

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

MASRAF AL RAYAN (Q.S.C.)

31 MARCH 2015

Masraf Al Rayan (Q.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2015

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

Introduction

We have reviewed the accompanying 31 March 2015 condensed consolidated interim financial statements of Masraf Al Rayan (Q.S.C.) ("the Bank") and its subsidiaries (together referred to as the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 31 March 2015;
- the condensed consolidated income statement for the three month period ended 31 March 2015;
- the condensed consolidated statement of changes in owners' equity for the three month period ended 31 March 2015;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2015;
- the condensed consolidated statement of changes in restricted investment for the three month period ended 31 March 2015; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of the Qatar Central Bank regulations. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.


Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2015 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI and the applicable provisions of the Qatar Central Bank regulations.

20 April 2015
Doha
State of Qatar

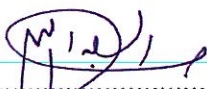

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

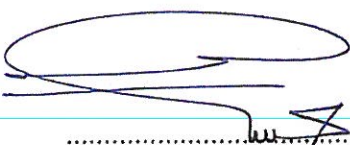
As at 31 March 2015

| | Notes | 31 March 2015 (Reviewed) | 31 December 2014 (Audited) | 31 March 2014 (Reviewed) |
|---|-------|--------------------------------|----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and balances with Qatar Central Bank | | 3,083,465 | 3,311,311 | 3,645,223 |
| Due from banks | | 2,567,084 | 3,602,772 | 5,760,046 |
| Financing assets | 8 | 62,815,293 | 57,906,940 | 45,640,861 |
| Investment securities | 9 | 13,644,011 | 14,288,311 | 12,375,193 |
| Investment in associates and joint ventures | | 430,055 | 423,998 | 1,460,091 |
| Investment property | | 91,250 | 91,250 | 91,250 |
| Fixed assets | | 123,751 | 119,236 | 55,884 |
| Other assets | | 404,788 | 350,450 | 333,926 |
| TOTAL ASSETS | | 83,159,697 | 80,094,268 | 69,362,474 |
| LIABILITIES | | | | |
| Due to banks | 10 | 9,952,487 | 4,560,293 | 5,934,158 |
| Customer current accounts | | 5,747,787 | 4,878,252 | 4,083,009 |
| Other liabilities | | 1,477,827 | 1,242,922 | 1,042,962 |
| TOTAL LIABILITIES | | 17,178,101 | 10,681,467 | 11,060,129 |
| EQUITY OF INVESTMENT ACCOUNT HOLDERS | 11 | 55,084,300 | 57,692,301 | 48,251,986 |
| OWNERS' EQUITY | | | | |
| Share capital | 12 | 7,500,000 | 7,500,000 | 7,500,000 |
| Legal reserve | 12 | 1,033,195 | 1,033,195 | 632,746 |
| Risk reserve | 12 | 1,008,646 | 1,008,646 | 875,414 |
| Fair value reserves | 12 | 39,237 | 28,805 | 35,090 |
| Foreign currency translation reserve | 12 | (147) | 63 | - |
| Other reserves | 12 | 41,165 | 41,165 | 26,809 |
| Retained earnings | | 938,896 | 1,740,641 | 768,864 |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | | 10,560,992 | 11,352,515 | 9,838,923 |
| Non-controlling interests | 13 | 336,304 | 367,985 | 211,436 |
| TOTAL OWNERS' EQUITY | | 10,897,296 | 11,720,500 | 10,050,359 |
| TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY | | 83,159,697 | 80,094,268 | 69,362,474 |

These condensed consolidated interim financial statements were approved by the Board of Directors on 20 April 2015 and were signed on its behalf by:



 Dr. Hussein Ali Al Abdulla
 Chairman and Managing Director



 Adel Mustafawi
 Group Chief Executive Officer

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements



CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three-Month Period Ended 31 March 2015

| | Notes | For the Three-Month Period Ended 31 March | |
|--|-------|--|--------------------|
| | | 2015 (Reviewed) | 2014 (Reviewed) |
| Net income from financing activities | | 576,141 | 467,683 |
| Net income from investing activities | | 124,127 | 151,280 |
| Total net income from financing and investing activities | | 700,268 | 618,963 |
| Fee and commission income | | 49,761 | 63,123 |
| Fee and commission expense | | (226) | (355) |
| Net fee and commission income | | 49,535 | 62,768 |
| Net foreign exchange gain | | 19,478 | 18,198 |
| Share of results of associates and joint ventures | | 11,222 | 4,941 |
| Gain on sale of investment in an associate | | 46,536 | - |
| Other income | | 916 | 3,074 |
| TOTAL INCOME | | 827,955 | 707,944 |
| Staff costs | | (62,538) | (62,323) |
| Depreciation | | (3,724) | (4,169) |
| Other expenses | | (54,412) | (58,545) |
| Finance expense | | (22,738) | (12,093) |
| TOTAL EXPENSES | | (143,412) | (137,130) |
| Net recoveries and reversals on financing assets | 8 | 5,614 | 18 |
| Net impairment losses on investment securities | 9 | (30,217) | - |
| PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS | | 659,940 | 570,832 |
| Less: Return to investment account holders | | (145,143) | (118,901) |
| PROFIT FOR THE PERIOD BEFORE TAX | | 514,797 | 451,931 |
| Tax credit (expense) | | 3,935 | (1,248) |
| NET PROFIT FOR THE PERIOD | | 518,732 | 450,683 |
| Net profit for the period attributable to: | | | |
| Equity holders of the Bank | | 510,755 | 432,373 |
| Non-controlling interests | | 7,977 | 18,310 |
| | | 518,732 | 450,683 |
| BASIC AND DILUTED EARNINGS PER SHARE (QAR) | 15 | 0.681 | 0.576 |

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Three-Month Period Ended 31 March 2015

| | 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 2015 (Audited) | 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 |
| Change in foreign currency translation reserve | - | - | - | - | (68,160) | - | - | (68,160) | - | (68,160) |
| Net gain on hedging of net investment in a foreign subsidiary | - | - | - | - | 67,950 | - | - | 67,950 | - | 67,950 |
| Fair value reserve movement | - | - | - | 10,432 | - | - | - | 10,432 | - | 10,432 |
| Profit for the period | - | - | - | - | - | - | 510,755 | 510,755 | 7,977 | 518,732 |
| Dividend paid (Note 12) | - | - | - | - | - | - | (1,312,500) | (1,312,500) | - | (1,312,500) |
| Net movement in non-controlling interests | - | - | - | - | - | - | - | - | (39,658) | (39,658) |
| Balance at 31 March 2015 (Reviewed) | 7,500,000 | 1,033,195 | 1,008,646 | 39,237 | (147) | 41,165 | 938,896 | 10,560,992 | 336,304 | 10,897,296 |
| Balance at 1 January 2014 (Audited) | 7,500,000 | 632,746 | 875,414 | 26,888 | - | 26,809 | 1,461,491 | 10,523,348 | 181,049 | 10,704,397 |
| Fair value reserve movement | - | - | - | 8,202 | - | - | - | 8,202 | - | 8,202 |
| Profit for the period | - | - | - | - | - | - | 432,373 | 432,373 | 18,310 | 450,683 |
| Dividend paid (Note 12) | - | - | - | - | - | - | (1,125,000) | (1,125,000) | - | (1,125,000) |
| Net movement in non-controlling interests | - | - | - | - | - | - | - | - | 12,077 | 12,077 |
| Balance at 31 March 2014 (Reviewed) | 7,500,000 | 632,746 | 875,414 | 35,090 | - | 26,809 | 768,864 | 9,838,923 | 211,436 | 10,050,359 |

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three-Month Period Ended 31 March 2015

| | Notes | For the Three-Month Period Ended 31 March | |
|--|-------|--|--------------------|
| | | 2015 (Reviewed) | 2014 (Reviewed) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the period before tax | | 514,797 | 451,931 |
| Adjustments for: | | | |
| Net recoveries and reversals on financing assets | | (5,614) | (18) |
| Net impairment losses on investment securities | | 30,217 | - |
| Fair value gain on investment securities carried as fair value through income statement | | 5,320 | (27,665) |
| Depreciation | | 3,724 | 4,169 |
| Net gain on sale of investment securities | | (9,836) | (4,114) |
| Dividend income | | (18,385) | (11,611) |
| Share of results of associates and joint arrangements | | (11,222) | (4,951) |
| Gain on sale of investment in an associate | | (46,536) | - |
| Loss on sale of fixed assets | | 40 | - |
| Amortisation of premium and discount on investment securities | | (295) | (1,448) |
| Employees' end of service benefit provisions | | 2,372 | 943 |
| Profit before changes in operating assets and liabilities | | 464,582 | 407,236 |
| Change in reserve account with Qatar Central Bank | | 86,605 | (86,780) |
| Change in financing assets | | (4,902,580) | (2,702,109) |
| Change in other assets | | (54,338) | 320,607 |
| Change in due to banks | | 5,392,194 | (830,909) |
| Change in customer current accounts | | 869,535 | 321,158 |
| Change in other liabilities | | 176,668 | (45,967) |
| | | 2,032,666 | (2,616,764) |
| Dividend received | | 18,385 | 11,611 |
| Employees' end of service benefits paid | | (1,003) | (67) |
| Tax paid | | - | (451) |
| Net cash from / (used in) operating activities | | 2,050,048 | (2,605,671) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of investment securities | | (1,352,213) | (7,209,033) |
| Proceed from sale/redemption of investment securities | | 1,998,276 | 10,042,977 |
| Acquisition of fixed assets | | (8,349) | (2,593) |
| Dividend received from an associate | | 4,000 | 4,000 |
| Investment in a subsidiary | | - | (140,339) |
| Net cash from investing activities | | 641,714 | 2,695,012 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Change in equity of investment account holders | | (2,608,433) | 1,293,915 |
| Dividends paid | | (1,251,697) | (804,106) |
| Net movement in non-controlling interest | | (39,658) | 4,723 |
| Net cash (used in) / from financing activities | | (3,899,788) | 494,532 |
| Net (decrease) / increase in cash and cash equivalents | | (1,208,026) | 583,873 |
| Cash and cash equivalents at 1 January | | 4,162,549 | 5,571,863 |
| Cash acquired from business combination | | - | 889,435 |
| Effects of exchange rate changes on cash and cash equivalents held | | 31,097 | - |
| Cash and cash equivalents at 31 March | 16 | 2,985,620 | 7,045,171 |

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the Three-Month Period Ended 31 March 2015

| | At 1 January 2015 (Audited) | | Movements during the period | | | At 31 March 2015 (Reviewed) | | | |
|-----------------------------|-----------------------------|-----------------------|-----------------------------|--------------|------------------------|-----------------------------|-----------------------|-----------------------|-------------|
| | 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 | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| At 1 January 2014 (Audited) | | | | | | | | | |
| 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 | |
| 1 | 2,518,381 | 2,518,381 | 56,034 | (52,298) | 3,736 | 1 | 2,518,381 | 2,518,381 | |
| Wakil and Muakil | | | | | | | | | |

The attached notes 1 to 19 form an integral part of these condensed consolidated interim financial statements

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

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 condensed consolidated interim financial statements of the Bank for the three-month period ended 31 March 2015 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Group is primarily involved in 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:

| <i>Entity's name</i> | <i>Country of incorporation</i> | <i>Entity's capital</i> | <i>Entity's activities</i> | <i>Effective percentage of ownership</i> | |
|--|---------------------------------|-------------------------|----------------------------|--|-------------------------|
| | | | | <i>31 March 2015</i> | <i>31 December 2014</i> |
| 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 | 54.5% | 48.6%** |
| Al Rayan GCC Fund (Q) | Qatar | Not applicable | Investment activities | 17.9%** | 16.6%** |
| Al Rayan (UK) Limited | UK | GBP 100,000,000 | Investment activities | 100.0% | 100.0% |
| Al Rayan Partners | Qatar | QAR 10,000,000 | Real estate consulting | 100.0% | 100.0% |
| Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC)* | UK | GBP 121,218,700 | Islamic banking | 98.34% | 98.34% |

* Subsidiary of Al Rayan (UK) Limited (Note 18)

** 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

The condensed consolidated interim financial statements have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and the applicable provisions of Qatar Central Bank (“QCB”) regulations. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, the condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The condensed consolidated interim financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2014. In addition, results for the three-month period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial investments classified as “investments at fair value through equity”, “investments at fair value through income statement” and risk management instruments.

The condensed consolidated interim financial statements are presented in Qatari Riyals (“QAR”), which is the Bank’s functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2014.

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2015

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 2015 that have been issued during the period.

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.

FAS 27 is effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

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

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2014.

5 USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

The preparation of the condensed consolidated interim 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.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the annual consolidated financial statements as at 31 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

5 USE OF ESTIMATES AND JUDGMENTS (continued)

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

(i) Valuation of financial instruments

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

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

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

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

(ii) Financial asset and liability classification

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

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|---------------------------------|----------------|----------------|----------------|----------------|
| 31 March 2015 (Reviewed) | | | | |
| Risk management instruments | - | 20,297 | - | 20,297 |
| Investment securities | 703,349 | - | - | 703,349 |
| | <u>703,349</u> | <u>20,297</u> | <u>-</u> | <u>723,646</u> |
| Risk management instruments | - | 13,979 | - | 13,979 |
| | <u>-</u> | <u>13,979</u> | <u>-</u> | <u>13,979</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

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)*

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|-----------------------------|----------------|----------------|----------------|----------------|
| 31 December 2014 (Audited) | | | | |
| Risk management instruments | - | 15,306 | - | 15,306 |
| Investment securities | 670,520 | - | - | 670,520 |
| | <u>670,520</u> | <u>15,306</u> | <u>-</u> | <u>685,826</u> |
| Risk management instruments | - | 15,335 | - | 15,335 |
| | <u>-</u> | <u>15,335</u> | <u>-</u> | <u>15,335</u> |

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investment securities for which the fair value amounts to QAR 2,455 million (31 December 2014: QAR 2,430 million) is derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 6.

Investment securities totalling QAR 4,830 thousand are carried at cost (31 December 2014: QAR 4,875 thousand).

During the reporting periods 31 March 2015 and 31 December 2014, 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 as disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2014.

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

| | <i>Fair value through income statement</i> | <i>Fair value through equity</i> | <i>Amortised cost</i> | <i>Total carrying amount</i> | <i>Fair value</i> |
|--------------------------------------|--|--|---------------------------|--------------------------------------|-------------------|
| 31 March 2015 (Reviewed) | | | | | |
| Cash and balances with QCB | - | - | 3,083,465 | 3,083,465 | 3,083,465 |
| Due from banks | - | - | 2,567,084 | 2,567,084 | 2,567,084 |
| Financing assets | - | - | 62,815,293 | 62,815,293 | 62,815,293 |
| Investment securities: | | | | | |
| - Measured at fair value | 488,355 | 219,824 | - | 708,179 | 708,179 |
| - Measured at amortised cost | - | - | 12,935,832 | 12,935,832 | 13,002,983 |
| Other assets | - | - | 289,484 | 289,484 | 289,484 |
| Risk management instruments | 20,297 | - | - | 20,297 | 20,297 |
| | 508,652 | 219,824 | 81,691,158 | 82,419,634 | 82,486,785 |
| Due to banks | - | - | 9,952,487 | 9,952,487 | 9,952,487 |
| Customer current accounts | - | - | 5,747,787 | 5,747,787 | 5,747,787 |
| Equity of investment account holders | - | - | 55,084,300 | 55,084,300 | 55,084,300 |
| Risk management instruments | 13,979 | - | - | 13,979 | 13,979 |
| | 13,979 | - | 70,784,574 | 70,798,553 | 70,798,553 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

| | <i>Fair value through income statement</i> | <i>Fair value through equity</i> | <i>Amortised cost</i> | <i>Total carrying amount</i> | <i>Fair value</i> |
|--------------------------------------|--|--|---------------------------|--------------------------------------|-------------------|
| 31 December 2014 (Audited) | | | | | |
| 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 |
| | <u>452,889</u> | <u>237,812</u> | <u>78,680,331</u> | <u>79,371,032</u> | <u>79,396,141</u> |
| 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 |
| | <u>15,335</u> | <u>-</u> | <u>67,130,846</u> | <u>67,146,181</u> | <u>67,146,181</u> |

7 OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments.

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuk and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.

Unallocated assets, liabilities and revenues are related to some central functions and non-core business operations, like common property & equipment, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

7 OPERATING SEGMENTS (continued)

Information about operating segments

| 31 March 2015 (Reviewed) | Corporate Banking | Retail Banking | Asset Management | International operations | Unallocated | Total |
|--|----------------------|-------------------|---------------------|-----------------------------|------------------|-------------------|
| <i>External revenue:</i> | | | | | | |
| Total income from financing and investing activities | 534,559 | 110,714 | 23,464 | 31,531 | - | 700,268 |
| Net fee and commission income | 39,696 | - | 7,963 | 1,876 | - | 49,535 |
| Foreign exchange gain / (loss) | 19,486 | - | (8) | - | - | 19,478 |
| Share of results of associates and joint ventures | - | - | - | - | 11,222 | 11,222 |
| Gain on sale of an associate | - | - | - | - | 46,536 | 46,536 |
| Other income | - | - | - | - | 916 | 916 |
| Total segment revenue | 593,741 | 110,714 | 31,419 | 33,407 | 58,674 | 827,955 |
| <i>Other material non-cash items:</i> | | | | | | |
| Net recoveries and reversals on financing assets | 5,603 | - | - | 11 | - | 5,614 |
| Net impairment losses on investment securities | (7,251) | - | (22,966) | - | - | (30,217) |
| Reportable segment profit before tax | 450,674 | 93,232 | 1,260 | 7,180 | (37,549) | 514,797 |
| Reportable segment assets | 68,673,209 | 9,159,888 | 883,848 | 3,993,004 | 449,748 | 83,159,697 |
| Reportable segment liabilities | 12,769,852 | 2,025,845 | 11,304 | 921,539 | 1,449,561 | 17,178,101 |
| Reportable segment equity of investment account holders | 45,529,109 | 7,040,811 | - | 2,514,380 | - | 55,084,300 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

| 31 March 2014 (Reviewed) | Corporate Banking | Retail Banking | Asset Management | International operations | Unallocated | Total |
|---|----------------------|-------------------|---------------------|-----------------------------|-------------|------------|
| <i>External revenue:</i> | | | | | | |
| Total income from financing and investing activities | 477,735 | 85,835 | 42,685 | 12,708 | - | 618,963 |
| Net fee and commission income | 58,772 | - | 3,492 | 504 | - | 62,768 |
| Foreign exchange gain / (loss) | 18,209 | - | (11) | - | - | 18,198 |
| Share of results of associates and joint ventures | - | - | - | - | 4,941 | 4,941 |
| Other income | - | - | 1,360 | - | 1,714 | 3,074 |
| Total segment revenue | 554,716 | 85,835 | 47,526 | 13,212 | 6,655 | 707,944 |
| <i>Other material non-cash items:</i> | | | | | | |
| Net recoveries on financing assets | - | - | - | 18 | - | 18 |
| Reportable segment profit before tax | 444,832 | 69,430 | 36,460 | (8,482) | (90,309) | 451,931 |
| Reportable segment assets | 57,856,390 | 6,646,236 | 743,105 | 3,088,121 | 1,028,622 | 69,362,474 |
| Reportable segment liabilities | 8,260,619 | 1,448,121 | 14,091 | 319,516 | 1,017,782 | 11,060,129 |
| Reportable segment equity of investment account holders | 40,962,561 | 5,128,685 | - | 2,160,740 | - | 48,251,986 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

8 FINANCING ASSETS

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|--|---|---|---|
| (a) By type | | | |
| Murabaha | 56,286,395 | 53,135,412 | 41,098,234 |
| Ijarah | 5,508,040 | 4,814,709 | 3,536,332 |
| Istisna'a | 1,404,465 | 1,300,702 | 1,083,381 |
| Musharaka | 3,700,289 | 3,614,539 | 2,330,802 |
| Others | 68,841 | 68,016 | 140,749 |
| Total financing assets | 66,968,030 | 62,933,378 | 48,189,498 |
| Deferred profit | (4,105,732) | (4,973,758) | (2,508,291) |
| Allowance for impairment and profit in suspense (note b) | (47,005) | (52,680) | (40,346) |
| Net financing assets | 62,815,293 | 57,906,940 | 45,640,861 |

The total non-performing financing assets at 31 March 2015 amounted to QAR 55,495 thousand representing 0.08% of the gross financing assets (31 December 2014: QAR 58,217 thousand representing 0.09% of the gross financing assets; 31 March 2014: QAR 42,226 thousand representing 0.09% of the gross financing assets).

Specific impairment of financing assets includes QAR 3,258 thousand of profit in suspense (31 December 2014: QAR 3,160 thousand; 31 March 2014: QAR 2,945 thousand).

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

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|---|---|---|---|
| Balance as at 1 January | 52,680 | 37,125 | 37,125 |
| Acquired from business combination | - | 3,284 | 3,504 |
| Charge for the period / year | 98 | 19,821 | - |
| Recoveries / reversals during the period / year | (5,614) | (7,476) | (283) |
| Write off during the period / year | - | (74) | - |
| Effect of foreign currency movement | (159) | - | - |
| Balance at 31 March / 31 December | 47,005 | 52,680 | 40,346 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

9 INVESTMENT SECURITIES

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|--|---|---|---|
| <i>Investments classified as fair value through income statement</i> | | | |
| Investments classified as held for trading (Quoted) | | | |
| • Equity type investments | 400,529 | 356,887 | 248,847 |
| • Debt type investments | | | |
| - Fixed profit rate | <u>87,826</u> | <u>80,696</u> | <u>115,102</u> |
| | <u>488,355</u> | <u>437,583</u> | <u>363,949</u> |
| <i>Debt-type investments classified at amortised cost</i> | | | |
| Fixed profit rate – Quoted | 1,080,893 | 1,095,271 | 766,333 |
| Floating profit rate – Quoted | 91,650 | 95,063 | 117,862 |
| Government of Qatar Sukuk – Quoted | 1,236,653 | 1,236,898 | 961,346 |
| Government of Qatar Sukuk – Unquoted | 10,548,479 | 11,207,527 | 10,001,722 |
| Less: Allowance for impairment | <u>(21,843)</u> | <u>(21,843)</u> | <u>(21,843)</u> |
| | <u>12,935,832</u> | <u>13,612,916</u> | <u>11,825,420</u> |
| <i>Equity-type investments classified as fair value through equity</i> | | | |
| - Quoted | 214,994 | 232,937 | 180,822 |
| - Unquoted | <u>4,830</u> | <u>4,875</u> | <u>5,002</u> |
| | <u>219,824</u> | <u>237,812</u> | <u>185,824</u> |
| | <u>13,644,011</u> | <u>14,288,311</u> | <u>12,375,193</u> |

The Group has taken impairment loss for equity-type investments classified as fair value through equity during the period totalling QAR 30,217 thousand (31 March 2014: QAR nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

9 INVESTMENT SECURITIES (continued)

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

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|--|---|---|---|
| <i>Positive fair value:</i> | | | |
| Balance at 1 January | 38,918 | 26,888 | 26,888 |
| Net change in fair value | 2,282 | 10,712 | 8,399 |
| Transferred to consolidated income statement on sale | - | (544) | - |
| Transferred to consolidated income statement due to impairment | - | - | - |
| Share of other comprehensive income of associates | (1,413) | 1,862 | 1,862 |
| Balance at 31 March / 31 December | <u>39,787</u> | <u>38,918</u> | <u>37,149</u> |
| <i>Negative fair value:</i> | | | |
| Balance at 1 January | (10,113) | - | - |
| Net change in fair value | (20,654) | (10,711) | (2,059) |
| Transferred to consolidated income statement on sale | - | 90 | - |
| Transferred to consolidated income statement due to impairment | 30,217 | 508 | - |
| Balance at 31 March / 31 December | <u>(550)</u> | <u>(10,113)</u> | <u>(2,059)</u> |
| Total fair value at 31 March / 31 December | <u>39,237</u> | <u>28,805</u> | <u>35,090</u> |

10 DUE TO BANKS

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|----------------------------|---|---|---|
| Current accounts | 64,756 | 22,743 | 611,717 |
| Commodity murabaha payable | 1,967,540 | 1,230,876 | 911,351 |
| Wakala payable | 7,920,191 | 3,306,674 | 4,411,090 |
| | <u>9,952,487</u> | <u>4,560,293</u> | <u>5,934,158</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

11 EQUITY OF INVESTMENT ACCOUNT HOLDERS

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|--|---|---|---|
| Saving accounts | 3,054,621 | 3,103,374 | 2,483,992 |
| Term accounts | 47,641,356 | 49,572,859 | 43,138,087 |
| Call accounts | 4,272,973 | 4,908,413 | 2,546,756 |
| Profit payable to equity of investment account holders | 113,724 | 106,461 | 81,697 |
| Share in the fair value reserves | <u>1,626</u> | <u>1,194</u> | <u>1,454</u> |
| | <u>55,084,300</u> | <u>57,692,301</u> | <u>48,251,986</u> |

12 OWNERS' EQUITY

(a) Share capital

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|--|---|---|---|
| <i>Authorised</i> 750,000,000 shares at QAR 10 each | <u>7,500,000</u> | <u>7,500,000</u> | <u>7,500,000</u> |

(b) Legal reserve

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|-----------------------------------|---|---|---|
| Balance at 1 January | 1,033,195 | 632,746 | 632,746 |
| Transfer from retained earnings | <u>-</u> | <u>400,449</u> | <u>-</u> |
| Balance at 31 March / 31 December | <u>1,033,195</u> | <u>1,033,195</u> | <u>632,746</u> |

According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. No transfer has been made for the period ended 31 March 2015 as Masraf will transfer the required amount by 31 December 2015.

(c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by Masraf and its branches inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions. No transfer has been made for the period ended 31 March 2015 as Masraf will transfer the required amount by 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

12 OWNERS' EQUITY (continued)

(d) Fair value reserves

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

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|--|---|---|---|
| Balance at 1 January | 28,805 | 26,888 | 26,888 |
| Net unrealised (losses) / gains | (16,746) | 1,195 | 7,794 |
| Transferred to consolidated income statement | 30,217 | 54 | - |
| Share of other comprehensive income of associates | (1,413) | 1,862 | 1,862 |
| | <u>40,863</u> | <u>29,999</u> | <u>36,544</u> |
| Share of equity of investment account holders in the fair value reserves | (1,626) | (1,194) | (1,454) |
| Balance at 31 March / 31 December (shareholders' share) | <u>39,237</u> | <u>28,805</u> | <u>35,090</u> |

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

(e) Foreign currency translation reserve

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

(f) Dividend

On 2 March 2015, the General Assembly approved a cash dividend of 17.5% of the paid up share capital (2014: 15%) amounting to QAR 1,313 million (2014: QAR 1,125 million).

(g) Other reserves

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|---|---|---|---|
| Balance at 1 January | 41,165 | 26,809 | 26,809 |
| Share of results of associates | - | 9,613 | - |
| Dividend from associates transferred to retained earnings | - | (5,408) | - |
| Share of results of associates | - | 10,151 | - |
| Balance at 31 March / 31 December | <u>41,165</u> | <u>41,165</u> | <u>26,809</u> |

No transfer has been made for the period ended 31 March 2015 as Masraf will transfer the share of results of associates to other reserves by 31 December 2015.

13 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 PLC of 45.5%, 82.1% and 1.66%, respectively (31 December 2014: 51.4%, 83.4% and 1.66%, respectively).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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14 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital commitments

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

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|--|---|---|---|
| Payable not later than 1 year | 30,844 | 24,407 | 25,182 |
| Payable later than 1 year and not later than 5 years | 41,259 | 20,168 | 32,582 |
| Payable later than 5 years | 15,342 | - | - |
| | <u>87,445</u> | <u>44,575</u> | <u>57,764</u> |

(b) Contingent liabilities

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|------------------------------|---|---|---|
| Unutilised credit facilities | 18,868,636 | 20,771,239 | 16,205,136 |
| Guarantees | 12,829,792 | 12,984,353 | 9,860,024 |
| Letters of credit | 7,821,994 | 8,662,418 | 9,908,945 |
| | <u>39,520,422</u> | <u>42,418,010</u> | <u>35,974,105</u> |

(c) Other undertakings and commitments

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|---|---|---|---|
| Profit rate swap | 4,323,042 | 4,505,943 | 446,951 |
| Unilateral promise to buy/sell currencies | 23,418,907 | 23,849,089 | 16,755,152 |
| | <u>27,741,949</u> | <u>28,355,032</u> | <u>17,202,103</u> |

15 BASIC AND DILUTED EARNINGS PER SHARE

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

| | <i>For the Three-Month Period Ended 31 March</i> | |
|--|--|----------------------------|
| | <i>2015 (Reviewed)</i> | <i>2014 (Reviewed)</i> |
| Profit for the period attributable to equity holders of the Bank | <u>510,755</u> | <u>432,373</u> |
| Weighted average number of shares outstanding during the period | <u>750,000</u> | <u>750,000</u> |
| Basic earnings per share (QAR) | <u>0.681</u> | <u>0.576</u> |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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16 CASH AND CASH EQUIVALENTS

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

| | <i>31 March 2015 (Reviewed)</i> | <i>31 March 2014 (Reviewed)</i> |
|---|---|---|
| Cash on hand and balances with QCB excluding cash reserve | 418,536 | 1,285,125 |
| Due from banks | <u>2,567,084</u> | <u>5,760,046</u> |
| | <u>2,985,620</u> | <u>7,045,171</u> |

17 RELATED PARTIES

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

Transactions with related parties

(a) Condensed consolidated statement of financial position items

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|---|---|---|---|
| Liabilities | | | |
| Current account - customer | 168 | 166 | 185 |
| Equity of investment account holders - customer | <u>910,513</u> | <u>2,476,007</u> | <u>2,096,429</u> |
| | <u>910,681</u> | <u>2,476,173</u> | <u>2,096,614</u> |

(b) Condensed consolidated income statement items

| | <i>For the Three-Month Period Ended 31 March</i> | |
|---|--|----------------------------|
| | <i>2015 (Reviewed)</i> | <i>2014 (Reviewed)</i> |
| Return on equity of investment account holders - customer | <u>1,373</u> | <u>4,247</u> |

(c) Transactions with key management personnel

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

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> | <i>31 March 2014 (Reviewed)</i> |
|-----------|---|---|---|
| Financing | <u>36</u> | <u>12,229</u> | <u>90</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2015

17 RELATED PARTIES (continued)

(c) Transactions with key management personnel (continued)

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

| | <i>For the Three-Month Period Ended 31 March</i> | |
|---|--|----------------------------|
| | <i>2015 (Reviewed)</i> | <i>2014 (Reviewed)</i> |
| Remuneration to Board of Directors including meeting allowances | <u>4,799</u> | <u>4,669</u> |
| Salaries and other benefits | <u>4,488</u> | <u>3,511</u> |

18 BUSINESS COMBINATION

On 2 February 2014, the Group acquired 95.02% of the ordinary shares and voting interest in Al Rayan Bank PLC (formerly known as 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.

The assets and liabilities acquired were measured at their acquisition-date fair values. The Group has re-measured the fair values and, accordingly, no adjustments were required to be made. The details of the assets and liabilities are as follows:

| | <i>31 March 2015 (Reviewed)</i> | <i>31 December 2014 (Audited)</i> |
|---|---|---|
| Al Rayan Bank PLC's net book value before fair value adjustments (100%) | <u>147,693</u> | <u>147,693</u> |
| Fair value adjustment of identifiable assets and liabilities | <u>-</u> | <u>-</u> |
| Fair value of identifiable assets and liabilities | 147,693 | 147,693 |
| Cash consideration transferred | (140,339) | (140,339) |
| Non-controlling interest at the date of acquisition (4.98%) | <u>(7,354)</u> | <u>(7,354)</u> |
| Goodwill and other intangibles | <u>-</u> | <u>-</u> |

19 COMPARATIVE FIGURES

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