

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

MASRAF AL RAYAN (Q.P.S.C.)

30 JUNE 2017

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2017

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

Introduction

We have reviewed the accompanying 30 June 2017 condensed consolidated interim financial statements of Masraf Al Rayan (Q.P.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 June 2017;
- the condensed consolidated income statement for the three and six month periods ended 30 June 2017;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2017;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2017; 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 applicable provisions of the Qatar Central Bank regulations ('QCB 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 June 2017 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI and applicable provisions of the QCB regulations.

17 July 2017
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

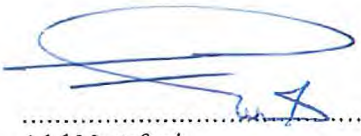
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (Reviewed)	31 December 2016 (Audited)	30 June 2016 (Reviewed)
ASSETS				
Cash and balances with Qatar Central Bank		3,458,885	3,126,085	3,042,355
Due from banks		1,186,572	5,692,239	5,769,680
Financing assets	8	67,959,477	67,634,561	64,262,670
Investment securities	9	19,118,416	14,012,110	14,071,581
Investment in associates		513,728	508,560	501,162
Fixed assets		151,505	148,194	147,405
Other assets		800,733	408,986	607,670
TOTAL ASSETS		93,189,316	91,530,735	88,402,523
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	10	17,789,493	19,059,705	17,228,950
Customer current accounts		6,856,250	10,533,627	5,697,230
Other liabilities		1,790,799	1,573,592	1,633,824
TOTAL LIABILITIES		26,436,542	31,166,924	24,560,004
EQUITY OF INVESTMENT ACCOUNT HOLDERS	11	54,349,770	47,490,298	52,073,616
EQUITY				
Share capital	12	7,500,000	7,500,000	7,500,000
Legal reserve	12	1,862,926	1,862,926	1,447,869
Risk reserve	12	1,345,733	1,345,733	1,136,540
Fair value reserves	12	(4,845)	1,983	(4,114)
Foreign currency translation reserve	12	(12,074)	(14,942)	(7,469)
Other reserves	12	107,146	107,146	80,468
Retained earnings		1,421,956	1,902,070	1,606,277
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		12,220,842	12,704,916	11,759,571
Non-controlling interest	13	182,162	168,597	9,332
TOTAL EQUITY		12,403,004	12,873,513	11,768,903
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		93,189,316	91,530,735	88,402,523

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 July 2017 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 18 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three and Six-Month Periods Ended 30 June 2017

	<i>For The Three-Month Period Ended 30 June</i>		<i>For The Six-Month Period Ended 30 June</i>	
	<i>Note</i> 2017 <i>(Reviewed)</i>	2016 <i>(Reviewed)</i>	2017 <i>(Reviewed)</i>	2016 <i>(Reviewed)</i>
Net income from financing activities	751,058	645,190	1,491,341	1,270,417
Net income from investing activities	200,683	129,840	357,160	264,327
Total net income from financing and investing activities	951,741	775,030	1,848,501	1,534,744
Fee and commission income	59,708	67,143	128,118	130,638
Fee and commission expense	(755)	(597)	(1,364)	(869)
Net fee and commission income	58,953	66,546	126,754	129,769
Foreign exchange gain	34,546	30,793	59,346	76,888
Share of results of associates	782	25,693	21,643	44,980
Gain on sale of investment in an associate	-	46,535	-	93,071
Other income	1,354	1,537	4,800	4,244
TOTAL INCOME	1,047,376	946,134	2,061,044	1,883,696
Staff costs	(84,544)	(78,925)	(166,981)	(147,523)
Depreciation	(4,143)	(3,990)	(9,164)	(7,997)
Other expenses	(60,401)	(57,174)	(114,160)	(105,138)
Finance expense	(93,818)	(96,889)	(179,648)	(184,347)
TOTAL EXPENSES	(242,906)	(236,978)	(469,953)	(445,005)
Net (impairment losses) / recoveries and reversals on financing assets	(986)	6,007	(422)	11,578
Net impairment losses on investment securities	-	(867)	-	(1,127)
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	803,484	714,296	1,590,669	1,449,142
Less: Return to investment account holders	(290,481)	(208,440)	(564,227)	(397,060)
PROFIT BEFORE TAX FOR THE PERIOD	513,003	505,856	1,026,442	1,052,082
Tax expense	(269)	(270)	(594)	(831)
NET PROFIT FOR THE PERIOD	512,734	505,586	1,025,848	1,051,251
Net profit for the period attributable to:				
Equity holders of the Bank	509,634	505,446	1,019,886	1,050,972
Non-controlling interest	3,100	140	5,962	279
	512,734	505,586	1,025,848	1,051,251
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	15	0.680	0.674	1.360
				1.401

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six-Month Period Ended 30 June 2017

	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 equity
Balance at 1 January 2017 (Audited)	7,500,000	1,862,926	1,345,733	1,983	(14,942)	107,146	1,902,070	12,704,916	168,597	12,873,513
Change in foreign currency translation reserve	-	-	-	-	(95,090)	-	-	(95,090)	-	(95,090)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	97,958	-	-	97,958	-	97,958
Fair value reserve movement (Note 9)	-	-	-	(6,828)	-	-	-	(6,828)	-	(6,828)
Profit for the period	-	-	-	-	-	-	1,019,886	1,019,886	5,962	1,025,848
Dividend paid (Note 12g)	-	-	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	7,603	7,603
Balance at 30 June 2017 (Reviewed)	7,500,000	1,862,926	1,345,733	(4,845)	(12,074)	107,146	1,421,956	12,220,842	182,162	12,403,004
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	-	-	-	-	(122,900)	-	-	(122,900)	-	(122,900)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	116,910	-	-	116,910	-	116,910
Fair value reserve movement (Note 9)	-	-	-	(16,704)	-	-	-	(16,704)	-	(16,704)
Profit for the period	-	-	-	-	-	-	1,050,972	1,050,972	279	1,051,251
Dividend paid (Note 12g)	-	-	-	-	-	-	(1,312,500)	(1,312,500)	-	(1,312,500)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(305,377)	(305,377)
Balance at 30 June 2016 (Reviewed)	7,500,000	1,447,869	1,136,540	(4,114)	(7,469)	80,468	1,606,277	11,759,571	9,332	11,768,903

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six-Month Period Ended 30 June 2017

	Notes	For the Six-Month Period Ended 30 June	
		2017 (Reviewed)	2016 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		1,026,442	1,052,082
Adjustments for:			
Net impairment losses / (recoveries and reversals) on financing assets		422	(11,578)
Net impairment losses on investment securities		-	1,127
Fair value loss / (gain) on investment securities carried as fair value through income statement		211	(1,254)
Unrealized (gain) / loss on revaluation of Shari'a compliant risk management instruments		(6,375)	715
Depreciation		9,164	7,997
Net gain on sale of investment securities		(9,989)	(415)
Dividend income		(6,410)	(4,968)
Share of results of associates		(21,643)	(44,980)
Gain on sale of investment in an associate		-	(93,071)
Amortisation of premium and discount on investment securities		(848)	(722)
Employees' end of service benefit provisions		2,815	2,766
Profit before changes in operating assets and liabilities		993,789	907,699
Change in reserve account with Qatar Central Bank		(299,151)	37,987
Change in due from banks		(410,683)	-
Change in financing assets		(326,871)	(1,682,620)
Change in other assets		(388,450)	(187,603)
Change in due to banks		(1,270,212)	3,884,359
Change in customer current accounts		(3,677,377)	(486,532)
Change in other liabilities		42,897	(527,264)
		(5,336,058)	1,946,026
Dividend received		6,410	4,968
Employees' end of service benefits paid		(905)	(742)
Tax paid		(3,041)	(1,193)
Net cash (used in) / from operating activities		(5,333,594)	1,949,059
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(8,969,443)	(309,792)
Proceed from sale / redemption of investment securities		3,898,509	648,438
Acquisition of fixed assets		(11,218)	(10,895)
Dividend received from associates		17,478	13,458
Net cash (used in) / from investing activities		(5,064,674)	341,209
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		6,859,743	2,634,791
Dividends paid		(1,322,075)	(1,168,934)
Net movement in non-controlling interest		7,603	(305,377)
Net cash from financing activities		5,545,271	1,160,480
Net (decrease) / increase in cash and cash equivalents		(4,852,997)	3,450,748
Cash and cash equivalents at 1 January		6,451,850	2,779,011
NON-CASH ITEMS			
Investment in subsidiaries reclassified to investment securities		-	230,093
Effects of exchange rate changes on cash and cash equivalents held		(29,704)	55,997
Cash and cash equivalents at 30 June	16	1,569,149	6,515,849

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six-Month Period Ended 30 June 2017

1 REPORTING ENTITY

Masraf Al Rayan (Q.P.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. 5 of 2002, as amended by 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 six-month period ended 30 June 2017 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Group is primarily involved in Islamic 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 June 2017</i>	<i>31 December 2016</i>
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage ¹	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan (UK) Limited ²	UK	GBP 100,000,000	Investment activities	70.0%	70.0%
Al Rayan Partners	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Lusail Waterfront Investment Co.	Cayman Islands	USD 50,000	Investment activities	100.0%	100.0%

¹ On 28 December 2016, the Qatar Financial Markets Authority (“QFMA”) approved to freeze Al Rayan Financial Brokerage’s (“ARFB”) license for two years. The operations of ARFB has ceased from 12 January 2017.

² Al Rayan (UK) Limited owns 98.34% of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 68.84% of Al Rayan Bank PLC.

The Bank and two other local unlisted banks, namely Barwa Bank Q.S.C. and International Bank of Qatar Q.S.C., announced on 19 December 2016 that they have entered into initial negotiations regarding a potential merger of the three banks. The potential merger is subject to the approval of the Qatar Central Bank (“QCB”), the QFMA, the Ministry of Economy and Commerce and other relevant official bodies in the State of Qatar, and the approval of the shareholders in each of the three banks after completion of a detailed legal and financial due diligence. If the merger is approved, the new merged entity will maintain all its dealings in compliance with Shari’a principles.

As of reporting date, a committee composed of the management of the three banks has been established in order to oversee the merger according to an initial timeline which has been approved by the Boards of Directors of the three banks.

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 2016. In addition, results for the six-month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 Shari’a-compliant risk management instruments.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Six-Month Period Ended 30 June 2017

2 BASIS OF PREPARATION (continued)

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 2016.

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2017

There are no new standards, amendments and interpretations effective from 1 January 2017.

New standards, amendments and interpretations issued but not yet effective

International Financial Reporting Standard No. 9 (IFRS 9): Financial Instruments

The final version of IFRS 9 was issued in July 2014, replacing the earlier versions of introducing new classification and measurement requirements (issued in 2009 and 2010) and a new hedge accounting model (issued in 2013) and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity’s risk management methodology.

The application of IFRS 9 may have significant impact on amounts reported in the condensed consolidated interim financial statements and will result in more extensive disclosures in the condensed consolidated interim financial statements. However, the Group is currently in the process of evaluating and implementing the required changes in its systems, policies and processes to comply with IFRS 9 and regulatory requirements, and hence it is not practical to disclose a reliable quantitative impact until the implementation programme is further advanced.

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 2016.

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

4 FINANCIAL RISK MANAGEMENT (continued)

(i) *Valuation of financial instruments (continued)*

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 June 2017 (Reviewed)				
Financial assets				
Shari'a-compliant risk management instruments	-	21,946	-	21,946
Investment securities	172,722	91,942	-	264,664
	<u>172,722</u>	<u>113,888</u>	<u>-</u>	<u>286,610</u>
Financial liabilities				
Shari'a-compliant risk management instruments	-	14,186	-	14,186
	<u>-</u>	<u>14,186</u>	<u>-</u>	<u>14,186</u>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2016 (Audited)				
Financial assets				
Shari'a-compliant risk management instruments	-	18,649	-	18,649
Investment securities	62,962	87,486	-	150,448
	<u>62,962</u>	<u>106,135</u>	<u>-</u>	<u>169,097</u>
Financial liabilities				
Shari'a-compliant risk management instruments	-	17,264	-	17,264
	<u>-</u>	<u>17,264</u>	<u>-</u>	<u>17,264</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 2,581 million (31 December 2016: QAR 2,693 million), which is 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 4,699 thousand are carried at cost (31 December 2016: QAR 4,694 thousand).

During the reporting periods 30 June 2017 and 31 December 2016, there were no transfers among Levels 1, 2 and 3 fair value measurements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

5 USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) *Allowances for credit losses*

Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

(ii) *Determining fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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 June 2017 (Reviewed)					
Cash and balances with QCB	-	-	3,458,885	3,458,885	3,458,885
Due from banks	-	-	1,186,572	1,186,572	1,186,572
Financing assets	-	-	67,959,477	67,959,477	67,959,477
Investment securities:					
- Measured at fair value	40,885	228,478	-	269,363	269,363
- Measured at amortised cost	-	-	18,849,053	18,849,053	18,881,272
Other assets	-	-	427,045	427,045	427,045
Shari'a-compliant risk management instruments	21,946	-	-	21,946	21,946
	<u>62,831</u>	<u>228,478</u>	<u>91,881,032</u>	<u>92,172,341</u>	<u>92,204,560</u>
Due to banks	-	-	17,789,493	17,789,493	17,789,493
Customer current accounts	-	-	6,856,250	6,856,250	6,856,250
Other liabilities	-	-	1,028,550	1,028,550	1,028,550
Equity of investment account holders	-	-	54,349,770	54,349,770	54,349,770
Shari'a-compliant risk management instruments	14,186	-	-	14,186	14,186
	<u>14,186</u>	<u>-</u>	<u>80,024,063</u>	<u>80,038,249</u>	<u>80,038,249</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

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 2016 (Audited)					
Cash and balances with QCB	-	-	3,126,085	3,126,085	3,126,085
Due from banks	-	-	5,692,239	5,692,239	5,692,239
Financing assets	-	-	67,634,561	67,634,561	67,634,561
Investment securities:					
- Measured at fair value	4,471	150,671	-	155,142	155,142
- Measured at amortised cost	-	-	13,856,968	13,856,968	13,917,718
Other assets	-	-	269,312	269,312	269,312
Shari'a-compliant risk management instruments	18,649	-	-	18,649	18,649
	<u>23,120</u>	<u>150,671</u>	<u>90,579,165</u>	<u>90,752,956</u>	<u>90,813,706</u>
Due to banks	-	-	19,059,705	19,059,705	19,059,705
Customer current accounts	-	-	10,533,627	10,533,627	10,533,627
Other liabilities	-	-	849,809	849,809	849,809
Equity of investment account holders	-	-	47,490,298	47,490,298	47,490,298
Shari'a-compliant risk management instruments	17,264	-	-	17,264	17,264
	<u>17,264</u>	<u>-</u>	<u>77,933,439</u>	<u>77,950,703</u>	<u>77,950,703</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 loans, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

7 OPERATING SEGMENTS (continued)

Information about operating segments

30 June 2017 (Reviewed)	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
<i>External revenue:</i>						
Total income from financing and investing activities	1,328,043	403,387	13,287	103,784	-	1,848,501
Net fee and commission income	108,925	-	9,572	8,257	-	126,754
Foreign exchange gain / (loss)	59,354	-	(26)	18	-	59,346
Share of results of associates	-	-	-	-	21,643	21,643
Gain on sale of an associate	-	-	-	-	-	-
Other income	-	-	-	-	4,800	4,800
Total segment revenue	1,496,322	403,387	22,833	112,059	26,443	2,061,044
<i>Other material non-cash items:</i>						
Net recoveries and reversals on financing assets	831	-	-	(1,253)	-	(422)
Net impairment losses on investment securities	-	-	-	-	-	-
Reportable segment profit before tax	902,643	293,517	12,671	19,135	(201,524)	1,026,442
Reportable segment assets	68,447,315	15,673,778	484,163	7,508,896	1,075,164	93,189,316
Reportable segment liabilities	21,015,514	2,105,725	8,362	1,836,440	1,470,501	26,436,542
Reportable segment equity of investment account holders	35,987,970	13,274,536	-	5,087,264	-	54,349,770

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 June 2016 (Reviewed)	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
<i>External revenue:</i>						
Total income from financing and investing activities	1,124,264	306,782	10,085	93,613	-	1,534,744
Net fee and commission income	107,545	-	16,674	5,550	-	129,769
Foreign exchange gain / (loss)	76,283	-	-	605	-	76,888
Share of results of associates	-	-	-	-	44,980	44,980
Gain on sale of an associate	-	-	-	-	93,071	93,071
Other income	-	-	-	-	4,244	4,244
Total segment revenue	1,308,092	306,782	26,759	99,768	142,295	1,883,696
<i>Other material non-cash items:</i>						
Net recoveries and reversals on financing assets	12,544	-	-	(966)	-	11,578
Net impairment losses on investment securities	(1,127)	-	-	-	-	(1,127)
Reportable segment profit before tax	831,688	248,993	16,584	16,941	(62,124)	1,052,082
Reportable segment assets	67,657,259	13,125,829	468,060	6,077,501	1,073,874	88,402,523
Reportable segment liabilities	19,815,556	2,111,457	17,056	1,329,943	1,285,992	24,560,004
Reportable segment equity of investment account holders	37,124,072	10,765,379	-	4,184,165	-	52,073,616

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

8 FINANCING ASSETS

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
(a) By type			
Receivables and balances from financing activities:			
Murabaha	56,411,592	55,519,712	54,144,286
Ijarah	10,930,839	8,875,993	8,252,076
Istisna'a	1,255,716	1,856,997	1,476,700
Musharaka	4,669,065	4,661,716	4,599,076
Others	373,287	317,071	386,142
Total financing assets	<u>73,640,499</u>	<u>71,231,489</u>	<u>68,858,280</u>
Deferred profit	(5,630,842)	(3,546,468)	(4,556,385)
Allowance for impairment and profit in suspense (note b)	<u>(50,180)</u>	<u>(50,460)</u>	<u>(39,225)</u>
Net financing assets	<u>67,959,477</u>	<u>67,634,561</u>	<u>64,262,670</u>

The total non-performing financing assets at 30 June 2017 amounted to QAR 110,361 thousand representing 0.15% of the gross financing assets (31 December 2016: QAR 112,745 thousand representing 0.16% of the gross financing assets; 30 June 2016: QAR 55,758 thousand representing 0.08% of the gross financing assets).

Specific impairment of financing assets includes QAR 1,980 thousand of profit in suspense (31 December 2016: QAR 1,918 thousand; 30 June 2016: QAR 3,040 thousand).

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

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Balance as at 1 January	50,460	53,450	53,450
Charge for the period / year	1,848	30,245	474
Recoveries / reversals during the period / year	(1,364)	(30,308)	(12,544)
Write off during the period / year	(1,026)	(1,656)	(1,527)
Effect of foreign currency movement	262	(1,271)	(628)
Balance at 30 June / 31 December	<u>50,180</u>	<u>50,460</u>	<u>39,225</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

9 INVESTMENT SECURITIES

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
<i>Investments classified as fair value through income statement</i>			
Investments classified as held for trading (Quoted)			
• Debt type investments - Fixed profit rate	<u>40,885</u>	<u>4,471</u>	<u>51,449</u>
	<u>40,885</u>	<u>4,471</u>	<u>51,449</u>
<i>Debt-type investments classified as amortised cost</i>			
Fixed profit rate – Quoted	1,329,012	1,356,800	1,355,022
Floating profit rate – Quoted	41,866	41,866	62,025
Government of Qatar Sukuk – Quoted	1,203,659	1,258,786	1,276,392
Government of Qatar Sukuk – Unquoted	16,300,000	11,225,000	11,174,547
Less: Allowance for impairment	<u>(25,484)</u>	<u>(25,484)</u>	<u>(25,484)</u>
	<u>18,849,053</u>	<u>13,856,968</u>	<u>13,842,502</u>
<i>Investments classified as fair value through equity</i>			
• Equity type investments			
- Quoted	100,236	26,438	89,490
- Unquoted	96,641	92,180	88,140
• Equity type investments - Fixed profit rate	<u>31,601</u>	<u>32,053</u>	<u>-</u>
	<u>228,478</u>	<u>150,671</u>	<u>177,630</u>
	<u>19,118,416</u>	<u>14,012,110</u>	<u>14,071,581</u>

The Group has recognized impairment loss for certain equity-type investments classified as fair value through equity during the period totalling QAR nil (30 June 2016: QAR 1,127 thousand), due to significant and prolonged reduction in fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

9 INVESTMENT SECURITIES (continued)

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

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
<i>Positive fair value:</i>			
Balance at 1 January	6,538	12,738	12,738
Net change in fair value	1,036	2,275	(3,308)
Transferred to consolidated income statement on sale	(1,689)	(4,603)	(98)
Share of other comprehensive income of associates	1,004	(3,872)	(3,872)
Net fair value movement	351	(6,200)	(7,278)
Balance at 30 June / 31 December	<u>6,889</u>	<u>6,538</u>	<u>5,460</u>
<i>Negative fair value:</i>			
Balance at 1 January	(4,555)	(148)	(148)
Net change in fair value	(7,899)	(5,755)	(10,553)
Transferred to consolidated income statement on sale	720	221	-
Transferred to consolidated income statement due to impairment	-	1,127	1,127
	(7,179)	(4,407)	(9,426)
Balance at 30 June / 31 December	<u>(11,734)</u>	<u>(4,555)</u>	<u>(9,574)</u>
Total fair value at 30 June / 31 December	<u>(4,845)</u>	<u>1,983</u>	<u>(4,114)</u>

10 DUE TO BANKS

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Current accounts	83,262	26,500	775,927
Commodity murabaha payable	1,081,238	1,768,713	2,612,852
Short-term Murabaha facilities from banks	1,414,334	1,638,125	1,092,150
Wakala payable	15,210,659	15,626,367	12,748,021
	<u>17,789,493</u>	<u>19,059,705</u>	<u>17,228,950</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

11 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Saving accounts	5,886,956	5,145,444	5,009,885
Term accounts	43,862,464	37,874,166	42,005,859
Short-term investment accounts	4,312,158	4,234,725	4,856,191
Profit payable to equity of investment account holders	288,384	235,884	201,848
Share in the fair value reserves	<u>(192)</u>	<u>79</u>	<u>(167)</u>
	<u>54,349,770</u>	<u>47,490,298</u>	<u>52,073,616</u>

12 OWNERS' EQUITY

(a) Share capital

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (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 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Balance at 1 January	1,862,926	1,447,869	1,447,869
Transfer from retained earnings	<u>-</u>	<u>415,057</u>	<u>-</u>
Balance at 30 June / 31 December	<u>1,862,926</u>	<u>1,862,926</u>	<u>1,447,869</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 June 2017 as Masraf will transfer the required amount by 31 December 2017.

(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 June 2017 as Masraf will transfer the required amount by 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

12 OWNERS' EQUITY (continued)

(d) Fair value reserves

This reserve comprises changes in fair value of investments designated as fair value through equity.

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Balance at 1 January	1,983	12,590	12,590
Net unrealised losses	(7,055)	(3,401)	(14,028)
Transferred to consolidated income statement on sale	(969)	(4,382)	(98)
Transferred to consolidated income statement due to impairment	-	1,127	1,127
Share of other comprehensive income of associates	1,004	(3,872)	(3,872)
Share of equity of investment account holders in the fair value reserve	192	(79)	167
Net fair value movement	(6,828)	(10,607)	(16,704)
Balance at 30 June / 31 December (shareholders' share)	<u>(4,845)</u>	<u>1,983</u>	<u>(4,114)</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 Shari'a-compliant risk management instruments that hedge the Group's net investment in foreign operations.

(f) Other reserves

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Balance at 1 January	107,416	80,468	80,468
Share of results of associates	-	52,377	-
Dividend from associates transferred to retained earnings	-	(5,418)	-
Other movement	-	(20,281)	-
Balance at 30 June / 31 December	<u>107,416</u>	<u>107,146</u>	<u>80,468</u>

No transfer has been made for the period ended 30 June 2017 as Masraf will transfer the share of results of associates to other reserves by 31 December 2017.

(g) Dividend

On 2 April 2017, the General Assembly approved a cash dividend of 20% of the paid up share capital (2016: 17.5%) amounting to QAR 1,500 million (2016: QAR 1,312.5 million).

13 NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Al Rayan (UK) Limited (30%) and Al Rayan Bank PLC (31.16%) (31 December 2016: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six-Month Period Ended 30 June 2017

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:

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Payable not later than 1 year	27,704	23,709	13,912
Payable later than 1 year and not later than 5 years	<u>79,176</u>	<u>87,124</u>	<u>26,133</u>
	<u>106,880</u>	<u>110,833</u>	<u>40,045</u>

(b) Contingent liabilities

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Unutilised credit facilities	8,462,658	7,825,568	8,380,412
Guarantees	13,674,632	16,278,696	16,883,623
Letters of credit	<u>2,331,006</u>	<u>3,604,802</u>	<u>6,154,180</u>
	<u>24,468,296</u>	<u>27,709,066</u>	<u>31,418,215</u>

(c) Other undertakings and commitments

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Profit rate swap	3,883,241	3,718,314	3,710,797
Unilateral promise to buy/sell currencies	<u>34,064,426</u>	<u>21,482,774</u>	<u>30,829,946</u>
	<u>37,947,667</u>	<u>25,201,088</u>	<u>34,540,743</u>

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.

	<i>For the Six-Month Period Ended 30 June</i>	
	<i>2017 (Reviewed)</i>	<i>2016 (Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>1,019,886</u>	<u>1,050,972</u>
Weighted average number of shares outstanding during the period	<u>750,000</u>	<u>750,000</u>
Basic earnings per share (QAR)	<u>1.360</u>	<u>1.401</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
For the Six-Month Period Ended 30 June 2017

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:

	<i>30 June 2017 (Reviewed)</i>	<i>30 June 2016 (Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	793,260	746,169
Due from banks	<u>775,889</u>	<u>5,769,680</u>
	<u>1,569,149</u>	<u>6,515,849</u>

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

	<i>30 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Liabilities			
Equity of investment account holders - customer	<u>1,008,715</u>	<u>998,308</u>	<u>1,139,322</u>

(b) Condensed consolidated income statement items

	<i>For the Six-Month Period Ended 30 June</i>	
	<i>2017 (Reviewed)</i>	<i>2016 (Reviewed)</i>
Return on equity of investment account holders - customer	<u>9,066</u>	<u>9,269</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 June 2017 (Reviewed)</i>	<i>31 December 2016 (Audited)</i>	<i>30 June 2016 (Reviewed)</i>
Financing	<u>955</u>	<u>1,039</u>	<u>64</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2017

17 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 Six-Month Period Ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Remuneration to Board of Directors including meeting allowances	<u>11,316</u>	<u>9,789</u>
Salaries and other benefits	<u>7,627</u>	<u>9,637</u>

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.