

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

BARWA BANK Q.S.C.

**FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2017**

BARWA BANK Q.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine month period ended 30 September 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Barwa Bank Q.S.C. (“the Bank”) and its subsidiaries (together referred to as the “Group”) comprising the interim consolidated statement of financial position as at 30 September 2017, and the related interim consolidated statements of income for the three month and nine months periods ended 30 September 2017, changes in owner’s 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.

**For Deloitte & Touche
Qatar Branch**

**Doha – Qatar
19 October 2017**

**Walid Slim
Partner
License No. 319**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**QAR '000s**

		30 September 2017	31 December 2016
	Note	(Reviewed)	(Audited)
ASSETS			
Cash and balances with Qatar Central Bank	7	1,337,265	1,582,534
Due from banks	8	1,767,546	2,696,054
Financing assets	9	30,387,698	29,778,499
Investment securities	10	11,190,608	10,348,286
Investment in associates and joint ventures	11	276,479	298,308
Investment property		4,662	4,662
Fixed assets		231,762	246,842
Intangible assets		777,230	777,230
Other assets		343,193	317,265
TOTAL ASSETS		<u>46,316,443</u>	<u>46,049,680</u>
LIABILITIES			
Due to banks	12	10,521,168	5,739,803
Sukuk financing		2,200,344	2,197,594
Customer current accounts		1,657,930	1,590,923
Other liabilities		952,608	871,534
TOTAL LIABILITIES		<u>15,332,050</u>	<u>10,399,854</u>
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	<u>23,525,775</u>	<u>28,386,614</u>
OWNERS' EQUITY			
Share capital	14(a)	3,000,000	3,000,000
Legal reserve	14(b)	2,245,357	2,245,357
Treasury shares	14(e)	(38,349)	(38,349)
Risk reserve	14(c)	695,563	695,563
Fair value reserve	10	2,971	(11,320)
Foreign currency translation reserve		157	107
Other reserves	14(d)	530,224	530,224
Retained earnings		1,003,384	818,380
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		<u>7,439,307</u>	<u>7,239,962</u>
Non-controlling interests		19,311	23,250
TOTAL OWNERS' EQUITY		<u>7,458,618</u>	<u>7,263,212</u>
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		<u>46,316,443</u>	<u>46,049,680</u>

These interim condensed consolidated financial statements were approved by the Board of Directors on 29 October 2017 and were signed on its behalf by:

 Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

 Khalid Yousef Al-Subeai
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	
		2017	2016	2017	2016
		(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net income from financing activities		389,691	346,231	1,121,737	1,018,516
Net income from investing activities		113,172	95,727	344,006	294,098
Total net income from financing and investing activities		502,863	441,958	1,465,743	1,312,614
Fee and commission income		29,165	33,031	108,739	104,870
Fee and commission expense		(790)	(2,121)	(2,829)	(6,236)
Net fee and commission income		28,375	30,910	105,910	98,634
Net foreign exchange gain		17,932	4,397	36,200	14,449
Share of results of associates and joint ventures	11	2,273	463	3,853	3,928
Other income		1,507	8,442	8,091	16,235
Total income		552,950	486,170	1,619,797	1,445,860
Staff costs		(63,111)	(48,893)	(212,611)	(212,090)
Depreciation and amortization		(7,999)	(8,288)	(23,610)	(25,118)
Other expenses		(43,089)	(34,894)	(115,668)	(107,644)
Finance cost		(72,977)	(47,566)	(150,519)	(125,003)
Total expenses		(187,176)	(139,641)	(502,408)	(469,855)
Net impairment loss on investment securities	10	-	(1,719)	-	(6,063)
Net impairment charge on financing assets	9(b)	(11,288)	(6,582)	(11,882)	(3,952)
Profit for the period before return to investment account holders		354,486	338,228	1,105,507	965,990
Return to investment account holders	13	(157,394)	(130,714)	(519,614)	(384,634)
Net profit for the period		197,092	207,514	585,893	581,356
Net profit for the period attributable to:					
Equity holders of the Bank		196,961	207,767	584,827	581,037
Non-controlling interests		131	(253)	1,066	319
Net profit for the period		197,092	207,514	585,893	581,356
Earnings per share					
Basic and diluted earnings per share (QAR per share)	16	0.67	0.70	1.97	1.96

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 2017

	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non- controlling interests	Total owners' equity
Balance at 1 January 2017 (Audited)	3,000,000	2,245,357	(38,349)	695,563	(11,320)	107	530,224	818,380	7,239,962	23,250	7,263,212
Net profit for the period	-	-	-	-	-	-	-	584,827	584,827	1,066	585,893
Fair value reserve movement	-	-	-	-	15,327	-	-	-	15,327	-	15,327
Share of associates other comprehensive income	-	-	-	-	(1,036)	50	-	-	(986)	-	(986)
Total recognised income for the period	-	-	-	-	14,291	50	-	584,827	599,168	1,066	600,234
Dividend paid	-	-	-	-	-	-	-	(399,823)	(399,823)	-	(399,823)
Change in ownership interest	-	-	-	-	-	-	-	-	-	(5,005)	(5,005)
Balance at 30 September 2017 (Reviewed)	3,000,000	2,245,357	(38,349)	695,563	2,971	157	530,224	1,003,384	7,439,307	19,311	7,458,618

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 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 CASH FLOWS

QAR '000s

		For the nine month period ended 30 September	
		2017	2016
	Note	(Reviewed)	(Reviewed)
Cash flows from operating activities			
Net profit for the period		585,893	581,356
<i>Adjustments for:</i>			
Impairment loss on investment securities	10	-	6,063
Impairment loss on financing assets	9(b)	39,295	34,773
Depreciation		23,610	25,118
Employees' end of service benefits provision		9,965	11,733
Net loss/(gain) on sale of investment securities		2,345	(4,947)
Dividend income		(51,043)	(45,264)
Gain on disposal of fixed assets		(185)	(132)
Share of results of associates and joint ventures	11	(3,853)	(3,928)
<i>Profit before changes in operating assets and liabilities</i>		<u>606,027</u>	<u>604,772</u>
Change in reserve account with Qatar Central Bank		242,788	68,814
Change in due from banks		447,160	2,073
Change in financing assets		(648,494)	(1,561,676)
Change in other assets		(25,928)	(196,564)
Change in due to banks		4,781,365	(81,797)
Change in sukuk financing		2,750	-
Change in customer current accounts		67,007	951,435
Change in other liabilities		76,058	(133,967)
		<u>5,548,733</u>	<u>(346,910)</u>
Dividends received		51,043	45,264
Employees' end of service benefits paid		(4,949)	(7,710)
Net cash from/(used in) operating activities		<u>5,594,827</u>	<u>(309,356)</u>
Cash flows from investing activities			
(Acquisition)/disposal of investments, net		(835,139)	797,654
Disposal of associates and joint ventures		25,490	1,404
Acquisition of fixed and intangible assets, net		(8,345)	(5,337)
Net cash (used in)/from investing activities		<u>(817,994)</u>	<u>793,721</u>
Cash flows from financing activities			
Change in unrestricted investment account holders		(4,860,839)	(1,220,124)
Dividend paid		(399,823)	(296,165)
Net cash used in financing activities		<u>(5,260,662)</u>	<u>(1,516,289)</u>
Net decrease in cash and cash equivalents		<u>(483,829)</u>	<u>(1,031,924)</u>
Cash and cash equivalents at 1 January		<u>2,205,072</u>	<u>1,749,566</u>
Cash and cash equivalents at 30 September	18	<u>1,721,243</u>	<u>717,642</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 2017

	At 1 January 2017	Movements during the period					At 30 September 2017
	Total value	Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent	Total value
Discretionary Portfolio Management	103,958	1,567	(8,936)	2,907	-	-	99,496
Other Restricted Wakalas	105,950	4,861	-	-	-	-	110,811
	209,908	6,428	(8,936)	2,907	-	-	210,307

For the nine month period ended 30 September 2016

	At 1 January 2016	Movements during the period					At 30 September 2016
	Total value	Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent	Total value
Discretionary Portfolio Management	198,985	(98,506)	1,768	1,538	-	-	103,785
Other Restricted Wakalas	105,950	-	-	-	-	-	105,950
	304,935	(98,506)	1,768	1,538	-	-	209,735

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 2017

1. REPORTING ENTITY

Barwa Bank (the “Bank”) was incorporated as a Qatari Shareholding in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the “date of incorporation”). The Bank commenced its activities on 1 February 2009 under Qatar Central Bank (“QCB”) License No. RM/19/2007. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 6 branches in Doha, State of Qatar.

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

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

The Bank and two other local banks, namely Masraf Al Rayan Q.P.S.C. and International Bank of Qatar Q.S.C., announced on 19 December 2016 that they have entered into initial negotiations regarding a potential merger of the three banks. The potential merger is subject to the approval of the Qatar Central Bank (“QCB”), the QFMA, the Ministry of Economy and Commerce and other relevant official bodies in the State of Qatar, and the approval of the shareholders in each of the three banks after completion of a detailed legal and financial due diligence. If the merger is approved, the new merged entity will maintain all its dealings in compliance with Shari’a principles.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Date of Acquisition	Percentage of ownership	
			30 September 2017	31 December 2016
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	79%	75%
BBG Sukuk limited	Cayman Islands	30 April 2015	100%	100%

- (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.
- (v) BBG Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk financing (issuance) for the benefit of the Bank.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2017

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 2016. The results for the nine month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2017

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 2016.

New standards, amendments and interpretations effective from 1 January 2017

There are no new standards, amendments and interpretations issued by AAOIFI that are effective from 1 January 2017.

New standards, amendments and interpretations issued but not yet effective

International Financial Reporting Standard No. 9 (IFRS 9): Financial Instruments

The final version of IFRS 9 was issued in July 2014, replacing the earlier versions of introducing new classification and measurement requirements (issued in 2009 and 2010) and a new hedge accounting model (issued in 2013) and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The application of IFRS 9 may have significant impact on amounts reported in the interim condensed consolidated financial statements and will result in more extensive disclosures in the interim condensed consolidated financial statements. However, the Group is currently in the process of evaluating and implementing the required changes in its systems, policies and processes to comply with IFRS 9 and regulatory requirements, and hence it is not practical to disclose a reliable quantitative impact until the implementation programme is further advanced.

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 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2017

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.

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
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 2017

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 2017	Wholesale banking	Retail and private banking	Treasury and investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	626,592	516,706	315,318	7,127	-	1,465,743
Net fee and commission income	55,732	25,170	2,840	22,168	-	105,910
Reportable segment net profit	227,480	84,656	260,598	13,159	-	585,893
Reportable segment assets	19,999,805	13,431,146	11,435,653	672,609	777,230	46,316,443
As at and for the nine month period ended 30 September 2016	Wholesale banking	Retail and private banking	Treasury and Investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	564,453	475,866	264,979	7,316	-	1,312,614
Net fee and commission income / (expense)	45,180	20,568	(627)	33,513	-	98,634
Reportable segment profit	230,992	121,892	207,697	20,775	-	581,356
Reportable segment assets	20,570,357	12,217,651	10,757,943	690,372	777,230	45,013,553

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine month period ended 30 September 2017

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 2017 (Reviewed)					
Cash and balances with Qatar Central Bank	-	-	1,337,265	1,337,265	1,337,265
Due from banks	-	-	1,767,546	1,767,546	1,767,546
Financing assets	-	-	30,387,698	30,387,698	30,387,698
Investment securities:					
- Carried at fair value	61,923	1,094,257	-	1,156,180	1,156,180
- Carried at amortised cost	-	-	10,034,428	10,034,428	10,018,648
Risk management instruments	9,397	-	-	9,397	9,397
	71,320	1,094,257	43,526,937	44,692,514	44,676,734
Due to banks	-	-	10,521,168	10,521,168	10,521,168
Sukuk financing	-	-	2,200,344	2,200,344	2,200,344
Customer current accounts	-	-	1,657,930	1,657,930	1,657,930
Risk management instruments	82,051	-	-	82,051	82,051
	82,051	-	14,379,442	14,461,493	14,461,493
Equity of investment account holders	-	-	23,525,775	23,525,775	23,525,775
	82,051	-	37,905,217	37,987,268	37,987,268

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine month period ended 30 September 2017

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 2016 (Audited)					
Cash and balances with central banks	-	-	1,582,534	1,582,534	1,582,534
Due from banks	-	-	2,696,054	2,696,054	2,696,054
Financing assets	-	-	29,778,499	29,778,499	29,778,499
Investment securities:					
- Carried at fair value	81,542	1,163,968	-	1,245,510	1,245,510
- Carried at amortised cost	-	-	9,102,776	9,102,776	9,099,058
Risk management instruments	55,331	-	-	55,331	55,331
	<u>136,873</u>	<u>1,163,968</u>	<u>43,159,863</u>	<u>44,460,704</u>	<u>44,456,986</u>
Due to banks	-	-	5,739,803	5,739,803	5,739,803
Sukuk financing	-	-	2,197,594	2,197,594	2,197,594
Customer current accounts	-	-	1,590,923	1,590,923	1,590,923
Risk management instruments	11,519	-	-	11,519	11,519
	<u>11,519</u>	<u>-</u>	<u>9,528,320</u>	<u>9,539,839</u>	<u>9,539,839</u>
Equity of investment account holders	-	-	28,386,614	28,386,614	28,386,614
	<u>11,519</u>	<u>-</u>	<u>37,914,934</u>	<u>37,926,453</u>	<u>37,926,453</u>

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

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

	Level 1	Level 2	Level 3	Total
30 September 2017 (Reviewed)				
Risk management instruments (assets)	-	-	9,397	9,397
Investment securities carried at fair value	802,072	-	354,108	1,156,180
	802,072	-	363,505	1,165,577
Risk management instruments (liabilities)	-	-	82,051	82,051
	-	-	82,051	82,051
31 December 2016 (Audited)				
Risk management instruments (assets)	-	-	55,331	55,331
Investment securities carried at fair value	891,406	-	354,104	1,245,510
	891,406	-	409,435	1,300,841
Risk management instruments (liabilities)	-	-	11,519	11,519
	-	-	11,519	11,519

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 2017 (Reviewed)	31 December 2016 (Audited)
Cash	169,132	171,906
Cash reserve with QCB*	1,127,487	1,370,275
Other balances with QCB	40,646	40,353
	<u>1,337,265</u>	<u>1,582,534</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 2017 (Reviewed)	31 December 2016 (Audited)
Current accounts	109,649	99,838
Wakala placements with banks	874,164	1,669,085
Mudaraba placements	158,590	223,890
Commodity murabaha receivable	625,143	703,241
	<u>1,767,546</u>	<u>2,696,054</u>

9. FINANCING ASSETS

(a) By type

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Murabaha commodity	19,641,539	17,695,609
Ijarah Muntahia Bittamleek	6,838,986	7,147,457
Murabaha	2,997,008	4,015,819
Musawama	1,827,905	1,908,303
Acceptances	410,407	324,520
Istisna'a	336,844	358,867
Cards	69,684	47,466
Others	2,910	2,936
Total financing assets	<u>32,125,283</u>	<u>31,500,977</u>
Less: Deferred profit	1,226,591	1,229,266
Provision for impairment on financing assets – Specific	404,343	393,470
Provision for impairment on financing assets – Collective	66,095	66,095
Suspended profit related to non-performing financing assets	40,556	33,647
Net financing assets	<u>30,387,698</u>	<u>29,778,499</u>

The total non-performing financing assets at 30 September 2017 amounted to QAR 488 million, representing 1.6% of the net financing assets (31 December 2016: QAR 460 million, representing 1.5%).

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9. FINANCING ASSETS (CONTINUED)**(b) Movement in the provision for impairment – specific on financing assets**

	2017 (Reviewed)	2016 (Reviewed)
Balance at 1 January	393,470	356,259
Provisions made during the period	39,295	34,773
Recoveries during the period	(27,413)	(30,821)
	11,882	3,952
Written off during the period	(1,009)	(887)
Balance for the period ended 30 September	404,343	359,324

10. INVESTMENT SECURITIES

	30 September 2017 (Reviewed)			31 December 2016 (Audited)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<i>Investments classified as fair value through statement of income</i>						
- Investments classified as held for trading:						
• debt-type investments	6,963	-	6,963	-	-	-
• equity -type investments	54,960	-	54,960	81,542	-	81,542
	61,923	-	61,923	81,542	-	81,542
<i>Debt-type investments classified at amortised cost</i>						
- Fixed rate*	1,569,145	8,265,000	9,834,145	1,537,694	7,364,799	8,902,493
- Floating rate	-	200,283	200,283	-	200,283	200,283
	1,569,145	8,465,283	10,034,428	1,537,694	7,565,082	9,102,776
<i>Equity-type investments classified as fair value through equity</i>	740,149	354,108	1,094,257	809,864	354,104	1,163,968
	2,371,217	8,819,391	11,190,608	2,429,100	7,919,186	10,348,286

*Investments in unquoted debt-type instruments classified at amortised cost at fixed rate represent investments in the Qatar Government securities.

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

	2017 (Reviewed)	2016 (Reviewed)
Balance at 1 January	(11,320)	(15,430)
Net change in fair value	15,327	7,489
Impairment loss on investment securities	-	6,063
Share of associates and joint ventures fair value changes	(1,036)	2,470
	14,291	16,022
Balance for the period ended 30 September	2,971	592

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11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Balance at 1 January	298,308	299,717
Share of results	3,853	5,078
Dividend received	(1,270)	(1,805)
Share of associates and joint ventures fair value changes	(1,036)	1,611
Share of associates and joint ventures currency translation reserve	2,112	(6,294)
Disposal during the period/year	(25,490)	-
Other movements	2	1
	<u>276,479</u>	<u>298,308</u>

12. DUE TO BANKS

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Current accounts	3,049	1,227
Commodity Murabaha payable*	3,782,940	1,133,176
Wakala payable	6,735,179	4,605,400
	<u>10,521,168</u>	<u>5,739,803</u>

*This represents amounts held under repurchase agreements amounting to QAR 3,600mn (2016: QAR 951mn).

13. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Investment account holders balance before share of profit (a)	23,386,482	28,283,432
Distributable profits to investment account holders for the period / year (b)	519,614	551,329
Profit already distributed during the period / year	(378,697)	(446,523)
Profit payable to investment account holders	140,917	104,806
Share in fair value reserve	(1,624)	(1,624)
Total investment account holders balance	<u>23,525,775</u>	<u>28,386,614</u>
<i>By type:</i>		
Saving accounts	2,256,924	2,552,252
Call accounts	330,482	458,697
Term accounts	20,799,076	25,272,483
Total (a)	<u>23,386,482</u>	<u>28,283,432</u>

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13. EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	For the nine month period ended	
	30 September 2017 (Reviewed)	30 September 2016 (Reviewed)
<i>Net return breakup:</i>		
Saving accounts	30,184	33,506
Call accounts	1,519	1,655
Term accounts - 1 month	99,486	109,015
Term accounts - 3 month	152,766	89,830
Term accounts - 6 month	57,404	46,169
Term accounts - 9 month	41	448
Term accounts - 12 month	162,731	104,011
Term accounts - 2 year	1,126	-
Term accounts - 4 year	14,357	-
Total (b)	519,614	384,634

14. OWNERS' EQUITY

(a) Share capital

<i>In thousands of shares</i>	Ordinary shares	
	30 September 2017 (Reviewed)	31 December 2016 (Audited)
In issue at	300,000	300,000

At 30 September 2017, the authorised share capital comprised 400,000 thousand ordinary shares (31 December 2016: 400,000 thousand), having a par value of QAR 10 each share. Out of this authorised capital 300,000 thousand ordinary shares (31 December 2016: 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 2016, legal reserve balance was QAR 2,245.4 million. No further transfer has been made for the nine month period ended 30 September 2017 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) 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 2016, risk reserve balance was QAR 695.6 million. No further transfer has been made for the nine month period ended 30 September 2017 as the Bank transfers the required amount at the year-end.

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14. OWNERS' EQUITY (CONTINUED)**(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 Bank has set aside QAR 100 million in 2016 (2015: 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 2016, other reserve balance was QAR 530.2 million. No further transfer has been made for the nine month period ended 30 September 2017 as the Bank transfers the required amount at year-end.

(e) 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.

(f) Dividend

The Board of Directors in their meeting held on 1 February 2017 proposed a cash dividend of 13.5% (2015: 10.0%) of the paid up share capital amounting to QAR 399.8 million – QAR 1.35 per share (2015: QAR 296.2 million – QAR 1.00 per share), which was subsequently approved for distribution at the Annual General Meeting of the shareholders of the Bank held on 27 February 2017.

15. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
a) Contingent liabilities		
Unused credit facilities	9,312,653	10,835,574
Guarantees	8,014,441	7,506,984
Letters of credit	1,611,171	2,471,374
	<u>18,938,265</u>	<u>20,813,932</u>
b) Commitments		
Profit rate swaps	270,292	278,769
Options	-	36,415
Other risk management instruments - WAAD	4,407,704	3,603,317
	<u>4,677,996</u>	<u>3,918,501</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.

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15. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 September 2017 (Reviewed)	31 December 2016 (Audited)
Within one year	29,578	28,414
After one year but not more than five years	32,134	35,394

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 2017 (Reviewed)	30 September 2016 (Reviewed)	30 September 2017 (Reviewed)	30 September 2016 (Reviewed)
Net profit for the period attributable to the equity holders of the Bank	196,961	207,767	584,827	581,037
Weighted average number of outstanding shares	296,165	296,165	296,165	296,165
Basic and diluted earning per share (QAR)	0.67	0.70	1.97	1.96

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 2017	296,165	296,165	296,165	296,165

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17. RELATED PARTIES

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

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

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Customer financing assets	<u>3,044,220</u>	<u>2,821,131</u>
Customer deposits	<u>4,807,138</u>	<u>4,041,867</u>

	For the nine month period ended	
	30 September 2017 (Reviewed)	30 September 2016 (Reviewed)
<i>Compensation of key management personnel</i>		
Salaries and other benefits	<u>35,945</u>	<u>35,911</u>

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 2017 (Reviewed)	31 December 2016 (Audited)
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	<u>209,778</u>	212,259
Due from banks	<u>1,511,465</u>	<u>1,992,813</u>
	<u>1,721,243</u>	<u>2,205,072</u>

19. COMPARATIVE FIGURES

The comparative figures presented for the period 2016 have been reclassified where necessary to preserve consistency with the period 2017 figures. However, such reclassifications did not have any effect on the interim consolidated net profit, or the interim consolidated total equity for the comparative period.