CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MASRAF AL RAYAN (Q.S.C.)

30 JUNE 2015

Masraf Al Rayan (Q.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 June 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 30 June 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 30 June 2015;
- the condensed consolidated income statement for the three and six month periods ended 30 June 2015;
- the condensed consolidated statement of changes in owners' equity for the six month period ended 30 June 2015;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2015;
- the condensed consolidated statement of changes in restricted investment for the six month period ended 30 June 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 30 June 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.

13 July 2015
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	*30 June 2015 (Reviewed)*	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
ASSETS				
Cash and balances with Qatar Central Bank		**3,637,543**	3,311,311	3,059,972
Due from banks		**4,833,259**	3,602,772	6,680,427
Financing assets	8	**59,500,967**	57,906,940	46,954,784
Investment securities	9	**12,366,096**	14,288,311	15,531,526
Investment in associates and joint ventures		**435,265**	423,998	1,467,567
Investment property		**-**	91,250	91,250
Fixed assets		**139,126**	119,236	53,320
Other assets		**404,299**	350,450	373,067
TOTAL ASSETS		**81,316,555**	80,094,268	74,211,913
LIABILITIES				
Due to banks	10	**10,211,801**	4,560,293	2,442,446
Customer current accounts		**5,905,167**	4,878,252	7,397,851
Other liabilities		**1,313,623**	1,242,922	931,971
TOTAL LIABILITIES		**17,430,591**	10,681,467	10,772,268
EQUITY OF INVESTMENT ACCOUNT HOLDERS	11	**52,460,572**	57,692,301	52,936,780
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	**26,022**	28,805	21,632
Foreign currency translation reserve	12	**534**	63	(161)
Other reserves	12	**41,165**	41,165	26,809
Retained earnings		**1,426,472**	1,740,641	1,240,298
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**11,036,034**	11,352,515	10,296,738
Non-controlling interests	13	**389,358**	367,985	206,127
TOTAL OWNERS' EQUITY		**11,425,392**	11,720,500	10,502,865
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**81,316,555**	80,094,268	74,211,913

These condensed consolidated interim financial statements were approved by the Board of Directors on 13 July 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 19 form an integral part of these condensed consolidated interim financial statements

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

CONDENSED CONSOLIDATED INCOME STATEMENT
For the Three and Six-Month Periods Ended 30 June 2015

	Note	*For The Three-Month Period Ended 30 June*		*For The Six-Month Period Ended 30 June*	
		2015	*2014*	***2015***	*2014*
		(Reviewed)	*(Reviewed)*	***(Reviewed)***	*(Reviewed)*
Net income from financing activities		**568,280**	536,834	**1,144,421**	1,004,517
Net income from investing activities		**160,071**	112,546	**284,198**	263,826
Total net income from financing and investing activities		**728,351**	649,380	**1,428,619**	1,268,343
Fee and commission income		**49,898**	68,946	**99,659**	132,069
Fee and commission expense		**(415)**	(409)	**(641)**	(764)
Net fee and commission income		**49,483**	68,537	**99,018**	131,305
Net foreign exchange gain		**27,374**	15,472	**46,852**	33,670
Share of results of associates and joint ventures		**5,210**	-	**16,432**	4,941
Gain on sale of investment in an associate		**46,535**	-	**93,071**	-
Other income		**2,753**	1,611	**3,669**	4,685
TOTAL INCOME		**859,706**	735,000	**1,687,661**	1,442,944
Staff costs		**(83,674)**	(68,979)	**(146,212)**	(131,302)
Depreciation		**(3,763)**	(4,242)	**(7,487)**	(8,411)
Other expenses		**(77,701)**	(45,525)	**(132,113)**	(104,070)
Finance expense		**(24,806)**	(10,970)	**(47,544)**	(23,063)
TOTAL EXPENSES		**(189,944)**	(129,716)	**(333,356)**	(266,846)
Net recoveries on financing assets		**5**	359	**5,619**	377
Net impairment losses on investment securities		**-**	-	**(30,217)**	-
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**669,767**	605,643	**1,329,707**	1,176,475
Less: Return to investment account holders		**(157,189)**	(130,615)	**(302,332)**	(249,516)
PROFIT FOR THE PERIOD BEFORE TAX		**512,578**	475,028	**1,027,375**	926,959
Tax credit (expense)		**(1,246)**	(244)	**2,689**	(1,492)
NET PROFIT FOR THE PERIOD		**511,332**	474,784	**1,030,064**	925,467
Net profit for the period attributable to:					
Equity holders of the Bank		**487,576**	471,434	**998,331**	903,807
Non-controlling interests		**23,756**	3,350	**31,733**	21,660
		511,332	474,784	**1,030,064**	925,467
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	15	**0.650**	0.629	**1.331**	1.205

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the Six-Month Period Ended 30 June 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	-	-	-	-	(33,609)	-	-	(33,609)	-	(33,609)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	34,080	-	-	34,080	-	34,080
Fair value reserve movement	-	-	-	(2,783)	-	-	-	(2,783)	-	(2,783)
Profit for the period	-	-	-	-	-	-	998,331	998,331	31,733	1,030,064
Dividend paid (Note 12)	-	-	-	-	-	-	(1,312,500)	(1,312,500)	-	(1,312,500)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	(10,360)	(10,360)
Balance at 30 June 2015 (Reviewed)	**7,500,000**	**1,033,195**	**1,008,646**	**26,022**	**534**	**41,165**	**1,426,472**	**11,036,034**	**389,358**	**11,425,392**
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
Change in foreign currency translation reserve	-	-	-	-	13,089	-	-	13,089	-	13,089
Net loss on hedging of net investment in a foreign subsidiary	-	-	-	-	(13,250)	-	-	(13,250)	-	(13,250)
Fair value reserve movement	-	-	-	(5,256)	-	-	-	(5,256)	-	(5,256)
Profit for the period	-	-	-	-	-	-	903,807	903,807	21,660	925,467
Dividend paid (Note 12)	-	-	-	-	-	-	(1,125,000)	(1,125,000)	-	(1,125,000)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	3,418	3,418
Balance at 30 June 2014 (Reviewed)	7,500,000	632,746	875,414	21,632	(161)	26,809	1,240,298	10,296,738	206,127	10,502,865

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six-Month Period Ended 30 June 2015

	Notes	*For the Six-Month Period Ended 30 June* **2015 (Reviewed)**	*2014 (Reviewed)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before tax		1,027,375	926,959
Adjustments for:			
Net recoveries and reversals on financing assets		(5,619)	(49)
Net impairment losses on investment securities		30,217	-
Fair value gain on investment securities carried as fair value through income statement		(22,675)	(22,142)
Depreciation		7,487	8,411
Net gain on sale of investment securities		(37,960)	(13,388)
Dividend income		(21,948)	(15,027)
Share of results of associates and joint arrangements		(16,432)	(4,951)
Gain on sale of investment in an associate		(93,071)	-
Gain on sale of investment property		(1,661)	-
Loss on sale of fixed assets		40	-
Amortisation of premium and discount on investment securities		(615)	(1,966)
Employees' end of service benefit provisions		5,053	3,730
Profit before changes in operating assets and liabilities		**870,191**	881,577
Change in reserve account with Qatar Central Bank		107,449	(301,896)
Change in financing assets		(1,588,407)	(4,016,001)
Change in other assets		(53,849)	281,466
Change in due to banks		5,651,508	(4,322,621)
Change in customer current accounts		1,026,915	3,636,000
Change in other liabilities		100,785	(76,088)
		6,114,592	(3,917,563)
Dividend received		21,948	15,027
Employees' end of service benefits paid		(1,605)	(1,474)
Tax paid		(1,272)	(451)
Net cash from / (used in) operating activities		**6,133,663**	(3,904,461)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(1,995,943)	(10,466,766)
Proceeds from sale/redemption of investment securities		4,045,638	10,134,631
Acquisition of fixed assets		(27,424)	(4,271)
Dividend received from an associate		4,000	5,420
Investment in associates		-	(8,896)
Investment in a subsidiary		-	(140,339)
Proceeds from sale of investment property		92,911	-
Net cash from / (used in) investing activities		**2,119,182**	(480,221)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		(5,231,614)	5,979,266
Dividends paid		(1,342,071)	(886,600)
Net movement in non-controlling interest		(10,360)	(3,936)
Net cash (used in) / from financing activities		**(6,584,045)**	5,088,730
Net increase in cash and cash equivalents		1,668,800	704,048
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		(4,632)	(161)
Cash and cash equivalents at 30 June	16	**5,826,717**	7,165,185

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

QAR '000s

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the Six-Month Period Ended 30 June 2015

	At 1 January 2015 (Audited)			**Movements during the period**			**At 30 June 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)			Movements during the period			At 30 June 2014 (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	1	2,518,381	2,518,381	113,957	(106,360)	7,597	1	2,518,381	2,518,381

The attached notes 1 to 19 form an integral part of these condensed consolidated interim 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 condensed consolidated interim financial statements of the Bank for the six-month period ended 30 June 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:

Entity's name	*Country of incorporation*	*Entity's capital*	*Entity's activities*	*Effective percentage of ownership*	
				30 June 2015	*31 December 2014*
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	53.6%	48.6%
Al Rayan GCC Fund (Q)	Qatar	Not applicable	Investment activities	16.8%	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)

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 six-month period ended 30 June 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.

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, except for the below:

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2015
The following amendments, which became effective as of 1 January 2015, are relevant to the Group:

Financial Accounting Standard No. 23 (FAS 23) Consolidation
During the period, the Accounting and Auditing Standards for Islamic Financial Institutions (AAOIFI) issued amendments to FAS 23 which are effective from 1 January 2015. These amendments provide clarification and expand the scenarios for assessing control when an entity holds less than majority voting rights in an investee. In particular, the concept of de-facto control has been introduced. The amendment clarifies that where the IFI has less than majority voting rights in an investee, control may also exist through:

a) agreement with the entity's other shareholders or the entity itself;
b) rights arising from other contractual arrangements;
c) the IFI's voting rights (de facto power);
d) potential voting rights; or
e) a combination thereof.

Further, expanded guidance has been provided to assess whether the Group's decision-making rights over an investee would be considered as those of a principal (primarily for its own benefit) and when it would be considered to be that of an agent (primarily for benefit of its investors).

In accordance with the amendments to FAS 23, the Group reassessed its control conclusions as of 1 January 2015. The Group has reassessed its investments considering the new control definition criteria and based on the assessment, management had concluded that the Group would continue to control the investees (Note 1). The conclusion is based on the assessment that the Group, in addition to its power over relevant activities, continues to have significant variability from its involvement with the investee.

Except for a continuing consolidation of investee (Note 1), there were no changes to the entities that were controlled and consolidated by the Group as of 31 December 2014. Accordingly, adoption of the new amendments did not have a significant impact on the condensed consolidated interim financial statements or the amounts reported in the comparative periods.

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 account holders 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.

(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.

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)

(ii) *Financial asset and liability classification*

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

30 June 2015 (Reviewed)	*Level 1*	*Level 2*	*Level 3*	*Total*
Risk management instruments	-	7,280	-	7,280
Investment securities	751,563	-	-	751,563
	751,563	**7,280**	**-**	**758,843**
Risk management instruments	-	3,761	-	3,761
	-	**3,761**	**-**	**3,761**

31 December 2014 (Audited)	*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

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 2,606 million (31 December 2014: QAR 2,430 million) 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 4,835 thousand are carried at cost (31December 2014: QAR 4,875 thousand).

During the reporting periods 30 June 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.

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

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
30 June 2015 (Reviewed)					
Cash and balances with QCB	-	-	3,637,543	3,637,543	3,637,543
Due from banks	-	-	4,833,259	4,833,259	4,833,259
Financing assets	-	-	59,500,967	59,500,967	59,500,967
Investment securities:					
- Measured at fair value	584,275	172,123	-	756,398	756,398
- Measured at amortised cost	-	-	11,609,698	11,609,698	11,679,042
Other assets	-	-	324,501	324,501	324,501
Risk management instruments	7,280	-	-	7,280	7,280
	591,555	**172,123**	**79,905,968**	**80,669,646**	**80,738,990**
Due to banks	-	-	10,211,801	10,211,801	10,211,801
Customer current accounts	-	-	5,905,167	5,905,167	5,905,167
Equity of investment account holders	-	-	52,460,572	52,460,572	52,460,572
Risk management instruments	3,761	-	-	3,761	3,761
	3,761	**-**	**68,577,540**	**68,581,301**	**68,581,301**

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
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
	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

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7 OPERATING SEGMENTS

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

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and 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 financing, deposits and other products and services with corporate and individual customers in the Group's international locations.

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

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

Information about operating segments

30 June 2015 (Reviewed)	***Corporate Banking***	***Retail Banking***	***Asset Management***	***International operations***	***Unallocated***	***Total***
External revenue:						
Total income from financing and investing activities	1,045,344	228,867	86,193	68,215	-	**1,428,619**
Net fee and commission income	74,714	-	20,914	3,390	-	**99,018**
Foreign exchange gain / (loss)	46,869	-	(17)	-	-	**46,852**
Share of results of associates and joint ventures	-	-	-	-	16,432	**16,432**
Gain on sale of an associate	-	-	-	-	93,071	**93,071**
Other income	-	-	-	-	3,669	**3,669**
Total segment revenue	**1,166,927**	**228,867**	**107,090**	**71,605**	**113,172**	**1,687,661**
Other material non-cash items:						
Net recoveries and reversals on financing assets	5,602	-	-	17	-	**5,619**
Net impairment losses on investment securities	(7,251)	-	(22,966)	-	-	**(30,217)**
Reportable segment profit before tax	**871,165**	**192,474**	**63,548**	**14,847**	**(114,659)**	**1,027,375**
Reportable segment assets	**65,805,411**	**9,506,424**	**959,250**	**4,568,303**	**477,167**	**81,316,555**
Reportable segment liabilities	**12,872,931**	**2,153,682**	**10,949**	**1,113,305**	**1,279,724**	**17,430,591**
Reportable segment equity of investment account holders	**42,445,270**	**7,160,268**	**-**	**2,855,034**	**-**	**52,460,572**

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7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 June 2014 (Reviewed)	*Corporate Banking*	*Retail Banking*	*Asset Management*	*International operations*	*Unallocated*	*Total*
External revenue:						
Total income from financing and investing activities	1,005,809	175,169	51,871	35,494	-	1,268,343
Net fee and commission income	116,146	-	13,656	1,503	-	131,305
Foreign exchange gain / (loss)	33,709	-	(39)	-	-	33,670
Share of results of associates and joint ventures	-	-	-		4,941	4,941
Other income	-	-	-		4,685	4,685
Total segment revenue	1,155,664	175,169	65,488	36,997	9,626	1,442,944
Other material non-cash items:						
Net recoveries on financing assets	-	328	-	49	-	377
Reportable segment profit before tax	921,558	140,529	48,932	(9,213)	(174,847)	926,959
Reportable segment assets	60,900,290	8,792,640	734,542	3,399,361	385,080	74,211,913
Reportable segment liabilities	7,444,519	1,974,201	12,403	432,759	908,386	10,772,268
Reportable segment equity of investment account holders	43,912,711	6,677,910	-	2,346,159	-	52,936,780

8 FINANCING ASSETS

(a) By type	***30 June 2015 (Reviewed)***	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Murabaha	**52,651,594**	53,135,412	42,178,778
Ijarah	**5,603,347**	4,814,709	3,399,812
Istisna'a	**1,487,687**	1,300,702	1,159,936
Musharaka	**4,105,066**	3,614,539	2,724,078
Others	**73,452**	68,016	143,148
Total financing assets	**63,921,146**	62,933,378	49,605,752
Deferred profit	**(4,372,971)**	(4,973,758)	(2,610,867)
Allowance for impairment and profit in suspense (note b)	**(47,208)**	(52,680)	(40,101)
Net financing assets	**59,500,967**	57,906,940	46,954,784

The total non-performing financing assets at 30 June 2015 amounted to QAR 54,238 thousand representing 0.08% of the gross financing assets (31 December 2014: QAR 58,217 thousand representing 0.09% of the gross financing assets; 30 June 2014: QAR 42,640 thousand representing 0.09% of the gross financing assets).

Specific impairment of financing assets includes QAR 3,309 thousand of profit in suspense (31 December 2014: QAR 3,160 thousand; 30 June 2014: QAR 2,982 thousand).

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8 FINANCING ASSETS (continued)

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

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Balance as at 1 January	**52,680**	37,125	37,125
Acquired from business combination	**-**	3,284	3,580
Charge for the period / year	**149**	19,821	-
Recoveries / reversals during the period / year	**(5,620)**	(7,476)	(604)
Write off during the period / year	**-**	(74)	-
Effect of foreign currency movement	**(1)**	-	-
Balance at 30 June / 31 December	**47,208**	52,680	40,101

9 INVESTMENT SECURITIES

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Investments classified as fair value through income statement			
Investments classified as held for trading (Quoted)			
• Equity type investments	**454,136**	356,887	222,478
• Debt type investments			
- Fixed profit rate	**130,139**	80,696	249,490
	584,275	437,583	471,968
Debt-type investments classified at amortised cost			
Fixed profit rate – Quoted	**1,219,935**	1,095,271	946,767
Floating profit rate – Quoted	**88,237**	95,063	114,448
Government of Qatar Sukuk – Quoted	**1,249,896**	1,236,898	961,961
Government of Qatar Sukuk – Unquoted	**9,073,473**	11,207,527	12,827,303
Less: Allowance for impairment	**(21,843)**	(21,843)	(21,843)
	11,609,698	13,612,916	14,828,636
Equity-type investments classified as fair value through equity			
- Quoted	**167,288**	232,937	225,932
- Unquoted	**4,835**	4,875	4,990
	172,123	237,812	230,922
	12,366,096	14,288,311	15,531,526

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

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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:

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Positive fair value:			
Balance at 1 January	**38,918**	26,888	26,888
Net change in fair value	**(10,606)**	10,712	3,168
Transferred to consolidated income statement on sale	**(35)**	(544)	-
Transferred to consolidated income statement due to impairment	**-**	-	-
Share of other comprehensive income of associates	**(1,413)**	1,862	1,862
Balance at 30 June / 31 December	**26,864**	38,918	31,918
Negative fair value:			
Balance at 1 January	**(10,113)**	-	-
Net change in fair value	**(951)**	(10,711)	(10,286)
Transferred to consolidated income statement on sale	**(19,995)**	90	-
Transferred to consolidated income statement due to impairment	**30,217**	508	-
Balance at 30 June / 31 December	**(842)**	(10,113)	(10,286)
Total fair value at 30 June / 31 December	**26,022**	28,805	21,632

10 DUE TO BANKS

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Current accounts	**74,383**	22,743	672,418
Commodity murabaha payable	**1,664,989**	1,230,876	907,132
Wakala payable	**8,472,429**	3,306,674	862,896
	10,211,801	4,560,293	2,442,446

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11 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Saving accounts	**3,137,253**	3,103,374	2,831,369
Term accounts	**44,707,490**	49,572,859	45,530,582
Call accounts	**4,491,527**	4,908,413	4,478,165
Profit payable to equity of investment account holders	**123,223**	106,461	95,767
Share in the fair value reserves	**1,079**	1,194	897
	52,460,572	57,692,301	52,936,780

12 OWNERS' EQUITY

(a) Share capital

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Authorised			
750,000,000 shares at QAR 10 each	**7,500,000**	7,500,000	7,500,000

(b) Legal reserve

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Balance at 1 January	**1,033,195**	632,746	632,746
Transfer from retained earnings	-	400,449	-
Balance at 30 June / 31 December	**1,033,195**	1,033,195	632,746

According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. No transfer has been made for the period ended 30 June 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 30 June 2015 as Masraf will transfer the required amount by 31 December 2015.

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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.

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Balance at 1 January	**28,805**	26,888	26,888
Net unrealised (losses) / gains	**(10,478)**	1,195	(6,221)
Transferred to consolidated income statement on sale	**(20,030)**	54	-
Transferred to consolidated income statement due to impairment	**30,217**	-	-
Share of other comprehensive income of associates	**(1,413)**	1,862	1,862
	27,101	29,999	22,529
Share of equity of investment account holders in the fair value reserves	**(1,079)**	(1,194)	(897)
Balance at 30 June / 31 December (shareholders' share)	**26,022**	28,805	21,632

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

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
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 30 June / 31 December	**41,165**	41,165	26,809

No transfer has been made for the period ended 30 June 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 46.4%, 83.2% and 1.66%, respectively (31 December 2014: 51.4%, 83.4% and 1.66%, respectively).

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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:

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Payable not later than 1 year	**30,621**	24,407	23,994
Payable later than 1 year and not later than 5 years	**34,166**	20,168	27,145
	64,787	44,575	51,139

(b) Contingent liabilities

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Unutilised credit facilities	**18,360,773**	20,771,239	20,343,401
Guarantees	**14,207,832**	12,984,353	10,065,110
Letters of credit	**8,142,964**	8,662,418	9,566,716
	40,711,569	42,418,010	39,975,227

(c) Other undertakings and commitments

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Profit rate swap	**4,300,002**	4,505,943	490,054
Unilateral promise to buy/sell currencies	**23,724,703**	23,849,089	17,818,841
	28,024,705	28,355,032	18,308,895

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.

	For the Six-Month Period Ended 30 June	
	2015 (Reviewed)	*2014 (Reviewed)*
Profit for the period attributable to equity holders of the Bank	**998,331**	903,807
Weighted average number of shares outstanding during the period	**750,000**	750,000
Basic earnings per share (QAR)	**1.331**	1.205

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

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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:

	30 June 2015 (Reviewed)	*30 June 2014 (Reviewed)*
Cash on hand and balances with QCB excluding cash reserve	**993,458**	484,758
Due from banks	**4,833,259**	6,680,427
	5,826,717	7,165,185

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

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Liabilities			
Current account - customer	**176**	166	184
Equity of investment account holders - customer	**923,750**	2,476,007	1,684,436
	923,926	2,476,173	1,684,620

(b) Condensed consolidated income statement items

	For the Six-Month Period Ended 30 June	
	2015 (Reviewed)	*2014 (Reviewed)*
Return on equity of investment account holders - customer	**5,894**	6,259

(c) Transactions with key management personnel

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

	30 June 2015 (Reviewed)	*31 December 2014 (Audited)*	*30 June 2014 (Reviewed)*
Financing	**196**	12,229	91

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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:

	For the Six-Month Period Ended 30 June	
	2015	*2014*
	(Reviewed)	*(Reviewed)*
Remuneration to Board of Directors including meeting allowances	**9,598**	8,999
Salaries and other benefits	**9,090**	8,073

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:

	30 June 2015	*31 December 2014*
	(Reviewed)	*(Audited)*
Al Rayan Bank PLC's net book value before fair value adjustments (100%)	**147,693**	147,693
Fair value adjustment of identifiable assets and liabilities	-	-
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%)	(7,354)	(7,354)
Goodwill and other intangibles	-	-

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.