BARWA BANK Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

BARWA BANK Q.P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended 30 June 2020

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Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF BARWA BANK Q.S.P.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Barwa Bank Q.S.P.C. (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 June 2020 which comprise the interim consolidated statement of financial position as at 30 June 2020, the related interim consolidated statement of income for the three month and six month periods ended 30 June 2020, interim consolidated statement of changes in equity, interim consolidated statement of changes in restricted investment accounts and interim consolidated statement of cash flows for the six-month period then ended, and related explanatory notes.

Management is responsible for the preparation and fair 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") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on this interim financial information 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 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 prepared, in all material respects in accordance with Financial Accounting Standards issued by AAOIFI and the applicable provisions of Qatar Central Bank regulations.

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Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 29 July 2020
Doha

BARWA BANK Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	30 June 2020 (Reviewed) QAR '000	31 December 2019 (Audited) QAR '000
ASSETS			
Cash and balances with Qatar Central Bank	7	**2,483,409**	2,378,257
Due from banks	8	**1,933,244**	4,343,485
Financing assets	9	**51,753,105**	51,924,104
Investment securities	10	**16,745,569**	16,099,098
Investment in associates and joint ventures	11	**145,443**	147,404
Investment property		**3,613**	3,730
Fixed assets		**371,182**	379,395
Intangible assets	21	**1,560,035**	1,599,269
Other assets		**431,745**	255,950
TOTAL ASSETS		**75,427,345**	77,130,692
LIABILITIES			
Due to banks	12	**18,368,268**	14,185,854
Sukuk and fixed income financing	22	**1,643,033**	1,824,096
Customers current accounts		**6,567,307**	5,392,893
Other liabilities		**1,716,509**	1,738,282
TOTAL LIABILITIES		**28,295,117**	23,141,125
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	13	**35,639,845**	42,485,121
OWNERS' EQUITY			
Share capital	14(a)	**5,234,100**	5,234,100
Legal reserve	14(b)	**4,273,812**	4,273,812
Treasury shares	14(f)	**(38,350)**	(38,350)
Risk reserve	14(c)	**810,504**	810,504
Fair value reserve	10	**1,164**	22,901
Foreign currency translation reserve	14(e)	**(83)**	(81)
Other reserves	14(d)	**673,333**	673,333
Retained earnings		**537,812**	528,136
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**11,492,292**	11,504,355
Non-controlling interests		**91**	91
TOTAL OWNERS' EQUITY		**11,492,383**	11,504,446
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**75,427,345**	77,130,692

These interim condensed consolidated financial statements were approved by the Board of Directors on 29 July 2020 and were signed on its behalf by:

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Yousef Al-Subeai
Group Chief Executive Officer

	Notes	For the three month period ended 30 June 2020 (Reviewed)	For the three month period ended 30 June 2019 (Reviewed)	For the six month period ended 30 June 2020 (Reviewed)	For the six month period ended 30 June 2019 (Reviewed)
Net income from financing activities		**616,657**	610,707	**1,261,200**	998,748
Net income from investing activities		**167,652**	186,099	**341,980**	290,947
Total net income from financing and investing activities		**784,309**	796,806	**1,603,180**	1,289,695
Fee and commission income		**51,143**	72,942	**123,518**	111,748
Fee and commission expense		**(14,838)**	(9,496)	**(37,271)**	(17,873)
Net fee and commission income		**36,305**	63,446	**86,247**	93,875
Net foreign exchange gain		**35,565**	41,987	**72,370**	59,146
Share of results of associates and joint ventures	11	**(2,133)**	(218)	**(2,029)**	(47)
Other income		**5,412**	2,214	**7,435**	4,032
Total income		**859,458**	904,235	**1,767,203**	1,446,701
Staff costs		**(100,448)**	(106,337)	**(206,534)**	(181,304)
Depreciation and amortisation		**(27,900)**	(7,841)	**(55,706)**	(13,531)
Other expenses		**(53,776)**	(71,157)	**(105,075)**	(104,946)
Finance cost		**(42,912)**	(114,526)	**(131,589)**	(191,790)
Total expenses		**(225,036)**	(299,861)	**(498,904)**	(491,571)
Net impairment loss on financing assets	4(c)	**(144,611)**	(16,004)	**(282,339)**	(26,628)
Net impairment reversal / (loss) on due from banks	4(c)	**23**	(691)	**58**	(724)
Net Impairment reversal / (loss) on investment securities	4(c)	**552**	(172)	**945**	(172)
Net impairment (loss) / reversal on off balance sheet exposures	4(c)	**(1,143)**	(1,226)	**23,810**	3,504
		(145,179)	(18,093)	**(257,526)**	(24,020)
Profit for the period before return to unrestricted investment account holders		**489,243**	586,281	**1,010,773**	931,110
Return to unrestricted investment account holders	13	**(201,816)**	(275,870)	**(481,522)**	(460,753)
Net profit for the period		**287,427**	310,411	**529,251**	470,357
Net profit for the period attributable to:					
Equity holders of the Bank		**287,427**	310,411	**529,251**	470,357
Non-controlling interests		**-**	-	**-**	-
Net profit for the period		**287,427**	310,411	**529,251**	470,357
Earnings per share					
Basic and diluted earnings per share (QAR per share)	16	**0.55**	0.66	**1.02**	1.23

BARWA BANK Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six month period ended 30 June 2020

For the six month period ended 30 June 2020	Share capital QAR '000	Legal Reserve QAR '000	Treasury shares QAR '000	Risk reserve QAR '000	Fair value reserve QAR '000	Foreign currency translation reserve QAR '000	Other reserves QAR '000	Retained earnings QAR '000	Total equity attributable to equity holders of the Bank QAR '000	Non-controlling interests QAR '000	Total owners' equity QAR '000
Balance as at 1 January 2020 (Audited)	**5,234,100**	**4,273,812**	**(38,350)**	**810,504**	**22,901**	**(81)**	**673,333**	**528,136**	**11,504,355**	**91**	**11,504,446**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**529,251**	**529,251**	**-**	**529,251**
Fair value reserve movement	**-**	**-**	**-**	**-**	**(21,807)**	**-**	**-**	**-**	**(21,807)**	**-**	**(21,807)**
Share of comprehensive income of associates	**-**	**-**	**-**	**-**	**70**	**(2)**	**-**	**-**	**68**	**-**	**68**
Total recognised income for the period	**-**	**-**	**-**	**-**	**(21,737)**	**(2)**	**-**	**529,251**	**507,512**	**-**	**507,512**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(519,575)**	**(519,575)**	**-**	**(519,575)**
Balance at 30 June 2020 (Reviewed)	**5,234,100**	**4,273,812**	**(38,350)**	**810,504**	**1,164**	**(83)**	**673,333**	**537,812**	**11,492,292**	**91**	**11,492,383**

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

For the six month period ended 30 June 2019	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
	QAR '000	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*	*QAR '000*
Balance as at 1 January 2019 (Audited)	3,000,000	2,548,997	(38,350)	113,650	1,666	(81)	673,333	450,753	6,749,968	91	6,750,059
Net profit for the period	-	-	-	-	-	-	-	470,357	470,357	-	470,357
Fair value reserve movement	-	-	-	-	18,148	-	-	-	18,148	-	18,148
Total recognised income for the period	-	-	-	-	18,148	-	-	470,357	488,505	-	488,505
Business Combination transaction (note 20)	2,234,100	1,648,310	-	529,938	-	-	-	-	4,412,348	-	4,412,348
Dividend paid	-	-	-	-	-	-	-	(444,248)	(444,248)	-	(444,248)
Balance at 30 June 2019 (Reviewed)	5,234,100	4,197,307	(38,350)	643,588	19,814	(81)	673,333	476,862	11,206,573	91	11,206,664

	Notes	For the six month period ended 30 June 2020 (Reviewed) QAR '000	2019 (Reviewed) QAR '000
Cash flows from operating activities			
Net profit for the period		**529,251**	470,357
Adjustments for:			
Net impairment (reversal) / loss on due from banks	4(c)	**(58)**	724
Net impairment reversal on off balance sheet exposures subject to credit risk	4(c)	**(23,810)**	(3,504)
Net impairment loss on financing assets	4(c)	**282,339**	26,628
Net impairment (reversal) / loss on investment securities	4(c)	**(945)**	172
Depreciation and amortisation		**55,706**	13,531
Employees' end of service benefits provision		**9,118**	10,378
Net gain on sale of investment securities		**(2,004)**	(17,231)
Dividend income		**(17,328)**	(16,855)
Gain on disposal of fixed assets		**(672)**	(16)
Share of results of associates and joint ventures	11	**2,029**	47
Profit before changes in operating assets and liabilities		**833,626**	484,231
Change in reserve account with Qatar Central Bank		**40,590**	112,798
Change in due from banks		**623,810**	584,436
Change in financing assets		**(111,340)**	(1,531,652)
Change in other assets		**(175,795)**	81,232
Change in due to banks		**4,182,414**	1,046,025
Change in sukuk and fixed income financing		**(181,063)**	6,683
Change in customer current accounts		**1,174,414**	(525,241)
Change in other liabilities		**326**	(66,705)
		6,386,982	191,807
Dividends received		**17,328**	16,855
Employees' end of service benefits paid		**(7,407)**	(10,563)
Net cash from operating activities		**6,396,903**	198,099
Cash flows from investing activities			
Acquisition / (disposal) of investments, net		**(665,329)**	404,446
Proceeds from sale of fixed assets		**2,626**	-
Acquisition of fixed and intangible assets		**(10,096)**	(21,145)
Cash acquired on business combination		**-**	535,863
Net cash (used in) / from investing activities		**(672,799)**	919,164
Cash flows from financing activities			
Change in unrestricted investment account holders		**(6,845,276)**	61,618
Dividend paid		**(519,575)**	(444,248)
Net cash used in financing activities		**(7,364,851)**	(382,630)
Net (decrease) / increase in cash and cash equivalents		**(1,640,747)**	734,633
Cash and cash equivalents at 1 January		**3,758,677**	2,895,115
Cash and cash equivalents at 30 June	18	**2,117,930**	3,629,748

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

For the six month period ended 30 June 2020	***At 1 January 2020 (Audited) Total value QAR '000***	***Movements during the period***					***At 30 June 2020 (Reviewed) Total value QAR '000***
		Investment / (withdrawal) QAR '000	***Revaluation QAR '000***	***Gross Income QAR '000***	***Dividends paid QAR '000***	***Group's fee as an agent QAR '000***	
Discretionary Portfolio Management	**234,628**	**-**	**(20,869)**	**8,862**	**-**	**-**	**222,621**
Other Restricted Wakalas	**561,655**	**88,762**	**96,568**	**-**	**-**	**-**	**746,985**
	796,283	**88,762**	**75,699**	**8,862**	**-**	**-**	**969,606**

For the six month period ended 30 June 2019	*At 1 January 2019 (Audited) Total value QAR '000*	*Movements during the period*					*At 30 June 2019 (Reviewed) Total value QAR '000*
		Investment / (withdrawal) QAR '000	*Revaluation QAR '000*	*Gross Income QAR '000*	*Dividends paid QAR '000*	*Group's fee as an agent QAR '000*	
Discretionary Portfolio Management	225,667	-	(12,320)	11,938	-	-	225,285
Other Restricted Wakalas	438,659	100	20,291	-	-	-	459,050
	664,326	100	7,971	11,938	-	-	684,335

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

1. REPORTING ENTITY

Barwa Bank (the "Bank") was incorporated as a Qatari Shareholding Company 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/19/2007. On 21 March 2019, the Bank changed its status from Qatari Shareholding Company to Qatari Private Shareholding Company (Q.P.S.C.) following approval from shareholders and Ministry of Business and Trade, 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.

On 12 August 2018, the Bank and International Bank of Qatar ("IBQ") entered into a merger agreement as approved by the Board of Directors of both banks, which was subsequently approved by shareholder of both banks at respective extraordinary general meetings in December 2018. On 21 April 2019 (the effective date), the merger became effective upon receiving QCB confirmation pursuant to Article 161(2) of the Central Bank Law, Article 278 of the Companies Law, and the Merger Agreement. On the effective date, the assets and liabilities of IBQ has been assumed by Barwa Bank in consideration for the issue of New Barwa Bank Shares to existing IBQ Shareholders. Upon the merger becoming effective, IBQ has been dissolved as a legal entity pursuant to the provisions of Article 291 of the Companies Law. The combined bank retains Barwa Bank's legal registrations and licenses and continued to be a Shari'a compliant entity. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 9 branches in Doha, State of Qatar.

The merger transaction has been executed through a share swap, with the IBQ shareholders receiving 2.031 Barwa Bank shares for each of the IBQ share they hold. Following the issuance of the new Barwa Bank shares, shareholders of the Bank own approximately 57% of the combined bank and IBQ shareholders own approximately 43%. The Bank post completion of merger is now 24.48% owned by General Retirement and Social Insurance Authority, 11.67% by Military Pension Fund (Qatar), and 6.96% 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***	***Year of incorporation***	***Percentage of ownership at***	
			30 June 2020	*31 December 2019*
The First Investor P.Q.S.C. ("TFI")	Qatar	1999	**100%**	100%
First Finance Company P.Q.S.C. ("FFC")	Qatar	1999	**100%**	100%
First Leasing Company P.Q.S.C ("FLC")	Qatar	2008	**100%**	100%
BBG Sukuk limited	Cayman Islands	2015	**100%**	100%
IBQ Finance Limited	Cayman Islands	2015	**100%**	100%
IBQ Global Markets Limited	Cayman Islands	2017	**100%**	100%

The business description and principal activities of each of the above listed subsidiaries is consistent with the explanation as provided in the 31 December 2019 year-end audited financial statements.

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"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the applicable provisions of the Qatar Central Bank regulations and the applicable provisions of Qatar Commercial Company's Law No. 11 of 2015. 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 2019. The results for the period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

(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, derivatives held for risk management purposes and Shari'a compliant risk management instruments, 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 information 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 2019.

Key changes to the significant estimates and judgements

i) Covid-19 and Expected Credit Loss (ECL)
Any changes made to ECL to estimate the overall impact of Covid-19 is subject to very high levels of uncertainty as so little reasonable and supportable forward-looking information is currently available on which to base those changes. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario") are obtained externally.

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments (continued)

Key changes to the significant estimates and judgements (continued)

i) Covid-19 and Expected Credit Loss (ECL) (continued)
In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as 1) Average volume of exports of Qatar government; 2) Average volume of government expenditures; and 3) Gross Domestic Product of Qatar. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination.

In light of the current uncertain economic environment, the Group has re-assessed the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 30 June 2020, refer to note 25. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

ii) Valuation of financial and non-financial assets (including goodwill)
The Group has also considered potential impacts of the current economic volatility in determination of the fair value of the Group’s financial and non-financial assets and liabilities, for which there is no observable inputs, and these are considered to represent management's best assessment based on available or observable information. However markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

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 2019, except for the change as described below:

During the period, the Group applied the following standards and amendments to standards that have been applied in the preparation of these interim condensed consolidated financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the Group, but they may result in additional disclosures at year end.

New standards, amendments and interpretations effective from 1 January 2020

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)
AAOIFI has issued FAS 31 in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

FAS 33 - Investment in sukuk, shares and similar instruments
AAOIFI has issued FAS 33 in 2018. FAS 33 supersedes the earlier FAS 25 - Investment in sukuks, shares and similar instruments. The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari’ah principles.

The standard classifies investments into equity type, debt type and other investment instruments. Investments in equity instruments must be at fair value and will be subject to impairment provisions as per FAS 30 "Impairment, Credit Losses and Onerous Commitments". In limited circumstances, where the institution is not able to determine a reliable measure of fair value of equity investments, cost may be deemed to be best approximation of fair value. Investment can be classified and measured at amortized cost, fair value through equity or fair value through the income statement. Classification categories are now driven by business model tests and reclassification will be permitted only on change of a business model and will be applied prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards, amendments and interpretations effective from 1 January 2020 (continued)

FAS 34 - Financial reporting for Sukuk-holders
AAOIFI has issued FAS 34 in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukukholders.

New standards, amendments and interpretations issued but not yet effective

FAS 32 - Ijarah
AAOIFI has issued FAS 32 in 2019. FAS 32 improves upon and supersedes FAS 8 - Ijarah and Ijarah Muntahia Bittamleek originally issued in 1997. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted.

FAS 35 - Risk Reserves
AAOIFI has issued FAS 35 in 2018. This standard along with FAS 30 - Impairment, credit losses and onerous commitments" supersede the earlier FAS 11 - Provisions and reserves. The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted, only if the Group early adopts FAS 30 as in case of the Group.

The Group is currently evaluating the impact of the above standards.

Adoption of FAS 33 investment in sukuks, shares and similar instruments
The Group has adopted FAS 33 Investment in sukuks, shares and similar instruments as issued by AAOIFI effective 1 January 2020. The standard shall be applicable on a retrospective basis. However, the cumulative effect, if any, attributable to profit and loss taking stakeholders, including investment holders relating to previous periods, shall be adjusted with investments fair value pertaining to such class of stakeholders

The adoption of FAS 33 has resulted in changes in accounting policies for recognition, classification and measurement of investment in sukuks, shares and other similar instruments, however, the adoption of FAS 33 had no significant impact on any amounts previously reported in the condensed consolidated interim financial statements for the period ended 30 June 2019 and the consolidated financial statement of the Group for the year ended 31 December 2019. Set out below are the details of the specific FAS 33 accounting policies applied in the current period.

Categorization and classification
FAS 33 contains classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as investment in:

(a) equity-type instruments;
(b) debt-type instruments, including:
    (i) monetary debt-type instruments; and
    (ii) non-monetary debt-type instruments; and
(c) other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:
    (a) the Bank's business model for managing the investments; and
    (b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

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 2019, except for the following additional considerations due to the COVID - 19 pandemic:

(a) Risk management in the current economic scenario

The COVID - 19 and the measures to reduce its spread has impacted the local economy. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Group is closely monitoring the situation and has invoked required actions to ensure safety and security of Group staff and an uninterrupted service to our customers. The senior management of the Group is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Group has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected. COVID 19 has impacted the banks in Qatar from various facets which includes increase in overall credit risk pertaining to financing assets portfolio in certain sectors, reduced fee income. We have mentioned below the major aspects of COVID 19 on the Group's risk management policies:

i) Assets quality and credit risk

The Risk department of the Group is conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. Group has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained of 17.1% is sufficient.

ii) Liquidity management

Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments of certain customers. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Group has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

iii) Capital Adequacy Ratio

Under the current scenario, the financial institutions are under pressure to extend further credit to its borrowers under national guarantee program, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Group from Capital Adequacy Ratio perspective. The Group believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

(b) FAS 30 and ECL Regulations

AAOIFI has issued FAS 30 Impairment, credit losses and onerous commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 has replaced FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) Credit Losses approach 2) Net Realizable Value approach ("NRV") and 3) Impairment approach.

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted. However, in 2018, the Group early adopted FAS 30 effective 1 January 2018 based on QCB instructions pertaining to ECL regulations. The respective adjustments to the opening retained earnings and non-controlling interests as of 1 January 2018 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

4 FINANCIAL RISK MANAGEMENT

(c) Expected credit loss / Impairment allowances

	Stage 1 QAR '000	*Stage 2 QAR '000*	*Non - performing QAR '000*	*Total QAR '000*
Exposure (carrying value) subject to ECL as at 30 June 2020				
- Financing assets	41,267,858	10,135,504	2,666,474	54,069,836
- Due from banks	1,933,304	-	-	1,933,304
- Debt type investments carried at amortised cost	1,569,645	59,518	-	1,629,163
- Off balance sheet exposures subject to credit risk	17,829,577	2,207,697	9,948	20,047,222
	62,600,384	12,402,719	2,676,422	77,679,525
Opening Balance - as at 1 January 2020				
- Financing assets	151,213	587,259	1,278,016	2,016,488
- Due from banks	118	-	-	118
- Debt type investments carried at amortised cost	3,757	4,415	-	8,172
- Off balance sheet exposures subject to credit risk	300,841	26,061	5,481	332,383
	455,929	617,735	1,283,497	2,357,161
Net transfer between stages				
- Financing assets	(30,824)	(3,444)	34,268	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(227,935)	227,935	-	-
	(258,759)	224,491	34,268	-
Charge for the period (net)				
- Financing assets	35,374	171,773	75,192	282,339
- Due from banks	(58)	-	-	(58)
- Debt type investments carried at amortised cost	935	(1,880)	-	(945)
- Off balance sheet exposures subject to credit risk	(6,040)	(18,237)	467	(23,810)
	30,211	151,656	75,659	257,526
- Financing assets – write-off	-	-	(1,272)	(1,272)
- Financing assets – profit in suspense net movement	-	-	19,176	19,176
	30,211	151,656	93,563	275,430
Closing Balance - as at 30 June 2020				
- Financing assets	155,763	755,588	1,405,380	2,316,731
- Due from banks	60	-	-	60
- Debt type investments carried at amortised cost	4,692	2,535	-	7,227
- Off balance sheet exposures subject to credit risk	66,866	235,759	5,948	308,573
	227,381	993,882	1,411,328	2,632,591

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Expected credit loss / Impairment allowances (continued)

	Stage 1 QAR '000	Stage 2 QAR '000	Non - performing QAR '000	Total QAR '000
Exposure (carrying value) subject to ECL as at 30 June 2019				
- Financing assets	34,439,818	13,977,259	1,027,767	49,444,844
- Due from banks	3,685,691	-	-	3,685,691
- Debt type investments carried at amortised cost	810,868	-	-	810,868
- Off balance sheet exposures subject to credit risk	14,947,921	4,302,856	11,474	19,262,251
	53,884,298	18,280,115	1,039,241	73,203,654
Opening Balance - as at 1 January 2019				
- Financing assets	135,065	879,347	633,136	1,647,548
- Due from banks	2,140	-	-	2,140
- Debt type investments carried at amortised cost	10,454	-	-	10,454
- Off balance sheet exposures subject to credit risk	27,850	23,291	-	51,141
	175,509	902,638	633,136	1,711,283
Acquired on Business Combination – Off-balance sheet exposures provision	9,654	30,676	5,507	45,837
Net transfer between stages				
- Financing assets	(18,440)	18,230	210	-
- Due from banks	-	-	-	-
- Debt type investments carried at amortised cost	-	-	-	-
- Off balance sheet exposures subject to credit risk	(509)	509	-	-
	(18,949)	18,739	210	-
Charge for the period (net)				
- Financing assets	23	22,669	3,936	26,628
- Due from banks	724	-	-	724
- Debt type investments carried at amortised cost	172	-	-	172
- Off balance sheet exposures subject to credit risk	6,701	(10,205)	-	(3,504)
	7,620	12,464	3,936	24,020
- Financing assets – write-off	-	-	(1,249)	(1,249)
- Financing assets - profit in suspense net movement	-	-	15,954	15,954
	7,620	12,464	18,641	38,725
Closing Balance - as at 30 June 2019				
- Financing assets	116,648	920,246	651,987	1,688,881
- Due from banks	2,864	-	-	2,864
- Debt type investments carried at amortised cost	10,626	-	-	10,626
- Off balance sheet exposures subject to credit risk	43,696	44,271	5,507	93,474
	173,834	964,517	657,494	1,795,845

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit quality assessments

Pursuant to the adoption of the ECL regulations, the Group has mapped its internal credit rating scale to Moody's rating scale, the table below provides an analysis of counterparties by rating grades and credit quality of the Group's credit risk, based on Moody's ratings (or their equivalent) as at 30 June 2020:

Rating grade	***Financing assets QAR '000***	***Due from Banks QAR '000***	***Debt type investments carried at amortised cost QAR '000***	***Off balance sheet exposures subject to credit risk QAR '000***
AAA to AA-	**10,181,005**	**784,091**	**55,937**	**1,988,159**
A+ to A-	**10,113,953**	**1,089,675**	**844,967**	**2,388,841**
BBB+ to BBB-	**14,571,493**	**59,538**	**61,906**	**11,827,057**
BB+ to B-	**12,082,570**	**-**	**666,353**	**3,833,217**
Below B-	**2,666,474**	**-**	**-**	**9,948**
Unrated	**4,454,341**	**-**	**-**	**-**
Total	**54,069,836**	**1,933,304**	**1,629,163**	**20,047,222**

31 December 2019

Rating grade	*Financing assets QAR '000*	*Due from Banks QAR '000*	*Debt type investments carried at amortised cost QAR '000*	*Off balance sheet exposures subject to credit risk QAR '000*
AAA to AA-	10,643,628	-	-	2,140,582
A+ to A-	7,813,349	3,869,677	531,397	2,342,088
BBB+ to BBB-	16,137,644	473,926	7,283	11,715,307
BB+ to B-	12,902,459	-	491,381	3,475,418
Below B-	1,924,086	-	-	15,774
Unrated	4,519,426	-	-	-
Total	53,940,592	4,343,603	1,030,061	19,689,169

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.

5. OPERATING SEGMENTS (CONTINUED)

Wholesale Banking	Includes financing, deposits and other transactions and balances with wholesale customers
Retail and private Banking	Includes financing, deposits and other transactions and balances with retail and private customers including part asset management activities for private 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.

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

30 June 2020 (Reviewed)	***Wholesale banking QAR '000***	***Retail and private banking QAR '000***	***Treasury and investments division QAR '000***	***Investment banking and asset management QAR '000***	***Unallocated QAR '000***	***Total QAR '000***
Total income from financing and investing activities	**716,252**	**544,948**	**341,333**	**647**	**-**	**1,603,180**
Net fee and commission income	**51,904**	**8,749**	**21,909**	**3,685**	**-**	**86,247**
Reportable segment net profit	**164,788**	**119,648**	**247,050**	**(2,235)**	**-**	**529,251**
Reportable segment assets	**33,235,637**	**19,972,110**	**20,144,135**	**515,428**	**1,560,035**	**75,427,345**

30 June 2019 (Reviewed)	*Wholesale banking QAR '000*	*Retail and private banking QAR '000*	*Treasury and investments division QAR '000*	*Investment banking and asset management QAR '000*	*Unallocated QAR '000*	*Total QAR '000*
Total income from financing and investing activities	546,664	452,084	289,404	1,543	-	1,289,695
Net fee and commission income	59,757	23,298	5,640	5,180	-	93,875
Reportable segment net profit	189,329	176,936	101,858	2,234	-	470,357
Reportable segment assets	28,845,704	21,459,342	20,003,029	530,079	1,648,339	72,486,493

6. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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

30 June 2020 (Reviewed)	*Fair value through statement of income QAR '000*	*Fair value through equity QAR '000*	*Amortised cost QAR '000*	*Total carrying amount QAR '000*	*Fair value QAR '000*
Cash and balances with Qatar Central Bank	**-**	**-**	**2,483,409**	**2,483,409**	**2,483,409**
Due from banks	**-**	**-**	**1,933,244**	**1,933,244**	**1,933,244**
Financing assets	**-**	**-**	**51,753,105**	**51,753,105**	**51,753,105**
Investment securities:					
- Carried at fair value	**18,267**	**917,836**	**-**	**936,103**	**936,103**
- Carried at amortised cost	**-**	**-**	**15,809,466**	**15,809,466**	**15,863,987**
Risk management instruments	**147,362**	**-**	**-**	**147,362**	**147,362**
	165,629	**917,836**	**71,979,224**	**73,062,689**	**73,117,210**
Due to banks	**-**	**-**	**18,368,268**	**18,368,268**	**18,368,268**
Sukuk and fixed income financing	**-**	**-**	**1,643,033**	**1,643,033**	**1,643,033**
Customers current accounts	**-**	**-**	**6,567,307**	**6,567,307**	**6,567,307**
Risk management instruments	**33,169**	**-**	**-**	**33,169**	**33,169**
	33,169	**-**	**26,578,608**	**26,611,777**	**26,611,777**
Equity of unrestricted investment account holders	**-**	**-**	**35,639,845**	**35,639,845**	**35,639,845**
	33,169	**-**	**62,218,453**	**62,251,622**	**62,251,622**

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

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

31 December 2019 (Audited)	*Fair value through statement of income QAR '000*	*Fair value through equity QAR '000*	*Amortised cost QAR '000*	*Total carrying amount QAR '000*	*Fair value QAR '000*
Cash and balances with Qatar Central Bank	-	-	2,378,257	2,378,257	2,378,257
Due from banks	-	-	4,343,485	4,343,485	4,343,485
Financing assets	-	-	51,924,104	51,924,104	51,924,104
Investment securities:					
- Carried at fair value	32,777	863,160	-	895,937	895,937
- Carried at amortised cost	-	-	15,203,161	15,203,161	15,261,931
Risk management instruments	121,978	-	-	121,978	121,978
	154,755	863,160	73,849,007	74,866,922	74,925,692
Due to banks	-	-	14,185,854	14,185,854	14,185,854
Sukuk financing	-	-	1,824,096	1,824,096	1,824,096
Customers current accounts	-	-	5,392,893	5,392,893	5,392,893
Risk management instruments	50,317	-	-	50,317	50,317
	50,317	-	21,402,843	21,453,160	21,453,160
Equity of unrestricted investment account holders	-	-	42,485,121	42,485,121	42,485,121
	50,317	-	63,887,964	63,938,281	63,938,281

Note: certain fair value and classification of financial instruments for the six month period ended 30 June 2019 were reclassified in the interim condensed consolidated financial statements for the the six month period ended 30 June 2020 to confirm to the presentation and classification adopted in the current period.

6. FAIR VALUE AND CLASSICIATION 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:

30 June 2020 (Reviewed)	***Level 1 QAR '000***	***Level 2 QAR '000***	***Level 3 QAR '000***	***Total QAR '000***
Risk management instruments (assets)	**-**	**-**	**147,362**	**147,362**
Investment securities carried at fair value	**687,650**	**-**	**248,453**	**936,103**
	687,650	**-**	**395,815**	**1,083,465**
Risk management instruments (liabilities)	**-**	**-**	**33,169**	**33,169**
	-	**-**	**33,169**	**33,169**
31 December 2019 (Audited)				
Risk management instruments (assets)	-	-	121,978	121,978
Investment securities carried at fair value	618,838	-	277,099	895,937
	618,838	-	399,077	1,017,915
Risk management instruments (liabilities)	-	-	50,317	50,317
	-	-	50,317	50,317

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.

The valuation technique in measuring the fair vale financial instruments categorized as level 3 were in line with 31 December 2019, however, significant unobservable inputs of 31 December 2019 were adjusted appropriately for the effects of COVID 19 as disclosed in note 2 (d).

7. CASH AND BALANCES WITH QATAR CENTRAL BANK

	30 June 2020 (Reviewed) QAR '000	*31 December 2019 (Audited) QAR '000*
Cash	**312,646**	252,658
Cash reserve with QCB*	**1,957,132**	1,997,722
Other balances with QCB	**213,631**	127,877
	2,483,409	2,378,257

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

8. DUE FROM BANKS

	30 June 2020 (Reviewed) QAR '000	*31 December 2019 (Audited) QAR '000*
Current accounts	**582,338**	352,051
Wakala placements with banks	**984,323**	3,660,113
Mudaraba placements	**131,573**	219,187
Commodity Murabaha receivable	**234,029**	111,521
Accrued profit	**1,041**	731
Allowance for impairment*	**(60)**	(118)
	1,933,244	4,343,485

*For stage wise exposure and allowance for impairment refer note 4(c).

9. FINANCING ASSETS

	30 June 2020 (Reviewed) QAR '000	*31 December 2019 (Audited) QAR '000*
Murabaha	**45,332,634**	45,781,923
Ijarah Muntahia Bittamleek	**5,888,436**	5,990,065
Musawama	**1,245,442**	1,395,628
Acceptances	**476,177**	395,609
Cards	**160,424**	209,614
Others	**2,284,418**	2,575,266
Accrued profit	**523,056**	458,708
Total financing assets	**55,910,587**	56,806,813
Less: Deferred profit	**1,840,751**	2,866,221
Allowance for impairment on financing assets	**2,198,213**	1,917,146
Suspended profit on non performing financing assets	**118,518**	99,342
Allowance for impairment*	**2,316,731**	2,016,488
Net financing assets	**51,753,105**	51,924,104

*For stage wise exposure, allowance for impairment and profit in suspense refer note 4(c). The total non-performing financing assets at 30 June 2020 amounted to QAR 2,666.5 million, representing 4.9% of the gross financing assets (31 December 2019: QAR 1,924.1 million, representing 3.6%).

Others include QAR 2,281.5 million (31 December 2019: QAR 2,562.7 million) of net loans acquired on business combination, which are in process of conversion to sharia compliant equivalent products. These are carried at amortised cost and its corresponding income is recognised on a time-apportioned basis over the period of the loan term using effective profit rate till conversion is completed.

10. INVESTMENT SECURITIES

	30 June 2020 (Reviewed)			*31 December 2019 (Audited)*		
	Quoted QAR'000	***Unquoted QAR'000***	***Total QAR'000***	*Quoted QAR'000*	*Unquoted QAR'000*	*Total QAR'000*
Investments classified as fair value through statement of income						
- Investments classified as held for trading:						
• Equity-type investments	**8,874**	**-**	**8,874**	29,447	-	29,447
• Debt-type investments	**9,393**	**-**	**9,393**	3,330	-	3,330
	18,267	**-**	**18,267**	32,777	-	32,777
Debt-type investments classified at amortised cost						
- Fixed rate*	**2,624,995**	**13,027,608**	**15,652,603**	2,027,493	13,023,396	15,050,889
- Allowance for impairment**	**(7,227)**	**-**	**(7,227)**	(8,172)	-	(8,172)
	2,617,768	**13,027,608**	**15,645,376**	2,019,321	13,023,396	15,042,717
Investments classified as fair value through equity						
• Equity-type investments	**669,383**	**248,453**	**917,836**	613,390	249,770	863,160
• Debt-type investments	**-**	**-**	**-**	-	-	-
	669,383	**248,453**	**917,836**	613,390	249,770	863,160
	3,305,418	**13,276,061**	**16,581,479**	2,665,488	13,273,166	15,938,654
Accrued profit income			**164,090**			160,444
			16,745,569			16,099,098

*Investments in unquoted debt-type instruments classified at amortised cost at fixed rate represent investments in the Sovereign securities. It include acquired Sovereign bonds portfolio of QAR 3,443 million (31 December 2019: QAR 3,438 million) on business combination, which are in process of conversion into Sovereign sukuks at same terms.

** For stage wise exposure and allowance for impairment refer note 4(c).

10. INVESTMENT SECURITIES (CONTINUED)

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

	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Balance at 1 January	**22,901**	1,666
Net change in fair value	**(21,807)**	8,563
Transferred to consolidated statement of income on impairment	**-**	13,574
	(21,807)	22,137
Share of associate's fair value changes	**70**	88
Appropriated to equity of unrestricted investment account Holders	**-**	(990)
Balance at period / year end	**1,164**	22,901

11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Balance at 1 January	**147,404**	152,603
Share of results of associates and joint ventures	**(2,029)**	(525)
Share of associates and joint ventures fair value changes	**70**	88
Exchange translation reserve	**(2)**	-
Impairment	**-**	(4,762)
	145,443	147,404

12. DUE TO BANKS

	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Commodity Murabaha payable*	**1,328,681**	947,792
Wakala payable	**17,035,553**	13,229,375
Profit payable	**4,034**	8,687
	18,368,268	14,185,854

*This represents amounts held under repurchase agreements amounting to QAR 1,586 million (31 December 2019: QAR 1,167 million).

13. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Unrestricted investment account holders balance before share of profit (a)	**35,431,713**	42,194,387
Distributable profits to unrestricted investment account holders for the period / year (b)*	**481,522**	1,050,517
Profit already distributed during the period / year	**(273,627)**	(760,020)
Profit payable to unrestricted investment account holders	**207,895**	290,497
Share in fair value reserve	**237**	237
Total unrestricted investment account holders balance	**35,639,845**	42,485,121
(a) Unrestricted investment account holders balance before share of profit, by type:		
Saving accounts	**6,509,437**	6,013,850
Call accounts	**1,108,277**	965,114
Term accounts	**27,813,999**	35,215,423
Total	**35,431,713**	42,194,387

(b) Return to unrestricted investment account holders for the period:	***For the six month period ended***	
	30 June 2020 (Reviewed) QAR'000	*30 June 2019 (Reviewed) QAR'000*
Saving accounts	**41,096**	32,303
Call accounts	**2,272**	1,723
Term accounts - 1 month	**70,354**	92,150
Term accounts - 3 month	**66,345**	62,476
Term accounts - 6 month	**33,134**	69,722
Term accounts - 9 month	**534**	375
Term accounts - 12 month	**250,521**	183,459
Term accounts - 2 year	**2,958**	3,430
Term accounts - 4 year	**14,308**	15,115
Total*	**481,522**	460,753

*It represents net return to unrestricted investment account holders however Group's share as Mudarib and Owners' contribution will be determined at year end, which is not expected to change the distributable profit amount.

14. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Issued (*in thousands of shares)*	**523,410**	523,410

The Merger between the Bank and IBQ was effected by a capital issuance of 223.410 million shares of QAR 10 by the Bank to the shareholders of IBQ, in a share swap transaction at the exchange rate of 2.031 shares of the Bank for each share of IBQ. Following issuance of the new shares, the authorised share capital was increased to 523,410 thousand ordinary shares from 400,000 shares, having a par value of QAR 10 each share. Out of this authorised capital 523,410 thousand ordinary shares (31 December 2019: 523,410 thousand) are issued and fully paid. For details on issuance of new shares, refer note 20 (a).

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 and the Memorandum and Articles of Association of the Bank, 10% (31 December 2019: 10%) 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 and after QCB approval. As at 31 December 2019, legal reserve balance was QAR 4,273.8 million. No further transfer has been made for the six month period ended 30 June 2020 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. New capital issuance due to business combination, resulted in increase in share premium by QAR 1,648.3 million. For details on increase in legal reserve due to business combination, refer note 20 (c).

(c) 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. On 1 January 2018, the Group after obtaining Qatar Central Bank approval has utilized QAR 645.6 million of risk reserve balance to accommodate the day-1 impact of adoption of ECL regulations. Further as per the QCB directive, pursuant to the business combination, pre-merger risk reserve balance of IBQ was required to be retained by the Group, which increased the risk reserve balance by QAR 529.9 million. For details on increase in risk reserve due to business combination, refer note 20 (c). As at 31 December 2019, risk reserve balance was QAR 810.5 million. No further transfer has been made for the six month period ended 30 June 2020 as the Bank transfers the required amount at the year-end.

(d) 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 joint ventures, and should be transferred to a separate reserve account in Owners' equity. Further, the Group has set aside QAR 600 million till 31 December 2019 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 2019, other reserve total balance was QAR 673.3 million. No further transfer has been made for the six month period ended 30 June 2020 as the Bank transfers the required amount at the year-end.

(e) Foreign currency translation reserve

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

14. OWNERS' EQUITY (CONTINUED)

(f) 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.

(g) Dividend

The Board of Directors in its meeting held on 20 May 2020 proposed a cash dividend for the year 2019 of 10.0% (31 December 2018: 15.0%) of the paid up share capital amounting to QAR 520 million – QAR 1.00 per share (31 December 2018: QAR 444 million – QAR 1.50 per share), which was subsequently approved for distribution at the Annual General Meeting of the shareholders of the Bank held on 24 June 2020.

15. CONTINGENT LIABILITIES AND COMMITMENTS

		30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
a)	**Contingent liabilities**		
	Unused credit facilities	**16,318,735**	10,438,117
	Guarantees	**18,032,487**	17,935,220
	Letters of credit	**2,014,735**	1,753,949
		36,365,957	30,127,286
b)	**Commitments**		
	Profit rate swaps	**2,644,329**	391,258
	Options	**703,946**	701,879
	Other risk management instruments – WAAD	**4,084,117**	6,589,730
		7,432,392	7,682,867

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

The Group leases a number of branches and office premises under operating leases. Non-cancellable operating lease rentals are payable as follows:

	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Within one year	**40,904**	42,531
After one year but not more than five years	**106,106**	127,210

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 2020 (Reviewed) QAR'000	*30 June 2019 (Reviewed) QAR'000*	***30 June 2020 (Reviewed) QAR'000***	*30 June 2019 (Reviewed) QAR'000*
Net profit for the period attributable to the equity holders of the Bank	**287,427**	310,411	**529,251**	470,357
Weighted average number of outstanding shares	**519,575**	467,446	**519,575**	381,806
Basic and diluted earning per share (QAR)	**0.55**	0.66	**1.02**	1.23
The weighted average number of shares have been calculated as follows:				
Weighted average number of shares from beginning	**523,410**	300,000	**523,410**	300,000
Weighted average number of shares issued on business combination	**-**	171,281	**-**	85,641
Treasury shares	**(3,835)**	(3,835)	**(3,835)**	(3,835)
Weighted average number of shares at 30 June	**519,575**	467,446	**519,575**	381,806

(i) 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.

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 2020 (Reviewed)		
	Subsidiaries QAR'000	***Board of directors QAR'000***	***Others QAR'000***
Assets:			
Customer financing	**-**	**5,017,556**	**-**
Liabilities:			
Customer deposits	**751,041**	**1,211,717**	**3,611,946**
Off balance sheet items:			
Unfunded credit facilities	**5,141**	**388,708**	**-**

17. RELATED PARTIES (CONTINUED)

	31 December 2019 (Audited)		
	Subsidiaries QAR'000	*Board of directors QAR'000*	*Others QAR'000*
Assets:			
Customer financing	-	5,694,791	-
Liabilities:			
Customer deposits	706,166	961,840	3,782,578
Off balance sheet items:			
Unfunded credit facilities	4,462	225,673	-

Transactions with key management personnel

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

	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Financing to key management personel	**10,236**	9,296

	For the six month period ended	
	30 June 2020 (Reviewed) QAR'000	*30 June 2019 (Reviewed) QAR'000*
Compensation of key management personnel		
Salaries and other benefits	**33,620**	27,193

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 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	**526,277**	380,535
Due from banks	**1,591,653**	3,378,142
	2,117,930	3,758,677

19. COMPARATIVE FIGURES

Certain figures have been reclassified where necessary to preserve consistency with the presentation in the current period. However, such reclassification did not have any effect on the consolidated net profit or the consolidated owners' equity for the comparative period/year.

20. BUSINESS COMBINATION

On 21 April 2019, the Bank received Qatar Central Bank approval on the merger with International Bank of Qatar ("IBQ"), being the last requirement before completion of legal merger between both banks. Pursuant to all regulatory and legal approvals, the Merger was effected by a capital issuance of 223.410 million shares of QAR 10 by the Bank to the shareholders of IBQ, in a share swap transaction at the exchange rate of 2.031 shares of the Bank for each share of IBQ.

The Shariaa' board approved the conversion process which focused on four main pillars:

a) comply with Shariaa' rules and principles;
b) facilitate transactions for the customers, whether on the merger day or after;
c) accelerate the conversion process; and
d) effective conversion plan that can be done financially and operationally.

Also, shariaa' board approved sending correspondence to clients informing them that their current products will be converted to products that comply with Islamic Shariaa' principles.

The Shariaa' board approved the conversion of IBQ conventional products to Islamic compliant products that was executed through different steps by Barwa Bank.

a) Share capital

	Per Share	*Amount in QAR'000*
Outstanding shares of IBQ		110,000
Exchange ratio		2.031
Number of shares of Barwa Bank to be issued		223,410
Par value of new share (QAR 10 each)	10.00	2,234,100
IBQ Shareholders ownership		43.0%
Outstanding share capital of Barwa Bank (net of Treasury shares)		2,961,650
Barwa Bank shareholders ownership		57.0%
Total share capital post acquisition		**5,195,750**
Outstanding share capital		5,234,100
Less: Treasury shares		(38,350)
Net outstanding share capital		**5,195,750**

b) Purchase consideration

The purchase consideration is determined to be QAR 4,412 million, calculated on the basis of Barwa Bank's share price fair value (QAR 19.75) as determined by the independent valuation advisor.

	21 April 2019 QAR'000
Outstanding shares of Barwa Bank	296,165
Divided by: Barwa Bank percentage ownership in the Group	57.0%
Total number of share of the Group	**519,575**
Multiplied by: IBQ percentage ownership in the Group	43.0%
Total number of share to be issued by Barwa Bank to IBQ	**223,410**
Multiplied by: Barwa Bank share price	19.75
Total consideration	**4,412,348**

20. BUSINESS COMBINATION (CONTINUED)

c) Share premium

Any share premium on issuance of new shares in accordance with Qatar Commercial Companies Law is to make part of the legal reserve. However as per QCB directive part of the share premium was assigned to risk reserve as well.

	Per Share	*Amount in QAR'000*
Total consideration	19.75	4,412,348
Par value of shares issued	10.00	2,234,100
Share premium	9.75	2,178,248
Allocated as:		
- Legal reserve		1,648,310
- Risk reserve		529,938
Legal Reserve		
Barwa Bank		2,548,997
IBQ		2,025,884
		4,574,881
Less: pre-acquisition legal reserve		(2,025,884)
Add: part share premium on issuance of new shares		1,648,310
		(377,574)
Closing balance post business combination		**4,197,307**
Risk Reserve		
Barwa Bank		113,650
IBQ		529,938
		643,588
Less: pre-acquisition risk reserve		(529,938)
Add: part share premium on issuance of new shares		529,938
		-
Closing balance post business combination		**643,588**

20. BUSINESS COMBINATION (CONTINUED)

d) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed of IBQ at the date of acquisition.

ASSETS	***21 April 2019 QAR'000***
Cash and balances with central banks	1,469,867
Due from banks	872,918
Financing assets*	19,894,572
Investment securities	4,521,270
Fixed assets	133,326
Other assets	83,369
Intangible assets – Customer relationship	587,500
Intangible assets – Core deposits	167,600
TOTAL ASSETS	**27,730,422**
LIABILITIES	
Due to banks	1,642,759
Sukuk Financing	1,814,377
Customer current accounts	3,327,157
Customer deposits	15,511,546
Other liabilities	1,138,244
TOTAL LIABILITIES	**23,434,083**
NET ASSETS AS AT ACQUISITION DATE ATTRIBUTABLE TO ITS COMMON EQUITY HOLDERS	**4,296,339**

*Gross carrying amount of financing assets acquired on the business combination as at 21 April 2019 was QAR 20,986 millions.

e) Intangible assets

The Group has assumed the carrying value of IBQ financial assets and liabilities as at 21 April 2019 (the date of acquisition) to be equal to the fair value for the purpose of calculating goodwill amount except when it was readily available in the market.

	21 April 2019 QAR'000
Total purchase consideration	4,412,348
Net assets of IBQ	(4,296,339)
Goodwill on business combination	**116,009**
Existing goodwill	777,230
Total	**893,239**

Separately the Group has completed a comprehensive purchase price allocation, which covered the following items:

- valuation of identifiable intangible assets including customer relationship and core deposits;
- valuation adjustments to the fair value of financing assets;
- valuation adjustments to the fair value of investments;
- valuation of fixed assets; and
- valuation adjustments on other recognised financial and non-financial assets and liabilities.

The goodwill is attributable to the synergies expected to be achieved from integrating IBQ into the Group.

20. BUSINESS COMBINATION (CONTINUED)

e) Intangible assets (continued)

The following approach was followed to estimate the fair value of identifiable intangibles:

Customer relationship

The income approach has been used in estimating the fair value of IBQ customer relationships as an intangible asset as at the Transaction Date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life.

Under the income approach, the Multi-period excess earnings method ("MEEM") has been utilized which is a commonly accepted method for valuing customer relationships. MEEM is a specific application of the discounted cash flow method where the value of an intangible asset is taken as the present value of the incremental cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC").

The principle behind CAC is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including element of goodwill) and not the ones that it does not need, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets.

Thus, any net cash flows remaining after the CAC are attributable to the subject intangible asset being valued. The incremental cash flows attributable to the subject intangible asset are then discounted to their present value.

Core deposits

The incremental profit method under the income approach to valuation has been used in estimating the fair value of the core deposits as an intangible asset as at the Transaction Date. Under this method, the economic benefits earned from the core deposit have been computed over the life of the core deposits considering an attrition rate. Such benefits have then been discounted to the present value considering an appropriate discounting rate. The Incremental profit method utilized is a commonly accepted method for valuing core deposits.

21. INTANGIBLE ASSETS

	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Goodwill and Intangibles		
Goodwill	**893,239**	893,239
Customer relationship	**521,406**	554,861
Core deposits	**145,390**	151,169
	1,560,035	1,599,269

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU will be carried out at the year-end, however refer note 2(e). When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

22. SUKUK AND FIXED INCOME FINANCING

On merger with IBQ, the Group assumed USD 500 million five year senior unsecured fixed rate notes under USD two billion European Medium Term Note ("EMTN") Programme, maturing in 2020. Its total outstanding balance at 30 June 2020 is QAR 1,643 million (31 December 2019: QAR 1,824 million). The notes carry a fixed profit coupon of 3.50% per annum with profit payable semi-annually in arrears and are listed on the Irish Stock Exchange. The Programme established in 2015 is managed through a wholly-owned subsidiary, IBQ Finance Limited. The Group has decided to run down this Programme on maturity.

23. ASSETS UNDER MANAGEMENT

Assets under management represent the funds belonging to Group's customers, for which it has assumed investment management responsibilities in accordance with the terms and conditions of the investment agreement entered into with the customers. Such funds are invested on behalf of the customers by the Group, acting as an agent or a trustee, and accordingly such funds and the attributable investment gains or losses are not included in these interim condensed consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or fee. As at 30 June 2020, such assets total was QAR 2.8 billion (31 December 2019: QAR 2.9 billion). However, of such assets, only QAR 1,702.3 million (31 December 2019: QAR 1,647.2 million) was held in a fiduciary capacity.

24. CAPITAL ADEQUACY RATIO

As per Qatar Central Bank regulations, the Group has calculated the capital ratios in accordance with Basel III guidelines. The Group's minimum QCB regulatory limit, including the Capital Conservation Buffer, ICAAP pillar II capital charge and the applicable Domestically Systemically Important Bank ("DSIB") Buffer is 14.0% for 2020.

The table below summarises the composition of prevailing regulatory capital and the ratios of the Group. The Group complied with the externally imposed capital requirements to which they are subject to:

	30 June 2020 (Reviewed) QAR'000	*31 December 2019 (Audited) QAR'000*
Common Equity Tier 1 (CET) Capital	**9,403,089**	9,384,331
Additional Tier 2 Capital	**689,438**	668,887
Total Eligible Capital	**10,092,527**	10,053,218
Risk Weighted Assets	**58,866,019**	57,280,962
Common Equity Tier 1 (CET 1) Capital Adequacy Ratio	**16.0%**	16.4%
Total Capital Adequacy Ratio *(i)*	**17.1%**	17.6%

(i) Pursuant to Qatar Central Bank circular number 24/2019, the Group does not anticipate any material change to its current ICAAP charge based on revised IRRBB rules which has been effective from 30 June 2020.

25. IMPACT OF COVID-19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In addition, the Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

The Bank has performed an assessment of COVID-19 in light of the available guidance of QCB and FAS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 30 June 2020:

i. Expected credit losses

a) Reasonableness of Forward-Looking Information and probability weights:

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 June 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightings assigned to these scenarios.

The forward-looking factor (here Credit Index or CI) used is determined from the observed historical credit index. The credit index is used to forecast expected point-in-time probability of defaults for the credit portfolio of the Bank. Interdependency exists between the CI and macro-economic factors as applicable, which for Qatar includes i) real GDP growth of -4.5% for 2020 and 4.3% for 2021; ii) change in volume of exports of -3% for 2020 and 1.15% for 2021; and iii) government expenditure as percentage of GDP of 29.57% for 2020 and 29.37% for 2021 (31 December 2019: real GDP growth 2020: 2.7%, change in volume of export 2020: 1.13% and government expenditure as percentage of GDP 2020: 36.43%). The ECL has been calculated as probability weighted figure for three scenarios viz.; Baseline, Extreme Downside and Improved with 65%, 25% and 10% weightings respectively (31 December 2019: 70% to the Baseline, 15% to Extreme downside and Improved Case). The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue. In addition to the assumptions outlined above, the Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

b) Identifying significant increase in credit risk (SICR):

During 2020, the Group has delayed repayments for the affected sectors, that payment delay may indicate a SICR. However, the Group believes that the extension of these payment reliefs does not automatically trigger an SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers due to the effect of Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constrains and a change in its lifetime credit risk.

The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

ii. Valuation estimates and judgements

The Group has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

25. IMPACT OF COVID-19 (CONTINUED)

iii. Accounting for modified financing assets

Considering the economic circumstances post the COVID-19 outbreak, The Group has delayed repayments for the affected sectors. The accounting impact of the onetime extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of AAOIFI AAB 1-/2020 " Accounting implications of the impact of COVID- 19 pandemic".

iv. Accounting for zero rate repo facility

The QCB has encouraged banks to defer existing repayments of principal and profit due and extend new financing to affected sectors at reduced rates. It has extended support to all local banks to avail repo facilities at zero cost as well as providing guarantees in some cases from the Government of the State of Qatar to support the affected sectors. The benefit arising out from the zero rate repos was not considered to be material for the six month period ended 30 June 2020**.**