

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

MASRAF AL RAYAN (Q.S.C.)

30 JUNE 2014

Masraf Al Rayan (Q.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2014

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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 2014 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 2014;
- the condensed consolidated income statement for the three and six months ended 30 June 2014;
- the condensed consolidated statement of changes in owners' equity for the six months period ended 30 June 2014;
- the condensed consolidated statement of cash flows for the six months period ended 30 June 2014;
- the condensed consolidated statement of changes in restricted investment for the six months period ended 30 June 2014; 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 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 2014 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 Qatar Central Bank regulations.

21 July 2014
Doha
State of Qatar

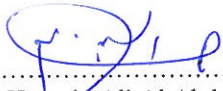
Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 (Reviewed)	31 December 2013 (Audited)	30 June 2013 (Reviewed)
ASSETS				
Cash and balances with Qatar Central Bank		3,059,972	3,510,514	2,432,909
Due from banks		6,680,427	4,334,667	2,685,181
Financing assets	8	46,954,784	41,440,198	44,175,058
Investment securities	9	15,531,526	15,016,627	12,875,368
Investment in associates and joint ventures		1,467,567	1,457,278	1,459,168
Investment property		91,250	91,250	91,250
Fixed assets		53,320	55,283	59,079
Other assets		373,067	641,820	493,136
TOTAL ASSETS		74,211,913	66,547,637	64,271,149
LIABILITIES				
Due to banks	10	2,442,446	6,765,067	7,372,245
Customer current accounts		7,397,851	3,514,402	3,404,443
Other liabilities		931,971	746,906	661,468
TOTAL LIABILITIES		10,772,268	11,026,375	11,438,156
EQUITY OF INVESTMENT ACCOUNT HOLDERS	11	52,936,780	44,816,865	43,040,441
OWNERS' EQUITY				
Share capital	12	7,500,000	7,500,000	7,500,000
Legal reserve	12	632,746	632,746	292,292
Risk reserve	12	875,414	875,414	787,141
Fair value reserves	12	21,632	26,888	16,013
Foreign currency translation reserve	12	(161)	-	-
Other reserves	12	26,809	26,809	18,866
Retained earnings		1,240,298	1,461,491	1,059,204
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		10,296,738	10,523,348	9,673,516
Non-controlling interests	13	206,127	181,049	119,036
TOTAL OWNERS' EQUITY		10,502,865	10,704,397	9,792,552
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		74,211,913	66,547,637	64,271,149

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 July 2014 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 20 form an integral part of these condensed consolidated interim financial statements



CONDENSED CONSOLIDATED INCOME STATEMENT

For the Three and Six-Month Periods Ended 30 June 2014

	Note	<i>For The Three-Month Period Ended 30 June</i>		<i>For The Six-Month Period Ended 30 June</i>	
		<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>
Net income from financing activities		536,834	445,487	1,004,517	880,496
Net income from investing activities		112,546	166,341	263,826	346,643
Total net income from financing and investing activities		649,380	611,828	1,268,343	1,227,139
Fee and commission income		68,946	37,795	132,069	69,986
Fee and commission expense		(409)	(419)	(764)	(727)
Net fee and commission income		68,537	37,376	131,305	69,259
Net foreign exchange gain		15,472	13,432	33,670	26,366
Share of results of associates and joint ventures		-	-	4,941	10,647
Other income		1,611	1,927	4,685	3,262
TOTAL INCOME		735,000	664,563	1,442,944	1,336,673
Staff costs		(68,979)	(63,361)	(131,302)	(117,825)
Depreciation		(4,242)	(4,228)	(8,411)	(8,300)
Other expenses		(45,525)	(34,606)	(104,070)	(66,642)
Finance expense		(10,970)	(20,365)	(23,063)	(40,088)
TOTAL EXPENSES		(129,716)	(122,560)	(266,846)	(232,855)
Net recoveries / (impairment losses) on financing assets		359	(31)	377	(26,220)
PROFIT FOR THE PERIOD BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		605,643	541,972	1,176,475	1,077,598
Less: Return to investment account holders		(130,615)	(114,634)	(249,516)	(238,063)
PROFIT FOR THE PERIOD BEFORE TAX		475,028	427,338	926,959	839,535
Tax expense		(244)	-	(1,492)	(137)
NET PROFIT FOR THE PERIOD		474,784	427,338	925,467	839,398
Net profit for the period attributable to:					
Equity holders of the Bank		471,434	420,631	903,807	820,756
Non-controlling interests		3,350	6,707	21,660	18,642
		474,784	427,338	925,467	839,398
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	15	0.629	0.561	1.205	1.094

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the Six-Month Period Ended 30 June 2014

	Share capital	Legal reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2014 (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
Balance at 1 January 2013 (Audited)	7,500,000	292,292	787,141	9,244	-	18,866	988,448	9,595,991	138,074	9,734,065
Fair value reserve movement	-	-	-	6,769	-	-	-	6,769	-	6,769
Profit for the period	-	-	-	-	-	-	820,756	820,756	18,642	839,398
Dividend paid (Note 12)	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	(37,680)	(37,680)
Balance at 30 June 2013 (Reviewed)	7,500,000	292,292	787,141	16,013	-	18,866	1,059,204	9,673,516	119,036	9,792,552

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six-Month Period Ended 30 June 2014

	Notes	For the Six-Month Period Ended 30 June	
		2014 (Reviewed)	2013 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before tax		926,959	839,535
Adjustments for:			
Net (recoveries) / impairment loss on financing assets		(49)	26,220
Fair value gain on investment securities carried as fair value through income statement		(22,142)	(9,338)
Depreciation		8,411	8,300
Net gain on sale of investment securities		(13,388)	(10,511)
Dividend income		(15,027)	(7,351)
Share of results of associates and joint ventures		(4,951)	(10,647)
Amortisation of premium and discount on investment securities		(1,966)	(1,843)
Profit before changes in operating assets and liabilities		877,847	834,365
Change in reserve account with Qatar Central Bank		(301,896)	(198,794)
Change in financing assets		(5,514,537)	(1,432,062)
Change in other assets		268,753	(92,940)
Change in due to banks		(4,322,621)	988,368
Change in customer current accounts		3,883,449	901,704
Change in other liabilities		(54,376)	162,062
		(5,163,381)	1,162,703
Dividends received		15,027	7,351
Tax paid		(451)	(1,559)
Net cash (used in) / from operating activities		(5,148,805)	1,168,495
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(10,619,370)	(1,189,951)
Proceed from sale/redemption of investment securities		10,134,631	304,638
Acquisition of fixed assets		(6,448)	(5,161)
Dividend received from an associate		5,420	-
Investment in associates		(8,896)	1,000
Net cash (used in) investing activities		(494,663)	(889,474)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		8,120,133	533,293
Dividends paid		(886,600)	(750,000)
Net movement in non-controlling interest		3,418	(37,680)
Net cash from / (used in) financing activities		7,236,951	(254,387)
Net increase in cash and cash equivalents		1,593,483	24,634
Cash and cash equivalents at 1 January		5,571,863	2,918,547
Effects of exchange rate changes on cash and cash equivalents held		(161)	-
Cash and cash equivalents at 30 June	16	7,165,185	2,943,181

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the Six-Month Period Ended 30 June 2014

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
1	2,518,381	2,518,381	113,957	(106,360)	7,597	1	2,518,381	2,518,381
Wakil and Muakil								
At 1 January 2013 (Audited)		Movements during the period			At 30 June 2013 (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
1	2,518,381	2,518,381	114,586	(106,947)	7,639	1	2,518,381	2,518,381
Wakil and Muakil								

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2014

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 2014 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Bank 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>30 June 2014</i>	<i>31 December 2013</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	48.7%	56.4%
Al Rayan GCC Fund (Q)	Qatar	Not applicable***	Investment activities	28.8%	26.7%
Al Rayan (UK) Limited	UK	GBP 100,000,000	Investment activities	100.0%	-
Al Rayan Partners*	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Islamic Bank of Britain PLC**	UK	GBP 121,218,700	Islamic banking	98.34%	-

* subsidiary of Al Rayan Investment L.L.C. Effective 3 April 2014, the ownership was transferred to Masraf Al Rayan (Q.S.C.)

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

*** open-ended funds (The Bank consolidates 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 2013. In addition, results for the six-month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 derivative financial 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 Six-Month Period Ended 30 June 2014**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 2013.

New standards, amendments and interpretations issued

No new accounting standard and interpretation have been issued by AAOIFI during 2014 effective from annual periods beginning on or after 1 January 2014.

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 2013.

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 2013.

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2014

5 USE OF ESTIMATES AND JUDGMENTS (continued)

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

(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>
30 June 2014 (Reviewed)				
Risk management instruments	-	10,060	-	10,060
Investment securities	697,900	-	-	697,900
	697,900	10,060	-	707,960
Risk management instruments	-	5,790	-	5,790
	-	5,790	-	5,790
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2013 (Audited)				
Risk management instruments	-	13,112	-	13,112
Investment securities	418,974	-	-	418,974
	418,974	13,112	-	432,086
Risk management instruments	-	6,443	-	6,443
	-	6,443	-	6,443

Investment securities totalling QAR 4,990 thousand are carried at cost (31 December 2013: QAR 4,678 thousand) since the fair value cannot be reliably measured.

During the reporting periods 30 June 2014 and 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2014

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>
30 June 2014 (Reviewed)					
Cash and balances with QCB	-	-	3,059,972	3,059,972	3,059,972
Due from banks	-	-	6,680,427	6,680,427	6,680,427
Financing assets	-	-	46,954,784	46,954,784	46,954,784
Investment securities:					
- Measured at fair value	471,968	230,922	-	702,890	702,890
- Measured at amortised cost	-	-	14,828,636	14,828,636	14,792,726
Other assets	-	-	300,095	300,095	300,095
Risk management instruments	10,060	-	-	10,060	10,060
	482,028	230,922	71,823,914	72,536,864	72,500,954
Due to banks	-	-	2,442,446	2,442,446	2,442,446
Customer current accounts	-	-	7,397,851	7,397,851	7,397,851
Equity of investment account holders	-	-	52,936,780	52,936,780	52,936,780
Risk management instruments	5,790	-	-	5,790	5,790
	5,790	-	62,777,077	62,782,867	62,782,867
	<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 2013 (Audited)					
Cash and balances with QCB	-	-	3,510,514	3,510,514	3,510,514
Due from banks	-	-	4,334,667	4,334,667	4,334,667
Financing assets	-	-	41,440,198	41,440,198	41,440,198
Investment securities:					
- Measured at fair value	302,972	120,680	-	423,652	423,652
- Measured at amortised cost	-	-	14,592,975	14,592,975	14,493,319
Other assets	-	-	390,206	390,206	390,206
Risk management instruments	13,112	-	-	13,112	13,112
	316,084	120,680	64,268,560	64,705,324	64,605,668
Due to banks	-	-	6,765,067	6,765,067	6,765,067
Customer current accounts	-	-	3,514,402	3,514,402	3,514,402
Equity of investment account holders	-	-	44,816,865	44,816,865	44,816,865
Risk management instruments	6,443	-	-	6,443	6,443
	6,443	-	55,096,334	55,102,777	55,102,777

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2014

7 OPERATING SEGMENTS

The Group has three 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.

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

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

Information about operating segments

30 June 2014 (Reviewed)	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Asset Management</i>	<i>International operations</i>	<i>Unallocated</i>	<i>Total</i>
<i>External revenue:</i>						
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
<i>Other material non-cash items:</i>						
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2014

7 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

30 June 2013 (Reviewed)	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Asset Management</i>	<i>International operations</i>	<i>Unallocated</i>	<i>Total</i>
<i>External revenue:</i>						
Total income from financing and investing activities	1,058,620	136,407	32,112	-	-	1,227,139
Net fee and commission income	63,737	-	5,522	-	-	69,259
Foreign exchange gain / (loss)	26,378	-	(12)	-	-	26,366
Share of results of associates and joint ventures	-	-	-	-	10,647	10,647
Other income	-	-	-	-	3,262	3,262
Total segment revenue	1,148,735	136,407	37,622	-	13,909	1,336,673
<i>Other material non-cash items:</i>						
Net impairment loss on financing assets	(26,220)	-	-	-	-	(26,220)
Reportable segment profit before tax	877,644	101,813	28,494	-	(168,416)	839,535
Reportable segment assets	58,098,319	5,224,257	607,118	-	341,455	64,271,149
Reportable segment liabilities	10,563,859	420,167	5,134	-	448,996	11,438,156
Reportable segment equity of investment account holders	38,338,164	4,702,277	-	-	-	43,040,441

8 FINANCING ASSETS

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
(a) By type			
Murabaha	42,178,778	38,375,758	41,030,652
Ijarah	3,399,812	3,705,824	3,223,522
Istisna'a	1,159,936	983,684	944,787
Musharaka	2,724,078	520,050	317,429
Others	143,148	127,112	123,476
Total financing assets	49,605,752	43,712,428	45,639,866
Deferred profit	(2,610,867)	(2,235,105)	(1,388,471)
Allowance for impairment and profit in suspense (note b)	(40,101)	(37,125)	(76,337)
Net financing assets	46,954,784	41,440,198	44,175,058

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8 FINANCING ASSETS (continued)

The total non-performing financing assets at 30 June 2014 amounted to QAR 42,640 thousand representing 0.09% of the gross financing assets (31 December 2013: QAR 42,390 thousand representing 0.10% of the gross financing assets; 30 June 2013: QAR 38,234 thousand representing 0.08% of the gross financing assets).

Specific impairment of financing assets includes QAR 2,982 thousand of profit in suspense (31 December 2013: QAR 3,209 thousand; 30 June 2013: QAR 4,794 thousand).

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

	30 June 2014 (Reviewed)	31 December 2013 (Audited)	30 June 2013 (Reviewed)
Balance as at 1 January	37,125	49,722	49,722
Acquired from business combination	3,580	-	-
Charge for the period / year	-	29,757	26,645
Recoveries / reversals during the period / year	(604)	(42,249)	-
Write off during the period / year	-	(105)	(30)
Balance at 30 June / 31 December	<u>40,101</u>	<u>37,125</u>	<u>76,337</u>

9 INVESTMENT SECURITIES

	30 June 2014 (Reviewed)	31 December 2013 (Audited)	30 June 2013 (Reviewed)
<i>Investments classified as fair value through income statement</i>			
Investments classified as held for trading (Quoted)			
• Equity type investments	222,478	181,032	163,247
• Debt type investments			
- Fixed profit rate	249,490	121,940	192,771
	<u>471,968</u>	<u>302,972</u>	<u>356,018</u>
<i>Debt-type investments classified as amortised cost</i>			
Fixed profit rate – Quoted	946,767	436,842	236,879
Floating profit rate – Quoted	114,448	121,274	152,880
Government of Qatar Sukuk – Quoted	961,961	910,580	-
Government of Qatar Sukuk – Unquoted	12,827,303	13,146,122	12,047,194
Less: Allowance for impairment	(21,843)	(21,843)	(21,843)
	<u>14,828,636</u>	<u>14,592,975</u>	<u>12,415,110</u>
<i>Equity-type investments classified as fair value through equity</i>			
- Quoted	225,932	116,002	99,293
- Unquoted	4,990	4,678	4,947
	<u>230,922</u>	<u>120,680</u>	<u>104,240</u>
	<u>15,531,526</u>	<u>15,016,627</u>	<u>12,875,368</u>

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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:

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
<i>Positive fair value:</i>			
Balance at 1 January	26,344	9,244	9,244
Net change in fair value	3,712	16,830	6,769
Share of fair value reserve of associates	1,862	814	-
Balance at 30 June / 31 December	<u>31,918</u>	<u>26,888</u>	<u>16,013</u>
<i>Negative fair value:</i>			
Balance at 1 January	544	-	-
Net change in fair value	(10,830)	-	-
Balance at 30 June / 31 December	<u>(10,286)</u>	<u>-</u>	<u>-</u>
Total fair value at 30 June / 31 December	<u>21,632</u>	<u>26,888</u>	<u>16,013</u>

10 DUE TO BANKS

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Current accounts	672,418	573,840	581,243
Commodity murabaha payable	907,132	1,426,604	412,609
Wakala payable	862,896	4,764,623	6,378,393
	<u>2,442,446</u>	<u>6,765,067</u>	<u>7,372,245</u>

11 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Saving accounts	2,831,369	1,843,583	1,873,500
Term accounts	45,530,582	40,334,469	36,968,516
Call accounts	4,478,165	2,538,393	4,098,559
Profit payable to equity of investment account holders	95,451	99,305	99,223
Share in the fair value reserves	897	1,115	643
Profit equalization reserve	316	-	-
	<u>52,936,780</u>	<u>44,816,865</u>	<u>43,040,441</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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12 OWNERS' EQUITY

(a) Share capital

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (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>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Balance at 1 January	632,746	292,292	292,292
Transfer from retained earnings	-	340,454	-
Balance at 30 June / 31 December	<u>632,746</u>	<u>632,746</u>	<u>292,292</u>

According to QCB Law No. 33 of 2006, 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 2014 as Masraf will transfer the required amount by 31 December 2014.

(c) Fair value reserves

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

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Balance at 1 January	26,888	9,244	9,244
Net unrealised (losses) gains	(6,221)	17,945	7,412
Share of other comprehensive income of associates	1,862	814	-
	<u>22,529</u>	<u>28,003</u>	<u>16,656</u>
Share of equity of investment account holders in the fair value reserves	<u>(897)</u>	<u>(1,115)</u>	<u>(643)</u>
Balance at 30 June / 31 December (shareholders' share)	<u>21,632</u>	<u>26,888</u>	<u>16,013</u>

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

(d) 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 2014 as Masraf will transfer the required amount by 31 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2014

12 OWNERS' EQUITY (continued)

(e) Dividend

On 3 March 2014, the General Assembly approved a cash dividend of 15% of the paid up share capital (2013: 10%) amounting to QAR 1,125 million (2013: QAR 750 million).

(f) 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.

(g) Other reserves

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Balance at 1 January	26,809	18,866	18,866
Share of results of associates	-	7,943	-
Balance at 30 June / 31 December	<u>26,809</u>	<u>26,809</u>	<u>18,866</u>

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

No transfer has been made for the period ended 30 June 2014 as Masraf will transfer the share of results of associates to other reserves by 31 December 2014.

13 NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Al Rayan GCC Fund (F), Al Rayan GCC Fund (Q) and Islamic Bank of Britain PLC of 51.3%, 71.2% and 1.66%, respectively (31 December 2013: 43.6%, 73.3% and nil, respectively).

At 30 June 2013, the Group's non-controlling interest included 49% of the share capital of SapuraCrest Qatar L.L.C. SapuraCrest Qatar L.L.C., previously 51% owned by Al Rayan Investment LLC, a wholly-owned subsidiary of Masraf, was liquidated during 2013.

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>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Payable not later than 1 year	23,994	23,795	20,215
Payable later than 1 year and not later than 5 years	<u>27,145</u>	<u>34,397</u>	<u>30,454</u>
	<u>51,139</u>	<u>58,192</u>	<u>50,669</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2014

14 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(b) Contingent liabilities

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Unutilised credit facilities	20,343,401	15,290,101	4,697,295
Guarantees	10,065,110	8,040,566	7,628,057
Letters of credit	9,566,716	11,430,735	10,311,399
	<u>39,975,227</u>	<u>34,761,402</u>	<u>22,636,751</u>

(c) Other undertakings and commitments

	<i>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Profit rate swap	490,054	-	-
Unilateral promise to buy/sell currencies	17,818,841	18,516,075	18,977,448
	<u>18,308,895</u>	<u>18,516,075</u>	<u>18,977,448</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 Six-Month Period Ended 30 June</i>	
	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>
Profit for the period attributable to equity holders of the Bank	<u>903,807</u>	<u>820,756</u>
Weighted average number of shares outstanding during the period	<u>750,000</u>	<u>750,000</u>
Basic earnings per share (QAR)	<u>1.205</u>	<u>1.094</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.

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>30 June 2014 (Reviewed)</i>	<i>30 June 2013 (Reviewed)</i>
Cash on hand and balances with QCB excluding cash reserve	484,758	258,000
Due from banks	6,680,427	2,685,181
	<u>7,165,185</u>	<u>2,943,181</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Liabilities			
Current account - customer	184	184	7
Equity of investment account holders - customer	<u>1,684,436</u>	<u>3,541,599</u>	<u>1,896,943</u>
	<u>1,684,620</u>	<u>3,541,783</u>	<u>1,896,950</u>

(b) Condensed consolidated income statement items

	<i>For the Six-Month Period Ended 30 June</i>	
	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>
Loss from foreign exchange operations - customer	<u>-</u>	<u>21</u>
Return on equity of investment account holders - customer	<u>6,259</u>	<u>8,740</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>30 June 2014 (Reviewed)</i>	<i>31 December 2013 (Audited)</i>	<i>30 June 2013 (Reviewed)</i>
Financing	<u>91</u>	<u>10,011</u>	<u>77</u>

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

	<i>For the Six-Month Period Ended 30 June</i>	
	<i>2014 (Reviewed)</i>	<i>2013 (Reviewed)</i>
Remuneration to Board of Directors including meeting allowances	<u>8,999</u>	<u>7,722</u>
Salaries and other benefits	<u>8,073</u>	<u>3,962</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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18 BUSINESS COMBINATION

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

During the period following the acquisition to 30 June 2014, IBB has contributed net operating income of QAR 37 million and net loss of QAR 9 million to the Group results. Management estimates that if the acquisition had occurred on 1 January 2014, then IBB would have contributed net operating income of QAR 43 million and net loss of QAR 11 million to the Group results for the six months ended 30 June 2014. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2014.

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

	<i>30 June 2014</i> <i>(Reviewed)</i>
IBB’s net book value before fair value adjustments (100%)	147,693
Fair value adjustment of identifiable assets and liabilities	<u>-</u>
Fair value of identifiable assets and liabilities	147,693
Cash consideration transferred	(140,339)
Non-controlling interest at the date of acquisition (4.98%)*	<u>(7,354)</u>
Goodwill and other intangibles	<u><u>-</u></u>

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

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

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.

20 SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Bank entered into an agreement for the sale of its 50% equity stake in Seef Lusail Real Estate Development Co. (associate) for a consideration of QAR 1.5 billion. The 50% stake was sold to Qatari Diar Infrastructure Company (49%) and Qatari Diar Real Estate Investment Company (1%).