



**QINVEST**

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS  
30 SEPTEMBER 2018**

PARTNERS IN VALUE CREATION

## **INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QINVEST LLC**

### **Introduction**

We have reviewed the accompanying 30 September 2018 condensed consolidated interim financial statements of QInvest LLC (the 'Bank') and its subsidiaries (together the 'Group'), which comprise:

- the condensed consolidated statement of financial position as at 30 September 2018;
- the condensed consolidated statement of income for the three and nine month periods ended 30 September 2018;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2018;
- the condensed consolidated statement of changes in restricted investment accounts for the nine month period ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2018; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements 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 Auditing Standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2018 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with FAS issued by AAOIFI.

### **Other matter**

The condensed consolidated interim financial statements as at and for the three and nine month periods ended 30 September 2017 were reviewed, and the consolidated financial statements as at and for the year ended 31 December 2017 were audited, by another auditor, whose review and audit reports dated 29 November 2017 and 17 January 2018 respectively, expressed an unmodified review conclusion and an unmodified audit opinion thereon.

### **KPMG L.L.C.**

Licensed by QFMA: External Auditor's License No. 120153

17 October 2018

Doha

State of Qatar

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# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (QAR)



	30 September 2018 (Reviewed) QAR '000	31 December 2017 (Audited) QAR '000
<b>ASSETS</b>		
Cash and bank balances	44,288	84,944
Placements with banks	349,899	350,761
Financing assets	637,521	876,050
Investment securities	2,412,963	2,122,015
Investment in real estate	221,378	408,565
Investment in property lease	190,980	193,484
Investment in associates	177,057	275,706
Assets held for sale	173,217	-
Other assets	210,511	148,294
<b>TOTAL ASSETS</b>	<b>4,417,814</b>	<b>4,459,819</b>
<b>LIABILITIES</b>		
Financing liabilities	1,706,800	1,696,867
Liabilities directly associated with the assets held for sale	3,982	-
Other liabilities	137,319	149,993
<b>TOTAL LIABILITIES</b>	<b>1,848,101</b>	<b>1,846,860</b>
<b>EQUITY</b>		
Share capital	2,567,500	2,567,500
Share premium	7,800	7,800
Other reserves	18,986	45,207
Accumulated losses	(129,056)	(131,138)
<b>Total equity attributable to shareholders of the Bank</b>	<b>2,465,230</b>	<b>2,489,369</b>
<b>Non-controlling interests</b>	<b>104,483</b>	<b>123,590</b>
<b>Total equity</b>	<b>2,569,713</b>	<b>2,612,959</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,417,814</b>	<b>4,459,819</b>
<b>Off-balance sheet items</b>		
Restricted investment accounts	825,577	882,173

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 October 2018 and were signed on its behalf by:

**Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani**  
Chairman

**Tamim Hamad Al-Kawari**  
Chief Executive Officer

# CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three and nine month periods ended 30 September 2018 (QAR)



	Three month period ended		Nine month period ended	
	30 September 2018 (Reviewed) QAR '000	30 September 2017 (Reviewed) QAR '000	30 September 2018 (Reviewed) QAR '000	30 September 2017 (Reviewed) QAR '000
Fee and commission income, net	1,842	14,368	14,844	40,670
Income from financing assets	16,886	27,315	88,434	114,216
Income from investments, net	42,581	39,421	121,940	124,968
Income from placements with banks	2,876	1,736	5,864	5,293
Share of results of associates	684	1,634	(17,305)	8,194
Other (loss) / income	(284)	3,403	(1,067)	3,604
<b>Total operating revenue</b>	<b>64,585</b>	<b>87,877</b>	<b>212,710</b>	<b>296,945</b>
Staff costs	(32,181)	(32,163)	(100,904)	(99,587)
General and administrative expenses	(9,729)	(13,173)	(32,261)	(39,782)
Depreciation and amortisation	(1,118)	(1,008)	(3,116)	(2,927)
<b>Total operating expenses</b>	<b>(43,028)</b>	<b>(46,344)</b>	<b>(136,281)</b>	<b>(142,296)</b>
<b>Operating profit</b>	<b>21,557</b>	<b>41,533</b>	<b>76,429</b>	<b>154,649</b>
Finance expenses	(24,770)	(19,183)	(69,917)	(57,752)
Impairments and credit losses, net	(1,744)	1,095	(1,136)	5,111
Fair value changes on financing assets, net	1,420	(18,571)	8,321	(32,818)
<b>(Loss) / Profit before tax</b>	<b>(3,537)</b>	<b>4,874</b>	<b>13,697</b>	<b>69,190</b>
Tax expense	(3,021)	(2,068)	(7,720)	(3,647)
<b>Net (loss) / profit</b>	<b>(6,558)</b>	<b>2,806</b>	<b>5,977</b>	<b>65,543</b>
Attributable to:				
Shareholders of the Bank	(7,002)	808	2,082	60,058
Non-controlling interests	444	1,998	3,895	5,485
	<b>(6,558)</b>	<b>2,806</b>	<b>5,977</b>	<b>65,543</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (US\$)



	<i>Notes</i>	<b>30 September 2018 (Reviewed) US\$ '000</b>	31 December 2017 (Audited) US\$ '000
<b>ASSETS</b>			
Cash and bank balances		<b>12,167</b>	23,336
Placements with banks		<b>96,126</b>	96,363
Financing assets	4	<b>175,143</b>	240,673
Investment securities	5	<b>662,902</b>	582,971
Investment in real estate		<b>60,818</b>	112,243
Investment in property lease		<b>52,467</b>	53,155
Investment in associates		<b>48,642</b>	75,743
Assets held for sale	7	<b>47,587</b>	-
Other assets		<b>57,833</b>	40,740
<b>TOTAL ASSETS</b>		<b>1,213,685</b>	1,225,224
<b>LIABILITIES</b>			
Financing liabilities		<b>468,901</b>	466,172
Liabilities directly associated with the assets held for sale	7	<b>1,094</b>	-
Other liabilities		<b>37,725</b>	41,207
<b>TOTAL LIABILITIES</b>		<b>507,720</b>	507,379
<b>EQUITY</b>			
Share capital		<b>705,357</b>	705,357
Share premium		<b>2,143</b>	2,143
Other reserves	11	<b>5,216</b>	12,419
Accumulated losses		<b>(35,455)</b>	(36,027)
Total equity attributable to shareholders of the Bank		<b>677,261</b>	683,892
Non-controlling interests		<b>28,704</b>	33,953
<b>Total equity</b>		<b>705,965</b>	717,845
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,213,685</b>	1,225,224
<b>Off-balance sheet items</b>			
Restricted investment accounts		<b>226,807</b>	242,355

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 October 2018 and were signed on its behalf by:

**Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani**  
Chairman

**Tamim Hamad Al-Kawari**  
Chief Executive Officer

The accompanying notes from 1 to 13 form an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three and nine month periods ended 30 September 2018 (US\$)



	Notes	Three month period ended		Nine month period ended	
		30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000	30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000
Fee and commission income, net		506	3,947	4,078	11,173
Income from financing assets		4,639	7,504	24,295	31,378
Income from investments, net	8	11,698	10,830	33,500	34,332
Income from placements with banks		790	477	1,611	1,454
Share of results of associates		188	449	(4,754)	2,251
Other income		(78)	935	(293)	990
<b>Total operating revenue</b>		<b>17,743</b>	24,142	<b>58,437</b>	81,578
Staff costs		(8,841)	(8,836)	(27,721)	(27,359)
General and administrative expenses		(2,673)	(3,619)	(8,863)	(10,929)
Depreciation and amortisation		(307)	(277)	(856)	(804)
<b>Total operating expenses</b>		<b>(11,821)</b>	(12,732)	<b>(37,440)</b>	(39,092)
<b>Operating profit</b>		<b>5,922</b>	11,410	<b>20,997</b>	42,486
Finance expenses		(6,805)	(5,270)	(19,208)	(15,866)
Impairments and credit losses, net	9	(479)	301	(312)	1,404
Fair value changes on financing assets, net		390	(5,102)	2,286	(9,016)
<b>(Loss) / Profit before tax</b>		<b>(972)</b>	1,339	<b>3,763</b>	19,008
Tax expense		(830)	(568)	(2,121)	(1,002)
<b>Net (loss) / profit</b>		<b>(1,802)</b>	771	<b>1,642</b>	18,006
Attributable to:					
Shareholders of the Bank		(1,924)	222	572	16,499
Non-controlling interests		122	549	1,070	1,507
		<b>(1,802)</b>	771	<b>1,642</b>	18,006

The accompanying notes from 1 to 13 form an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine months period ended 30 September 2018



	Attributable to shareholders of the bank					Total equity attributable to shareholders of the Bank US\$ '000	Non-controlling interests US\$ '000	Total Equity US\$ '000
	Share capital US\$ '000	Share premium US\$ '000	Other reserves US\$ '000	Accumulated losses US\$ '000				
As at 1 January 2018 (Audited)	705,357	2,143	12,419	(36,027)	683,892	33,953	717,845	
Profit	-	-	-	572	572	1,070	1,642	
Foreign currency translation differences on foreign operations	-	-	(9,837)	-	(9,837)	43	(9,794)	
Effective portion of changes in fair value of hedges	-	-	5,529	-	5,529	-	5,529	
Net change in fair value through equity investments	-	-	(1,868)	-	(1,868)	-	(1,868)	
Share-based payments	-	-	(1,027)	-	(1,027)	-	(1,027)	
Net movement in non-controlling interests	-	-	-	-	-	(6,362)	(6,362)	
<b>As at 30 September 2018 (Reviewed)</b>	<b>705,357</b>	<b>2,143</b>	<b>5,216</b>	<b>(35,455)</b>	<b>677,261</b>	<b>28,704</b>	<b>705,965</b>	

	Attributable to shareholders of the bank						Total equity attributable to shareholders of the Bank US\$ '000	Non-controlling interests US\$ '000	Total Equity US\$ '000
	Share capital US\$ '000	Share premium US\$ '000	Treasury shares US\$ '000	Other reserves US\$ '000	Accumulated losses US\$ '000				
As at 1 January 2017 (Audited)	750,000	7,500	(50,000)	8,878	(11,682)	704,696	30,296	734,992	
Transition adjustment on early adoption of FAS 30 and guidance of IFRS 9 at 1 January 2017	-	-	-	-	(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	-	-	-	-	16,499	16,499	1,507	18,006	
Extinguishment of treasury shares	(44,643)	(5,357)	50,000	-	-	-	-	-	
Foreign currency translation differences on 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 through equity investments	-	-	-	(1,410)	-	(1,410)	-	(1,410)	
Share-based payments	-	-	-	387	-	387	-	387	
Net movement in non-controlling interests	-	-	-	-	-	-	(27)	(27)	
<b>As at 30 September 2017 (Reviewed)</b>	<b>705,357</b>	<b>2,143</b>	<b>-</b>	<b>8,768</b>	<b>(37,622)</b>	<b>678,646</b>	<b>35,330</b>	<b>713,976</b>	

The accompanying notes from 1 to 13 form an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the Nine months period ended 30 September 2018



	Movements during the period					Balance at 30 September 2018 (Reviewed) US\$'000	
	Balance at 1 January 2018 (Audited) US\$'000	Investment / (repayment) US\$'000	Revaluation gain / (loss) US\$'000	Realised income / (expenses) US\$'000	Agency fees US\$'000		Dividends paid US\$'000
<b>Restricted investment accounts</b>	<b>242,355</b>	<b>(20,661)</b>	<b>(815)</b>	<b>9,252</b>	<b>(43)</b>	<b>(3,281)</b>	<b>226,807</b>

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

The accompanying notes from 1 to 13 form an integral part of these condensed consolidated interim financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine months period ended 30 September 2018



	Notes	Nine month period ended	
		30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		3,763	19,008
Adjustments to reconcile profit before tax to net cash flows:			
Share of results of associates		4,754	(2,251)
Net unrealised foreign exchange losses / (gains)		340	(1,023)
Depreciation and amortization		856	804
Gain on fair value through income statement investments		(17,328)	(24,987)
Fair value changes on financing assets, net		(2,286)	9,016
Impairments and credit losses, net	9	312	(1,404)
Employees' end of service benefits, net		171	356
Fair value loss on investment in real estate		-	1,050
Share based payments		(1,027)	387
<b>Net operating profit before changes in operating assets and liabilities</b>		<b>(10,445)</b>	<b>956</b>
Change in placements with banks		5,000	-
Change in other assets		17,549	(2,933)
Change in other liabilities		2,681	3,886
<b>Net cash flows from operating activities</b>		<b>14,785</b>	<b>1,909</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment securities		(78,105)	(108,981)
Proceeds from disposal of investment securities		32,458	53,409
Net movement in financing assets		40,712	71,779
Investment in an associate		(8,659)	(4,234)
Purchase of equipment and intangible assets		(138)	(341)
<b>Net cash flows (used) in / from investing activities</b>		<b>(13,732)</b>	<b>11,632</b>
<b>FINANCING ACTIVITIES</b>			
Net movement in financing liabilities		(7,459)	(64,324)
<b>Net cash flows used in financing activities</b>		<b>(7,459)</b>	<b>(64,324)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(6,406)</b>	<b>(50,783)</b>
Cash and cash equivalents at 1 January		114,699	204,530
<b>Cash and cash equivalents at 30 September</b>	10	<b>108,293</b>	<b>153,747</b>

The accompanying notes from 1 to 13 form an integral part of these condensed consolidated interim financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the Nine month period ended 30 September 2018



## 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

QInvest LLC ("QInvest" or "the Bank"), and its subsidiaries (together referred to as the "Group"), 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 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 Shari'a Supervisory Board.

These condensed consolidated interim financial statements of the Group as at and for the nine month period ended 30 September 2018 were authorised for issue by the Board of Directors on 17 October 2018.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

These condensed consolidated interim 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 and other debt instruments classified as fair value through income statement, derivative financial instruments and investment in real estate that have been measured at fair value. Assets held for sale are stated at lower of carrying amount and fair value less cost to sell.

These condensed consolidated interim financial statements are presented in US Dollars thousands ("US\$ '000"), except where otherwise stated, which is Group's presentation and functional currency.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

As at and for the Nine month period ended 30 September 2018

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

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

<b>Topic</b>	<b>Effective date</b>
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2	1 January 2018

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

<b>Topic</b>	<b>Effective date</b>
IFRS 16 Leases	1 January 2019
FAS 28 Murabaha and other deferred payment sales	1 January 2019
FAS 31 Investment agency	1 January 2020
FAS 35 Risk reserve	1 January 2021

### Basis of consolidation

The Group's principal subsidiaries as at 30 September 2018 are as below:

<b>Name</b>	<b>Principal Business Activity</b>	<b>Country of Incorporation</b>	<b>% Effective shareholding</b>	
			<b>30 September 2018</b>	<b>30 December 2017</b>
QInvest Portfoy Yonetimi A.S.	Asset Management	Turkey	100%	100%
Verdi Luxembourg S.a.r.l.	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%
QInvest Luxembourg S.a.r.l.	Investment holding company	Luxembourg	100%	100%
QI St Edmund's Terrace 2 Limited	Investment holding company	Cayman Islands	100%	100%
QInvest IBFin 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 LLC	Investment holding company	Cayman Islands	100%	100%
QNGPV1 LLC	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	Luxembourg	100%	100%

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

As at and for the Nine month period ended 30 September 2018

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

QSeven 1 LP	Investment in real estate	Cayman Island	<b>91%</b>	91%
Q Magnolia LLC	Investment in real estate	Cayman Island	<b>100%</b>	100%
BOH LLC	Investment holding company	State of Qatar (QFC)	<b>100%</b>	100%
Alloy Holdco LLC	Investment holding company	State of Qatar (QFC)	<b>100%</b>	100%
Admiral Holdco LLC	Holding company	State of Qatar (QFC)	<b>100%</b>	-
Admiral Operations Limited	Vessel operating company	Cayman Islands	<b>75%</b>	-

## 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 2017.

## 4 FINANCING ASSETS

	30 September 2018 (Reviewed) US\$ '000	31 December 2017 (Audited) US\$ '000
<b>Fair value through income statement</b>		
Murabaha	<b>136,686</b>	154,028
<b>Amortised cost</b>		
Murabaha	<b>39,881</b>	88,585
Less: Expected credit losses	<b>(1,424)</b>	(1,940)
Financing assets at amortized cost	<b>38,457</b>	86,645
<b>Total financing assets</b>	<b>175,143</b>	240,673

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

	30 September 2018 (Reviewed) US\$ '000	31 December 2017 (Audited) US\$ '000
Balance at beginning of period/year	<b>1,940</b>	38,780
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	<b>1,940</b>	3,645
Net reversals during the period / year	<b>(516)</b>	(1,705)
<b>Balance at end of period / year</b>	<b>1,424</b>	1,940

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

As at and for the Nine month period ended 30 September 2018

## 5 INVESTMENT SECURITIES

	30 September 2018 (Reviewed) US\$ '000	2017 31 December (Audited) US\$ '000
<b>Equity</b>		
Fair value through income statement	503,303	420,742
Fair value through equity	104,260	85,250
	<b>607,563</b>	<b>505,992</b>
<b>Sukuk and other debt instruments</b>		
Fair value through income statement	29,552	30,177
Amortised cost	28,822	50,239
Less: ECL allowance for impairment	(3,035)	(3,437)
	<b>25,787</b>	<b>46,802</b>
	<b>662,902</b>	<b>582,971</b>

## 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 2018:

	Fair value US\$ '000	Fair value measurement using		
		Quoted prices in active markets (Level 1) US\$ '000	Significant observable inputs (Level 2) US\$ '000	Significant unobservable inputs (Level 3) US\$ '000
<b>ASSETS</b>				
Fair value through income statement investments	532,854	5,013	136,342	391,499
Fair value through income statement financing assets	136,686	-	-	136,686
Fair value through equity financial investments	104,260	11,916	48,845	43,499
Derivative instruments	20,224	-	20,224	-
Investment in real estate	60,818	-	-	60,818
<b>Total</b>	<b>854,842</b>	<b>16,929</b>	<b>205,411</b>	<b>632,502</b>
<b>LIABILITIES</b>				
Derivative instruments	9,158	-	9,158	-

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

As at and for the Nine month period ended 30 September 2018

## 6 FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2017:

	Fair value US\$ '000	Fair value measurement using		
		Quoted prices in active markets (Level 1) US\$ '000	Significant observable inputs (Level 2) US\$ '000	Significant unobservable inputs (Level 3) US\$ '000
<b>ASSETS</b>				
Fair value through income statement investments	450,919	8,143	127,417	315,359
Fair value through income statement financing assets	154,028	-	-	154,028
Fair value through equity financial investments	85,250	-	27,607	57,643
Derivative instruments	1,186	-	1,186	-
Investment in real estate	61,415	-	-	61,415
<b>Total</b>	<b>752,798</b>	<b>8,143</b>	<b>156,210</b>	<b>588,445</b>
<b>LIABILITIES</b>				
Derivative instruments	8,205	-	8,205	-

During the nine month period ended 30 September 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

The valuation techniques and key assumptions have remained consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2017.

## 7 ASSETS HELD FOR SALE

	Note	30 September 2018 (Reviewed) US\$ '000	31 December 2017 (Audited) US\$ '000
Assets held for sale include the following:			
<b>Assets</b>			
Admiral HoldCo. LLC	7.1	21,724	-
Investment in Panmure Gordon Group Limited	7.2	25,863	-
		<b>47,587</b>	-
<b>Liabilities</b>			
Admiral HoldCo. LLC		1,094	-

**7.1** This represents repossessed collateral obtained as a result of settlement of a financing asset. These mainly represent vessels and are owned by a 100% owned subsidiary of the Bank.

**7.2** This represents investment in an associate which will be partially disposed resulting in a loss of significant influence, the proportionate carrying value will be recovered principally through sale of the investment.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

As at and for the Nine month period ended 30 September 2018

## 8 INCOME FROM INVESTMENTS, NET

	Note	Nine month period ended	
		30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000
Net income from financial investments	8.1	27,913	27,817
Net income from investments in real estate		4,626	4,904
Net income from investment in property lease		961	1,611
		<b>33,500</b>	<b>34,332</b>

### 8.1 Net income from financial investments

	Nine month period ended	
	30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000
Income from investments carried at fair value through income statement, net	22,979	24,112
Income from investments carried at fair value through equity	2,844	-
Income from investments carried at amortized cost	1,588	3,669
Net gain from derivative financial instruments	502	36
	<b>27,913</b>	<b>27,817</b>

## 9 IMPAIRMENT AND CREDIT LOSSES, NET

	Nine month period ended	
	30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000
Financing assets	516	2,516
Investment securities	(502)	(29)
Other assets	(326)	(1,083)
	<b>(312)</b>	<b>1,404</b>

## 10 CASH AND CASH EQUIVALENTS

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

	30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000
Cash and bank balances	12,167	32,329
Short-term placements (original maturity of less than three months)	96,126	121,418
	<b>108,293</b>	<b>153,747</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

As at and for the Nine month period ended 30 September 2018



## 11 OTHER RESERVES

### 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 an associate.

### 11.3 Hedging reserve

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 CONTINGENT LIABILITIES, COMMITMENTS AND PROVISIONS

	30 September 2018 (Reviewed) US\$ '000	31 December 2017 (Audited) US\$ '000
Investment commitments	50,953	82,934
Forward foreign exchange contracts	467,676	323,776
Cross currency swaps	33,902	45,352
Other contingent liabilities	60,167	30,173
Operating lease commitments	2,819	1,995
Unutilised financing commitments	3,970	10,997



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

As at and for the Nine month period ended 30 September 2018

## 13 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 month period ended 30 September 2018 and 2017, as well as balances with related parties as at 30 September 2018 and 31 December 2017:

	30 September 2018 (Reviewed) US\$ '000	31 December 2017 (Audited) US\$ '000
<b>Balance sheet items:</b>		
<i>Assets:</i>		
Placements and bank balances with a significant shareholder and its subsidiaries	45,193	36,755
Other assets	1,400	121
<b>Off balance sheet items:</b>		
Forward foreign exchange contracts outstanding	336,992	121,248
Restricted investment accounts	18,698	19,170
	<b>Nine month period ended</b>	
	30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000
<b>Income statement items:</b>		
Financing income	-	61
Fee and commission income from transaction with the other related parties	1,600	103
Placements income	238	214

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:

	<b>Nine months period ended</b>	
	30 September 2018 (Reviewed) US\$ '000	30 September 2017 (Reviewed) US\$ '000
Salaries and other benefits	2,641	2,535
Incentives	3,935	2,721
Employee share option plan	(591)	449
Post-employment benefits	377	163

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