,118,423	653,008	79,884,493
Reportable segment liabilities	16,752,140	1,836,581	11,912	1,274,782	1,234,169	21,109,584
Reportable segment equity of investment account holders	35,254,489	8,382,352	-	3,254,606	-	46,891,447

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8 FINANCING ASSETS

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
(a) By type			
Murabaha	56,602,885	53,883,355	52,539,726
Ijarah	8,508,952	6,804,106	5,790,538
Istisna'a	1,498,408	1,698,043	1,573,621
Musharaka	4,499,647	4,561,423	4,313,737
Others	393,321	388,337	447,759
Total financing assets	<u>71,503,213</u>	<u>67,335,264</u>	<u>64,665,381</u>
Deferred profit	(4,501,449)	(4,715,175)	(4,287,667)
Allowance for impairment and profit in suspense (note b)	<u>(22,650)</u>	<u>(53,450)</u>	<u>(47,756)</u>
Net financing assets	<u><u>66,979,114</u></u>	<u><u>62,566,639</u></u>	<u><u>60,329,958</u></u>

The total non-performing financing assets at 30 September 2016 amounted to QAR 32,284 thousand representing 0.05% of the gross financing assets (31 December 2015: QAR 59,754 thousand representing 0.09% of the gross financing assets; 30 September 2015: QAR 52,358 thousand representing 0.08% of the gross financing assets).

Specific impairment of financing assets includes QAR 812 thousand of profit in suspense (31 December 2015: QAR 3,532 thousand; 30 September 2015: QAR 3,408 thousand).

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

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Balance as at 1 January	53,450	52,680	52,680
Charge for the period / year	1,839	9,330	784
Recoveries / reversals during the period / year	(30,140)	(9,525)	(5,603)
Write off during the period / year	(1,618)	(240)	-
Effect of foreign currency movement	(881)	1,205	(105)
Balance at 30 September / 31 December	<u><u>22,650</u></u>	<u><u>53,450</u></u>	<u><u>47,756</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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9 INVESTMENTS IN FUNDS

During the year, QCB issued Circular AR 11/2016 which states that the Bank may not own more than 10% stake in investment funds, and in the case of excess in the ceiling set out, the Bank shall dispose of the excess shareholding during the year 2016. The Bank is in the process of reducing its stake below the prescribed ceiling in Al Rayan GCC Fund (F) and Al Rayan GCC Fund (Q).

In accordance with the QCB instructions, the investments in funds have been presented in the condensed consolidated statement of financial position as equity-type investments classified as fair value through equity (unquoted), and the loss from the investment in funds during the period ended 31 March 2016 amounting to QAR 8,476 thousand has been reclassified to fair value reserves.

10 INVESTMENT SECURITIES

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
<i>Investments classified as fair value through income statement</i>			
Investments classified as held for trading (Quoted)			
• Equity type investments	-	308,414	404,346
• Debt type investments			
- Fixed profit rate	<u>19,570</u>	<u>92,687</u>	<u>102,772</u>
	<u>19,570</u>	<u>401,101</u>	<u>507,118</u>
<i>Debt-type investments classified at amortised cost</i>			
Fixed profit rate – Quoted	1,319,326	1,264,861	1,227,547
Floating profit rate – Quoted	41,866	68,851	72,264
Government of Qatar Sukuk – Quoted	1,277,327	1,238,717	1,237,246
Government of Qatar Sukuk – Unquoted	11,175,000	11,574,012	10,050,000
Less: Allowance for impairment	<u>(25,484)</u>	<u>(25,484)</u>	<u>(21,843)</u>
	<u>13,788,035</u>	<u>14,120,957</u>	<u>12,565,214</u>
<i>Investments classified as fair value through equity</i>			
• Equity type investments			
- Quoted	60,706	98,048	133,424
- Unquoted	87,237	4,695	4,710
• Debt type investments			
- Fixed profit rate (Quoted)	<u>32,490</u>	<u>-</u>	<u>-</u>
	<u>180,433</u>	<u>102,743</u>	<u>138,134</u>
	<u>13,988,038</u>	<u>14,624,801</u>	<u>13,210,466</u>

The Group has recognized an impairment loss for equity-type investments classified as fair value through equity during the period totalling QAR 1,127 thousand (30 September 2015: QAR 42,616 thousand).

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10 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 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
<i>Positive fair value:</i>			
Balance at 1 January	12,738	38,918	38,918
Net change in fair value	1,896	9,431	(21,515)
Transferred to consolidated income statement on sale	(1,602)	(34,198)	(35)
Transferred to consolidated income statement due to impairment	-	-	-
Share of other comprehensive income of associates	(3,872)	(1,413)	(1,413)
	(3,578)	(26,180)	(22,963)
Balance at 30 September / 31 December	<u>9,160</u>	<u>12,738</u>	<u>15,955</u>
<i>Negative fair value:</i>			
Balance at 1 January	(148)	(10,113)	(10,113)
Net change in fair value	(10,502)	(45,704)	(12,547)
Transferred to consolidated income statement on sale	-	11,966	(19,995)
Transferred to consolidated income statement due to impairment	1,127	43,703	42,616
	(9,375)	9,965	10,074
Balance at 30 September / 31 December	<u>(9,523)</u>	<u>(148)</u>	<u>(39)</u>
Total fair value at 30 September / 31 December	<u>(363)</u>	<u>12,590</u>	<u>15,916</u>

11 DUE TO BANKS

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Current accounts	215,491	500,077	205,926
Commodity murabaha payable	2,043,342	2,348,709	2,072,096
Short-term borrowings from banks	1,092,050	-	-
Wakala payable	13,074,308	10,495,805	11,352,365
	<u>16,425,191</u>	<u>13,344,591</u>	<u>13,630,387</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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12 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Saving accounts	4,925,223	3,252,293	2,974,123
Term accounts	40,597,272	41,528,663	38,653,181
Call accounts	4,273,219	4,520,224	5,122,067
Profit payable to equity of investment account holders	249,063	137,812	141,416
Share in the fair value reserves	<u>(15)</u>	<u>512</u>	<u>660</u>
	<u>50,044,762</u>	<u>49,439,504</u>	<u>46,891,447</u>

13 OWNERS' EQUITY

(a) Share capital

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (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 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Balance at 1 January	1,447,869	1,033,195	1,033,195
Transfer from retained earnings	<u>-</u>	<u>414,674</u>	<u>-</u>
Balance at 30 September / 31 December	<u>1,447,869</u>	<u>1,447,869</u>	<u>1,033,195</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 2016 as Masraf will transfer the required amount by 31 December 2016.

(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 2016 as Masraf will transfer the required amount by 31 December 2016.

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13 OWNERS' EQUITY (continued)

(d) Fair value reserves

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

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Balance at 1 January	12,590	28,805	28,805
Net unrealised (losses) / gains	(8,621)	(35,761)	(33,402)
Transferred to consolidated income statement on sale	(1,602)	(22,232)	(20,030)
Transferred to consolidated income statement due to impairment	1,127	43,703	42,616
Share of other comprehensive income of associates	(3,872)	(1,413)	(1,413)
Share of equity of investment account holders in the fair value reserves	15	(512)	(660)
Net fair value movement	(12,953)	(16,215)	(12,889)
Balance at 30 September / 31 December (shareholders' share)	<u>(363)</u>	<u>12,590</u>	<u>15,916</u>

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

(e) 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.

(f) Dividend

On 23 February 2016, the General Assembly approved a cash dividend of 17.5% of the paid up share capital (2015: 17.5%) amounting to QAR 1,312.5 million (2015: QAR 1,312.5 million).

(g) Other reserves

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Balance at 1 January	80,468	41,165	41,165
Share of results of associates	-	55,648	-
Dividend from associates transferred to retained earnings	-	(5,418)	-
Other movement	-	(10,927)	-
Balance at 30 September / 31 December	<u>80,468</u>	<u>80,468</u>	<u>41,165</u>

No transfer has been made for the period ended 30 September 2016 as Masraf will transfer the share of results of associates to other reserves by 31 December 2016.

14 NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Al Rayan Bank PLC of 1.66% (31 December 2015: Al Rayan GCC Fund (F) - 44.6%, Al Rayan GCC Fund (Q) - 83.5% and Al Rayan Bank PLC - 1.66%, respectively).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Payable not later than 1 year	21,439	25,843	30,383
Payable later than 1 year and not later than 5 years	<u>73,275</u>	<u>30,537</u>	<u>33,496</u>
	<u><u>94,714</u></u>	<u><u>56,380</u></u>	<u><u>63,879</u></u>

(b) Contingent liabilities

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Unutilised credit facilities	8,063,566	15,420,295	19,114,972
Guarantees	16,902,894	17,103,678	16,688,624
Letters of credit	<u>4,747,764</u>	<u>7,325,730</u>	<u>7,797,082</u>
	<u><u>29,714,224</u></u>	<u><u>39,849,703</u></u>	<u><u>43,600,678</u></u>

(c) Other undertakings and commitments

	<i>30 September 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Profit rate swap	3,594,470	4,074,270	4,169,032
Unilateral promise to buy/sell currencies	<u>19,631,202</u>	<u>24,800,872</u>	<u>25,229,341</u>
	<u><u>23,225,672</u></u>	<u><u>28,875,142</u></u>	<u><u>29,398,373</u></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>2016 (Reviewed)</i>	<i>2015 (Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>1,559,695</u>	<u>1,513,886</u>
Weighted average number of shares outstanding during the period	<u>750,000</u>	<u>750,000</u>
Basic earnings per share (QAR)	<u><u>2.080</u></u>	<u><u>2.019</u></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 2016 (Reviewed)</i>	<i>30 September 2015 (Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	439,475	497,137
Due from banks	<u>2,210,452</u>	<u>2,461,234</u>
	<u>2,649,927</u>	<u>2,958,371</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 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Liabilities			
Current account - customer	-	-	168
Equity of investment account holders - customer	<u>1,138,683</u>	<u>1,100,819</u>	<u>920,234</u>
	<u>1,138,683</u>	<u>1,100,819</u>	<u>920,402</u>

(b) Condensed consolidated income statement items

	<i>For the Nine-Month Period Ended 30 September</i>	
	<i>2016 (Reviewed)</i>	<i>2015 (Reviewed)</i>
Return on equity of investment account holders - customer	<u>14,148</u>	<u>12,507</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 2016 (Reviewed)</i>	<i>31 December 2015 (Audited)</i>	<i>30 September 2015 (Reviewed)</i>
Financing	<u>77</u>	<u>15,235</u>	<u>187</u>

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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>2016 (Reviewed)</i>	<i>2015 (Reviewed)</i>
Remuneration to Board of Directors including meeting allowances	<u>14,635</u>	<u>15,910</u>
Salaries and other benefits	<u>13,015</u>	<u>12,009</u>

19 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.