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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2019

Contents

Deloitte.

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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 September 2019, and the related interim consolidated statements of income for the three month and nine month periods ended 30 September 2019, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine 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
October 27, 2019

For **Deloitte & Touche**
Qatar Branch

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

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	*30 September 2019 (Reviewed)*	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
ASSETS				
Cash and balances with Qatar Central Bank		**3,463,338**	3,026,994	2,963,684
Due from banks		**4,251,953**	1,512,865	2,038,390
Financing assets	8	**75,562,839**	72,515,286	74,421,979
Investment securities	9	**20,808,991**	19,222,111	19,150,062
Investment in associates		**534,098**	525,859	531,218
Fixed assets		**202,935**	188,979	184,880
Other assets		**225,476**	302,119	313,059
TOTAL ASSETS		**105,049,630**	97,294,213	99,603,272
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	10	**18,613,326**	16,546,010	19,945,190
Customer current accounts		**7,222,269**	7,268,816	7,025,330
Sukuk financing	11	**1,552,230**	1,721,339	-
Other borrowings	12	**2,002,284**	2,052,993	236,633
Other liabilities		**2,238,273**	1,931,221	1,911,739
TOTAL LIABILITIES		**31,628,382**	29,520,379	29,118,892
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	**59,794,773**	54,300,051	57,451,282
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)	**14,469**	9,768	9,445
Foreign currency translation reserve	14 (e)	**(18,011)**	(13,809)	(11,496)
Other reserves	14 (f)	**118,910**	118,910	113,001
Retained earnings		**1,962,421**	1,808,968	1,649,784
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**13,431,267**	13,277,315	12,834,042
Non-controlling interest	15	**195,208**	196,468	199,056
TOTAL EQUITY		**13,626,475**	13,473,783	13,033,098
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**105,049,630**	97,294,213	99,603,272

These interim condensed consolidated financial statements were approved by the Board of Directors on 27 October 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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

INTERIM CONSOLIDATED INCOME STATEMENT

For the Three and Nine-Month Periods Ended 30 September 2019

	Note	*For The Three-Month Period Ended 30 September* **2019** **(Reviewed)**	*For The Three-Month Period Ended 30 September* *2018* *(Reviewed)*	*For The Nine-Month Period Ended 30 September* **2019** **(Reviewed)**	*For The Nine-Month Period Ended 30 September* *2018* *(Reviewed)*
Net income from financing activities		**949,296**	894,994	**2,771,869**	2,650,708
Net income from investing activities		**232,425**	203,259	**674,654**	630,956
Total net income from financing and investing activities		**1,181,721**	1,098,253	**3,446,523**	3,281,664
Fee and commission income		**127,903**	90,229	**308,136**	226,708
Fee and commission expense		**(369)**	(1,455)	**(1,397)**	(4,369)
Net fee and commission income		**127,534**	88,774	**306,739**	222,339
Foreign exchange gain (net)		**31,925**	32,973	**116,313**	130,242
Share of results of associates		**4,952**	6,421	**19,831**	21,904
Other income		**1,175**	4,069	**6,243**	5,944
TOTAL INCOME		**1,347,307**	1,230,490	**3,895,649**	3,662,093
Staff costs		**(98,115)**	(92,726)	**(291,356)**	(277,457)
Depreciation		**(1,686)**	(3,570)	**(10,826)**	(11,063)
Other expenses		**(83,187)**	(66,014)	**(207,375)**	(203,821)
Finance expense		**(201,524)**	(173,677)	**(634,145)**	(571,312)
TOTAL EXPENSES		**(384,512)**	(335,987)	**(1,143,702)**	(1,063,653)
Net reversals on due from banks	3 (b)	**97**	91	**325**	286
Net (impairment losses) / recoveries and reversals on financing assets		**(5,359)**	6,222	**404**	(1,673)
Net reversals / (impairment losses) on investment securities		**1,834**	(168)	**522**	(10,212)
Net reversals on off balance sheet exposures subject to credit risk	3 (b)	**2,395**	8,975	**3,460**	5,356
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**961,762**	909,623	**2,756,658**	2,592,197
Less: Return to investment account holders		**(386,183)**	(342,301)	**(1,095,622)**	(950,433)
PROFIT BEFORE TAX FOR THE PERIOD		**575,579**	567,322	**1,661,036**	1,641,764
Tax credit / (expense)		**1,604**	558	**(1,865)**	(2,520)
NET PROFIT FOR THE PERIOD		**577,183**	567,880	**1,659,171**	1,639,244
Net profit for the period attributable to:					
Equity holders of the Bank		**575,347**	565,999	**1,653,453**	1,631,892
Non-controlling interest		**1,836**	1,881	**5,718**	7,352
		577,183	567,880	**1,659,171**	1,639,244
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	17	**0.077**	0.075	**0.220**	0.218

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 Nine-Month Period Ended 30 September 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	-	-	-	-	(114,809)	-	-	(114,809)	-	(114,809)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	110,607	-	-	110,607	-	110,607
Fair value reserve movement (Note 9)	-	-	-	4,701	-	-	-	4,701	-	4,701
Profit for the period	-	-	-	-	-	-	1,653,453	1,653,453	5,718	1,659,171
Dividend declared and approved for 2018 (Note 14g)	-	-	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(6,978)	(6,978)
Balance at 30 September 2019 (Reviewed)	**7,500,000**	**2,278,783**	**1,574,695**	**14,469**	**(18,011)**	**118,910**	**1,962,421**	**13,431,267**	**195,208**	**13,626,475**

	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 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	-	-	-	-	(96,076)	-	-	(96,076)	-	(96,076)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	92,099	-	-	92,099	-	92,099
Fair value reserve movement (Note 9)	-	-	-	6,371	-	-	-	6,371	-	6,371
Profit for the period	-	-	-	-	-	-	1,631,892	1,631,892	7,352	1,639,244
Dividend declared and approved for 2017 (Note 14g)	-	-	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(7,363)	(7,363)
Balance at 30 September 2018 (Reviewed)	7,500,000	2,065,741	1,507,567	9,445	(11,496)	113,001	1,649,784	12,834,042	199,056	13,033,098

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

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Nine-Month Period Ended 30 September 2019

	Notes	*For the Nine-Month Period Ended 30 September* **2019 (Reviewed)**	*2018 (Reviewed)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		1,661,036	1,641,764
Adjustments for:			
Net (reversal) / impairment losses on financing assets		(404)	1,673
Net (reversal) / impairment losses on investment securities		(522)	10,212
Net reversals on other financial assets		(3,460)	(5,642)
Fair value loss on investment securities carried as fair value through income statement		67	137
Unrealized loss on revaluation of Shari’a compliant risk management instruments		2,602	1,353
Depreciation		10,826	11,063
Amortization of transaction costs		3,648	-
Net gain on sale of investment securities		(8,191)	(16,022)
Dividend income		(2,528)	(5,718)
Share of results of associates		(19,831)	(21,904)
Loss on disposal of fixed assets		25	-
Amortisation of premium and discount on investment securities		(10,855)	(6,295)
Employees’ end of service benefit provisions		4,225	6,353
Profit before changes in operating assets and liabilities		**1,636,638**	1,616,974
Change in reserve account with Qatar Central Bank		(146,464)	(163,940)
Change in due from banks		236,633	305,000
Change in financing assets		(3,046,830)	(2,577,657)
Change in other assets		28,848	(43,941)
Change in profit receivable from investments		(28,243)	(1,297)
Change in due to banks		1,830,684	(5,238,156)
Change in customer current accounts		(46,547)	404,490
Change in other liabilities		264,099	(132,073)
Change in profit payable on sukuk financing and other borrowings		13,557	-
		742,375	(5,830,600)
Dividend received		2,528	5,718
Employees’ end of service benefits paid		(2,421)	(1,981)
Tax paid		(557)	(284)
Net cash from / (used in) operating activities		**741,925**	(5,827,147)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(3,985,606)	(515,178)
Proceed from sale / redemption of investment securities		2,429,743	4,996,349
Acquisition of fixed assets		(25,644)	(36,975)
Dividend received from associates		10,699	10,700
Net cash (used in) / from investing activities		**(1,570,808)**	4,454,896
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		5,494,522	1,540,676
Net proceeds from sukuk financing and other borrowings		35,139	236,633
Dividends paid		(1,411,506)	(1,410,518)
Net movement in non-controlling interest		(6,978)	(7,363)
Net cash from financing activities		**4,111,177**	359,428
Net increase / (decrease) in cash and cash equivalents		3,282,294	(1,012,823)
Cash and cash equivalents at 1 January		1,790,022	3,145,344
NON-CASH ITEMS			
Impact from adoption of ECL regulations		-	(506)
Effects of exchange rate changes on cash and cash equivalents held		(16,693)	23,451
Cash and cash equivalents at 30 September	18	**5,055,623**	2,155,466

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

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

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 nine-month period ended 30 september 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 17 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:

Entity's name	*Country of incorporation*	*Entity's capital*		*Entity's activities*	*Effective percentage of ownership*	
					30 September 2019	*31 December 2018*
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, which has been extended up to 10 September 2019. The Board of Directors is in the process of finalizing the status of Al Rayan Financial Brokerage to comply with the QFMA requirements.

[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'.

2 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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 nine-month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

(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:

FAS 31 - Investment Agency (Al-Wakala Bi Al-lstithmar)
AAOIFI has issued FAS 31 in 2018. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

FAS 33 - Investment in sukuk, shares and similar instruments
AAOIFI has issued FAS 33 in 2019. FAS 33 supersedes the earlier FAS 25 - Investment in sukuks, shares and similar instruments. The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari’ah principles.

This standard shall be effective for financial periods beginning on or after 1 January 2020 with early adoption permitted.

FAS 34 - Financial reporting for Sukuk-holders
AAOIFI has issued FAS 34 in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukukholders.

This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

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2 BASIS OF PREPARATION (continued)

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

FAS 35 - Risk Reserves
AAOIFI has issued FAS 35 in 2018. This standard along with FAS 30 - Impairment, credit losses and onerous commitments” supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions).

This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted, only if the Group early adopts FAS 30 - Impairment, credit losses and onerous commitments.

The Group is currently evaluating the impact of the above standards.

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 491 million.

	Retained earnings	*Non-controlling interest*
Closing balance as at 31 December 2017	**2,009,007**	**199,067**
Impact on recognition of Expected Credit Losses		
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**	-
	491,115	-
Opening balance under ECL regulations on date of initial application of 1 January 2018	**1,517,892**	**199,067**

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

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

(b) Expected credit loss / Impairment allowances

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 30 September 2019				
- Due from banks	**4,250,507**	**1,524**	**-**	**4,252,031**
- Financing assets	**65,989,873**	**9,654,280**	**499,110**	**76,143,263**
- Debt type investments carried at amortised cost	**20,615,366**	**23,286**	**57,162**	**20,695,814**
- Off balance sheet exposures subject to credit risk	**13,262,289**	**502,476**	**12,889**	**13,777,654**
	104,118,035	**10,181,566**	**569,161**	**114,868,762**
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	(112)	(150)	(54)	(316)
- Debt type investments carried at amortised cost	(2)	-	-	(2)
- Off balance sheet exposures subject to credit risk	-	-	-	-
	(114)	(150)	(54)	(318)
Net transfer between stages				
- Due from banks	-	-	-	-
- Financing assets	5,197	(5,529)	332	-
- Debt type investments carried at amortised cost	197	(197)	-	-
- Off balance sheet exposures subject to credit risk	1,227	(1,227)	-	-
	6,621	(6,953)	332	-
Charge / (reversal) for the period (net)				
- Due from banks	(325)	-	-	(325)
- Financing assets	(23,235)	45,002	(29,901)	(8,134)
- Debt type investments carried at amortised cost	(1,663)	490	-	(1,173)
- Off balance sheet exposures subject to credit risk	(3,863)	403	-	(3,460)
	(29,086)	45,895	(29,901)	(13,092)
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 September 2019				
- Due from banks	**78**	**-**	**-**	**78**
- Financing assets	**40,507**	**264,562**	**275,355**	**580,424**
- Debt type investments carried at amortised cost	**4,523**	**523**	**28,610**	**33,656**
- Off balance sheet exposures subject to credit risk	**9,088**	**34,463**	**-**	**43,551**
	54,196	**299,548**	**303,965**	**657,709**

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3 EXPECTED CREDIT LOSSES (“ECL”) (continued)

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

	Stage 1	Stage 2	Stage 3	Total
Exposure (carrying value) subject to ECL as at 30 September 2018				
- Due from banks	2,038,896	-	-	2,038,896
- Financing assets	66,049,713	8,489,168	481,672	75,020,553
- Debt type investments carried at amortised cost	18,872,326	72,458	57,162	19,001,946
- Off balance sheet exposures subject to credit risk	13,725,526	536,191	6,596	14,268,313
	100,686,461	9,097,817	545,430	110,329,708
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	(167)	(107)	(6)	(280)
- Debt type investments carried at amortised cost	(2)	-	-	(2)
- Off balance sheet exposures subject to credit risk	-	-	-	-
	(169)	(107)	(6)	(282)
Net transfer between stages				
- Due from banks	-	-	-	-
- Financing assets	(25,518)	25,518	-	-
- Debt type investments carried at amortised cost	(129)	129	-	-
- Off balance sheet exposures subject to credit risk	(614)	614	-	-
	(26,261)	26,261	-	-
Charge / (reversal) for the period (net)				
- Due from banks	(25)	(261)	-	(286)
- Financing assets	45,062	(76,310)	40,976	9,728
- Debt type investments carried at amortised cost	4,828	(262)	-	4,566
- Off balance sheet exposures subject to credit risk	5,808	(11,164)	-	(5,356)
	55,673	(87,997)	40,976	8,652
Write offs				
- Due from banks	-	-	-	-
- Financing assets	-	-	(757)	(757)
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	-	-	-	-
	-	-	(757)	(757)
Closing Balance - as at 30 September 2018				
- Due from banks	506	-	-	506
- Financing assets	149,356	243,325	205,893	598,574
- Debt type investments carried at amortised cost	6,576	1,005	28,610	36,191
- Off balance sheet exposures subject to credit risk	18,345	39,402	-	57,747
	174,783	283,732	234,503	693,018

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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-	40,881,179	19,412,872	4,745,594	33,297
A+ to A-	13,482,720	197,368	4,653,484	3,816,472
BBB to BBB-	9,419,701	455,241	3,247,656	398,934
BB+ to B-	2,664,807	546,850	1,005,088	1,805
Unrated	9,694,856	83,483	125,832	1,523
Totals as of 30 September 2019	**76,143,263**	**20,695,814**	**13,777,654**	**4,252,031**

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-	37,888,935	18,117,406	2,146,423	72,843
A+ to A-	8,574,842	388,076	5,966,023	1,652,607
BBB to BBB-	7,228,290	85,125	4,477,780	311,395
BB+ to B-	10,669,819	317,684	1,641,907	1,504
Unrated	10,658,667	93,655	36,180	547
Totals as of 30 September 2018	75,020,553	19,001,946	14,268,313	2,038,896

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.

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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, 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:

30 September 2019 (Reviewed)	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets				
Shari’a-compliant risk management instruments	-	32,492	-	32,492
Investment securities	38,323	108,510	-	146,833
	38,323	**141,002**	**-**	**179,325**
Financial liabilities				
Shari’a-compliant risk management instruments	-	30,799	-	30,799
	-	**30,799**	**-**	**30,799**

31 December 2018 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Shari’a-compliant risk management instruments	-	80,287	-	80,287
Investment securities	68,170	95,511	-	163,681
	68,170	175,798	-	243,968
Financial liabilities				
Shari’a-compliant risk management instruments	-	75,992	-	75,992
	-	75,992	-	75,992

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 3,023 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 September 2019 and 31 December 2018, there were no transfers among Levels 1, 2 and 3 fair value measurements.

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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

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
30 September 2019 (Reviewed)					
Cash and balances with QCB	-	-	3,463,338	3,463,338	3,463,338
Due from banks	-	-	4,251,953	4,251,953	4,251,953
Financing assets	-	-	75,562,839	75,562,839	75,562,839
Investment securities:					
- Measured at fair value	1,892	144,941	-	146,833	146,833
- Measured at amortised cost	-	-	20,662,158	20,662,158	20,722,951
Other assets	-	-	31,703	31,703	31,703
Shari'a-compliant risk management instruments	32,492	-	-	32,492	32,492
	34,384	**144,941**	**103,971,991**	**104,151,316**	**104,212,109**
Due to banks	-	-	18,613,326	18,613,326	18,613,326
Customer current accounts	-	-	7,222,269	7,222,269	7,222,269
Sukuk financing	-	-	1,552,230	1,552,230	1,552,230
Other borrowings	-	-	2,002,284	2,002,284	2,002,284
Other liabilities	-	-	1,079,614	1,079,614	1,079,614
Equity of investment account holders	-	-	59,794,773	59,794,773	59,794,773
Shari'a-compliant risk management instruments	30,799	s-		30,799	30,799
	30,799	**-**	**90,264,496**	**90,295,295**	**90,295,295**

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6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

31 December 2018 (Audited)	*Fair value through income statement*	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
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
	84,662	159,306	96,123,180	96,367,148	96,300,667
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
	75,992	-	82,942,486	83,018,478	83,018,478

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.

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7 OPERATING SEGMENTS (continued)

Information about operating segments

30 September 2019 (Reviewed)	*Corporate Banking*	*Retail Banking*	*Asset Management*	*International operations*	*Unallocated*	*Total*
External revenue:						
Total income from financing and investing activities	2,277,852	898,330	23,466	246,875	-	**3,446,523**
Net fee and commission income	290,549	-	13,883	2,307	-	**306,739**
Foreign exchange gain / (loss)	115,094	-	(78)	1,297	-	**116,313**
Share of results of associates	-	-	-	-	19,831	**19,831**
Other income	-	-	-	-	6,243	**6,243**
Total segment revenue	**2,683,495**	**898,330**	**37,271**	**250,479**	**26,074**	**3,895,649**
Other material non-cash items:						
Net recoveries and reversals / (impairment losses) on financing assets	31,241	(29,316)	-	(1,521)	-	**404**
Net recoveries and reversals / (impairment losses) on investment securities	2,262	-	(1,705)	(35)	-	**522**
Net recoveries and reversals on other exposures subject to credit risk	3,781	-	-	4	-	**3,785**
Reportable segment profit before tax	**1,402,122**	**564,885**	**18,519**	**19,173**	**(343,663)**	**1,661,036**
Reportable segment assets	**70,314,068**	**23,150,055**	**676,668**	**9,692,672**	**1,216,167**	**105,049,630**
Reportable segment liabilities	**24,359,959**	**2,414,757**	**149,977**	**2,752,562**	**1,951,127**	**31,628,382**
Reportable segment equity of investment account holders	**38,802,022**	**14,679,677**	**-**	**6,313,074**	**-**	**59,794,773**

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7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 September 2018 (Reviewed)	*Corporate Banking*	*Retail Banking*	*Asset Management*	*International operations*	*Unallocated*	*Total*
External revenue:						
Total income from financing and investing activities	2,265,651	757,940	26,675	231,398	-	3,281,664
Net fee and commission income	208,739	-	12,699	901	-	222,339
Foreign exchange gain / (loss)	130,568	-	(237)	(89)	-	130,242
Share of results of associates	-	-	-	-	21,904	21,904
Other income	-	-	-	-	5,944	5,944
Total segment revenue	2,604,958	757,940	39,137	232,210	27,848	3,662,093
Other material non-cash items:						
Net (impairment losses) / recoveries and reversals on financing assets	(31,553)	31,431	-	(1,551)	-	(1,673)
Net impairment losses on investment securities	(5,367)	-	(4,755)	(90)	-	(10,212)
Net reversals on other financial assets	5,642	-	-	-	-	5,642
Reportable segment profit before tax	1,366,579	566,496	20,090	24,585	(335,986)	1,641,764
Reportable segment assets	69,760,394	18,844,021	513,704	9,240,841	1,244,312	99,603,272
Reportable segment liabilities	23,517,998	2,204,990	10,746	1,808,958	1,576,200	29,118,892
Reportable segment equity of investment account holders	38,363,952	12,294,857	-	6,792,473	-	57,451,282

8 FINANCING ASSETS

(a) By type	***30 September 2019 (Reviewed)***	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Receivables and balances from financing activities:			
Murabaha	**55,385,516**	53,960,332	57,034,918
Ijarah	**18,360,102**	15,421,063	14,436,087
Istisna'a	**1,242,588**	1,009,207	1,615,816
Musharaka	**5,771,982**	6,281,030	5,759,201
Others	**385,357**	378,307	380,761
Accrued profit receivable	**305,892**	351,450	264,994
Total financing assets	**81,451,437**	77,401,389	79,491,777
Deferred profit	**(5,308,174)**	(4,297,229)	(4,471,224)
Allowance for impairment - Performing (Stages 1 and 2)*	**(305,069)**	(283,896)	(392,681)
Allowance for impairment - Non-performing (Stage3)*	**(258,860)**	(280,754)	(187,818)
Profit in suspense*	**(16,495)**	(24,224)	(18,075)
Net financing assets	**75,562,839**	72,515,286	74,421,979

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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 September 2019 amounted to QAR 499,110 thousand representing 0.66% 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 September 2018: QAR 481,672 thousand representing 0.64% of the gross financing assets net of deferred profit).

9 INVESTMENT SECURITIES

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Investments classified as fair value through income statement			
Investments classified as held for trading (Quoted)			
Debt type investments - Fixed profit rate	**1,859**	4,372	4,336
Accrued profit receivable	**33**	3	60
	1,892	4,375	4,396
Debt-type investments classified as amortised cost			
Fixed profit rate - Quoted	**1,459,375**	1,350,495	1,258,094
Government of Qatar Sukuk - Quoted	**1,288,265**	1,323,060	1,322,274
Government of Qatar Sukuk - Unquoted	**17,700,000**	16,200,000	16,200,000
Accrued profit receivable	**248,174**	219,706	221,578
Less: Allowance for impairment*	**(33,656)**	(34,831)	(36,191)
	20,662,158	19,058,430	18,965,755
Investments classified as fair value through equity			
• Equity type investments			
- Quoted	**36,431**	48,939	52,534
- Unquoted	**108,510**	95,511	95,839
• Debt type investments - Fixed profit rate	**-**	14,601	31,032
Accrued profit receivable	**-**	255	506
	144,941	159,306	179,911
	20,808,991	19,222,111	19,150,062

*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 651 thousand (30 September 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:

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Positive fair value:			
Balance at 1 January	**10,241**	5,525	5,525
Net change in fair value	**12,499**	11,576	12,510
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	**5,249**	4,716	5,650
Balance at 30 September / 31 December	**15,490**	10,241	11,175
Negative fair value:			
Balance at 1 January	**(473)**	(2,451)	(2,451)
Net change in fair value	**(1,199)**	(3,831)	(9,491)
Transferred to consolidated income statement on sale	**-**	-	-
Transferred to consolidated income statement due to impairment	**651**	5,809	10,212
Net fair value movement	**(548)**	1,978	721
Balance at 30 September / 31 December	**(1,021)**	(473)	(1,730)
Total fair value at 30 September / 31 December	**14,469**	9,768	9,445

10 DUE TO BANKS

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Current accounts	**39,035**	138,316	60,605
Commodity murabaha payable	**657,274**	856,505	934,554
Short-term Murabaha facilities from banks	**399,727**	272,310	445,810
Wakala payable	**15,837,916**	14,193,217	17,296,578
Repurchase agreements	**1,613,970**	1,023,428	1,156,463
Profit payable to banks	**65,404**	62,234	51,180
	18,613,326	16,546,010	19,945,190

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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 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Balance at 1 January	**2,052,993**	-	-
Issuances during the period / year	**182,025**	2,042,356	236,633
Repayments during the period / year	**(10,055)**	-	-
Amortisation of transaction cost	**3,502**	582	-
Reclassified as Due to banks	**(236,632)**	-	-
Profit payable on borrowings	**10,451**	10,055	-
Balance at 30 September / 31 December	**2,002,284**	2,052,993	236,633

13 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Saving accounts	**5,969,888**	4,365,748	5,919,596
Term accounts	**50,093,502**	46,050,982	47,202,536
Short-term investment accounts	**3,344,389**	3,559,045	3,984,858
Profit payable to equity of investment account holders	**386,377**	323,859	343,907
Share in the fair value reserves	**617**	417	385
	59,794,773	54,300,051	57,451,282

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14 OWNERS' EQUITY

(a) Share capital

	30 September 2019 (Reviewed)	31 December 2018 (Audited)	30 September 2018 (Reviewed)
Authorised			
7,500,000,000 shares at QAR 1 each	**7,500,000**	7,500,000	7,500,000

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

	30 September 2019 (Reviewed)	31 December 2018 (Audited)	30 September 2018 (Reviewed)
Balance at 1 January	**2,278,783**	2,065,741	2,065,741
Transfer from retained earnings	**-**	213,042	-
Balance at 30 September / 31 December	**2,278,783**	2,278,783	2,065,741

According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. No transfer has been made for the period ended 30 September 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 September 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.

	30 September 2019 (Reviewed)	31 December 2018 (Audited)	30 September 2018 (Reviewed)
Balance at 1 January	**9,768**	3,074	3,074
Net unrealised gains / (losses)	**11,917**	8,162	3,404
Transferred to consolidated income statement on sale	**(6,357)**	(6,587)	(6,587)
Transferred to consolidated income statement due to impairment	**651**	5,809	10,212
Share of other comprehensive income of associates	**(893)**	(273)	(273)
Share of equity of investment account holders in the fair value reserve	**(617)**	(417)	(385)
Net fair value movement	**4,701**	6,694	6,371
Balance at 30 September / 31 December (shareholders' share)	**14,469**	9,768	9,445

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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

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
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 September / 31 December	**118,910**	118,910	113,001

No transfer has been made for the period ended 30 September 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:

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Payable not later than 1 year	**18,893**	15,251	19,508
Payable later than 1 year and not later than 5 years	**21,814**	30,518	33,536
	40,707	45,769	53,044

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16 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(b) Contingent liabilities

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Unutilised credit facilities	**503,005**	630,007	2,882,343
Guarantees	**12,436,158**	14,389,848	13,130,216
Letters of credit	**838,491**	1,047,117	1,138,096
	13,777,654	16,066,972	17,150,655

(c) Other undertakings and commitments

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Profit rate swap	**568,589**	3,834,929	3,913,531
Unilateral promise to buy/sell currencies	**21,582,145**	17,396,419	16,899,372
	22,150,734	21,231,348	20,812,903
Capital commitments in respect of Head Office building under construction	**414,621**	418,320	421,816

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.

	For the Nine-Month Period Ended 30 September	
	2019 (Reviewed)	*2018 (Reviewed)*
Profit for the period attributable to equity holders of the Bank	**1,653,453**	1,631,892
Weighted average number of shares outstanding during the period[1]	**7,500,000**	7,500,000
Basic earnings per share (QAR)	**0.220**	0.218

[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.

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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:

	30 September 2019 (Reviewed)	*30 September 2018 (Reviewed)*
Cash on hand and balances with QCB excluding cash reserve	**840,075**	481,126
Due from banks	**4,215,548**	1,674,340
	5,055,623	2,155,466

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

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Liabilities			
Equity of investment account holders - customer	**3,155,848**	3,098,096	3,078,854

(b) Condensed consolidated income statement items

	For the Nine-Month Period Ended 30 September	
	2019 (Reviewed)	*2018 (Reviewed)*
Return on equity of investment account holders - customer	**57,253**	49,399

(c) Transactions with key management personnel

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

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Financing	**463**	584	626

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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:

	For the Nine-Month Period Ended 30 September	
	2019	*2018*
	(Reviewed)	*(Reviewed)*
Remuneration to Board of Directors including meeting allowances	**17,520**	19,524
Salaries and other benefits	**11,932**	12,368

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 13.50s% for 2019.

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:

	30 September 2019 (Reviewed)	*31 December 2018 (Audited)*	*30 September 2018 (Reviewed)*
Common Equity Tier 1 (CET 1) capital	**11,956,335**	11,955,147	11,373,183
Tier 1 capital	**-**	-	41,893
Tier 2 capital	**354,454**	338,142	500,407
Total regulatory capital	**12,310,789**	12,293,289	11,915,483
Risk weighted assets			
Risk weighted assets for credit risk	**56,973,925**	56,446,425	55,647,078
Risk weighted assets for market risk	**571,009**	2,895,665	2,560,616
Risk weighted assets for operational risk	**4,956,019**	4,601,974	4,359,598
Total risk weighted assets	**62,500,953**	63,944,064	62,567,292

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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] buffer and ICAAP Pillar II capital charge
30 September 2019						
Actual	**19.13%**	**19.13%**	**19.13%**	**19.70%**	**19.70%**	**19.70%**
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 September 2018						
Actual	18.18%	18.18%	18.24%	19.04%	19.04%	19.04%
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 498,902 thousand and profit payable amounting to QAR 75,796 thousand and QAR 51,180 thousand as at 31 December 2018 and 30 September 2018, respectively, have been reclassified to each of the respective account balances.