

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

BARWA BANK Q.S.C.

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2017**

BARWA BANK Q.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

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QR. 83157

RN: 0000354/WS/FY2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To The Board of Directors
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 31 March 2017, and the related interim condensed consolidated statements of income, changes in owners' equity, cash flows and changes in restricted investment accounts for the three 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.

Doha – Qatar
November 5, 2017

For Deloitte & Touche
Qatar Branch

Walid Slim
Partner
License No. 319

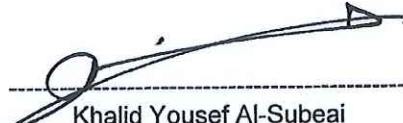
QAR '000s

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2017 (Reviewed)	31 December 2016 (Audited)
ASSETS			
Cash and balances with Qatar Central Bank	7	1,645,272	1,582,534
Due from banks	8	1,272,194	2,696,054
Financing assets	9	29,544,364	29,778,499
Investment securities	10	10,512,550	10,348,286
Investment in associates and joint ventures	11	299,112	298,308
Investment properties		4,662	4,662
Fixed assets		240,251	246,842
Intangible assets		777,230	777,230
Other assets		337,363	317,265
TOTAL ASSETS		44,632,998	46,049,680
LIABILITIES			
Due to banks	12	6,294,084	5,739,803
Sukuk financing		2,198,500	2,197,594
Customer current accounts		2,111,088	1,590,923
Other liabilities		983,213	871,534
TOTAL LIABILITIES		11,586,885	10,399,854
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	25,989,257	28,386,614
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(c)	(38,349)	(38,349)
Risk reserve	14(d)	695,563	695,563
Fair value reserve	10	(3,293)	(11,320)
Foreign currency translation reserve		227	107
Other reserves	14(e)	530,224	530,224
Retained earnings		599,850	818,380
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		7,029,579	7,239,962
Non-controlling interests		27,277	23,250
TOTAL OWNERS' EQUITY		7,056,856	7,263,212
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		44,632,998	46,049,680

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


Mohamed Bin Hamad Bin Jassim Al Thani
Chairman


Khalid Yusef 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

	Notes	For the three month period ended 31 March	
		2017 (Reviewed)	2016 (Reviewed)
Net income from financing activities		370,155	330,451
Net income from investing activities		102,669	78,483
Total net income from financing and investing activities		472,824	408,934
Fee and commission income		40,525	31,998
Fee and commission expense		(1,297)	(2,126)
Net fee and commission income		39,228	29,872
Net foreign exchange gain		5,795	2,416
Share of results of associates and joint ventures	11	27	1,724
Other income		2,765	4,615
Total income		520,639	447,561
Staff costs		(76,988)	(80,909)
Depreciation		(8,049)	(8,205)
Other expenses		(34,959)	(35,178)
Finance cost		(35,708)	(34,727)
Total expenses		(155,704)	(159,019)
Net impairment reversal on financing assets	9(b)	3,193	2,190
Profit for the period before return to investment account holders		368,128	290,732
Return to investment account holders	13	(186,675)	(117,992)
Net profit for the period		181,453	172,740
Net profit for the period attributable to:			
Equity holders of the Bank		181,293	172,372
Non-controlling interests		160	368
Net profit for the period		181,453	172,740
Earnings per share			
Basic and diluted earnings per share (QAR per share)	16	0.61	0.58

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

For the three month period ended 31 March 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	-	-	-	-	-	-	-	181,293	181,293	160	181,453
Fair value reserve movement	-	-	-	-	7,313	-	-	-	7,313	-	7,313
Share of associates other comprehensive income	-	-	-	-	714	120	-	-	834	-	834
Total recognised income for the period	-	-	-	-	8,027	120	-	181,293	189,440	160	189,600
Dividend paid	-	-	-	-	-	-	-	(399,823)	(399,823)	-	(399,823)
Change in ownership interest	-	-	-	-	-	-	-	-	-	3,867	3,867
Balance at 31 March 2017 (Reviewed)	3,000,000	2,245,357	(38,349)	695,563	(3,293)	227	530,224	599,850	7,029,579	27,277	7,056,856

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)

For the three month period ended 31 March 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	-	-	-	-	-	-	-	-	172,372	172,372	368	172,740
Fair value reserve movement	-	-	-	-	21,218	-	-	-	-	21,218	-	21,218
Share of associates other comprehensive income	-	-	-	-	2,090	6	-	-	-	2,096	-	2,096
Cash flow hedge reserve movement	-	-	-	-	-	-	-	(17,267)	-	(17,267)	-	(17,267)
Total recognised income for the period	-	-	-	-	23,308	6	-	(17,267)	172,372	178,419	368	178,787
Change in ownership interest	-	-	-	-	-	-	-	-	-	-	(5,277)	(5,277)
Balance at 31 March 2016 (Reviewed)	3,000,000	2,097,700	(38,349)	616,776	7,878	1,008	426,951	(17,267)	878,348	6,973,045	25,333	6,998,378

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

	Notes	For the three month period ended 31 March	
		2017 (Reviewed)	2016 (Reviewed)
Cash flows from operating activities			
Net profit for the period		181,453	172,740
<i>Adjustments for:</i>			
Impairment loss on financing assets	9(b)	9,234	10,859
Depreciation		8,049	8,205
Employees' end of service benefits provision		3,256	3,084
Net gain on sale of investment securities		(939)	6,771
Dividend income		(15,545)	(12,067)
Gain on disposal of fixed assets		(107)	(64)
Share of results of associates and joint ventures	11	(27)	(1,724)
<i>Profit before changes in operating assets and liabilities</i>		<u>185,374</u>	<u>187,804</u>
Change in reserve account with Qatar Central Bank		(48,802)	(484)
Change in due from banks		(1,875)	(75,986)
Change in financing assets		224,901	(1,056,155)
Change in other assets		(20,098)	36,110
Change in due to banks		555,187	2,040,630
Change in customer current accounts		520,165	65,359
Change in other liabilities		110,422	(57,213)
		<u>1,525,274</u>	<u>1,140,065</u>
Dividends received		15,545	12,067
Employees' end of service benefits paid		(1,999)	(3,722)
Net cash from operating activities		<u>1,538,820</u>	<u>1,148,410</u>
Cash flows from investing activities			
(Acquisition) / disposal of investments		(152,088)	1,340,809
Acquisition of fixed assets		(1,351)	(1,068)
Net cash (used in) from investing activities		<u>(153,439)</u>	<u>1,339,741</u>
Cash flows from financing activities			
Dividend paid		(399,823)	-
Change in unrestricted investment account holders		(2,397,357)	(681,058)
Net cash used in financing activities		<u>(2,797,180)</u>	<u>(681,058)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,411,799)</u>	<u>1,807,093</u>
Cash and cash equivalents at 1 January		2,205,072	1,749,566
Cash and cash equivalents at 31 March	18	<u>793,273</u>	<u>3,556,659</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 three month period ended 31 March 2017

	Movements during the period					At 31	
	At 1 January 2017	Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent	March 2017 Total value
Discretionary portfolio management	103,958	-	(3,239)	2,087	-	-	102,806
Other restricted wakalas	105,950	-	-	-	-	-	105,950
	209,908	-	(3,239)	2,087	-	-	208,756

For the three month period ended 31 March 2016

	Movements during the period					At 31 March	
	At 1 January 2016	Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent	2016 Total value
Discretionary Portfolio Management	198,985	(98,506)	873	358	-	-	101,710
Other Restricted Wakalas	105,950	-	-	-	-	-	105,950
	304,935	(98,506)	873	358	-	-	207,660

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

BARWA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the three month period ended 31 March 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 5 branches in Doha, State of Qatar.

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

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

The 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	
			31 March 2017	31 December 2016
The First Investor Q.P.S.C. ("TFI")	Qatar	13 December 2009	100%	100%
First Finance Company Q.P.S.C. ("FFC")	Qatar	12 July 2010	100%	100%
First Leasing Company Q.P.S.C. ("FLC")	Qatar	13 July 2010	100%	100%
TFI GCC Equity Opportunities Fund	Qatar	31 October 2012	72%	75%
BBG Sukuk Limited	Cayman Islands	30 April 2015	-	-

- (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 three month period ended 31 March 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 three month period ended 31 March 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 income statement 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, interim condensed consolidated 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 three month period ended 31 March 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' 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 three month period ended 31 March 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 corporate customers
Personal and Private 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.

BARWA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 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 three month period ended 31 March 2017 (Reviewed)	Wholesale banking	Personal and Private banking	Treasury and investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	200,072	170,083	101,169	1,500	-	472,824
Net fee and commission income	16,417	9,655	2,918	10,238	-	39,228
Reportable segment net profit	63,092	28,139	84,084	6,138	-	181,453

Reportable segment assets	19,216,913	13,018,008	10,954,635	666,212	777,230	44,632,998
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As at and for the three month period ended 31 March 2016 (reviewed)	Wholesale banking	Personal and Private banking	Treasury and Investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	175,360	155,091	76,920	1,563	-	408,934
Net fee and commission income	12,851	6,228	(645)	11,438	-	29,872
Reportable segment profit	62,474	44,165	59,288	6,813	-	172,740

Reportable segment assets	19,227,859	12,487,206	13,579,498	687,682	777,230	46,759,475
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 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
31 March 2017 (Reviewed)					
Cash and balances with Qatar Central Bank	-	-	1,645,272	1,645,272	1,645,272
Due from banks	-	-	1,272,194	1,272,194	1,272,194
Financing assets	-	-	29,544,364	29,544,364	29,544,364
Investment securities:					
- Carried at fair value	91,872	1,180,875	-	1,272,747	1,272,747
- Carried at amortised cost	-	-	9,239,803	9,239,803	9,242,616
Risk management instruments	21,638	-	-	21,638	21,638
	113,510	1,180,875	41,701,633	42,996,018	42,998,831
Due to banks	-	-	6,294,084	6,294,084	6,294,084
Sukuk financing	-	-	2,198,500	2,198,500	2,198,500
Customer current accounts	-	-	2,111,088	2,111,088	2,111,088
Risk management instruments	9,417	-	-	9,417	9,417
	9,417	-	10,603,672	10,613,089	10,613,089
Equity of investment account holders	-	-	25,989,257	25,989,257	25,989,257
	9,417	-	36,592,929	36,602,346	36,602,346

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 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
	136,873	1,163,968	43,159,863	44,460,704	44,456,986
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
	11,519	-	9,528,320	9,539,839	9,539,839
Equity of investment account holders	-	-	28,386,614	28,386,614	28,386,614
	11,519	-	37,914,934	37,926,453	37,926,453

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
31 March 2017 (Reviewed)				
Risk management instruments (assets)	-	-	21,638	21,638
Investment securities carried at fair value	918,639	-	354,108	1,272,747
	<u>918,639</u>	<u>-</u>	<u>375,746</u>	<u>1,294,385</u>
Risk management instruments (liabilities)	-	-	9,417	9,417
	<u>-</u>	<u>-</u>	<u>9,417</u>	<u>9,417</u>
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
	<u>891,406</u>	<u>-</u>	<u>409,435</u>	<u>1,300,841</u>
Risk management instruments (liabilities)	-	-	11,519	11,519
	<u>-</u>	<u>-</u>	<u>11,519</u>	<u>11,519</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 Income Statement, 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

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Cash	192,896	171,906
Cash reserve with QCB*	1,419,077	1,370,275
Other balances with QCB	33,299	40,353
	<u>1,645,272</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

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Current accounts	90,938	99,838
Wakala placements with banks	327,752	1,669,085
Mudaraba placements	148,388	223,890
Commodity murabaha receivable	705,116	703,241
	<u>1,272,194</u>	<u>2,696,054</u>

9. FINANCING ASSETS

(a) By type

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Murabaha commodity	18,090,160	17,695,609
Ijarah Muntahia Bittamleek	6,790,633	7,147,457
Murabaha	3,628,446	4,015,819
Musawama	1,893,758	1,908,303
Acceptances	428,751	324,520
Istisna'a	348,681	358,867
Cards	60,585	47,466
Others	2,860	2,936
Total financing assets	<u>31,243,874</u>	<u>31,500,977</u>
Less: Deferred profit	1,207,881	1,229,266
Provision for impairment on financing assets – Specific	390,232	393,470
Provision for impairment on financing assets – Collective	66,095	66,095
Suspended profit related to non-performing financing assets	35,302	33,647
Net financing assets	<u>29,544,364</u>	<u>29,778,499</u>

The total non-performing financing assets at 31 March 2017 amounted to QAR 452 million, representing 1.5% 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	9,234	10,859
Recoveries during the period	(12,427)	(13,049)
	(3,193)	(2,190)
Written off during the period	(45)	-
Balance for the three month period ended 31 March	390,232	354,069

10. INVESTMENT SECURITIES

	31 March 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	-	-	-	-	-	-
• equity-type investments	91,872	-	91,872	81,542	-	81,542
	91,872	-	91,872	81,542	-	81,542
<i>Debt-type investments classified at amortised cost</i>						
- Fixed rate*	1,424,520	7,615,000	9,039,520	1,537,694	7,364,799	8,902,493
- Floating rate	-	200,283	200,283	-	200,283	200,283
	1,424,520	7,815,283	9,239,803	1,537,694	7,565,082	9,102,776
<i>Equity-type investments classified as fair value through equity</i>	826,767	354,108	1,180,875	809,864	354,104	1,163,968
	2,343,159	8,169,391	10,512,550	2,429,100	7,919,186	10,348,286

*Investments in unquoted debt-type instruments classified at amortised cost represent investments in the Qatar Government securities and other Sovereign 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	7,313	21,218
Share of associate's fair value changes	714	2,090
	8,027	23,308
Balance at 31 March	(3,293)	7,878

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11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Balance at 1 January	298,308	299,717
Share of results	27	5,078
Dividend received	(417)	(1,805)
Share of associates and joint venture fair value changes	714	1,611
Share of associates currency translation reserve	477	(6,294)
Other movements	3	1
	<u>299,112</u>	<u>298,308</u>

12. DUE TO BANKS

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Current accounts	1,017	1,227
Commodity Murabaha payable*	1,132,446	1,133,176
Wakala payable	5,160,621	4,605,400
	<u>6,294,084</u>	<u>5,739,803</u>

*This includes amounts held under repurchase agreements amounting to QAR 950mn (31 Dec 2016: QAR 951mn).

13. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Investment account holders balance before share of profit (a)	25,873,863	28,283,432
Distributable profits to investment account holders for the period / year (b)	186,675	551,329
Profit already distributed during the period / year	(69,657)	(446,523)
Profit payable to investment account holders	117,018	104,806
Share in fair value reserve	(1,624)	(1,624)
Total investment account holders balance	<u>25,989,257</u>	<u>28,386,614</u>
<i>By type:</i>		
Saving accounts	2,672,060	2,552,252
Call accounts	434,851	458,697
Term accounts	22,766,952	25,272,483
Total (a)	<u>25,873,863</u>	<u>28,283,432</u>

13. EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	For the three month period ended	
	31 March 2017 (Reviewed)	31 March 2016 (Reviewed)
<i>Net return breakup:</i>		
Saving accounts	10,925	11,155
Call accounts	541	799
Term accounts - 1 month	42,090	33,691
Term accounts - 3 month	52,310	28,135
Term accounts - 6 month	19,607	14,428
Term accounts - 9 month	22	98
Term accounts - 12 month	57,027	29,686
Term accounts - 2 years	226	-
Term accounts - 4 years	3,927	-
Total (b)	186,675	117,992

14. OWNERS' EQUITY

(a) Share capital

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

At 31 March 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 three month period ended 31 March 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) 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 2016, risk reserve balance was QAR 695.6 million. No further transfer has been made for the three month period ended 31 March 2017 as the Bank transfers the required amount at the year-end.

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 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 three month period ended 31 March 2017 as the Bank transfers the required amount at year-end.

(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

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
a) Contingent liabilities		
Unused credit facilities	10,714,713	10,835,574
Guarantees	7,744,648	7,506,984
Letters of credit	2,255,426	2,471,374
	<u>20,714,787</u>	<u>20,813,932</u>
b) Commitments		
Profit rate swaps	276,604	278,769
Options	36,415	36,415
Other risk management instruments - WAAD	2,830,432	3,603,317
	<u>3,143,451</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.

Lease commitments

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

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Within one year	24,001	28,414
After one year but not more than five years	<u>33,421</u>	<u>35,394</u>

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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	
	31 March 2017 (Reviewed)	31 March 2016 (Reviewed)
Net profit for the period attributable to the equity holders of the Bank	181,293	172,372
Weighted average number of outstanding shares	296,165	296,165
Basic and diluted earning per share (QAR)	0.61	0.58

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

Total number of shares	300,000	300,000
Treasury shares	(3,835)	(3,835)
Weighted average number of outstanding shares	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:

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Customer financing assets	2,936,364	2,821,131
Customer deposits	4,426,809	4,041,867

	For the three month period ended	
	31 March 2017 (Reviewed)	31 March 2016 (Reviewed)
<i>Compensation of key management personnel</i>		
Salaries and other benefits	9,289	8,704

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18. CASH AND CASH EQUIVALENTS

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

	31 March 2017 (Reviewed)	31 December 2016 (Audited)
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	226,195	212,259
Due from banks	567,078	1,992,813
	<u>793,273</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.