CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

30 SEPTEMBER 2017

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2017

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

Introduction

We have reviewed the accompanying 30 September 2017 condensed consolidated interim financial statements of Masraf Al Rayan (Q.P.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 September 2017;
- the condensed consolidated income statement for the three and nine month periods ended 30 September 2017;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2017;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2017; 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 applicable provisions of the Qatar Central Bank regulations ('QCB 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 September 2017 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI and applicable provisions of the QCB regulations.

16 October 2017
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251
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Masraf Al Rayan (Q.P.S.C.) QAR '000s

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	*30 September 2017 (Reviewed)*	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
ASSETS				
Cash and balances with Qatar Central Bank		**3,171,111**	3,126,085	2,768,129
Due from banks		**2,167,493**	5,692,239	2,210,452
Financing assets	8	**68,481,828**	67,634,561	66,979,114
Investment securities	9	**23,603,673**	14,012,110	13,988,038
Investment in associates		**513,728**	508,560	506,079
Fixed assets		**155,788**	148,194	150,631
Other assets		**519,348**	408,986	348,994
TOTAL ASSETS		**98,612,969**	91,530,735	86,951,437
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY				
LIABILITIES				
Due to banks	10	**23,784,940**	19,059,705	16,425,191
Customer current accounts		**6,758,018**	10,533,627	6,623,786
Other liabilities		**1,814,944**	1,573,592	1,578,745
TOTAL LIABILITIES		**32,357,902**	31,166,924	24,627,722
EQUITY OF INVESTMENT ACCOUNT HOLDERS	11	**53,294,104**	47,490,298	50,044,762
EQUITY				
Share capital	12	**7,500,000**	7,500,000	7,500,000
Legal reserve	12	**1,862,926**	1,862,926	1,447,869
Risk reserve	12	**1,345,733**	1,345,733	1,136,540
Fair value reserves	12	**(5,098)**	1,983	(363)
Foreign currency translation reserve	12	**(8,362)**	(14,942)	(9,727)
Other reserves	12	**107,146**	107,146	80,468
Retained earnings		**1,963,965**	1,902,070	2,115,000
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**12,766,310**	12,704,916	12,269,787
Non-controlling interests	13	**194,653**	168,597	9,166
TOTAL EQUITY		**12,960,963**	12,873,513	12,278,953
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		**98,612,969**	91,530,735	86,951,437

These condensed consolidated interim financial statements were approved by the Board of Directors on 16 October 2017 and were signed on its behalf by:

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Dr. Hussain Ali Al Abdulla — Chairman and Managing Director

Adel Mustafawi — Group Chief Executive Officer

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three and Nine-Month Periods Ended 30 September 2017

	Note	For The Three-Month Period Ended 30 September 2017 (Reviewed)	For The Three-Month Period Ended 30 September 2016 (Reviewed)	For The Nine-Month Period Ended 30 September 2017 (Reviewed)	For The Nine-Month Period Ended 30 September 2016 (Reviewed)
Net income from financing activities		**800,676**	660,040	**2,292,017**	1,930,457
Net income from investing activities		**201,486**	133,072	**558,646**	397,399
Total net income from financing and investing activities		**1,002,162**	793,112	**2,850,663**	2,327,856
Fee and commission income		**73,960**	89,427	**202,078**	220,065
Fee and commission expense		**(827)**	(422)	**(2,191)**	(1,291)
Net fee and commission income		**73,133**	89,005	**199,887**	218,774
Foreign exchange gain		**35,900**	22,833	**95,246**	99,721
Share of results of associates		**-**	4,916	**21,643**	49,896
Gain on sale of investment in an associate		**-**	-	**-**	93,071
Other income		**2,117**	2,139	**6,917**	6,383
TOTAL INCOME		**1,113,312**	912,005	**3,174,356**	2,795,701
Staff costs		**(83,192)**	(65,693)	**(250,173)**	(213,216)
Depreciation		**(3,848)**	(4,060)	**(13,012)**	(12,057)
Other expenses		**(63,212)**	(31,314)	**(177,372)**	(136,452)
Finance expense		**(142,260)**	(82,294)	**(321,908)**	(266,641)
TOTAL EXPENSES		**(292,512)**	(183,361)	**(762,465)**	(628,366)
Net recoveries and reversals / (impairment losses) on financing assets		**2,781**	14,003	**2,359**	25,581
Net impairment losses on investment securities		**-**	-	**-**	(1,127)
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**823,581**	742,647	**2,414,250**	2,191,789
Less: Return to investment account holders		**(277,369)**	(232,920)	**(841,596)**	(629,980)
PROFIT BEFORE TAX FOR THE PERIOD		**546,212**	509,727	**1,572,654**	1,561,809
Tax expense		**(106)**	(860)	**(700)**	(1,691)
NET PROFIT FOR THE PERIOD		**546,106**	508,867	**1,571,954**	1,560,118
Net profit for the period attributable to:					
Equity holders of the Bank		**542,009**	508,723	**1,561,895**	1,559,695
Non-controlling interests		**4,097**	144	**10,059**	423
		546,106	508,867	**1,571,954**	1,560,118
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	15	**0.723**	0.678	**2.083**	2.080

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine-Month Period Ended 30 September 2017

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

	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserves*	*Foreign currency translation reserve*	*Other reserves*	*Retained earnings*	*Total equity attributable to equity holders of the Bank*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2016 (Audited)	7,500,000	1,447,869	1,136,540	12,590	(1,479)	80,468	1,867,805	12,043,793	314,430	12,358,223
Change in foreign currency translation reserve	-	-	-	-	(141,288)	-	-	(141,288)	-	(141,288)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	133,040	-	-	133,040	-	133,040
Fair value reserve movement (Note 9)	-	-	-	(12,953)	-	-	-	(12,953)	-	(12,953)
Profit for the period	-	-	-	-	-	-	1,559,695	1,559,695	423	1,560,118
Dividend paid (Note 12g)	-	-	-	-	-	-	(1,312,500)	(1,312,500)	-	(1,312,500)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(305,687)	(305,687)
Balance at 30 September 2016 (Reviewed)	7,500,000	1,447,869	1,136,540	(363)	(9,727)	80,468	2,115,000	12,269,787	9,166	12,278,953

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine-Month Period Ended 30 September 2017

	Notes	*For the Nine-Month Period Ended 30 September*	
		2017 (Reviewed)	*2016 (Reviewed)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		1,572,654	1,561,809
Adjustments for:			
Net recoveries and reversals on financing assets		(2,359)	(25,581)
Net impairment losses on investment securities		-	1,127
Fair value gain on investment securities carried as fair value through income statement		(22)	(1,051)
Unrealized (gain) / loss on revaluation of Shari'a compliant risk management instruments		(9,391)	6,969
Depreciation		13,012	12,057
Net gain on sale of investment securities		(11,285)	(5,636)
Dividend income		(6,547)	(4,891)
Share of results of associates		(21,643)	(49,896)
Gain on sale of investment in an associate		-	(93,071)
Amortisation of premium and discount on investment securities		(1,301)	(1,075)
Employees' end of service benefit provisions		1,614	4,200
Profit before changes in operating assets and liabilities		**1,534,732**	1,404,961
Change in reserve account with Qatar Central Bank		(107,037)	5,519
Change in due from banks		(364,050)	-
Change in financing assets		(846,766)	(4,384,808)
Change in other assets		(108,441)	55,381
Change in due to banks		4,725,235	3,080,600
Change in customer current accounts		(3,775,609)	440,024
Change in other liabilities		103,762	(556,622)
		1,161,826	45,055
Dividend received		6,547	4,891
Employees' end of service benefits paid		(1,008)	(2,134)
Tax paid		(3,041)	(1,193)
Net cash from operating activities		**1,164,324**	46,619
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(14,063,578)	(544,653)
Proceed from sale / redemption of investment securities		4,504,444	956,876
Acquisition of fixed assets		(18,085)	(19,082)
Dividend received from associates		17,478	13,458
Net cash (used in) / from investing activities		**(9,559,741)**	406,599
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		5,804,087	605,785
Dividends paid		(1,353,205)	(1,186,119)
Net movement in non-controlling interest		15,997	(305,687)
Net cash from / (used in) financing activities		**4,466,879**	(886,021)
Net decrease in cash and cash equivalents		(3,928,538)	(432,803)
Cash and cash equivalents at 1 January		6,451,850	2,779,011
NON-CASH ITEMS			
Investment in subsidiaries reclassified to investment securities		-	230,093
Effects of exchange rate changes on cash and cash equivalents held		(22,269)	73,626
Cash and cash equivalents at 30 September	16	**2,501,043**	2,649,927

The attached notes 1 to 18 form an integral part of these condensed consolidated interim financial statements

1 REPORTING ENTITY

Masraf Al Rayan (Q.P.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar Commercial Companies' Law No. 5 of 2002, as amended by Qatar Commercial Companies' Law No. 11 of 2015, under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Grand Hamad Steet, Doha, Qatar. The condensed consolidated interim financial statements of the Bank for the nine-month period ended 30 September 2017 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in Islamic banking, financing, investing and brokerage activities, and has 15 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan.

The principal subsidiaries of the Group are follows:

Entity's name	*Country of incorporation*	*Entity's capital*		*Entity's activities*	*Effective percentage of ownership*	
					30 September 2017	*31 December 2016*
Al Rayan Investment L.L.C.	Qatar	USD	100,000,000	Investment banking	**100.0%**	100.0%
Al Rayan Financial Brokerage[1]	Qatar	QAR	50,000,000	Financial brokerage	**100.0%**	100.0%
Al Rayan (UK) Limited[2]	UK	GBP	100,000,000	Investment activities	**70.0%**	70.0%
Al Rayan Partners	Qatar	QAR	10,000,000	Real estate consulting	**100.0%**	100.0%
Lusail Waterfront Investment Co.	Cayman Islands	USD	50,000	Investment activities	**100.0%**	100.0%

[1] On 28 December 2016, the Qatar Financial Markets Authority ("QFMA") approved to freeze Al Rayan Financial Brokerage's ("ARFB") license for two years. The operations of ARFB has ceased from 12 January 2017.

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

The Bank and two other local unlisted banks, namely Barwa Bank Q.S.C. and International Bank of Qatar Q.S.C., announced on 19 December 2016 that they have entered into initial negotiations regarding a potential merger of the three banks. The potential merger is subject to the approval of the Qatar Central Bank ("QCB"), the QFMA, the Ministry of Economy and Commerce and other relevant official bodies in the State of Qatar, and the approval of the shareholders in each of the three banks after completion of a detailed legal and financial due diligence. If the merger is approved, the new merged entity will maintain all its dealings in compliance with Shari'a principles.

As of reporting date, a committee composed of the management of the three banks has been established in order to oversee the merger according to an initial timeline which has been approved by the Boards of Directors of the three banks.

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 2016. In addition, results for the nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 Shari'a-compliant risk management instruments.

2 BASIS OF PREPARATION (continued)

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 2016.

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2017

There are no new standards, amendments and interpretations effective from 1 January 2017.

New standards, amendments and interpretations issued but not yet effective

International Financial Reporting Standard No. 9 (IFRS 9): Financial Instruments
The final version of IFRS 9 was issued in July 2014, replacing the earlier versions of introducing new classification and measurement requirements (issued in 2009 and 2010) and a new hedge accounting model (issued in 2013) and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology. QCB requires Islamic banks to move to an IFRS 9-based expected credit loss (ECL) measurement effective 1 January 2018, while applying the existing classification and measurement principles of FAS.

The application of IFRS 9 in respect of expected credit losses may have significant impact on amounts reported in the condensed consolidated interim financial statements and will result in more extensive disclosures in the condensed consolidated interim financial statements. However, the Group is currently in the process of evaluating and implementing the required changes in its systems, policies and processes to comply with IFRS 9 and regulatory requirements, and hence it is not practical to disclose a reliable quantitative impact until the implementation programme is further advanced.

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 2016.

(i) *Valuation of financial instruments*

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, 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:

30 September 2017 (Reviewed)	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets				
Shari’a-compliant risk management instruments	-	20,570	-	20,570
Investment securities	146,360	92,022	-	238,382
	146,360	**112,592**	**-**	**258,952**
Financial liabilities				
Shari’a-compliant risk management instruments	-	9,794	-	9,794
	-	**9,794**	**-**	**9,794**

31 December 2016 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Shari’a-compliant risk management instruments	-	18,649	-	18,649
Investment securities	62,962	87,486	-	150,448
	62,962	106,135	-	169,097
Financial liabilities				
Shari’a-compliant risk management instruments	-	17,264	-	17,264
	-	17,264	-	17,264

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 2,693 million (31 December 2016: QAR 2,693 million), which is derived using Level 1 fair value hierarchy. The details of the Group’s classification of financial assets and liabilities are disclosed in Note 6.

Investment securities totalling QAR 4,670 thousand are carried at cost (31 December 2016: QAR 4,694 thousand).

During the reporting periods 30 September 2017 and 31 December 2016, there were no transfers among Levels 1, 2 and 3 fair value measurements.

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

5 USE OF ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

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

(i) *Allowances for credit losses*
Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.

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

(ii) *Determining fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
30 September 2017 (Reviewed)					
Cash and balances with QCB	-	-	3,171,111	3,171,111	3,171,111
Due from banks	-	-	2,167,493	2,167,493	2,167,493
Financing assets	-	-	68,481,828	68,481,828	68,481,828
Investment securities:					
- Measured at fair value	15,462	227,590	-	243,052	243,052
- Measured at amortised cost	-	-	23,360,621	23,360,621	23,407,466
Other assets	-	-	377,876	377,876	377,876
Shari’a-compliant risk management instruments	20,570	-	-	20,570	20,570
	36,032	**227,590**	**97,558,929**	**97,822,551**	**97,869,396**
Due to banks	-	-	23,784,940	23,784,940	23,784,940
Customer current accounts	-	-	6,758,018	6,758,018	6,758,018
Other liabilities	-	-	1,012,180	1,012,180	1,012,180
Equity of investment account holders	-	-	53,294,104	53,294,104	53,294,104
Shari’a-compliant risk management instruments	9,794	-	-	9,794	9,794
	9,794	**-**	**84,849,242**	**84,859,036**	**84,859,036**

Masraf Al Rayan (Q.P.S.C.) QAR ’000s

6 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
31 December 2016 (Audited)					
Cash and balances with QCB	-	-	3,126,085	3,126,085	3,126,085
Due from banks	-	-	5,692,239	5,692,239	5,692,239
Financing assets	-	-	67,634,561	67,634,561	67,634,561
Investment securities:					
- Measured at fair value	4,471	150,671	-	155,142	155,142
- Measured at amortised cost	-	-	13,856,968	13,856,968	13,917,718
Other assets	-	-	269,312	269,312	269,312
Shari’a-compliant risk management instruments	18,649	-	-	18,649	18,649
	23,120	150,671	90,579,165	90,752,956	90,813,706
Due to banks	-	-	19,059,705	19,059,705	19,059,705
Customer current accounts	-	-	10,533,627	10,533,627	10,533,627
Other liabilities	-	-	849,809	849,809	849,809
Equity of investment account holders	-	-	47,490,298	47,490,298	47,490,298
Shari’a-compliant risk management instruments	17,264	-	-	17,264	17,264
	17,264	-	77,933,439	77,950,703	77,950,703

7 OPERATING SEGMENTS

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

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

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

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

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7 OPERATING SEGMENTS (continued)

Information about operating segments

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

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7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 September 2016 (Reviewed)	*Corporate Banking*	*Retail Banking*	*Asset Management*	*International operations*	*Unallocated*	*Total*
External revenue:						
Total income from financing and investing activities	1,696,396	471,202	17,092	143,166	-	2,327,856
Net fee and commission income	185,398	-	24,167	9,209	-	218,774
Foreign exchange gain	98,210	-	-	1,511	-	99,721
Share of results of associates	-	-	-	-	49,896	49,896
Gain on sale of an associate	-	-	-	-	93,071	93,071
Other income	-	-	-	-	6,383	6,383
Total segment revenue	1,980,004	471,202	41,259	153,886	149,350	2,795,701
Other material non-cash items:						
Net recoveries and reversals / (impairment losses) on financing assets	26,874	546	-	(1,839)	-	25,581
Net impairment losses on investment securities	(1,127)	-	-	-	-	(1,127)
Reportable segment profit before tax	1,265,635	372,258	25,955	25,603	(127,642)	1,561,809
Reportable segment assets	65,784,440	13,281,405	482,801	6,303,689	1,099,102	86,951,437
Reportable segment liabilities	20,000,708	1,972,890	16,795	1,430,654	1,206,675	24,627,722
Reportable segment equity of investment account holders	34,788,828	10,936,257	-	4,319,677	-	50,044,762

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

8 FINANCING ASSETS

(a) By type

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Receivables and balances from financing activities:			
Murabaha	**55,781,729**	55,519,712	56,602,885
Ijarah	**11,223,394**	8,875,993	8,508,952
Istisna'a	**1,331,447**	1,856,997	1,498,408
Musharaka	**5,259,536**	4,661,716	4,499,647
Others	**395,445**	317,071	393,321
Total financing assets	**73,991,551**	71,231,489	71,503,213
Deferred profit	**(5,462,284)**	(3,546,468)	(4,501,449)
Allowance for impairment and profit in suspense (note b)	**(47,439)**	(50,460)	(22,650)
Net financing assets	**68,481,828**	67,634,561	66,979,114

The total non-performing financing assets at 30 September 2017 amounted to QAR 108,480 thousand representing 0.15% of the gross financing assets (31 December 2016: QAR 112,745 thousand representing 0.16% of the gross financing assets; 30 September 2016: QAR 32,284 thousand representing 0.05% of the gross financing assets).

Specific impairment of financing assets includes QAR 1,880 thousand of profit in suspense (31 December 2016: QAR 1,918 thousand; 30 September 2016: QAR 812 thousand).

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

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Balance as at 1 January	**50,460**	53,450	53,450
Charge for the period / year	**2,334**	30,245	1,839
Recoveries / reversals during the period / year	**(4,732)**	(30,308)	(30,140)
Write off during the period / year	**(1,210)**	(1,656)	(1,618)
Effect of foreign currency movement	**587**	(1,271)	(881)
Balance at 30 September / 31 December	**47,439**	50,460	22,650

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9 INVESTMENT SECURITIES

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Investments classified as fair value through income statement			
Investments classified as held for trading (Quoted)			
• Debt type investments - Fixed profit rate	**15,462**	4,471	19,570
	15,462	4,471	19,570
Debt-type investments classified as amortised cost			
Fixed profit rate – Quoted	**1,301,253**	1,356,800	1,319,326
Floating profit rate – Quoted	**20,933**	41,866	41,866
Government of Qatar Sukuk – Quoted	**1,348,959**	1,258,786	1,277,327
Government of Qatar Sukuk – Unquoted	**20,714,960**	11,225,000	11,175,000
Less: Allowance for impairment	**(25,484)**	(25,484)	(25,484)
	23,360,621	13,856,968	13,788,035
Investments classified as fair value through equity			
• Equity type investments			
- Quoted	**99,039**	26,438	60,706
- Unquoted	**96,692**	92,180	87,237
• Equity type investments - Fixed profit rate (Quoted)	**31,859**	32,053	32,490
	227,590	150,671	180,433
	23,603,673	14,012,110	13,988,038

The Group has recognized impairment loss for certain equity-type investments classified as fair value through equity during the period totalling QAR nil (30 September 2016: QAR 1,127 thousand), due to significant and prolonged reduction in fair values.

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9 INVESTMENT SECURITIES (continued)

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

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Positive fair value:			
Balance at 1 January	**6,538**	12,738	12,738
Net change in fair value	**179**	2,275	1,896
Transferred to consolidated income statement on sale	**(1,823)**	(4,603)	(1,602)
Share of other comprehensive income of associates	**1,004**	(3,872)	(3,872)
Net fair value movement	**(640)**	(6,200)	(3,578)
Balance at 30 September / 31 December	**5,898**	6,538	9,160
Negative fair value:			
Balance at 1 January	**(4,555)**	(148)	(148)
Net change in fair value	**(7,509)**	(5,755)	(10,502)
Transferred to consolidated income statement on sale	**1,068**	221	-
Transferred to consolidated income statement due to impairment	**-**	1,127	1,127
	(6,441)	(4,407)	(9,375)
Balance at 30 September / 31 December	**(10,996)**	(4,555)	(9,523)
Total fair value at 30 September / 31 December	**(5,098)**	1,983	(363)

10 DUE TO BANKS

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Current accounts	**50,817**	26,500	215,491
Commodity murabaha payable	**746,143**	1,768,713	2,043,342
Short-term Murabaha facilities from banks	**1,281,157**	1,638,125	1,092,050
Wakala payable	**21,706,823**	15,626,367	13,074,308
	23,784,940	19,059,705	16,425,191

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11 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Saving accounts	**6,176,993**	5,145,444	4,925,223
Term accounts	**42,204,817**	37,874,166	40,597,272
Short-term investment accounts	**4,597,863**	4,234,725	4,273,219
Profit payable to equity of investment account holders	**314,633**	235,884	249,063
Share in the fair value reserves	**(202)**	79	(15)
	53,294,104	47,490,298	50,044,762

12 OWNERS’ EQUITY

(a) Share capital

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Authorised			
750,000,000 shares at QAR 10 each	**7,500,000**	7,500,000	7,500,000

(b) Legal reserve

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Balance at 1 January	**1,862,926**	1,447,869	1,447,869
Transfer from retained earnings	**-**	415,057	-
Balance at 30 September / 31 December	**1,862,926**	1,862,926	1,447,869

According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. No transfer has been made for the period ended 30 September 2017 as Masraf will transfer the required amount by 31 December 2017.

(c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by Masraf and its branches inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders’ profit according to QCB instructions. No transfer has been made for the period ended 30 September 2017 as Masraf will transfer the required amount by 31 December 2017.

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12 OWNERS’ EQUITY (continued)

(d) Fair value reserves

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

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Balance at 1 January	**1,983**	12,590	12,590
Net unrealised losses	**(7,532)**	(3,401)	(8,621)
Transferred to consolidated income statement on sale	**(755)**	(4,382)	(1,602)
Transferred to consolidated income statement due to impairment	**-**	1,127	1,127
Share of other comprehensive income of associates	**1,004**	(3,872)	(3,872)
Share of equity of investment account holders in the fair value reserve	**202**	(79)	15
Net fair value movement	**(7,081)**	(10,607)	(12,953)
Balance at 30 September / 31 December (shareholders’ share)	**(5,098)**	1,983	(363)

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

(e) Foreign currency translation reserve

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

(f) Other reserves

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Balance at 1 January	**107,416**	80,468	80,468
Share of results of associates	**-**	52,377	-
Dividend from associates transferred to retained earnings	**-**	(5,418)	-
Other movement	**-**	(20,281)	-
Balance at 30 September / 31 December	**107,416**	107,146	80,468

No transfer has been made for the period ended 30 September 2017 as Masraf will transfer the share of results of associates to other reserves by 31 December 2017.

(g) Dividend

On 2 April 2017, the General Assembly approved a cash dividend of 20% of the paid up share capital (2016: 17.5%) amounting to QAR 1,500 million (2016: QAR 1,312.5 million).

13 NON-CONTROLLING INTERESTS

This represents the Group’s non-controlling interest in Al Rayan (UK) Limited (30%) and Al Rayan Bank PLC (31.16%) (31 December 2016: Al Rayan (UK) Limited - 30% and Al Rayan Bank PLC - 31.16%).

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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 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Payable not later than 1 year	**30,315**	23,709	21,439
Payable later than 1 year and not later than 5 years	**76,929**	87,124	73,275
	107,244	110,833	94,714

(b) Contingent liabilities

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Unutilised credit facilities	**7,842,175**	7,825,568	8,063,566
Guarantees	**12,564,285**	16,278,696	16,902,894
Letters of credit	**1,932,356**	3,604,802	4,747,764
	22,338,816	27,709,066	29,714,224

(c) Other undertakings and commitments

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Profit rate swap	**4,025,756**	3,718,314	3,594,470
Unilateral promise to buy/sell currencies	**28,656,426**	21,482,774	19,631,202
	32,682,182	25,201,088	23,225,672

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 Nine-Month Period Ended 30 September	
	2017 (Reviewed)	*2016 (Reviewed)*
Profit for the period attributable to equity holders of the Bank	**1,561,895**	1,559,695
Weighted average number of shares outstanding during the period	**750,000**	750,000
Basic earnings per share (QAR)	**2.083**	2.080

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 September 2017 (Reviewed)	*30 September 2016 (Reviewed)*
Cash on hand and balances with QCB excluding cash reserve	**697,600**	439,475
Due from banks	**1,803,443**	2,210,452
	2,501,043	2,649,927

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 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Liabilities			
Equity of investment account holders - customer	**3,017,354**	998,308	1,138,683

(b) Condensed consolidated income statement items

	For the Nine-Month Period Ended 30 September	
	2017 (Reviewed)	*2016 (Reviewed)*
Return on equity of investment account holders - customer	**18,469**	14,148

(c) Transactions with key management personnel

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

	30 September 2017 (Reviewed)	*31 December 2016 (Audited)*	*30 September 2016 (Reviewed)*
Financing	**911**	1,039	77

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 Nine-Month Period Ended 30 September	
	2017 (Reviewed)	*2016 (Reviewed)*
Remuneration to Board of Directors including meeting allowances	**17,367**	14,635
Salaries and other benefits	**11,258**	13,015

18 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.