

Annual report 2015

31 DECEMBER 2015

PARTNERS IN VALUE CREATION





HIS HIGHNESS THE FATHER EMIR SHEIKH HAMAD BIN KHALIFA AL THANI



HIS HIGHNESS Sheikh Tamim bin Hamad Al Thani Emir of the State of Qatar



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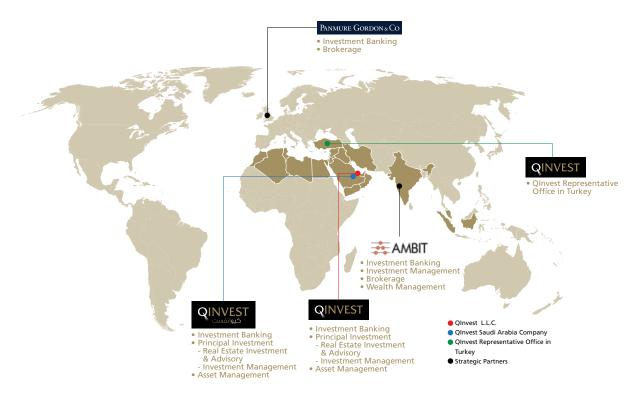
QInvest is Qatar's leading investment bank and, with operations across the Middle East, Africa and Europe, is one of the most prominent Islamic financing institutions in the world. QInvest has built world class investment and advisory capabilities, with the highest standards of governance and transparency underpinning its client-focused approach. The firm's priority is to deliver high-value propositions, considered solutions and tangible results for its clients and shareholders.

QInvest's three business divisions are Investment Banking, Principal Investments and Asset Management. It has unrivalled expertise in structuring Islamic products and provides clients with Sharia'a compliant solutions quickly and competitively.

The firm has offices in Doha, Riyadh and Istanbul, as well as affiliates in India and the UK. Its team of investment professionals is the largest in the MENA region and provides a blend of broad international experience, deep regional knowledge and unparalleled relationships in Qatar. This reach and

range of skills uniquely positions the firm to facilitate the flow of business between Qatar, the region and global markets, making it a key institution in Qatar's international investment plans.

QInvest was licensed by the Qatar Financial Centre Authority in April 2007 and is authorised by the Qatar Financial Centre Regulatory Authority. QInvest's shareholders include Qatar Islamic Bank and other institutional investors, as well as high-net-worth individuals. The firm has authorized capital of US\$ 1 billion and paid up capital of US\$ 750 million.





Vision

Our vision is to become the world's leading Sharia'a compliant investment group.

Mission

To provide a wide range of high value services covering advisory, financing and investment needs; creating enduring relationships built on trust, which put our shareholders and clients at the heart of everything we do.

To continuously enhance our capabilities while adhering to the highest standards of governance and transparency.

To always act in the best interests of our clients, shareholders, employees and the societies in which we operate.

Values

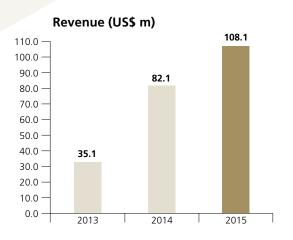
Our core values, The Six Cs, were built to shape and define the culture of the bank and were developed over time with an understanding that business success is built upon an appreciation of the needs of all our stakeholders. Underpinning all of these values is a Sharia'a compliant approach to delivering our investment banking, principal investments and asset management services.

- 1. **Commitment** We are committed to understanding the needs of our stakeholders and always strive to exceed their expectations.
- 2. Clarity We are open and honest in everything we do.
- 3. **Confidence** Mutual trust is essential for us to perform at our best in any market conditions. It is our responsibility to earn this trust so we can make the best decisions for our clients.
- 4. **Cohesion** Our people are critical to our success. We strive to create an environment where our people work together and enhance their effectiveness, so we can better serve our clients.
- 5. **Community** We treat all our stakeholders with respect and keep them at the centre of every business decision we make.
- 6. **Creativity** In order to remain at the forefront of the Islamic finance industry, we are constantly seeking to develop more effective solutions and services for our clients.



Financial Highlights

(USD '0000)	Full year 31 December 2013 (Audited)	Full year 31 December 2014 (Audited)	Full year 31 December 2015 (Audited)
Revenue	35,147	82,096	108,098
Net Profit / (Loss)	3,136	24,156	42,336











HIS EMINENCE DR. SHEIKH WALID BIN HADI CHAIRMAN

> HIS EMINENCE SHEIKH DR. ABDUL SATTAR ABU GHUDDA

BOARD MEMBER

HIS EMINENCE SHEIKH NIZAM YACOUBY

BOARD MEMBER















H.E. Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani

CHAIRMAN

H.E. SHEIKH MUBARAK BIN ABDULLAH M. ALKHAFRAH

BOARD MEMBER

MR MOHAMED ABDULLATIF AL MANAA

BOARD MEMBER

BRIGADIER MR KHAMIS MUBARAK AL-KUWARI

BOARD MEMBER

MR SALAH MOHAMMED JAIDAH

BOARD MEMBER

Mr Bassel Gamal

Board Member

Mr Gourang Hemani

BOARD MEMBER





2015 was a year of very strong performance for QInvest. Despite challenging global economic conditions and regional market volatility, all of our three revenue-generating business lines continued to consolidate existing partnerships and win new business.

We also continued to advise on a significant number of high-profile transactions around the world, reinforcing the QInvest brand in the region and further afield.

You will be pleased to know that we have achieved strong growth, ending the year with revenues up 32% (QAR 393 million or US\$108 million) and net profit 76% (QAR 154 million or US\$42 million) ahead of 2014; and recommending doubling the dividend to shareholders to 4% compared to the 2% offered in the previous year.

These results demonstrate our ability to successfully implement our strategy, which we believe will continue to achieve consistent growth for us over the coming years. It will also contribute significantly to our position as Qatar's leading investment bank and one of the world's prominent Islamic financial institutions.

We also concluded a 5-year US\$200 million Murabaha facility with a syndicate madeup of local and international banks, which demonstrated the strength of QInvest's balance sheet, and set an excellent benchmark for future borrowing.

Looking ahead to 2016, we expect the global economy to continue to present challenges. However, and because of our cautious strategy, we will remain focused on seeking out more value for our shareholders and assessing opportunities to maximise returns from our different financial positions.

We are very proud of our results in 2015, which help consolidate our position as the leading investment bank in Qatar, and one of the world's most prominent Islamic financial institutions. And we would like to recommend doubling the dividend to shareholders to 4% compared to the 2% offered in 2014.

On the social level, during 2015 we launched several corporate and social initiatives, demonstrating our commitment to further developing the industry and supporting the communities in which we operate. Notably, we hosted an Islamic Finance workshop in

Luxembourg, in partnership with Luxembourg for Finance (the agency responsible for the development of the Luxembourg financial centre). Additionally, we signed a Memorandum of Understanding with Carnegie Mellon University to cooperate in the fields of research and education.

We are also extremely pleased to have been awarded a number of prestigious awards this year demonstrating our achievements and the good results during each quarter of 2015.

On behalf of the Board, I would like to thank all of our shareholders for their continual support. I would also like to extend my thanks to the team at QInvest for their professionalism and commitment to the success of the business.

And lastly, I extend warm gratitude to our Sharia'a Supervisory Board for their wise counsel and guidance on our activities during the year.



Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani Chairman





Despite challenging global economic conditions and regional market volatility, 2015 was a record year for QInvest and demonstrated our ability to consistently deliver strong performance across all business lines. I am proud to report that we achieved robust growth, ending the year with revenues up 32% (QAR 393 million or US\$ 108 million) and net profit 76% (QAR 154 million or US\$ 42 million) ahead of 2014. As a result, the bank recommended doubling the dividend to shareholders for the financial year 2015.

Growing revenue streams and continuing to build our platform were key priorities for us in 2015. Across the bank, we focused on strengthening our deal flow pipeline whilst solidifying and enhancing relationships with existing clients. During the course of 2015, we launched a number of long-term strategic initiatives that supplemented our innovative business lines. Despite volatile regional financial markets, our revenue-generating business lines continued to cultivate new business and develop existing relationships, as I highlight below.

We also concluded a 5-year debut US\$200 million long term syndicated facility made up of local and international banks. This facility demonstrates to the market the strength of QInvest's balance sheet, and sets an excellent benchmark for future borrowing.

In the Investment Banking division, our structured finance and advisory businesses had a busy and successful year and we are well positioned to build on this solid performance in 2016. In structured finance, we closed ten corporate transactions deploying approximately US\$300 million, whilst successfully syndicating part of it. The team's focus is now directed towards executing its current pipeline of opportunities and building an even more profitable pipeline for the rest of 2016. The advisory business includes our Debt Capital Markets (DCM), Mergers & Acquisitions (M&A) and Equity Capital Markets (ECM) franchises. The DCM franchise continued to strengthen in 2015, and we were active on a number of mandates for sovereigns, financial institutions and corporates. Despite unpredictable market conditions, we successfully helped our clients navigate these volatile conditions with a number of mandates executed during the year. Notably, we acted as joint lead manager and book runner on Noor Bank's debut US\$500 million senior Sukuk, which was oversubscribed by more than four times, a US\$250 million Tier II Sukuk for Albaraka Turk, a US\$750 million senior Sukuk for Qatar Islamic Bank as well as a QAR 2 billion Tier I Sukuk. The M&A team was also active in 2015, their most significant transaction being advising a Qatari client on the acquisition of a Turkish retail group. The team is currently active on a number of buyside and sell-side mandates across multiple industries and geographies for both family offices and institutional investors. As a result.

we enter 2016 with an optimistic outlook for the year. Although ECM activity was subdued in 2015, the team were mandated on a number of IPOs, and given the preparatory work already completed, the outlook for 2016 looks more promising.

Our Principal Investments unit continues to deploy and reinvest in both equity and high yielding credit. In the real estate sector, the business is at various stages of execution and completion on a number of transactions in London, Western Europe and the USA. These transactions are a blend of income generating assets in Germany and the USA, value add hospitality, the repositioning of a commercial property asset in Luxembourg and private rented sector/multi-family accommodation in the UK. We have also conducted additional mezzanine transactions in the USA, and the team continues to search for value add and residential development opportunities in London and other geographies on a co-investment basis. In 2015, we made a select number of equity investments, deploying approximately US\$50 million in various transactions. These took the form of both direct co-investments and fund investments alongside leading investment groups. The investments are expected to generate attractive returns as well as ancillary benefits for the Investment Banking division, including structured finance and advisory mandates. Following exits in 2014, the portfolio of principal investments was reduced significantly, and this trend continued through 2015. In regards to the remaining assets in the historical portfolio, we will assess opportunities as they arise to maximise value from these positions.



Last year was a very strong year for our Asset Management business, with the team capitalising on the processes, infrastructure and resources, which have been put in place over the last few years. By the end of 2015, assets under management across all of our products had increased by 75% year-onyear. This reflects the impressive investment process and track record developed by the Asset Management division. In the first half of the year, the team launched QInvest Pioneer European Fund in partnership with Pioneer Investments, one of Europe's largest multi-billion dollar asset management groups. In the second half of the year, we launched QInvest Pramerica Liquid Real Estate fund in partnership with Pramerica Real Estate Investors, the real estate investment management business of the USheadquartered Prudential Financial, Inc, one of the world's largest real estate investors. The third fund, Qatar Equity Fund, was launched by our pioneering open architecture sharia'a compliant managed account platform (QMAP), and managed by the Asset Management team. In addition to the QMAP funds, we have successfully rolled out two capital-protected notes for clients that were

very well received. The second half of the year also saw the launch of QInvest's first onshore fund into Turkey, in partnership with Ergo Portfoy. This is the first step towards growing an onshore Turkish presence for the asset management group.

In other news, during 2015, we launched several corporate social initiatives, further committing to developing the industry and supporting the communities in which we operate. In partnership with Luxembourg for Finance (the agency for the development of the Luxembourg financial centre), we hosted an Islamic Finance workshop in Luxembourg. Additionally, we signed a Memorandum of Understanding (MoU) with Carnegie Mellon University in Qatar, a branch of Carnegie Mellon University in Pennsylvania, USA, to cooperate in the fields of research and education.

We are also extremely pleased to have been awarded a number of prestigious awards this year. These include Most Innovative Investment Bank from The Banker magazine, Best Investment Bank in Qatar from Euromoney, Sukuk House and Best Asset Management House of the Year in Qatar from Asset Triple A, Islamic Fund Management Firm of the Year from Global Funds Award and Best Islamic Real Estate Finance Provider from Global Finance.

Looking ahead in 2016, we expect the global economy to remain challenging and regional markets to remain volatile. However, we will remain focused on seeking value for our shareholders and assessing opportunities to maximise returns from our different investments.

In closing, I would like to take this opportunity to extend warm gratitude to our Sharia'a Supervisory Board and Board of Directors for their wise counsel and guidance during the year. Additionally, I thank our shareholders for their commitment and continued support.

Kind regards,

Tamim Hamad Al-KawariChief Executive Officer



















Mr Tamim Hamad Al-Kawari

CHIEF EXECUTIVE Officer

MR MICHAEL KATOUNAS

DEPUTY CHIEF EXECUTIVE OFFICER & HEAD OF INVESTMENT BANKING

Dr Ataf Ahmed

Management

MR ALEX ARMSTRONG

HEAD OF FINANCIAL INSTITUTIONS AND STRUCTURED FINANCE MR CRAIG COWIE

HEAD OF REAL ESTATE INVESTMENT & ADVISORY

MR. CASPAR A.M. WARRE

HEAD OF MERGERS & ACQUISITIONS

MR BERNARD BARBOUR

HEAD OF LEGAL & SHARIA'A AFFAIRS BOARD SECRETARY

MR SAMUEL CHONG

HEAD OF RISK MANAGEMENT Mr Duncan Walker

CHIEF OPERATING OFFICER

MANAGEMENT TEAM BIOGRAPHIES



Mr Tamim Hamad Al-Kawari Chief Executive Officer

Tamim joined QInvest in 2012 from Goldman Sachs, where he was a Managing Director and Country Head for Qatar. In addition his role as CEO, Tamim also heads the Principle Investments team.

Prior to joining Goldman Sachs, Tamim was the Chief Financial Officer for Qatargas' Transport Company, Nakilat, where he successfully implemented an US\$ 8 billion program to finance 27 liquefied natural gas (LNG) vessels that ship LNG from Ras Laffan to customers worldwide.

Prior joining Nakilat, Tamim served as the treasurer for the Qatargas Company. Earlier in his career he also worked as a trader at Qatar National Bank, where he traded a range of financial products.

Tamim has over 18 years of experience in investment banking and executing transactions, having worked at a number of leading Qatari and international institutions.

He holds a BA in International Business with a minor in Political Science from George Washington University and an MBA from the American University - Washington, D.C.



Mr Michael Katounas Deputy Chief Executive Officer & Head of Investment Banking

Michael joined QInvest in 2014 from Credit Suisse, where he built the MENA investment banking team. At Credit Suisse, he was responsible for leading some of bank's largest transactions across the MENA and Europe regions.

Michael has over 16 years of experience having worked in leading financial institutions in London, Dubai, Amsterdam and Athens.

Throughout his career, Michael has executed private equity, M&A, corporate finance, debt and equity capital raising and restructuring transactions with a total value of more than US\$50bn.

He holds a Master of Science from the London School of Economics and is a CFA charter holder.



Dr Ataf Ahmed Head of Asset Management

Dr Ataf Ahmed is the global head of Asset Management for the Qlnvest group. He is responsible for launching and building the asset management franchise from inception in 2013 to a multi strategy and multi-asset class business, with a team located in four countries managing close to US\$ 1 Billion. The Asset Management group has won multiple awards and created QMAP, Qlnvest's managed account fund platform, which is the world's first open architecture Sharia'a compliant managed account platform.

Prior to joining QInvest, he was a Director in the UBS Wealth Management Hedge Funds group in Zurich where he had a range of responsibilities including oversight of a number of multi-billion fund of hedge funds as well as overseeing the advisory fund of hedge fund platform for the bank on a global basis. Dr. Ahmed started his career in the Barclays Group where he had a number of roles in different countries and parts of the organization and his last role was Head of Strategic Asset Allocation for Barclays Wealth in London. In his various roles, he has built quantitative optimization processes that utilize a range of risk and return metrics and can be optimized against multiple risk variables. Through this period he gained extensive experience in investment management across both traditional and alternative investments

Dr. Ahmed has PhD in Semiconductor Physics from the University of Cambridge and is CFA Charterholder.



Mr Craig Cowie
Head of Real Estate Investment
& Advisory

Craig joined QInvest in 2010 from Al Rajhi Capital in Saudi Arabia, where he was Managing Director, Real Estate Advisory and Private Equity.

At Al Rajihi Capital, Craig's responsibilities included overseeing private real estate transactions and advising on and arranging capital for projects worth over US\$4 billion. Craig led a team in securing the sole financial advisory and arranging mandate to raise US\$3 billion for Jabal Omar Development Company, a listed entity on the Tadawul. Craig also led the Al Rajhi Capital negotiations and subsequent implementation of a joint venture with a GCC investment bank (and subsequently was a nominated board member) for a US\$ 500m GCC focused real estate income yielding private equity fund.

Craig has 18 years' experience investing in real estate assets, having initially worked for a real estate development company.

He holds a Bachelor of Commerce (Honors) degree in investment management from the University of Natal in South Africa.



Mr Alex Armstrong Head of Financial Institutions and Structured Finance

Alex Armstrong is a Managing Director and Head of Financial Institutions and Structured Finance at QInvest LLC. Alex has over 15 years' experience in structured finance and financial innovation, having worked on well over 10 billion USD of transaction value during his 6 years at QInvest Alex's most recent transaction history includes developing QInvest's Islamic Structured Finance portfolio commencing with the global product debut of the Unitranche Murabaha launched in January 2014.

Alex joined QInvest in 2010 from SHUAA Capital, where he served as Head of Structuring and Product Development responsible for the Groups structure and development of new and existing product lines. Throughout his career Alex has worked at top tier financial institutions such as JPMorgan Chase and Credit Lyonnais London.

Alex has worked as a delegate representative on a number of global capital markets trade associations, governmental and supra governmental organizations advising on European Capital Markets practice including the development of regulation governing debt capital markets, secondary loan trading and leveraged finance transactions...

Alex is also an International member of the Law Society of England and Wales.



Caspar A.M. Warre Head of Mergers & Acquisitions

Mr. Caspar A.M. Warre joined QInvest in 2010 and is a Managing Director and Head of Mergers & Acquisitions. Caspar has eighteen years of experience in international investment banking. At QInvest, Caspar has advised clients on cross border acquisitions with an aggregate transaction value in excess of US\$5 billion. In addition, he is actively involved with QInvest's capital deployment both in terms of financing and equity with a particular focus on Western European markets. He also serves as Director of Ambit Holdings Pvt. Ltd, a Non-Executive Director at Panmure Gordon & Co. plc and a Director Intercat Hospitality LLC.

Prior to QInvest, he worked for 12 years in corporate finance at Dresdner Kleinwort in London, where he was involved in the origination, structuring and execution of M&A, ECM and DCM transactions across the industrials, business services, transportation, oil and gas and construction sectors.

Mr. Warre holds a BA in history from Cambridge University and studied at Eton College.





Mr Bernard Barbour Head of Legal and Sharia'a Affairs Company Secretary

Bernard joined QInvest in 2007 from the Central Bank of Lebanon, where he was a Senior Attaché in the Legal department.

At the Central Bank of Lebanon, he was responsible for drafting the Islamic Finance Regulatory and Legal Framework in the Republic of Lebanon, legislative prepositions to payment systems such as credit cards debit cards, settlements, clearing E-checks, E-money and netting among others.

Bernard has more than 20 years of experience in financial legal systems, including teaching financial, fiscal and contract law at leading universities in Lebanon.

He holds an LLM degree in European law from Lausanne University, Switzerland, and an LLM degree in International Economic Law from Geneva University, Switzerland, a B.A. in Law from the Lebanese University, and a Diploma in English Legal Methods from Cambridge University, England.



Mr Samuel Chong Head of Risk Management

Sam is the Head of Risk Management at QInvest. His primary duties include managing the risks associated with the Firm's proprietary investments, financings and asset management business.

Prior to joining QInvest, Sam helped to establish the investment banking group of TNI-KSA, which was a joint venture in Saudi Arabia owned by the Al-Rajhi Investment Group and The National Investor of Abu Dhabi. Previously, Sam was a member of a team managing strategic investments and ETF product development for Susquehanna International Group, a multi-billion dollar quantitative trading firm specializing in options, derivatives and equities. Previously, Sam held private equity and investment banking positions at SunTrust Equity Partners and Bear Stearns, respectively.

Sam has an MBA from the University of Chicago Booth School of Business and a BA in Economics from the University of Chicago.



Mr Duncan Walker Chief Operating Officer

Duncan joined QInvest in 2014 from Credit Suisse, where he held several managerial positions, most recently as Regional CFO for the Middle East and Africa region.

Over his career, Duncan has demonstrated an ability to improve operations, impact business growth and maximize profits through financial management, cost reductions, improved controls and efficiency improvements.

Duncan has over 20 years of experience in Financial Services. He holds a Bachelor of Science (BSc) Honors degree in Property Valuation and Finance from City University in London (UK). Duncan is a qualified Accountant and a member of the Chartered Institute of Management Accountants (ACMA & CGMA).







QInvest's Investment Banking team is the largest in the Middle East and consists of seasoned professionals providing expertise in all areas of financing and advisory activities to corporate and institutional clients both regionally and internationally. The team is a trusted advisor to leading Qatari corporates and family offices in their outbound activities and serves as a gateway for companies to access Qatar's international capital flows.

Across the region, Qlnvest's mid-market practice is complemented by the firm's relationships with family offices and ability to use its own capital.

Areas of expertise include:

- Mergers & Acquisitions
- Corporate Finance Advisory
- Equity Capital Markets
- Syndicated and Sukuk financings
- Leveraged and Structured Finance
- Real Estate Finance
- Asset & Liability Management
- Restructuring

QInvest's Sharia'a compliant Investment Banking business continues to win accolades from across the industry. Recent 2015 awards include Euromoney's Best Investment Bank in Qatar, Global Finance's Best Islamic Real Estate Finance Provider, and Best Sukuk Structuring House in the Middle East at the London Sukuk Summit 2015 Awards.

BUSINESS LINES



Principal Investments

a- Real Estate Investment & Advisory

Working closely with both local and international clients, Qlnvest's Principal Investments - Real Estate unit provides comprehensive financial solutions for prime real estate transactions in the GCC, Europe and the USA, noting that these geographies can be amplified based on the opportunity and relationships we hold. Our multidisciplinary approach, together with an investment banking mindset enables us, our clients and co-investors to drive value for our respective shareholders. QInvest acts as a both principal and arranger in the acquisition of controlling and non-controlling interests in direct real estate with typical equity or mezzanine investments being between \$20 and \$100 million.

QInvest is willing to co-invest with prospective partners in residential developments in top-tier markets together with core and value-add yielding opportunities in the office, retail and multifamily real estate sectors. We are able to invest through numerous structures generally including mezzanine, preferred equity and equity, all of which are represented in transactions closed since 2010. Average transaction life varies between 2 and 5 years, with pricing / return profiles being driven by the particulars of the transaction (including geography and sub-sector).



Principal Investments

b- Investment Management

QInvest's Principal Investments – special situation business focuses on deploying the bank's capital across a broad range of asset classes with the objective of creating value while ensuring principal protection. The team originates investment ideas by leveraging QInvest's local and global network of relationships and ensures best-in-class deal execution through a focused team of experienced investment professionals.

Qlnvest is sector agnostic and deploys capital across the capital structure with a primary focus on Sharia'a compliant mezzanine financings and structured transactions, which best match our risk-return profile. Qlnvest offers a flexible approach and can accommodate the specific needs of our clients by offering short and long term maturities, as well as cash and deferred profit payments. Our investments look to capture a recurring cash yield along with a back-ended, potentially equity linked, payout.

Examples of investments include:

- Mezzanine / HoldCo Financing
- Pre-IPOs / PIPEs / Convertibles
- Bridge Financing
- Acquisition Financing
- Last-mile / Rescue Financing

BUSINESS LINES



Asset Management

QInvest Asset Management offers a range of world class Sharia'a-compliant investments and funds as well as access to the QInvest Managed Account Platform (QMAP), the world's first open architecture Sharia'a-compliant managed account platform. QMAP is a multi-manager and multi-strategy platform that brings best-in-class capabilities from the conventional fund industry to Sharia'a investors through a range of global partnerships. It provides investors with the opportunity to select from a range of high quality Sukuk and equity funds that are managed by both in-house and top tier third party teams.

QInvest Asset Management team expanded QMAP's capability into fixed income through the addition of a new in-house managed Sukuk fund. The team also acquired the former Qatar Islamic Bank United Kingdom (QIB UK) Asset Management team, adding the highly successful Luxembourg-domiciled EFH fund series to the QInvest platform. The QInvest Asset Management also successfully launched the innovative "Shiraa Funds", which were built for Qatar Islamic Bank (QIB) clients. "Shiraa Funds" are three products that invest in a selection of global Sharia'a-compliant funds drawn from QMAP, spanning across international equity and Sukuk markets.

The QInvest Asset Management team provides clients with customised investment products and solutions, including:

- High quality equity and Sukuk funds from QMAP and EFH.
- Multi-manager, multi-strategy portfolio solutions
- Discretionary and Advisory portfolio management
- Portfolio review, analysis and investment recommendations
- Portfolio restructuring, disposal and risk overlays





Sharia'a Supervisory Board

QInvest seeks to uphold Sharia'a principles throughout its activities. The Sharia'a Supervisory Board reviews the Bank's activities to ensure that all products and investment transactions comply fully with the rules and principles of Islamic Sharia'a. The Sharia'a Supervisory Board was established in accordance with AAOIFI and QFCRA directives, including those regarding membership requirements.

Members include:

- His Eminence Dr. Sheikh Walid Bin Hadi (Chairman)
- His Eminence Sheikh Dr. Abdul Sattar Abu Ghudda
- His Eminence Sheikh Nizam Yacouby

Board and Management Committees

QInvest is fully committed to effective governance with the objective to protect the interests of all stakeholders.

To help the Board of Directors fulfil its governance responsibilities, committees have been established to undertake much of the detailed review of items brought before the Board for its consideration.

The Board Risk & Audit Committee, Board Investment Committee, Nomination and Remuneration Committee, and Steering Committee apprise the Board of the items that fall within their scope and provide advice and make recommendations to the Board about these items.

Each committee establishes an annual work plan to guide its activities in the upcoming fiscal year.

The Board and Management Committees include:

- The Board Risk and Audit Committee is a sub-committee of the Board of Directors.
 The primary purpose of the committee is to assist the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, compliance monitoring, and internal and external audit
- The Board Investment Committee is responsible for the implementation and periodic review of the investment and credit strategies and objectives as approved by the bank's Board.
- 3. The Nomination and Remuneration
 Committee is a sub-committee of the
 Board of Directors. The primary purpose of
 the committee is to ensure the adoption
 of best practice and adherence to
 regulatory requirements when conducting

- an independent review and stewardship of the activities related to compensation and benefits, contractual terms and other staff related matters including Training and Competency, policies, succession and resource planning, dismissal, etc.
- 4. **The Steering Committee** shall be responsible for the active and general management of the Bank and shall review and approve strategic, operational, investment and business decisions.

Social Responsibility

QInvest is committed to supporting the communities in which it operates. The firm has developed a corporate social responsibility (CSR) programme that includes a variety of activities, such as organising educational, social, cultural and sporting events. QInvest also sponsors conferences, seminars and other initiatives. These initiatives support the growth of Sharia'a-compliant financial services, locally and across the region, and further enhance the status of the State of Qatar as the leading financial centre in the Middle East.

Olnvest also launched a formal employee engagement initiative in April 2015. Known as ONITED, the initiative is spearheaded by QInvest's Management team and organises and promotes a broad range of activities and initiatives for staff. The purpose of QNITED is to strengthen QInvest's six core values, The Six Cs, among our employees. These values -Commitment, Clarity, Confidence, Cohesion, Community and Creativity - shape and define the culture of the firm and were developed over time with an understanding that business success is built upon an appreciation of the needs of all our stakeholders

RISK MANAGEMENT

Overview

Financial instruments of the Group represent the Group's financial assets and liabilities. Financial assets include cash and bank balances, placements with financial and other institutions, investment securities portfolios, derivative financial instruments, financing assets, certain assets of a subsidiary held for sale and certain other assets of the Group. Financial liabilities include certain liabilities of a subsidiary held for sale, due to banks, financing liabilities, derivative financial instruments and certain other liabilities. Accounting policies for financial instruments are set out in note 2 in these consolidated financial statements.

The Group has exposure to various risks from its use of financial instruments. These risks can be broadly classified as:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk; and
- Regulatory and legal risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management & governance framework of the Group

The Group's risk management process is an integral part of the organization's culture, and is embedded into the organization's practices as well as in all those involved in the risk

management process. The Board of Directors ("Board"), Board Risk, Audit and Compliance Committee ("BRACC"), senior management, risk officers, and line managers contribute to the effective Group-wide risk management.

The risk governance structure is headed by the Board of Directors and the Sharia'a Supervisory Board ("SSB") of the Group. The risk appetite and the risk strategy for the Group are developed at this level.

The next level of the Board committees has delegated powers for monitoring the risk taking activities of the Group. These committees are the Board Risk, Audit and Compliance Committee, the Board Investment Committee ("BIC"), and the Nomination and Remuneration Committee. In turn, the risk appetite and risk tolerance set by the Board are cascaded across the institution and are taken into account in developing business goals and objectives.

As part of an effective system of control, key management decisions are made by more than one individual, in the form of non-board management committee, as follows:

Steering Committee ("STC") is the primary executive committee of the Group that is responsible for the following:

- a) General management issues including performance review against the budget, and oversight on implementation of the strategic business plan.
- b) Evaluates proposals for investments and credits, divestiture of assets and valuation of investments. The committee also ensures compliance with investment criteria as well as investment procedures at each phase of the investment process.

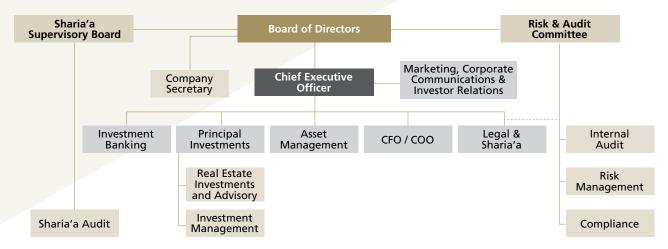
- c) Oversees management of market risks, translates investment strategy directions into asset allocation guidelines, and reviews and manages the capital adequacy, liquidity position and funding alternatives.
- d) Reviews the effectiveness of the operational risk management processes and procedures in respect of IT, Compliance, and AML, with the purpose of mitigating these risks.

Asset and Liability Management Committee ("ALCO") is a sub-committee of the STC responsible for setting and implementing the ALM policy, capital planning and proactive management of liquidity risk and market risk to which the Firm is exposed. The authority of ALCO includes:

- a) Design and implementation of Foreign Exchange and interest hedging strategy
- b) Funding and capital planning
- c) Covenant compliance of the Firm

The risk management functions are carried out by the identified control departments who liaise with the Chief Executive Officer for the day to day management of specific risks. These control departments include Risk Management, Compliance, Legal and Finance, and are manned by dedicated risk specialists in various disciplines to deal with the pertinent business risk exposures of the Group. In line with suitable governance policies, Risk Management and Compliance department have independent reporting lines to the BRACC that allow to provide its impartial view on the business activities taken by the Group.

ORGANISATION CHART





REPORT OF THE SHARIA'A SUPERVISORY BOARD

For the Financial Year 2015

In the Name of Allah, The Beneficent, the merciful

To the shareholders of QInvest LLC,

QInvest Sharia'a Supervisory Board (the "Board") has reviewed the contracts submitted to it, answered the questions of the administration and contributed in finding solutions for practical difficulties that appeared during the implementation.

The Board views that the business conducted is in accordance with the Board's guidance.

The Board has reviewed the Balance sheet and the income statements for the financial year ending 31st of December 2015 and found them to be in compliance with the Islamic Sharia'a rules. The Board insists that while the Bank is responsible for applying Sharia'a governance, its responsibility is limited to issuing fatwas and reviewing the transactions introduced to it from a Sharia'a perspective and to the extent practicable.

The Board thanks the Bank's staff and prays Allah to grant them all the success to serve the Islamic economy, and bless the shareholders' funds and all those who deals with the bank, and sustain everyone with faithfulness in action and word.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh ong

His Eminence Dr. Sheikh Walid Bin Hadi Chairman of the Sharia'a Supervisory Board

His Eminence Sheikh Dr. Abdul Sattar Abu Ghudda

Sharia'a Supervisory Board Member

His Eminence Sheikh Nizam Yacouby Sharia'a Supervisory Board Member

Doha, January 19, 2016

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QINVEST LLC

We have audited the accompanying consolidated financial statements of QInvest LLC ("QInvest" or the "Bank") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of income, changes in shareholders' equity, cash flows and changes in restricted investment accounts for the year then ended, and a summary of significant accounting policies and other explanatory information.

Respective responsibilities of the Board of Directors' and auditors

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, the results of its operations, its cash flows, changes in shareholders' equity and changes in restricted investment accounts for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Einst Ejoung

Ernst & Young
Date: 19 January 2016
Doha

State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 (QAR)

	2015 QAR'000	2014 QAR'000
ASSETS		
Cash and bank balances	251,342	267,416
Placements with banks	227,402	510,983
Financing assets	1,817,911	1,002,208
Investment securities	1,293,521	816,488
Investment in real estate	212,598	234,755
Investment in property lease	183,081	
Investment in associates	282,169	209,478
Assets of a subsidiary held for sale	4,459	61,359
Other assets	204,794	200,142
TOTAL ASSETS	4,477,277	3,302,829
LIABILITIES AND EQUITY		
Liabilities		
Liabilities of a subsidiary held for sale	3,400	18,688
Borrowings	1,613,230	652,816
Other liabilities	118,239	80,722
Total liabilities	1,734,869	752,226
Equity		
Share capital	2,730,000	2,730,000
Share premium	27,300	27,300
Treasury shares	(182,000)	(182,000)
Other reserves	110,823	40,335
Retained earnings / (Accumulated losses)	37,721	(65,032)
Total equity attributable to shareholders of the Bank	2,723,844	2,550,603
Non-controlling interest	18,564	_
Total equity	2,742,408	2,550,603
TOTAL LIABILITIES AND EQUITY	4,477,277	3,302,829
Off-balance sheet items		
Restricted investment accounts	576,762	127,279

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani

Chairman

Tamim Hamad Al-Kawari Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015 (QAR)



	2015 OAR'000	2014 OAR'000
	Q 000	Q/ III 000
Fee and commission income	51,153	91,229
Income from financing assets	138,986	88,088
Net gain from investments	183,627	98,375
Income from placements with banks	4,372	6,461
Share of results of associates	(5,376)	8,365
Profit from a subsidiary held for sale	21,207	1,998
Other (loss) / income	(491)	4,313
Net operating income	393,478	298,829
Staff costs	(130,410)	(92,154)
General and administrative expenses	(45,242)	(38,358)
Depreciation and amortisation	(3,462)	(5,424)
Total operating expenses	(179,114)	(135,936)
Operating profit	214,364	162,893
Finance expenses	(25,520)	(19,874)
Provision for legal claims	(4,859)	(9,100)
Impairment loss on an associate and financial assets	(26,503)	(14,698)
Profit before tax	157,482	119,221
Tax expense	(3,130)	(31,293)
NET PROFIT FOR THE YEAR	154,352	87,928
Attributable to:		
Shareholders of the Bank	154,104	87,928
Non-controlling interest	248	
	154,352	87,928

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 (US\$)

	Notes	2015 US\$'000	2014 US\$'000
ASSETS			
Cash and bank balances	3	69,050	73,466
Placements with banks	4	62,473	140,380
Financing assets		499,426	275,332
Investment securities	6	355,363	224,310
Investment in real estate	7	58,406	64,493
Investment in property lease	8	50,297	_
Investment in associates	9	77,519	57,549
Assets of a subsidiary held for sale	10	1,225	16,857
Other assets		56,262	54,984
TOTAL ASSETS		1,230,021	907,371
LIABILITIES AND EQUITY			
Liabilities			
Liabilities of a subsidiary held for sale	10	934	5,134
Borrowings	12	443,195	179,345
Other liabilities	13	32,483	22,177
Total liabilities		476,612	206,656
Equity			
Share capital	14	750,000	750,000
Share premium	14	7,500	7,500
Treasury shares	15	(50,000)	(50,000)
Other reserves	16	30,446	11,081
Retained earnings / (Accumulated losses)		10,363	(17,866)
Total equity attributable to shareholders of the Bank		748,309	700,715
Non-controlling interest	8	5,100	_
Total equity		753,409	700,715
TOTAL LIABILITIES AND EQUITY		1,230,021	907,371
Off-balance sheet items			
Restricted investment accounts		158,451	34,967

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani

Chairman

Tamim Hamad Al-Kawari Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015 (US\$)



Notes	2015 US\$'000	2014 US\$'000
Fee and commission income	14,053	25,063
Income from financing assets 18	38,183	24,200
Net gain from investments 19	50,447	27,026
Income from placements with banks	1,201	1,775
Share of results of associates 9	(1,477)	
		2,298
Profit from a subsidiary held for sale 10	5,826	549
Other (loss) / income	(135)	1,185
Net operating income	108,098	82,096
Staff costs 20	(35,827)	(25,317)
General and administrative expenses 21	(12,429)	(10,538)
Depreciation and amortisation	(951)	(1,490)
Total operating expenses	(49,207)	(37,345)
Operating profit	58,891	44,751
Finance expenses	(7,011)	(5,460)
Provision for legal claims	(1,335)	(2,500)
Impairment loss on an associate and financial assets 5, 9,11	(7,281)	(4,038)
Profit before tax	43,264	32,753
Tax expense 22	(860)	(8,597)
NET PROFIT FOR THE YEAR	42,404	24,156
Attributable to:		
Shareholders of the Bank	42,336	24,156
Non-controlling interest	68	_
	42,404	24,156

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015

	Share capital US\$ '000	Share premium US\$ '000	Treasury shares US\$ '000	Other reserves (Note 16) US\$ '000	Retained earnings / (Accumulated losses) US\$ '000	Total equity attributable to shareholders of the Bank US\$ '000	Non- controlling interest US\$ '000	Total Equity US\$ '000
As at 1 January 2015	750,000	7,500	(50,000)	11,081	(17,866)	700,715		700,715
Profit for the year					42,336	42,336	68	42,404
Foreign currency translation differences								
of foreign operations	-	-	-	(1,025)	-	(1,025)	(166)	(1,191)
Effective portion of changes in fair value of net investment hedges	-	_		360		360		360
Effective portion of changes in fair value of cash flow hedges		_		(197)		(197)		(197)
Net change in fair value of investment designated as equity		<u>-</u>	<u> </u>	8,836		8,836		8,836
Share of reserves of equity								
accounted associates		<u>-</u>		7,984		7,984		7,984
Share-based payments (Note 32)	<u> </u>	<u> </u>		3,407		3,407		3,407
Dividends (Note 33)	<u> </u>	<u> </u>		-	(14,107)	(14,107)		(14,107)
Net movement in non-controlling interest	<u> </u>						5,198	5,198
As at 31 December 2015	750,000	7,500	(50,000)	30,446	10,363	748,309	5,100	753,409
			Share capital US\$ '000	Share premium US\$ '000	Treasury shares US\$ '000	Other reserves (Note 16) US\$ '000	Accumulated losses US\$ '000	Total Equity US\$ '000
As at 1 January 2014			750,000	7,500		15,096	(42,022)	730,574
Profit for the year							24,156	24,156
Foreign currency translation differences of	foreign opera	tions				(20,474)		(20,474)
Effective portion of changes in fair value of	of net investme	ent hedges	-	-	_	19,614	-	19,614
Effective portion of changes in fair value of	Effective portion of changes in fair value of cash flow hedges		-		-	1,573	-	1,573
Net change in fair value of investment des	Net change in fair value of investment designated as equity		-		-	(6,781)	-	(6,781)
Share of reserves of equity accounted asso	ociates		-		-	2,053	-	2,053
Shares bought back			-	-	(50,000)			(50,000)
As at 31 December 2014			750,000	7,500	(50,000)	11,081	(17,866)	700,715

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015



Notes	2015 US\$'000	2014 US\$'000
OPERATING ACTIVITIES		
Profit before tax	43,264	32,753
Adjustments to reconcile profit before tax to net cash flows:		
Share of results of associates 9	1,477	(2,298)
Net unrealised foreign exchange losses / (gains)	255	(1,024)
Depreciation and amortization	951	1,490
(Gain) / loss on fair value through income statement investments	(31,789)	791
Impairment loss on an associate and financial assets	7,281	4,038
Employees' end of service benefits – net	1,201	815
Income tax paid	(1,574)	(8,001)
Net unrealised gains from a subsidiary held for sale	(5,826)	(12,926)
Share-based payments	3,407	-
Gain on disposal of investment in real estate		(9,911)
Net gain from fair value adjustment of investment in real estate 7	_	(740)
Net operating profit before changes in operating assets and liabilities	18,647	4,987
Change in placements with banks		15,000
Change in financing assets	(231,225)	(59,383)
Change in other assets	8,607	(15,354)
Change in borrowings	263,850	12,806
Change in other liabilities	18,742	(11,737)
Net cash from operating activities	78,621	(53,681)
INVESTING ACTIVITIES		
Purchase of investment securities	(169,478)	(52,182)
Proceeds from disposal of investment securities	77,498	26,921
Proceeds from disposal of investment in real estate		90,820
Investment in property lease	(50,297)	-
Investment in an associate 9	(16,254)	_
Purchase of equipment and intangible assets	(784)	(59)
Net proceeds from subsidiaries held for sale	5,806	45,060
Net cash (used in) / from investing activities	(153,509)	110,560
FINANCING ACTIVITIES		
Shares bought back 15	-	(50,000)
Dividends payment	(12,633)	-
Non-controlling interests contributions	5,198	_
Net cash used in financing activities	(7,435)	(50,000)
Net (decrease) / increase in cash and cash equivalents	(82,323)	6,879
Cash and cash equivalents at 1 January	213,846	206,967
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 3, 4	131,523	213,846

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

10,732

22,880

For the year ended 31 December 2015

Restricted Wakala

	Movements during the year							
	Balance at 1 January 2015 US\$'000	Investment US\$'000	Revaluation US\$'000	Realized income US\$'000	Dividend paid US\$'000	Administration expenses US\$'000	Agency fees US\$'000	Balance at 31 December 2015 US\$'000
Restricted Wakala	34,967	125,275	(2,540) 2,380	(43)	(13)	(1,575)	158,451	
	Balance at		Mo	vements during th	ne year			Balance at
	1 January 2014 US\$'000	Repayment US\$'000	Revaluation US\$'000	Realized income US\$'000	Dividend paid US\$'000	Administration expenses US\$'000	Agency fees US\$'000	31 December 2014 US\$'000

(236)

1,639

(48)

34,967

At 31 December 2015

1 CORPORATE INFORMATION

QInvest LLC ("QInvest" or "the Bank") is an Islamic investment bank, which has been established as a limited liability company in the Qatar Financial Centre. The Bank was authorised by the Qatar Financial Centre Regulatory Authority ("QFCRA") on 30 April 2007 as a category 1 firm, under approval number 00048. Its registered office is at 39th Floor, Tornado Tower, Street No.213, Majlis Al Tawoon Street, Zone 60, West Bay, Doha, State of Qatar.

The Bank is authorised to conduct the following regulated activities by the Qatar Financial Centre Regulatory Authority (the "QFCRA"):

- Deposit taking;
- Dealing in investments;
- Arranging deals in investments;
- Providing credit facilities;
- Arranging credit facilities;
- Providing custody services; (Restricted to private placement funds for which QInvest is operator)
- · Arranging the provision of custody services;
- Managing investments;
- Advising in investments; and
- Operating a collective investment fund (Restricted to private placement funds)

The Bank's activities are regulated by the QFCRA and are supervised by a Sharia'a Supervisory Board whose role is defined by the Bank.

The consolidated financial statements of the Group and for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 19 January 2016.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Bank and its subsidiaries (together known as "the Group") for the year ended 31 December 2015 have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Islamic Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Board of the Group and the applicable provisions of the QFCRA rules. In accordance with the requirement of AAOIFI, for matters where AAOIFI does not have an accounting standard or guidance, the Group seeks guidance from the International Financial Reporting Standards (the "IFRSs").

The consolidated financial statements provide comparative information in respect of the previous period.

2.2 Accounting convention

The consolidated financial statements have been prepared under the historical cost convention except for financial investments classified as "investments at fair value through equity", "investments at fair value through income statement", derivative financial instruments, and investment in real estate that have been measured at fair value.

At 31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following:

New standards, interpretations and amendments

The Group applied for the first time following standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The new standards and amendments do not have any material impact on the Group.

Торіс	Effective date
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 January 2015
Annual Improvements 2010 - 2012 Cycle	1 January 2015
Annual Improvements 2011 - 2013 Cycle	1 January 2015

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Торіс	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Annual Improvement: - 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IAS 1 Disclosure Initiative	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 16: Leases	1 January 2019

The Group did not early adopt any new or amended standards during the year. The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group, in case there is no relevant standard issued by AAOIFI.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as of the Bank, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns



2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in income statement. Any investment retained is recognised at fair value.

The Group's principal subsidiaries at 31 December 2015 are set out below.

Nama	Duin ain al Dunin ann Antivitus	Country of languages	% Equity Interest	
Name	Principal Business Activity	Country of Incorporation	2015	2014
Q West S.A.S.	Equity Investments	France	100%	100%
Verdi Luxembourg SARL	Investment in real estate	Luxembourg	100%	100%
Q Business Services	Investment holding company	Cayman Islands	100%	100%
Q Liquidity Limited	Placements	Cayman Islands	100%	100%
QInvest Holding Mauritius	Investment holding company	Mauritius	100%	100%
Q Exhibit	To provide financing facility	Mauritius	100%	100%
QInvest Luxembourg S.a.r.l.	Investment holding company	Luxembourg	100%	100%
Q Invest Saudi Arabia	Investment holding company	Saudi Arabia	100%	100%
QI St Edmund's Terrace 2 Limited	Investment holding company	Cayman Islands	100%	100%
QInvest Marina LLC	To provide financing facility	State of Qatar (QFC)	100%	-
QInvest Admiral LLC	To provide financing facility	State of Qatar (QFC)	100%	-
QInvest Denmark LLC	To provide financing facility	State of Qatar (QFC)	100%	-
QInvest Comms Holding LLC	To provide financing facility	State of Qatar (QFC)	100%	-

At 31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

Dain sing I Duning and A stirrity	Country of languages	% Equity Interest	
Principal Business Activity	Country of incorporation	2015	2014
Investment holding company	Cayman Islands	100%	-
To provide financing facility	State of Qatar (QFC)	100%	-
Investment holding company	Cayman Islands	100%	-
Investment holding company	Cayman Islands	100%	-
To provide financing facility	State of Qatar (QFC)	100%	-
To provide financing facility	State of Qatar (QFC)	100%	-
Investment holding company	State of Qatar (QFC)	100%	-
Investment holding company	State of Qatar (QFC)	100%	-
Investment in lease assets	Luxembourg	90%	-
To provide financing facility	State of Qatar (QFC)	100%	-
Investment holding company	Cayman Islands	100%	-
To provide financing facility	State of Qatar (QFC)	100%	-
	To provide financing facility Investment holding company Investment holding company To provide financing facility To provide financing facility Investment holding company Investment holding company Investment in lease assets To provide financing facility Investment holding company	Investment holding company To provide financing facility Investment holding company Investment holding company Investment holding company To provide financing facility To provide financing facility Investment holding company Investment holding company To provide financing facility Investment holding company Investment holding company Investment holding company Investment in lease assets Investment in lease assets Investment holding company Investmen	Principal Business Activity Country of Incorporation 2015 Investment holding company To provide financing facility Investment holding company Cayman Islands Investment holding company Cayman Islands Investment holding company Cayman Islands Investment holding company To provide financing facility State of Qatar (QFC) Investment holding company State of Qatar (QFC) Investment holding company Investment holding company State of Qatar (QFC) Investment holding company Investment in lease assets Luxembourg 90% To provide financing facility State of Qatar (QFC) Investment holding company Cayman Islands To provide financing facility Cayman Islands 100%

2.5 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in consolidated income statement or as a change in the equity. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Intangible assets identified upon acquisition of associates are included at fair value and amortised over the useful life of the intangible assets.

The consolidated income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the consolidated income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of losses of an associate in the consolidated income statement.

Upon loss of significant influence over the associate over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

At 31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Functional and presentational currency

The consolidated financial statements are presented in Unites States Dollars, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The management of the Group has decided to present the consolidated financial position and consolidated income statement in Qatari Riyals as well. Those two statements are disclosed after the audit report.

The official currency of the State of Qatar, the Group's country of domicile, is the Qatar Riyal. Certain domestic transactions are conducted in Qatari Riyals, which is pegged to the United States Dollar. The Bank maintains its financial records and prepares its financial statements in United States Dollars as the Bank's share capital and majority of its investments are denominated in United States Dollars.

Transactions and balances

Transactions in foreign currencies are translated into Unites States Dollars at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement. Translation differences on the Bank's net investment in foreign subsidiaries and associates are included in the foreign currency translation reserve within equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to consolidated statement of changes in shareholders' equity under "Investments fair value reserve".

Group companies

The results and financial position of all the Group's subsidiaries (none of which has the currency of a hyper-inflationary economy) are translated into the presentational currency of the Group as follows:

- I. assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- II. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- III. all resulting exchange differences are recognised as a separate component in the consolidated statement of changes in shareholders' equity under "Foreign currency translation reserve"

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to consolidated statement of changes in shareholders' equity within the "Investments translation reserve". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

At 31 December 2015



2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Revenue recognition

Income from financing assets

Profit from financing transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Income from short-term placements and sukuk investments

Income from short-term placements and sukuk investments is recognized on a time-apportioned basis over the period of the contract.

Fee and commission income

Fees and commission are generally recognised on an accrual basis when the service has been provided. Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses are recognized on completion of the underlying transaction. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Placement fees

Placement fees for arranging a financing between a borrower and investor are recognized as income when the financing has been arranged (being the performance of the significant act in relation to this category of revenue).

Dividends

Dividends are recognized when the right to receive payments is established.

Rental income

Rental income from Investment in property lease assets is recognised on the basis of contractual amounts receivable on a time apportioned basis.

Financial investments

Financial investments comprise of investments at fair value through income statement, investments carried at amortised cost and investments at fair value through equity. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

Investments carried at amortised cost

Investments which have fixed or determinable payments that the Group manages on a contractual yields bases are classified as "investments carried at amortised cost". Such investments are initially recognised and subsequently carried at cost, less impairment in value. Any gain or loss on such investment is recognised in the consolidated income statement, when the investment is derecognised or impaired.

Investments at fair value through income statement

Investment securities carried as fair value through income statement includes investments held for trading purposes and investments designated as fair value through income statement. These are initially recognised at cost, being the fair value of the consideration given and are subsequently re-measured at fair value. All related realised and unrealised gains or losses are reported in the consolidated income statement.

At 31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial investments (continued)

Investment at fair value through equity

These are initially recognised at cost, being the fair value of the consideration given and transaction costs. After initial recognition, investments that are classified as "investment at fair value through equity" are re-measured at fair value on individual basis. Unrealised gains or losses arising from a change in the fair value are recognised in the fair value reserve, until it is sold, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement.

Derivatives held for risk management purposes and hedge accounting

The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks including unilateral promise to buy/sell currencies, profit rate risk and equity price risk.

The Group documents at its inception of the transaction, the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Net investment hedge

The Group uses Sharia'a compliant forward foreign exchange contracts as a hedge of its exposure to foreign exchange risk on its net investments in foreign subsidiaries, associates and jointly controlled entities.

Gains or losses on the hedging instruments relating to the effective portion of the net investment hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the consolidated income statement.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect income statement, the effective portion of changes in the fair value of the derivative is recognised in equity in the cash flow hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in income statement. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in equity from the period when the hedge was effective is reclassified from equity to income statement as a reclassification adjustment when the forecast transaction occurs and affects income statement. If the forecast transaction is no longer expected to occur, then the balance in cash flow hedging reserve is reclassified immediately to the consolidated income statement as a reclassification adjustment.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Fair value measurement

The Group measures financial instruments, such as, financial investments, derivatives, and non-financial assets such as investment in real estate, at fair value at each balance sheet date.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Disclosures for valuation methods, significant estimates and assumptions
 Quantitative disclosures of fair value measurement hierarchy
 Investment in real estate
 Financial instruments (including those carried at amortised cost)
 Note 31
 Note 31

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

At 31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Fair value measurement (continued)

Fair value is determined for each investment individually in accordance with the valuation policies as set out below;

- i) For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.
- ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sells transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.
- iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- iv) Investments which cannot be measured to fair value using any of the above techniques are carried at cost less impairment.

Date of recognition of financial transactions

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in shareholders' equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated income statement. If there are unrealised losses that have been recognised in the consolidated income statement in previous financial periods, the current period unrealised gain shall be recognised in the consolidated income statement to the extent of crediting back such previous losses in the consolidated income statement. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated income statement.

Investments in property lease

Investment in property lease are stated at cost less accumulated impairment. Investment in property lease are derecognised on disposal or when no future economic benefits are expected from their use.

Financing assets

Murabaha

Murabaha receivables are stated net of unearned profit, any amounts written off and provision for doubtful debts, if any.

Murabaha receivables are sales on deferred terms. The Group arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to Murabeh (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period.

At 31 December 2015



2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financing liabilities

The Group's financial liabilities include borrowings, accounts and other payables, financial guarantee contracts and derivative financial instruments. Borrowings are subsequently measured at amortised cost. Financial liabilities are recognised initially at fair value net of directly attributable transaction costs. The amortization of transactions cost is included as finance costs in consolidated income statement.

Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

Furniture and fittings 10
Computer equipment 3-5
Office equipment 5
Vehicles 5

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in such case, it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years as per tax laws prevalent in the country of incorporation of subsidiaries of the Group.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The applicable tax law for the Bank is the QFC tax law applicable from 1 January 2010. Tax is levied at the rate of 10% on local source taxable income.

At 31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment

Impairment of financial assets

Losses for impaired financing assets are recognised promptly when there is objective evidence that impairment of a financing asset or portfolio of financing assets has occurred. Impairment allowances are calculated on individual financing assets and on groups of financing assets assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the balance sheet is reduced through the use of impairment allowance accounts.

For all financing assets that are considered individually significant, the Bank assesses on a case-by-case basis each quarter and more frequently when circumstances require whether there is any objective evidence of impairment. The criteria used by the Bank to determine that there is such objective evidence include:

- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or profit;
- breach of loan covenants or conditions;
- decline in the realisable value of the security;
- the probability that the borrower will enter bankruptcy or other financial realisation; and
- significant downgrading in credit rating by an external credit rating agency.

For those financing assets where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- the Group's aggregate exposure to the customer;
- the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the likely dividend available on liquidation or bankruptcy;
- the extent of other creditors' commitments ranking ahead of, or pari passu with, the company and the likelihood of other creditors continuing to support the company;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;
- the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- when available, the secondary market price of the debt.

In addition, the Group maintains a provision to reflect a potential loss that may occur as a result of currently unidentifiable risks in relation to receivables, financing or investments assets. The amount reflects the events that have already occurred at the date of the financial statements.

At 31 December 2015



2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment (continued)

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

The Group determines that fair value through equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each fair value through equity investment separately. In making a judgment of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows or it becomes probable that that the investee will enter bankruptcy or other financial reorganization.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Non-current assets held for sale

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets on pro-rata basis. Impairment losses on an asset's initial classification as 'held for sale' and subsequent gains or losses on re-measurement are recognized in the consolidated income statement. Gains are not recognized in excess of any cumulative impairment loss.

At 31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i) the rights to receive cash flows from the asset have expired;
- ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Employees' end of service benefits and pension fund

The Bank provides end of service benefits determined in accordance with its regulations and the QFC Employment Regulations, based on employees' salaries and the number of years of service at the reporting date. The Bank also contributes to the GCC national employees' pension accounts with the different GCC Pension Authorities. Pension funds are held and managed by the appropriate Pension Authority. The scheme is mandatory by the state pension law for employees who are GCC nationals. The percentage of employee and employer contribution varies as per the relevant GCC pension laws and the employees receive this money after retirement. This process is governed by the GCC pension laws and administrated by the General Retirement and Social Insurance Authority in Qatar. This is a defined contribution plan as the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Share-based payments

Employees (selected key employees) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Share-based payments (continued)

Equity-settled transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through income statement.

Other provisions

Provisions for legal claims are recognised when the Group has legal claims or obligations as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The Group accounts for provisions to be charged to the consolidated income statement for any potential claim or for any expected impairment of assets, taking into consideration the value of the potential claim or expected impairment and its likelihood.

Investment fund portfolios

Investment fund portfolios represent funds belonging to the Group's customers for which the Group has assumed investment management responsibility in accordance with the terms or conditions of the fund. Such funds are invested on behalf of the customers by the Group who acts as an agent or a trustee and accordingly such funds and the attributable investment income or loss are not included in these consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or commission.

Equity of restricted investment account holders

Equity of restricted investment accountholder balances are those where the depositors instruct the Group to invest the funds in specific investments or at predetermined terms. These funds are invested by the Group in its own name under the terms of a specific Wakala/ Mudaraba contract entered into with the customer. The assets funded by these funds are managed in a fiduciary capacity by the Group for which the Group earns Wakail/Mudarib fee are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these assets except within the conditions laid down in the Wakala/Mudaraba contract.

Assets held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Assets (or disposal groups) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

At 31 December 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Assets held for sale (continued)

All the assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements. If the criteria for held for sale is no longer met, the Group shall cease to classify the asset (or disposal group) as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for sale and its recoverable amount at the date of subsequent decision not to sell. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

Cash and cash equivalent

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash and due from banks, financial and other institutions which have original maturity of less than three months.

Zakah

The responsibility of payment of Zakah is on individual shareholders of the Bank. QInvest Saudi Arabia (100% owned subsidiary of the Bank), has the obligation to calculate and pay Zakah based on the local rules applicable in the Kingdom of Saudi Arabia on annual basis.

Shari'a Supervisory Board

The Group's activities are subject to the supervision of a Shari'a Supervisory Board consisting of three members appointed by the general assembly of shareholders.

Treasury shares

These are own equity instruments of the Group which are reacquired through its tender offer to the Bank's shareholders (the Tender Offer). Treasury shares are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in consolidated income statement on the purchase, sale, issue or cancellation of own equity instruments.

Earnings prohibited by Shari'a

The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities including Shari'a studies and researches.

Offsetting

Financial assets and financial liabilities should not be offset unless there is an enforceable or legal right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

The Group is party to a number of arrangements, including master netting agreements, which give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts on net basis, the respective assets and liabilities are presented on a gross basis.

Placements with banks and other financial institutions

Placements with banks and other financial institutions are stated at amortised cost net of any amounts written off and provision for impairment.



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a)

b)



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Cash in hand	CASH AND BANK BALANCES		
Balances with banks 69,047 73,465 Balances with banks are not profit bearing and no lien or restrictions placed on them. 2015 2015 PLACEMENTS WITH BANKS 2015 2015 2015 Wakala placements with banks 62,473 140,386 Wakala placements with banks are made for short term period as part of treasury management function. FINANCING ASSETS By type: 2015 2015 Uurabaha 500,557 269,332 Wakala 6,000 6,000 Total financing assets 506,557 275,332 Less: Allowance for collective impairment for financing assets (7,131) 201 Less: Allowance for collective impairment for financing assets (7,131) 201 Hospitality - 42,000 Media 10,125 20,256 Oil and Gas 45,000 45,000 Financial institutions 37,487 18,423 Real estate and construction 10,230 24,933 Real estate and construction 31,500 41,500 Transport and logistics 43,400 Manufact			2014 US\$'000
Final Company Final Compan	Cash in hand		1
Balances with banks are not profit bearing and no lien or restrictions placed on them. PLACEMENTS WITH BANKS 2015	Balances with banks		73,465
Package Pack			73,466
Wakala placements with banks 2015 US\$100 2016 US\$100 Wakala placements with banks 62,473 140,380 Wakala placements with banks are made for short term period as part of treasury management function. FINANCING ASSETS By type: 2015 US\$100 2015 US\$100 Murabaha 500,557 269,332 Wakala 6,000 6,000 Total financing assets 506,557 275,332 Less: Allowance for collective impairment for financing assets (7,131) 2015 US\$100 Hospitality 2015 US\$100 2010 US\$100 Hospitality - 42,000 Media 10,125 20,250 Oil and Gas 45,000 45,000 Financial institutions 37,487 18,425 Real estate and construction 140,230 24,930 Telecommunication 81,500 41,500 Transport and logistics 125,954 43,400 Manufacturing 26,065 39,822	Balances with banks are not profit bearing and no lien or restrictions placed on them.		
Makala placements with banks 62,473 140,380	PLACEMENTS WITH BANKS		
Wakala placements with banks are made for short term period as part of treasury management function. FINANCING ASSETS By type: 2015 2015 Us\$7000 25700 Murabaha 500,557 269,332 Wakala 6,000 6,000 Total financing assets 506,557 275,332 Less: Allowance for collective impairment for financing assets (7,131) 499,426 275,332 By industry: 2015 2015 2015 US\$7000 Hospitality - 42,000 45,000 45,000 45,000 45,000 45,000 41,000 41,000 41,000 41,500 41,500 41,500 41,500 41,500 41,500 41,500 41,500 41,500 41,500 41,500 43,401<			2014 US\$'000
Page	Wakala placements with banks	62,473	140,380
Murabaha S00,557 269,332 2014 2015 2014 2015 2014 2015 2014 2015 2014 2015 2014 2015 2015 2014 2015	Wakala placements with banks are made for short term period as part of treasury management function. FINANCING ASSETS		
Wakala 6,000 6,000 Total financing assets 506,557 275,332 Less: Allowance for collective impairment for financing assets (7,131) 499,426 275,332 By industry: 2015	By type:		2014 US\$'000
Wakala 6,000 6,000 Total financing assets 506,557 275,332 Less: Allowance for collective impairment for financing assets (7,131) 499,426 275,332 By industry: 2015	Murabaha	500,557	269,332
Total financing assets 506,557 275,332 Less: Allowance for collective impairment for financing assets (7,131) 499,426 275,332 By industry: 2015 105,700	Wakala		6,000
Hospitality	Total financing assets		275,332
Hospitality			
By industry: 2015 2016 US\$*000 US\$*0	Less: Allowance for collective impairment for financing assets	(7,131)	
Hospitality - 42,000 Media 10,125 20,250 Oil and Gas 45,000 45,000 Financial institutions 37,487 18,425 Real estate and construction 140,230 24,930 Telecommunication 81,500 41,500 Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822		499,426	275,332
Hospitality - 42,000 Media 10,125 20,250 Oil and Gas 45,000 45,000 Financial institutions 37,487 18,425 Real estate and construction 140,230 24,930 Telecommunication 81,500 41,500 Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822	Pyrindustry		
Media 10,125 20,250 Oil and Gas 45,000 45,000 Financial institutions 37,487 18,425 Real estate and construction 140,230 24,930 Telecommunication 81,500 41,500 Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822	by muustry.		2014 US\$'000
Media 10,125 20,250 Oil and Gas 45,000 45,000 Financial institutions 37,487 18,425 Real estate and construction 140,230 24,930 Telecommunication 81,500 41,500 Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822	Hospitality		42.000
Oil and Gas 45,000 Financial institutions 37,487 18,425 Real estate and construction 140,230 24,930 Telecommunication 81,500 41,500 Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822	Media	10,125	20,250
Financial institutions 37,487 18,425 Real estate and construction 140,230 24,930 Telecommunication 81,500 41,500 Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822	Oil and Gas		45,000
Real estate and construction 140,230 24,930 Telecommunication 81,500 41,500 Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822	Financial institutions	37,487	18,425
Telecommunication 81,500 41,500 Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822	Real estate and construction		24,930
Transport and logistics 125,954 43,405 Manufacturing 26,065 39,822	Telecommunication		41,500
Manufacturing 26,065 39,822	Transport and logistics		43,405
	Manufacturing		39,822
	Services	40,196	
506,557 275,332		506,557	275,332

At 31 December 2015

5 FINANCING ASSETS (continued)

c) By market:

6

	2015 US\$'000	2014 US\$'000
	320,868	162,582
	185,689	112,750
	506,557	275,332
Notes	2015 US\$'000	2014 US\$'000
6.1	211,835	123,250
6.2	56,369	19,520
	268,204	142,770
6.3	30,134	27,697
6.3	57,025	53,843
	87,159	81,540
	355,363	224,310
	6.1 6.2	US\$'000 320,868 185,689 506,557 Notes US\$'000 6.1 211,835 6.2 56,369 268,204 6.3 30,134 6.3 57,025 87,159

Notes:

- (i) The ratings of Sukuk at amortised cost are given in Note 30 to the consolidated financial statements. The fair value of Sukuk at amortised cost as at 31 December 2015 is US\$ 50.4 million (31 December 2014: US\$ 44.6 million).
- (ii) The fair value hierarchy of investment securities is disclosed in Note 31 to the consolidated financial statements.

6.1 Equity - Fair value through income statement

	2015 US\$'000	2014 US\$'000
Private equity	73,163	56,317
Funds	138,672	66,933
	211,835	123,250

Notes:

(i) There are no significant restrictions (for example resulting from borrowing arrangements or regulatory requirements) on the ability of the above mentioned investments to transfer funds to the Bank in the form of cash dividends, or repayment of loans or advances.

At 31 December 2015



6 INVESTMENT SECURITIES (continued)

6.2 Equity - Fair value through equity

	US\$'000	US\$'000
Private equity	22,300	10,000
Funds	34,069	9,520
	56,369	19,520

6.3 Sukuk investments

		2015			2014	
	Fixed profit rate US\$'000	Floating profit rate US\$'000	Total US\$'000	Fixed profit rate US\$'000	Floating profit rate US\$'000	Total US\$'000
Fair value through income statement	30,134		30,134	27,697		27,697
Amortised cost	53,582	3,443	57,025	51,650	2,193	53,843
	83,716	3,443	87,159	79,347	2,193	81,540

Note:

During 2015, QInvest created a structured Sukuk product with an international counterparty whereby QInvest got an exposure amounting US\$ 50 million. QInvest contributed US\$ 5 million and remaining US\$ 45 million was leveraged by the international counterparty. This investment was subject to offsetting and the net amount of US\$ 5 million is reported in the consolidated statement of financial position.

7 INVESTMENT IN REAL ESTATE

	2015 US\$'000	2014 US\$'000
At 1 January	64,493	72,266
Net gain from fair value adjustment		740
Foreign currency exchange	(6,087)	(8,513)
At 31 December	58,406	64,493

Investment in real estate consists of two leased commercial properties in France. The fair values of the properties are based on valuations performed by an independent valuer.

	2015 US\$'000	2014 US\$'000
Rental income derived from investments in real estate	5,130	5,865

The Group has pledged these investment properties as collateral for certain profit bearing financing liabilities as disclosed in Note 12 to the consolidated financial statements.

At 31 December 2015

8 INVESTMENT IN PROPERTY LEASE

This represents amount paid to acquire lease rights of certain real estate properties through subsidiaries of the Bank.

8.1 Net income from property lease

	2015	2014
	US\$'000	US\$'000
Rental income	1,969	
Rental expenses	(1,243)	_
	726	

8.2 Non-controlling interest

Non-controlling interest represents 10% ownership of equity interest by other shareholder in Rio income s.a.r.l. that holds the lease interest in the properties.

2015

2014

9 INVESTMENT IN ASSOCIATES

	US\$'000	US\$'000
As at 1 January	57,549	25,944
Additions / transfers during the year	16,254	32,911
Share of results of associates	(1,477)	2,298
Share of fair value reserves (Note: 16)	7,984	2,053
Impairment of investment in an associate	-	(2,000)
Foreign currency translation reserve	(2,791)	(3,657)
	77,519	57,549

The following tables provide summarised financial information for associates to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.





9 INVESTMENT IN ASSOCIATES (continued)

Associates of the group as at 31 December 2015:

Name of autitu	Panmure Gordon	Ambit Corporate Finance	QIT DF Holdco Corporate	
Name of entity	& Co. Plc.	Private Limited	U.A.	Total
Country of incorporation	United Kingdom	India	Netherland	
% of ownership interest	43.4%	29.49%	27.9%	
Summarised financial information	US\$'000	US\$'000	US\$'000	US\$'000
Summarised financial position				
Current assets	51,604	35,981	1,300	88,885
Non-current assets	23,326	94,731	83,664	201,721
Current liabilities	(26,923)	(11,527)	(878)	(39,328)
Non-current liabilities	(276)	(6,116)	-	(6,392)
Equity	47,731	113,069	84,086	244,886
Group's share of net assets	20,715	33,344	23,460	77,519
Summarised income statement				
Revenue	35,082	17,736	233	53,051
Net profit	(5,089)	3,409	211	(1,469)
Other comprehensive income	-	2,808	25,649	28,457
Total comprehensive income	(5,089)	6,217	25,860	26,988
Group's share of profit for the year	(2,362)	835	50	(1,477)
Group's share of reserves		828	7,156	7,984

At 31 December 2015

9 INVESTMENT IN ASSOCIATES (continued)

Associates of the group as at 31 December 2014:

Name of entity	Panmure Gordon & Co. Plc.	Ambit Corporate Finance Private Limited	Total
Country of incorporation	United Kingdom	India	
% of ownership interest	43.4%	29.89%	
Summarised financial information	US\$'000	US\$'000	US\$'000
Summarised financial position			
Current assets	62,183	28,695	90,878
Non-current assets	24,878	95,586	120,464
Current liabilities	(29,543)	(11,808)	(41,351)
Non-current liabilities	(1,670)	(1,029)	(2,699)
Equity	55,848	111,444	167,292
Group's share of net assets	24,238	33,311	57,549
Summarised income statement			
Revenue	47,275	14,169	61,444
Net profit	1,946	6,228	8,174
Other comprehensive income	-	6,869	6,869
Total comprehensive income	1,946	13,097	15,043
Group's share of profit for the year	436	1,862	2,298
Group's share of reserves		2,053	2,053

Notes:

- (i) Panmure Gordon & Co. PLC is listed on the Alternative Investment Market (AIM) in the UK. The closing share price of Panmure Gordon was GBp 66 as at 31 December 2015 (31 December 2014: GBp 129) having market capitalization of US\$ 6.6 million (31 December 2014: US\$ 13.6 million).
- (ii) As per the share purchase agreement dated 24 April 2014, the Bank received 274,206 additional shares of Ambit Corporate Finance Private Ltd (Ambit) as consideration for certain investment transfer to Ambit.

Due to increase in ownership and change in intention underlying the holding of an equity stake in Ambit Corporate Finance Private Ltd, the Group obtained significant influence over Ambit. Management changed the method of accounting from fair value through income statement investment to investment in associate accounting effective from 30 April 2014.

Ambit Corporate Finance Private Ltd is a private company and there is no quoted market price available for its shares.

At 31 December 2015



9 INVESTMENT IN ASSOCIATES (continued)

- (iii) During March 2015, the Group subscribed to a 27.9% stake in QIT DF Holdco Corporate U.A. a Consortium entity incorporated on January 6, 2015 under the laws of the Netherland to acquire 8% holding in one of the leading apparel retailers in Turkey, for US\$ 16.3 million.QIT DF Holdco Corporate U.A. is a private company and there is no quoted market price available for its shares.
- (iv) There are no contingent liabilities relating to the Group's interest in the associates.

10 SUBSIDIARY HELD FOR SALE

Q West S.A.S.

In 2014, the Group had classified its 100% owned subsidiary in France, QWest S.A.S as held for sale. During the year 2015, the Group has disposed majority of underlying fair value through equity investment. The management of the Group is committed to sell the remaining shares and dispose the company in 2016. Assets, liabilities and net profit of West S.A.S are listed below:

	2015 US\$'000	2014 US\$'000
Total assets	1,225	16,857
Other liabilities	934	5,134
Total income	2,103	17,029
Total expenses	3,723	(16,480)
Net profit for the year	5,826	549
OTHER ASSETS		
	2015 US\$'000	2014 US\$'000
Security deposit and margin call receivables (i)	8,377	9,222
Fee and commission income receivables – net (ii)	1,830	6,293
Positive fair value of derivative instruments (iii)	16,878	19,982
Equipment – net	3,080	3,270
Intangible assets – net	510	485
Accrued income on financing assets and placements	13,742	7,274
Accrued income on Sukuk	1,281	1,449
Prepayments	5,200	2,708
Others	5,364	4,301
	56,262	54,984

Notes:

- (i) Security deposit in amount of US\$ 8.11 million (2014: US\$ 9.22 million) includes cash collateral at National Bank of Kuwait for financing liability as disclosed in Note 23 (a) in these consolidated financial statements.
- (ii) During the year, the Bank has recorded an impairment loss of US\$ 150 thousand (2014: US\$ 2,038 thousand) on certain fee and commission income receivable from third parties.

At 31 December 2015

11 OTHER ASSETS (continued)

(iii) Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of the Group's exposure to credit risk, which is generally limited to the positive or negative fair value of the derivatives. Derivative contracts are Shari'a compliant.

2015

2014

20,706

179,345

10,277

443,195

		2013			2014		
		Positive fair value US\$'000	Negative fair value US\$'000	Total US\$'000	Positive fair value US\$'000	Negative fair value US\$'000	Total US\$'000
a)	Held as fair value hedges						
	Currency option	-	-	-	125	_	15,000
	Forward foreign exchange contracts	156	_	34,296	-		-
		156	-	34,296	125	-	15,000
b)	Held as hedge of net investment in foreign operations						
	Forward foreign exchange contracts	1,790	1,067	198,159	9,554		223,002
c)	Derivatives used as cash flow hedges						
	Cross currency swaps	14,771	3,911	112,596	10,303	1,980	71,242
	Forward foreign exchange contracts	161		24,628			
		14,932	3,911	137,224	10,303	1,980	71,242
_		16,878	4,978	369,679	19,982	1,980	309,244
BORRO	DWINGS						
						2015	2014
						US\$'000	US\$'000
Financia	Financial institutions					432,918	

Notes:

Others

⁽i) The Group has pledged investment in real estate owned by Verdi Luxembourg SARL, disclosed in Note 7 to the consolidated financial statements, as collateral for financing arrangement with National Bank of Kuwait for an amount of Euro 35 million repayable in full in August 2018.





12 BORROWINGS (continued)

(ii) The Group had entered into term borrowing contract with the following terms:

Face value	US\$ 200 million	US\$ 75 million	US\$ 50 million	
Issue date	15-Oct-15	26-Jun-15	6-Aug-14	
Maturity date	15-Oct-20	25-Jun-16	4-Feb-16	
Tenor	5 years	1 year	18 months	

Borrowings are carried at amortized cost using effective profit rate. Please refer to Note 29 for maturity analysis.

13 OTHER LIABILITIES

	2015 US\$'000	2014 US\$'000
Staff related and other accruals	10,617	8,668
Payables and others	7,692	7,126
Negative fair value of derivative instruments (Note: 11)	4,978	1,980
Employees' end of service benefits (i)	4,132	2,931
Other provisions	2,835	_
Accrued profit on borrowings	2,229	1,472
	32,483	22,177

Note:

(i) Employees' end of service benefits

Movement in employees' end of service benefits is as follows:

2015	2014
US\$'000	US\$'000
Balance at 1 January 2,931	2,116
Charge for the year (Note: 20) 1,485	1,155
Payments during the year (284)	(340)
4,132	2,931

At 31 December 2015

14 SHARE CAPITAL AND SHARE PREMIUM

14.1 Share capital

	2015 US\$′000	2014 US\$'000
Authorized capital		
1,000 million shares of US\$ 1 each	1,000,000	1,000,000
Issued and fully paid-up capital		
750 million shares of US\$ 1 each	750,000	750,000

All shares issued are of the same class and carry equal rights.

The shareholding structure of the Bank is as follows:

	31 Decemb	31 December 2015		r 2014
	% holding	Number of Shares US\$'000	% holding	Number of Shares US\$'000
Qatar Islamic Bank S.A.Q	47.15%	353,625,000	47.15%	353,625,000
QInvest held in treasury (Note: 15)	5.95%	44,642,857	5.95%	44,642,857
Khaleeji Commercial Bank	4.46%	33,482,657	4.46%	33,482,657
Qatar Armed Forces	2.00%	15,000,000	2.00%	15,000,000
Others	40.44%	303,249,486	40.44%	303,249,486
	100.00%	750,000,000	100.00%	750,000,000

14.2 Share premium

On 4 June 2009, the Bank announced a rights issue of shares at US\$ 1.03 per share. The total number of new shares that were issued under the rights issue was 250 million. Accordingly the share premium account was credited with US\$ 7.5 million (At 3 US cents per share).

15 TREASURY SHARES

In 2014, the Board of Directors of the Bank resolved to acquire, by way of a tender offer to the Bank's shareholders (the Tender Offer), up to 44,642,857 shares in the Bank (the Buyback Shares) at a price of US\$ 1.12 per share (the Purchase Price).

The Extraordinary General Assembly held on 24 February 2014, approved pursuant to article 32 of the QFC Companies Regulation 2005 (amended) and clause 25 of the Company's article of association to purchase 44,642,857 of the Bank own shares at a price of US\$ 1.12 per share.

Announcement of the outcome of the Tender Offer was made in March 2014 and subsequently wire transfer orders were placed in respect of share purchased by end of March 2014. The Bank decided to hold the purchased shares in treasury and it will not be entitled to any dividends, distribution, voting or other equity related rights declared by the Bank.

At 31 December 2015



16 OTHER RESERVES

16.1 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

16.2 Fair value reserve

The investments fair value reserve includes the cumulative net change in the fair value of fair value through equity investments, excluding impairment losses, until the investment is derecognized. This also includes the Bank's share of the fair value changes on fair value through equity investments of associate.

16.3 Hedging reserves

The hedging reserves are used to record gains or losses on derivatives that are designated and qualify as net investment in foreign operations hedges and cash flow hedges that are recognised in the reserves. Amounts are reclassified to income statement when the associated hedged transaction affects income statement.

16.4 Share based payment reserve

The share based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 32 for further details of these plans.

	Foreign currency translation reserve US\$'000	Net foreign investments Hedging reserve US\$'000	Cash flow hedge reserve US\$'000	Cumulative changes in fair value US\$'000	Share based payment reserve US\$ '000	Total US\$'000
As at 1 January 2015	(34,832)	30,817	1,573	13,523	<u> </u>	11,081
Foreign operations –						
foreign currency translation differences	(1,025)				<u> </u>	(1,025)
Effective portion of changes in net investment						
in foreign operation hedges	-	360	-	-	-	360
Net unrealised gains on cash flow hedges	-	-	5,327	-	-	5,327
Net gains on cash flow hedges reclassified						
to the income statement	-	-	(5,524)	-	-	(5,524)
Net movement in fair value reserve	-	-	-	8,836	-	8,836
Share of reserves of equity accounted associates		-	_	7,984	-	7,984
Share-based payments		-	_	-	3,407	3,407
At 31 December 2015	(35,857)	31,177	1,376	30,343	3,407	30,446

At 31 December 2015

16 OTHER RESERVES (continued)

16.4 Share based payment reserve (continued)

	Foreign currency translation reserve US\$'000	Hedging reserve US\$'000	Cash flow hedge reserve US\$'000	Cumulative changes in fair value US\$'000	Share based payment reserve US\$ '000	Total US\$'000
As at 1 January 2014	(14,358)	11,203	<u> </u>	18,251	<u> </u>	15,096
Foreign operations –						
foreign currency translation differences	(20,474)	-	-	-	-	(20,474)
Effective portion of changes in net investment						
in foreign operation hedges	-	19,614	-	-	-	19,614
Net unrealised gains on cash flow hedges	-		8,367	-	_	8,367
Net gains on cash flow hedges reclassified to						
the income statement	-	-	(6,794)	-	-	(6,794)
Net movement in fair value reserve	-		-	(6,781)	_	(6,781)
Share of reserves of equity accounted associates		_	_	2,053	_	2,053
At 31 December 2014	(34,832)	30,817	1,573	13,523	-	11,081

17 FEE AND COMMISSION INCOME

	2015 US\$'000	2014 US\$'000
Advisory fee income	11,766	23,404
Asset management fees (i)	2,287	1,659
	14,053	25,063

Note:

18 INCOME FROM FINANCING ASSETS

	2015 US\$'000	2014 US\$'000
Income from Murabaha/Wakala	38,183	20,872
Income from Ijarah Muntahia Bittamleek	-	3,328
	38,183	24,200

⁽i) Asset management fees relate to fees earned by the Group on trust and fiduciary activities in which the Group holds or invests assets on behalf of its customers.





19 NET GAIN FROM INVESTMENTS

NET GAIN FROM INVESTMENTS			
	Notes	2015 US\$'000	2014 US\$'000
			7.625
Net income from financial investments		44,591	7,635
Net income from investments in real estate	19.2	5,130	19,391
Net income from investment in property lease	8.1	726	
		50,447	27,026
.1 Net income from financial investments			
		2015	2014
		US\$'000	US\$'000
Income from 'fair value through equity' investments			
Gain on sale		<u> </u>	135
Dividend income		575	590
		575	725
Income from 'held for trading' investments, net			
Gain on sale		(57)	40
Profit from Sukuk		1,723	1,40
Fair value changes		(320)	(1,682
Income from financial assets designated at fair value through income stat	toment	1,346	(237
Fair value changes		21,317	89
Realised gain on sale of investments		14,542	1,460
Dividend income		1,871	
		37,730	2,35
Income from investments at amortized cost			
Profit from Sukuk		3,543	4,130
Income from derivative financial instrument			
Income from derivatives		1,397	666
		44,591	7,635
2.2 Net income from investment in real estate			
		2015	201
		US\$'000	US\$'000
Rental income derived from investments in real estate		5,130	5,865
Net gain from fair value adjustment		<u> </u>	740
Gain from real estate investments in Q Land Real Estate SPC		<u>-</u>	12,786
		5,130	19,39

At 31 December 2015

20 STAFF COSTS

20 STAFF COSTS			
		2015	2014
	US	\$\$'000	US\$'000
Salaries	14	1,522	13,333
Other staff benefits		9,820	10,829
End of service benefits (Note:	:13)	1,485	1,155
	35	5,827	25,317
21 GENERAL AND ADMINISTR	RATIVE EXPENSES		
		2015	2014
	Us	\$\$'000	US\$'000
Legal, professional and Sharia	a expenses	3,958	3,225
Premises cost		3,122	3,031
IT and communication expen	ises	2,111	2,205
Travel related expenses		1,680	975
Other expenses		I,183	715
Advertisement and marketing	g expenses	375	387
	17	2,429	10,538
22 INCOME TAX			
22.1 Income tax expense			
The major components of the	e tax expense are:		
	THE	2015 S\$'000	2014 US\$'000
	Ŭ.	13 000	03\$ 000
Current income tax:			
Current income tax expenses	·	495	3,546
Deferred income tax:			
Relating to origination and re	eversal of temporary differences	365	5,051
Income tax expenses		860	8,597
			· ·
22.2 Provision for taxation		2015	2014
	U:	\$\$'000	US\$'000
Closing balance as at 31 Do	ecember	792	2,960
and the second s		 —	2,330

At 31 December 2015



22 INCOME TAX (continued)

22.3 Deferred tax

Deferred tax relates to the following:

	2015 US\$′000	2014 US\$'000
Deferred tax liabilities	(1,267)	(902)
Reconciliation of deferred tax:		
	2015	2014
	US\$'000	US\$'000
Opening balance as of 1 January	(902)	20,571
Tax expense during the period recognised in income statement	(365)	(16,435)
Tax expense during the period recognised in equity		(5,038)
Closing balance as at 31 December	(1,267)	(902)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

23 CONTINGENT LIABILITIES, COMMITMENTS AND PROVISIONS

	2015	2014
	US\$'000	US\$'000
Investment commitments	52,741	32,562
Forward foreign exchange contracts	257,083	223,002
Cross currency profit rate swaps	112,596	71,242
Currency option	<u> </u>	15,000
Letters of guarantee	<u> </u>	12,959
Other contingent liabilities (a)	13,150	14,520
Operating lease commitments (b)	8,466	2,728
Unutilised financing commitment	60,196	93,500

Notes:

(a) During 2013, Verdi Luxembourg SARL, a 100% owned subsidiary, entered into a financing arrangement with National Bank of Kuwait for an amount of Euro 35 million. As part of the security package under the Financing Agreement, the Group has provided a cash collateral of Euro 7.4 million against its pending litigation with its tenants, and the Parent company has made a drawdown facility in maximum amount of Euro 4.6 million to cover any payments to be made by Verdi Luxembourg SARL under the dispute and / or as a result of the 3% rent increase clauses being voided by French courts.

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23 CONTINGENT LIABILITIES, COMMITMENTS AND PROVISIONS (continued)

(b) Future minimum lease payments:

	2015	2014
	US\$'000	US\$'000
Not later than one year	2,420	2,728
Later than one year and not later than five years	6,046	-
	8,466	2,728

(c) Provision for legal claims

The provision charge is recognised in income statement within 'Provision for legal claims'. The amount represents pending legal claims against one of the subsidiary in France. During the year, court judgement required QInvest subsidiary to pay the net settlement amount of US\$ 0.7 million.

In management opinion, after taking appropriate legal advice, the outcome of the legal claims that was bought against the subsidiary will not give rise to any significant loss beyond the amounts provided for at 31 December 2015.

The amount reported in 2014 represents a settlement for certain legal claims brought against the Group by the liquidators of Silver Leaf Capital Partners LLC amounting to US\$ 1 million.

24 RELATED PARTY TRANSACTIONS

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 entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group.

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

	2015	2014
	US\$'000	US\$'000
Balance sheet items:		
Assets:		
Placements and bank balances with a significant shareholder and its subsidiaries	44,996	20,458
Fee and commission income receivables	-	4,694
Off balance sheet items:		
Forward foreign exchange contracts outstanding	42,691	16,182
Restricted investment accounts	73,909	8,000

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24 RELATED PARTY TRANSACTIONS (continued)

	2015	2014
	US\$'000	US\$'000
Income statement items:		
Fee and commission income from transaction with the other related parties	1,036	12,188
Placement income from a significant shareholder	148	152

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, controlling and directing the activities of the Group.

Transactions with key management personnel:

	2015	2014
	US\$'000	US\$'000
Salaries and other benefits	3,191	2,822
Incentives	5,841	3,095
Employee Share Option Plan	2,082	
Post employment benefits	351	143

25 ZAKAH

Pursuant to the decision of the shareholders' in the first General Assembly of the Bank on 28 May 2008, the Bank is required to calculate and notify individual shareholders of their pro-rata share of the Zakah payable per share. These calculations are approved by the Group's Sharia'a Supervisory Board.

Zakah is directly borne by the shareholders. The Bank does not deduct or pay Zakah on behalf of its shareholders. Zakah payable by the shareholders is computed by the Bank on the basis of the method prescribed by the Bank's Sharia'a Supervisory Board and notified to shareholders annually. The Zakah payable for 2015 would be US\$ 0.02 (2014: US\$ 0.02) for every share held.

QInvest Saudi Arabia (100% owned subsidiary of the Bank), has the obligation to calculate and pay Zakah based on the local rules applicable in the Kingdom of Saudi Arabia on annual basis.

26 SHARIA'A SUPERVISORY BOARD

The Group's Sharia'a Supervisory Board consists of three Islamic scholars who review the Group's compliance with general Sharia'a principles and specific fatwa, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Sharia'a principles.

27 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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27 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Classification of subsidiary held for sale

The Group classifies non-current assets or a disposal group as 'held for sale' if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. In addition, the sale should be expected to be completed within one year from the date of classification. The expected time of completion of sale and management's plan to sell is based on management assumptions in relation to the condition of the asset and its current performance and requires judgment. There is no certainty on the execution and completion of the sale transaction and any changes in the plan to sell may cause the classification of the disposal group to be changed and consequently the basis of measurement, presentation and disclosure in the consolidated financial statements.

During 2014, the assets and liabilities related to Q West S.A.S. (100% owned subsidiary, incorporated in France) have been presented as held for sale following the approval of the Group's management.

For more details, refer to Note 10 on the subsidiary held for sale.

Consolidation of a structured entity

The Group has incorporated number of entities in different jurisdictions to facilitate the acquisition of targeted investments. Such entities are owned by third party administrator to manage the day to day administrative activities of these entities. The Group control these entities through various rights and legal agreements. Therefore, in preparation of consolidated financial statements these entities have been consolidated by the Group.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of equipment and intangible assets

The Group estimates the useful life of equipment and intangible assets with finite lives by taking account of the expected pattern of economic benefit that the Group expects to derive from the asset. This is based on the judgment of the Group entities after taking consideration of useful lives of similar assets of comparable entities.

Revaluation of investment in real estate

The Group engaged an independent valuation specialist to assess fair value as at 31 December 2015 for investment in real estate.

At 31 December 2015



27 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Financial investment classification

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 the financial investments at fair value through income statement, the Group has determined that the investment in either held for trading purposes or is designated as fair value through income statement on initial recognition;
- Equity investments that are not designated as fair value through income statement are classified as fair value through equity; and
- In classifying financial investments at amortized cost, the Group has determined that the investment is managed on contractual yield basis.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of fair value through equity investments

The Group determines that fair value through equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each fair value through equity investment separately. In making a judgment of impairment for fair value through equity investments, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows or whether it becomes probable that the investee will enter bankruptcy or other financial reorganization.

Valuation of investments designated at fair value through income statement

The fair value of unquoted investments designated at fair value through income statement is determined by management using various valuation techniques. Valuation techniques employed include using a market multiples approach, a discounted cash flow analysis and a comparable transaction approach amongst others. These techniques require management to make certain assumptions and estimates about expected future cash flows, revenues, profits and expected market conditions. Management ensures that in all cases these assumptions are reasonable and realistic.

The chosen valuation techniques make maximum use of market inputs as well as on entity-specific inputs. They incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation techniques and test them for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

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28 SEGMENT INFORMATION

The Group assets and liabilities are monitored by management on basis of industry segment and geographic location.

For management purposes, the Group is divided into below mention industry segments which are as follows:

- Oil and gas
- Banks and other financial institutions
- Real Estate and construction
- Transport and logistics
- Services
- Others

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations, eg common property & equipment, cash functions and development projects and related payables, net of intra-group transactions.

Management monitors the operating results of the industry segments separately to make decisions about resource allocation and performance assessment.

The following tables summarize the industry and geographical concentration of Group assets, liabilities and related performance:

(a) By industry segment

31 December 2015	Oil & gas US\$'000	Banks and other financial institutions US\$'000	Real estate and construction US\$'000	Transport and logistics US\$'000	Services US\$'000	Other US\$'000	Total carrying value US\$'000
ASSETS							
Cash and bank balances	-	69,050	-	-	-	-	69,050
Placements with banks	-	62,473	_	-	-	-	62,473
Financing assets	45,000	37,487	140,229	125,955	50,321	100,434	499,426
Investment securities	-	170,913	139,367	-	27,634	17,449	355,363
Investment in real estate	-	_	58,406	-	-	-	58,406
Investment in property lease	-	_	50,297	-	-	-	50,297
Investment in associates	-	54,059	_	-	-	23,460	77,519
Assets of a subsidiary held for sale	-	_	_	-	1,225	-	1,225
Other assets	3,302	29,394	1,318	3,592	738	17,918	56,262
TOTAL ASSETS	48,302	423,376	389,617	129,547	79,918	159,261	1,230,021
LIABILITIES							
Liabilities of a subsidiary held for sale	-	_	_	_	934	-	934
Borrowings	-	432,918	-	-	10,277	-	443,195
Other liabilities	18	7,135	7,376	18	299	17,637	32,483
TOTAL LIABILITIES	18	440,053	7,376	18	11,510	17,637	476,612

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28 SEGMENT INFORMATION (continued)

(a) By industry segment (continued)		Banks and other financial	Real estate and	Transport and			Total
31 December 2015	Oil & gas US\$'000	institutions US\$'000	construction US\$'000	logistics US\$'000	Services US\$'000	Other US\$'000	carrying value US\$'000
Consolidated income							
statement items							
Revenue	4,300	18,339	44,328	4,334	20,946	15,851	108,098
Expenses, impairment and tax		(6,510)	(1,335)		(465)	(57,384)	(65,694)
PROFIT/(LOSS)	4,300	11,829	42,993	4,334	20,481	(41,533)	42,404
31 December 2014	Oil & gas US\$'000	Banks and other financial institutions US\$'000	Real estate and construction US\$'000	Transport and logistics US\$'000	Services US\$'000	Other US\$'000	Total carrying value US\$'000
ASSETS							
Cash and bank balances		73,466	<u>-</u> _				73,466
Placements with banks		140,380	<u>-</u> _	<u> </u>			140,380
Financing assets	45,000	18,425	24,930	43,405	62,250	81,322	275,332
Investment securities		114,365	69,831		40,114		224,310
Investment in real estate			64,493				64,493
Investment in associates		57,549					57,549
Assets of a subsidiary held for sale					16,857		16,857
Other assets	1,763	17,764	9,771		6,415	19,271	54,984
TOTAL ASSETS	46,763	421,949	169,025	43,405	125,636	100,593	907,371
LIABILITIES							
Liabilities of a subsidiary held for sale			-	-	5,134	_	5,134
Borrowings		158,641	-	-	20,704	_	179,345
Other liabilities	_	4,939	4,065	-	489	12,684	22,177
TOTAL LIABILITIES	-	163,580	4,065		26,327	12,684	206,656
Consolidated income statement items							
Revenue	2,663	18,797	34,448	3,152	15,707	7,329	82,096
Expenses, impairment and tax	-	(4,700)	(3,100)	-	(2,857)	(47,283)	(57,940)
PROFIT/(LOSS)	2,663	14,097	31,348	3,152	12,850	(39,954)	24,156

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28 SEGMENT INFORMATION (continued)

(b) By geography

The geographical concentration of the Group's assets, liabilities and income statement items as at and for the year ended 31 December 2015 is as follows:

	GCC countries US\$'000	Europe US\$'000	USA US\$'000	India US\$'000	Other regions US\$'000	Central function US\$'000	Total carrying value US\$'000
ASSETS							
Cash and bank balances	11,142	4,252	53,037	-	619	-	69,050
Placements with banks	57,473	5,000	-	-	-	-	62,473
Financing assets	31,244	212,065	108,803	-	154,445	(7,131)	499,426
Investment securities	67,530	50,764	87,595	-	149,474	-	355,363
Investment in real estate	-	58,406	-	-	-	-	58,406
Investment in property lease	-	50,297	-	-	_	-	50,297
Investment in associates	-	20,716	-	33,344	23,459	-	77,519
Assets of a subsidiary held for sale	-	1,225	-	-	_	-	1,225
Other assets	26,615	17,203	543	-	8,312	3,589	56,262
TOTAL ASSETS	194,004	419,928	249,978	33,344	336,309	(3,542)	1,230,021
LIABILITIES							
Liabilities of a subsidiary held for sale	-	934	_	_		-	934
Borrowings	329,818	34,593	_	_	78,784	-	443,195
Other liabilities	23,333	7,352	48	_	1,750	_	32,483
TOTAL LIABILITIES	353,151	42,879	48		80,534	-	476,612
Consolidated income							
statement items							
Revenue	11,378	60,457	12,440	835	22,988	_	108,098
Expenses, impairment and tax	(4,188)	(3,692)	_	_	(2,090)	(55,724)	(65,694)
PROFIT/(LOSS)	7,190	56,765	12,440	835	20,898	(55,724)	42,404

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28 SEGMENT INFORMATION (continued)

(b) By geography (continued)

The geographical concentration of the Group's assets, liabilities and income statements items as at and for the year ended 31 December 2014 is as follows:

	GCC countries US\$'000	Europe US\$'000	USA US\$'000	India US\$'000	Other regions US\$'000	Central function US\$'000	Total carrying value US\$'000
ASSETS							
Cash and bank balances	22,235	5,148	45,472	-	611	-	73,466
Placements with banks	140,380		<u> </u>	_		_	140,380
Financing assets	6,000	120,582	42,000	_	106,750	_	275,332
Investment securities	64,294	35,830	12,437	-	111,749	-	224,310
Investment in real estate	_	64,493	_	-	-	-	64,493
Investment in associates		24,238		33,311	_	_	57,549
Assets of a subsidiary held for sale		16,857		-	_	_	16,857
Other assets	25,703	15,947	5,037		4,874	3423	54,984
TOTAL ASSETS	258,612	283,095	104,946	33,311	223,984	3,423	907,371
LIABILITIES							
Liabilities of a subsidiary held for sale		5,134		-	-	-	5,134
Borrowings	94,718	10,000	_	-	74,627	-	179,345
Other liabilities	14,365	7,129	<u>-</u>	-	683	-	22,177
TOTAL LIABILITIES	109,083	22,263			75,310		206,656
Consolidated income statement items							
Revenue	31,069	25,857	9,029	1,346	14,795	_	82,096
Expenses, impairment and tax	(8,861)	(9,839)		(2,000)	(1,550)	(35,690)	(57,940)
PROFIT/(LOSS)	22,208	16,018	9,029	(654)	13,245	(35,690)	24,156

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29 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table sets out the maturity profile of the Group's assets, liabilities and forward foreign exchange contracts. The contractual maturities of assets, liabilities and forward foreign exchange contracts have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The maturity profile of the Group's assets, liabilities and forward foreign exchange contracts as at 31 December 2015 is as follows:

	Up to 3 months US\$'000	3 to 6 months US\$'000	6 months to 1 year US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Total US\$′000
ASSETS						
Cash and bank balances	69,050					69,050
Placements with banks	62,473	<u> </u>	-	-		62,473
Financing assets	83,753	10,125	31,487	121,706	252,355	499,426
Investment securities	-	-	6,254	7,701	341,408	355,363
Investment in real estate	-	-	-	-	58,406	58,406
Investment in property lease	-	_	-	-	50,297	50,297
Investment in associates	-	_	-	-	77,519	77,519
Assets of a subsidiary held for sale	-	1,225	-	-	-	1,225
Other assets	6,977	11,445	1,564	17,553	18,723	56,262
Total Assets	222,253	22,795	39,305	146,960	798,708	1,230,021
LIABILITIES						
Liabilities of a subsidiary held for sale	-	934	-	-		934
Borrowings	53,051	87,277	-	155,049	147,818	443,195
Other liabilities	9,957	8,291	4,965	1,690	7,580	32,483
Total Liabilities	63,008	96,502	4,965	156,739	155,398	476,612
MATURITY GAP	159,245	(73,707)	34,340	(9,779)	643,310	753,409
Forward Foreign Exchange Contracts and						
Cross currency profit rate swaps	137,928	95,718		11,644	124,389	369,679

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29 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The maturity profile of the Group's assets, liabilities and forward foreign exchange contracts as at 31 December 2014 is as follows:

	Up to 3 months US\$'000	3 to 6 months US\$'000	6 months to 1 year US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Total US\$′000
ASSETS						
Cash and bank balances	73,466	_	_	_	_	73,466
Placements with banks	140,380	-	-	_	-	140,380
Financing assets		-	47,803	115,608	111,921	275,332
Investment securities	10,237	-	-	7,814	206,259	224,310
Investment in real estate		-	-	_	64,493	64,493
Investment in associates		-	-	_	57,549	57,549
Assets of a subsidiary held for sale		-	16,857	_	-	16,857
Other assets	15,882	5,518	11,884	-	21,700	54,984
Total Assets	239,965	5,518	76,544	123,422	461,922	907,371
LIABILITIES						
Liabilities of a subsidiary held for sale	-	_	5,134	_	_	5,134
Borrowings	3,473	60,883	2,968	60,272	51,749	179,345
Other liabilities	6,000	3,787	4,427	3,051	4,912	22,177
Total Liabilities	9,473	64,670	12,529	63,323	56,661	206,656
MATURITY GAP	230,492	(59,152)	64,015	60,099	405,261	700,715
Forward Foreign Exchange Contracts and						
Cross currency profit rate swaps	41,854	102,182	93,966		71,242	309,244

The undiscounted cash flows on the Group's borrowings on the basis of their earliest possible contractual maturity up to 12 months is US\$ 144 million (2014: US\$ 55.5 million) and over 12 months is US\$ 368.0 million (2014: US\$ 150.7 million).

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30 FINANCIAL RISK MANAGEMENT

Overview

Financial instruments of the Group represent the Group's financial assets and liabilities. Financial assets include cash and bank balances, placements with financial and other institutions, investment securities portfolios, derivative financial instruments, financing assets, certain assets of a subsidiary held for sale and certain other assets of the Group. Financial liabilities include certain liabilities of a subsidiary held for sale, due to banks, financing liabilities, derivative financial instruments and certain other liabilities. Accounting policies for financial instruments are set out in note 2 in these consolidated financial statements.

The Group has exposure to various risks from its use of financial instruments. These risks can be broadly classified as:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk; and
- Regulatory and legal risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management & governance framework of the Group

The Group's risk management process is an integral part of the organization's culture, and is embedded into the organization's practices as well as in all those involved in the risk management process. The Board of Directors ("Board"), Board Risk, Audit and Compliance Committee ("BRACC"), senior management, risk officers, and line managers contribute to the effective Group-wide risk management.

The risk governance structure is headed by the Board of Directors and the Sharia'a Supervisory Board ("SSB") of the Group. The risk appetite and the risk strategy for the Group are developed at this level.

The next level of the Board committees has delegated powers for monitoring the risk taking activities of the Group. These committees are the Board Risk, Audit and Compliance Committee, the Board Investment Committee ("BIC"), and the Nomination and Remuneration Committee. In turn, the risk appetite and risk tolerance set by the Board are cascaded across the institution and are taken into account in developing business goals and objectives.

As part of an effective system of control, key management decisions are made by more than one individual, in the form of non-board management committee, as follows:

Steering Committee ("STC") is the primary executive committee of the Group that is responsible for the following:

- a) General management issues including performance review against the budget, and oversight on implementation of the strategic business plan.
- b) Evaluates proposals for investments and credits, divestiture of assets and valuation of investments. The committee also ensures compliance with investment criteria as well as investment procedures at each phase of the investment process.
- c) Oversees management of market risks, translates investment strategy directions into asset allocation guidelines, and reviews and manages the capital adequacy, liquidity position and funding alternatives.
- d) Reviews the effectiveness of the operational risk management processes and procedures in respect of IT, Compliance, and AML, with the purpose of mitigating these risks.

At 31 December 2015



30 FINANCIAL RISK MANAGEMENT (continued)

Risk management & governance framework of the Group (continued)

Asset and Liability Management Committee ("ALCO") is a sub-committee of the STC responsible for setting and implementing the ALM policy, capital planning and proactive management of liquidity risk and market risk to which the Firm is exposed. The authority of ALCO includes:

- a) Design and implementation of Foreign Exchange and interest hedging strategy
- b) Funding and capital planning
- c) Covenant compliance of the Firm

The risk management functions are carried out by the identified control departments who liaise with the Chief Executive Officer for the day to day management of specific risks. These control departments include Risk Management, Compliance, Legal and Finance, and are manned by dedicated risk specialists in various disciplines to deal with the pertinent business risk exposures of the Group. In line with suitable governance policies, Risk Management and Compliance department have independent reporting lines to the BRACC that allow to provide its impartial view on the business activities taken by the Group.

Credit risk

Credit risk is the risk that an obligor or counterparty will fail to meet its contractual obligations in accordance with the agreed terms. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor exposure, business line exposure, country and economic sector risk etc.).

Management of credit risk

The Board has granted approval to the Group to engage in credit and investment related activities for approved products and is ultimately responsible for approving and periodically reviewing the credit and investment strategies and policies of the Group along with the SSB. The Board defines and sets the Group's overall levels of risk appetite, risk diversification and asset allocation strategies applicable to each Islamic financing instrument, economic activity, geographical spread, currency and tenor. The SSB has the responsibility to ensure that the business is conducted according to Islamic principles. The SSB reviews and approves the credit/investment products developed by the Group and used by the Group in its business along with the credit risk and investment policies.

The Board has delegated its responsibility of overall risk management to various Board and senior management committees. The BIC of the Board of Directors is responsible for evaluating and granting credit facilities and approving the Bank's investment activities within authorized limits as set by the Board and within the scope of activities approved by the QFCRA. The STC evaluates credit and investment proposals and also exercises oversight on compliance with investment criteria, limits and investment procedures. The Risk Management Department is responsible for reviewing and scrutinizing the Bank's risk management policies and procedures. The STC also reviews proposed guidelines on all risk and governance issues.

The Risk Management Department ("RMD") is responsible for the oversight and monitoring of the Group's credit risk, including:

- a) Formulating credit and investment policies in consultation with business units, covering credit and investment assessment, and risk reporting. RMD also facilitates establishment of the authorization structure for the approval and renewal of credit facilities. Approval / authorization limits are also allocated to Executive Management. Larger facilities require approval by BIC and/or the Board of Directors based on the authority limits structure of the Group.
- b) Reviewing and assessing credit and investment exposures prior to investments or facilities being committed. Exercising oversight for limiting concentrations of exposure to counterparties, countries and economic sectors.

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30 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Management of credit risk (continued)

- c) Exercising oversight on ongoing monitoring of credit and investment exposures, market risk exposures and operational risk management.
- d) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of investment and credit risk.
- e) The RMD works alongside the investment banking department at all stages of a deal cycle from pre-investment, due diligence, exit and provides an independent review of every transaction. A fair evaluation of investments takes place every two months with input from the investment banking department. Bi-monthly updates of investments are reviewed by RMD. The STC conducts quarterly reviews. Regular audits of business units and group credit process are undertaken by Internal Audit.

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Exposure to credit risk

The gross maximum exposure of financial assets to credit risk as at 31 December 2015 was as follows:

	Bank balances US\$'000	Placements with banks US\$'000	Financing assets US\$'000	Amortized cost Sukuk US\$'000	Other financial assets US\$'000	Total carrying value US\$'000
Neither past due nor impaired						
Carrying amount	69,050	62,473	506,557	57,025	314,205	1,009,310
Past due but not impaired						
30 – 60 days		_	-	<u>-</u>	-	
60 – 90 days	-	-	-	-	-	_
90 – 180 days	-	-	-	-	-	_
More than 180 days	_	-	-	_	_	_
Carrying amount- past due but not impaired						
Individually impaired						
Gross amount	_	_	_	_	150	150
Allowance for impairment	_	-	-	-	(150)	(150)
Carrying amount- individually impaired						
Collectively impaired			(7,131)			(7,131)
Carrying amount	69,050	62,473	499,426	57,025	314,205	1,002,179

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30 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

The gross maximum exposure of financial assets to credit risk as at 31 December 2014 was as follows:

	Bank balances US\$'000	Placements with banks US\$'000	Financing assets US\$'000	Amortized cost Sukuk US\$'000	Other financial assets US\$'000	Total carrying value US\$'000
Neither past due nor impaired						
Carrying amount	73,466	140,380	275,332	53,843	189,443	732,464
Past due but not impaired						
30 – 60 days	-	_	-	-	-	_
60 – 90 days	-	_	-	-	-	_
90 – 180 days		_	-	_	_	_
More than 180 days		_	-	_	150	150
Carrying amount- past due but not impaired					150	150
Individually impaired						
Gross amount		_	-	_	_	_
Allowance for impairment		_	-	_	_	_
Carrying amount- individually impaired						-
Carrying amount	73,466	140,380	275,332	53,843	189,593	732,614

Credit risk coverage for investments

Investment securities comprise sukuks issued by reputable Islamic financial institutions. The Group predominantly limits its exposure to credit risk by investing in liquid and investment grade securities with a minimum investment grade of BBB, however, given the price dislocations of some of the issues, the Bank decided to consider sukuks where issuers exhibit acceptable credit risk. The sukuk investments are subject to a comprehensive risk limit framework which includes limits on exposures to countries, economic sectors and issuers and also transaction limits. Given these criteria, management expects to minimize the credit risk relating to investments.

Credit risk coverage for financings

Financings comprise loans originated to corporate clients, either on bilateral or syndicated basis, where the obligors exhibit an acceptable level of credit risk. Financing facilities are usually secured by tangible collateral and/or security packages (e.g. physical assets, company shares, etc.) and are subject to financial covenants.

Financing facilities are subject to a comprehensive risk limit framework which includes limits on exposures to product types, countries and industry sectors. Given these criteria, management expects to mitigate the credit risks relating to financings.

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30 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk coverage for financings (continued)

The table below presents an analysis of exposure of financial assets to credit risk by rating agency designation:

Rating	Fair value as at 31 December 2015 US\$'000	Fair value as at 31 December 2014 US\$'000
A	135,334	127,865
A-	16,186	26,455
A+	2,590	58,606
B+	-	10,237
BB	30,284	20,000
BB-	24	-
BBB	962	2,193
BBB+	26	-
BBB-	174	-
CCC+	20,191	19,712
Not rated	796,408	467,546
Total	1,002,179	732,614

The Group's credit risk exposures arising from investments in sukuk are not covered by collateral. However sukuk holdings confer the Group ownership of the assets underlying the sukuk. As a result, the Group does not only have the financial right to any revenues but is an owner of part of the underlying asset.

Write-off policy

The Group writes off receivables and investment balances (and any related allowances for impairment losses) when the Group determines that the receivables or investments are uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the payee or issuer's financial position such that the payee or issuer can no longer meet the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Concentration risk

Concentration risk is any single exposure or group of exposures with the potential to produce losses material enough to threaten the Group's health or ability to maintain its core operations. Such concentrations include:

- Significant exposures to an individual counterparty or group of related counterparties;
- Credit exposures to counterparties in the same economic sector or geographical region;
- Credit exposures to counterparties whose financial performance is dependent on the same activity or commodity; and
- Indirect credit exposures arising from the Group's credit risk mitigation activities (e.g. exposure to a single collateral type or to credit protection provided by a single counterparty).

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30 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Concentration risk (continued)

Exposure to significant counterparties:

	% of capital resources	Carrying value US\$'000
As at 31 December 2015		
As at 31 December 2014	18%	125,016

The only significant counterparty exposure as at 31 December 2014 was placements with a Qatari listed bank. Significant exposure is identified as aggregate exposure to a counterparty equal or exceeding 10% of capital resources.

Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its funding requirements and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board of Directors ("Board") is responsible for approving the Asset Liability Management ("ALM") policy of the Group. In turn, the Board may delegate part of its responsibilities to sub-committees and senior management. The Board has delegated the responsibilities of ALM to the STC and ALCO.

The STC and ALCO are responsible for the overall asset and liability management function of the Group. The STC and ALCO set guidelines for the overall management of the liquidity and rate of return risk by recommending policies, setting limits and guidelines and monitoring the risk and liquidity profile of the Group on a regular basis. The STC and ALCO also determine the borrowing and funding strategy of the Group in order to maximize profit and minimize risk. The ALCO is responsible for overseeing the adherence to regulatory liquidity ratios and preparation of a short-term liquidity reports.

Exposure to liquidity risk

The Group's liquid assets include cash and cash equivalents, sovereign and high quality sukuks and marketable securities. Appropriate haircuts are applied to the valuation of these assets to ensure that a sufficient buffer is maintained for any market price fluctuation. The table below lists the liquidity indicators that the Group monitors on a regular basis.

Indicators	2015	2014
Liquid assets/ total equity	35%	39%
Illiquid + long term investments / total assets	79%	70%

The maturity profile of the Group's assets and liabilities is shown in Note 29.

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30 FINANCIAL RISK MANAGEMENT (continued)

Market risk

Management of market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. As a matter of general policy, all trading positions on its assets and liabilities are being monitored on a daily basis by both business and control areas. Any material movements on the trading portfolios are addressed appropriately. All foreign exchange risk within the Group is transferred to Treasury. The Group seeks to manage currency risk by continually monitoring exchange rates. Overall authority for market risk is vested in the STC. ALCO is responsible for the design and implementation of FX and profit rate hedging strategies. RMD is responsible for the development of detailed risk management policies (subject to review and approval by the STC) and for the regular review of their implementation.

Market risk has the following main components:

- Profit rate risk:
- Foreign exchange risk; and
- · Equity price risk;

Profit rate risk

Profit rate risk arises when there is a mismatch between positions which are subject to profit rate adjustment within a period. In the Group's funding and investment activities, fluctuations in profit rates are reflected in profit margins and earnings.

Exposure to profit rate risk

Profit rate risk is the risk that the relative value of a profit bearing asset, whether fixed or floating, will worsen due to movements in market based benchmark profit rates. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. The Group holds a mixture of both floating and fixed profit rate assets, comprising financing facilities, placements with other financial institutions and investments in sukuks. The Group's funded liabilities are relatively small, mostly short-term and variable in nature.

Profit rate risk sensitivity analysis

The Group monitors the sensitivity of the Group's financial instruments by way of subjecting them to standard scenarios that include a 100 basis point (bp) parallel fall or rise in all pertinent yield curves. An analysis of the Group's income statement sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	100 bps parallel increase / (decrease)
At 31 December 2015	1,757
At 31 December 2014	2,902

At 31 December 2015



30 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Profit rate risk sensitivity analysis (continued)

The effective profit rates on financial instruments were as follows:

	2015	2014
Placements with banks	0.72%	1.03%
Financing assets	9.87%	8.97%
Sukuks	7.02%	7.08%
Borrowings	2.74%	2.91%

Profit rate risk profile

The following table sets out the profit rate risk profile of the Group's assets and liabilities as at 31 December 2015:

	Carrying amount US\$'000	Less than 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Not profit sensitive US\$'000
ASSETS						
Cash and bank balances	69,050	_	_	-	_	69,050
Placements with banks	62,473	62,473	_	-	_	
Financing assets	499,426	351,343	143,853	5,361	6,000	(7,131)
Investment securities	355,363	30,134	943	1,400	54,682	268,204
Investment in real estate	58,406	_	_	_	_	58,406
Investment in property lease	50,297	_	_	_	_	50,297
Investment in associates	77,519	_	_	_	_	77,519
Assets of a subsidiary held for sale	1,225	_	_	_	_	1,225
Other assets	56,262	11,386	2,311	31	889	41,645
Total	1,230,021	455,336	147,107	6,792	61,571	559,215
LIABILITIES						
Liabilities of a subsidiary held for sale	934	_	_	_	-	934
Borrowings	443,195	361,290	42,313	39,592		_
Other liabilities	32,483	1,554	640	23		30,266
Total	476,612	362,844	42,953	39,615		31,200
Profit rate sensitivity gap	753,409	92,492	104,154	(32,823)	61,571	528,015
Cumulative profit rate sensitivity gap	753,409	92,492	196,646	163,823	225,394	753,409

At 31 December 2015

30 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Profit rate risk profile (continued)

The following table sets out the profit rate risk profile of the Group's financial assets and liabilities as at 31 December 2014:

	Carrying amount	. , ,	3 to 12 months	1 to 5 years	Over 5 years	Not profit sensitive
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS						
Cash and bank balances	73,466	_	-	-	-	73,466
Placements with banks	140,380	140,380	-	-	-	-
Financing assets	275,332	125,228	82,354	61,750	6,000	-
Investment securities	224,310	37,934	-	3,893	39,712	142,771
Investment in real estate	64,493	_	-	-	-	64,493
Investment in associates	57,549	_	-	-	-	57,549
Assets of a subsidiary held for sale	16,857	_	-	-	-	16,857
Other assets	54,984	4,318	2,105	1,243	640	46,678
Total	907,371	307,860	84,459	66,886	46,352	401,814
LIABILITIES						
Liabilities of a subsidiary held for sale	5,134	-	-	-	-	5,134
Borrowings	179,345	103,453	13,513	62,379	-	-
Other liabilities	22,177	596	648	224	-	20,709
Total	206,656	104,049	14,161	62,603		25,843
Profit rate sensitivity gap	700,715	203,811	70,298	4,283	46,352	375,971
Cumulative profit rate sensitivity gap	700,715	203,811	274,109	278,392	324,744	700,715

Foreign exchange risk

The Group is exposed to foreign exchange risk on financial assets and liabilities that are denominated in a currency other than the functional currency of the Bank.

Exposure to foreign currency exchange risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The Group had the following significant net exposures denominated in foreign currencies that are not pegged to US\$:

	2015 US\$'000	2014 US\$'000
Euro	(1,226)	(1,891)
Pound Sterling	(5,674)	(30,284)
Indian Rupee	33,344	18,467

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30 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Exposure to foreign currency exchange risk (continued)

The exposures to Euro, Pound Sterling and Indian Rupee are primarily from the Group's net investment exposure to the foreign currency denominated assets and liabilities of a subsidiary held for sale, investment in associate, financial assets designated at fair value through income statement and fair value through equity investments. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on its net investment in foreign operations.

Foreign exchange risk sensitivity analysis

The table below indicates the effect of a reasonably possible movement of the currency rate against the US\$ on the net profit for the year, with all other variables held constant:

	2015	2014
	US\$'000	US\$'000
5% change in currency exchange rate		
Euro	(61)	(761)
Pound Sterling	(284)	(1,514)
Indian Rupee	1,667	828

Equity price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group for which prices in the future are uncertain. The following table demonstrates the sensitivity of the effect of cumulative changes in fair value of the Group to reasonably possible changes in equity prices (excluding equity derivatives), with all other variables held constant. The effect of decrease in equity prices is expected to be equal and opposite to the effect of the increase shown. A decrease on the listed securities shown below would have an impact on the income or equity, depending on whether or not the decline is significant or prolonged. An increase in the listed securities shown below would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

Securities	Change in equity price	Effect on consolidated equity US\$ '000
2015		
CAC 40	+10%	101
2014 CAC 40		
CAC 40	+10%	652

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30 FINANCIAL RISK MANAGEMENT (continued)

Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial loss, reputational damage, legal penalty or regulatory censure. The Bank manages Operational Risk through appropriate controls (such as segregation of duties, checks and balances, and the work of audit and compliance) and an Operational Risk Management framework (ORM).

This framework adopts a three pronged approach – (a) self-analysis by each bank department through the Operational Risk Self-Assessment (ORSA) process, (b) loss event/data reporting, and (c) issue tracking. Oversight of the ORM is exercised by RMD and STC.

QInvest has also developed a Disaster Recovery (DR) site within Qatar and a Business Continuity Plan (BCP) to facilitate the resumption and continuation of business in the event of a disaster impacting the bank's Head Office. The Bank likewise transfers data outside Qatar into a cloud-based system managed by a reputable international service provider. This would enable the Bank to re-build data from outside Qatar in the event of an "in-country" disaster.

Other risks

Legal risk is addressed through the effective use of internal and external legal advisers. Reputational risk is addressed by effective procedures being drafted and implemented around all areas concerning press and publicity releases, document production and website design.

Regulatory and legal risks

The Compliance department is responsible for helping management identify and manage compliance and regulatory risks. It reports directly to the Board Risk, Audit and Compliance Committee ("BRACC'). It is focused on the implementation of a control framework which helps ensure the appropriate regulatory response in relation to legislation and requirements arising in Qatar and in other locations. The Compliance department has several specific areas of core focus which include addressing Anti Money Laundering requirements, building a sustainable framework to ensure compliance with FATCA legislation, conflicts management and ensuring a heightened sensitivity to conflicts management, the identification and assessment of Sanctions exposures in relation to international sanctions programmes and the management of information flows in the entity, with a particular focus on the receipt of Material Non Public Information ("MNPI") in relation to listed companies.

Capital management

Capital represents the shareholders' investment and is a key strategic resource which supports the Group's risk taking business activities. In line with Group's financial objective, management strives to deploy this resource in an efficient and disciplined manner to earn competitive returns. Capital also reflects financial strength and security to the Group's creditors and depositors. Capital management is fundamental to the Group's risk management philosophy, and takes into account economic and regulatory requirements.

The Group's regulator, the QFCRA, sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the QFCRA requires the Group to maintain a positive prescribed ratio of total capital to total risk-weighted assets. The minimum ratio prescribed by the QFCRA is 10.5%.

For calculating regulatory capital, the Group is following the QFCRA approaches for credit, market and operational risk management.

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30 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital includes ordinary share capital, share premium, retained earnings. translation reserve, investment fair value reserve relating to unrealized gains on equity instruments classified as fair value through equity, associates and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes instruments issued by the entity that meet the criteria for inclusion in Tier 2 capital, share premium, certain financing assets provisions and other regulatory adjustments applied in calculation of Tier 2 capital.

The Group's policy is at all times to exceed the minimum capital requirements of the QFCRA. The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. There have been no material changes in the Group's management of capital during the year.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the internal capital requirements may be adjusted to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently from those responsible for the operation, and is subject to review by the Senior Management.

Capital position

	2015	2014
	US\$'000	US\$'000
Risk weighted exposure	2,155,812	1,607,335
Total qualifying tier 1 capital and reserve funds	705,463	676,073
Qualifying Tier 2 capital and reserve funds	7,131	-
Total qualifying capital and reserve funds	712,594	676,073
Capital adequacy ratio including unappropriated profits	33.05%	42.06%

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31 FAIR VALUE MEASUREMENT

31.1 Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

Fair value and classification of financial instruments at 31 December 2015

	Fair value through income statement US\$'000			Loans and receivable US\$'000	Total carrying value US\$'000	Fair value US\$'000
Financial assets						
Cash and bank balances		_	-	69,050	69,050	69,050
Placements with banks		_	-	62,473	62,473	62,473
Financing assets		_	-	499,426	499,426	499,426
Investment securities	241,969	56,369	57,025	_	355,363	348,783
Assets of a subsidiary held for sale		1,009	-	216	1,225	1,225
Other assets		_	-	47,046	47,046	47,046
Total	241,969	57,378	57,025	678,211	1,034,583	1,028,003
Financial liabilities						
Borrowings		_	-	443,195	443,195	443,195
Liabilities of a subsidiary held for sale		_		934	934	934
Other liabilities		_	-	28,322	28,322	28,322
Total		_	-	472,451	472,451	472,451

At 31 December 2015



31 FAIR VALUE MEASUREMENT (continued)

31.1 Fair values (continued)

Fair value and classification of financial instruments at 31 December 2014

	Fair value through income statement US\$'000	Fair value through equity US\$'000	Amortized cost investment securities US\$'000	Loans and receivable US\$'000	Total carrying value US\$'000	Fair value US\$'000
Financial assets					_	
Cash and bank balances	-	_	-	73,466	73,466	73,466
Placements with banks	-			140,380	140,380	140,380
Financing assets	-	_	-	275,332	275,332	275,332
Investment securities	150,947	19,520	53,843	_	224,310	215,110
Assets of a subsidiary held for sale	-	6,521	-	10,336	16,857	16,857
Other assets	-	_	-	46,823	46,823	46,823
Total	150,947	26,041	53,843	546,337	777,168	767,968
Financial liabilities						
Borrowings	-	_	-	179,345	179,345	179,345
Liabilities of a subsidiary held for sale	-	_		5,134	5,134	5,134
Other liabilities	-			19,217	19,217	19,217
Total		-		203,696	203,696	203,696

The management assessed that cash and short-term deposits, other receivables, other payables, due to bank and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate financing receivables/borrowings are evaluated by the Group based on parameters such as profit rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2015, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values. Depending on the nature and level of adjustments needed to the value, the Group considers these financial assets and liabilities as Level 2.
- Fair value of the quoted sukuk is based on price quotations at the reporting date.
- Fair value of the unquoted shares has been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

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31 FAIR VALUE MEASUREMENT (continued)

31.1 Fair values (continued)

- Fair value of guoted fair value through equity financial assets is derived from guoted market prices in active markets.
- Certain unquoted fair value through equity investments are recorded at cost since their fair values cannot be reliably estimated. There are no active markets for these investments and the Group intends to hold them for the long term.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly profit rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. The Group use the counterparty banks valuations to measure the fair value of the derivative financial instruments.
- The Group invests in limited partnerships which are not quoted in an active market and the NAV of these funds may be used as an input into measuring their fair value. Depending on the nature and level of adjustments needed to the NAV and the level of trading, the Group classifies these funds as Level 3.

Description of significant unobservable inputs to valuation:

Fair value through income statement unquoted equity shares valued using long term DCF expected from the operations of the investee. Significant variables used for valuation are growth rate and WACC. By increasing / (decreasing) the growth 1% the fair value of the investment will increase / (decrease) by US\$ 1.91 million (2014: US\$ 3 million) and by increasing / (decreasing) the WACC by 2% the fair value will (decrease) / increase by US\$ 3.25 million (2014: US\$ 8 million).

Fair value through income statement unquoted equity shares valued using DCF expected from the disposal of underlying real estate inventories. Significant variables used for valuation are selling price and discount rate. By increasing / (decreasing) the selling prices by 5% the fair value of the investment will increase / (decrease) by US\$ 1.5 million and by increasing / (decreasing) the discount rate by 1% the fair value will (decrease) / increase by US\$ 0.03 million.

Fair value through equity unquoted equity shares valued using comparable PE and PB multiples. By increasing / (decreasing) the PE multiple by 1x the fair value of the investment will increase / (decrease) by US\$ 0.9 million (2014: US\$ 0.8 million) and by increasing / (decreasing) the PB multiple by 0.1x the fair value will increase / (decrease) by US\$ 0.6 million (2014: US\$ 0.6 million).

In case of fair value through equity assets, the impairment charge in the income statement would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity and, would not have an effect on income statement.

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31 FAIR VALUE MEASUREMENT (continued)

31.2 Determination of fair value and fair value hierarchy

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2015:

	Fair value measurement using				
	Fair Value US\$'000	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Assets measured at fair value:					
Designated at fair value through income					
statement investments (Note 6.1/6.3):					
Unquoted equity shares	73,163	_	-	73,163	
Quoted debt securities	30,134	30,134	-	-	
Unquoted sharia'a funds	67,037	_	67,037	-	
Funds	71,635	_	_	71,635	
	241,969	30,134	67,037	144,798	
Fair value through equity financial investments (Note 6.2):					
Unquoted equity shares	22,300	-	-	22,300	
Funds	34,069	-	-	34,069	
	56,369		<u> </u>	56,369	
Investment in real estate (Note 7):					
Investment properties	58,406			58,406	
Derivative financial assets (Note 11.1):					
Derivative financial instruments	16,878	_	16,878	_	
Total	373,622	30,134	83,915	259,573	
Liabilities measured at fair value					
Derivative financial liabilities (Note 11.1):					
Derivative financial instruments	4,978	-	4,978		

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31 FAIR VALUE MEASUREMENT (continued)

31.2 Determination of fair value and fair value hierarchy (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2014:

	Fair value measurement using				
	Fair Value US\$'000	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Assets measured at fair value:					
Designated at fair value through income statement					
investments (Note 6.1/6.3):					
Unquoted equity shares	56,317	_	_	56,317	
Quoted debt securities	27,697	27,697	-	_	
Unquoted sharia'a funds	44,271	44,271	-	_	
Funds	22,662	-	5,118	17,544	
	150,947	71,968	5,118	73,861	
Fair value through equity financial investments (Note 6.2):					
Unquoted equity shares	10,000	-	-	10,000	
Funds	9,520	-	-	9,520	
	19,520	-		19,520	
Investment in real estate (Note 7):					
Investment properties	64,493	<u> </u>	<u> </u>	64,493	
Derivative financial assets (Note 11.1):					
Derivative finacnial instruments	19,982	_	19,982	_	
Total	254,942	71,968	25,100	157,874	
Liabilities measured at fair value					
Derivative financial liabilities (Note 11.1):					
Derivative financial instruments	1,980		1,980	_	

Notes

⁽i) During 2015, following the publishing of audited results of unquoted sharia'a funds, the Group's investments in those funds totaling US\$ 44.2 were reclassified from Level 1 to Level 2. During 2015, the Group invested additional US\$ 15.5 million in unquoted sharia'a funds. Transfers between levels of the fair value hierarchy, are deemed to have occurred at the beginning of the reporting period. There were no transfers into and out of Level 3 fair value measurements.

At 31 December 2015



31 FAIR VALUE MEASUREMENT (continued)

31.2 Determination of fair value and fair value hierarchy (continued)

(ii) Unquoted sharia'a funds

The investments classified within Level 2 are unlisted sharia'a funds. Shares in unlisted sharia'a funds are valued by reference to the latest confirmed net asset value (NAV) per Share of the relevant investment funds or, if unavailable, the estimated net asset value of the relevant underlying scheme.

These confirmations are received from the administrator of each of these investment funds. If these are unavailable, the value is estimated by the Directors or their delegate with a view to establishing the probable realisation value of such investment. The Group considers all investee funds with the ability to redeem in full within one quarter of the measurement date at the investee fund's NAV to be level 2.

(iii) Unlisted managed funds

The Group invests in managed funds, including private equity funds, real estate funds which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classifies these funds as Level 3.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	Fair value through income statements investments US\$'000	Fair value through equity investments US\$'000	Investment in real estate US\$'000	Total US\$'000
Balance as at 1 January 2015	73,861	19,520	64,493	157,874
Total gains and losses in income statement	29,112	_	_	29,112
Total gains recognised in equity	-	10,913	-	10,913
Purchases	83,779	29,347	-	113,126
Disposals	(39,584)	(3,235)	-	(42,819)
Foreign currency losses	(2,370)	(176)	(6,087)	(8,633)
Balance at 31 December 2015	144,798	56,369	58,406	259,573
Balance as at 1 January 2014	97,007	15,707	72,266	184,980
Total gains and losses in income statement	-	_	740	740
Total gains recognised in equity	-	8,971	-	8,971
Purchases	25,724	_	-	25,724
Disposals	(48,870)	(5,158)	-	(54,028)
Foreign currency losses			(8,513)	(8,513)
Balance at 31 December 2014	73,861	19,520	64,493	157,874

At 31 December 2015

32 SHARE-BASED PAYMENTS

In 2015, "Employee Share Option Plan" (ESOP) was approved by the QInvest Board of Directors for key employees with material impact on QInvest listing. Under the plan, share options were approved with ratio of 1 option: 1 share. The exercise price of the option will be US\$ 1 per share. The options vest as per following schedule:

- 50% of options immediately prior to listing date
- 25% of options12 months after listing date
- 25% of options 24 months after listing date

Options must be exercise within 24 months of vesting date (or they will lapse). Options will expire 5 years after the grant date if no listing has happened (or if not extended by QInvest Board). This is an Equity Settled scheme but it gives employees flexibility to notionally sell a portion of shares in order to avoid the requirement to pay cash to QInvest.

The fair value is estimated using Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The fair value charge for the period ended 31 December 2015 was estimated using assumptions related to IPO probability, IPO Date, Dividend yield (%), Standard Deviation (%), Risk-free interest rate (%) and Spot price per share (US\$).

For the year ended 31 December 2015, the Group has recognized US\$ 3.4 million of share-based payment expense in the income statement (31 December 2014: Nil).

33 CASH DIVIDENDS TO THE EQUITY HOLDERS OF THE PARENT

The Board of Directors have proposed a cash dividend of US\$ 4 cents per share for the year ended 31 December 2015 (2014: US\$ 2 cents per share). The amounts are subject to the approval of the Annual General Assembly.

34 ASSETS UNDER MANAGEMENT

The Group's investment activities also include management of certain investment funds. At the reporting date, the Group had assets under management of US\$ 210 million (31 December 2014: US\$ 171 million). The financial statements of these funds are not consolidated with the financial statements of the Group as these funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. However, the Group's share of equity in these funds is included in the financial investments of the Group.

35 COMPARATIVES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported net income.



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Note: "\$" refers to US Dollars throughout this document

