

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

BARWA BANK Q.S.C.

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2015**

BARWA BANK Q.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

CONTENTS	PAGE
Independent auditors' review report	1
Interim consolidated statement of financial position	2
Interim consolidated statement of income	3
Interim consolidated statement of changes in owners' equity	4
Interim consolidated statement of cash flows	5
Notes to the interim condensed consolidated financial statements	6 – 21

INDEPENDENT AUDITOR'S REVIEW REPORT

**To The Shareholders
Barwa Bank Q.S.C.
Doha – Qatar**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Barwa Bank Q.S.C. ("the Bank") and its subsidiaries (together referred to as the "Group") comprising the interim consolidated statement of financial position as at 30 June 2015, and the related interim consolidated statements of income for the three month and six months periods ended 30 June 2015, changes in owner's equity and cash flows for the six month period then ended, and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the applicable provisions of Qatar Central Bank regulations, the basis of accounting mentioned in note (2a) of the accompanying interim condensed consolidated financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'a rules and principles. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim financial information 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 International Standards on Auditing 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 interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with note (2a) of the accompanying interim condensed consolidated financial statements and applicable provisions of Qatar Central Bank regulations.

**Doha – Qatar
12 July 2015**



**For Deloitte & Touche
Qatar Branch**

**Muhammad Bahemia
Partner
License No. 103**

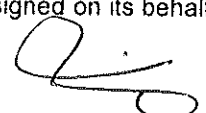
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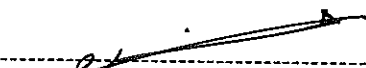
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

QAR '000s

		30 June 2015	31 December 2014
	Note	(Reviewed)	(Audited)
ASSETS			
Cash and balances with Qatar Central Bank	7	2,208,735	1,265,210
Due from banks	8	2,057,023	2,107,985
Financing assets	9	24,437,296	23,045,757
Investment securities	10	10,587,189	10,036,132
Investment in associates and joint ventures	11	283,398	266,185
Investment property		4,662	4,662
Fixed assets		255,647	271,799
Intangible assets		777,230	777,230
Other assets		659,076	422,560
TOTAL ASSETS		41,270,256	38,197,520
LIABILITIES			
Due to banks	12	9,857,545	8,982,279
Customer current accounts		1,708,913	1,628,841
Other liabilities		1,670,842	930,742
TOTAL LIABILITIES		13,237,300	11,541,862
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	21,503,635	20,229,556
OWNERS' EQUITY			
Share capital	14(a)	3,000,000	3,000,000
Legal reserve	14(b)	1,951,750	1,951,750
Treasury shares	14(c)	(38,349)	(38,349)
Risk reserve	14(d)	500,645	500,645
Fair value reserve	10	(1,196)	(129)
Foreign currency translation reserve		1,816	1,816
Other reserves	14(e)	328,940	328,940
Retained earnings		747,030	632,485
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		6,490,636	6,377,158
Non-controlling interests		38,685	48,944
TOTAL OWNERS' EQUITY		6,529,321	6,426,102
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		41,270,256	38,197,520

These interim condensed consolidated financial statements were approved by the Board of Directors on 12 July 2015 and were signed on its behalf by:


 Mohamed Bin Hamad Bin Jassim Al Thani
 Chairman


 Khalid Yousef Al-Subeai
 Acting Group Chief Executive Officer

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

QAR '000s

	Note	For the three month period ended 30 June		For the six month period ended 30 June	
		2015 (Reviewed)	2014 (Reviewed)	2015 (Reviewed)	2014 (Reviewed)
Net income from financing activities		286,895	285,109	593,376	553,463
Net income from investing activities		107,574	71,010	192,602	166,523
Total net income from financing and investing activities		394,469	356,119	785,978	719,986
Fee and commission income		34,943	34,353	67,918	60,954
Fee and commission expense		(2,635)	(1,559)	(6,510)	(4,055)
Net fee and commission income		32,308	32,794	61,408	56,899
Net foreign exchange gain		1,396	5,726	2,584	8,475
Share of results of associates and joint ventures	11	(871)	1,127	53	8,471
Other income		1,109	2,277	1,868	2,933
Total income		428,411	398,043	851,891	796,764
Staff costs		(84,239)	(72,952)	(161,863)	(149,228)
Depreciation and amortization		(11,994)	(10,195)	(23,419)	(20,356)
Other expenses		(39,620)	(38,740)	(78,127)	(85,108)
Finance cost		(20,033)	(12,604)	(41,709)	(23,453)
Total expenses		(155,886)	(134,491)	(305,118)	(278,145)
Net impairment reversal on financing assets	9(b)	4,379	13,180	7,673	28,807
Profit for the period before return to investment account holders		276,904	276,732	554,446	547,426
Return to investment account holders	13	(73,465)	(66,275)	(142,189)	(135,952)
Net profit for the period		203,439	210,457	412,257	411,474
Net profit/(loss) for the period attributable to:					
Equity holders of the Bank		202,092	211,772	410,710	408,581
Non-controlling interests		1,347	(1,315)	1,547	2,893
Net profit for the period		203,439	210,457	412,257	411,474
Earnings per share					
Basic and diluted earnings per share (QAR per share)	16	0.68	0.72	1.39	1.38

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**QAR '000s**For the six month period
ended 30 June 2015

	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserve	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)	3,000,000	1,951,750	(38,349)	500,645	(129)	1,816	328,940	632,485	6,377,158	48,944	6,426,102
Net profit for the period	-	-	-	-	-	-	-	410,710	410,710	1,547	412,257
Fair value reserve movement	-	-	-	-	(1,067)	-	-	-	(1,067)	-	(1,067)
Total recognised income and expense for the period	-	-	-	-	(1,067)	-	-	410,710	409,643	1,547	411,190
Dividend paid	-	-	-	-	-	-	-	(296,165)	(296,165)	-	(296,165)
Change in ownership interest	-	-	-	-	-	-	-	-	-	(11,806)	(11,806)
Balance at 30 June 2015 (Reviewed)	3,000,000	1,951,750	(38,349)	500,645	(1,196)	1,816	328,940	747,030	6,490,636	38,685	6,529,321

For the six month period
ended 30 June 2014

	Share capital	Legal reserve	Treasury shares	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)	3,000,000	1,809,483	(38,349)	442,494	23,850	1,682	215,155	235,352	5,689,667	43,523	5,733,190
Net profit for the period	-	-	-	-	-	-	-	408,581	408,581	2,893	411,474
Fair value reserve movement	-	-	-	-	(22,680)	-	-	-	(22,680)	-	(22,680)
Total recognised income and expense for the period	-	-	-	-	(22,680)	-	-	408,581	385,901	2,893	388,794
Change in ownership interest	-	-	-	-	-	-	-	-	-	8,505	8,505
Balance at 30 June 2014 (Reviewed)	3,000,000	1,809,483	(38,349)	442,494	1,170	1,682	215,155	643,933	6,075,568	54,921	6,130,489

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

QAR '000s

		For the six month period ended 30 June	
		2015	2014
	Note	(Reviewed)	(Reviewed)
Cash flows from operating activities			
Net profit for the period		412,257	411,474
<i>Adjustments for:</i>			
Impairment loss on financing assets	9(b)	12,160	17,362
Depreciation and amortization		23,419	20,356
Employees' end of service benefits provision		5,703	9,344
Net gain on sale of investment securities		(41,338)	(33,598)
Dividend income		(26,194)	(19,721)
Share of results of associates and joint ventures	11	(53)	(8,471)
<i>Profit before changes in operating assets and liabilities</i>		<u>385,954</u>	<u>396,746</u>
Change in reserve account with Qatar Central Bank		(20,416)	(236,836)
Change in due from banks		283,644	310,539
Change in financing assets		(1,403,699)	(2,973,000)
Change in other assets		(236,516)	(173,852)
Change in due to banks		875,266	155,953
Change in customer current accounts		80,072	468,491
Change in other liabilities		739,054	265,895
Change in equity of investment account holders		<u>1,274,079</u>	<u>716,728</u>
		<u>1,977,438</u>	<u>(1,069,336)</u>
Dividends received		26,194	19,721
Employees' end of service benefits paid		(4,657)	(2,169)
Net cash from/(used in) operating activities		<u>1,998,975</u>	<u>(1,051,784)</u>
Cash flows from investing activities			
(Acquisition)/disposal of investments, net		(539,752)	(544,445)
Acquisition of fixed and intangible assets		(7,267)	(145,652)
Net cash used in investing activities		<u>(547,019)</u>	<u>(690,097)</u>
Cash flows from financing activity			
Dividend paid		(296,165)	-
Net cash used in financing activity		<u>(296,165)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,155,791</u>	<u>(1,741,881)</u>
Cash and cash equivalents at 1 January		<u>1,150,730</u>	<u>2,880,463</u>
Cash and cash equivalents at 30 June	18	<u>2,306,521</u>	<u>1,138,582</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

1. REPORTING ENTITY

Barwa Bank (the "Bank") was incorporated as a Qatari Shareholding in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the "date of incorporation"). The Bank commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2008. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 5 branches in Doha, State of Qatar.

The Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") are primarily engaged in financing, investing and advisory activities in accordance with Islamic Shari'a principles as determined by the Shari'a Committee of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

The Bank is owned 20.36% by General Retirement and Social Insurance Authority, 20.36% by Military Pension Fund (Qatar), and 12.13% by Qatar Holding, strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; and remaining shares are owned by several individuals and corporate entities.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Date of Acquisition	Percentage of ownership	
			30 June 2015	31 December 2014
The First Investor P.Q.S.C. ("TFI")	Qatar	13 December 2009	100%	100%
First Finance Company P.Q.S.C. ("FFC")	Qatar	12 July 2010	100%	100%
First Leasing Company P.Q.S.C ("FLC")	Qatar	13 July 2010	100%	100%
TFI GCC Equity Opportunities Fund	Qatar	31 October 2012	68%	62%

- (i) TFI provides a full range of investment banking products and services that comply with Shari'a principles.
- (ii) FFC is engaged in Shari'a compliant financing activities in accordance with its Articles of Association and QCB regulations.
- (iii) FLC is primarily engaged in the Islamic leasing business.
- (iv) TFI GCC Equity Opportunities Fund is an open end fund founded by the Bank and managed by TFI. It invests in marketable equities and debt securities of entities, having Shari'a compliant business model and incorporated in GCC to earn return for its unit holders.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended 30 June 2015

2. BASIS OF PREPARATION

(a) Statement of compliance

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

These interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014. The results for the six month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015.

(b) Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the statement of income and derivatives held for risk management purposes, which are measured at fair value.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional currency. Except as otherwise indicated, financial statements presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyals.

(d) Use of estimates and judgments

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

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES

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

New standards, amendments and interpretations effective from 1 January 2015

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 expands 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 Islamic Financial Institution "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, FAS 23 does not provide specific guidance for assessment of control over special purpose vehicles (SPVs) and the Bank was previously referring to the relevant guidance within International Financial Reporting Standards (IFRSs). As a result of revisions to IFRS 10 (consolidation), the Group has now also changed its accounting policy for determining whether it has control over SPVs. The new control model focuses on whether the Group has power over an SPV, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In particular, 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 information or the amounts reported in the comparative periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued but not yet effective

AAOIFI has issued a new accounting standard on investment accounts – Financial Accounting Standard Number 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 for bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and Their Equivalent.

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

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

4. FINANCIAL RISK MANAGEMENT

The Groups'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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended 30 June 2015

5. 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 Group Management Committee reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Corporate Banking	Includes financing, deposits and other transactions and balances with corporate customers
Retail Banking	Includes financing, deposits and other transactions and balances with retail customers
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further it also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

5. OPERATING SEGMENTS (CONTINUED)

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. 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

As at and for the six month period ended 30 June 2015	Corporate banking	Retail banking	Treasury and investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	488,618	104,758	185,958	6,644	-	785,978
Net fee and commission income	26,949	6,126	(1,433)	29,766	-	61,408
Reportable segment net profit	288,677	(4,525)	111,703	16,402	-	412,257
Reportable segment assets	24,330,285	2,807,979	12,633,394	721,367	777,230	41,270,256
As at and for the six month period ended 30 June 2014	Corporate banking	Retail banking	Treasury and investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	452,264	103,073	154,685	9,964	-	719,986
Net fee and commission income	29,321	10,019	3,948	13,611	-	56,899
Reportable segment profit	290,719	(2,114)	109,838	13,031	-	411,474
Reportable segment assets	21,514,231	2,565,592	10,172,731	608,633	777,230	35,638,417

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

6. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Fair value through statement of income	Fair value through equity	Amortised cost	Total carrying amount	Fair value
30 June 2015 (Reviewed)					
Cash and balances with Qatar Central Bank	-	-	2,208,735	2,208,735	2,208,735
Due from banks	-	-	2,057,023	2,057,023	2,057,023
Financing assets	-	-	24,437,296	24,437,296	24,437,296
Investment securities:					
- Carried at fair value	119,254	992,838	-	1,112,092	1,112,092
- Carried at amortised cost	-	-	9,475,097	9,475,097	9,510,867
Risk management instruments	17,492	-	-	17,492	17,492
	136,746	992,838	38,178,151	39,307,735	39,343,505
Due to banks	-	-	9,857,545	9,857,545	9,857,545
Customer current accounts	-	-	1,708,913	1,708,913	1,708,913
Risk management instruments	20,066	-	-	20,066	20,066
	20,066	-	11,566,458	11,586,524	11,586,524
Equity of investment account holders	-	-	21,503,635	21,503,635	21,503,635
	20,066	-	33,070,093	33,090,159	33,090,159

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

6. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Fair value through statement of income	Fair value through equity	Amortised cost	Total carrying amount	Fair value
31 December 2014 (Audited)					
Cash and balances with central banks	-	-	1,265,210	1,265,210	1,265,210
Due from banks	-	-	2,107,985	2,107,985	2,107,985
Financing assets	-	-	23,045,757	23,045,757	23,045,757
Investment securities:					
- Carried at fair value	93,875	1,031,788	-	1,125,663	1,125,663
- Carried at amortised cost /cost	-	-	8,910,469	8,910,469	8,914,296
Risk management instruments	14,325	-	-	14,325	14,325
	108,200	1,031,788	35,329,421	36,469,409	36,473,236
Due to banks	-	-	8,982,279	8,982,279	8,982,279
Customer current accounts	-	-	1,628,841	1,628,841	1,628,841
Risk management instruments	28,566	-	-	28,566	28,566
	28,566	-	10,611,120	10,639,686	10,639,686
Equity of investment account holders	-	-	20,229,556	20,229,556	20,229,556
	28,566	-	30,840,676	30,869,242	30,869,242

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

6. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
30 June 2015 (Reviewed)				
Risk management instruments (assets)	-	-	17,492	17,492
Investment securities carried at fair value	708,559	-	403,533	1,112,092
	<u>708,559</u>	<u>-</u>	<u>421,025</u>	<u>1,129,584</u>
Risk management instruments (liabilities)	-	-	20,066	20,066
	<u>-</u>	<u>-</u>	<u>20,066</u>	<u>20,066</u>
31 December 2014 (Audited)				
Risk management instruments (assets)	-	-	14,325	14,325
Investment securities carried at fair value	722,136	-	403,527	1,125,663
	<u>722,136</u>	<u>-</u>	<u>417,852</u>	<u>1,139,988</u>
Risk management instruments (liabilities)	-	-	28,566	28,566
	<u>-</u>	<u>-</u>	<u>28,566</u>	<u>28,566</u>

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through Statement of Income, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used and quoted investment securities for which level 1 valuation method has been used.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

7. CASH AND BALANCES WITH QATAR CENTRAL BANK

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
Cash	156,266	175,860
Cash reserve with QCB*	1,028,010	1,007,594
Other balances with QCB	1,024,459	81,756
	<u>2,208,735</u>	<u>1,265,210</u>

*The cash reserve with QCB is not available for use in the Group's day to day operations.

8. DUE FROM BANKS

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
Current accounts	212,457	362,860
Wakala placements with banks	831,074	593,566
Mudaraba placements	82,265	183,714
Commodity murabaha receivable	931,227	967,845
	<u>2,057,023</u>	<u>2,107,985</u>

9. FINANCING ASSETS

(a) By type

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
Murabaha	4,464,570	4,124,716
Murabaha commodity	14,020,102	12,341,927
Musawama	2,653,202	2,894,168
Istisna'a	728,169	945,687
Ijarah Muntahia Bittamleek	3,773,491	3,966,100
Cards	52,851	37,180
Others	4,532	46,185
Total financing assets	<u>25,696,917</u>	<u>24,355,963</u>
Less: Deferred profit	872,012	908,741
Provision for impairment on financing assets – Specific	351,279	364,225
Provision for impairment on financing assets – Collective	2,500	2,500
Suspended profit related to non-performing financing assets	33,830	34,740
Net financing assets	<u>24,437,296</u>	<u>23,045,757</u>

The total non-performing financing assets at 30 June 2015 amounted to QAR 410 million, representing 1.6% of the gross financing assets (31 December 2014: QAR 431 million, representing 1.8%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

9. FINANCING ASSETS (CONTINUED)

(b) Movement in the provision for impairment – specific on financing assets

	2015 (Reviewed)	2014 (Reviewed)
Balance at 1 January	364,225	309,696
Provisions made during the period	12,160	17,362
Recoveries during the period	(19,833)	(46,169)
	(7,673)	(28,807)
Written off during the period	(5,273)	(423)
Balance for the period ended 30 June	351,279	280,466

10. INVESTMENT SECURITIES

	30 June 2015 (Reviewed)			31 December 2014 (Audited)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<i>Investments classified as fair value through statement of income</i>						
- Investments classified as held for trading:						
• equity-type investments	119,254	-	119,254	93,875	-	93,875
	119,254	-	119,254	93,875	-	93,875
<i>Debt-type investments classified at amortised cost</i>						
- Fixed rate*	2,500,186	6,852,921	9,353,107	2,276,378	6,512,101	8,788,479
- Floating rate	121,990	-	121,990	121,990	-	121,990
	2,622,176	6,852,921	9,475,097	2,398,368	6,512,101	8,910,469
<i>Equity-type investments classified as fair value through equity</i>						
	589,305	403,533	992,838	628,261	403,527	1,031,788
	3,330,735	7,256,454	10,587,189	3,120,504	6,915,628	10,036,132

*Investments in unquoted debt-type instruments classified at amortised cost represent investments in the Qatar Government and other sovereign securities.

The cumulative change in fair value reserve of investments, during the period is as follows:

	2015 (Reviewed)	2014 (Reviewed)
Balance at 1 January	(129)	23,850
Net change in fair value	(1,067)	(20,794)
Share of associates and joint ventures fair value changes	-	(1,886)
	(1,067)	(22,680)
Balance for the period ended 30 June	(1,196)	1,170

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
Balance at 1 January	266,185	255,581
Share of results	53	15,911
Addition during the period	18,200	-
Dividend received during the period / year	(971)	(2,126)
Share of associates and joint ventures fair value changes	-	(3,617)
Share of associates and joint ventures currency translation reserve	-	134
Other movements	(69)	302
	<u>283,398</u>	<u>266,185</u>

12. DUE TO BANKS

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
Current accounts	4	4
Commodity Murabaha payable*	1,661,297	1,660,587
Wakala payable	8,196,244	7,321,688
	<u>9,857,545</u>	<u>8,982,279</u>

*This represents amounts held under repurchase agreements.

13. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
Investment account holders balance before share of profit (a)	21,454,647	20,203,596
Distributable profits to investment account holders for the period / year (b)	142,189	267,211
Profit already distributed during the period / year	(91,888)	(239,938)
Profit payable to investment account holders	50,301	27,273
Share in fair value reserve	(1,313)	(1,313)
Total investment account holders balance	<u>21,503,635</u>	<u>20,229,556</u>
<i>By type:</i>		
Saving accounts	2,106,642	1,574,986
Call accounts	672,413	454,126
Term accounts	18,675,592	18,174,484
Total (a)	<u>21,454,647</u>	<u>20,203,596</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

13. EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	For the six month period ended	
	30 June 2015 (Reviewed)	30 June 2014 (Reviewed)
<i>Net return breakup:</i>		
Saving accounts	14,551	13,850
Call accounts	1,484	1,341
Term accounts - 1 month	49,030	54,792
Term accounts - 3 month	21,336	40,799
Term accounts - 6 month	26,996	13,910
Term accounts - 9 month	1,571	354
Term accounts - 12 month	27,221	10,906
Total (b)	142,189	135,952

14. OWNERS' EQUITY

(a) Share capital

<i>In thousands of shares</i>	Ordinary shares	
	30 June 2015 (Reviewed)	31 December 2014 (Audited)
In issue at	300,000	300,000

At 30 June 2015, the authorised share capital comprised 400,000 thousand ordinary shares (31 December 2014: 400,000 thousand), having a par value of QAR 10 each share. Out of this authorised capital 300,000 thousand ordinary shares (31 December 2014: 300,000 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with Qatar Central Bank regulations and the Memorandum and Articles of Association of the Bank, 20% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 5 of 2002 and after QCB approval. As at 31 December 2014, legal reserve balance was QAR 1,951.8 million. No further transfer has been made for the six month period ended 30 June 2015 as the Bank transfers the required amount at the year-end. The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law No.5 of 2002.

(c) Treasury shares

Treasury shares represent ordinary shares of Barwa Bank with nominal value of QAR 10 each. Treasury shares are presented as a deduction from equity.

(d) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – State of Qatar and finance against cash guarantees are excluded from the gross direct finance. As at 31 December 2014, risk reserve balance was QAR 500.6 million. No further transfer has been made for the six month period ended 30 June 2015 as the Bank transfers the required amount at the year-end.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

14. OWNERS' EQUITY (CONTINUED)

(e) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates, and should be transferred to a separate reserve account in Owners' equity. Further the Bank has set aside QAR 100 million in 2014 (2013: QAR 100 million) as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events on recommendation of the Board of Directors. As at 31 December 2014, other reserve balance was QAR 328.9 million. No further transfer has been made for the six month period ended 30 June 2015 as the Bank transfers the required amount at year-end.

(f) Dividend

The Board of Directors in their meeting held on 3 March 2015 proposed a cash dividend of 10% (2013: Nil) of the paid up share capital amounting to QAR 296.2 million – QAR 1.0 per share (2013: Nil), which was subsequently approved for distribution at the Annual General Meeting of the shareholders of the Bank held on 31 May 2015.

15. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
a) Contingent liabilities		
Unused credit facilities	10,319,535	9,070,515
Guarantees	6,332,230	6,309,815
Letters of credit	2,731,598	3,170,588
	<u>19,383,363</u>	<u>18,550,918</u>
b) Commitments		
Profit rate swaps	1,914,035	2,005,073
Other risk management instruments	1,899,780	1,630,669
	<u>3,813,815</u>	<u>3,635,742</u>

Unused credit facilities

Commitments to extend credit represent contractual commitments to make financings and revolving credits. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and Letters of credit

Guarantees and letters of credit commit the Group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as financings.

Lease commitments

Non-cancellable operating lease rentals payable within one year are QAR 29.3 million (31 December 2014: QAR 28.5 million). The Group leases a number of branches and office premises under operating leases.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

16. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the period attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the three month period ended		For the six month period ended	
	30 June 2015 (Reviewed)	30 June 2014 (Reviewed)	30 June 2015 (Reviewed)	30 June 2014 (Reviewed)
Net profit for the period attributable to the equity holders of the Bank	202,092	211,772	410,710	408,581
Weighted average number of outstanding shares	296,165	296,165	296,165	296,165
Basic and diluted earning per share (QAR)	0.68	0.72	1.39	1.38

The weighted average number of shares have been calculated as follows:

Total number of shares	300,000	300,000	300,000	300,000
Treasury shares	(3,835)	(3,835)	(3,835)	(3,835)
Weighted average number of shares at 30 June	296,165	296,165	296,165	296,165

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.

The related party transactions and balances included in these interim condensed consolidated financial statements are as follows:

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
Customer financing assets	306,508	325,808
Customer deposits	4,668,791	2,035,256

	For the six month period ended	
	30 June 2015 (Reviewed)	30 June 2014 (Reviewed)
Compensation of key management personnel		
Salaries and other benefits	37,366	31,470

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2015

QAR '000s

18. CASH AND CASH EQUIVALENTS

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

	30 June 2015 (Reviewed)	31 December 2014 (Audited)
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	1,180,725	257,616
Due from banks	1,125,796	893,114
	<u>2,306,521</u>	<u>1,150,730</u>

19. COMPARATIVE FIGURES

The comparative figures presented for the period / year 2014 have been reclassified where necessary to preserve consistency with the period 2015 figures. However, such reclassifications did not have any effect on the consolidated net profit, or the total consolidated equity for the comparative period.