CONSOLIDATED FINANCIAL STATEMENTS

MASRAF AL RAYAN (Q.S.C.)

31 DECEMBER 2014

Masraf Al Rayan (Q.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2014

Contents

KPMG
2nd Floor
Area 25, C Ring Road
PO Box 4473, Doha
State of Qatar

Telephone +974 4457 6444
Fax +974 4442 5626
Website www.kpmg.com.qa

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MASRAF AL RAYAN (Q.S.C.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Masraf Al Rayan Q.S.C (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement and consolidated statements of changes in owners' equity, cash flows and restricted investment account for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Respective responsibilities of the Board of Directors and Auditors

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Board of Directors of the Bank. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and the results of its operations, changes in owners' equity, cash flows and changes in restricted investment account for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and the applicable provisions of Qatar Central Bank regulations.

Report on other legal and regulatory matters

We have obtained all the information and explanations we considered necessary for the purpose of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the applicable provisions of Qatar Central Bank Law No. 13 of 2012 and of Qatar Commercial Law No. 5 of 2002 or the terms of Articles of Association during the year which might have had a material adverse effect on the business of the Bank or its consolidated financial position as at 31 December 2014.

26 January 2015
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	2014	2013
ASSETS			
Cash and balances with Qatar Central Bank	9	**3,311,311**	3,510,514
Due from banks	10	**3,602,772**	4,334,667
Financing assets	11	**57,906,940**	41,440,198
Investment securities	12	**14,288,311**	15,016,627
Investment in associates and joint arrangements	13	**423,998**	1,457,278
Investment property	14	**91,250**	91,250
Fixed assets	15	**119,236**	55,283
Other assets	16	**350,450**	641,820
TOTAL ASSETS		**80,094,268**	66,547,637
LIABILITIES			
Due to banks	17	**4,560,293**	6,765,067
Customer current accounts	18	**4,878,252**	3,514,402
Other liabilities	19	**1,242,922**	746,906
TOTAL LIABILITIES		**10,681,467**	11,026,375
EQUITY OF INVESTMENT ACCOUNT HOLDERS	20	**57,692,301**	44,816,865
OWNERS' EQUITY			
Share capital	21	**7,500,000**	7,500,000
Legal reserve	21	**1,033,195**	632,746
Risk reserve	21	**1,008,646**	875,414
Fair value reserves	21	**28,805**	26,888
Foreign currency translation reserve	21	**63**	-
Other reserves	21	**41,165**	26,809
Retained earnings		**1,740,641**	1,461,491
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**11,352,515**	10,523,348
Non-controlling interests	22	**367,985**	181,049
TOTAL OWNERS' EQUITY		**11,720,500**	10,704,397
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**80,094,268**	66,547,637

These consolidated financial statements were approved by the Board of Directors on 26 January 2015 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 40 form an integral part of these consolidated financial statements

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

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	Notes	2014	2013
Net income from financing activities	23	**2,101,135**	1,743,004
Net income from investing activities	24	**470,947**	709,468
Total net income from financing and investing activities		**2,572,082**	2,452,472
Fee and commission income		**217,117**	148,263
Fee and commission expense		**(1,522)**	(1,244)
Net fee and commission income	25	**215,595**	147,019
Foreign exchange gain	26	**86,751**	60,408
Share of results of associates	13	**9,613**	7,943
Gain on sale of investment in an associate	13	**186,143**	-
Other income	27	**7,435**	13,865
TOTAL INCOME		**3,077,619**	2,681,707
Staff costs	28	**(262,790)**	(228,672)
Depreciation	15	**(16,112)**	(16,049)
Other expenses	29	**(199,990)**	(154,956)
Finance expense		**(55,044)**	(77,774)
TOTAL EXPENSES		**(533,936)**	(477,451)
Net (impairment losses) / recoveries and reversals on financing assets	11(b)	**(12,394)**	11,332
Net impairment losses on investment securities	12	**(508)**	(1,157)
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**2,530,781**	2,214,431
Less: Return to investment account holders	20	**(511,474)**	(475,366)
PROFIT FOR THE YEAR BEFORE TAX		**2,019,307**	1,739,065
Tax expense		**(2,116)**	-
NET PROFIT FOR THE YEAR		**2,017,191**	1,739,065
Net profit for the year attributable to:			
Equity holders of the Bank		**2,002,243**	1,702,270
Non-controlling interests		**14,948**	36,795
		2,017,191	1,739,065
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	33	**2.670**	2.270

The attached notes 1 to 40 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December

	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserves*	*Foreign currency translation reserve*	*Other reserves*	*Retained earnings*	*Total equity attributable to equity holders of the Bank*	*Non-controlling interests*	*Total owners' equity*
Balance at 1 January 2014	7,500,000	632,746	875,414	26,888	-	26,809	1,461,491	10,523,348	181,049	10,704,397
Change in foreign currency translation reserve	-	-	-	-	(38,757)	-	-	(38,757)	-	(38,757)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	38,820	-	-	38,820	-	38,820
Fair value reserve movement	-	-	-	1,917	-	-	-	1,917	-	1,917
Profit for the year	-	-	-	-	-	-	2,002,243	2,002,243	14,948	2,017,191
Dividend declared and approved for 2013	-	-	-	-	-	-	(1,125,000)	(1,125,000)	-	(1,125,000)
Transfer to legal reserve	-	400,449	-	-	-	-	(400,449)	-	-	-
Transfer to risk reserve	-	-	133,232	-	-	-	(133,232)	-	-	-
Transfer to other reserves	-	-	-	-	-	14,356	(14,356)	-	-	-
Social and sports fund appropriation	-	-	-	-	-	-	(50,056)	(50,056)	-	(50,056)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	171,988	171,988
Balance at 31 December 2014	**7,500,000**	**1,033,195**	**1,008,646**	**28,805**	**63**	**41,165**	**1,740,641**	**11,352,515**	**367,985**	**11,720,500**
Balance at 1 January 2013	7,500,000	292,292	787,141	9,244	-	18,866	988,448	9,595,991	138,074	9,734,065
Fair value reserve movement	-	-	-	17,644	-	-	-	17,644	-	17,644
Profit for the year	-	-	-	-	-	-	1,702,270	1,702,270	36,795	1,739,065
Dividend declared and approved for 2012	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Transfer to legal reserve	-	340,454	-	-	-	-	(340,454)	-	-	-
Transfer to risk reserve	-	-	88,273	-	-	-	(88,273)	-	-	-
Transfer to other reserves	-	-	-	-	-	7,943	(7,943)	-	-	-
Social and sports fund appropriation	-	-	-	-	-	-	(42,557)	(42,557)	-	(42,557)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	6,180	6,180
Balance at 31 December 2013	7,500,000	632,746	875,414	26,888	-	26,809	1,461,491	10,523,348	181,049	10,704,397

The attached notes 1 to 40 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		2,019,307	1,739,065
Adjustments for:			
Net impairment losses / (recoveries) on financing assets	11(b)	12,394	(11,332)
Impairment loss on investment securities	12	508	1,157
Fair value gain on investment securities carried as fair value through income statement	24	(3,576)	(22,597)
Depreciation	15	16,112	16,049
Net gain on sale of investment securities	24	(26,242)	(21,728)
Dividend income	24	(20,141)	(8,387)
Share of results of associates and joint arrangements	13	(9,613)	(7,943)
Gain on sale of investment in an associate	13	(186,143)	-
Amortisation of premium and discount on investment securities		(2,745)	(404)
Employees' end of service benefit provisions	19(a)	7,462	6,126
Profit before changes in operating assets and liabilities		**1,807,323**	1,690,006
Change in reserve account with Qatar Central Bank		(478,216)	(297,203)
Change in financing assets		(14,980,600)	290,350
Change in other assets		304,083	(241,624)
Change in due to banks		(2,204,774)	381,190
Change in customer current accounts		1,116,401	1,011,663
Change in other liabilities		13,778	112,620
		(14,422,005)	2,947,002
Dividend received		20,141	8,387
Employees' end of service benefits paid	19(a)	(1,884)	(1,486)
Tax paid		(451)	(1,559)
Net cash (used in) / from operating activities		**(14,404,199)**	2,952,344
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(17,917,763)	(3,486,569)
Proceed from sale/redemption of investment securities		20,335,642	1,542,410
Acquisition of fixed assets	15	(77,888)	(10,313)
Dividend received from an associate	13	5,408	-
Investment in associates	13	-	1,000
Investment in a subsidiary	8	(140,339)	-
Net cash from (used in) investing activities		**2,205,060**	(1,953,472)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		10,734,490	2,309,245
Dividends paid		(998,797)	(660,981)
Net movement in non-controlling interest		164,634	6,180
Net cash from financing activities		**9,900,327**	1,654,444
Net (decrease) increase in cash and cash equivalents		(2,298,812)	2,653,316
Cash and cash equivalents at 1 January		5,571,863	2,918,547
Cash acquired from business combination	34	889,435	-
Effects of exchange rate changes on cash and cash equivalents held		63	-
Cash and cash equivalents at 31 December	34	**4,162,549**	5,571,863

The attached notes 1 to 40 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
For the year ended 31 December

	At 1 January 2014			**Movements during the year**			**At 31 December 2014**		
	No. of Units	Value per unit in QAR	Total value	Gross income	Profit paid	Bank's fee as an agent	No. of Units	Value per unit in QAR	Total value
Wakil and Muakil	**1**	**2,518,381**	**2,518,381**	**157,399**	**(146,906)**	**10,493**	-	-	-

	At 1 January 2013			Movements during the year			At 31 December 2013		
	No. of Units	Value per unit in QAR	Total value	Gross income	Profit paid	Bank's fee as an agent	No. of Units	Value per unit in QAR	Total value
Wakil and Muakil	1	2,518,381	2,518,381	229,173	(213,894)	15,279	1	2,518,381	2,518,381

The attached notes 1 to 40 form an integral part of these consolidated financial statements

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

1 REPORTING ENTITY

Masraf Al Rayan (Q.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Article 68 of Qatar Commercial Companies' Law No. 5 of 2002, 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 consolidated financial statements of the Bank for the year ended 31 December 2014 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 12 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan.

The principal subsidiaries of the Group are as follows:

Entity's name	*Country of incorporation*	*Entity's capital*	*Entity's activities*	*Effective percentage of ownership*	
				2014	*2013*
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	**100.0%**	100.0%
Al Rayan Financial Brokerage	Qatar	QAR 50,000,000	Financial brokerage	**100.0%**	100.0%
Al Rayan GCC Fund (F)	Qatar	Not applicable***	Investment activities	**48.6%**	56.4%
Al Rayan GCC Fund (Q)	Qatar	Not applicable***	Investment activities	**16.6%**	26.7%
Al Rayan (UK) Limited	UK	GBP 100,000,000	Investment activities	**100.0%**	-
Al Rayan Partners *	Qatar	QAR 10,000,000	Real estate consulting	**100.0%**	100.0%
Al Rayan Bank (formerly known as Islamic Bank of Britain PLC)**	UK	GBP 121,218,700	Islamic Banking	**98.34%**	-

* Effective 3 April 2014, the ownership was transferred from Al Rayan Investment L.L.C. to Masraf Al Rayan (Q.S.C.)
** Subsidiary of Al Rayan (UK) Limited (Note 8)
*** Open-ended funds (The Bank consolidates the Al Rayan GCC Funds even though the holding is less than 50% as it has power to govern the financial and operating policies of the Funds with the objective of obtaining benefits from its operations)

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and relevant laws and the applicable provisions of Qatar Central Bank ("QCB"). For matters for which no AAOIFI standards exist, the Group applies the relevant International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, 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 derivative financial instruments.

(c) Functional and presentational currency

The 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.

2 BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) *Special purpose entities*

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- The Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE;
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group.

(iii) *Loss of control*
Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognized in the consolidated income statement. If the Group retains any interests in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(iv) *Non-controlling interests*
Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as profits or losses attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in owners' equity. Gains or losses on disposals to non-controlling interests are also recorded in owners' equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in owners' equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to consolidated income statement where appropriate.

(v) *Transactions eliminated on consolidation*
Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(vi) *Associates and joint arrangements (equity-accounted investees)*

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint venture are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The financial statements include the Bank's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Bank, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Bank's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Bank's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) *Fund management*

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial results of these entities are included in these consolidated financial statements when the Group controls the entity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency

(i) *Foreign currency transactions and balances*

Foreign currency transactions are denominated, or that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(ii) *Foreign operations*

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

Exchange differences arising from the above process are reported in owners' equity as 'foreign currency translation reserve'.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in owners' equity, and presented in the foreign exchange translation reserve in owners' equity.

(c) Investment securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

(i) *Classification*

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment securities (continued)

(i) *Classification (continued)*

Debt-type instruments
Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through income statement.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the income statement.

Debt-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement. At inception, a debt-type investment managed on a contractual yield basis, can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

Equity-type instruments
Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through income statement include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Bank makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

(ii) *Recognition and de-recognition*
Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) *Measurement*
Initial recognition
Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment securities (continued)

(iii) *Measurement (continued)*

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated income statement in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amoritisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in owners' equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated income statement.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

(iv) *Measurement principles*

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market closing price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

(d) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama

Murabaha and Musawama receivables are sales on deferred terms. The Bank arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB instructions, the Bank applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and does not enter into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financing assets (continued)

Mudaraba
Mudaraba financing are partnerships in which the Bank contributes the capital and work. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Musharaka
Musharaka financing are partnerships in which the Bank contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah
Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisna'a
Istisna'a is a sales contract in which the Bank acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

Istisna'a revenue is the total price agreed between the seller and purchaser including the Bank's profit margin. The Bank recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Bank's estimated cost. The Bank's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala
Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment. The Bank initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

(e) Other financial assets and liabilities

(i) *Recognition and initial measurement*
The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Other financial assets and liabilities (continued)

(ii) *De-recognition of financial assets and financial liabilities*

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is de-recognised if it meets the de-recognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) *Offsetting*

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of financial assets

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing facility or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Equity-type investments classified as fair value through equity
In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through equity.

Financial assets carried at amortised cost (including investment in debt-type instruments classified as amortised cost)
For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated income statement and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated income statement, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

(g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with QCB and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investment property

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both.

Investment property is measured at cost including transaction costs. Transaction costs include transfer taxes, professional fees or legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(i) Risk management instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position.

The Group's risk management instruments include forward exchange contracts and profit rate swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, risk management instruments are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models, as appropriate. The resulting gains or losses are included in the consolidated income statement, except for forward contracts which are designated as the hedging instrument in a hedge of a net investment in a foreign operation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Fixed assets

Recognition and initial measurement
Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in consolidated income statement.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land and work-in-progress are not depreciated.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The estimated useful lives for the current and comparative years are as follows:

Buildings	20 years
Leasehold improvements	10 years
Furniture, fixtures and office equipment	6-7 years
Computer equipment	3 years

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

(k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

(l) Customer current accounts

Balances in customer current accounts are recognised when received by the Bank. The transactions are measured as the amount received by the Bank at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

(m) Equity of investment account holders

Equity of investment account holders are funds held by the Bank, which it can invest at its own discretion. The investment account holders authorises the Bank to invest the account holders' funds in a manner which the Bank deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Bank charges a management fee to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Bank's share of income. The allocation of income is determined by the management of the Bank within the allowed profit sharing limits as per the terms and conditions of the investment accounts.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Equity of investment account holders (continued)

Investment accounts are carried at their book values and include amounts retained towards the profit equalisation and investment risk reserves. The profit equalisation reserve is the amount appropriated by the Bank out of the Mudaraba income, before allocating the Mudarib's share, in order to maintain a certain level of return to the account holders on the investments. The investment risk reserve is the amount appropriated by the Bank out of the income of investment account holders, after allocating the Mudarib's share, in order to cater against future losses for investment account holders.

(n) Distribution of profit between equity of investment account holders and shareholders

The Bank complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and owners.

- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Bank's agreed and declared Mudaraba fee.

- In case of any expense or loss, which arises out of negligence on the part of the Bank due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the investment account holders. Such matter is subject to the QCB decision.

- In case the results of the Bank at the year-end are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.

- Due to pooling of investment funds with the Bank's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(o) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Bank as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Bank in the consolidated financial statements.

(p) Provisions

Provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employees benefits

Defined contribution plans
The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law No. 24 of 2002, and the resulting charge is included within the personnel cost under general and administration expenses in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan
The Group also provides for end of service benefits to its expatriate employees in accordance with the Qatar Labour Law. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other provisions under other liabilities.

(r) Share capital and reserves

Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's owners.

(s) Revenue recognition

Murabaha
Profit from Murabaha transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba
Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated income statement on declaration by the Mudarib.

Musharaka
Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara
Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

Istisna'a
Revenue and the associated profit margin are recognised in the Bank's consolidated income statement according to the percentage of completion method or completed contract method.

Wakala
Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition (continued)

Income from investment banking services
Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income
Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

Dividend income
Dividend income is recognised when the right to receive the dividend is established.

(t) Income tax

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group's operations inside Qatar are not subject to tax, except Al Rayan Investment whose profits are subject to tax as per Qatar Financial Center Authority regulations.

(u) Earnings per share

The Bank presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) Placements with banks and other financial institutions

Placements with banks and other financial institutions are stated at amortised cost net of any amounts written off and allowance for impairment.

(w) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the consolidated statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated income statement. The amortisation of the premium received is recognized in the consolidated income statement under commission and fees income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Contingent liabilities

Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these derivative financial instruments.

(y) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(z) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(aa) Earnings prohibited by Shari'a

The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities.

(bb) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

(cc) Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned above except for investment in subsidiaries, associates and joint arrangements which are carried at cost.

(dd) New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2014:
There are no new accounting standards and interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that have been issued during the year.

New standards, amendments and interpretations issued but not yet effective
AAOIFI has issued a new accounting standard on investment accounts - Financial Accounting Standard No. 27 (FAS 27): Investment Accounts. The new FAS 27 updates and replaces two of AAOIFI's previous accounting standards relating to investment accounts – FAS 5: Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and Their Equivalent.

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

The Group is currently assessing the impact of this standard for future periods.

4 FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

Risk management and structure

Introduction
Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, market risk, liquidity risk and operating risk, which include trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Board of Directors
The Board of Directors is responsible for the risk management methodology and approving strategic plans and risk management principles.

Risk management function
The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group.

Assets and liabilities
The Group's management is responsible for managing the Group's assets and liabilities and the overall financial structure and also responsible for the Group's credit and liquidity risk.

Internal audit
Risk management processes throughout the Bank are audited annually by the Internal Audit Department that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Information compiled from all business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, risk unit, and the head of each business division.

On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Group on the utilisation of market limits, analysis of propriety investments and liquidity, plus any other risk developments.

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collaterals obtained are as follows:

- For securities lending: cash or securities.
- For commercial lending: mortgages over real estate properties, inventory, cash or securities.
- For retail lending: mortgages over residential properties, vehicles and securities.

Management constantly monitors the market value of collaterals.

The Group also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 10. Also the details of geographical segments are set out in Note 30.

4.2.1 Credit risk measurement

Risk measurement and reporting systems
The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk type activities and the module makes use of probabilities derived from historical experience adjusted to reflect the economic environment.

4.2.2 Risk limit control and mitigation policies

Risk mitigation
As a part of overall risk management, the Group uses swap deals and other instruments to manage exposures from changes in profit rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	2014	*2013*
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Cash and balances with QCB (excluding cash on hand)	**2,995,326**	3,227,597
Due from banks	**3,602,772**	4,334,667
Financing assets	**57,906,940**	41,440,198
Investment securities - debt	**13,693,612**	14,714,915
Other assets	**246,392**	390,206
	78,445,042	64,107,583
Other credit risk exposures are as follows:		
Guarantees	**12,984,353**	8,040,566
Letters of credit	**8,662,418**	11,430,735
Unutilized credit facilities	**20,771,239**	15,290,101
	42,418,010	34,761,402

The above tables represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

4.2.4 Concentration of risks of financial assets with credit risk exposure

(a) By Geographical Sector

	Qatar	*Other GCC*	*Other Middle East*	*Others*	*Total*
2014					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with QCB (excluding cash on hand)	**2,995,326**	**-**	**-**	**-**	**2,995,326**
Due from banks	**1,788,985**	**1,485,439**	**1,296**	**327,052**	**3,602,772**
Financing assets	**52,061,010**	**143,542**	**-**	**5,702,388**	**57,906,940**
Investment securities - debt	**12,534,417**	**478,053**	**53,254**	**627,888**	**13,693,612**
Other assets	**234,129**	**-**	**-**	**12,263**	**246,392**
	69,613,867	**2,107,034**	**54,550**	**6,669,591**	**78,445,042**

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.4 Concentration of risks of financial assets with credit risk exposure (continued)

(a) By Geographical Sector (continued)

2013	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Assets recorded on the consolidated statement of financial position:					
Cash and balances with QCB (excluding cash on hand)	3,227,597	-	-	-	3,227,597
Due from banks	1,461,862	2,511,452	448	360,905	4,334,667
Financing assets	40,463,688	100,294	-	876,216	41,440,198
Investment securities - debt	14,258,007	349,202	33,677	74,029	14,714,915
Other assets	390,206	-	-	-	390,206
	59,801,360	2,960,948	34,125	1,311,150	64,107,583

2014	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Guarantees	**8,544,279**	**5,018**	**747,266**	**3,687,790**	**12,984,353**
Letters of credit	**8,480,620**	-	-	**181,798**	**8,662,418**
Unutilized credit facilities	**20,184,495**	**15,729**	-	**571,015**	**20,771,239**
	37,209,394	**20,747**	**747,266**	**4,440,603**	**42,418,010**

2013	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Guarantees	4,901,424	5,598	702,687	2,430,857	8,040,566
Letters of credit	9,587,763	-	-	1,842,972	11,430,735
Unutilized credit facilities	15,228,222	61,722	-	157	15,290,101
	29,717,409	67,320	702,687	4,273,986	34,761,402

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.4 Concentration of risks of financial assets with credit risk exposure (continued)

(b) By Industry sector

An industry sector analysis of the Group's maximum exposure to credit risk for the components of the consolidated statement of financial position is shown below. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross exposure 2014	*Gross exposure 2013*
Funded and unfunded		
Government	**20,782,644**	20,677,331
Government agencies	**26,613,797**	17,205,605
Industry	**1,582,820**	624,025
Commercial	**1,817,055**	2,577,486
Services	**11,234,154**	13,355,821
Contracting	**686,634**	718,057
Real estate	**11,644,922**	7,010,210
Personal	**3,750,135**	1,525,655
Others	**332,881**	413,393
Contingent liabilities	**42,418,010**	34,761,402
Total	**120,863,052**	98,868,985

Credit risk exposure

The tables below presents an analysis of counterparties by rating agency designation, based on Standard & Poor's ratings (or their equivalent):

	2014	*2013*
Equivalent grades		
AAA to AA-	**47,265,223**	37,877,355
A+ to A-	**7,488,931**	3,143,764
BBB to BBB-	**552,500**	7,510
BB+ to B-	**362,243**	485,607
Unrated	**65,194,155**	57,354,749
	120,863,052	98,868,985

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality

	Financing assets		*Due from banks*		*Investment in debt-type securities*		*Other receivables*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
Neither past due nor impaired (low risk):								
Investment grade	**31,823,467**	20,574,942	**-**	-	**12,240,739**	14,056,702	**-**	-
Standard monitoring	**25,470,324**	20,186,237	**3,602,772**	4,334,667	**1,423,749**	629,089	**246,392**	390,206
Special monitoring	**283,167**	312,796	**-**	-	**-**	-	**-**	-
Carrying amount	**57,576,958**	41,073,975	**3,602,772**	4,334,667	**13,664,488**	14,685,791	**246,392**	390,206
Past due but not impaired (special mentioned):								
Investment grade	**-**	-	**-**	-	**-**	-	**-**	-
Standard monitoring	**296,819**	274,914	**-**	-	**-**	-	**-**	-
Special monitoring	**27,626**	86,044	**-**	-	**-**	-	**-**	-
Carrying amount	**324,445**	360,958	**-**	-	**-**	-	**-**	-
Impaired								
Substandard (overdue > 3 months)	**4,443**	985	**-**	-	**-**	-	**-**	-
Doubtful (overdue > 6 months)	**-**	-	**-**	-	**-**	-	**-**	-
Loss (overdue > 9 months)	**53,774**	41,405	**-**	-	**50,967**	50,967	**3,126**	3,126
	58,217	42,390	**-**	-	**50,967**	50,967	**3,126**	3,126
Less: impairment allowance-specific	**(47,077)**	(31,522)	**-**	-	**(21,843)**	(21,843)	**(3,126)**	(3,126)
Less: impairment allowance-collective	**(5,603)**	(5,603)	**-**	-	**-**	-	**-**	-
Net carrying amount (impaired assets)	**5,537**	5,265	**-**	-	**29,124**	29,124	**-**	-
Carrying amount – net	**57,906,940**	41,440,198	**3,602,772**	4,334,667	**13,693,612**	14,714,915	**246,392**	390,206

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

Impaired financing assets and investment in debt-type securities
Individually impaired financing assets and investment in debt-type securities (other than those carried at fair value through income statement) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and profit due according to the contractual terms of the financing / investment security agreement(s).

Investment in debt-type securities carried at fair value through income statement are not assessed for impairment but are subject to the same internal grading system.

Financing assets past due but not impaired
Past due but not impaired financing assets are those for which contractual profit or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

	2014	*2013*
Up to 30 days	**229,199**	164,435
31 to 60 days	**30,858**	31,015
61 – 90 days	**64,388**	165,508
Gross	**324,445**	360,958

Renegotiated financing assets
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. In the majority of cases, restructuring results in the asset continuing to be impaired:

	2014	*2013*
Continuing to be impaired after restructuring	**9,626**	12,693
Non–impaired after restructuring – would otherwise have been impaired	**11,008**	-
Non–impaired after restructuring – would otherwise not have been impaired	-	6,494
	20,634	19,187

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.6 Collateral

The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indexes of similar assets.

The Group has collateral in the form of blocked deposit, pledge of shares or legal mortgage against the past dues financing assets.

	Aggregate collateral	
Past due category:	***2014***	*2013*
Up to 30 days	**100,405**	83,760
31 to 60 days	**8,769**	40
61 – 90 days	**42,994**	1,607
91 days and above	**24,290**	26,253
	176,458	111,660

4.2.7 Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 74 thousand (2013: QAR 105 thousand).

4.3 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and equity prices. The Group manages its market risks within the framework of limits defined by the QCB.

4.3.1 Management of market risk

Assets and liabilities profit rate gaps are reviewed on a regular basis which is used to reduce the profit rate gaps to within the limits established by the Board. The Group manages its exposure to currency exchange rate fluctuations to within the levels defined by the Board of Directors, which sets limits on currency position exposures. Positions are monitored on an ongoing basis.

4.3.2 Exposure to profit rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. The Asset and Liability Committee ("ALCO") is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

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

4 FINANCIAL RISK MANAGEMENT(continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

				Re-pricing in:			
	Carrying amount	*Less than 3 months*	*3 to12 months*	*1 to 5 years*	*Over 5 years*	*Non-profit sensitive*	*Effective profit rate*
2014							
Cash and balances with QCB	3,311,311	-	-	-	-	3,311,311	
Due from banks	3,602,772	3,165,285	-	-	-	437,487	**0.71%**
Financing assets	57,906,940	16,435,908	8,611,601	16,193,760	16,665,671	-	**3.81%**
Investment securities	13,612,916	95,062	-	-	-	13,517,854	**3.48%**
	78,433,939	**19,696,255**	**8,611,601**	**16,193,760**	**16,665,671**	**17,266,652**	
Due to banks	(4,560,293)	(4,455,270)	(82,280)	-	-	(22,743)	**1.61%**
Customer current accounts	(4,878,252)	-	-	-	-	(4,878,252)	
	(9,438,545)	**(4,455,270)**	**(82,280)**	-	-	**(4,900,995)**	
Equity of investment account holders	**(57,692,301)**	**(48,031,541)**	**(8,974,448)**	**(686,312)**	-	-	**1.00%**
Consolidated statement of financial position items	11,303,093	(32,790,556)	(445,127)	15,507,448	16,665,671	12,365,657	
Off consolidated statement of financial position items	28,355,032	24,082,433	4,272,599	-	-	-	
Profit Rate Sensitivity Gap	**(17,051,939)**	**(56,872,989)**	**(4,717,726)**	**15,507,448**	**16,665,671**	**12,365,657**	
Cumulative Profit Rate Sensitivity Gap	**(17,051,939)**	**(56,872,989)**	**(61,590,715)**	**(46,083,267)**	**(29,417,596)**	**(17,051,939)**	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

4 FINANCIAL RISK MANAGEMENT(continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

				Re-pricing in:			
	Carrying amount	*Less than 3 months*	*3 to12 months*	*1 to 5 years*	*Over 5 years*	*Non-profit sensitive*	*Effective profit rate*
2013							
Cash and balances with QCB	3,510,514	-	-	-	-	3,510,514	
Due from banks	4,334,667	4,020,305	-	-	-	314,362	0.75%
Financing assets	41,440,198	21,102,229	10,506,375	5,116,563	4,715,031	-	4.34%
Investment securities	14,592,975	66,667	83,732	-	-	14,442,576	4.75%
	63,878,354	25,189,201	10,590,107	5,116,563	4,715,031	18,267,452	
Due to banks	(6,765,067)	(6,191,227)	-	-	-	(573,840)	1.73%
Customer current accounts	(3,514,402)	-	-	-	-	(3,514,402)	
	(10,279,469)	(6,191,227)	-	-	-	(4,088,242)	
Equity of investment account holders	(44,816,865)	(39,988,078)	(4,231,403)	(597,384)	-	-	1.05%
Consolidated statement of financial position items	8,782,020	(20,990,104)	6,358,704	4,519,179	4,715,031	14,179,210	
Off consolidated statement of financial position items	18,516,075	14,002,272	4,513,803	-	-	-	
Profit Rate Sensitivity Gap	(9,734,055)	(34,992,376)	1,844,901	4,519,179	4,715,031	14,179,210	
Cumulative Profit Rate Sensitivity Gap	(9,734,055)	(34,992,376)	(33,147,475)	(28,628,296)	(23,913,265)	(9,734,055)	

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves worldwide and a 5 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	10 bp parallel increase	10 bp parallel decrease
2014		
At 31 December	**743**	**(743)**
2013		
At 31 December	892	(892)

Overall non-trading profit rate risk positions are managed by Group Central Treasury, which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities.

4.3.3 Exposure to other market risks – non-trading portfolios

Foreign currency transactions
The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk-weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, the Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the respective functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group (after taking account of the impact of any qualifying net investment hedges).

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.3 Exposure to other market risks – non-trading portfolios (continued)

	2014	*2013*
Net foreign currency exposure:		
EUR	**(970)**	(99)
GBP	**(325)**	191
Others	**13,199**	6,160

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the consolidated income statement, with all other variables held constant:

	Increase / (decrease) in profit or loss	
	2014	*2013*
5% increase / (decrease) in currency exchange rate		
EUR	**(49)**	(5)
GBP	**(16)**	10
Others	**660**	308

The table above does not include currencies that are pegged against the QAR.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as investments at fair value through equity.

The Group is also exposed to equity price risk and the sensitivity analysis thereof is as follows:

	2014	*2013*
5% increase / (decrease) in QE 30 index/other indices		
Increase / (decrease) in profit and loss	**17,845**	9,052
Increase / (decrease) in equity	**11,647**	5,858

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.4.1 Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB.

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2014	*2013*
At 31 December	**104%**	126%
Average for the year	**109%**	106%
Maximum for the year	**128%**	126%
Minimum for the year	**101%**	99%

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis

Maturity analysis of the Group's financial assets is prepared on the basis of their expected maturity, whereas maturity analysis of Group's liabilities is prepared on the basis of their contractual maturity.

2014	*Carrying amount*	*Less than one month*	*1-3 months*	*3 months to 1 year*	*1-5 years*	*More than 5 years*
Cash and balances with QCB	3,311,311	559,957	-	-	-	2,751,354
Due from banks	3,602,772	3,562,494	40,278	-	-	-
Financing assets	57,906,940	6,454,647	7,860,928	8,425,460	16,395,863	18,770,042
Investment securities - debt	13,693,612	244,967	1,705,481	825,484	9,154,882	1,762,798
Other assets	246,392	246,392	-	-	-	-
Total financial assets	**78,761,027**	**11,068,457**	**9,606,687**	**9,250,944**	**25,550,745**	**23,284,194**
Due to banks	4,560,293	2,028,428	2,449,585	82,280	-	-
Customer current accounts	4,878,252	4,878,252	-	-	-	-
Total financial liabilities	9,438,545	6,906,680	2,449,585	82,280	-	-
Equity of investment account holders	57,692,301	37,410,754	10,136,612	9,458,623	686,312	-
Total financial liabilities and equity of investment account holders	**67,130,846**	**44,317,434**	**12,586,197**	**9,540,903**	**686,312**	-
Difference	**11,630,181**	**(33,248,977)**	**(2,979,510)**	**(289,959)**	**24,864,433**	**23,284,194**

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

2013	*Carrying amount*	*Less than one month*	*1-3 months*	*3 months to 1 year*	*1-5 years*	*More than 5 years*
Cash and balances with QCB	3,510,514	1,237,196	-	-	-	2,273,318
Due from banks	4,334,667	4,334,667	-	-	-	-
Financing assets	41,440,198	14,940,311	6,161,918	10,506,375	5,116,563	4,715,031
Investment securities - debt	14,714,915	10,179,103	49,842	496,610	3,018,988	970,372
Other assets	390,206	390,206	-	-	-	-
Total financial assets	64,390,500	31,081,483	6,211,760	11,002,985	8,135,551	7,958,721
Due to banks	6,765,067	4,550,658	2,214,409	-	-	-
Customer current accounts	3,514,402	3,514,402	-	-	-	-
Total financial liabilities	10,279,469	8,065,060	2,214,409	-	-	-
Equity of investment account holders	44,816,865	32,652,927	7,335,151	4,231,403	597,384	-
Total financial liabilities and equity of investment account holders	55,096,334	40,717,987	9,549,560	4,231,403	597,384	-
Difference	9,294,166	(9,636,504)	(3,337,800)	6,771,582	7,538,167	7,958,721

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and risk management instruments)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The Group maintains a portfolio of highly marketable, diverse and liquid assets in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with QCB. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

	Carrying amount	*Gross undiscounted cash flows*	*Less than one month*	*One to 3 months*	*3 to 12 months*	*1 to 5 Years*	*Over 5 years*
2014							
Non-derivative liabilities							
Due to banks	4,560,293	4,562,367	2,028,695	2,451,134	82,538	-	-
Customer current accounts	4,878,252	4,892,046	4,892,046	-	-	-	-
Other liabilities	1,242,922	1,242,922	1,242,922	-	-	-	-
Total liabilities	**10,681,467**	**10,697,335**	**8,163,663**	**2,451,134**	**82,538**	**-**	**-**
Equity of investment account holders	**57,692,301**	**57,830,916**	**38,736,519**	**10,103,202**	**8,379,905**	**611,290**	**-**
Risk management instruments							
Risk management:	**(29)**						
Outflow		(15,335)	(2,677)	(10,725)	(1,933)	-	-
Inflow		15,306	2,591	10,681	2,034	-	-
	68,373,739	**68,528,222**	46,900,096	**12,554,292**	**8,462,544**	**611,290**	**-**

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and risk management instruments) (continued)

	Carrying amount	*Gross undiscounted cash flows*	*Less than one month*	*One to 3 months*	*3 to 12 months*	*1 to 5 Years*	*Over 5 years*
2013							
Non-derivative liabilities							
Due to banks	6,765,067	6,769,323	4,615,738	2,153,585	-	-	-
Customer current accounts	3,514,402	3,514,402	3,514,402	-	-	-	-
Other liabilities	746,906	746,906	746,906	-	-	-	-
Total liabilities	11,026,375	11,030,631	8,877,046	2,153,585	-	-	-
Equity of investment account holders	44,816,865	44,882,779	32,657,809	7,345,583	4,258,883	620,504	-
Risk management instruments							
Risk management:	6,669						
Outflow		(6,443)	(6,443)	-	-	-	-
Inflow		13,112	3,915	7,452	1,745	-	-
	55,849,909	55,920,079	41,532,327	9,506,620	4,260,628	620,504	-

4 FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4.6 Capital management

Regulatory capital

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on owners' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

The capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines as adopted by the QCB.

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.6 Capital management (continued)

Regulatory capital (continued)

The following table summarises the capital adequacy of the Group under Basel III/II requirements:

	2014	*2013*
Common Equity Tier (CET) 1 capital/Tier 1 (Basel II)	**9,977,075**	7,537,585
Additional Tier 1 capital	**752**	-
Additional Tier 2 capital	**752**	-
Total eligible capital	**9,978,579**	7,537,585
Total risk weighted assets	**54,363,751**	36,681,343
CET1/Tier 1 (Basel II) Ratio	**18.35%**	20.55%
Total Capital Ratio	**18.36%**	20.55%

The Bank has followed Basel III Capital Adequacy Ratio (CAR) with effect from 1 January 2014 in accordance with QCB regulations. The minimum accepted CAR under Basel III as per QCB requirements are as follows:

- Minimum limit without Capital Conservation Buffer is 10%; and
- Minimum limit including Capital Conservation Buffer is 12.5%.

Capital adequacy disclosures relating to 31 December 2013 are based on Basel II requirements.

Risk weighted assets and carrying amounts

	Basel III/II Risk weighted amount		*Carrying amount*	
	2014	*2013*	*2014*	*2013*
Cash and balances with QCB	-	-	**3,311,311**	3,510,514
Due from banks	753,249	2,161,899	**3,602,772**	4,334,667
Financing assets	33,849,568	20,260,711	**57,906,940**	41,440,198
Investment securities	2,102,109	1,202,537	**14,288,311**	15,016,627
Fixed assets and other assets	454,321	697,103	**469,686**	697,103
Off balance sheet assets	9,160,248	8,613,615	**70,773,042**	53,277,477
Total risk weighted assets for credit risk	**46,319,495**	32,935,865	**150,352,062**	118,276,586
Risk weighted assets for market risk	4,161,193	245,488		
Risk weighted assets for operational risk	3,883,063	3,499,990		
	8,044,256	3,745,478		

	2014	*2013*
Risk weighted assets	**54,363,751**	36,681,343
Regulatory capital	**9,978,579**	7,537,585
Risk weighted assets as a percentage of regulatory capital (capital ratio)	**18.36%**	20.55%

5 USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) *Allowances for credit losses*

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

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(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.

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

(i) *Valuation of financial instruments*

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

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.

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

5 USE OF ESTIMATES AND JUDGMENTS (continued)

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

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

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

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

(ii) *Financial asset and liability classification*

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

2014	***Level 1***	***Level 2***	***Level 3***	***Total***
Risk management instruments	-	15,306	-	15,306
Investment securities	670,520	-	-	670,520
	670,520	**15,306**	**-**	**685,826**
Risk management instruments	-	15,335	-	15,335
	-	**15,335**	**-**	**15,335**

2013	*Level 1*	*Level 2*	*Level 3*	*Total*
Risk management instruments	-	13,112	-	13,112
Investment securities	418,974	-	-	418,974
	418,974	13,112	-	432,086
Risk management instruments	-	6,443	-	6,443
	-	6,443	-	6,443

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 2,430 million (2013: QAR 1,347 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 7.

5 USE OF ESTIMATES AND JUDGMENTS (continued)

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

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

Investment securities totalling QAR 4,875 thousand are carried at cost (2013: QAR 4,678 thousand).

During the reporting periods 31 December 2014 and 2013, there were no transfers among Levels 1, 2 and 3 fair value measurements.

(iii) *Impairment of investments in equity and debt securities*
Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note.

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

6 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 & equipments, 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

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

6 OPERATING SEGMENTS (continued)

Information about operating segments

2014	*Corporate Banking*	*Retail Banking*	*Asset Management*	*International operations*	*Unallocated*	*Total*
External revenue:						
Total income from financing and investing activities	2,044,965	379,720	54,807	92,590	-	**2,572,082**
Net fee and commission income	188,365	-	23,189	4,041	-	**215,595**
Foreign exchange gain / (loss)	86,789	-	(38)	-	-	**86,751**
Share of results of associates and joint ventures	-	-	-	-	9,613	**9,613**
Gain on sale of an associate	-	-	-	-	186,143	**186,143**
Other income	-	-	-	-	7,435	**7,435**
Total segment revenue	**2,320,119**	**379,720**	**77,958**	**96,631**	**203,191**	**3,077,619**
Other material non-cash items:						
Net impairment loss on investment securities	-	-	-	-	(508)	**(508)**
Net impairment loss on financing assets	(9,257)	(3,137)	-	-	-	**(12,394)**
Reportable segment profit before tax	**1,839,008**	**310,865**	**50,972**	**(1,137)**	**(180,401)**	**2,019,307**
Reportable segment assets	**66,497,109**	**8,531,622**	**912,362**	**3,664,627**	**488,548**	**80,094,268**
Reportable segment liabilities	**7,141,093**	**1,735,382**	**11,387**	**576,978**	**1,216,627**	**10,681,467**
Reportable segment equity of investment account holders	**48,695,080**	**6,485,375**	**-**	**2,511,846**	**-**	**57,692,301**

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

6 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

2013	*Corporate Banking*	*Retail Banking*	*Asset Management*	*International operations*	*Unallocated*	*Total*
External revenue:						
Total income from financing and investing activities	2,092,896	296,327	63,249	-	-	2,452,472
Net fee and commission income	134,750	-	12,269	-	-	147,019
Foreign exchange gain / (loss)	60,441	-	(33)	-	-	60,408
Share of results of associates and joint ventures	-	-	-	-	7,943	7,943
Other income	-	-	4,666	-	9,199	13,865
Total segment revenue	2,288,087	296,327	80,151	-	17,142	2,681,707
Other material non-cash items:						
Net impairment loss on investment securities	-	-	-	-	(1,157)	(1,157)
Net impairment loss on financing assets	11,485	(153)	-	-	-	11,332
Reportable segment profit before tax	1,811,513	226,982	58,389	-	(357,819)	1,739,065
Reportable segment assets	59,086,204	6,229,017	690,823	-	541,593	66,547,637
Reportable segment liabilities	9,103,228	1,400,078	5,994	-	517,075	11,026,375
Reportable segment equity of investment account holders	40,214,908	4,601,957	-	-	-	44,816,865

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

7 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
2014					
Cash and balances with QCB	-	-	3,311,311	3,311,311	3,311,311
Due from banks	-	-	3,602,772	3,602,772	3,602,772
Financing assets	-	-	57,906,940	57,906,940	57,906,940
Investment securities:					
- Measured at fair value	437,583	237,812	-	675,395	675,395
- Measured at amortised cost	-	-	13,612,916	13,612,916	13,638,025
Other assets	-	-	246,392	246,392	246,392
Risk management instruments	15,306	-	-	15,306	15,306
	452,889	**237,812**	**78,680,331**	**79,371,032**	**79,396,141**
Due to banks	-	-	4,560,293	4,560,293	4,560,293
Customer current accounts	-	-	4,878,252	4,878,252	4,878,252
Equity of investment account holders	-	-	57,692,301	57,692,301	57,692,301
Risk management instruments	15,335	-	-	15,335	15,335
	15,335	**-**	**67,130,846**	**67,146,181**	**67,146,181**

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
2013					
Cash and balances with QCB	-	-	3,510,514	3,510,514	3,510,514
Due from banks	-	-	4,334,667	4,334,667	4,334,667
Financing assets	-	-	41,440,198	41,440,198	41,440,198
Investment securities:					
- Measured at fair value	302,972	120,680	-	423,652	423,652
- Measured at amortised cost	-	-	14,592,975	14,592,975	14,493,319
Other assets	-	-	390,206	390,206	390,206
Risk management instruments	13,112	-	-	13,112	13,112
	316,084	120,680	64,268,560	64,705,324	64,605,668
Due to banks	-	-	6,765,067	6,765,067	6,765,067
Customer current accounts	-	-	3,514,402	3,514,402	3,514,402
Equity of investment account holders	-	-	44,816,865	44,816,865	44,816,865
Risk management instruments	6,443	-	-	6,443	6,443
	6,443	-	55,096,334	55,102,777	55,102,777

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

8 BUSINESS COMBINATION

On 2 February 2014, the Group acquired 95.02% of the ordinary shares and voting interest in Al Rayan Bank (previously Islamic Bank of Britain PLC) and obtained control. Further, the Group increased its shareholding from 95.02% to 98.34% by raising Tier 1 capital through the issuance of new Al Rayan Bank shares on 3 February 2014. The acquisition was accounted for using the acquisition method of accounting.

During the period following the acquisition to 31 December 2014, Al Rayan Bank has contributed net operating income of QAR 96.6 million and net income of QAR 4.7 million to the Group results. Management estimates that if the acquisition had occurred on 1 January 2014, then Al Rayan Bank would have contributed net operating income of QAR 102.5 million and net income of QAR 3.0 million to the Group results for year ended 31 December 2014. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2014.

The assets and liabilities acquired are required to be measured at their acquisition-date fair values. The following fair values of the identifiable assets and liabilities have been recognized on a provisional basis, as the Group is in the process of finalizing the Purchase Price Allocation exercise.

	31 December 2014 (Reviewed)
Al Rayan Bank's net book value before fair value adjustments (100%)	**147,693**
Fair value adjustment of identifiable assets and liabilities	-
Fair value of identifiable assets and liabilities	**147,693**
Cash consideration transferred	(140,339)
Non-controlling interest at the date of acquisition (4.98%)*	(7,354)
Goodwill and other intangibles	-

* Non-controlling interest increased to QAR 10,119 thousand due to issuance of additional capital amounting to QAR 459 million.

If any new information is obtained about the facts and circumstances that existed at the acquisition date that identifies any adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised accordingly.

9 CASH AND BALANCES WITH QATAR CENTRAL BANK

	2014	*2013*
Cash on hand	**315,985**	282,917
Cash reserve with QCB*	**2,751,534**	2,273,318
Current account with QCB	**243,792**	954,279
	3,311,311	3,510,514

* The cash reserve with QCB represents a mandatory reserve not available for the daily operations of the Group.

10 DUE FROM BANKS

	2014	*2013*
Current accounts	**437,487**	314,362
Wakala placements with banks	**2,156,225**	1,217,575
Commodity murabaha receivable	**1,009,060**	2,802,730
	3,602,772	4,334,667

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

11 FINANCING ASSETS

(a) By type

	2014	*2013*
Receivables and balances from financing activities:		
Murabaha	**53,135,412**	38,375,758
Ijarah	**4,814,709**	3,705,824
Istisna'a	**1,300,702**	983,684
Musharaka	**3,614,539**	520,050
Others	**68,016**	127,112
Total receivables and balances from financing activities	**62,933,378**	43,712,428
Deferred profit	**(4,973,758)**	(2,235,105)
Allowance for impairment and profit in suspense (note b)	**(52,680)**	(37,125)
Net receivables and balances from financing activities	**57,906,940**	41,440,198

The total non-performing financing assets at 31 December 2014 amounted to QAR 58,217 thousand representing 0.09% of the gross financing assets (2013: QAR 42,390 thousand, representing 0.10% of the gross financing assets).

Specific impairment of financing assets includes QAR 3,160 thousand of profit in suspense (2013: QAR 3,209 thousand).

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

	Specific and collective impairment	*Profit in suspense*	*Total 2014*
Balance as at 1 January	33,916	3,209	37,125
Acquired from business combination	3,284	-	3,284
Charge for the year	19,870	(49)	19,821
Recoveries / reversals during the year	(7,476)	-	(7,476)
Write off during the year	(74)	-	(74)
Balance at 31 December 2014	**49,520**	**3,160**	**52,680**

	Specific and collective impairment	*Profit in suspense*	*Total 2013*
Balance as at 1 January	45,353	4,369	49,722
Charge for the year	30,917	(1,160)	29,757
Recoveries / reversals during the year	(42,249)	-	(42,249)
Write off during the year	(105)	-	(105)
Balance at 31 December 2013	33,916	3,209	37,125

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

11 FINANCING ASSETS (continued)

(c) Movement in the allowance for impairment (including profit in suspense) on financing assets sector-wise

	Corporate and SME	***Retail***	***Total 2014***
Balance as at 1 January	35,070	2,055	37,125
Acquired from business combination	-	3,284	3,284
Charge for the year	16,047	3,774	19,821
Recoveries / reversals during the year	(6,988)	(488)	(7,476)
Write off during the year	-	(74)	(74)
Balance at 31 December	**44,129**	**8,551**	**52,680**

	Corporate and SME	*Retail*	*Total 2013*
Balance as at 1 January	47,754	1,968	49,722
Charge for the year	29,481	276	29,757
Recoveries / reversals during the year	(42,165)	(84)	(42,249)
Write off during the year	-	(105)	(105)
Balance at 31 December	35,070	2,055	37,125

(d) By sector

	Murabaha	*Ijarah*	*Istisna'a*	*Musharaka*	*Others*	***Total 2014***
Government and related agencies	35,371,333	-	279,075	-	-	**35,650,408**
Non-banking financial institutions	5,894,033	4,657	-	-	-	**5,898,690**
Industry	278,104	-	536,319	-	-	**814,423**
Commercial	1,075,032	177,588	-	-	-	**1,252,620**
Services	1,841,189	24,370	216,074	208,515	14,908	**2,305,056**
Contracting	654,457	60,962	-	-	-	**715,419**
Real estate	5,635,735	4,358,299	269,234	1,270,602	-	**11,533,870**
Personal	2,385,518	188,833	-	1,582,993	53,108	**4,210,452**
Other	11	-	-	552,429	-	**552,440**
	53,135,412	**4,814,709**	**1,300,702**	**3,614,539**	**68,016**	**62,933,378**
Less: Deferred profit						**(4,973,758)**
Allowance for impairment on financing assets						**(52,680)**
						57,906,940

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

11 FINANCING ASSETS (continued)

(d) By sector

	Murabaha	*Ijarah*	*Istisna'a*	*Musharaka*	*Others*	*Total 2013*
Government and related agencies	21,183,932	-	90,568	-	-	21,274,500
Non-banking financial institutions	6,056,452	-	-	-	-	6,056,452
Industry	191,602	-	461,155	-	-	652,757
Commercial	3,419,835	12,530	-	-	-	3,432,365
Services	2,152,945	335,148	206,933	-	86,981	2,782,007
Contracting	744,300	15,269	-	-	-	759,569
Real estate	3,002,244	3,250,487	225,028	514,225	-	6,991,984
Personal	1,584,338	92,390	-	5,825	40,131	1,722,684
Other	40,110	-	-	-	-	40,110
	38,375,758	3,705,824	983,684	520,050	127,112	43,712,428
Less: Deferred profit						(2,235,105)
Allowance for impairment on financing assets						(37,125)
						41,440,198

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

12 INVESTMENT SECURITIES

	2014			2013		
	Quoted	***Unquoted***	***Total***	*Quoted*	*Unquoted*	*Total*
Investments classified as fair value through income statement						
Investments classified as held for trading						
• Equity type investments	**356,887**	**-**	**356,887**	181,032	-	181,032
• Debt type investments - Fixed profit rate	**80,696**	**-**	**80,696**	121,940	-	121,940
	437,583	**-**	**437,583**	302,972	-	302,972
Debt-type investments classified at amortised cost						
Fixed profit rate	**1,095,271**	**-**	**1,095,271**	436,842	-	436,842
Floating profit rate	**95,063**	**-**	**95,063**	121,274	-	121,274
Government of Qatar Sukuk	**1,236,898**	**11,207,527**	**12,444,425**	910,580	13,146,122	14,056,702
Less: Allowance for impairment	**(21,843)**	**-**	**(21,843)**	(21,843)	-	(21,843)
	2,405,389	**11,207,527**	**13,612,916**	1,446,853	13,146,122	14,592,975
Equity-type investments classified as fair value through equity	**232,937**	**4,875**	**237,812**	116,002	4,678	120,680
	3,075,909	**11,212,402**	**14,288,311**	1,865,827	13,150,800	15,016,627

The Group has taken impairment loss for equity-type investments classified as fair value through equity during the year totalling QAR 508 thousand (2013: QAR 1,157).

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

12 INVESTMENT SECURITIES (continued)

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

	2014			2013		
	Positive fair value	***Negative fair value***	***Total***	*Positive fair value*	*Negative fair value*	*Total*
Balance at 1 January	**26,888**	**-**	**26,888**	9,244	-	9,244
Net change in fair value	**10,712**	**(10,711)**	**1**	16,830	(1,157)	15,673
Transferred to consolidated income statement on sale	**(544)**	**90**	**(454)**	-	-	-
Transferred to consolidated income statement due to impairment	**-**	**508**	**508**	-	1,157	1,157
Share of other comprehensive income of associates	**1,862**	**-**	**1,862**	814	-	814
Balance at 31 December	**38,918**	**(10,113)**	**28,805**	26,888	-	26,888

13 INVESTMENT IN ASSOCIATES AND JOINT ARRANGEMENTS

Associates' and joint arrangements' movement during the year is as follows:

	2014	*2013*
Balance at 1 January	**1,457,278**	1,449,521
Share of results	**9,613**	7,943
Cash dividend received	**(5,408)**	-
Associate sold	**(1,039,347)**	-
Share of other comprehensive income	**1,862**	814
Reclassification of investment to other assets	**-**	(1,000)
Balance at 31 December	**423,998**	1,457,278

Name of the Company	***Associate / Joint Arrangement***	***Country***	***Company's activities***	***Ownership %***	
				2014	*2013*
National Mass Housing ("NMH")	Associate	Oman	Real estate services	20.00	20.00
CI San Trading ("Ci San")	Associate	Qatar	Investing and trading	50.00	50.00
Kirnaf Investment and Installment Company ("Kirnaf")	Associate	Saudi Arabia	Leasing	48.00	48.00
Daman Insurance – Beema ("Daman")	Associate	Qatar	Insurance	20.00	20.00
Linc Facility Services ("Linc")	Joint arrangement	Qatar	Facility management	33.50	33.50
Seef Lusail Real Estate Development Company W.L.L. ("Seef")	Associate	Qatar	Investment and credit facilities management	-	50.00

Notes:

A) All investments are not listed.

B) During the year, the Bank has sold fully its 50% stake in Seef to Qatari Diar Infrastructure Company (49%) and Qatari Diar Real Estate Investment Company (1%) for a consideration of QAR 1.5 billion.

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

13 INVESTMENT IN ASSOCIATES AND JOINT ARRANGEMENTS (continued)

The financial position, revenue and results of associates and joint arrangements are as follows:

2014	NMH	Ci San	Kirnaf	Daman	Linc	Seef
Total assets	169,764	53,323	977,162	638,359	29,475	-
Total liabilities	5,355	7,217	321,369	373,245	6,440	-
Total revenue	5,970	64,096	-	54,801	35,557	-
Net profit / (loss)	4,012	2,730	-	30,643	17,834	-
Share of profit / (loss)	797	1,348	-	3,847	5,717	(2,096)*

*This represents the share of loss up to the date of disposal.

2013	NMH	Ci San	Kirnaf	Daman	Linc	Seef
Total assets	163,049	51,776	977,162	396,521	6,000	2,127,478
Total liabilities	5,464	8,512	321,369	166,993	-	44,593
Total revenue	3,048	93,284	-	34,552	-	41
Net profit / (loss)	1,186	12,632	-	14,204	-	(6,406)
Share of profit / (loss)	499	6,332	-	4,315	-	(3,203)

14 INVESTMENT PROPERTY

Investment property pertains to freehold land and is carried at cost. The fair value of the investment property as at 31 December 2014 amounted to QAR 105 million (2013: QAR 101 million).

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

15 FIXED ASSETS

	Land and building	*Leasehold improvements*	*Furniture, fixtures and office equipment*	*Computer equipment*	*Work in progress*	*Total*
Cost:						
Balance at 1 January 2014	14,163	54,579	22,892	71,765	300	163,699
Additions	64,546	1,354	9,654	2,334	-	77,888
Acquired from business combination	-	16,769	2,418	12,382	-	31,569
Balance at 31 December 2014	78,709	72,702	34,964	86,481	300	273,156
Accumulated depreciation:						
Balance at 1 January 2014	2,106	29,124	14,544	62,642	-	108,416
Depreciation for the year	358	6,710	3,168	5,876	-	16,112
Acquired from business combination	-	15,276	2,244	11,872	-	29,392
Balance at 31 December 2014	2,464	51,110	19,956	80,390	-	153,920
Net book value:						
At 31 December 2014	**76,245**	**21,592**	**15,008**	**6,091**	**300**	**119,236**

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

15 FIXED ASSETS (continued)

	Land and building	*Leasehold improvements*	*Furniture, fixtures and office equipment*	*Computer equipment*	*Work in progress*	*Total*
Cost:						
Balance at 1 January 2013	14,163	52,398	20,436	65,619	1,969	154,585
Additions	-	2,137	2,030	6,146	-	10,313
Transfers	-	44	426	-	(470)	-
Disposals / write off	-	-	-	-	(1,199)	(1,199)
Balance at 31 December 2013	14,163	54,579	22,892	71,765	300	163,699
Accumulated depreciation:						
Balance at 1 January 2013	1,747	23,784	11,505	55,331	-	92,367
Depreciation for the year	359	5,340	3,039	7,311	-	16,049
Balance at 31 December 2013	2,106	29,124	14,544	62,642	-	108,416
Net book value:						
At 31 December 2013	12,057	25,455	8,348	9,123	300	55,283

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

16 OTHER ASSETS

	2014	*2013*
Accrued profit	**249,518**	393,332
Prepayments and other receivables	**78,818**	229,143
Advances to suppliers	**25,240**	22,471
	353,576	644,946
Less: Allowance for impairment losses	**(3,126)**	(3,126)
	350,450	641,820

Notes:

(i) Allowance for impairment losses pertain to accrued profit relating to certain debt type investments.

(ii) Other receivables include positive fair value of derivatives amounting to QAR 15,306 thousand (2013: QAR 13,112 thousand).

17 DUE TO BANKS

	2014	*2013*
Current accounts	**22,743**	573,840
Commodity murabaha payable	**1,230,876**	1,426,604
Wakala payable	**3,306,674**	4,764,623
	4,560,293	6,765,067

Wakala payable includes various facilities with maturities up to 5 months and carries a profit rate of 0.10% to 0.80% (2013: maturities up to 3 months and carries a profit rate of 0.22% to 1.25%).

18 CUSTOMER CURRENT ACCOUNTS

	2014	*2013*
By sector:		
Government	**805,026**	629,791
Non-banking financial institutions	**186,465**	20,053
Corporate	**1,915,932**	1,464,581
Individuals	**1,970,829**	1,399,977
	4,878,252	3,514,402

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

19 OTHER LIABILITIES

	2014	*2013*
Unearned commission	**485,452**	207,305
Dividend payable	**312,956**	186,802
Other staff provisions	**87,811**	65,321
Accrued expenses	**56,305**	37,634
Social and sports fund (Note 39)	**50,056**	42,557
Provision for employees' end of service benefits (a)	**27,130**	21,552
Others	**223,212**	185,735
	1,242,922	746,906

Others include negative fair value of derivatives amounting to QAR 15,335 thousand (2013: QAR 6,443 thousand).

(a) Provision for employees' end of service benefits

	2014	*2013*
Balance at 1 January	**21,552**	16,912
Provisions made during the year	**7,462**	6,126
Paid during the year	**(1,884)**	(1,486)
Balance at 31 December	**27,130**	21,552

20 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2014	*2013*
(a) By type		
Saving accounts	**3,103,374**	1,843,583
Term accounts	**49,572,859**	40,334,469
Call accounts	**4,908,413**	2,538,393
Profit payable to equity of investment account holders	**106,461**	99,305
Share in the fair value reserve	**1,194**	1,115
	57,692,301	44,816,865

	2014	*2013*
(b) By sector		
Government	**32,972,711**	27,525,382
Non-banking financial institutions	**117,973**	131,812
Retail	**7,523,703**	4,942,875
Corporate	**16,970,259**	12,116,376
Profit payable to equity of investment account holders	**106,461**	99,305
Share in the fair value reserve	**1,194**	1,115
	57,692,301	44,816,865

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

20 EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(b) By sector (continued)

In accordance with QCB circular No. 87/2008, no risk reserve is deducted from the profit related to the equity of investment account holders and the total risk reserve is transferred from the shareholders' profit as an appropriation.

(c) Share of equity of investment account holders in the net profit

	2014	*2013*
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	**1,876,727**	1,667,733
Masraf's Mudaraba income	**(1,749,847)**	(1,581,756)
Return on investment account holders	**126,880**	85,977
Support provided by Masraf	**384,594**	389,389
Return on investment account holders after Masraf's support	**511,474**	475,366

Rates of profit allotment:	*2014* %	*2013* %
More than one year deposits	**1.53**	1.84
One year deposits	**1.31**	1.55
Six months deposits	**1.22**	1.41
Three months deposits	**1.13**	1.30
Call accounts	**0.66**	0.57
Saving accounts	**0.89**	0.89
Saving accounts-millionaire	**1.00**	1.00

21 OWNERS' EQUITY

(a) Share capital

	2014	*2013*
Authorised, issued and paid up		
750,000,000 shares at QAR 10 each	**7,500,000**	7,500,000

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

21 OWNERS' EQUITY (continued)

(b) Legal reserve

	2014	*2013*
Balance at 1 January	**632,746**	292,292
Transfer from retained earnings (i)	**400,449**	340,454
Balance at 31 December	**1,033,195**	632,746

(i) 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. At 31 December 2014, the Group transferred to legal reserve 20% of the net profit for the year (2013: 20% of the net profit).

(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 the Group 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. As of 31 December 2014, an amount of QAR 133 million has been transferred to the risk reserve (2013: QAR 88 million).

(d) Fair value reserve

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

	2014	*2013*
Balance at the 1 January	**26,888**	9,244
Net unrealised gains	**1,195**	16,788
Transferred to consolidated income statement	**54**	1,157
Share of other comprehensive income of associates	**1,862**	814
	29,999	28,003
Share of equity of investment account holders in the fair value reserve	**(1,194)**	(1,115)
Balance at 31 December (shareholders' share)	**28,805**	26,888

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

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on risk management instruments that hedge the Group's net investment in foreign operations.

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

21 OWNERS' EQUITY (continued)

(f) Other reserves

This represents the Group's share of profit from investment in associates and joint arrangements, net of cash dividend received, as required by QCB regulations.

	2014	*2013*
Balance at 1 January	**26,809**	18,866
Share of results of associates	**9,613**	7,943
Dividend from associates transferred to retained earnings	**(5,408)**	-
Other movement	**10,151**	-
Balance at 31 December	**41,165**	26,809

(g) Proposed dividend

The Board of Directors in its meeting held on 26 January 2015 proposed a cash dividend of 17.5% (2013: 15%) of the share capital amounting to QAR 1,313 million (2013: QAR 1,125 million).

This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

22 NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Al Rayan GCC Fund (F), Al Rayan GCC Fund (Q) and Al Rayan Bank of 51.4%, 83.4% and 1.66%, respectively (31 December 2013: 43.6%, 73.3% and nil, respectively).

23 NET INCOME FROM FINANCING ACTIVITIES

	2014	*2013*
Income from Murabaha	**1,742,128**	1,488,861
Income from Istisna'a	**33,979**	32,963
Income from Ijarah	**205,381**	201,154
Income from Musharaka	**119,647**	20,026
	2,101,135	1,743,004

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

24 NET INCOME FROM INVESTING ACTIVITIES

	2014	2013
Income from investment in debt-type instruments	**397,819**	646,793
Net gain on sale of debt-type investments	**24,176**	1,897
Income from inter-bank placements with Islamic banks	**23,169**	9,963
Dividend income	**20,141**	8,387
Fair value gain on investment securities carried as fair value through income statement	**3,576**	22,597
Net gain on sale of equity-type investments	**2,066**	19,831
	470,947	709,468

25 NET FEE AND COMMISSION INCOME

	2014	2013
Commission on financing activities	**135,611**	83,619
Commission on trade finance activities	**54,561**	47,023
Commission on banking services	**26,945**	17,621
	217,117	148,263
Fee and commission expenses	**(1,522)**	(1,244)
	215,595	147,019

26 FOREIGN EXCHANGE GAIN

	2014	2013
Dealing in foreign currencies	**86,710**	60,744
Revaluation of assets and liabilities	**41**	(336)
	86,751	60,408

27 OTHER INCOME

	2014	2013
Rental income	**2,799**	2,808
Miscellaneous	**4,636**	11,057
	7,435	13,865

28 STAFF COSTS

	2014	2013
Salaries, allowances and other staff costs	**250,600**	218,867
Staff indemnity costs	**7,462**	6,126
Staff pension fund costs	**4,728**	3,679
	262,790	228,672

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

29 OTHER EXPENSES

	2014	*2013*
Rent and maintenance	**52,649**	48,333
Advertising expenses	**35,838**	39,497
Legal, professional and consulting fees	**19,257**	14,846
Board of Directors' remuneration (Note 35/c)	**18,471**	15,444
Information technology	**15,944**	8,648
Shari'a Board compensation	**2,028**	1,620
Other operating expenses	**55,803**	26,568
	199,990	154,956

30 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 rent agreements are as follows:

	2014	*2013*
Payable not later than 1 year	**24,407**	23,795
Payable later than 1 year and not later than 5 years	**20,168**	34,397
	44,575	58,192

(b) Contingent liabilities

	2014	*2013*
Unutilised credit facilities	**20,771,239**	15,290,101
Guarantees	**12,984,353**	8,040,566
Letters of credit	**8,662,418**	11,430,735
	42,418,010	34,761,402

(c) Other undertakings and commitments

	2014	*2013*
Profit rate swap	**4,505,943**	-
Unilateral promise to buy/sell currencies	**23,849,089**	18,516,075
	28,355,032	18,516,075

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

31 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

	Qatar	*Other GCC*	*Europe*	*North America*	*Others*	*Total*
2014						
Cash and balances with QCB	3,306,749	-	4,562	-	-	**3,311,311**
Due from banks	1,788,985	1,485,439	161,706	112,938	53,704	**3,602,772**
Financing assets	52,061,010	143,542	5,702,388	-	-	**57,906,940**
Investment securities	12,831,389	773,167	78,024	513,158	92,573	**14,288,311**
Investment in associates and joint arrangements	77,754	346,244	-	-	-	**423,998**
Investment property	91,250	-	-	-	-	**91,250**
Fixed assets	117,755	-	1,481	-	-	**119,236**
Other assets	331,343	-	19,107	-	-	**350,450**
TOTAL ASSETS	**70,606,235**	**2,748,392**	**5,967,268**	**626,096**	**146,277**	**80,094,268**
Due to banks	2,377,353	1,977,589	18,745	1	186,605	**4,560,293**
Customer current accounts	4,531,713	14,756	324,694	21	7,068	**4,878,252**
Other liabilities	1,228,015	-	14,907	-	-	**1,242,922**
Total liabilities	8,137,081	1,992,345	358,346	22	193,673	**10,681,467**
Equity of investment account holders	52,468,474	2,690,622	285,140	34	2,248,031	**57,692,301**
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**60,605,555**	**4,682,967**	**643,486**	**56**	**2,441,704**	**68,373,768**

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

31 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Geographical sector (continued)

	Qatar	*Other GCC*	*Europe*	*North America*	*Others*	*Total*
2013						
Cash and balances with QCB	3,510,514	-	-	-	-	3,510,514
Due from banks	1,461,862	2,511,452	89,436	268,596	3,321	4,334,667
Financing assets	40,463,688	100,294	876,189	-	27	41,440,198
Investment securities	14,437,302	471,229	70,444	-	37,652	15,016,627
Investment in associates and joint arrangements	1,110,981	346,297	-	-	-	1,457,278
Investment property	91,250	-	-	-	-	91,250
Fixed assets	55,283	-	-	-	-	55,283
Other assets	641,820	-	-	-	-	641,820
TOTAL ASSETS	61,772,700	3,429,272	1,036,069	268,596	41,000	66,547,637
Due to banks	4,105,277	1,932,057	30,155	2	697,576	6,765,067
Customer current accounts	3,509,925	2,103	1,151	2	1,221	3,514,402
Other liabilities	746,906	-	-	-	-	746,906
Total liabilities	8,362,108	1,934,160	31,306	4	698,797	11,026,375
Equity of investment account holders	44,123,821	662,859	20,375	-	9,810	44,816,865
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	52,485,929	2,597,019	51,681	4	708,607	55,843,240

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

31 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector

	Real estate	*Construction, engineering and manufacturing*	*Oil and gas*	*Financial services*	*Individuals*	*Others*	*Total*
2014							
Cash and balances with QCB	-	-	-	3,311,311	-	-	**3,311,311**
Due from banks	-	-	-	3,602,772	-	-	**3,602,772**
Financing assets	11,441,065	944,171	536,319	5,271,440	3,983,427	35,730,518	**57,906,940**
Investment securities	290,222	232,124	11,226	480,754	-	13,273,985	**14,288,311**
Investment in associates and joint arrangements	31,463	-	-	361,765	-	30,770	**423,998**
Investment property	91,250	-	-	-	-	-	**91,250**
Fixed assets	-	-	-	-	-	119,236	**119,236**
Other assets	-	-	-	-	-	350,450	**350,450**
TOTAL ASSETS	**11,854,000**	**1,176,295**	**547,545**	**13,028,042**	**3,983,427**	**49,504,959**	**80,094,268**
Due to banks	-	-	-	4,560,293	-	-	**4,560,293**
Customer current accounts	152,833	186,739	3,046	186,465	1,970,829	2,378,340	**4,878,252**
Other liabilities	-	-	-	-	-	1,242,922	**1,242,922**
Total liabilities	152,833	186,739	3,046	4,746,758	1,970,829	3,621,262	**10,681,467**
Equity of investment account holders	163,491	859,095	754	117,973	7,523,703	49,027,285	**57,692,301**
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**316,324**	**1,045,834**	**3,800**	**4,864,731**	**9,494,532**	**52,648,547**	**68,373,768**

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

31 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector (continued)

	Real estate	*Construction, engineering and manufacturing*	*Oil and gas*	*Financial services*	*Individuals*	*Others*	*Total*
2013							
Cash and balances with QCB	-	-	-	3,510,514	-	-	3,510,514
Due from banks	-	-	-	4,334,667	-	-	4,334,667
Financing assets	6,772,341	880,927	461,155	5,933,958	1,525,655	25,866,162	41,440,198
Investment securities	278,985	63,991	6,149	187,676	-	14,479,826	15,016,627
Investment in associates and joint arrangements	1,072,959	-	-	360,687	-	23,632	1,457,278
Investment property	91,250	-	-	-	-	-	91,250
Fixed assets	-	-	-	-	-	55,283	55,283
Other assets	-	-	-	-	-	641,820	641,820
TOTAL ASSETS	8,215,535	944,918	467,304	14,327,502	1,525,655	41,066,723	66,547,637
Due to banks	-	-	-	6,765,067	-	-	6,765,067
Customer current accounts	3,439	126,912	2,541	20,053	1,399,977	1,961,480	3,514,402
Other liabilities	-	-	-	-	-	746,906	746,906
Total liabilities	3,439	126,912	2,541	6,785,120	1,399,977	2,708,386	11,026,375
Equity of investment account holders	12,104	152,808	1,100	131,812	4,942,875	39,576,166	44,816,865
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	15,543	279,720	3,641	6,916,932	6,342,852	42,284,552	55,843,240

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

32 MATURITY PROFILE

	Up to 3 months	*3-6 months*	*6 months-1 year*	*1-5 years*	*Over 5 years*	*Total*
2014						
Cash and balances with QCB	559,957	-	-	-	2,751,354	**3,311,311**
Due from banks	3,602,772	-	-	-	-	**3,602,772**
Financing assets	14,315,575	5,075,421	3,350,039	16,395,863	18,770,042	**57,906,940**
Investment securities	2,307,335	825,484	-	9,154,882	2,000,610	**14,288,311**
Investment in associates and joint arrangements	-	-	-	-	423,998	**423,998**
Investment property	-	-	-	-	91,250	**91,250**
Fixed assets	-	-	-	-	119,236	**119,236**
Other assets	350,450	-	-	-	-	**350,450**
TOTAL ASSETS	**21,136,089**	**5,900,905**	**3,350,039**	**25,550,745**	**24,156,490**	**80,094,268**
Due to banks	4,478,013	82,280	-	-	-	**4,560,293**
Customer current accounts	4,878,252	-	-	-	-	**4,878,252**
Other liabilities	1,242,922	-	-	-	-	**1,242,922**
Total liabilities	10,599,187	82,280	-	-	-	**10,681,467**
Equity of investment account holders	47,547,366	5,506,884	3,951,739	686,312	-	**57,692,301**
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**58,146,553**	**5,589,164**	**3,951,739**	**686,312**	-	**68,373,768**
MATURITY GAP	**(37,010,464)**	**311,741**	**(601,700)**	**24,864,433**	**24,156,490**	**11,720,500**

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

32 MATURITY PROFILE (continued)

2013	*Up to 3 months*	*3-6 months*	*6 months-1 year*	*1-5 years*	*Over 5 years*	*Total*
Cash and balances with QCB	1,237,196	-	-	-	2,273,318	3,510,514
Due from banks	4,334,667	-	-	-	-	4,334,667
Financing assets	21,102,229	7,941,272	2,565,103	5,116,563	4,715,031	41,440,198
Investment securities	10,435,024	496,610	-	3,018,988	1,066,005	15,016,627
Investment in associates and joint arrangements	-	-	-	-	1,457,278	1,457,278
Investment property	-	-	-	-	91,250	91,250
Fixed assets	-	-	-	-	55,283	55,283
Other assets	641,820	-	-	-	-	641,820
TOTAL ASSETS	37,750,936	8,437,882	2,565,103	8,135,551	9,658,165	66,547,637
Due to banks	6,765,067	-	-	-	-	6,765,067
Customer current accounts	3,514,402	-	-	-	-	3,514,402
Other liabilities	746,906	-	-	-	-	746,906
Total liabilities	11,026,375	-	-	-	-	11,026,375
Equity of investment account holders	39,988,078	3,083,008	1,148,395	597,384	-	44,816,865
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	51,014,453	3,083,008	1,148,395	597,384	-	55,843,240
MATURITY GAP	(13,263,517)	5,354,874	1,416,708	7,538,167	9,658,165	10,704,397

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

33 BASIC AND DILUTED EARNINGS PER SHARE

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

	2014	*2013*
Profit for the year attributable to owners of the Bank	**2,002,243**	1,702,270
Weighted average number of shares outstanding during the year (thousand) (a)	**750,000**	750,000
Basic earnings per share (QAR)	**2.670**	2.270

(a) The weighted average number of shares has been calculated as follows:

	2014 Nos'000	*2013 Nos'000*
Weighted average number of shares at 1 January / 31 December	**750,000**	750,000

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

34 CASH AND CASH EQUIVALENTS

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

	2014	*2013*
Cash on hand and balances with QCB excluding cash reserve	**559,777**	1,237,196
Due from bank	**3,602,772**	4,334,667
	4,162,549	5,571,863

The above balances include cash acquired from business combination as follows:

	2014	*2013*
Cash on hand	**5,202**	-
Due from banks	**884,233**	-
	889,435	-

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

35 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) Consolidated statement of financial position items

	2014	*2013*
Liabilities		
Current account - customer	**166**	184
Equity of investment account holders - customer	**2,476,007**	3,541,599
	2,476,173	3,541,783

(b) Consolidated income statement items

	2014	*2013*
Gain from foreign exchange operations - customer	**-**	21
Return on equity of investment account holders - customer	**9,101**	13,541

(c) Transactions with key management personnel

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

	2014	*2013*
Financing	**12,229**	10,011

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

	2014	*2013*
Remuneration to Board of Directors including meeting allowances (Note 29)	**18,471**	15,444
Salaries and other benefits	**17,595**	8,649

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

36 RISK MANAGEMENT INSTRUMENTS

(A) Profit rate swap

Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal. In the case of currency swaps, fixed profit payments and principal are exchanged in different currencies.

(B) Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the derivatives fair value.

	Positive fair value	*Negative fair value*	*Notional amount*	*Within three months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*
2014							
Risk management instruments							
Profit rate swaps	14	14	4,505,943	-	239,122	3,972,151	294,670
Unilateral promise to buy/sell currencies	15,292	15,321	23,849,089	19,871,160	3,977,929	-	-
	15,306	**15,335**	**28,355,032**	**19,871,160**	**4,217,051**	**3,972,151**	**294,670**

	Positive fair value	*Negative fair value*	*Notional amount*	*Within three months*	*3 - 12 months*	*1 - 5 years*	*Over 5 years*
2013							
Risk management instruments							
Unilateral promise to buy/sell currencies	13,112	6,443	18,516,075	14,002,272	4,513,803	-	-

37 ZAKAT

Zakat is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners in accordance with the Articles of Association.

38 SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

39 SOCIAL RESPONSIBILITY

Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 50.1 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2014 (2013: QAR 42.6 million) for the support of sports, cultural and charitable activities.

40 COMPARATIVE FIGURES

The comparative figures presented for 2013 have been reclassified where necessary to preserve consistency with the 2014 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.

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

SUPPLEMENTARY FINANCIAL INFORMATION
At 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK

(A) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2014	*2013*
ASSETS		
Cash and balances with QCB	**3,226,457**	3,462,880
Due from banks	**3,291,397**	4,334,667
Financing assets	**55,494,239**	41,440,198
Investment securities	**12,960,475**	14,590,847
Investment in subsidiaries, associates and joint arrangements	**1,472,903**	1,902,490
Investment property	**91,250**	91,250
Fixed assets	**116,927**	54,008
Other assets	**287,533**	637,544
TOTAL ASSETS	**76,941,181**	66,513,884
LIABILITIES		
Due to banks	**4,672,728**	6,996,087
Customer current accounts	**4,518,133**	3,521,413
Other liabilities	**1,356,295**	739,378
TOTAL LIABILITIES	**10,547,156**	11,256,878
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**55,183,751**	44,824,544
OWNERS' EQUITY		
Share capital	**7,500,000**	7,500,000
Legal reserve	**1,033,195**	632,746
Risk reserve	**1,008,646**	875,414
Fair value reserves	**7,374**	7,490
Retained earnings	**1,661,059**	1,416,812
TOTAL OWNERS' EQUITY	**11,210,274**	10,432,462
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**76,941,181**	66,513,884

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

SUPPLEMENTARY FINANCIAL INFORMATION
For the year ended 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(B) INCOME STATEMENT OF THE PARENT BANK

	2014	*2013*
Net income from financing activities	**2,021,620**	1,743,004
Net income from investing activities	**407,641**	646,424
Total net income from financing and investing activities	**2,429,261**	2,389,428
Fee and commission income	**191,436**	135,235
Fee and commission expense	**(1,223)**	(1,244)
Net fee and commission income	**190,213**	133,991
Foreign exchange gain	**86,789**	60,441
Gain on sale of investment in an associate	**186,143**	-
Other income	**11,001**	13,399
TOTAL INCOME	**2,903,407**	2,597,259
Staff costs	**(218,428)**	(214,522)
Depreciation	**(13,777)**	(15,317)
Other expenses	**(155,582)**	(145,868)
Finance expense	**(58,037)**	(80,924)
TOTAL EXPENSES	**(445,824)**	(456,631)
Net (impairment losses) / recoveries / reversals on financing assets	**(12,466)**	11,332
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	**2,445,117**	2,151,960
Less: Return to investment account holders	**(481,971)**	(475,366)
NET PROFIT FOR THE YEAR	**1,963,146**	1,676,594