

BARWA BANK P.Q.S.C.

Condensed Consolidated Interim Financial Information

As at and for the six month period ended 30 June 2012

Barwa Bank P.Q.S.C

Condensed Consolidated Interim Financial Information

As at and for the six month period ended 30 June 2012

Contents	Page
Independent auditors' report on review of condensed consolidated interim financial information	3
Condensed consolidated statement of financial position	4
Condensed consolidated income statement	5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of changes in equity	7
Notes to the condensed consolidated interim financial information	8 -18



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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF BARWA BANK P.Q.S.C

To
The Board of Directors
Barwa Bank P.Q.S.C
Doha, State of Qatar

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Barwa Bank P.Q.S.C (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 June 2012, and the condensed consolidated income statement, the condensed consolidated statements of cash flows and changes in equity for the six month period then ended, and the related explanatory notes (together referred to as the "condensed consolidated interim financial information"). The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information 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 this condensed consolidated interim financial information 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 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 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by AAOIFI and the applicable provisions of Qatar Central Bank regulations.

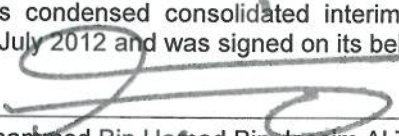
17 July 2012
Doha
State of Qatar

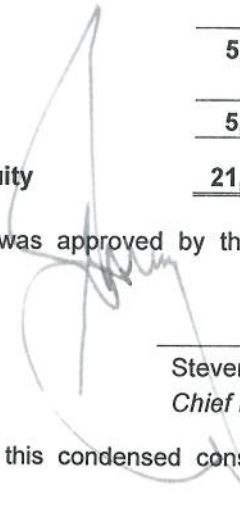
Gopal Balasubramaniam
KPMG
Auditor's Registration No.251

BARWA BANK P.Q.S.C
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**
QR '000

		30 June 2012	31 December 2011
Assets	Note	(Reviewed)	(Audited)
Cash and balances with Qatar Central Bank	4	649,813	1,159,350
Balances and placements with banks and other financial institutions	5	2,364,915	1,878,943
Receivables and balances from financing activities	6	12,044,275	9,218,139
Investment securities	7	5,082,336	4,841,872
Investment in associates	8	184,344	167,387
Other assets		209,044	862,617
Investment property		48,252	48,252
Fixed assets		122,619	126,970
Intangible asset		795,511	810,566
Total assets		21,501,109	19,114,096
Liabilities, unrestricted investment accounts and equity			
Liabilities			
Placements and borrowings from banks and other financial institutions		3,637,776	4,230,196
Customer current accounts		811,360	1,326,238
Other liabilities		456,829	701,200
Total liabilities		4,905,965	6,257,634
Unrestricted investment accounts	9	11,587,960	8,013,189
Equity			
Share capital	10.1	3,000,000	1,908,691
Subscriptions for rights issue	10.1	-	1,746,094
Legal reserve	10.2	1,641,202	986,417
Treasury shares	10.3	(38,349)	(38,349)
Risk reserve	10.4	125,657	125,657
Other reserve	10.5	94,042	94,042
Investment fair value reserve	7.1	20,630	19,573
Foreign currency translation reserve		764	764
Retained earnings		163,066	181
Total equity attributable to the owners of the Bank		5,007,012	4,843,070
Minority interest		172	203
Total equity		5,007,184	4,843,273
Total liabilities, unrestricted investment accounts and equity		21,501,109	19,114,096

This condensed consolidated interim financial information was approved by the Board of Directors on 17 July 2012 and was signed on its behalf by:


Mohammed Bin Hamad Bin Jassim Al Thani
Chairman


Steven Troop
Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

BARWA BANK P.Q.S.C
**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**
QR '000

	Note	For the three month period ended 30 June		For the six month period ended 30 June	
		2012 (Reviewed)	2011 (Reviewed)	2012 (Reviewed)	2011 (Reviewed)
Income from financing activities, net		192,264	53,681	343,513	90,896
Income from investing activities, net		43,093	51,491	100,081	95,854
Total income from financing and investing activities, net		235,357	105,172	443,594	186,750
Commission and fee income		22,548	18,380	54,984	55,462
Commission and fee expenses		(5,668)	(216)	(7,162)	(557)
Net commission and fee income		16,880	18,164	47,822	54,905
Dividend income		1,320	963	2,691	16,075
Net gain on sale of investments		3,901	6,797	6,176	19,007
Other income		1,159	1,583	2,814	3,696
Total net income		258,617	132,679	503,097	280,433
Net (provision) / recoveries on impaired receivables and balances from financing activities	6	(10,860)	13,015	(19,438)	25,919
Impairment loss on investments carried at fair value through equity		(24,038)	(8,203)	(24,038)	(10,564)
Impairment loss on investment property		-	(1,283)	-	(1,283)
General and administrative expenses		(95,608)	(70,813)	(188,424)	(134,012)
Depreciation and amortization		(14,264)	(8,519)	(23,693)	(16,856)
Total expenses		(144,770)	(75,803)	(255,593)	(136,796)
Profit before unrestricted investment account holders' share of profit and share of results from associates		113,847	56,876	247,504	143,637
Provision for unrestricted investment account holders' share of profit	9	(56,644)	(29,271)	(101,165)	(55,436)
Share of results from associates	8	3,260	10,267	16,515	18,727
Profit for the period		60,463	37,872	162,854	106,928
Profit / (loss) attributable to:					
Owners of the Bank		60,491	38,135	162,885	107,332
Minority interest		(28)	(263)	(31)	(404)
Profit for the period		60,463	37,872	162,854	106,928
Earnings per share					
Basic and diluted (QR)	15	0.20	0.20	0.55	0.57

The accompanying notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

BARWA BANK P.Q.S.C
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**
QR '000

		For the six month period ended 30 June 2012	For the six month period ended 30 June 2011
	Note	(Reviewed)	(Reviewed)
OPERATING ACTIVITIES			
Profit for the period		162,854	106,928
<i>Adjustments for:</i>			
Dividend income		(2,691)	(16,075)
Net gain on sale of investments		(6,176)	(19,007)
Share of results from associates	8	(16,515)	(18,727)
Depreciation and amortization		23,693	16,856
Impairment loss on receivables and balances from financing activities	6	42,872	10,599
Impairment loss on investment property		-	1,283
Impairment loss on investments carried at fair value through equity		24,038	10,564
End of service benefits provision		5,397	4,591
		<u>233,472</u>	<u>97,012</u>
Change in receivables and balances from financing activities		(2,869,008)	(2,136,654)
Change in placements with banks and other financial institutions		(103,228)	(50,000)
Change in other assets		653,573	(89,838)
Change in reserve account with Qatar Central Bank		(166,878)	(159,325)
Change in placements and borrowings from banks and other financial institutions		(592,420)	(309,609)
Change in customer current accounts		(514,878)	303,711
Change in unrestricted investment accounts		3,574,771	2,325,184
Change in other liabilities		(248,558)	427,096
		<u>(33,154)</u>	<u>407,577</u>
Dividend income received		2,691	16,075
End of service benefits paid		(1,210)	(2,022)
Net cash (used in) / from operating activities		<u>(31,673)</u>	<u>421,630</u>
INVESTING ACTIVITIES			
Acquisition of investments		(257,711)	(2,255,557)
Acquisition of fixed and intangible assets		(4,287)	(76,852)
Net cash (used in) investing activities		<u>(261,998)</u>	<u>(2,332,409)</u>
Net decrease in cash and cash equivalents		(293,671)	(1,910,779)
Cash and cash equivalents at the beginning of the period		<u>2,199,167</u>	<u>2,286,183</u>
Cash and cash equivalents at the end of the period	14	<u>1,905,496</u>	<u>375,404</u>

The accompanying notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

BARWA BANK P.Q.S.C

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**

QR '000

	Share capital	Subscriptions for rights issue	Legal reserve	Treasury shares	Risk reserve	Other reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings	Total owners' equity	Minority interest	Total equity
Balance at 1 January 2012 (Audited)	1,908,691	1,746,094	986,417	(38,349)	125,657	94,042	19,573	764	181	4,843,070	203	4,843,273
Net change in fair value of investments classified as fair value through equity	-	-	-	-	-	-	1,057	-	-	1,057	-	1,057
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	1,057	-	-	1,057	-	1,057
Net profit / (loss) for the period	-	-	-	-	-	-	-	-	162,885	162,885	(31)	162,854
Total income and expense for the period	-	-	-	-	-	-	1,057	-	162,885	163,942	(31)	163,911
Transfer from subscriptions for rights issue on allotment of shares	1,091,309	(1,746,094)	654,785	-	-	-	-	-	-	-	-	-
Balance at 30 June 2012 (Reviewed)	3,000,000	-	1,641,202	(38,349)	125,657	94,042	20,630	764	163,066	5,007,012	172	5,007,184

	Share capital	Subscriptions for rights issue	Legal reserve	Treasury shares	Risk reserve	Other reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings	Total owners' equity	Minority interest	Total equity
Balance at 1 January 2011 (Audited)	1,908,691	-	934,912	(38,349)	27,722	-	18,756	754	-	2,852,486	(466)	2,852,020
Effect of change in accounting policy	-	-	-	-	-	-	(2,262)	-	-	(2,262)	-	(2,262)
Balance at 1 January 2011 – restated	1,908,691	-	934,912	(38,349)	27,722	-	16,494	754	-	2,850,224	(466)	2,849,758
Net change in fair value of investments classified as fair value through equity	-	-	-	-	-	-	8,708	-	-	8,708	-	8,708
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	8,708	-	-	8,708	-	8,708
Net profit / (loss) for the period	-	-	-	-	-	-	-	-	107,332	107,332	(404)	106,928
Total income and expense for the period	-	-	-	-	-	-	8,708	-	107,332	116,040	(404)	115,636
Balance at 30 June 2011 (Reviewed)	1,908,691	-	934,912	(38,349)	27,722	-	25,202	754	107,332	2,966,264	(870)	2,965,394

The accompanying notes 1 to 16 form an integral part of this condensed consolidated interim financial information.

BARWA BANK P.Q.S.C

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Barwa Bank (the "Bank") was incorporated with 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") are primarily engaged in investing, financing 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 37.34% owned by Barwa Real Estate Company Q.S.C., a Qatari listed company, 12.13% by Qatar Holding, the strategic and direct investment arm of the Qatar Investment Authority, the sovereign wealth fund of the State of Qatar, and the remaining shares are owned by several individuals and corporate entities.

The following are the subsidiaries that are consolidated in the Group's condensed consolidated interim financial information as at and for the six month period ended 30 June 2012:

Name of subsidiary	Country of incorporation	Date of acquisition	Percentage of ownership	
			30 June 2012	31 December 2011
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%
Bait Al Mashura Financial Consultancy Company	Qatar	13 July 2010	70%	70%
Al Sabat Investment (SPE)	Qatar	30 August 2010	100%	100%
Cedra Investment (SPE)	Qatar	30 August 2010	100%	100%
Assass Investment (SPE)	Qatar	31 August 2010	100%	100%
Hassana Investment (SPE)	Qatar	31 August 2010	100%	100%

2. BASIS OF PREPARATION

a. Statement of compliance

This condensed consolidated interim financial information has 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 condensed consolidated interim financial information has been prepared in accordance with the guidance provided by International Accounting Standard 34 'Interim Financial Reporting'.

2. BASIS OF PREPARATION (CONTINUED)**a. Statement of compliance (continued)**

This condensed consolidated interim financial information does 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 2011. The results for the six month period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012.

b. Basis of measurement

This condensed consolidated interim financial information has been prepared under the historical cost convention except for investments carried at fair value through equity and investments carried at fair value through the income statement.

c. Functional and presentation currency

This condensed consolidated interim financial information is presented in Qatari Riyals ("QR"), which is the Bank's functional currency. Except as otherwise indicated, all financial information presented in Qatari Riyals has been rounded to the nearest thousand.

d. Use of estimates and judgments

The preparation of condensed consolidated interim financial information 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. In preparing this condensed consolidated interim financial information, 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 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements as at and for the year ended 31 December 2011.

4. CASH AND BALANCES WITH QATAR CENTRAL BANK

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
Cash in vaults, hand and ATMs	18,833	73,263
Reserve account with Qatar Central Bank	549,658	382,780
Current account with Qatar Central Bank	81,322	703,307
	<u>649,813</u>	<u>1,159,350</u>

The reserve account with the Qatar Central Bank is a mandatory reserve and cannot be used to fund the Bank's day-to-day operations.

BARWA BANK P.Q.S.C

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

QR '000

5. BALANCES AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
Current accounts	48,339	31,036
Call accounts with Islamic banks	31,739	9,149
Placements with Islamic banks	2,284,837	1,838,758
	<u>2,364,915</u>	<u>1,878,943</u>

6. RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
<i>By type:</i>		
Murabaha financing arrangement	2,641,948	1,499,415
Less: deferred profit	(123,799)	(102,828)
	<u>2,518,149</u>	<u>1,396,587</u>
Commodity murabaha financing arrangement	7,501,717	6,296,298
Less: deferred profit	(664,334)	(482,365)
	<u>6,837,383</u>	<u>5,813,933</u>
Tawaruk financing arrangement	191,021	224,994
Less: deferred profit	(31,595)	(38,784)
	<u>159,426</u>	<u>186,210</u>
Istisna financing arrangement	397,150	282,614
Less: deferred profit	(2,642)	(3,463)
	<u>394,508</u>	<u>279,151</u>
Musawama financing arrangement	1,355,964	1,330,772
Less: deferred profit	(220,700)	(243,683)
	<u>1,135,264</u>	<u>1,087,089</u>
Ijarah financing arrangement	1,281,546	714,565
Less: deferred profit	(45,484)	(35,524)
	<u>1,236,062</u>	<u>679,041</u>
Mudaraba financing arrangement	485	992
Credit card receivables	9,797	2,492
Other financing arrangements, net	8,821	5,206
	<u>12,299,895</u>	<u>9,450,701</u>
Provision for impairment of receivables and balances from financing activities	(181,342)	(161,904)
Profit in suspense	(74,278)	(70,658)
	<u>12,044,275</u>	<u>9,218,139</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**

QR '000

6. RECEIVABLES AND BALANCES FROM FINANCING ACTIVITIES (CONTINUED)

The total non-performing receivables and balances from financing activities at 30 June 2012 amounted to QR 466 million, representing 3.4% of the gross receivables and balances from financing activities (31 December 2011: QR 435 million, representing 4.2%).

Movement in provision for impairment of receivables and balances from financing activities is as follows:

	For the six month period ended 30 June 2012 (Reviewed)	For the six month period ended 30 June 2011 (Reviewed)
Balance at the beginning of the period	161,904	195,104
Charge for the period	42,872	10,599
Recoveries during the period	(23,434)	(36,518)
Net provision / (recoveries) for impairment	19,438	(25,919)
Reclassifications	-	(4,128)
Write offs during the period	-	(1,009)
	181,342	164,048

7. INVESTMENT SECURITIES

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
<i>Investments carried at fair value through the income statement</i>		
Equity instruments – quoted	-	1,120
<i>Investments carried at fair value through equity</i>		
Equity instruments (including funds)		
– Quoted	86,791	95,920
– Unquoted	445,810	260,505
<i>Investments carried at amortised cost</i>		
Debt instruments (Sukuks)		
– Quoted	799,735	734,327
– Unquoted	3,750,000	3,750,000
	5,082,336	4,841,872

Unquoted debt type instruments include investment in Qatar Government Sukuks of QR 3,750 million (31 December 2011: QR 3,750 million).

BARWA BANK P.Q.S.C
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**
QR '000
7. INVESTMENT SECURITIES (CONTINUED)

7.1 The cumulative change in fair values of investments carried at fair value through equity during the period was as follows:

	For the six month period ended 30 June 2012 (Reviewed)	For the six month period ended 30 June 2011 (Reviewed)
Balance at the beginning of the period	19,573	16,494
Net change in fair value	(4,076)	(2,294)
Reclassified to condensed consolidated income statement on impairment	4,845	10,564
Share of associate's fair value reserve changes (note 8)	288	438
	1,057	8,708
Balance at the end of the period	<u>20,630</u>	<u>25,202</u>

8. INVESTMENT IN ASSOCIATES

The Group has the following investments in associates:

	Emdad Equipment Leasing Company Qatar W.L.L.	Tanween W.L.L.	Beaucraft W.L.L.	2012 (Reviewed)	2011 (Reviewed)
Balance as at 1 January	32,000	135,207	180	167,387	92,094
Acquired during the period					25,000
Share of results from associates	-	16,515	-	16,515	18,727
Share of associates' fair value reserve changes (note 7.1)	-	288	-	288	438
Other movements	-	154	-	154	(1,388)
Balance as at 30 June	<u>32,000</u>	<u>152,164</u>	<u>180</u>	<u>184,344</u>	<u>134,871</u>

9. UNRESTRICTED INVESTMENT ACCOUNTS

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
Saving accounts	523,860	184,300
Term accounts	10,671,569	7,552,155
Call accounts	339,105	262,983
	11,534,534	7,999,438
Profit payable to unrestricted investments account holders	53,426	13,751
	<u>11,587,960</u>	<u>8,013,189</u>

BARWA BANK P.Q.S.C
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**
QR '000
9. UNRESTRICTED INVESTMENT ACCOUNTS (CONTINUED)

Details of the share of unrestricted investments account holders' profit is as follows:

	For the six month period ended 30 June 2012 (Reviewed)	For the six month period ended 30 June 2011 (Reviewed)
<i>By term:</i>		
Saving accounts	4,546	69
Call accounts	517	388
1 month	20,470	9,057
3 month	17,003	10,218
6 month	41,271	16,664
9 month	73	-
12 month	17,285	19,040
	101,165	55,436

The share of unrestricted investment account holders' profit has been calculated on a provisional basis by the Bank on the basis of expected profit rates.

10. EQUITY
10.1 Share capital

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
Authorised capital		
600,000,000 (31 December 2011: 250,000,000) ordinary shares of QR 10 each	6,000,000	2,500,000
Issued and paid up capital		
300,000,000 (31 December 2011: 190,869,100) ordinary shares of QR 10 each	3,000,000	1,908,691

The Bank has only one class of equity shares and the holders of these shares have equal voting rights.

During December 2011, the Bank proceeded with a rights issue (109,130,900 shares at QR 16 each share, including premium of QR 6 each share), raising QR 1,746 million. At 31 December 2011, subscriptions received from the rights issue were presented as "Subscriptions for rights issue" within equity. During the current period after completion of necessary legal and administrative formalities, the shares were allotted to each shareholder based on their rights to the subscription. This resulted in increase in the paid up capital amounting to QR 3,000 million.

The Bank also increased its authorised share capital from QR 2,500 million to QR 6,000 million.

10. EQUITY (CONTINUED)**10.2 Legal reserve**

In accordance with Qatar Central Bank Law No. 33 of 2006 and 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 legal reserve until the 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 Qatar Central Bank approval. As at 31 December 2011, the total legal reserve was QR 986.4 million. No further transfer has been made for the six month period ended 30 June 2012 as the Group will transfer the required amount by the year end. However, QR 654.8 million was transferred from "Subscriptions for rights issue" reserve account during the current period being premium amount attached to the rights issue as described in note 10.1, which increased the legal reserve balance to QR 1,641.2 million.

10.3 Treasury shares

Treasury shares represent ordinary shares of Barwa Bank with nominal value of QR 10 each. These shares are held by FFC and TFI and carried at cost of QR 16.8 each. Treasury shares are presented as a deduction from equity.

10.4 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 activities, with a minimum requirement of 1.5% 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 or finance against cash guarantees is excluded from the gross direct finance, which should be appropriated from owners' profit according to Qatar Central Bank circular 87/2008. As at 31 December 2011 the total risk reserve was QR 125.7 million. No transfer has been made for the six month period ended 30 June 2012 as the Group will transfer the required amount by the year end.

10.5 Other reserve

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. As at 31 December 2011, the total other reserve balance was QR 94.04 million. No transfer has been made for the six month period ended 30 June 2012 as the Group will transfer the required amount by the year end.

BARWA BANK P.Q.S.C
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**
QR '000
11. CONTINGENCIES AND COMMITMENTS

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
<i>Contingencies</i>		
Unused facilities	6,773,170	2,847,730
Letter of credit	672,806	367,258
Guarantees	4,201,117	4,438,929
	11,647,093	7,653,917
<i>Operating lease commitments</i>		
- Within one year	19,494	19,793
- After one year but not more than five years	-	-
	19,494	19,793

12. 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 shareholders and entities over which the Group and the shareholders exercise significant influence, directors and executive management of the Group. The details of transactions and the balances with related parties during the period are as follows:

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
Due to a related party	47,119	62,347
	For the six month period ended 30 June 2012 (Reviewed)	For the six month period ended 30 June 2011 (Reviewed)
<i>Compensation of key management personnel</i>		
Salaries and other benefits	20,556	15,649

BARWA BANK P.Q.S.C

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**

13. OPERATING SEGMENTS

The Group has four reportable segments, as described below. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the segments, management reviews internal management reports on at least quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Corporate Banking: Includes financing activities, customer deposits, unrestricted investment accounts and other transactions and balances with corporate customers.

Retail Banking: Includes financing activities, customer deposits, unrestricted investment accounts and other transactions and balances with retail customers.

Treasury: Undertakes the Group's funding and centralised liquidity management activities through borrowings and investing in liquid assets.

Investment Banking: 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**

QR '000

13. OPERATING SEGMENTS (CONTINUED)

	Corporate banking	Retail banking	Treasury	Investment banking	Un- allocated portion	Total
As at and for the six month period ended 30 June 2012 (Reviewed)						
Total income from financing and investing activities, net	260,671	82,800	99,902	221	-	443,594
Net commission and fee income	21,124	(1,859)	8,508	20,049	-	47,822
Profit / (loss) for the period	97,279	20,963	48,126	(3,514)	-	162,854
Total assets	10,863,100	2,075,244	7,320,421	465,114	777,230	21,501,109
As at and for the six month period ended 30 June 2011 (Reviewed)						
Total income from financing and investing activities, net	44,261	46,635	94,928	926	-	186,750
Net commission and fee income	12,741	3,568	(168)	38,764	-	54,905
Profit / (loss) for the period	17,640	19,290	117,296	38,048	(85,346)	106,928
Total assets	2,924,048	1,230,278	4,981,271	423,241	1,164,040	10,722,878

BARWA BANK P.Q.S.C

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012**

QR '000

14. CASH AND CASH EQUIVALENTS

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

	30 June 2012 (Reviewed)	31 December 2011 (Audited)
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	100,155	776,570
Balances and placements with banks and other financial institutions	<u>1,805,341</u>	<u>1,422,597</u>
	<u>1,905,496</u>	<u>2,199,167</u>

15. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to the equity holders of the Bank for the period by the weighted average number of shares outstanding during the period as follows:

	30 June 2012 (Reviewed)	30 June 2011 (Reviewed)
Profit for the six month period	<u>162,885</u>	<u>107,332</u>
Weighted average number of shares (000's)	<u>296,165</u>	<u>187,034</u>
Basic and diluted earnings per share (QR)	<u>0.55</u>	<u>0.57</u>

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current period condensed consolidated interim financial information. Such reclassifications did not have any impact on the declared profit or the equity for the prior period.