

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2019

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

**To The Board of Directors
Masraf Al Rayan (Q.P.S.C.)
Doha – Qatar**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) (“the Bank”) and its subsidiaries (together referred to as the “Group”) comprising the interim consolidated statement of financial position as at 30 June 2019, and the related interim consolidated statements of income for the three month and six month periods ended 30 June 2019, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six month period then ended, and certain explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the interim financial information 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with the Financial Accounting Standards issued by AAOIFI and applicable provisions of Qatar Central Bank regulations.

**Doha – Qatar
July 15, 2019**

**For Deloitte & Touche
Qatar Branch**



**Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156**

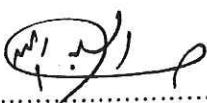


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (Reviewed)	31 December 2018 (Audited)	30 June 2018 (Reviewed)
ASSETS				
Cash and balances with Qatar Central Bank		3,404,916	3,026,994	3,130,206
Due from banks		3,357,828	1,512,865	3,932,310
Financing assets	8	74,799,904	72,515,286	73,088,460
Investment securities	9	19,966,574	19,222,111	19,370,392
Investment in associates		529,146	525,859	531,497
Fixed assets		200,535	188,979	182,880
Other assets		284,057	302,119	219,087
TOTAL ASSETS		102,542,960	97,294,213	100,454,832
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	10	18,881,355	16,546,010	23,283,805
Customer current accounts		7,264,510	7,268,816	6,618,469
Sukuk financing	11	1,617,574	1,721,339	-
Other borrowings	12	1,818,366	2,052,993	-
Other liabilities		2,755,808	1,931,221	2,004,991
TOTAL LIABILITIES		32,337,613	29,520,379	31,907,265
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	57,146,991	54,300,051	56,082,575
EQUITY				
Share capital	14 (a)	7,500,000	7,500,000	7,500,000
Legal reserve	14 (b)	2,278,783	2,278,783	2,065,741
Risk reserve	14 (c)	1,574,695	1,574,695	1,507,567
Fair value reserves	14 (d)	13,843	9,768	7,900
Foreign currency translation reserve	14 (e)	(14,426)	(13,809)	(11,060)
Other reserves	14 (f)	118,910	118,910	113,001
Retained earnings		1,387,074	1,808,968	1,083,785
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		12,858,879	13,277,315	12,266,934
Non-controlling interest	15	199,477	196,468	198,058
TOTAL EQUITY		13,058,356	13,473,783	12,464,992
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		102,542,960	97,294,213	100,454,832

These interim condensed consolidated financial statements were approved by the Board of Directors on 15 July 2019 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 21 form an integral part of, and should be read in conjunction with, these interim condensed consolidated financial statements

INTERIM CONSOLIDATED INCOME STATEMENT

For the Three and Six-Month Periods Ended 30 June 2019

	<i>For The Three-Month Period Ended 30 June</i>		<i>For The Six-Month Period Ended 30 June</i>	
	<i>Note</i> 2019 (Reviewed)	2018 (Reviewed)	2019 (Reviewed)	2018 (Reviewed)
Net income from financing activities	925,529	870,299	1,822,573	1,755,714
Net income from investing activities	226,570	207,575	442,229	427,697
Total net income from financing and investing activities	1,152,099	1,077,874	2,264,802	2,183,411
Fee and commission income	83,987	68,610	180,233	136,479
Fee and commission expense	(561)	(1,812)	(1,028)	(2,914)
Net fee and commission income	83,426	66,798	179,205	133,565
Foreign exchange gain (net)	50,638	45,326	84,388	97,269
Share of results of associates	800	6,723	14,879	15,483
Other income	931	913	5,068	1,875
TOTAL INCOME	1,287,894	1,197,634	2,548,342	2,431,603
Staff costs	(97,118)	(94,278)	(193,241)	(184,731)
Depreciation	(4,568)	(3,664)	(9,140)	(7,493)
Other expenses	(67,350)	(70,843)	(124,188)	(137,807)
Finance expense	(224,239)	(190,148)	(432,621)	(397,635)
TOTAL EXPENSES	(393,275)	(358,933)	(759,190)	(727,666)
Net reversals / (impairment losses) on due from banks 3 (b)	81	(54)	228	195
Net recoveries / (impairment losses) and reversals on financing assets	9,361	2,706	5,763	(7,895)
Net impairment losses on investment securities	(1,933)	(1,250)	(1,312)	(10,044)
Net reversals / (impairment losses) on off balance sheet exposures subject to credit risk 3 (b)	(1,178)	(6,279)	1,065	(3,619)
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	900,950	833,824	1,794,896	1,682,574
Less: Return to investment account holders	(366,294)	(295,421)	(709,439)	(608,132)
PROFIT BEFORE TAX FOR THE PERIOD	534,656	538,403	1,085,457	1,074,442
Tax credit / (expense)	1,438	(1,315)	(3,469)	(3,078)
NET PROFIT FOR THE PERIOD	536,094	537,088	1,081,988	1,071,364
Net profit for the period attributable to:				
Equity holders of the Bank	534,007	534,828	1,078,106	1,065,893
Non-controlling interest	2,087	2,260	3,882	5,471
	536,094	537,088	1,081,988	1,071,364
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	17	0.071	0.144	0.142

The attached notes 1 to 21 form an integral part, and should be read in conjunction with, of these interim condensed consolidated financial statements

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

QAR '000s

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six-Month Period Ended 30 June 2019

	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 31 December 2018 (Audited)	7,500,000	2,278,783	1,574,695	9,768	(13,809)	118,910	1,808,968	13,277,315	196,468	13,473,783
Change in foreign currency translation reserve	-	-	-	-	(101,284)	-	-	(101,284)	-	(101,284)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	100,667	-	-	100,667	-	100,667
Fair value reserve movement (Note 9)	-	-	-	4,075	-	-	-	4,075	-	4,075
Profit for the period	-	-	-	-	-	-	1,078,106	1,078,106	3,882	1,081,988
Dividend declared and approved for 2018 (Note 14g)	-	-	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(873)	(873)
Balance at 30 June 2019 (Reviewed)	7,500,000	2,278,783	1,574,695	13,843	(14,426)	118,910	1,387,074	12,858,879	199,477	13,058,356
Balance at 31 December 2017	7,500,000	2,065,741	1,507,567	3,074	(7,519)	113,001	2,009,007	13,190,871	199,067	13,389,938
Adoption of ECL regulations (Note 3)	-	-	-	-	-	-	(491,115)	(491,115)	-	(491,115)
Balance at 1 January 2018 (Audited)	7,500,000	2,065,741	1,507,567	3,074	(7,519)	113,001	1,517,892	12,699,756	199,067	12,898,823
Change in foreign currency translation reserve	-	-	-	-	(94,121)	-	-	(94,121)	-	(94,121)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	90,580	-	-	90,580	-	90,580
Fair value reserve movement (Note 9)	-	-	-	4,826	-	-	-	4,826	-	4,826
Profit for the period	-	-	-	-	-	-	1,065,893	1,065,893	5,471	1,071,364
Dividend declared and approved for 2017 (Note 14g)	-	-	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(6,480)	(6,480)
Balance at 30 June 2018 (Reviewed)	7,500,000	2,065,741	1,507,567	7,900	(11,060)	113,001	1,083,785	12,266,934	198,058	12,464,992

The attached notes 1 to 21 form an integral part of, and should be read in conjunction with, these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six-Month Period Ended 30 June 2019

	<i>For the Six-Month Period Ended</i>	
	<i>30 June</i>	
<i>Notes</i>	2019	2018
	(Reviewed)	(Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the period	1,085,457	1,074,442
Adjustments for:		
Net (reversal) / impairment losses on financing assets	(5,763)	7,895
Net impairment losses on investment securities	1,312	10,044
Net (reversal) / impairment losses on other financial assets	(1,065)	3,424
Fair value loss on investment securities carried as fair value through income statement	4	96
Unrealized loss / (gain) on revaluation of Shari'a compliant risk management instruments	1,041	(4,330)
Depreciation	9,140	7,493
Amortization of transaction costs	2,405	-
Net gain on sale of investment securities	(7,192)	(16,025)
Dividend income	(2,528)	(5,718)
Share of results of associates	(14,879)	(15,483)
Loss on disposal of fixed assets	25	-
Amortisation of premium and discount on investment securities	(7,016)	(3,440)
Employees' end of service benefit provisions	2,823	5,022
Profit before changes in operating assets and liabilities	1,063,764	1,063,420
Change in reserve account with Qatar Central Bank	(96,574)	(124,653)
Change in due from banks	163,823	305,000
Change in financing assets	(2,278,802)	(1,250,094)
Change in other assets	(19,186)	30,368
Change in profit receivable from investments	(17,932)	5,720
Change in due to banks	2,098,713	(1,899,541)
Change in customer current accounts	(4,306)	(2,371)
Change in other liabilities	751,447	(37,872)
Change in profit payable on sukuk financing and other borrowings	13,157	-
	1,674,104	(1,910,023)
Dividend received	2,528	5,718
Employees' end of service benefits paid	(1,711)	(544)
Tax paid	(557)	(284)
Net cash from / (used in) operating activities	1,674,364	(1,905,133)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities	(3,060,109)	(1,972,505)
Proceed from sale / redemption of investment securities	2,349,003	6,225,422
Acquisition of fixed assets	(20,753)	(31,280)
Dividend received from associates	10,699	4,000
Net cash (used in) / from investing activities	(721,160)	4,225,637
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in equity of investment account holders	2,846,767	172,032
Repayment of sukuk financing and other borrowings	(113,209)	-
Dividends paid	(1,393,612)	(1,395,760)
Net movement in non-controlling interest	(873)	(6,480)
Net cash from / (used in) financing activities	1,339,073	(1,230,208)
Net increase in cash and cash equivalents	2,292,277	1,090,296
Cash and cash equivalents at 1 January	1,790,022	3,145,344
NON-CASH ITEMS		
Impact from adoption of ECL regulations	-	(597)
Effects of exchange rate changes on cash and cash equivalents held	(2,143)	20,152
Cash and cash equivalents at 30 June	18 4,080,156	4,255,195

The attached notes 1 to 21 form an integral part of, and should be read in conjunction with, these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

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 interim condensed consolidated interim financial statements of the Bank for the six-month period ended 30 June 2019 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 16 branches including the head office in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan (Q.P.S.C.).

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 2019</i>	<i>31 December 2018</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%
MAR Sukuk Limited ³	Cayman Islands	USD 50,000	Sukuk issuance	100.0%	100.0%

¹ The operations have ceased since 12 January 2017 after Qatar Financial Markets Authority (“QFMA”) approved to freeze its license for two years. The freezing of the license has been extended up to 10 September 2019.

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. Al Rayan Bank PLC is the designated “Servicer” of Tolkien Funding Sukuk No. 1 Plc, a special purpose entity incorporated in the UK for the purpose of sukuk issuance for the benefit of Al Rayan Bank PLC.

³ MAR Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the purpose of sukuk issuance and other activities, for the benefit of the Bank.

On 16 June 2019, upon the instructions of the QFMA and following the approval of the shareholders obtained at the Bank’s extraordinary general assembly meeting held on 25 February 2019, the Bank effected a 10:1 stock split on its shares of capital stock, adjusting the nominal value to one Qatari Riyal per share (QAR 1 per share) instead of QAR 10 per share. Unless otherwise noted, impacted amounts and share information included in the interim condensed consolidated financial statements and notes thereto have been retroactively adjusted for the stock split, as if such stock split occurred at the beginning of the earliest period presented.

2 BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed consolidated 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 interim condensed consolidated financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The interim condensed consolidated 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 2018 except for the changes in the policies as disclosed in Note 3. In addition, results for the six-month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

2 BASIS OF PREPARATION (continued)

(b) Basis of measurement

The interim condensed consolidated 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”.

(c) Functional and presentational currency

The interim condensed consolidated 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.

(d) New standards, amendments and interpretations issued but not yet effective

The Group has not yet applied the following new and revised FASs that have been issued but are not yet effective:

New and revised FASs	Effective for annual periods beginning on or after
FAS 31 Investment Agency (Al – Wakala Bi-Al – Istithmar)	1 January 2020
FAS 35 Risk Reserves	1 January 2021

3 EXPECTED CREDIT LOSSES (“ECL”)

As required by the QCB, the Group has adopted the ECL regulations, which is similar to FAS 30 with effect from 1 January 2018 and as permitted by those ECL regulations, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and non-controlling interest of the current period.

Set out below are the ECL regulations transition impact disclosures as at 1 January 2018 for the Group.

(a) Impact of adopting the ECL regulations

The impact from the adoption of the ECL regulations as at 1 January 2018 has been to decrease retained earnings by QAR 496 million and non-controlling interest by QAR 2 million.

	<i>Retained earnings</i>	<i>Non-controlling interest</i>
Closing balance as at 31 December 2017	2,009,007	199,067
<i>Impact on recognition of Expected Credit Losses</i>		
Due from banks	792	-
Financing assets	424,203	-
Debt type securities at amortized cost	3,017	-
Off balance sheet exposures subject to credit risk	63,103	-
	<u>491,115</u>	<u>-</u>
Opening balance under ECL regulations on date of initial application of 1 January 2018	<u>1,517,892</u>	<u>199,067</u>

Financial Liabilities

There were no changes to the classification and measurement of financial liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

3 EXPECTED CREDIT LOSSES ("ECL") (continued)

(b) Expected credit loss / Impairment allowances

	Stage 1	Stage 2	Non - performing	Total
Exposure (carrying value) subject to ECL as at 30 June 2019				
- Due from banks	3,354,898	3,105	-	3,358,003
- Financing assets	62,215,155	12,613,312	560,237	75,388,704
- Debt type investments carried at amortised cost	19,489,198	310,776	57,162	19,857,136
- Off balance sheet exposures subject to credit risk	12,799,794	518,456	24,613	13,342,863
	97,859,045	13,445,649	642,012	111,946,706
Opening Balance - as at 1 January 2019				
- Due from banks	403	-	-	403
- Financing assets	58,657	225,239	304,978	588,874
- Debt type investments carried at amortised cost	5,991	230	28,610	34,831
- Off balance sheet exposures subject to credit risk	11,724	35,287	-	47,011
	76,775	260,756	333,588	671,119
Foreign currency translation for the period				
- Due from banks	-	-	-	-
- Financing assets	4	(38)	(19)	(53)
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	-	-	-	-
	4	(38)	(19)	(53)
Net transfer between stages				
- Due from banks	-	-	-	-
- Financing assets	4,975	(4,975)	-	-
- Debt type investments carried at amortised cost	(5,150)	5,150	-	-
- Off balance sheet exposures subject to credit risk	1,240	(1,240)	-	-
	1,065	(1,065)	-	-
Charge / (reversal) for the period (net)				
- Due from banks	(228)	-	-	(228)
- Financing assets	(25,958)	28,299	(2,362)	(21)
- Debt type investments carried at amortised cost	1,702	(814)	-	888
- Off balance sheet exposures subject to credit risk	(2,365)	1,300	-	(1,065)
	(26,849)	28,785	(2,362)	(426)
Write offs				
- Due from banks	-	-	-	-
- Financing assets	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	-	-	-	-
	-	-	-	-
Closing Balance - as at 30 June 2019				
- Due from banks	175	-	-	175
- Financing assets	37,678	248,525	302,597	588,800
- Debt type investments carried at amortised cost	2,543	4,566	28,610	35,719
- Off balance sheet exposures subject to credit risk	10,599	35,347	-	45,946
	50,995	288,438	331,207	670,640

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

3 EXPECTED CREDIT LOSSES ("ECL") (continued)

(b) Expected credit loss / Impairment allowances (continued)

	Stage 1	Stage 2	Non - performing	Total
Exposure (carrying value) subject to ECL as at 30 June 2018				
- Due from banks	3,657,907	275,000	-	3,932,907
- Financing assets	67,456,293	5,740,804	493,933	73,691,030
- Debt type investments carried at amortised cost	19,074,657	91,825	57,162	19,223,644
- Off balance sheet exposures subject to credit risk	13,726,374	679,903	-	14,406,277
	103,915,231	6,787,532	551,095	111,253,858
Opening Balance (Day 1 impact) - as at 1 January 2018				
- Due from banks	531	261	-	792
- Financing assets	129,979	294,224	165,680	589,883
- Debt type investments carried at amortised cost	1,879	1,138	28,610	31,627
- Off balance sheet exposures subject to credit risk	13,151	49,952	-	63,103
	145,540	345,575	194,290	685,405
Foreign currency translation for the period				
- Due from banks	-	-	-	-
- Financing assets	-	-	(272)	(272)
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	-	-	-	-
	-	-	(272)	(272)
Net transfer between stages				
- Due from banks	-	-	-	-
- Financing assets	(24,896)	23,088	1,808	-
- Debt type investments carried at amortised cost	(129)	129	-	-
- Off balance sheet exposures subject to credit risk	(614)	614	-	-
	(25,639)	23,831	1,808	-
Charge / (reversal) for the period (net)				
- Due from banks	9	(204)	-	(195)
- Financing assets	24,599	(61,448)	50,152	13,303
- Debt type investments carried at amortised cost	4,541	(143)	-	4,398
- Off balance sheet exposures subject to credit risk	10,054	(6,435)	-	3,619
	39,203	(68,230)	50,152	21,125
Write offs				
- Due from banks	-	-	-	-
- Financing assets	-	-	(344)	(344)
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	-	-	-	-
	-	-	(344)	(344)
Closing Balance - as at 30 June 2018				
- Due from banks	540	57	-	597
- Financing assets	129,682	255,864	217,024	602,570
- Debt type investments carried at amortised cost	6,291	1,124	28,610	36,025
- Off balance sheet exposures subject to credit risk	22,591	44,131	-	66,722
	159,104	301,176	245,634	705,914

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

3 EXPECTED CREDIT LOSSES ("ECL") (continued)

(c) Credit quality assessments

The table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Moody's ratings (or their equivalent):

Rating grade	Financing assets	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk	Due from Banks
AAA to AA-	41,218,000	18,692,386	3,751,460	1,086
A+ to A-	12,124,427	197,843	4,521,142	2,904,409
BBB to BBB-	9,232,900	55,450	3,907,876	449,209
BB+ to B-	2,980,966	541,722	1,049,145	142
Unrated	9,832,411	369,735	113,240	3,157
Totals as of 30 June 2019	75,388,704	19,857,136	13,342,863	3,358,003

Rating grade	Financing assets	Debt type investments carried at amortised cost	Off balance sheet exposures subject to credit risk	Due from Banks
AAA to AA-	36,322,102	18,150,880	2,304,272	533,189
A+ to A-	8,523,501	577,016	5,907,813	3,010,003
BBB to BBB-	7,263,365	83,636	3,651,616	94,854
BB+ to B-	10,688,769	308,717	2,503,402	1,911
Unrated	10,893,293	103,395	39,174	292,950
Totals as of 30 June 2018	73,691,030	19,223,644	14,406,277	3,932,907

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 2018.

(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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

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:

	Level 1	Level 2	Level 3	Total
30 June 2019 (Reviewed)				
Financial assets				
Shari'a-compliant risk management instruments	-	43,039	-	43,039
Investment securities	38,434	106,723	-	145,157
	<u>38,434</u>	<u>149,762</u>	<u>-</u>	<u>188,196</u>
Financial liabilities				
Shari'a-compliant risk management instruments	-	39,785	-	39,785
	<u>-</u>	<u>39,785</u>	<u>-</u>	<u>39,785</u>
	Level 1	Level 2	Level 3	Total
31 December 2018 (Audited)				
Financial assets				
Shari'a-compliant risk management instruments	-	80,287	-	80,287
Investment securities	68,170	95,511	-	163,681
	<u>68,170</u>	<u>175,798</u>	<u>-</u>	<u>243,968</u>
Financial liabilities				
Shari'a-compliant risk management instruments	-	75,992	-	75,992
	<u>-</u>	<u>75,992</u>	<u>-</u>	<u>75,992</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 2,918 million (31 December 2018: QAR 2,575 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 nil are carried at cost (31 December 2018: QAR nil).

During the reporting periods 30 June 2019 and 31 December 2018, there were no transfers among Levels 1, 2 and 3 fair value measurements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

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*

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

(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 2019 (Reviewed)					
Cash and balances with QCB	-	-	3,404,916	3,404,916	3,404,916
Due from banks	-	-	3,357,828	3,357,828	3,357,828
Financing assets	-	-	74,799,904	74,799,904	74,799,904
Investment securities:					
- Measured at fair value	642	144,515	-	145,157	145,157
- Measured at amortised cost	-	-	19,821,417	19,821,417	19,618,394
Other assets	-	-	2,588	2,588	2,588
Shari'a-compliant risk management instruments	43,039	-	-	43,039	43,039
	43,681	144,515	101,386,653	101,574,849	101,371,826
Due to banks	-	-	18,881,355	18,881,355	18,881,355
Customer current accounts	-	-	7,264,510	7,264,510	7,264,510
Sukuk financing	-	-	1,617,574	1,617,574	1,617,574
Other borrowings	-	-	1,818,366	1,818,366	1,818,366
Other liabilities	-	-	1,140,565	1,140,565	1,140,565
Equity of investment account holders	-	-	57,146,991	57,146,991	57,146,991
Shari'a-compliant risk management instruments	39,785	-	-	39,785	39,785
	39,785	-	87,869,361	87,909,146	87,909,146

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

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 2018 (Audited)					
Cash and balances with QCB	-	-	3,026,994	3,026,994	3,026,994
Due from banks	-	-	1,512,865	1,512,865	1,512,865
Financing assets	-	-	72,515,286	72,515,286	72,515,286
Investment securities:					
- Measured at fair value	4,375	159,306	-	163,681	163,681
- Measured at amortised cost	-	-	19,058,430	19,058,430	18,991,949
Other assets	-	-	9,605	9,605	9,605
Shari'a-compliant risk management instruments	80,287	-	-	80,287	80,287
	<u>84,662</u>	<u>159,306</u>	<u>96,123,180</u>	<u>96,367,148</u>	<u>96,300,667</u>
Due to banks	-	-	16,546,010	16,546,010	16,546,010
Customer current accounts	-	-	7,268,816	7,268,816	7,268,816
Sukuk financing	-	-	1,721,339	1,721,339	1,721,339
Other borrowings	-	-	2,052,993	2,052,993	2,052,993
Other liabilities	-	-	1,053,277	1,053,277	1,053,277
Equity of investment account holders	-	-	54,300,051	54,300,051	54,300,051
Shari'a-compliant risk management instruments	75,992	-	-	75,992	75,992
	<u>75,992</u>	<u>-</u>	<u>82,942,486</u>	<u>83,018,478</u>	<u>83,018,478</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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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7 OPERATING SEGMENTS (continued)

Information about operating segments

30 June 2019 (Reviewed)	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
<i>External revenue:</i>						
Total income from financing and investing activities	1,509,299	573,152	16,469	165,882	-	2,264,802
Net fee and commission income	169,649	-	7,955	1,601	-	179,205
Foreign exchange gain / (loss)	83,526	-	(78)	940	-	84,388
Share of results of associates	-	-	-	-	14,879	14,879
Other income	-	-	-	-	5,068	5,068
Total segment revenue	1,762,474	573,152	24,346	168,423	19,947	2,548,342
<i>Other material non-cash items:</i>						
Net recoveries and reversals / (impairment losses) on financing assets	30,546	(23,793)	-	(990)	-	5,763
Net impairment losses / recoveries and reversals on investment securities	(129)	-	(1,184)	1	-	(1,312)
Net recoveries and reversals on other exposures subject to credit risk	1,292	1	-	-	-	1,293
Reportable segment profit before tax	916,769	355,239	12,184	15,363	(214,098)	1,085,457
Reportable segment assets	69,230,026	21,808,310	667,523	9,486,955	1,350,146	102,542,960
Reportable segment liabilities	24,711,206	2,442,162	146,856	2,622,236	2,415,153	32,337,613
Reportable segment equity of investment account holders	36,750,777	14,172,242	-	6,223,972	-	57,146,991

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

Information about operating segments (continued)

30 June 2018 (Reviewed)	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
<i>External revenue:</i>						
Total income from financing and investing activities	1,517,544	490,585	21,136	154,146	-	2,183,411
Net fee and commission income	125,693	-	7,502	370	-	133,565
Foreign exchange gain / (loss)	97,320	-	(47)	(4)	-	97,269
Share of results of associates	-	-	-	-	15,483	15,483
Other income	-	-	-	-	1,875	1,875
Total segment revenue	1,740,557	490,585	28,591	154,512	17,358	2,431,603
<i>Other material non-cash items:</i>						
Net (impairment losses) / recoveries and reversals on financing assets	(37,820)	31,131	-	(1,206)	-	(7,895)
Net impairment losses on investment securities	(5,354)	-	(4,690)	-	-	(10,044)
Net impairment losses on other financial assets	(3,424)	-	-	-	-	(3,424)
Reportable segment profit before tax	889,358	380,937	14,642	19,513	(230,008)	1,074,442
Reportable segment assets	70,807,451	18,333,866	505,278	9,495,877	1,312,360	100,454,832
Reportable segment liabilities	26,197,248	2,234,645	7,669	1,904,561	1,563,142	31,907,265
Reportable segment equity of investment account holders	37,303,218	11,817,236	-	6,962,121	-	56,082,575

8 FINANCING ASSETS

	30 June 2019 (Reviewed)	31 December 2018 (Audited)	30 June 2018 (Reviewed)
(a) By type			
Receivables and balances from financing activities:			
Murabaha	54,668,187	53,960,332	55,763,028
Ijarah	17,232,344	15,421,063	14,415,378
Istisna'a	1,183,510	1,009,207	1,537,849
Musharaka	5,620,877	6,281,030	6,043,315
Others	405,990	378,307	461,096
Accrued profit receivable	391,620	351,450	331,571
Total financing assets	79,502,528	77,401,389	78,552,237
Deferred profit	(4,113,824)	(4,297,229)	(4,861,207)
Allowance for impairment - Performing (Stages 1 and 2)*	(286,203)	(283,896)	(385,546)
Allowance for impairment - Non-performing (Stage3)*	(272,632)	(280,754)	(201,597)
Profit in suspense*	(29,965)	(24,224)	(15,427)
Net financing assets	74,799,904	72,515,286	73,088,460

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six-Month Period Ended 30 June 2019

8 FINANCING ASSETS (continued)

*For stage-wise exposure and allowance for impairment, refer to Note 3(b).

The total non-performing financing assets net of deferred profit at 30 June 2019 amounted to QAR 560,237 thousand representing 0.74% of the gross financing assets net of deferred profit (31 December 2018: QAR 604,040 thousand representing 0.83% of the gross financing assets net of deferred profit; 30 June 2018: QAR 493,933 thousand representing 0.67% of the gross financing assets net of deferred profit).

Specific impairment of financing assets includes QAR 29,965 thousand of profit in suspense (31 December 2018: QAR 24,224 thousand; 30 June 2018: QAR 15,427 thousand).

9 INVESTMENT SECURITIES

	<i>30 June 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (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	638	4,372	4,377
Accrued profit receivable	4	3	3
	<u>642</u>	<u>4,375</u>	<u>4,380</u>
<i>Debt-type investments classified as amortised cost</i>			
Fixed profit rate - Quoted	1,602,599	1,350,495	1,466,709
Floating profit rate - Quoted	-	-	20,933
Government of Qatar Sukuk - Quoted	1,316,645	1,323,060	1,321,351
Government of Qatar Sukuk - Unquoted	16,700,000	16,200,000	16,200,000
Accrued profit receivable	237,892	219,706	214,651
Less: Allowance for impairment*	<u>(35,719)</u>	<u>(34,831)</u>	<u>(36,025)</u>
	<u>19,821,417</u>	<u>19,058,430</u>	<u>19,187,619</u>
<i>Investments classified as fair value through equity</i>			
• Equity type investments			
- Quoted	37,792	48,939	50,034
- Unquoted	106,723	95,511	96,729
• Debt type investments - Fixed profit rate	-	14,601	31,157
Accrued profit receivable	-	255	473
	<u>144,515</u>	<u>159,306</u>	<u>178,393</u>
	<u>19,966,574</u>	<u>19,222,111</u>	<u>19,370,392</u>

*For stage-wise exposure and allowance for impairment, refer to Note 3(b).

The Group has recognized impairment loss for certain equity-type investments classified as fair value through equity during the period totalling QAR 424 thousand (30 June 2018: QAR 5,646 thousand), due to significant and prolonged reduction in fair values.

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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 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Positive fair value:			
Balance at 1 January	10,241	5,525	5,525
Net change in fair value	11,354	11,576	11,702
Transferred to consolidated income statement on sale	(6,357)	(6,587)	(6,587)
Transferred to consolidated income statement due to impairment	-	-	-
Share of other comprehensive income of associates	(893)	(273)	(273)
Net fair value movement	4,104	4,716	4,842
Balance at 30 June / 31 December	<u>14,345</u>	<u>10,241</u>	<u>10,367</u>
Negative fair value:			
Balance at 1 January	(473)	(2,451)	(2,451)
Net change in fair value	(453)	(3,831)	(5,662)
Transferred to consolidated income statement on sale	-	-	-
Transferred to consolidated income statement due to impairment	424	5,809	5,646
Net fair value movement	(29)	1,978	(16)
Balance at 30 June / 31 December	<u>(502)</u>	<u>(473)</u>	<u>(2,467)</u>
Total fair value at 30 June / 31 December	<u>13,843</u>	<u>9,768</u>	<u>7,900</u>

10 DUE TO BANKS

	<i>30 June 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Current accounts	295,098	138,316	23,168
Commodity murabaha payable	1,094,697	856,505	729,633
Short-term Murabaha facilities from banks	801,274	272,310	797,270
Wakala payable	15,044,183	14,193,217	20,762,506
Repurchase agreements	1,580,649	1,023,428	917,107
Profit payable to banks	65,454	62,234	54,121
	<u>18,881,355</u>	<u>16,546,010</u>	<u>23,283,805</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

11 SUKUK FINANCING

The Group has issued the following debt securities under its sukuk programs:

Instrument	Issuer	Issued amount	Issued on	Maturity	Profit rate
Sukuk	MAR Sukuk Limited	USD 100 million	20 November 2018	20 November 2023	3-month USD LIBOR + 1.75% p.a. payable quarterly
Sukuk	MAR Sukuk Limited	USD 90 million	21 November 2018	21 November 2023	3-month USD LIBOR + 1.75% p.a. payable quarterly
Sukuk	Tolkien Funding Sukuk No.1 Plc	GBP 250 million	20 February 2018	20 July 2052	3-month Sterling LIBOR + 0.8% p.a. payable quarterly

12 OTHER BORROWINGS

Other borrowings are USD floating rate syndications that are priced at spreads over LIBOR and which have residual maturities of 1 to 3 years. The movement in other borrowings issued by the Group during the year is as follows:

	30 June 2019 (Reviewed)	31 December 2018 (Audited)	30 June 2018 (Reviewed)
Balance at 1 January	2,052,993	-	-
Issuances during the period / year	-	2,042,356	-
Repayments during the period / year	(10,055)	-	-
Amortisation of transaction cost	2,310	582	-
Other movements	(236,632)	-	-
Profit payable on borrowings	9,750	10,055	-
Balance at 30 June / 31 December	<u>1,818,366</u>	<u>2,052,993</u>	<u>-</u>

13 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 June 2019 (Reviewed)	31 December 2018 (Audited)	30 June 2018 (Reviewed)
Saving accounts	5,901,152	4,365,748	5,997,866
Term accounts	46,647,658	46,050,982	45,777,219
Short-term investment accounts	4,259,110	3,559,045	4,019,274
Profit payable to equity of investment account holders	338,481	323,859	287,894
Share in the fair value reserves	590	417	322
	<u>57,146,991</u>	<u>54,300,051</u>	<u>56,082,575</u>

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

(a) Share capital

	<i>30 June 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
<i>Authorised</i>			
7,500,000,000 shares at QAR 1 each	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>

On 16 June 2019, upon the instructions of the QFMA and following the approval of the shareholders obtained at the Bank's extraordinary general assembly meeting held on 25 February 2019, the Bank effected a 10:1 stock split on its shares of capital stock, adjusting the nominal value to one Qatari Riyal per share (QAR 1 per share) instead of QAR 10 per share (Note 1).

(b) Legal reserve

	<i>30 June 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Balance at 1 January	2,278,783	2,065,741	2,065,741
Transfer from retained earnings	-	213,042	-
Balance at 30 June / 31 December	<u>2,278,783</u>	<u>2,278,783</u>	<u>2,065,741</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 2019 as Masraf will transfer the required amount by 31 December 2019.

(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 2019 as Masraf will transfer the required amount by 31 December 2019.

(d) Fair value reserves

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

	<i>30 June 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Balance at 1 January	9,768	3,074	3,074
Net unrealised gains / (losses)	11,491	8,162	1,964
Transferred to consolidated income statement on sale	(6,357)	(6,587)	(6,587)
Transferred to consolidated income statement due to impairment	424	5,809	10,044
Share of other comprehensive income of associates	(893)	(273)	(273)
Share of equity of investment account holders in the fair value reserve	(590)	(417)	(322)
Net fair value movement	4,075	6,694	4,826
Balance at 30 June / 31 December (shareholders' share)	<u>13,843</u>	<u>9,768</u>	<u>7,900</u>

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14 OWNERS' EQUITY (continued)

(d) Fair value reserves (continued)

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 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Balance at 1 January	118,910	113,001	113,001
Share of results of associates	-	21,904	-
Dividend from associates transferred to retained earnings	-	(4,000)	-
Other movement	-	(11,995)	-
Balance at 30 June / 31 December	<u>118,910</u>	<u>118,910</u>	<u>113,001</u>

No transfer has been made for the period ended 30 June 2019 as Masraf will transfer the share of results of associates to other reserves by 31 December 2019.

(g) Dividend

On 25 February 2019, the General Assembly approved a cash dividend of 20% of the paid up share capital (2018: 20%) amounting to QAR 1,500 million (2018: QAR 1,500 million).

15 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 2018: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

16 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 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Payable not later than 1 year	17,491	15,251	30,353
Payable later than 1 year and not later than 5 years	<u>22,400</u>	<u>30,518</u>	<u>62,593</u>
	<u>39,891</u>	<u>45,769</u>	<u>92,946</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

16 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(b) Contingent liabilities

	<i>30 June 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Unutilised credit facilities	476,999	630,007	2,637,102
Guarantees	12,046,189	14,389,848	13,033,937
Letters of credit	819,675	1,047,117	1,372,340
	<u>13,342,863</u>	<u>16,066,972</u>	<u>17,043,379</u>

(c) Other undertakings and commitments

	<i>30 June 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Profit rate swap	3,812,005	3,834,929	3,934,835
Unilateral promise to buy/sell currencies	19,269,349	17,396,419	12,661,666
	<u>23,081,354</u>	<u>21,231,348</u>	<u>16,596,501</u>
Capital commitments in respect of Head Office building under construction	415,119	418,320	422,587

17 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>2019 (Reviewed)</i>	<i>2018 (Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>1,078,106</u>	<u>1,065,893</u>
Weighted average number of shares outstanding during the period ¹	<u>7,500,000</u>	<u>7,500,000</u>
Basic earnings per share (QAR)	<u>0.144</u>	<u>0.142</u>

¹ Retroactively adjusted for the stock split effected on 16 June 2019 (Note 1)

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

18 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 2019 (Reviewed)</i>	<i>30 June 2018 (Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	831,543	686,935
Due from banks	<u>3,248,613</u>	<u>3,568,260</u>
	<u>4,080,156</u>	<u>4,255,195</u>

19 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 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Liabilities			
Equity of investment account holders - customer	<u>3,135,107</u>	<u>3,098,096</u>	<u>3,059,217</u>

(b) Condensed consolidated income statement items

	<i>For the Six-Month Period Ended 30 June</i>	
	<i>2019 (Reviewed)</i>	<i>2018 (Reviewed)</i>
Return on equity of investment account holders - customer	<u>37,808</u>	<u>31,413</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 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Financing	<u>475</u>	<u>584</u>	<u>732</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

19 RELATED PARTIES (continued)

Transactions with 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 30 June</i>	
	<i>2019 (Reviewed)</i>	<i>2018 (Reviewed)</i>
Remuneration to Board of Directors including meeting allowances	<u>14,804</u>	<u>13,090</u>
Salaries and other benefits	<u>8,571</u>	<u>8,532</u>

20 CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the below ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer and the applicable Domestically Systemically Important Bank ("DSIB") Buffer, is 1% for 2018.

The table below summarises the composition of prevailing regulatory capital and the ratios of the Group. The Group and the individual entities within it complied with the externally imposed capital requirements to which they are subject to:

	<i>30 June 2019 (Reviewed)</i>	<i>31 December 2018 (Audited)</i>	<i>30 June 2018 (Reviewed)</i>
Common Equity Tier 1 (CET 1) capital	11,961,580	11,955,147	11,371,795
Tier 1 capital	-	-	41,827
Tier 2 capital	<u>340,418</u>	<u>338,142</u>	<u>509,119</u>
Total regulatory capital	<u>12,301,998</u>	<u>12,293,289</u>	<u>11,922,741</u>
Risk weighted assets			
Risk weighted assets for credit risk	55,813,721	56,446,425	55,586,838
Risk weighted assets for market risk	2,475,119	2,895,665	3,641,361
Risk weighted assets for operational risk	<u>4,956,019</u>	<u>4,601,974</u>	<u>4,359,598</u>
Total risk weighted assets	<u>63,244,859</u>	<u>63,944,064</u>	<u>63,587,797</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2019

20 CAPITAL ADEQUACY RATIO (continued)

	CET 1 ratio without capital conservation buffer	CET 1 ratio including capital conservation buffer	Tier 1 capital ratio including capital conservation buffer	Tier 1 and 2 capital ratio including capital conservation buffer	Total capital including capital conservation buffer and DSIB ¹ buffer	Total capital including conservation buffer, DSIB ¹ ICAAP Pillar II capital charge
30 June 2019						
Actual	18.91%	18.91%	18.91%	19.45%	19.45%	19.45%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.55%
31 December 2018						
Actual	18.70%	18.70%	18.70%	19.23%	19.23%	19.23%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.55%
30 June 2018						
Actual	17.88%	17.88%	17.95%	18.75%	18.75%	18.75%
Minimum QCB limit	6.00%	8.50%	10.50%	12.50%	13.50%	14.78%

¹ Domestic Systemically Important Bank

21 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. Profit receivable amounting to QAR 584,857 thousand and QAR 561,212 thousand and profit payable amounting to QAR 75,796 thousand and QAR 54,121 thousand as at 31 December 2018 and 30 June 2018, respectively, have been reclassified to each of the respective account balances.