QINVEST

Interim Condensed Consolidated Financial Statements 30 September 2017

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Ernst & Young - (Qatar Branch)
P.O. Box 164
Burj Al Gassar, 24th floor
Majlis Al Taawon Street, Onaiza
West Bay
Doha, State of Qatar

Tel: +974 4457 4111
Fax: +974 4441 4649
doha@qa.ey.com
ey.com/mena

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QINVEST LLC

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of QInvest LLC ("QInvest" or the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 September 2017, and the related interim consolidated statements of income for the three month and nine month periods ended 30 September 2017, and the related interim consolidated statements of changes in equity, interim consolidated statement of changes in restricted investment accounts and interim consolidated statement of cash flows for the nine-month period then ended and the related explanatory notes.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in Note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in Note 2.

Ernst & Young

ERNST & YOUNG
Doha
محاسبون قانونيون
الدوحة
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Ernst & Young

Date: 29 November 2017
Doha
State of Qatar

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017 (QAR)

	30 September 2017[1] (Reviewed) QAR '000	31 December 2016 (Audited) QAR '000
ASSETS		
Cash and bank balances	**117,678**	93,162
Placements with banks	**441,962**	651,327
Financing assets	**929,565**	1,607,308
Investment securities	**1,918,946**	1,386,600
Investment in real estate	**399,217**	344,293
Investment in property lease	**199,672**	172,081
Investment in associates	**274,387**	238,074
Other assets	**155,089**	196,330
TOTAL ASSETS	**4,436,516**	4,689,175
LIABILITIES		
Financing liabilities	**1,672,722**	1,906,861
Other liabilities	**164,921**	106,943
TOTAL LIABILITIES	**1,837,643**	2,013,804
EQUITY		
Share capital	**2,567,499**	2,730,000
Share premium	**7,801**	27,300
Treasury shares	**-**	(182,000)
Other reserves	**31,916**	32,316
Accumulated losses	**(136,944)**	(42,522)
Total equity attributable to shareholders of the Bank	**2,470,272**	2,565,094
Non-controlling interests	**128,601**	110,277
Total equity	**2,598,873**	2,675,371
TOTAL LIABILITIES AND EQUITY	**4,436,516**	4,689,175
Off-balance sheet items		
Restricted investment accounts	**800,556**	891,436

[1] 30 September 2017 results reflect the early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOIFI. Prior period balances have not been restated. Refer to Note 2 for further information.

Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

Tamim Hamad Al-Kawari
Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three and nine month period ended 30 September 2017 (QAR)

	Three months period ended		Nine months period ended	
	30 September 2017[(1)] (Reviewed) QAR '000	30 September 2016 (Reviewed) QAR '000	**30 September 2017[(1)] (Reviewed) QAR '000**	30 September 2016 (Reviewed) QAR '000
Fee and commission income	**14,368**	16,984	**40,670**	58,003
Income from financing assets	**27,315**	40,473	**114,216**	135,972
Net gain from investments	**39,421**	29,859	**124,968**	123,727
Income from placements with banks	**1,736**	1,052	**5,293**	1,951
Share of results of associates	**1,634**	5,930	**8,194**	11,397
Profit from a subsidiary held for sale	**-**	3,640	**-**	5,267
Other income/(loss)	**3,403**	(342)	**3,604**	721
Total operating revenue	**87,877**	97,596	**296,945**	337,038
Staff costs	**(32,163)**	(37,062)	**(99,587)**	(110,518)
General and administrative expenses	**(13,173)**	(15,040)	**(39,782)**	(41,693)
Depreciation and amortisation	**(1,008)**	(943)	**(2,927)**	(2,894)
Total operating expenses	**(46,344)**	(53,045)	**(142,296)**	(155,105)
Operating profit	**41,533**	44,551	**154,649**	181,933
Finance expenses	**(19,183)**	(18,804)	**(57,752)**	(47,968)
Fair value loss on financing assets carried at fair value	**(18,571)**	-	**(32,818)**	-
Recoveries/(impairments) from expected losses on financing assets, financial assets, Sukuk and other debt instruments	**1,095**	(81,580)	**5,111**	(97,210)
Profit/ (Loss)before tax	**4,874**	(55,833)	**69,190**	36,755
Tax expense	**(2,068)**	(2,541)	**(3,647)**	(1,270)
Net profit /(loss) for the period	**2,806**	(58,374)	**65,543**	35,485
Attributable to:				
Shareholders of the Bank	808	(59,998)	**60,058**	32,098
Non-controlling interests	**1,998**	1,624	**5,485**	3,387
	2,806	(58,374)	**65,543**	35,485

(1) 30 September 2017 results reflect the early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOIFI. Prior period balances have not been restated. Refer to Note 2 for further information.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017 (US$)

	Notes	**30 September 2017 [1] (Reviewed) US$ '000**	31 December 2016 (Audited) US$ '000
ASSETS			
Cash and bank balances		**32,329**	25,594
Placements with banks		**121,418**	178,936
Financing assets	4	**255,375**	441,568
Investment securities	5	**527,183**	380,934
Investment in real estate		**109,675**	94,586
Investment in property lease		**54,855**	47,275
Investment in associates		**75,381**	65,405
Other assets		**42,607**	53,937
TOTAL ASSETS		**1,218,823**	1,288,235
LIABILITIES			
Financing liabilities		**459,539**	523,863
Other liabilities		**45,308**	29,380
Total liabilities		**504,847**	553,243
EQUITY			
Share capital	10	**705,357**	750,000
Share premium		**2,143**	7,500
Treasury shares	10	**-**	(50,000)
Other reserves	11	**8,768**	8,878
Accumulated losses		**(37,622)**	(11,682)
Total equity attributable to shareholders of the Bank		**678,646**	704,696
Non-controlling interests		**35,330**	30,296
Total equity		**713,976**	734,992
TOTAL LIABILITIES AND EQUITY		**1,218,823**	1,288,235
Off-balance sheet items			
Restricted investment accounts		**219,933**	244,900

[1] 30 September 2017 results reflect the early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOIFI. Prior period balances have not been restated. Refer to Note 2 for further information.

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman

Tamim Hamad Al-Kawari
Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three and nine month period ended 30 September 2017 (US$)

		Three months period ended		Nine months period ended	
	Notes	**30 September 2017[1] (Reviewed) US$ '000**	30 September 2016 (Reviewed) US$ '000	**30 September 2017[1] (Reviewed) US$ '000**	30 September 2016 (Reviewed) US$ '000
Fee and commission income		**3,947**	4,666	**11,173**	15,935
Income from financing assets		**7,504**	11,119	**31,378**	37,355
Net gain from investments	7	**10,830**	8,203	**34,332**	33,991
Income from placements with banks		**477**	289	**1,454**	536
Share of results of associates		**449**	1,629	**2,251**	3,131
Profit from a subsidiary held for sale		**-**	1,000	**-**	1,447
Other income/(loss)		**935**	(94)	**990**	198
Total operating revenue		**24,142**	26,812	**81,578**	92,593
Staff costs		**(8,836)**	(10,182)	**(27,359)**	(30,362)
General and administrative expenses		**(3,619)**	(4,132)	**(10,929)**	(11,454)
Depreciation and amortisation		**(277)**	(259)	**(804)**	(795)
Total operating expenses		**(12,732)**	(14,573)	**(39,092)**	(42,611)
Operating profit		**11,410**	12,239	**42,486**	49,982
Finance expenses		**(5,270)**	(5,166)	**(15,866)**	(13,178)
Fair value loss on financing assets carried at fair value through income statement		**(5,102)**	-	**(9,016)**	-
Recoveries/(impairments) from expected losses on financing assets, financial assets, sukuk and other debt instruments	8	**301**	(22,412)	**1,404**	(26,706)
Profit/(loss) before tax		**1,339**	(15,339)	**19,008**	10,098
Tax expense		**(568)**	(698)	**(1,002)**	(349)
Net profit /(loss) for the period		**771**	(16,037)	**18,006**	9,749
Attributable to:					
Shareholders of the Bank		**222**	(16,483)	**16,499**	8,818
Non-controlling interests		**549**	446	**1,507**	931
		771	(16,037)	**18,006**	9,749

[1] 30 September 2017 results reflect the early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOIFI. Prior period balances have not been restated. Refer to Note 2 for further information.

	Attributable to shareholders of the bank							
	Share capital US$ '000	Share premium US$ '000	Treasury shares US$ '000	Other reserves US$ '000	Accumulated losses US$ '000	Total equity attributable to shareholders of the Bank US$ '000	Non-controlling interests US$ '000	Total Equity US$ '000
As at 31 December 2016 (Audited)	750,000	7,500	(50,000)	8,878	(11,682)	704,696	30,296	734,992
Transition adjustment on early adoption at 1 January 2017 (Note 2)	-	-	-	-	(42,439)	(42,439)	-	(42,439)
Restated balance as at 1 January 2017	750,000	7,500	(50,000)	8,878	(54,121)	662,257	30,296	692,553
Profit for the period	-	-	-	-	16,499	16,499	1,507	18,006
Extinguishment of treasury shares (Note 10)	(44,643)	(5,357)	50,000	-	-	-	-	-
Foreign currency translation differences of foreign operations	-	-	-	29,713	-	29,713	3,554	33,267
Effective portion of changes in fair value of hedges	-	-	-	(28,800)	-	(28,800)	-	(28,800)
Net change in fair value of investment designated as equity	-	-	-	(1,410)	-	(1,410)	-	(1,410)
Share-based payments	-	-	-	387	-	387	-	387
Net movement in non-controlling interests	-	-	-	-	-	-	(27)	(27)
As at 30 September 2017[1] (Reviewed)	**705,357**	**2,143**	**-**	**8,768**	**(37,622)**	**678,646**	**35,330**	**713,976**

[1] 30 September 2017 results reflect the early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOFI. Prior period balances have not been restated. Refer to Note 2 for further information.

Interim Consolidated Statement of Changes in Equity (continued)

For the nine months period ended 30 September 2017

	Attributable to shareholders of the bank							
	Share capital US$ '000	Share premium US$ '000	Treasury shares US$ '000	Other reserves US$ '000	Accumulated losses US$ '000	Total equity attributable to shareholders of the Bank US$ '000	Non-controlling interests US$ '000	Total Equity US$ '000
As at 1 January 2016 (Audited)	750,000	7,500	(50,000)	30,446	10,363	748,309	5,100	753,409
Profit for the period	-	-	-	-	8,818	8,818	931	9,749
Foreign currency translation differences of foreign operations	-	-	-	(5,022)	-	(5,022)	181	(4,841)
Effective portion of changes in fair value of hedges	-	-	-	2,705	-	2,705	-	2,705
Net change in fair value of investment designated as equity	-	-	-	(18,415)	-	(18,415)	-	(18,415)
Share-based payments	-	-	-	1,646	-	1,646	-	1,646
Dividends (Note 12)	-	-	-	-	(28,214)	(28,214)	-	(28,214)
Net movement in non-controlling interests	-	-	-	-	-	-	25,275	25,275
As at 30 September 2016 (Reviewed)	750,000	7,500	(50,000)	11,360	(9,033)	709,827	31,487	741,314

Interim Consolidated Statement of Changes in Restricted Investment Accounts

For the nine months period ended 30 September 2017

	Balance at 1 January 2017 (Audited) US$ '000	Movements during the year Investment / (repayment) US$ '000	Revaluation US$ '000	Realised income/ (expenses) US$ '000	Agency fees US$ '000	Dividends paid US$ '000	Balance at 30 September 2017 (Reviewed) US$ '000
Restricted investment accounts	**244,900**	**(21,288)**	**(7,358)**	**4,259**	**(494)**	**(86)**	**219,933**

	Balance at 1 January 2017 (Audited) US$ '000	Movements during the year Acquisition of subsidiary US$ '000	Investment / (repayment) US$ '000	Revaluation US$ '000	Realised income/ (expenses) US$ '000	Agency fees US$ '000	Dividends paid US$ '000	Balance at 30 September 2017 (Reviewed) US$ '000
Restricted investment accounts	158,451	5,322	79,118	2,357	1,783	(267)	(64)	246,700

Interim Consolidated Statement of Cash Flows

For the nine months period ended 30 September 2017

	Notes	Nine months period ended 30 September 2017[1] (Reviewed) US$ '000	30 September 2016 (Reviewed) US$ '000
OPERATING ACTIVITIES			
Profit before tax		**19,008**	10,098
Adjustments to reconcile profit before tax to net cash flows:			
Share of results of associates		**(2,251)**	(3,131)
Net unrealised foreign exchange gain		**(1,023)**	(38)
Depreciation and amortization		**804**	795
Gain on fair value through income statement investments		**(24,987)**	(16,197)
Fair value loss on fair value through income statement financing assets		**9,016**	-
(Recoveries)/ Impairment losses	8	**(1,404)**	26,706
Employees' end of service benefits – net		**356**	582
Share based payments		**387**	1,645
Net gain from fair value adjustment of investment in real estate		**1,050**	-
Profit from a subsidiary held for sale		**-**	(1,447)
Net operating profit before changes in operating assets and liabilities		**956**	19,013
Change in financing assets		**71,779**	3,322
Change in other assets		**(2,933)**	(19,476)
Change in other liabilities		**3,886**	2,715
Net cash flows from operating activities		**73,688**	5,574
INVESTING ACTIVITIES			
Purchase of investment securities		**(108,981)**	(75,404)
Proceeds from disposal of investment securities		**53,409**	49,176
Investment in an associate		**(4,783)**	-
Acquisition of subsidiary, net of cash		**-**	(3,937)
Purchase of equipment and intangible assets		**(341)**	(1,129)
Net proceeds from subsidiaries held for sale		**549**	-
Net cash flows used in investing activities		**(60,147)**	(31,294)
FINANCING ACTIVITIES			
Movement in non-controlling interests		**-**	25,674
Dividend paid		**-**	(26,012)
Net movement in financing liabilities		**(64,324)**	83,299
Net cash (used in) from financing activities		**(64,324)**	82,961
Net (decrease) increase in cash and cash equivalents		**(50,783)**	57,241
Cash and cash equivalents at 1 January		**204,530**	131,523
Cash and cash equivalents at the end of the period	9	**153,747**	188,764

[1] 30 September 2017 results reflect the early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOIFI. Prior period balances have not been restated. Refer to Note 2 for further information.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

QInvest LLC ("QInvest" or "the Bank") is an Islamic investment bank having its registered office in Doha, State of Qatar, 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 by the Qatar Financial Centre Regulatory Authority (the "QFCRA") to conduct the following regulated activities:

- Deposit taking;
- Dealing in investments;
- Arranging deals in investments;
- Providing credit facilities;
- Arranging credit facilities;
- Providing custody services;
- Arranging the provision of custody services;
- Managing investments;
- Advising on investments; and
- Operating a collective investment fund

in or from the Qatar Financial Center, subject to certain restriction and conditions relating to retail customers and in relation to specified products.

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 interim condensed consolidated financial statements of the Group for the nine months period ended 30 September 2017 were authorised for issue by the Board of Directors on 29 November 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Bank and its subsidiaries (together referred to as the "Group") for the nine months period ended 30 September 2017 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. In addition, results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

These interim condensed consolidated financial statements are prepared on historical cost basis, except for financial investments classified as investments at fair value through equity, investments at fair value through income statement, financing assets measured at fair value through income statement, derivative financial instruments, and investment in real estate that have been measured at fair value.

These interim condensed consolidated financial statements are presented in US Dollars thousands ("US$ '000") except where otherwise stated.

The management of the Group has decided to present the interim consolidated statement of financial position and interim consolidated statement of income in Qatari Riyals as well. Those two statements are disclosed at the beginning of the interim condensed consolidated financial statements as a supplementary information which do not form part of the reviewed interim condensed consolidated financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the application and adoption of new and amended accounting standards listed below and the changes in accounting policies due to the early adoption of FAS 30 and the guidance of IFRS 9, which were prepared in accordance with the Financial Accounting Standards ("FAS") issued Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI") and the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.

For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses guidance from the relevant International Financial Reporting Standards (the "IFRSs") as issued by the International Accounting Standards Board ("IASB").

The following new and amended standards have been adopted by the Group in preparation of this interim condensed consolidated financial statement. The new standards do not have any material impact to the Group.

Topic	***Effective date***
Amendments to IAS 12 – Recognition of deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7 – Disclosure Initiative	1 January 2017
Annual Improvements Cycle - 2014-2016	1 January 2017

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 interim condensed consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Topic	***Effective date***
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2	1 January 2018

The application of new standards may have impact on amounts reported in the consolidated financial statements and may result in additional disclosures in the consolidated financial statements. However, the Group is currently in the process of evaluating and implementing the required changes in its systems, policies and processes to comply with the new standards and hence it is not practical to disclose a reliable quantitative impact until the implementation is finalized.

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

Early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOIFI ("IFRS 9 guidance")

The Group has early adopted the FAS 30 Impairment and credit losses issued in 22 November 2017 and guidance of IFRS 9 Financial Instruments issued in July 2014 (for the areas where AAOIFI have no guidance) with a date of initial application of 1 January 2017.

The early adoption of FAS 30 and guidance of IFRS 9 has resulted in more timely recognition of expected credit losses on amortized cost financing assets and fiar value of hybrid contracts.

The adoption of guidance of IFRS 9 represent a significant change from the guidance that was previously adopted, which is IAS 39. For FAS 30, this standard supersedes FAS 11 that dealt on the provisioning requirements for assets accounted for at amortized cost.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOIFI ("IFRS 9 guidance") *(continued)*

Guidance of IFRS 9

A) Hybrid Contracts
Previously, the Group accounted for hybrid contracts, financing assets and other debt instruments) using the guidance of IAS 39, as there were no available guidance in AAOIFI. Under the guidance of IAS 39, the Group had opted to separate the debt host contract and the embedded derivatives, whereby, the debt host contract continues to be measured at amortized cost and the embedded derivatives are measured for separately at fair value.

In adopting the guidance of IFRS 9, the Group have reassessed these hybrid contracts taking into consideration the following factors:

- The contractual cash flow characteristics of the financial asset, and
- Entities' business model for managing the financial assets

Because of these reassessments, these contracts failed the requirements to qualify for measurement at amortized cost. The assessment of the contractual terms introduced a more than de minimis exposure to risks on volatility in the contracted cash flows that are embedded to a basic lending agreement and do not give rise to contractual cash flows that are solely payments of the principal and interest on the amount outstanding. As a results, the Group have measured these financing assets and other debt type instruments at "Fair value through income statement".

B) Hedge accounting
The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

FAS 30 Impairment of financial assets
FAS 30 replace FAS 11. The new impairment model also applies to certain financing commitments and financial guarantee contracts. Under FAS 30, expected credit losses are recognised earlier than under FAS 11.

Key changes in the Group's accounting policy for impairment of financial assets are listed below:

The Group applies three-stage approach to measuring credit losses on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in financing assets quality since initial recognition.

Stage 1: 12 months expected credit losses ("ECL")
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognized for financial assets not meeting the criteria of 30 days delay in contractual payments through collective allowance.

Stage 2: Lifetime ECL - not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired and having equal to or more than 30 days delay but less than 90 days delay in contractual payments or meeting other qualitative indicators like significant deterioration of credit rating or breach of covenants a lifetime ECL is recognised through collective allowance.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Early adoption of FAS 30 and the guidance of IFRS 9 for the matters not covered by AAOIFI ("IFRS 9 guidance") *(continued)*

FAS 30 Impairment of financial assets (continued)

Stage 3: Lifetime ECL - credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred and having equal to or more than 90 days delay in contractual payments. As this uses the same criteria as under FAS 11, the Group's methodology for specific provisions remains largely unchanged.

Transition
Changes in accounting policies resulting from the early adoption of FAS 30 and IFRS 9 guidance have been applied retrospectively, except as described below.

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption are recognised in accumulated losses and reserves as at 1 January 2017. Accordingly, the information presented for 2016 does not reflect the requirements of the early adopted standard and therefore is not comparable to the information presented for 2017 under FAS 30 and IFRS 9 guidance.

Impact of early adopting FAS 30 and IFRS 9 guidance
The impact of this change in accounting policy as at 1 January 2017 had increased accumulated losses by US$ 42,439 thousand as follows:

	Accumulated losses USD '000
Closing balance 31 December 2016 (Audited)	**(11,682)**
Impact on reclassification and re-measurements of hybrid instruments:	
Financing assets and other debt type instruments from amortised cost to FVTIS	**(39,763)**
Impact on re-measurements of Expected Credit Losses	
Expected credit losses under FAS 30	**(2,676)**
Total adjustments to accumulated losses as of 31 December 2016	**(42,439)**
Opening balance as of 1 January 2017 – (Restated)	**(54,121)**

Additional disclosures, reflecting the revised classification and measurement and impairment allowances of financial assets of the Group as a result, of adopting the guidance of IFRS 9 and FAS 30, are shown in Notes 4 and 5.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Impact of early adopting FAS 30 and IFRS 9 guidance (continued)

Classification of financial assets and financial liabilities on the date of initial application of FAS 30 and IFRS 9 guidance
The following table reflects the reconciliation of original measurement categories and the carrying values with the new measurement categories and the carrying values for the Group's financial assets and financial liabilities as at 1 January 2017 due to the early adoption of FAS 30 and the guidance of IFRS 9 guidance.

	Original classification	New classification	Re-classification US$'000	Re-measurement US$'000	Original carrying amount US$'000	New carrying amount US$'000
Financing assets	Amortised cost	Amortised cost	(276,604)	(2,078)	441,568	162,886
Financing assets	Amortised cost	FVTIS	276,604	(39,763)	-	236,841
Investment securities – debt	Amortised cost	FVTIS	(10,000)	(598)	65,373	54,775
Investment securities – debt	FVTIS	FVTIS	10,000	-	12,777	22,777
			-	**(42,439)**	**519,718**	**477,279**

With respect to credit risk arising from the other financial assets such as bank balances, placements with banks and other assets, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the statement of financial position. Exposures are considered of good credit standing and management believes there is a minimal risk of default thus, expected credit loss is insignificant but being monitored for significant changes in credit risk.

The Group's accounting policies on the classification and measurement of financial instruments using the guidance of IFRS 9 and FAS 30 are set out below. The application of these policies resulted in the reclassifications and re-measurements set out in the previous table and explained below:

On the adoption of FAS 30 and IFRS 9 guidance, certain financing assets and investment securities (Other debt instruments) were reclassified from amortised cost to fair value through income statement. The carrying amounts of those assets were adjusted so that their fair value under IFRS 9 guidance were as if those financing assets and other debt instruments were accounted for at fair value through income statement from their inception.

Impairment allowances
The following table reconciles the closing impairment allowance for financing assets and provisions for financial guarantee contracts in accordance with FAS 11 as at 31 December 2016 to the opening ECL allowance determined in accordance with FAS 30 as at 1 January 2017.

	31 December 2016 US$'000	Adjustment (1) US$'000	Re-Measurement (2) US$'000	1 January 2017 US$'000
Allowance of impairment losses on				
- Financing assets	38,780	(37,213)	2,078	3,645
- Other Debt type instruments	2,837	-	598	3,435
	41,617	**(37,213)**	**2,676**	**7,080**

(1) The adjustments made relates to the reversal of the allowance of certain financing assets who have failed the classification of amortized cost and have been re-measured at fair value.

(2) The re-measurement relates to adjustments on certain financing asserts at amortized cost due to adoption of ECL method.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies

Derivatives held for risk management purposes and hedge accounting – Policy applicable from 1 January 2017
At inception of the hedging relationship, the management undertake a formal designation and documentation. This includes the Group's risk management objective underlying, the hedging relationship and how that fits within the overall risk management strategy. The documentation also includes an identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements. IFRS 9 also requires documentation of the hedge ratio and potential sources of ineffectiveness.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Group performs a hedge effectiveness assessment in a similar manner as at the inception of the hedging relationship and subsequently on every reporting period.

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.

Financing assets – Policy applicable from 1 January 2017

Murabaha – Policy applicable from 1 January 2017
On initial recognition Murabaha receivables are classified and measured at

- Amortised cost when the contractual terms of the Murabaha receivables give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding; or

- Fair value through income statement ("FVTIS") when the contractual terms of the Murabaha receivables does not give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Assessment whether contractual cash flows are solely payments of principal and yield
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Yield' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and yield, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of profit rates.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Impairment

Impairment of financial assets – Policy applicable from 1 January 2017

Identification and measurement of impairment
The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTIS:

- Financing assets;
- Investment in debt type instruments;
- Other financial assets – Placements with Banks and financial institutions; and
- Other financial assets – other receivables that are not due on demand and with insignificant financing component

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- **Financial assets that are not credit-impaired at the reporting date:** as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- **Financial assets that are credit-impaired at the reporting date:** as the difference between the gross carrying amount and the present value of estimated future cash flows;
- **Undrawn loan commitments and Letter of credit:** as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- **Financial guarantee contracts:** the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The determination of the FAS 30 and IFRS 9 guidance provision results is based on the following methods:

1. Cash shortfall method

A cash shortfall is the difference between:
- the cash flows due to the entity in accordance with the contract; and
- the cash flows that the entity expects to receive.

Because the estimation of credit losses considers the amount and timing of payments, a cash shortfall arises even if the entity expects to be paid in full but later than the date on which payment is contractually due. This delay gives rise to an ECL, except to the extent that the entity expects to receive additional yield in respect of the late payment that compensates it for the delay at a rate at least equal to the effective profit rate.

Cash shortfalls are identified as follows:
- For 12-month ECLs: Cash shortfalls resulting from default events that are possible in the next 12 months (or a shorter period if the expected life is less than 12 months) i.e. not just the cash shortfalls that are expected over the next 12 months.

- For lifetime ECLs: Cash shortfalls resulting from default events that are possible over the expected life of the financial instrument.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Impairment (continued)

Impairment of financial assets – Policy applicable from 1 January 2017 *(continued)*

Identification and measurement of impairment *(continued)*

1. **Cash shortfall method** (continued)
The term 'cash shortfalls' refers to overall shortfalls against contractual terms, and not just shortfalls on particular dates when cash is received or due. Therefore, cash shortfalls consider later recoveries of missed payments.

The Group has not defined a relative or absolute threshold for staging assessment to differentiate a 12 month and life-time ECL as the calculation of cash shortfall is based on a probability weighted estimate of expected cash flows that would be recovered from a facility. The Bank currently has a rating method that assigns 5 rating grades on assessment of credit quality after origination. '1' being of higher credit quality 'exceeds base line' and '5' being in default/ watch list.

For a higher quality of financing (say rating grade 1), the probability weighted estimate that expected recoveries could lead to a cash shortfall is the lowest whereas it would increase exponentially as it slides down the rating scale to default (Grade 5).

The cash shortfall calculations incorporate the following steps:

- Expected collection of cash flows over the contractual term;
- Cash flows from recovery of collateral if foreclosure is required to collect cash flows;
- As the portfolio is mainly quasi-PE and Mezzanine financing, the base case cash flows from the business are considered to be the most optimistic work out scenario for the bank and the 2 additional recovery scenarios are built from a risk averse perspective that the timing and extent of cash flows could differ from contractual terms;
- Expected cash flows are discounted using the original effective rate of the facility
- The risk rating plays a role in the severity of changes to the expected cash flows in the 2 scenarios
- A probability-weighted outcome is calculated to assess the final recoverable amount

As each facility of the Bank has specified sources of cash collection and expectation of market events, the assessment is specific to each individual asset and requires judgement.

2. **Externally rated exposures**
The Bank usually invests its treasury and liquidity portfolio only in rated exposures (Sukuk, structured notes, Bank/ FI, Corporates). Under this approach, probability of default ("PD") and loss given default ("LGD") are based on external measures and exposure at default ("EAD") is based on contractual terms of each asset. This method is widely used and considered reasonable given the Bank would not have adequate internal experience to model an ECL outcome.

However, if in any investment is made in an unrated exposure, the following treatments will be considered:
- Issuer rating as an proxy of the issue rating; or
- Where issue and issuer are not rated, a proxy rating of BBB- (S&P) or the country rating of the exposure (whichever is lower) will be considered

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Impairment (continued)

Impairment of financial assets – Policy applicable from 1 January 2017 *(continued)*

Identification and measurement of impairment *(continued)*

2. **Externally rated exposures** (continued)
   Following approach has been adopted for the purpose of FAS 30 compliant probability (AT) in time PIT PD estimation

   - The 12 month TTC PDs corresponding to external ratings of instrument will be obtained from the published reports of the rating agencies (S&P, Moody's or Fitch). The TTC PDs will be required to be updated every year against each external rating grade. In case, certain investments are rated other than the above mentioned rating agencies, then they will be mapped to equivalent rating grades of S&P, Moody's or Fitch.

   - The PIT PDs will be estimated through the application of Merton-Vasicek Single factor model using TTC PD linked to the External Rating of the issue/issuer and GDP growth rate of the country of risk (i.e. country of investment).

   - GDP growth rate will be considered as a composite index of the economic activity across the country of risk. It has been assumed that GDP growth rate is a robust reflection of the state of economy which results into systematic risk (a common risk to all the issuer in the economy).

   - GDP growth rate forecasts for the successive 5 years will be available from IMF published WEO data. GDP growth rate growth rates beyond 5 years are forecasted using mean reversion technique.

3. **Simplified approach**
   The Bank has applied the simplified approach in FAS 30 to measure the loss allowance for other financial assets including fee income receivables, deposit and margin, receivable from third parties and others, advances and accrued profit.

   The expected credit losses on other financial assets are estimated on a case to case basis by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

   Credit-impaired financial assets
   At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

   Evidence that a financial asset is credit-impaired includes the following observable data:

   - Significant financial difficulty of the borrower or issuer;
   - A breach of contract such as a default or past due event;
   - The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
   - It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
   - The disappearance of an active market for a security because of financial difficulties.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Impairment (continued)

Impairment of financial assets – Policy applicable from 1 January 2017 *(continued)*

Identification and measurement of impairment *(continued)*

3. Simplified approach (continued)

In making an assessment of whether an investment in sovereign debt, other than that of the home country sovereign (i.e. Qatar), is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the Sukuk yields.
- The rating agencies' assessments of creditworthiness.

The exposure to the home country sovereign i.e. Qatar is considered to be low risk and fully recoverable and hence no ECL is measured.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Group has identified the ECL on the loan commitment / off balance sheet component separately from those on the drawn component: the Group presents a loss allowance for drawn components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Loss allowance for drawn components is presented as a provision in other liabilities.

Write-off

Financing assets and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Basis of consolidation

The Group's principal subsidiaries as at 30 September 2017 are as below:

			% Effective shareholding	
Name	***Principal Business Activity***	***Country of Incorporation***	**30 September 2017**	30 September 2016
QInvest Portfoy Yonetimi A.S.	Asset Management	Turkey	**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 IBFin LLC (Previously known as QInvest Comms Holding LLC)	To provide financing facility	State of Qatar (QFC)	**100%**	100%
QI One Wall Street Invest Co.	Investment holding company	Cayman Islands	**100%**	100%
QEthika 1	Investment holding company	Cayman Islands	**100%**	100%
QNGPV1	Investment holding company	Cayman Islands	**100%**	100%
QInvest Euro PE QFC LLC	Investment holding company	State of Qatar (QFC)	**100%**	100%
QInvest Rio LLC	Investment holding company	State of Qatar (QFC)	**63%**	63%
Rio income s.a.r.l.	Investment in lease assets	Luxembourg	**90%**	90%
Q Tomahawk LLC	Investment holding company	Cayman Islands	**100%**	100%
QInvest Refin LLC	To provide financing facility	State of Qatar (QFC)	**100%**	100%
Q Alloy S.a.r.l	To provide financing facility	Luxemburg	**100%**	100%
QSeven 1 LP	Investment in real estate	Cayman Island	**91%**	91%
Q Magnolia LLC	Investment in real estate	Cayman Island	**100%**	-
BOH LLC	Investment holding company	State of Qatar (QFC)	**100%**	-

3 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016 except for the below:

Inputs, assumptions and techniques used for estimating impairment

Expected cash flows

The amount of cash flows that are expected from foreclosure are cash flows that the entity actually expects to receive in the future. Because expected cash flows are a probability-weighted estimate, they include possible scenarios in which the cash flows recoverable from collateral decrease (or, where relevant, increase).

Cash shortfall

A cash shortfall is the difference between:

- the cash flows due to the entity in accordance with the contract; and
- the cash flows that the entity expects to receive.

3 FINANCIAL RISK MANAGEMENT (continued)

Incorporation of forward-looking information

The above cash shortfall method derives a net loss value (shortfall) for each account and hence separate components such as PD and LGD are not modelled. The future recoveries of cash flows are expected to reflect the macro-economic forecasts in the period. Eg. If liquidation of collateral or sale of underlying business drives the collection, the values should be reflective of likely recoverable amounts in the respective forecast periods for each scenario. Such adjustments can be made in the form of haircuts or multipliers to expected cash flows.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- credit risk grading's;
- Product type; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

	Exposure 30 September 2017 (Reviewed) USD '000
Debt-type investments (Note 5)	**50,235**

4 FINANCING ASSETS

	30 September 2017 (Reviewed) US$ '000	31 December 2016 (Audited) US$ '000
Fair value through income statement		
Murabaha	**170,004**	-
Amortised cost		
Murabaha	**86,500**	480,348
Less: Expected credit losses / allowance for impairment for financing assets	**(1,129)**	(38,780)
Financing assets at amortized cost	**85,371**	441,568
Total financing assets	**255,375**	441,568

4 FINANCING ASSETS (continued)

The movements in expected credit losses /allowance for impairment for financing assets are as follow:

	30 September 2017 (Reviewed) US$ '000	31 December 2016 (Audited) US$ '000
Balance at beginning of period/year	**38,780**	7,131
Adjustments as a result of early adopting FAS 30 and IFRS 9 guidance		
Reversal of allowance on financing assets carried at FVIS	**(37,213)**	-
Additional expected credit losses	**2,078**	-
Adjusted balance at beginning of period / year	**3,645**	7,131
Net (recoveries)/provided during the period/year	**(2,516)**	31,649
Balance at end of period/year	**1,129**	38,780

Movements in impairment loss on financing assets:

	2017 Lifetime ECL not credit-impaired US$'000	2017 Lifetime ECL credit-impaired US$'000	2017 Total ECL US$'000	2016 Total US$'000
ECL balance at the beginning of the period/ year – on early adoption of new standards(note 2) / Impairment	**3,645**	**-**	**3,645**	7,131
Changes due to financial assets recognised in opening balance that have:				
Transfer to 12 month ECL	**-**	**-**	**-**	-
Transfer to lifetime ECL not credit- impaired	**-**	**-**	**-**	-
Transfer to lifetime ECL credit- impaired	**-**	**-**	**-**	-
Net re-measurement of loss allowance	**21**	**-**	**21**	-
(Recoveries) / Impairment provided during the year	**(2,537)**	**-**	**(2,537)**	31,649
Net (reversal) / impairment during the period/year (Note 8)	**(2,516)**	**-**	**(2,516)**	31,649
Balance at the end of the period / year	**1,129**	**-**	**1,129**	38,780

5 INVESTMENT SECURITIES

	30 September 2017 (Reviewed) US$ '000	31 December 2016 (Audited) US$ '000
Equity		
Fair value through income statement	**400,196**	267,257
Fair value through equity	**52,121**	35,527
	452,317	302,784
Sukuk and other debt instrument		
Fair value through income statement	**28,095**	12,777
Amortised cost	**50,235**	68,209
Less: ECL allowance for impairment	**(3,464)**	(2,836)
	46,771	65,373
	527,183	380,934

5 INVESTMENT SECURITIES (continued)

Allowance for impairment against amortised cost investments:

	2017				2016
	Stage 1: 12-month ECL US$'000	Stage 2: Lifetime ECL not credit-impaired US$'000	Stage 3: Lifetime ECL credit-impaired US$'000	Total ECL US$'000	Total US$'000
ECL balance at the beginning of the period / year on early adoption of new standards (note 2) / Impairment	**598**	**-**	**2,837**	**3,435**	-
Changes due to financial assets recognised in opening balance that have:					
Transfer to 12 month ECL	**-**	**-**	**-**	**-**	-
Transfer to lifetime ECL not credit- impaired	**(5)**	**5**	**-**	**-**	-
Transfer to lifetime ECL credit- impaired	**-**	**-**	**-**	**-**	-
Net re-measurement of loss allowance	**20**	**82**	**-**	**102**	
(Recoveries) / Impairment during the period / year	**(73)**	**-**	**-**	**(73)**	2,836
Net (reversal) / impairment during the period/year	**(53)**	**82**	**-**	**29**	2,836
Balance at the end of the period/year	**540**	**87**	**2,837**	**3,464**	2,836

6 FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 September 2017:

		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				
Fair value through income statement investments	**428,291**	**10,000**	**90,559**	**327,732**
Fair value through income statement financing assets	**170,004**	**-**	**-**	**170,004**
Fair value through equity financial investments	**52,121**	**-**	**-**	**52,121**
Derivative instruments	**129**	**-**	**129**	**-**
Investment in real estate	**109,675**	**-**	**-**	**109,675**
Total	**760,220**	**10,000**	**90,688**	**659,532**
LIABILITIES				
Derivative instruments	**12,148**	**-**	**12,148**	**-**

6 FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2016:

		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				
Fair value through income statement investments	280,034	10,735	61,188	208,111
Fair value through equity financial investments	35,527	-	-	35,527
Derivative instruments	12,225	-	12,225	-
Investment in real estate	94,586	-	-	94,586
Total	422,372	10,735	73,413	338,224
LIABILITIES				
Derivative instruments	107	-	107	-

During the nine months period ended 30 September 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

7 NET GAIN FROM INVESTMENTS

		Nine months period ended	
	Note	**30 September 2017 (Reviewed) US$ '000**	30 September 2016 (Reviewed) US$ '000
Net income from financial investments	7.1	**27,817**	26,907
Net income from investments in real estate		**4,904**	4,280
Net income from investment in property lease		**1,611**	2,804
		34,332	33,991

7.1 Net income from financial investments

	Nine months period ended	
	30 September 2017 (Reviewed) US$ '000	30 September 2016 (Reviewed) US$ '000
Income from investments carried at fair value through income statement, net	**24,112**	13,452
Income from investments carried at fair value through equity	**-**	7,100
Income from investments carried at amortized cost	**3,669**	5,218
Net gain from derivative financial instruments	**36**	1,137
	27,817	26,907

8 NET (REVERSALS)/ IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Nine months period ended	
	30 September 2017 (Reviewed) US$ '000	30 September 2016 (Reviewed) US$ '000
Net (recoveries) / impairment loss/on financing assets (Note 4)	**(2,516)**	23,670
Net expected credit losses/ impairment loss on investment securities (Note 5)	**29**	2,836
Expected credit losses/ impairment loss on other receivables	**1,083**	200
	(1,404)	26,706

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balances with original maturity less than 90 days.

	30 September 2017 (Reviewed) US$ '000	30 September 2016 (Reviewed) US$ '000
Cash and bank balances	**32,329**	41,291
Short-term placements (original maturity of less than three months)	**121,418**	147,473
	153,747	188,764

10 TREASURY SHARES

On 30 April 2017, the Bank have cancelled 44,642,858 of the issued shares of US$ 1 per share, each of which is fully paid up and held by the Bank as treasury shares. The cancellation of the shares was approved in the extraordinary General Assembly meeting dated 21 February 2017.

11 OTHER RESERVE

11.1 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.

11.2 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

11.3 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.

11.4 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.

12 CASH DIVIDENDS TO SHAREHOLDERS OF THE BANK

	Nine months period ended	
	30 September 2017 (Reviewed) US$ '000	30 September 2016 (Reviewed) US$ '000
Dividends on ordinary shares declared:		
Dividends for 2017:Nil (2016: US$ 4 cents per share)	**-**	28,214

13 CONTINGENT LIABILITIES, COMMITMENTS AND PROVISIONS

	30 September 2017 (Reviewed) US$ '000	31 December 2016 (Audited) US$ '000
Investment commitments	**62,074**	69,896
Forward foreign exchange contracts	**267,096**	222,534
Cross currency profit rate swaps	**45,352**	45,278
Other contingent liability	**37,885**	12,541
Operating lease commitments	**2,810**	5,231
Unutilised financing commitments	**11,874**	18,192

14 RELATED PARTIES

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

The following table provides the total amount of transactions that have been entered into with related parties during the nine months ended 30 September 2017 and 2016, as well as balances with related parties as at 30 September 2017 and 31 December 2016:

	30 September 2017 (Reviewed) US$ '000	31 December 2016 (Audited) US$ '000
Balance sheet items:		
Assets:		
Placements and bank balances with a significant shareholder and its subsidiaries	**61,807**	104,397
Financing assets to associate including accrued profit	**-**	3,701
Off balance sheet items:		
Forward foreign exchange contracts outstanding	**91,350**	76,736
Restricted investment accounts	**19,303**	83,361

	Nine months period ended	
	30 September 2017 (Reviewed) US$ '000	30 September 2016 (Reviewed) US$ '000
Income statement items:		
Financing income	**61**	69
Fee and commission income from transaction with the other related parties	**103**	500
Placements income	**214**	97

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:

	Nine months period ended	
	30 September 2017 (Reviewed) US$ '000	30 September 2016 (Reviewed) US$ '000
Salaries and other benefits	**2,535**	2,220
Incentives	**2,721**	2,984
Employee Share Option Plan	**449**	1,562
Post-employment benefits	**163**	175

QInvest LLC
Doha, Qatar
Tornado Tower, 39th Floor
West Bay, Doha
P.O. Box: 26222
State of Qatar
Tel: +974 4405 6666
Fax: +974 4444 8446
Email: info@qinvest.com

Website: www.qinvest.com

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QInvest Istanbul Office
Büyükdere Cad. Astoria Kuleleri
No 127 A Blok Kat 11 Esentepe
34394 Istanbul Türkiye
Tel: +90 212 948 7800
Fax: +90 212 948 7878
Email: info@qinvest.com

Website: www.qinvest.com

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Note: “$” refers to US Dollars throughout this document