

QInvest LLC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
30 JUNE 2020

QInvest LLC

**Condensed Consolidated Interim Financial Statements
For the period ended 30 June 2020**

| Contents | Page(s) |
|---|----------------|
| Independent auditor's review report | 1-2 |
| Condensed consolidated statement of financial position (QAR) | 3 |
| Condensed consolidated statement of income (QAR) | 4 |
| Condensed consolidated statement of financial position | 5 |
| Condensed consolidated statement of income | 6 |
| Condensed consolidated statement of changes in equity | 7-8 |
| Condensed consolidated statement of changes in restricted investment accounts | 9 |
| Condensed consolidated statement of cash flows | 10 |
| Notes to the condensed consolidated interim financial statements | 11-19 |



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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 June 2020 condensed consolidated interim financial statements of QInvest LLC (the 'Bank') and its subsidiaries (together the 'Group') on pages 5 to 19, which comprise:

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed consolidated statement of income for the three and six month periods ended 30 June 2020;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2020;
- the condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2020;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2020; 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independent auditor's report on review of condensed consolidated interim financial statements to the Board of Directors of QInvest LLC (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with FAS issued by AAOIFI.

KPMG LLC

KPMG L.L.C.

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15 July 2020

Doha

State of Qatar

QInvest LLC**Condensed consolidated statement of financial position
As at 30 June 2020**

In thousand QAR

| | 30 June 2020 | 31 December 2019 |
|-------------------------------------|------------------|---------------------|
| Assets | | |
| Cash and bank balances | 210,894 | 55,303 |
| Placements with banks | 72,804 | 91,222 |
| Financing assets | 507,154 | 563,752 |
| Investment securities | 1,706,254 | 1,764,570 |
| Investment in real estate | 404,473 | 401,339 |
| Investment in associates | 154,434 | 157,754 |
| Other assets | 384,482 | 253,820 |
| Total assets | 3,440,495 | 3,287,760 |
| Liabilities | | |
| Wakala deposits | 223,602 | - |
| Financing liabilities | 1,167,242 | 1,145,020 |
| Other liabilities | 127,123 | 107,922 |
| Total liabilities | 1,517,967 | 1,252,942 |
| Equity | | |
| Share capital | 2,212,993 | 2,212,993 |
| Share premium | 7,800 | 7,800 |
| Other reserves | (20,235) | (8,845) |
| Accumulated losses | (278,030) | (177,130) |
| Total equity | 1,922,528 | 2,034,818 |
| Total liabilities and equity | 3,440,495 | 3,287,760 |
| Off-balance sheet items | | |
| Restricted investment accounts | 1,377,070 | 699,597 |

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 July 2020 and were signed on its behalf by:

Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

Tamim Hamad Al-Kawari
Chief Executive Officer

Supplementary information to the condensed consolidated interim financial statements, not subject to review and audit.

QInvest LLC

**Condensed consolidated statement of income
For the three and six month periods ended 30 June 2020**

In thousand QAR

| | Three month period ended | | Six month period ended | |
|---|---------------------------------|--|-------------------------------|--|
| | 30 June 2020 | 30 June 2019 (Restated) | 30 June 2020 | 30 June 2019 (Restated) |
| Fee and commission income, net | 10,196 | 4,172 | 20,391 | 8,984 |
| Income from financing assets | 12,937 | 17,592 | 27,042 | 34,988 |
| Net gain / (loss) from investments | 37,226 | 24,534 | (10,705) | 62,152 |
| Income from placements with banks | 142 | 663 | 641 | 1,966 |
| Share of results of associates | 830 | 2,275 | 3,280 | 3,003 |
| Other income | 826 | 906 | 2,055 | 2,220 |
| Total operating revenue | 62,157 | 50,142 | 42,704 | 113,313 |
| Staff costs | (18,837) | (23,696) | (40,590) | (41,674) |
| General and administrative expenses | (5,569) | (9,836) | (11,459) | (18,921) |
| Depreciation and amortisation | (565) | (560) | (1,278) | (1,503) |
| Total operating expenses | (24,971) | (34,092) | (53,327) | (62,098) |
| Operating profit / (loss) | 37,186 | 16,050 | (10,623) | 51,215 |
| Finance expenses | (15,364) | (21,462) | (31,886) | (45,704) |
| Impairments and credit losses, net | (7,145) | (61,629) | (29,957) | (78,082) |
| Fair value changes on financing assets, net | (10,611) | 4,437 | (34,183) | 12,212 |
| Profit / (loss) before tax | 4,066 | (62,604) | (106,649) | (60,359) |
| Tax reversal | 3,152 | 10,185 | 5,748 | 7,371 |
| Net profit / (loss) | 7,218 | (52,419) | (100,901) | (52,988) |
| Attributable to: | | | | |
| Shareholders of the Bank | 7,218 | (54,261) | (100,901) | (54,961) |
| Non-controlling interests | - | 1,842 | - | 1,973 |
| | 7,218 | (52,419) | (100,901) | (52,988) |

Supplementary information to the condensed consolidated interim financial statements, not subject to review and audit.

QInvest LLC

Condensed consolidated statement of financial position
As at 30 June 2020

In thousand US\$

| | Notes | 30 June 2020 (Reviewed) | 31 December 2019 (Audited) |
|-------------------------------------|-------|-------------------------------|----------------------------------|
| Assets | | | |
| Cash and bank balances | | 57,938 | 15,193 |
| Placements with banks | | 20,001 | 25,061 |
| Financing assets | 4 | 139,328 | 154,877 |
| Investment securities | 5 | 468,751 | 484,772 |
| Investment in real estate | | 111,119 | 110,258 |
| Investment in associates | | 42,427 | 43,339 |
| Other assets | | 105,627 | 69,731 |
| Total assets | | 945,191 | 903,231 |
| Liabilities | | | |
| Wakala deposit | | 61,429 | - |
| Financing liabilities | 6 | 320,671 | 314,566 |
| Other liabilities | | 34,924 | 29,649 |
| Total liabilities | | 417,024 | 344,215 |
| Equity | | | |
| Share capital | | 607,965 | 607,965 |
| Share premium | | 2,143 | 2,143 |
| Other reserves | 11 | (5,559) | (2,430) |
| Accumulated losses | | (76,382) | (48,662) |
| Total equity | | 528,167 | 559,016 |
| Total liabilities and equity | | 945,191 | 903,231 |
| Off-balance sheet items | | | |
| Restricted investment accounts | | 378,316 | 192,197 |

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 July 2020 and were signed on its behalf by:

Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

Tamim Hamad Al-Kawari
Chief Executive Officer

The accompanying notes from 1 to 14 form an integral part of these condensed consolidated interim financial statements.

QInvest LLC

**Condensed consolidated statement of income
For the three and six month periods ended 30 June 2020**

In thousand US\$

| | Notes | Three month period ended | | Six month period ended | |
|---|-------|-------------------------------|---|-------------------------------|---|
| | | 30 June 2020 (Reviewed) | 30 June 2019 (Reviewed) (Restated) | 30 June 2020 (Reviewed) | 30 June 2019 (Reviewed) (Restated) |
| Fee and commission income, net | | 2,801 | 1,146 | 5,602 | 2,468 |
| Income from financing assets | | 3,554 | 4,833 | 7,429 | 9,612 |
| Net gain / (loss) from investments | 8 | 10,227 | 6,740 | (2,941) | 17,075 |
| Income from placements with banks | | 39 | 182 | 176 | 540 |
| Share of results of associates | | 228 | 625 | 901 | 825 |
| Other income | | 227 | 249 | 565 | 610 |
| Total operating revenue | | 17,076 | 13,775 | 11,732 | 31,130 |
| Staff costs | | (5,175) | (6,510) | (11,151) | (11,449) |
| General and administrative expenses | | (1,530) | (2,702) | (3,148) | (5,198) |
| Depreciation and amortisation | | (155) | (154) | (351) | (413) |
| Total operating expenses | | (6,860) | (9,366) | (14,650) | (17,060) |
| Operating profit / (loss) | | 10,216 | 4,409 | (2,918) | 14,070 |
| Finance expenses | | (4,221) | (5,896) | (8,760) | (12,556) |
| Impairments and credit losses, net | 9 | (1,963) | (16,931) | (8,230) | (21,451) |
| Fair value changes on financing assets, net | | (2,915) | 1,219 | (9,391) | 3,355 |
| Profit / (loss) before tax | | 1,117 | (17,199) | (29,299) | (16,582) |
| Tax reversal | | 866 | 2,798 | 1,579 | 2,025 |
| Net profit / (loss) | | 1,983 | (14,401) | (27,720) | (14,557) |
| Attributable to: | | | | | |
| Shareholders of the Bank | | 1,983 | (14,907) | (27,720) | (15,099) |
| Non-controlling interests | | - | 506 | - | 542 |
| | | 1,983 | (14,401) | (27,720) | (14,557) |

The accompanying notes from 1 to 14 form an integral part of these condensed consolidated interim financial statements.

QInvest LLC

Condensed consolidated statement of changes in equity
For the six month period ended 30 June 2020

In thousand US\$

| | Attributable to shareholders of the Bank | | | | | |
|--|--|------------------|-------------------|-----------------------|----------------|--|
| | Share Capital | Share premium | Other reserves | Accumulated losses | Total equity | |
| As at 1 January 2020 (Audited) | 607,965 | 2,143 | (2,430) | (48,662) | 559,016 | |
| Net loss | - | - | - | (27,720) | (27,720) | |
| Foreign currency translation differences on foreign operations | - | - | (479) | - | (479) | |
| Effective portion of changes in fair value of hedges | - | - | (1,736) | - | (1,736) | |
| Net change in fair value through equity investments | - | - | (914) | - | (914) | |
| As at 30 June 2020 (Reviewed) | 607,965 | 2,143 | (5,559) | (76,382) | 528,167 | |

The accompanying notes from 1 to 14 form an integral part of these condensed consolidated interim financial statements.

QInvest LLC

Condensed consolidated statement of changes in equity
For the six month period ended 30 June 2020

In thousand US\$

| | Attributable to shareholders of the Bank | | | | Total equity attributable to shareholders of the Bank | Non-controlling interests | Total equity |
|--|--|---------------|----------------|--------------------|---|---------------------------|--------------|
| | Share Capital | Share premium | Other reserves | Accumulated losses | | | |
| As at 1 January 2019 (Audited) | 705,357 | 2,143 | (3,127) | (67,679) | 636,694 | 4,878 | 641,572 |
| Adjustment on adoption of FAS 33 (note 2) | - | - | (4,744) | 4,744 | - | - | - |
| As at 1 January 2019 (Restated) | 705,357 | 2,143 | (7,871) | (62,935) | 636,694 | 4,878 | 641,572 |
| Net loss | - | - | - | (15,099) | (15,099) | 542 | (14,557) |
| Foreign currency translation differences on foreign operations | - | - | 3,358 | - | 3,358 | - | 3,358 |
| Effective portion of changes in fair value of hedges | - | - | 151 | - | 151 | - | 151 |
| Net change in fair value through equity investments | - | - | 3,912 | - | 3,912 | - | 3,912 |
| Net movement in non-controlling interests | - | - | - | - | - | 53 | 53 |
| As at 30 June 2019 (Reviewed) (Restated) | 705,357 | 2,143 | (450) | (78,034) | 629,016 | 5,473 | 634,489 |

The accompanying notes from 1 to 14 form an integral part of these condensed consolidated interim financial statements.

QInvest LLC

Condensed consolidated statement of changes in restricted investment accounts
For the six month period ended 30 June 2020

In thousand US\$

| | Movements during the period | | | | Balance at 30 June 2020 (Reviewed) | |
|--------------------------------|--|-----------------------------|----------------------------|-----------------------------------|---|----------------|
| | Balance at 1 January 2020 (Audited) | Investment / (repayment) | Revaluation gain/(loss) | Realised income/ (expenses) | | Agency fees |
| Restricted investment accounts | 192,197 | 186,029 | (4,852) | 5,986 | (1,044) | 378,316 |
| | Movements during the period | | | | Balance at 30 June 2019 (Reviewed) | |
| | Balance at 1 January 2019 (Audited) | Investment / (repayment) | Revaluation gain/(loss) | Realised income/ (expenses) | | Agency fees |
| Restricted investment accounts | 152,210 | 15,781 | 3,240 | 6,997 | (554) | 177,674 |

The accompanying notes from 1 to 14 form an integral part of these condensed consolidated interim financial statements.

Qinvest LLC

**Condensed consolidated statement of cash flows
For the six month period ended 30 June 2020**

In thousand US\$

| | Six month period ended | |
|--|-------------------------------|----------------------------------|
| | 30 June 2020 | 30 June 2019 |
| Notes | (Reviewed) | (Reviewed) (Restated) |
| Operating activities | | |
| Loss before tax | (29,299) | (16,582) |
| <i>Adjustments to reconcile profit before tax to net cash flows:</i> | | |
| Share of results of associates | (901) | (825) |
| Net unrealised foreign exchange losses / (gains) | (1,387) | 154 |
| Depreciation and amortization | 351 | 413 |
| Loss / (Gain) on fair value through income statement investments | 9,467 | (1,758) |
| Fair value changes on financing assets, net | 9,391 | (3,355) |
| Impairments and credit losses, net | 9 | 17,033 |
| Employees' end of service benefits, net | 446 | (177) |
| Net operating loss before changes in operating assets and liabilities | (3,702) | (5,097) |
| Change in other assets | (37,119) | (425) |
| Change in other liabilities | 1,938 | (5,935) |
| Net cash flows used in operating activities | (38,883) | (11,457) |
| Investing activities | | |
| Purchase of investment securities | (140,043) | (13,013) |
| Proceeds from disposal of investment securities | 133,827 | 52,751 |
| Net movement in financing assets | 15,414 | 15,938 |
| Dividends received from associates | 549 | 549 |
| Purchase of equipment and intangible assets | (640) | (292) |
| Net cash flows from investing activities | 9,107 | 55,933 |
| Financing activities | | |
| Net movement in financing liabilities and wakala deposits | 67,534 | (77,677) |
| Dividend payments | (73) | (512) |
| Net cash flows from / (used in) financing activities | 67,461 | (78,189) |
| Net increase / (decrease) in cash and cash equivalents | 37,685 | (33,713) |
| Cash and cash equivalents at 1 January | 40,254 | 74,015 |
| Cash and cash equivalents at 30 June | 77,939 | 40,302 |

The accompanying notes from 1 to 14 form an integral part of these condensed consolidated interim financial statements.

QInvest LLC

Notes to the condensed consolidated interim financial statements At 30 June 2020

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. It's 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.

These condensed consolidated interim financial statements of the Group as at and for the six month period ended 30 June 2020 were authorised for issue by the Board of Directors on 15 July 2020.

2 Basis of preparation and accounting policies

Basis of preparation

These condensed consolidated financial statements of the Bank and its subsidiaries (together known as the Group) for the six month period ended 30 June 2020 have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In accordance with the requirement of AAOIFI, for matters where AAOIFI does not have an accounting standard or guidance, the Group seeks guidance from the International Financial Reporting Standards (the IFRSs). Accordingly, the condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

The Group has complied with the Islamic Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Board of the Bank and the applicable provisions of the QFCRA rules.

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for financial investments classified as investments at fair value through equity, investments at fair value through income statement, 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.

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 supplementary information and do not form part of the reviewed condensed consolidated interim financial statements.

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 2019.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except as disclosed in note 14 and adoption of new accounting standards.

The following new standard have been adopted by the Group in preparation of these condensed consolidated interim financial statements. The adopting of these new standards do not have an impact on the Group other than as mentioned below.

| Topic | Effective date |
|---|----------------|
| FAS 31 Investment agency | 1 January 2020 |
| FAS 33 Investment in sukuks, shares and similar instruments | 1 January 2020 |
| FAS 34 Financial reporting for Sukuk-holders | 1 January 2020 |

Adoption of FAS 33 Investment in sukuks, shares and similar instruments

The Group has adopted FAS 33 Investment in sukuks, shares and similar instruments as issued by AAOIFI effective 1 January 2020 which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements as of 31 December 2019 and the condensed consolidated interim financial statements for the period ended 30 June 2019.

The adoption of FAS 33 has resulted in changes in accounting policies for recognition, classification and measurement of investment in sukuks, shares and other similar instruments.

Set out below are the details of the specific FAS 33 accounting policies applied in the current period.

Categorization and classification

FAS 33 contains classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as investment in:

- (a) equity-type instruments;
- (b) debt-type instruments, including (monetary and non-monetary);
- (c) other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:

- (a) the Bank's business model for managing the investments; and
- (b) the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Notes to the condensed consolidated interim financial statements
At 30 June 2020

2 Basis of preparation and accounting policies (continued)

FAS 33 Investment in sukuks, shares and similar instruments (continued)

On adoption of FAS 33, the Group reassessed the business model for certain equity-type investments. The impact of such reassessments are as follows:

During the period, the Group reassessed the business model for certain equity-type investments retrospectively. The impact of such reassessments are as follows:

- Equity type investments amounting to USD 21.76 million as at 1 January 2019 classified as fair value through equity as opposed to fair value through income statement.
- Equity type investments amounting to USD 14.74 million as at 1 January 2019 classified as fair value through income statement as opposed to fair value through equity.

The following restatements were made on adoption of FAS 33 on 1 January 2020:

| | As previously reported | Adjustments on adoption of FAS 33 | As restated |
|---|---------------------------|---|-----------------|
| | US'000 | US'000 | US'000 |
| Condensed consolidated statement of changes in equity As at 1 January 2019 | | | |
| Other reserves | (3,127) | (4,744) | (7,871) |
| Accumulated losses | (67,679) | 4,744 | (62,935) |
| | <u>(70,806)</u> | <u>-</u> | <u>(70,806)</u> |
| Condensed consolidated statement of income For the six month period ended 30 June 2019 | | | |
| Net gain from investments | 11,895 | 5,180 | 17,075 |
| Impairment and credit losses | (17,033) | (4,418) | (21,451) |
| | <u>(5,138)</u> | <u>762</u> | <u>(4,376)</u> |

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.

| Topic | Effective date |
|---------------------|----------------|
| FAS 32 Ijarah | 1 January 2021 |
| FAS 35 Risk reserve | 1 January 2021 |

QInvest LLC

Notes to the condensed consolidated interim financial statements At 30 June 2020

In thousand US\$

2 Basis of preparation and accounting policies (continued)

Basis of consolidation

The Group's principal subsidiaries as at 30 June 2020 are as below:

| Name | Principal Business Activity | Country of Incorporation | % Effective shareholding | |
|----------------------------------|-------------------------------|--------------------------|--------------------------|------------------|
| | | | 31 December 2019 | 31 December 2018 |
| QInvest Portfoy Yonetimi A.S. | Asset Management | Turkey | 100% | 100% |
| Verdi Luxembourg S.a.r.l. | Investment in real estate | Luxembourg | 100% | 100% |
| Q Liquidity Limited | Placements | Cayman Islands | 100% | 100% |
| QInvest Holding Mauritius | Investment holding company | Mauritius | 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% |
| QEthika 1 LLC | Investment holding company | Cayman Islands | 100% | 100% |
| QInvest Euro PE QFC LLC | Investment holding company | State of Qatar (QFC) | 100% | 100% |
| 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% |
| Q Magnolia LLC | Investment in real estate | Cayman Island | 100% | 100% |
| BOH LLC | Investment holding company | State of Qatar (QFC) | 100% | 100% |
| Alloy Holdco LLC | Investment holding company | State of Qatar (QFC) | 100% | 100% |
| QInvest RE-Equity LLC | Investment holding company | State of Qatar (QFC) | 100% | 100% |
| Admiral Holdco LLC | Holding company | State of Qatar (QFC) | 100% | 100% |
| Admiral Operations Limited | Vessel operating company | Cayman Islands | 75% | 75% |

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 2019, except as disclosed in note 14.

4 Financing assets

| | 30 June 2020 (Reviewed) | 31 December 2019 (Audited) |
|--|----------------------------|-------------------------------|
| Fair value through income statement | | |
| Murabaha | 139,328 | 141,057 |
| Amortised cost | | |
| Murabaha | - | 15,526 |
| Less: Expected credit losses | - | (1,706) |
| Financing assets at amortized cost | - | 13,820 |
| Total financing assets | 139,328 | 154,877 |

The movements in expected credit losses are as follow:

| | 30 June 2020 (Reviewed) | 31 December 2019 (Audited) |
|--|----------------------------|-------------------------------|
| Balance at beginning of the period / year | 1,706 | 1,193 |
| Net (reversal) / charge during the period / year | (1,706) | 513 |
| Balance at end of the period / year | - | 1,706 |

QInvest LLC

Notes to the condensed consolidated interim financial statements
At 30 June 2020

In thousand US\$

5 Investment securities

| | 30 June 2020 (Reviewed) | 31 December 2019 (Audited) |
|---|-------------------------------|----------------------------------|
| Equity | | |
| Fair value through income statement | 284,465 | 359,777 |
| Fair value through equity | 158,213 | 94,171 |
| | <u>442,678</u> | <u>453,948</u> |
| Sukuk and other debt instruments | | |
| Fair value through income statement | 4,550 | 28,844 |
| Amortised cost | 38,144 | 18,601 |
| Less: Allowance for impairment | (16,621) | (16,621) |
| | <u>21,523</u> | <u>1,980</u> |
| | <u>468,751</u> | <u>484,772</u> |

6 Financing liabilities

These includes financing liabilities amounting to USD 71.9 million availed by the group entities which have recourse limited to respective entity's assets.

7 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 June 2020:

| | Fair value | Fair value measurement using | | |
|--|----------------|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets | | | | |
| Fair value through income statement investments | 289,015 | 4,090 | 114,100 | 170,825 |
| Fair value through income statement financing assets | 139,328 | - | - | 139,328 |
| Fair value through equity investments | 158,213 | - | 122,954 | 35,259 |
| Derivative instruments | 12,117 | - | 12,117 | - |
| Investment in real estate | 111,119 | - | - | 111,119 |
| Total | <u>709,792</u> | <u>4,090</u> | <u>249,171</u> | <u>456,531</u> |
| Liabilities | | | | |
| Derivative instruments | 9,343 | - | 9,343 | - |

7 Fair value hierarchy of assets and liabilities (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2019:

| | Fair value | Fair value measurement using | | |
|--|----------------|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets | | | | |
| Fair value through income statement investments | 388,621 | 19,248 | 137,323 | 232,050 |
| Fair value through income statement financing assets | 141,057 | - | - | 141,057 |
| Fair value through equity investments | 94,171 | - | 51,174 | 42,997 |
| Derivative instruments | 13,769 | - | 13,769 | - |
| Investment in real estate | 110,258 | - | - | 110,258 |
| Total | 747,876 | 19,248 | 202,266 | 526,362 |
| Liabilities | | | | |
| Derivative instruments | 4,728 | - | 4,728 | - |

During the six month period ended 30 June 2020, 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 2019, except as disclosed in note 14.

8 Net (loss) / gain from investments

| | Note | Six month period ended | |
|--|------|----------------------------|----------------------------|
| | | 30 June 2020 (Reviewed) | 30 June 2019 (Reviewed) |
| Net (loss) / income from financial investments | 8.1 | (5,923) | 14,698 |
| Net income from investments in real estate | | 2,982 | 2,377 |
| | | (2,941) | 17,075 |

8.1 Net (loss) / income from financial investments

| | Six month period ended | |
|--|----------------------------|----------------------------|
| | 30 June 2020 (Reviewed) | 30 June 2019 (Reviewed) |
| (Loss) / income from investments carried at fair value through income statement, net | (8,341) | 12,152 |
| Income from investments carried at fair value through equity | 1,314 | 2,029 |
| Income from investments carried at amortized cost, net | 281 | 105 |
| Net gain from derivative financial instruments | 823 | 412 |
| | (5,923) | 14,698 |

9 Impairment and credit losses, net

| | Six month period ended | |
|-----------------------|--|--|
| | 30 June 2020 (Reviewed) | 30 June 2019 (Reviewed) |
| Financing assets | (1,701) | 134 |
| Investment securities | 10,470 | 21,248 |
| Other assets | (539) | 69 |
| | 8,230 | 21,451 |

10 Cash and cash equivalents

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

| | 30 June 2020 (Reviewed) | 31 December 2019 (Audited) |
|---|--|---|
| Cash and bank balances | 57,938 | 15,193 |
| Short-term placements (original maturity of less than three months) | 20,001 | 25,061 |
| | 77,939 | 40,254 |

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.

QInvest LLC

**Notes to the condensed consolidated interim financial statements
At 30 June 2020**

In thousand US\$

12 Contingent liabilities, commitments and provisions

| | 30 June 2020 (Reviewed) | 31 December 2019 (Audited) |
|---|--|----------------------------------|
| Investment commitments | <u>6,674</u> | <u>10,257</u> |
| Forward foreign exchange contracts | <u>254,901</u> | <u>263,486</u> |
| Profit rate swaps and other derivatives | <u>161,600</u> | <u>125,000</u> |
| Other contingent liabilities | <u>17,986</u> | <u>61,981</u> |
| Operating lease commitments | <u>2,599</u> | <u>3,209</u> |
| Unutilised financing commitments | <u>1,670</u> | <u>37,321</u> |

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 six month periods ended 30 June 2020 and 2019, as well as balances with related parties as at 30 June 2020 and 31 December 2019:

| | 30 June 2020 (Reviewed) | 31 December 2019 (Audited) |
|--|--|----------------------------------|
| Balance sheet items: | | |
| <i>Assets:</i> | | |
| Placements and bank balances | 21,114 | 26,671 |
| Other assets | 127 | 411 |
| Off balance sheet items: | | |
| Forward foreign exchange contracts outstanding | 233,152 | 216,918 |
| Restricted investment accounts | 62,687 | 18,336 |
| | Six month period ended | |
| | 30 June 2020 (Reviewed) | 30 June 2019 (Reviewed) |
| Income statement items: | | |
| Fee and commission income | 134 | 85 |
| Placement income | 70 | 127 |

13 Related parties (continued)

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:

| | Six month period ended | |
|-----------------------------|--|--|
| | 30 June 2020 (Reviewed) | 30 June 2019 (Reviewed) |
| Salaries and other benefits | 1,314 | 1,315 |
| Incentives | 1,211 | 1,003 |
| Post-employment benefits | 98 | 97 |

14 Impact of Covid-19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought uncertainties in the global economic environment.

The situation is evolving fast and the Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance. The uncertainties caused by COVID-19 have required the Group to reassess and update the inputs and assumptions where possible (i.e. estimated cashflows, discount rates, cap rates etc.) used by the Group for the determination of fair valuation of its assets recorded at fair value based on the information available as at 30 June 2020.