

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

BARWA BANK Q.S.C.

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2014**

BARWA BANK Q.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three month period ended 31 March 2014

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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 consolidated statement of financial position as at 31 March 2014, and the related interim consolidated statements of income, changes in owner’s equity and cash flows 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 (2) 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 (2) of the accompanying interim condensed consolidated financial statements and applicable provisions of Qatar Central Bank regulations.

Other matter

The interim condensed consolidated financial statements for the three month period ended 31 March 2013 and the consolidated financial statements for the year ended 31 December 2013 were reviewed and audited by another auditor, whose reports dated 15 April 2013 and 17 February 2014 expressed an unmodified review conclusion and an unqualified audit opinion, respectively, on those consolidated financial statements.

**For Deloitte & Touche
Qatar Branch**

**Doha – Qatar
17 June 2014**

**Muhammad Bahemia
Partner
License No. 103**

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

		31 March 2014	31 December 2013
	Note	(Reviewed)	(Audited)
ASSETS			
Cash and balances with Qatar Central Bank	7	1,246,747	1,088,794
Due from banks	8	2,419,054	3,840,100
Financing assets	9	20,513,487	19,347,121
Investment securities	10	6,763,154	7,734,221
Investment in associates and joint ventures	11	259,933	255,581
Investment property		40,042	40,042
Fixed assets		260,561	134,048
Intangible assets		777,230	777,230
Other assets		480,057	409,739
TOTAL ASSETS		<u>32,760,265</u>	<u>33,626,876</u>
LIABILITIES			
Due to banks	12	3,316,568	5,820,178
Customer current accounts		2,683,845	1,652,902
Other liabilities		767,023	843,167
TOTAL LIABILITIES		<u>6,767,436</u>	<u>8,316,247</u>
EQUITY OF INVESTMENT ACCOUNT HOLDERS	13	<u>20,052,043</u>	<u>19,577,439</u>
OWNERS' EQUITY			
Share capital	14(a)	3,000,000	3,000,000
Legal reserve	14(b)	1,809,483	1,809,483
Treasury shares	14(c)	(38,349)	(38,349)
Risk reserve	14(d)	442,494	442,494
Fair value reserve	10	31,412	23,850
Foreign currency translation reserve		1,682	1,682
Other reserves	14(e)	215,155	215,155
Retained earnings		432,161	235,352
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		<u>5,894,038</u>	<u>5,689,667</u>
Non-controlling interests		46,748	43,523
TOTAL OWNERS' EQUITY		<u>5,940,786</u>	<u>5,733,190</u>
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		<u>32,760,265</u>	<u>33,626,876</u>

These interim condensed consolidated financial statements were approved by the Board of Directors on 17 June 2014 and were signed on its behalf by:

 Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

 Khalid 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 CONSOLIDATED STATEMENT OF INCOME

QAR '000s

		For the three month period ended 31 March	
		2014	2013
		(Reviewed)	(Reviewed)
	Note		
Net income from financing activities		268,354	221,656
Net income from investing activities		95,513	103,489
Total net income from financing and investing activities		363,867	325,145
Fee and commission income		27,777	29,622
Fee and commission expense		(3,672)	(1,854)
Net fee and commission income		24,105	27,768
Net foreign exchange gain		2,749	84
Share of results of associates and joint ventures	11	7,344	4,018
Other income		656	5,876
Total income		398,721	362,891
Staff costs		(76,276)	(68,190)
Depreciation and amortization		(10,161)	(21,349)
Other expenses		(46,368)	(38,921)
Finance cost		(10,849)	(15,849)
Total expenses		(143,654)	(144,309)
Net impairment reversal on financing assets	9(b)	15,627	9,293
Profit for the period before return to investment account holders		270,694	227,875
Return to investment account holders	13	(69,677)	(71,148)
Net profit for the period		201,017	156,727
Net profit for the period attributable to:			
Equity holders of the Bank		196,809	155,483
Non-controlling interests		4,208	1,244
Net profit for the period		201,017	156,727
Earnings per share			
Basic and diluted earnings per share (QAR per share)	16	0.66	0.52

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

QAR '000s

**For the three month period
ended 31 March 2014**

	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 2014 (Audited)	3,000,000	1,809,483	(38,349)	442,494	23,850	1,682	215,155	235,352	5,689,667	43,523	5,733,190
Net profit for the period	-	-	-	-	-	-	-	196,809	196,809	4,208	201,017
Fair value reserve movement	-	-	-	-	7,562	-	-	-	7,562	-	7,562
Total recognised income for the period	-	-	-	-	7,562	-	-	196,809	204,371	4,208	208,579
Change in ownership interest	-	-	-	-	-	-	-	-	-	(983)	(983)
Balance at 31 March 2014 (Reviewed)	3,000,000	1,809,483	(38,349)	442,494	31,412	1,682	215,155	432,161	5,894,038	46,748	5,940,786

**For the three month period
ended 31 March 2013**

	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserves	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 2013 (Audited)	3,000,000	1,710,221	(38,349)	302,215	26,928	-	119,542	74,197	5,194,754	26,890	5,221,644
Net profit for the period	-	-	-	-	-	-	-	155,483	155,483	1,244	156,727
Fair value reserve movement	-	-	-	-	(3,045)	-	-	-	(3,045)	-	(3,045)
Total recognised income and expense for the period	-	-	-	-	(3,045)	-	-	155,483	152,438	1,244	153,682
Change in ownership interest	-	-	-	-	-	-	-	-	-	1,445	1,445
Balance at 31 March 2013 (Reviewed)	3,000,000	1,710,221	(38,349)	302,215	23,883	-	119,542	229,680	5,347,192	29,579	5,376,771

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

QAR '000s

	Note	For the three month period ended 31 March	
		2014 (Reviewed)	2013 (Reviewed)
Cash flows from operating activities			
Net profit for the period		201,017	156,727
<i>Adjustments for:</i>			
Impairment loss on financing assets	9(b)	8,017	4,265
Depreciation and amortization		10,161	21,349
Employees' end of service benefits provision		4,705	3,822
Net gain on sale of investment securities		(21,594)	(28,352)
Dividend income		(10,368)	(6,619)
Share of results of associates and joint ventures	11	(7,344)	(4,018)
<i>Profit before changes in operating assets and liabilities</i>		<u>184,594</u>	<u>147,174</u>
Change in reserve account with Qatar Central Bank		(200,780)	(82,076)
Change in due from banks		315,451	(32,495)
Change in financing assets		(1,174,383)	(740,373)
Change in other assets		(70,318)	40,326
Change in due to banks		(2,503,610)	(35,170)
Change in customer current accounts		1,030,943	744,448
Change in other liabilities		(80,317)	49,124
Change in equity of investment account holders		474,604	2,322,284
		<u>(2,023,816)</u>	<u>2,413,242</u>
Dividends received		10,368	6,619
Employees' end of service benefits paid		(532)	(1,470)
Net cash (used in)/from operating activities		<u>(2,013,980)</u>	<u>2,418,391</u>
Cash flows from investing activities			
Disposal/(acquisition) of investments		1,002,232	(924,682)
Acquisition of fixed and intangible assets		(136,674)	(15,746)
Net cash from/(used in) investing activities		<u>865,558</u>	<u>(940,428)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,148,422)</u>	<u>1,477,963</u>
Cash and cash equivalents at 1 January		<u>2,880,463</u>	<u>805,293</u>
Cash and cash equivalents at 31 March	18	<u><u>1,732,041</u></u>	<u><u>2,283,256</u></u>

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 three month period ended 31 March 2014

1. REPORTING ENTITY

Barwa Bank (the “Bank”) was incorporated as Qatari Private Shareholding Company in the State of Qatar under Commercial Registration No. 38012 dated 24 January 2008 (the “date of incorporation”). On 13 December 2012, the Ministry of Business and Trade approved conversion of the Bank to a Qatari Shareholding Company under directive No. 70 of 2012. The Bank obtained its banking license from Qatar Central Bank (“QCB”) on 1 February 2009 (License No. RM/19/2008) and commenced its activities in July 2009. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 4 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 18.67% by General Retirement and Social Insurance Authority, 18.67% 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 principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Date of Acquisition	Percentage of ownership	
			2014	2013
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	69%	70%

- (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 incorporated in GCC to earn return for its unit holders.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2014

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 2013. The results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014.

(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 judgements, 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 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2014

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 2013.

New standards, amendments and interpretations effective from 1 January 2014

No new accounting standard and interpretations have been issued by AAOIFI during 2014 effective from annual periods beginning on or after 1 January 2014.

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 2013.

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

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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 2014	Corporate banking	Retail banking	Treasury and investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	223,861	44,493	95,715	(202)	-	363,867
Net fee and commission income	13,766	4,132	487	5,720	-	24,105
Reportable segment net profit	150,088	10,229	81,000	4,824	(45,124)	201,017

Reportable segment assets	20,979,848	2,448,909	8,040,972	513,306	777,230	32,760,265
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As at and for the three month period ended 31 March 2013	Corporate banking	Retail banking	Treasury and Investments division	Investment banking and asset management	Unallocated	Total
Total income from financing and investing activities	181,886	40,509	100,934	1,816	-	325,145
Net fee and commission income	7,065	2,083	-	18,620	-	27,768
Reportable segment profit	94,523	5,382	73,253	7,936	(24,367)	156,727

Reportable segment assets	14,734,101	1,952,087	10,572,661	461,907	777,230	28,497,986
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three month period ended 31 March 2014

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 2014 (Reviewed)					
Cash and balances with Qatar Central Bank	-	-	1,246,747	1,246,747	1,246,747
Due from banks	-	-	2,419,054	2,419,054	2,419,054
Financing assets	-	-	20,513,487	20,513,487	20,513,487
Investment securities:					
- Carried at fair value	122,991	787,854	-	910,845	910,845
- Carried at amortised cost /cost	-	-	5,852,309	5,852,309	5,878,349
Risk management instruments	13,948	-	-	13,948	13,948
	136,939	787,854	30,031,597	30,956,390	30,982,430
Due to banks	-	-	3,316,568	3,316,568	3,316,568
Customer current accounts	-	-	2,683,845	2,683,845	2,683,845
Risk management instruments	8,267	-	-	8,267	8,267
	8,267	-	6,000,413	6,008,680	6,008,680
Equity of investment account holders	-	-	20,052,043	20,052,043	20,052,043
	8,267	-	26,052,456	26,060,723	26,060,723

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2014

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 2013 (Audited)					
Cash and balances with central banks	-	-	1,088,794	1,088,794	1,088,794
Due from banks	-	-	3,840,100	3,840,100	3,840,100
Financing assets	-	-	19,347,121	19,347,121	19,347,121
Investment securities:					
- Carried at fair value	91,958	801,668	-	893,626	893,626
- Carried at amortised cost /cost	-	-	6,840,595	6,840,595	6,822,789
Risk management instruments	15,216	-	-	15,216	15,216
	<u>107,174</u>	<u>801,668</u>	<u>31,116,610</u>	<u>32,025,452</u>	<u>32,007,646</u>
Due to banks	-	-	5,820,178	5,820,178	5,820,178
Customer current accounts	-	-	1,652,902	1,652,902	1,652,902
Risk management instruments	7,881	-	-	7,881	7,881
	<u>7,881</u>	<u>-</u>	<u>7,473,080</u>	<u>7,480,961</u>	<u>7,480,961</u>
Equity of investment account holders	-	-	19,577,439	19,577,439	19,577,439
	<u>7,881</u>	<u>-</u>	<u>27,050,519</u>	<u>27,058,400</u>	<u>27,058,400</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2014

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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:

In thousands	Level 1	Level 2	Level 3	Total
31 March 2014 (Reviewed)				
Risk management instruments (assets)	-	-	13,948	13,948
Investment securities carried at fair value	511,708	-	399,137	910,845
	<u>511,708</u>	<u>-</u>	<u>413,085</u>	<u>924,793</u>
Risk management instruments (liabilities)	-	-	8,267	8,267
	<u>-</u>	<u>-</u>	<u>8,267</u>	<u>8,267</u>
31 December 2013 (Audited)				
Risk management instruments (assets)	-	-	15,216	15,216
Investment securities carried at fair value	501,496	-	392,130	893,626
	<u>501,496</u>	<u>-</u>	<u>407,346</u>	<u>908,842</u>
Risk management instruments (liabilities)	-	-	7,881	7,881
	<u>-</u>	<u>-</u>	<u>7,881</u>	<u>7,881</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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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7. CASH AND BALANCES WITH QATAR CENTRAL BANK

	31 March 2014 (Reviewed)	31 December 2013 (Audited)
Cash	126,577	128,330
Cash reserve with QCB*	1,062,944	862,164
Other balances with QCB	57,226	98,300
	<u>1,246,747</u>	<u>1,088,794</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 2014 (Reviewed)	31 December 2013 (Audited)
Current accounts	145,319	302,193
Wakala placements with banks	925,439	1,768,168
Mudaraba placements	177,915	583,472
Commodity murabaha receivable	1,170,381	1,186,267
	<u>2,419,054</u>	<u>3,840,100</u>

9. FINANCING ASSETS

(a) By type

	31 March 2014 (Reviewed)	31 December 2013 (Audited)
Murabaha	4,881,911	4,051,416
Murabaha commodity	11,354,621	11,493,981
Musawama	2,306,188	1,879,191
Istisna'a	842,636	858,520
Ijarah Muntahia Bittamleek	2,560,994	2,349,655
Tawarruk	72,584	85,712
Cards	35,049	24,785
Others	40,869	8,400
Total financing assets	<u>22,094,852</u>	<u>20,751,660</u>
Less: Deferred profit	1,240,010	1,041,414
Provision for impairment on financing assets – Specific	294,069	309,696
Provision for impairment on financing assets – Collective	1,250	1,250
Suspended profit related to non-performing financing assets	46,036	52,179
Net financing assets	<u>20,513,487</u>	<u>19,347,121</u>

The total non-performing financing assets at 31 March 2014 amounted to QAR 411 million, representing 1.9% of the gross financing assets (31 December 2013: QAR 410 million, representing 2.0%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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9. FINANCING ASSETS (CONTINUED)

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

	2014 (Reviewed)	2013 (Reviewed)
Balance at 1 January	309,696	235,282
Provisions made during the period	8,017	4,265
Recoveries during the period	(23,644)	(13,558)
	(15,627)	(9,293)
Balance for the period ended 31 March	294,069	225,989

10. INVESTMENT SECURITIES

	31 March 2014 (Reviewed)			31 December 2013 (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	122,991	-	122,991	91,958	-	91,958
• debt-type investments – Fixed rate	-	-	-	-	-	-
	122,991	-	122,991	91,958	-	91,958
<i>Debt-type investments classified at amortised cost</i>						
- Fixed rate*	2,211,219	3,519,100	5,730,319	1,950,405	4,768,200	6,718,605
- Floating rate	121,990	-	121,990	121,990	-	121,990
	2,333,209	3,519,100	5,852,309	2,072,395	4,768,200	6,840,595
<i>Equity-type investments classified as fair value through equity</i>						
	388,717	399,137	787,854	409,538	392,130	801,668
	2,844,917	3,918,237	6,763,154	2,573,891	5,160,330	7,734,221

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

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

	2014 (Reviewed)	2013 (Reviewed)
Balance at 1 January	23,850	26,928
Net change in fair value	10,096	(3,045)
Share of associate's fair value changes	(2,534)	-
	7,562	(3,045)
Balance at 31 March	31,412	23,883

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11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	31 March 2014 (Reviewed)	31 December 2013 (Audited)
Balance at 1 January	255,581	194,429
Share of results	7,344	63,549
Addition during the period / year	-	10,528
Dividend received during the period / year	(529)	(14,915)
Share of associates fair value changes	(2,534)	-
Share of associates currency translation reserve	-	1,682
Other movements	71	308
	<u>259,933</u>	<u>255,581</u>

12. DUE TO BANKS

	31 March 2014 (Reviewed)	31 December 2013 (Audited)
Current accounts	5	5
Commodity Murabaha payable*	2,119,638	1,415,518
Wakala payable	1,196,925	4,404,655
	<u>3,316,568</u>	<u>5,820,178</u>

*This represents amounts held under repurchase agreements.

13. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	31 March 2014 (Reviewed)	31 December 2013 (Audited)
Investment account holders balance before share of profit (a)	20,019,036	19,534,149
Distributable profits to investment account holders for the period / year (b)	69,677	248,244
Profit already distributed during the period / year	(36,601)	(204,885)
Profit payable to investment account holders	33,076	43,359
Share in fair value reserve	(69)	(69)
Total investment account holders balance	<u>20,052,043</u>	<u>19,577,439</u>
<i>By type:</i>		
Saving accounts	1,507,775	1,358,560
Call accounts	663,832	386,142
Term accounts	17,847,429	17,789,447
Total (a)	<u>20,019,036</u>	<u>19,534,149</u>

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13. EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

	For the three month period ended	
	31 March 2013 (Reviewed)	31 March 2013 (Reviewed)
<i>Net return breakup:</i>		
Saving accounts	7,038	5,366
Call accounts	409	264
Term accounts - 1 month	28,741	12,160
Term accounts - 3 month	22,561	29,507
Term accounts - 6 month	5,386	12,361
Term accounts - 9 month	195	77
Term accounts - 12 month	5,347	11,413
Total (b)	69,677	71,148

14. OWNERS' EQUITY

(a) Share capital

<i>In thousands of shares</i>	Ordinary shares	
	31 March 2014 (Reviewed)	31 December 2013 (Audited)
In issue at	300,000	300,000

At 31 March 2014, the authorised share capital comprised 400,000 thousand ordinary shares (31 December 2013: 400,000 thousand), having a par value of QAR 10 each share. Out of this authorised capital 300,000 thousand ordinary shares (31 December 2013: 300,000 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with Qatar Central Bank regulations 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 No. 5 of 2002 and after QCB approval. As at 31 December 2013, legal reserve balance was QAR 1,809.5 million. No further transfer has been made for the three month period ended 31 March 2014 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 No.5 of 2002.

(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 2013, risk reserve balance was QAR 442.5 million. No further transfer has been made for the three month period ended 31 March 2014 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 should be transferred to a separate reserve account in Owners' equity. Further the Bank has set aside QAR 100 million in 2013 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 2013, other reserve balance was QAR 215.2 million. No further transfer has been made for the three month period ended 31 March 2014 as the Bank transfers the required amount at year-end.

15. CONTINGENT LIABILITIES AND COMMITMENTS

	31 March 2014 (Reviewed)	31 December 2013 (Audited)
a) Contingent liabilities		
Unused credit facilities	8,315,875	7,583,576
Guarantees	5,589,828	4,687,802
Letters of credit	1,095,149	1,243,303
	15,000,852	13,514,681
b) Commitments		
Profit rate swaps	1,985,933	1,803,858
Other risk management instruments	466,845	768,424
	2,452,778	2,572,282

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 25.7 million (31 December 2013: QAR 30.6 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	
	31 March 2014 (Reviewed)	31 March 2013 (Reviewed)
Profit for the period attributable to the equity holders of the Bank	196,809	155,483
Weighted average number of outstanding shares	296,165	296,165
Basic and diluted earning per share (QAR)	0.66	0.52

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 2014 (Reviewed)	31 December 2013 (Audited)
Customer financing assets	1,124,493	1,252,877
Customer deposits	345,049	528,874

	For the three month period ended	
	31 March 2014 (Reviewed)	31 March 2013 (Reviewed)
<i>Compensation of key management personnel</i>		
Salaries and other benefits	21,929	22,280

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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:

	31 March 2014 (Reviewed)	31 December 2013 (Audited)
Cash and balances with Qatar Central Bank (excluding reserve account with Qatar Central Bank)	183,803	226,630
Due from banks	1,548,238	2,653,833
	<u>1,732,041</u>	<u>2,880,463</u>

19. COMPARATIVE FIGURES

The comparative figures presented for the period / year 2013 have been reclassified where necessary to preserve consistency with the period 2014 figures. However, such reclassifications did not have any effect on the consolidated net profit, or the total consolidated equity for the comparative period.