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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2018

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2018

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 2018, and the related interim consolidated statements of income for the three month and nine month periods ended 30 September 2018, 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"), 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.

Other Matter

The consolidated financial statements and interim condensed consolidated financial statements of the Group for the year ended 31 December 2017 and for the nine month period ended 30 September 2017, respectively, were audited / reviewed by another auditor who expressed an unmodified audit / review opinion / conclusion on those statements on 16 January 2018 and 16 October 2017, respectively.

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

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 15, 2018

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 2018

	Notes	30 September 2018 (Reviewed)	31 December 2017 (Audited)	30 September 2017 (Reviewed)
ASSETS				
Cash and balances with Qatar Central Bank		**2,963,684**	2,799,819	3,171,111
Due from banks		**2,031,562**	3,311,900	2,167,493
Financing assets	8	**74,156,985**	72,097,080	68,481,828
Investment securities	9	**18,931,044**	23,423,469	23,603,673
Investment in associates		**531,218**	520,287	513,728
Fixed assets		**184,880**	159,951	155,788
Other assets		**803,899**	636,466	519,348
TOTAL ASSETS		**99,603,272**	102,948,972	98,612,969
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	10	**19,894,010**	25,123,319	23,784,940
Customer current accounts		**7,025,330**	6,620,840	6,758,018
Other borrowings	11	**236,633**	-	-
Other liabilities		**1,962,919**	1,904,529	1,814,944
TOTAL LIABILITIES		**29,118,892**	33,648,688	32,357,902
EQUITY OF INVESTMENT ACCOUNT HOLDERS	12	**57,451,282**	55,910,346	53,294,104
EQUITY				
Share capital	13	**7,500,000**	7,500,000	7,500,000
Legal reserve	13	**2,065,741**	2,065,741	1,862,926
Risk reserve	13	**1,507,567**	1,507,567	1,345,733
Fair value reserves	13	**9,445**	3,074	(5,098)
Foreign currency translation reserve	13	**(11,496)**	(7,519)	(8,362)
Other reserves	13	**113,001**	113,001	107,146
Retained earnings		**1,649,784**	2,009,007	1,963,965
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**12,834,042**	13,190,871	12,766,310
Non-controlling interest	14	**199,056**	199,067	194,653
TOTAL EQUITY		**13,033,098**	13,389,938	12,960,963
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**99,603,272**	102,948,972	98,612,969

These interim condensed consolidated financial statements were approved by the Board of Directors on 15 October 2018 and were signed on its behalf by:

....	....
Dr. Hussain Ali Al Abdulla	Adel Mustafawi
Chairman and Managing Director	Group Chief Executive Officer

The attached notes 1 to 20 form an integral part of 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 2018

	Note	*For The Three-Month Period Ended 30 September* 2018 (Reviewed)	2017 (Reviewed)	*For The Nine-Month Period Ended 30 September* 2018 (Reviewed)	2017 (Reviewed)
Net income from financing activities		**894,994**	800,676	**2,650,708**	2,292,017
Net income from investing activities		**203,259**	201,486	**630,956**	558,646
Total net income from financing and investing activities		**1,098,253**	1,002,162	**3,281,664**	2,850,663
Fee and commission income		**90,229**	73,960	**226,708**	202,078
Fee and commission expense		**(1,455)**	(827)	**(4,369)**	(2,191)
Net fee and commission income		**88,774**	73,133	**222,339**	199,887
Foreign exchange gain		**32,973**	35,900	**130,242**	95,246
Share of results of associates		**6,421**	-	**21,904**	21,643
Other income		**4,069**	2,117	**5,944**	6,917
TOTAL INCOME		**1,230,490**	1,113,312	**3,662,093**	3,174,356
Staff costs		**(92,726)**	(83,192)	**(277,457)**	(250,173)
Depreciation		**(3,570)**	(3,848)	**(11,063)**	(13,012)
Other expenses		**(66,014)**	(63,212)	**(203,821)**	(177,372)
Finance expense		**(173,677)**	(142,260)	**(571,312)**	(321,908)
TOTAL EXPENSES		**(335,987)**	(292,512)	**(1,063,653)**	(762,465)
Net reversals on due from banks		**91**	-	**286**	-
Net (impairment losses) / recoveries and reversals on financing assets		**6,222**	2,781	**(1,673)**	2,359
Net impairment losses on investment securities		**(168)**	-	**(10,212)**	-
Net reversals on off balance sheet exposures subject to credit risk		**8,975**	-	**5,356**	-
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**909,623**	823,581	**2,592,197**	2,414,250
Less: Return to investment account holders		**(342,301)**	(277,369)	**(950,433)**	(841,596)
PROFIT BEFORE TAX FOR THE PERIOD		**567,322**	546,212	**1,641,764**	1,572,654
Tax expense		**558**	(106)	**(2,520)**	(700)
NET PROFIT FOR THE PERIOD		**567,880**	546,106	**1,639,244**	1,571,954
Net profit for the period attributable to:					
Equity holders of the Bank		**565,999**	542,009	**1,631,892**	1,561,895
Non-controlling interest		**1,881**	4,097	**7,352**	10,059
		567,880	546,106	**1,639,244**	1,571,954
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	16	**0.755**	0.723	**2.176**	2.083

The attached notes 1 to 20 form an integral part 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 2018

	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 interest*	*Total equity*
Balance at 31 December 2017 (Audited)	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 FAS 30 (Note 3)	-	-	-	-	-	-	(491,115)	(491,115)	-	(491,115)
Restated - Balance at 1 January 2018	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 paid (Note 13g)	-	-	-	-	-	-	(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**

	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 interest*	*Total equity*
Balance at 1 January 2017 (Audited)	7,500,000	1,862,926	1,345,733	1,983	(14,942)	107,146	1,902,070	12,704,916	168,597	12,873,513
Change in foreign currency translation reserve	-	-	-	-	(76,517)	-	-	(76,517)	-	(76,517)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	83,097	-	-	83,097	-	83,097
Fair value reserve movement (Note 9)	-	-	-	(7,081)	-	-	-	(7,081)	-	(7,081)
Profit for the period	-	-	-	-	-	-	1,561,895	1,561,895	10,059	1,571,954
Dividend paid (Note 13g)	-	-	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	15,997	15,997
Balance at 30 September 2017 (Reviewed)	7,500,000	1,862,926	1,345,733	(5,098)	(8,362)	107,146	1,963,965	12,766,310	194,653	12,960,963

The attached notes 1 to 20 form an integral part of 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 2018

	Notes	*For the Nine-Month Period Ended 30 September* 2018 (Reviewed)	2017 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		1,641,764	1,572,654
Adjustments for:			
Net impairment loss / (recoveries and reversals) on financing assets		1,673	(2,359)
Net impairment losses on investment securities		10,212	-
Net reversals on other financial assets		(5,642)	-
Fair value loss / (gain) on investment securities carried as fair value through income statement		137	(22)
Unrealized loss / (gain) on revaluation of Shari'a compliant risk management instruments		1,353	(9,391)
Depreciation		11,063	13,012
Net gain on sale of investment securities		(16,022)	(11,285)
Dividend income		(5,718)	(6,547)
Share of results of associates		(21,904)	(21,643)
Amortisation of premium and discount on investment securities		(6,295)	(1,301)
Employees' end of service benefit provisions		6,353	1,614
Profit before changes in operating assets and liabilities		**1,616,974**	1,534,732
Change in reserve account with Qatar Central Bank		(163,940)	(107,037)
Change in due from banks		305,000	(364,050)
Change in financing assets		(2,485,117)	(846,766)
Change in other assets		(123,313)	(108,441)
Change in due to banks		(5,229,309)	4,725,235
Change in customer current accounts		404,490	(3,775,609)
Change in other liabilities		(140,920)	103,762
		(5,816,135)	1,161,826
Dividend received		5,718	6,547
Employees' end of service benefits paid		(1,981)	(1,008)
Tax paid		(284)	(3,041)
Net cash (used in) / from operating activities		**(5,812,682)**	1,164,324
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(515,178)	(14,063,578)
Proceed from sale / redemption of investment securities		4,996,349	4,504,444
Acquisition of fixed assets		(36,975)	(18,085)
Dividend received from associates		10,700	17,478
Net cash from / (used in) investing activities		**4,454,896**	(9,559,741)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		1,540,676	5,804,087
Proceeds from other borrowings		236,633	-
Dividends paid		(1,410,518)	(1,353,205)
Net movement in non-controlling interest		(7,363)	15,997
Net cash from financing activities		**359,428**	4,466,879
Net decrease in cash and cash equivalents		(998,358)	(3,928,538)
Cash and cash equivalents at 1 January		3,124,051	6,451,850
NON-CASH ITEMS			
Expected credit losses for due from banks		(506)	-
Effects of exchange rate changes on cash and cash equivalents held		23,451	(22,269)
Cash and cash equivalents at 30 September	17	**2,148,638**	2,501,043

The attached notes 1 to 20 form an integral part of 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 condensed consolidated interim financial statements of the Bank for the nine-month period ended 30 September 2018 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 18 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan.

The principal subsidiaries of the Group are follows:

Entity's name	*Country of incorporation*	*Entity's capital*		*Entity's activities*	*Effective percentage of ownership*	
					30 September 2018	*31 December 2017*
Al Rayan Investment L.L.C.	Qatar	USD	100,000,000	Investment banking	**100.0%**	100.0%
Al Rayan Financial Brokerage[1]	Qatar	QAR	50,000,000	Financial brokerage	**100.0%**	100.0%
Al Rayan (UK) Limited[2]	UK	GBP	100,000,000	Investment activities	**70.0%**	70.0%
Al Rayan Partners	Qatar	QAR	10,000,000	Real estate consulting	**100.0%**	100.0%
Lusail Waterfront Investment Co.	Cayman Islands	USD	50,000	Investment activities	**100.0%**	100.0%

[1] The operations have ceased since 12 January 2017 after Qatar Financial Markets Authority ("QFMA") approved to freeze its license for two years.

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

The Bank and two other local unlisted banks, namely Barwa Bank Q.S.C. and International Bank of Qatar Q.S.C., announced on 19 December 2016 that they have entered into initial negotiations regarding a potential merger of the three banks.

On 14 June 2018, the Bank and the two other local unlisted banks announced that the negotiations on the proposed merger between the three banks have ended. The three banks could not reach an agreement to complete the transaction. Accordingly, the three banks shall continue their business as usual in line with their individual business plans.

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 2017 except for the changes in the policies as disclosed in Note 3. In addition, results for the nine-month period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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

FAS 30 Impairment, Credit losses and onerous commitments

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 has replaced FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach, 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

Expected credit losses ('ECL')
FAS 30 introduces the Credit Losses approach with a forward-looking 'expected credit loss' model. The Credit Losses approach for receivables and off balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss. The new impairment model is applied to financial assets which are subject to credit risk, and a number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted.

As required by the QCB, the Group has early adopted FAS 30 with effect from 1 January 2018 and as permitted by the standard, 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.

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

3 ADOPTION OF FAS 30

The adoption of FAS 30 has resulted in changes in the accounting policies for impairment of financial assets. Set out below are the FAS 30 transition impact disclosures for the Group. Further details of the specific changes to accounting policies applied in the current period are described in more detail in Note 3(c).

(a) Impact of adopting the FAS 30

The impact from the adoption of FAS 30 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 FAS 30 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.

(b) Expected credit loss / Impairment allowances

The following table reconciles the closing impairment allowance for financial assets in accordance with the existing FAS as at 31 December 2017 to the opening ECL allowance determined in accordance with FAS 30 as at 1 January 2018.

	31 December 2017	**Re-measurement**	**1 January 2018**
Due from banks	-	**792**	**792**
Financing assets	**165,680**	**424,203**	**589,883**
Debt type investments carried at amortised cost	**25,484**	**3,017**	**28,501**
Off balance sheet exposures subject to credit risk	-	**63,103**	**63,103**
	191,164	**491,115**	**682,279**

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

3 ADOPTION OF FAS 30 (continued)

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

	Stage 1	Stage 2	Non - performing	Total
Exposure (carrying value) subject to ECL				
- Due from banks	**2,032,068**	**-**	**-**	**2,032,068**
- Financing assets	**65,961,135**	**8,312,752**	**481,672**	**74,755,559**
- Debt type investments carried at amortised cost	**18,658,559**	**101,874**	**50,967**	**18,811,400**
- Off balance sheet exposures subject to credit risk	**13,246,605**	**536,191**	**6,596**	**13,789,392**
	99,898,367	**8,950,817**	**539,235**	**109,388,419**
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	25,484	28,501
- Off balance sheet exposures subject to credit risk	13,151	49,952	-	63,103
	145,540	345,575	191,164	682,279
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**	**25,484**	**33,065**
- Off balance sheet exposures subject to credit risk	**18,345**	**39,402**	**-**	**57,747**
	174,783	**283,732**	**231,377**	**689,892**

3 ADOPTION OF FAS 30 (continued)

(c) Changes in Accounting Policies and Significant Estimates and Judgements

Key changes to the Group's accounting policies

The key changes to the Group's accounting policies resulting from the adoption of FAS 30 are summarised below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on existing FAS and applicable QCB regulations as disclosed in the audited consolidated financial statements as of and for the year ended 31 December 2017.

Impairment of financial assets

FAS 30 replaces the 'incurred loss' model in existing FAS with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under FAS 30, credit losses are recognised earlier than under existing FAS.

Key changes in the Group's accounting policy for impairment of financial assets are listed below:
The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL
Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk (i. local sovereign that carry credit rating of (Aaa) or (Aa) and carry (zero) credit weight in accordance with capital adequacy instructions of the QCB, ii. externally rated debt instruments of rating Aaa or Aa, iii. other financial assets which the Group may classify as such after obtaining QCB's no objection) at the reporting date. For these assets, 12-month ECL are recognised and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired
Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but proft is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD') as the weight.

Stage 3: Non performing - credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the QCB's instructions. For these assets, lifetime ECL is recognised and treated with the profit calculated on them, according to QCB's instructions as disclosed in most recent annual financial statements. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition.

Inputs, assumptions and techniques used for estimating impairment:

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition following criteria's are considered:

i. Two notches down for rating from Aaa to Baa or one notch down for ratings from Ba to Ca;
ii. Facilities restructured during previous twelve months; and
iii. Contractual payments overdue by more than 60 days as at the reporting date.

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3 ADOPTION OF FAS 30 (continued)

(c) Changes in Accounting Policies and Significant Estimates and Judgements (continued)

Credit risk grades
Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)

The Group employs Moody's Risk Analyst to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Bank has taken exposures.

(d) Changes to Group's financial risk management objectives and policies

i) Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under FAS 30 as detailed in Note 3c.

ii) Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

iii) Credit quality assessments

Pursuant to the adoption of FAS 30, the Group has mapped its internal credit rating scale to Moody's rating scale. 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) as at 30 September 2018.

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-	37,409,535	17,917,240	1,655,442	72,843
A+ to A-	8,496,200	385,900	5,966,023	1,645,790
BBB to BBB-	7,123,644	83,665	4,477,780	311,395
BB+ to B-	10,526,542	311,148	1,641,907	1,504
Unrated	11,199,638	113,447	48,240	536
Total	**74,755,559**	**18,811,400**	**13,789,392**	**2,032,068**

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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 2017.

(i) *Valuation of financial instruments*

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

(ii) *Financial asset and liability classification*

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total*
30 September 2018 (Reviewed)				
Financial assets				
Shari'a-compliant risk management instruments	-	57,744	-	57,744
Investment securities	87,902	95,839	-	183,741
	87,902	**153,583**	-	**241,485**
Financial liabilities				
Shari'a-compliant risk management instruments	-	54,742	-	54,742
	-	**54,742**	-	**54,742**

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4 FINANCIAL RISK MANAGEMENT (continued)

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

31 December 2017 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Shari'a-compliant risk management instruments	-	13,624	-	13,624
Investment securities	136,779	91,146	-	227,925
	136,779	104,770	-	241,549
Financial liabilities				
Shari'a-compliant risk management instruments	-	9,269	-	9,269
	-	9,269	-	9,269

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 2,550 million (31 December 2017: QAR 2,567 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 2017: QAR 4,456 thousand).

During the reporting periods 30 September 2018 and 31 December 2017, there were no transfers among Levels 1, 2 and 3 fair value measurements.

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*

Policy applicable from 1 January 2018
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. Refer to Note 3 for more information.

(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.

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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 2018 (Reviewed)					
Cash and balances with QCB	-	-	2,963,684	2,963,684	2,963,684
Due from banks	-	-	2,031,562	2,031,562	2,031,562
Financing assets	-	-	74,156,985	74,156,985	74,156,985
Investment securities:					
- Measured at fair value	4,336	179,405	-	183,741	183,741
- Measured at amortised cost	-	-	18,747,303	18,747,303	18,749,995
Other assets	-	-	502,341	502,341	502,341
Shari'a-compliant risk management instruments	57,744	-	-	57,744	57,744
	62,080	**179,405**	**98,401,875**	**98,643,360**	**98,646,052**
Due to banks	-	-	19,894,010	19,894,010	19,894,010
Customer current accounts	-	-	7,025,330	7,025,330	7,025,330
Other borrowings	-	-	236,633	236,633	236,633
Other liabilities	-	-	1,048,490	1,048,490	1,048,490
Equity of investment account holders	-	-	57,451,282	57,451,282	57,451,282
Shari'a-compliant risk management instruments	54,742	-	-	54,742	54,742
	54,742	**-**	**85,655,745**	**85,710,487**	**85,710,487**

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
31 December 2017 (Audited)					
Cash and balances with QCB	-	-	2,799,819	2,799,819	2,799,819
Due from banks	-	-	3,311,900	3,311,900	3,311,900
Financing assets	-	-	72,097,080	72,097,080	72,097,080
Investment securities:					
- Measured at fair value	4,474	227,907	-	232,381	232,381
- Measured at amortised cost	-	-	23,191,088	23,191,088	23,282,183
Other assets	-	-	414,451	414,451	414,451
Shari'a-compliant risk management instruments	13,624	-	-	13,624	13,624
	18,098	227,907	101,814,338	102,060,343	102,151,438
Due to banks	-	-	25,123,319	25,123,319	25,123,319
Customer current accounts	-	-	6,620,840	6,620,840	6,620,840
Other liabilities	-	-	1,206,724	1,206,724	1,206,724
Equity of investment account holders	-	-	55,910,346	55,910,346	55,910,346
Shari'a-compliant risk management instruments	9,269	-	-	9,269	9,269
	9,269	-	88,861,229	88,870,498	88,870,498

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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 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.

Information about operating segments

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 impairment losses 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	**69,762,788**	**18,844,021**	**513,704**	**9,240,841**	**1,241,918**	**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**

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7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 September 2017 (Reviewed)	*Corporate Banking*	*Retail Banking*	*Asset Management*	*International operations*	*Unallocated*	*Total*
External revenue:						
Total income from financing and investing activities	2,046,229	623,300	16,343	164,791	-	2,850,663
Net fee and commission income	173,436	-	13,857	12,594	-	199,887
Foreign exchange gain / (loss)	95,329	-	(27)	(56)	-	95,246
Share of results of associates	-	-	-	-	21,643	21,643
Other income	-	-	-	-	6,917	6,917
Total segment revenue	2,314,994	623,300	30,173	177,329	28,560	3,174,356
Other material non-cash items:						
Net recoveries and reversals on financing assets	3,679	398	-	(1,718)	-	2,359
Net impairment losses on investment securities	-	-	-	-	-	-
Reportable segment profit before tax	1,386,264	455,157	14,656	32,295	(315,718)	1,572,654
Reportable segment assets	72,188,789	16,150,310	491,187	8,653,988	1,128,695	98,612,969
Reportable segment liabilities	26,707,756	2,230,794	13,814	2,015,344	1,390,194	32,357,902
Reportable segment equity of investment account holders	33,816,419	13,464,359	-	6,013,326	-	53,294,104

8 FINANCING ASSETS

(a) **By type**	***30 September 2018 (Reviewed)***	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Receivables and balances from financing activities:			
Murabaha	**57,034,918**	56,148,558	55,781,729
Ijarah	**14,436,087**	13,502,681	11,223,394
Istisna'a	**1,615,816**	1,391,659	1,331,447
Musharaka	**5,759,201**	5,817,142	5,259,536
Others	**380,761**	562,755	395,445
Total financing assets	**79,226,783**	77,422,795	73,991,551
Deferred profit	**(4,471,224)**	(5,160,035)	(5,462,284)
Allowance for impairment and profit in suspense*	**(598,574)**	(165,680)	(47,439)
Net financing assets	**74,156,985**	72,097,080	68,481,828

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

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8 FINANCING ASSETS (continued)

The total non-performing financing assets net of deferred profit at 30 September 2018 amounted to QAR 481,672 thousand representing 0.64% of the total financing assets net of deferred profit (31 December 2017: QAR 339,952 thousand representing 0.47% of the total financing assets net of deferred profit; 30 September 2017: QAR 107,697 thousand representing 0.15% of the total financing assets net of deferred profit).

Specific impairment of financing assets includes QAR 18,075 thousand of profit in suspense (31 December 2017: QAR 10,020 thousand; 30 September 2017: QAR 1,880 thousand).

9 INVESTMENT SECURITIES

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Investments classified as fair value through income statement			
Investments classified as held for trading (Quoted)			
• Debt type investments - Fixed profit rate	**4,336**	4,474	15,462
	4,336	4,474	15,462
Debt-type investments classified as amortised cost			
Fixed profit rate – Quoted	**1,258,094**	1,131,080	1,301,253
Floating profit rate – Quoted	**-**	20,933	20,933
Government of Qatar Sukuk – Quoted	**1,322,274**	1,349,599	1,348,959
Government of Qatar Sukuk – Unquoted	**16,200,000**	20,714,960	20,714,960
Less: Allowance for impairment*	**(33,065)**	(25,484)	(25,484)
	18,747,303	23,191,088	23,360,621
Investments classified as fair value through equity			
• Equity type investments			
- Quoted	**52,534**	100,700	99,039
- Unquoted	**95,839**	95,602	96,692
• Debt type investments - Fixed profit rate	**31,032**	31,605	31,859
	179,405	227,907	227,590
	18,931,044	23,423,469	23,603,673

*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 5,646 (30 September 2017: nil), 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 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Positive fair value:			
Balance at 1 January	**5,525**	6,538	6,538
Net change in fair value	**12,510**	(193)	179
Transferred to consolidated income statement on sale	**(6,587)**	(1,823)	(1,823)
Share of other comprehensive income of associates	**(273)**	1,003	1,004
Net fair value movement	**5,650**	(1,013)	(640)
Balance at 30 September / 31 December	**11,175**	5,525	5,898
Negative fair value:			
Balance at 1 January	**(2,451)**	(4,555)	(4,555)
Net change in fair value	**(9,491)**	(7,598)	(7,509)
Transferred to consolidated income statement on sale	**-**	4,081	1,068
Transferred to consolidated income statement due to impairment	**10,212**	5,621	-
	721	2,104	(6,441)
Balance at 30 September / 31 December	**(1,730)**	(2,451)	(10,996)
Total fair value at 30 September / 31 December	**9,445**	3,074	(5,098)

10 DUE TO BANKS

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Current accounts	**60,605**	39,292	50,817
Commodity murabaha payable	**934,554**	933,155	746,143
Short-term Murabaha facilities from banks	**445,810**	309,807	364,050
Wakala payable	**17,296,578**	15,473,958	11,156,823
Repurchase agreements	**1,156,463**	8,367,107	11,467,107
	19,894,010	25,123,319	23,784,940

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11 OTHER BORROWINGS

The movement in other borrowings issued by the Group during the period / year is as follows:

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Balance at 1 January	-	-	-
Issuances during the period / year	**236,633**	-	-
Balance at 30 September / 31 December	**236,633**	-	-

The above comprise of floating rate borrowing denominated in USD maturing in 2020.

12 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Saving accounts	**5,919,596**	3,915,695	6,176,993
Term accounts	**47,202,536**	47,037,216	42,204,817
Short-term investment accounts	**3,984,858**	4,612,683	4,597,863
Profit payable to equity of investment account holders	**343,907**	344,627	314,633
Share in the fair value reserves	**385**	125	(202)
	57,451,282	55,910,346	53,294,104

13 OWNERS' EQUITY

(a) Share capital

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Authorised			
750,000,000 shares at QAR 10 each	**7,500,000**	7,500,000	7,500,000

(b) Legal reserve

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Balance at 1 January	**2,065,741**	1,862,926	1,862,926
Transfer from retained earnings	-	202,815	-
Balance at 30 September / 31 December	**2,065,741**	2,065,741	1,862,926

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 2018 as Masraf will transfer the required amount by 31 December 2018.

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13 OWNERS' EQUITY (continued)

(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 2018 as Masraf will transfer the required amount by 31 December 2018.

(d) Fair value reserves

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

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Balance at 1 January	**3,074**	1,983	1,983
Net unrealised losses	**3,404**	(7,666)	(7,532)
Transferred to consolidated income statement on sale	**(6,587)**	2,258	(755)
Transferred to consolidated income statement due to impairment	**10,212**	5,621	-
Share of other comprehensive income of associates	**(273)**	1,003	1,004
Share of equity of investment account holders in the fair value reserve	**(385)**	(125)	202
Net fair value movement	**6,371**	1,091	(7,081)
Balance at 30 September / 31 December (shareholders' share)	**9,445**	3,074	(5,098)

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 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Balance at 1 January	**113,001**	107,146	107,146
Share of results of associates	-	28,203	-
Dividend from associates transferred to retained earnings	-	(5,418)	-
Other movement	-	(16,930)	-
Balance at 30 September / 31 December	**113,001**	113,001	107,146

No transfer has been made for the period ended 30 September 2018 as Masraf will transfer the share of results of associates to other reserves by 31 December 2018.

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13 OWNERS' EQUITY (continued)

(g) Dividend

On 27 February 2018, the General Assembly approved a cash dividend of 20% of the paid up share capital (2017: 20%) amounting to QAR 1,500 million (2017: QAR 1,500 million).

14 NON-CONTROLLING INTEREST

This represents the Group's non-controlling interest in Al Rayan (UK) Limited (30%) and Al Rayan Bank PLC (31.16%) (31 December 2017: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

15 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital commitments

The Group has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these lease agreements are as follows:

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Payable not later than 1 year	**19,508**	26,206	30,315
Payable later than 1 year and not later than 5 years	**33,536**	74,331	76,929
	53,044	100,537	107,244

(b) Contingent liabilities

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Unutilised credit facilities	**2,882,343**	2,532,721	2,878,354
Guarantees	**13,130,216**	12,069,394	12,564,285
Letters of credit	**1,138,096**	1,784,111	1,932,356
	17,150,655	16,386,226	17,374,995

(c) Other undertakings and commitments

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Profit rate swap	**3,913,531**	4,052,993	4,025,756
Unilateral promise to buy/sell currencies	**16,899,372**	27,399,712	28,656,426
	20,812,903	31,452,705	32,682,182
Capital commitments in respect of Head Office building under construction	**421,816**	-	-

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

16 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

	For the Nine-Month Period Ended 30 September	
	2018 (Reviewed)	*2017 (Reviewed)*
Profit for the period attributable to equity holders of the Bank	**1,631,892**	1,561,895
Weighted average number of shares outstanding during the period	**750,000**	750,000
Basic earnings per share (QAR)	**2.176**	2.083

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.

17 CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	30 September 2018 (Reviewed)	*30 September 2017 (Reviewed)*
Cash on hand and balances with QCB excluding cash reserve	**481,126**	697,600
Due from banks	**1,667,512**	1,803,443
	2,148,638	2,501,043

18 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

Transactions with related parties

(a) Condensed consolidated statement of financial position items

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Liabilities			
Equity of investment account holders - customer	**3,078,854**	3,301,475	3,017,354

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18 RELATED PARTIES (continued)

(b) Condensed consolidated income statement items

	For the Nine-Month Period Ended 30 September	
	2018 (Reviewed)	*2017 (Reviewed)*
Return on equity of investment account holders - customer	**49,399**	18,469

(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 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Financing	**626**	837	911

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

	For the Nine-Month Period Ended 30 September	
	2018 (Reviewed)	*2017 (Reviewed)*
Remuneration to Board of Directors including meeting allowances	**19,524**	17,367
Salaries and other benefits	**12,368**	11,258

19 CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the above 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 13.50% 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:

	30 September 2018 (Reviewed)	*31 December 2017 (Audited)*	*30 September 2017 (Reviewed)*
Common Equity Tier (CET) 1 capital	**11,373,183**	11,854,806	11,360,221
Additional Tier 1 capital	**41,893**	38,573	36,660
Additional Tier 2 capital	**500,407**	38,573	36,660
Total eligible capital	**11,915,483**	11,931,952	11,433,541
Total risk weighted assets	**62,567,292**	61,764,273	59,654,424
CET1 1 Ratio	**18.18%**	19.19%	19.04%
Total Capital Ratio*	**19.04%**	19.32%	19.17%

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19 CAPITAL ADEQUACY RATIO (continued)

Minimum required:

CET1 Ratio	**9.50%**	9.25%	9.25%
Total Capital Ratio	**13.50%**	13.25%	13.25%

*Had the Group not adopted FAS 30, total Capital Adequacy Ratio and Common Equity Tier 1 (CET 1) Capital Adequacy Ratio would have been as follows:

	30 September 2018 (Reviewed)
CET1 Ratio	**18.97%**
Total Capital Ratio*	**19.11%**

20 COMPARATIVE FIGURES

The comparative figures presented have been reclassified where necessary to preserve consistency with the current period figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative period.