

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

BARWA BANK Q.S.C.

**FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2016**

BARWA BANK Q.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2016

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QR. 83157

RN: 00085/WS/FY2017

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Barwa Bank Q.S.C. ("the Bank") and its subsidiaries (together referred to as the "Group") comprising the interim condensed consolidated statement of financial position as at 30 September 2016, and the related interim condensed consolidated statements of income for the three month and nine month periods ended 30 September 2016, changes in owners' equity, cash flows and changes in restricted investment accounts for the nine month period then ended, and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the applicable provisions of Qatar Central Bank regulations, the basis of accounting mentioned in note (2a) of the accompanying interim condensed consolidated financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'a rules and principles. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with note (2a) of the accompanying interim condensed consolidated financial statements and applicable provisions of Qatar Central Bank regulations.

Doha – Qatar
1 November 2016

For Deloitte & Touche
Qatar Branch




Walid Slim
Partner
License No. 319

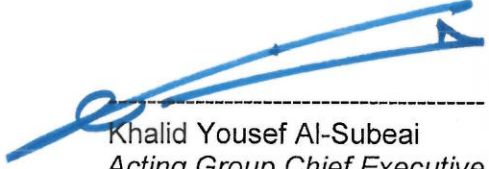
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

QAR '000s

		30 September 2016	31 December 2015
	Note	(Reviewed)	(Audited)
ASSETS			
Cash and balances with Qatar Central Bank	7	1,381,447	1,396,946
Due from banks	8	1,316,524	2,403,836
Financing assets	9	30,024,541	28,497,638
Investment securities	10	10,427,956	11,219,306
Investment in associates and joint ventures	11	301,995	299,717
Investment property		4,662	4,662
Fixed assets		248,081	267,730
Intangible assets		777,230	777,230
Other assets		531,117	334,553
TOTAL ASSETS		45,013,553	45,201,618
LIABILITIES			
Due to banks	12	11,755,458	11,837,255
Customer current accounts		2,700,464	1,749,029
Other liabilities		966,071	1,074,687
TOTAL LIABILITIES		15,421,993	14,660,971
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	22,495,655	23,715,779
OWNERS' EQUITY			
Share capital	14(a)	3,000,000	3,000,000
Legal reserve	14(b)	2,097,700	2,097,700
Treasury shares	14(c)	(38,349)	(38,349)
Risk reserve	14(d)	616,776	616,776
Fair value reserve	10	592	(15,430)
Foreign currency translation reserve		(1,714)	1,002
Other reserves	14(e)	426,951	426,951
Cash flow hedge reserve		(21,328)	-
Retained earnings		990,848	705,976
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		7,071,476	6,794,626
Non-controlling interests		24,429	30,242
TOTAL OWNERS' EQUITY		7,095,905	6,824,868
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		45,013,553	45,201,618

These interim condensed consolidated financial statements were approved by the Board of Directors on 1 November 2016 and were signed on its behalf by:


 Mohamed Bin Hamad Bin Jassim Al Thani
 Chairman


 Khalid Yousef Al-Subeai
 Acting Group Chief Executive Officer

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

QAR '000s

	Note	For the three month period ended 30 September		For the nine month period ended 30 September	
		2016 (Reviewed)	2015 (Reviewed)	2016 (Reviewed)	2015 (Reviewed)
Net income from financing activities		354,033	322,244	1,040,319	912,940
Net income from investing activities		87,925	49,571	272,295	242,173
Total net income from financing and investing activities		441,958	371,815	1,312,614	1,155,113
Fee and commission income		33,031	35,230	104,870	103,148
Fee and commission expense		(2,121)	(1,891)	(6,236)	(7,013)
Net fee and commission income		30,910	33,339	98,634	96,135
Net foreign exchange gain		4,397	1,102	14,449	3,686
Share of results of associates and joint ventures	11	463	(2,067)	3,928	(2,014)
Other income		8,442	8,121	16,235	12,669
Total income		486,170	412,310	1,445,860	1,265,589
Staff costs		(48,893)	(46,659)	(212,090)	(208,522)
Depreciation and amortization		(8,288)	(11,860)	(25,118)	(35,279)
Other expenses		(34,894)	(18,052)	(107,644)	(97,567)
Finance cost		(47,566)	(19,195)	(125,003)	(60,904)
Total expenses		(139,641)	(95,766)	(469,855)	(402,272)
Net impairment on investment securities		(1,719)	(8,105)	(6,063)	(8,105)
Net (impairment)/reversal on financing assets	9(b)	(6,582)	3,245	(3,952)	10,918
Profit for the period before return to investment account holders		338,228	311,684	965,990	866,130
Return to investment account holders	13	(130,714)	(81,255)	(384,634)	(223,444)
Net profit for the period		207,514	230,429	581,356	642,686
Net profit for the period attributable to:					
Equity holders of the Bank		207,767	233,515	581,037	644,225
Non-controlling interests		(253)	(3,086)	319	(1,539)
Net profit for the period		207,514	230,429	581,356	642,686
Earnings per share					
Basic and diluted earnings per share (QAR per share)	16	0.70	0.79	1.96	2.18

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY QAR '000S

For the nine month period ended 30 September 2016	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Cash flow hedge reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non- controlling interests	Total owners' equity
Balance at 1 January 2016 (Audited)	3,000,000	2,097,700	(38,349)	616,776	(15,430)	1,002	426,951	-	705,976	6,794,626	30,242	6,824,868
Net profit for the period	-	-	-	-	-	-	-	-	581,037	581,037	319	581,356
Fair value reserve movement	-	-	-	-	13,552	-	-	-	-	13,552	-	13,552
Share of associates other comprehensive income	-	-	-	-	2,470	(2,716)	-	-	-	(246)	-	(246)
Cash flow hedge reserve movement	-	-	-	-	-	-	-	(21,328)	-	(21,328)	-	(21,328)
Total recognised income for the period	-	-	-	-	16,022	(2,716)	-	(21,328)	581,037	573,015	319	573,334
Dividend paid	-	-	-	-	-	-	-	-	(296,165)	(296,165)	-	(296,165)
Change in ownership interest	-	-	-	-	-	-	-	-	-	-	(6,132)	(6,132)
Balance at 30 September 2016 (Reviewed)	3,000,000	2,097,700	(38,349)	616,776	592	(1,714)	426,951	(21,328)	990,848	7,071,476	24,429	7,095,905

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)**QAR '000s**

For the nine month period ended 30 September 2015	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Cash flow hedge reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2015 (Audited)	3,000,000	1,951,750	(38,349)	500,645	(129)	1,816	328,940	-	632,485	6,377,158	48,944	6,426,102
Net profit for the period	-	-	-	-	-	-	-	-	644,225	644,225	(1,539)	642,686
Fair value reserve movement	-	-	-	-	(18,255)	-	-	-	-	(18,255)	-	(18,255)
Share of associates other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedge reserve movement	-	-	-	-	-	-	-	-	-	-	-	-
Total recognised income for the period	-	-	-	-	(18,255)	-	-	-	644,225	625,970	(1,539)	624,431
Dividend paid	-	-	-	-	-	-	-	-	(296,165)	(296,165)	-	(296,165)
Change in ownership interest	-	-	-	-	-	-	-	-	-	-	(14,180)	(14,180)
Balance at 30 September 2015 (Reviewed)	3,000,000	1,951,750	(38,349)	500,645	(18,384)	1,816	328,940	-	980,545	6,706,963	33,225	6,740,188

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

QAR '000s

		For the nine month period ended 30 September	
		2016	2015
	Note	(Reviewed)	(Reviewed)
Cash flows from operating activities			
Net profit for the period		581,356	642,686
<i>Adjustments for:</i>			
Impairment loss on investment securities	10	6,063	8,105
Impairment loss on financing assets	9(b)	34,773	16,256
Depreciation		25,118	35,279
Employees' end of service benefits		11,733	8,749
Net gain on sale of investment securities		(4,947)	(31,840)
Dividend income		(45,264)	(32,285)
Share of results of associates and joint ventures	11	(3,928)	2,014
Gain on disposal of fixed assets		(132)	-
<i>Profit before changes in operating assets and liabilities</i>		<u>604,772</u>	<u>648,964</u>
Change in reserve account with Qatar Central Bank		68,814	(37,295)
Change in due from banks		2,073	252,000
Change in financing assets		(1,561,676)	488,075
Change in other assets		(196,564)	(119,092)
Change in due to banks		(81,797)	(465,004)
Change in customer current accounts		951,435	1,515,396
Change in other liabilities		(133,967)	60,552
		<u>(346,910)</u>	<u>2,343,596</u>
Dividends received		45,264	32,285
Employees' end of service benefits paid		(7,710)	(7,066)
Net cash (used in)/from operating activities		<u>(309,356)</u>	<u>2,368,815</u>
Cash flows from investing activities			
Disposal / (Acquisition) of investments, net		797,654	(1,822,148)
Disposal / (Acquisition) of investment in associates and joint ventures, net		1,404	(47,544)
Acquisition of fixed assets		(5,337)	(9,397)
Net cash from/(used in) investing activities		<u>793,721</u>	<u>(1,879,089)</u>
Cash flows from financing activities			
Change in equity of investment account holders		(1,220,124)	(129,833)
Dividend paid		(296,165)	(296,165)
Net cash (used in) financing activities		<u>(1,516,289)</u>	<u>(425,998)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,031,924)</u>	<u>63,728</u>
Cash and cash equivalents at 1 January		1,749,566	1,150,730
Cash and cash equivalents at 30 September	18	<u>717,642</u>	<u>1,214,458</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS QAR '000s

For the nine month period ended 30 September 2016

	At 1 January 2016	Movements during the period				At 30 September 2016
		Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent
Discretionary portfolio management	198,985	(98,506)	1,768	1,538	-	-
Other restricted wakalas	105,950	-	-	-	-	-
	304,935	(98,506)	1,768	1,538	-	209,735

For the nine month period ended 30 September 2015

	At 1 January 2015	Movements during the period				At 30 September 2015
		Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent
Discretionary Portfolio Management	253,903	(16,752)	(15,038)	3,550	-	-
Other Restricted Wakalas	105,946	-	2	-	-	-
	359,849	(16,752)	(15,036)	3,550	-	331,611

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2016

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 ("date of incorporation"). The Bank commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2007. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 5 branches in Doha, State of Qatar.

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

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

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Date of Acquisition	Percentage of ownership	
			30 September 2016	31 December 2015
The First Investor P.Q.S.C. ("TFI")	Qatar	13 December 2009	100%	100%
First Finance Company P.Q.S.C. ("FFC")	Qatar	12 July 2010	100%	100%
First Leasing Company P.Q.S.C. ("FLC")	Qatar	13 July 2010	100%	100%
TFI GCC Equity Opportunities Fund	Qatar	31 October 2012	74%	69%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2016

2. BASIS OF PREPARATION

(a) Statement of compliance

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

These interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015. The results for the nine month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2016

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 2015 except for certain new standards, amendments and interpretations effective from 1 January 2016 as mentioned below:

New standards, amendments and interpretations effective from 1 January 2016

AAOIFI has issued a new accounting standard on investment accounts – Financial Accounting Standard Number 27 (FAS 27): Investment Accounts. The new FAS 27 updates and replaces two of AAOIFI's previous accounting standards relating to investment accounts – FAS 5: Disclosure for bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and Their Equivalent.

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

Adoption of the above standard did not have a significant impact on the interim condensed consolidated financial statements or the amounts reported in the comparative periods.

New standards, amendments and interpretations issued but not yet effective

There are no new accounting standards, amendments and interpretations that are issued but not yet effective.

4. FINANCIAL RISK MANAGEMENT

The Groups's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine month period ended 30 September 2016

5. OPERATING SEGMENTS

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2016

QAR '000s

5. OPERATING SEGMENTS (CONTINUED)

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

Information about operating segments

As at and for the nine month period ended
30 September 2016

	Corporate banking	Retail banking	Treasury and investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	880,785	159,534	264,979	7,316	-	1,312,614
Net fee and commission income / (expense)	45,227	20,521	(627)	33,513	-	98,634
Reportable segment net profit	482,995	(12,676)	90,262	20,775	-	581,356
Reportable segment assets	29,666,084	3,121,924	10,757,943	690,372	777,230	45,013,553
As at and for the nine month period ended 30 September 2015	Corporate banking	Retail banking	Treasury and Investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	753,710	158,540	246,920	(4,057)	-	1,155,113
Net fee and commission income	39,760	16,455	(1,287)	41,207	-	96,135
Reportable segment profit	499,370	(3,177)	129,042	17,451	-	642,686
Reportable segment assets	20,629,000	2,806,198	14,572,058	709,914	777,230	39,494,400

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2016

QAR '000s

6. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Fair value through statement of income	Fair value through equity	Amortised cost	Total carrying amount	Fair value
30 September 2016 (Reviewed)					
Cash and balances with Qatar Central Bank	-	-	1,381,447	1,381,447	1,381,447
Due from banks	-	-	1,316,524	1,316,524	1,316,524
Financing assets	-	-	30,024,541	30,024,541	30,024,541
Investment securities:					
- Carried at fair value	62,680	1,162,675	-	1,225,355	1,225,355
- Carried at amortised cost	-	-	9,202,601	9,202,601	9,242,807
Risk management instruments	263,248	-	-	263,248	263,248
	325,928	1,162,675	41,925,113	43,413,716	43,453,922
Due to banks	-	-	11,755,458	11,755,458	11,755,458
Customer current accounts	-	-	2,700,464	2,700,464	2,700,464
Risk management instruments	45,805	-	-	45,805	45,805
	45,805	-	14,455,922	14,501,727	14,501,727
Equity of investment account holders	-	-	22,495,655	22,495,655	22,495,655
	45,805	-	36,951,577	36,997,382	36,997,382

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2016

QAR '000s

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

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

	Fair value through statement of income	Fair value through equity	Amortised cost	Total carrying amount	Fair value
31 December 2015 (Audited)					
Cash and balances with central banks	-	-	1,396,946	1,396,946	1,396,946
Due from banks	-	-	2,403,836	2,403,836	2,403,836
Financing assets	-	-	28,497,638	28,497,638	28,497,638
Investment securities:					
- Carried at fair value	56,778	1,076,542	-	1,133,320	1,133,320
- Carried at amortised cost	-	-	10,085,986	10,085,986	10,074,648
Risk management instruments	127,473	-	-	127,473	127,473
	184,251	1,076,542	42,384,406	43,645,199	43,633,861
Due to banks	-	-	11,837,255	11,837,255	11,837,255
Customer current accounts	-	-	1,749,029	1,749,029	1,749,029
Risk management instruments	13,324	-	-	13,324	13,324
	13,324	-	13,586,284	13,599,608	13,599,608
Equity of investment account holders	-	-	23,715,779	23,715,779	23,715,779
	13,324	-	37,302,063	37,315,387	37,315,387

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2016

QAR '000s

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

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

	Level 1	Level 2	Level 3	Total
In thousands				
30 September 2016 (Reviewed)				
Risk management instruments (assets)	-	-	263,248	263,248
Investment securities carried at fair value	868,653	-	356,702	1,225,355
	<u>868,653</u>	<u>-</u>	<u>619,950</u>	<u>1,488,603</u>
Risk management instruments (liabilities)	-	-	45,805	45,805
	<u>-</u>	<u>-</u>	<u>45,805</u>	<u>45,805</u>
31 December 2015 (Audited)				
Risk management instruments (assets)	-	-	127,473	127,473
Investment securities carried at fair value	759,105	-	374,215	1,133,320
	<u>759,105</u>	<u>-</u>	<u>501,688</u>	<u>1,260,793</u>
Risk management instruments (liabilities)	-	-	13,324	13,324
	<u>-</u>	<u>-</u>	<u>13,324</u>	<u>13,324</u>

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

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

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

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7. CASH AND BALANCES WITH QATAR CENTRAL BANK

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Cash	194,740	152,938
Cash reserve with QCB*	1,129,493	1,198,307
Other balances with QCB	57,214	45,701
	<u>1,381,447</u>	<u>1,396,946</u>

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

8. DUE FROM BANKS

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Current accounts	207,570	1,065,770
Wakala placements with banks	-	350,676
Mudaraba placements	258,118	134,481
Commodity murabaha receivable	850,836	852,909
	<u>1,316,524</u>	<u>2,403,836</u>

9. FINANCING ASSETS

(a) By type

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Murabaha	2,832,472	3,617,995
Murabaha commodity	18,886,339	18,233,095
Musawama	1,980,726	2,210,988
Istisna'a	359,437	868,795
Ijarah Muntahia Bittamleek	7,208,055	4,896,103
Cards	62,073	41,430
Acceptances	338,013	448,666
Others	2,970	4,444
Total financing assets	<u>31,670,085</u>	<u>30,321,516</u>
Less: Deferred profit	1,228,366	1,409,839
Provision for impairment on financing assets – Specific	359,324	356,259
Provision for impairment on financing assets – Collective	26,095	26,095
Suspended profit related to non-performing financing assets	31,759	31,685
Net financing assets	<u>30,024,541</u>	<u>28,497,638</u>

The total non-performing financing assets at 30 September 2016 amounted to QAR 416 million, representing 1.4% of the net financing assets (31 December 2015: QAR 401 million, representing 1.4%).

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9. FINANCING ASSETS (CONTINUED)

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

	2016 (Reviewed)	2015 (Reviewed)
Balance at 1 January	356,259	364,225
Provisions made during the period	34,773	16,256
Recoveries during the period	(30,821)	(27,174)
	3,952	(10,918)
Written off during the period	(887)	(5,701)
Balance for the period ended 30 September	359,324	347,606

10. INVESTMENT SECURITIES

	30 September 2016 (Reviewed)			31 December 2015 (Audited)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<i>Investments classified as fair value through statement of income</i>						
- Investments classified as held for trading:						
• equity-type investments	25,034	-	25,034	10,910	-	10,910
• debt-type investments	37,646	-	37,646	45,868	-	45,868
	62,680	-	62,680	56,778	-	56,778
<i>Debt-type investments classified at amortised cost</i>						
- Fixed rate*	1,848,342	7,354,259	9,202,601	2,520,193	7,443,803	9,963,996
- Floating rate	-	-	-	121,990	-	121,990
	1,848,342	7,354,259	9,202,601	2,642,183	7,443,803	10,085,986
<i>Equity-type investments classified as fair value through equity</i>						
	805,973	356,702	1,162,675	702,327	374,215	1,076,542
	2,716,995	7,710,961	10,427,956	3,401,288	7,818,018	11,219,306

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

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

	2016 (Reviewed)	2015 (Reviewed)
Balance at 1 January	(15,430)	(129)
Net change in fair value	7,489	(26,360)
Net impairment transferred to income statement	6,063	8,105
Share of associates and joint ventures fair value changes	2,470	-
	16,022	(18,255)
Balance for the period ended 30 September	592	(18,384)

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11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Balance at 1 January	299,717	266,185
Share of results	3,928	(13,133)
Addition during the period	-	51,030
Dividend received during the period / year	(1,404)	(1,989)
Share of associates and joint ventures fair value changes	2,470	(1,691)
Share of associates and joint ventures currency translation reserve	(2,716)	(814)
Other movements	-	129
	<u>301,995</u>	<u>299,717</u>

12. DUE TO BANKS

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Current accounts	4	4
Commodity Murabaha payable*	2,025,338	2,133,382
Sukuk program	1,361,189	-
Wakala payable	8,368,927	9,703,869
	<u>11,755,458</u>	<u>11,837,255</u>

*This represents amounts held under repurchase agreements.

13. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Investment account holders balance before share of profit (a)	22,396,174	23,648,943
Distributable profits to investment account holders for the period / year (b)	384,634	325,837
Profit already distributed during the period / year	(283,182)	(257,030)
Profit payable to investment account holders	101,452	68,807
Share in fair value reserve	(1,971)	(1,971)
Total investment account holders balance	<u>22,495,655</u>	<u>23,715,779</u>
<i>By type:</i>		
Saving accounts	2,598,218	2,471,020
Call accounts	541,899	482,387
Term accounts	19,256,057	20,695,536
Total (a)	<u>22,396,174</u>	<u>23,648,943</u>

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13. EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	For the nine month period ended	
	30 September 2016 (Reviewed)	30 September 2015 (Reviewed)
<i>Net return breakup:</i>		
Saving accounts	33,506	25,372
Call accounts	1,655	2,258
Term accounts - 1 month	109,015	74,921
Term accounts - 3 month	89,830	30,771
Term accounts - 6 month	46,169	43,465
Term accounts - 9 month	448	3,454
Term accounts - 12 month	104,011	43,203
Total (b)	384,634	223,444

14. OWNERS' EQUITY

(a) Share capital

<i>In thousands of shares</i>	Ordinary shares	
	30 September 2016 (Reviewed)	31 December 2015 (Audited)
In issue at	300,000	300,000

At 30 September 2016, the authorised share capital comprised 400,000 thousand ordinary shares (31 December 2015: 400,000 thousand), having a par value of QAR 10 each share. Out of the authorised capital 300,000 thousand ordinary shares (31 December 2015: 300,000 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with QCB Law No.13 of 2012 and the Memorandum and Articles of Association of the Bank, 20% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law and after QCB approval. As at 31 December 2015, legal reserve balance was QAR 2,097.7 million. No further transfer has been made for the nine month period ended 30 September 2016 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.

(c) Treasury shares

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

(d) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – State of Qatar and finance against cash guarantees are excluded from the gross direct finance. As at 31 December 2015, risk reserve balance was QAR 616.8 million. No further transfer has been made for the nine month period ended 30 September 2016 as the Bank transfers the required amount at the year-end.

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14. OWNERS' EQUITY (CONTINUED)

(e) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates and joint ventures, and should be transferred to a separate reserve account in Owners' equity. Further, the Bank has set aside QAR 100 million in 2015 (2014: QAR 100 million) as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events on recommendation of the Board of Directors. As at 31 December 2015, other reserve balance was QAR 427.0 million. No further transfer has been made for the nine month period ended 30 September 2016 as the Bank transfers the required amount at year-end.

(f) Dividend

The Board of Directors in their meeting held on 4 February 2016 proposed a cash dividend of 10% (2014: 10%) of the paid up share capital amounting to QAR 296.2 million – QAR 1.0 per share (2014: QAR 1.0 per share), which was subsequently approved for distribution at the Annual General Meeting of the shareholders of the Bank held on 25 April 2016.

15. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
a) Contingent liabilities		
Unused credit facilities	10,781,976	12,404,330
Guarantees	7,468,856	6,699,523
Letters of credit	2,363,475	2,596,110
	<u>20,614,307</u>	<u>21,699,963</u>
b) Commitments		
Profit rate swaps	919,200	1,549,185
Other risk management instruments	6,006,515	5,012,592
	<u>6,925,715</u>	<u>6,561,777</u>

Unused credit facilities

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

Guarantees and Letters of credit

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

Lease commitments

Non-cancellable operating lease rentals payable within one year are QAR 29.8 million (31 December 2015: QAR 29.1 million). The Group leases a number of branches and office premises under operating leases.

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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 nine month period ended	
	30 September 2016 (Reviewed)	30 September 2015 (Reviewed)	30 September 2016 (Reviewed)	30 September 2015 (Reviewed)
Net profit for the period attributable to the equity holders of the Bank	207,767	233,515	581,037	644,225
Weighted average number of outstanding shares	296,165	296,165	296,165	296,165
Basic and diluted earning per share (QAR)	0.70	0.79	1.96	2.18

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

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

17. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

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

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Customer financing assets	3,028,404	3,242,693
Customer deposits	3,716,559	5,037,857

	For the nine month period ended	
	30 September 2016 (Reviewed)	30 September 2015 (Reviewed)
<i>Compensation of key management personnel</i>		
Salaries and other benefits	35,911	41,246

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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 September 2016 (Reviewed)	31 December 2015 (Audited)
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	251,954	198,639
Due from banks	465,688	1,550,927
	<u>717,642</u>	<u>1,749,566</u>

19. COMPARATIVE FIGURES

The comparative figures presented for the period ended 30 September 2015 have been reclassified where necessary to preserve consistency with the 2016 figures. However, such reclassifications did not have any effect on the consolidated net profit, or the total consolidated equity for the comparative period.