CBQ Finance Limited

FINANCIAL STATEMENTS

31 December 2014

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF CBQ FINANCE LIMITED

Report on the financial statements

We have audited the accompanying financial statements of CBQ Finance Limited (the "Company"), which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Director's responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLC

KPMG L.L.C.

9 February 2015
Doha
State of Qatar

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014 **In USD'000**

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current asset			
Loans to parent company	4	**2,117,013**	2,368,390
Current assets			
Due from parent company		10,053	15,596
Cash and cash equivalents		1	1
		10,054	15,597
TOTAL ASSETS		**2,127,067**	2,383,987
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	1	1
Total equity		**1**	1
LIABILITIES			
Non-current liability			
Debts issued	6	**2,117,013**	2,368,390
Current liability			
Interest payable		**10,053**	15,596
Total liabilities		**2,127,066**	2,383,986
TOTAL EQUITY AND LIABILITIES		**2,127,067**	2,383,987

On behalf of the Board of Directors, these financial statements have been approved on 9 February 2015 by the following:

Hussain Ibrahim Alfardan
Chairman

A C Stevens
Vice Chairman

The attached notes 1 to 10 form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014 **In USD'000**

	Note	31 December 2014	31 December 2013
Finance income		131,417	125,559
Finance cost	7	(131,417)	(125,559)
NET FINANCE INCOME		**-**	-
PROFIT FOR THE YEAR		**-**	-
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	-

The attached notes 1 to 10 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014 **In USD'000**

	Share capital	Total
Balance at 1 January 2013	1	1
Profit for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive Income for the year	-	-
Balance at 31 December 2013	1	1
Balance at 1 January 2014	1	1
Profit for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Balance at 31 December 2014	**1**	1

STATEMENT OF CASH FLOWS
For the year ended 31 December 2014 **In USD'000**

	Note	**31 December 2014**	31 December 2013
OPERATING ACTIVITIES			
Profit for the year		-	-
Adjustments for:			
Amortisation of finance cost	7	5,320	4,753
Finance expense	7	126,097	120,806
Finance income		(126,097)	(120,806)
Operating profit before working capital changes		5,320	4,753
Working capital changes:			
Net changes in loans to parent company		251,377	(4,753)
Amount due from parent company		5,543	102
Interest payable		(5,543)	(102)
Net cash from operating activities		256,697	-
FINANCING ACTIVITIES			
Proceeds from issue of debt securities		743,303	-
Repayment of debt securities		(1,000,000)	-
Net cash used in financing activities		(256,697)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		-	**-**
Cash and Cash Equivalent at 1 January		1	1
CASH AND CASH EQUIVALENT AT 31 December		**1**	1

1 REPORTING ENTITY

CBQ Finance Limited (the "Company") is an exempt company with limited liability incorporated in Bermuda under the Companies Act 1981 on 5 November 2009 (with registration number is 43669). The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company is a fully owned subsidiary of The Commercial Bank of Qatar (Q.S.C.) (the "parent company"), a Qatari Shareholding Company listed on the Qatar Exchange.

The Company is organized as a special purpose entity and consequently will not have any employees or own any physical assets. The Company has been established to raise capital for the parent company by issue of debt instruments.

2 BASIS OF ACCOUNTING

Basis of preparation

The financial statements have been prepared under the historical cost convention and are presented in United States Dollars (USD), rounded to the nearest thousand, which is the presentation and functional currency of the Company.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of due from parent company

An estimate of the collectible amount of due from parent party is made when collection of the full amount is no longer probable. Amounts which are past due, are assessed collectively and a provision applied accordingly to the length of time past due, based on historical recovery rates.

There were no impairment of due from related party at the reporting date. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss and other comprehensive income

Going concern

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

New standards, amendments and interpretations

New standards, amendments and interpretations effective from 1 January 2014

The following standards, amendments and interpretations, which became effective as of 1 January 2014, are relevant to the Company:

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2 BASIS OF ACCOUNTING (CONTINUED)

New standards, amendments and interpretations (continued)

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"
- Amendments to IAS 32 offsetting financial assets and financial liabilities
- Amendments to IAS 36 recoverable amount disclosures for non-financial assets

The application of these amendments at the Company level had no material impact on the disclosures in the Group's consolidated financial statements.

New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these financial statements. Those which are relevant to the Company are set out below. The Company has no plan to early adopt these standards.

- IFRS 9 - Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and amortisation
- Amendments to IAS 19 Defined Benefit Plans: *Employee Contributions*
- Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The Company is assessing the potential impact of the above stated new standards, ammendments and the improvements.

Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

- ***Finance income and expense***

Finance income and expense is recognised using the effective interest method, taking account of the principal outstanding and the rate applicable.

Non-derivative financial instruments

Non-derivative financial instruments comprise financial assets and financial liabilities. Financial assets consist of loans to parent company, due from parent company and cash and cash equivalents. Financial liabilities consist of debts issued and certain other liabilities.

- ***Non-derivative financial assets***

Loans to parent company and other financial assets are recognised initially at fair value. Subsequent to initial recognition, all financial assets are measured at amortised cost less impairment losses, if any.

All financial assets are recognised on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual right to receive cash flows from the asset have expired, or when the Company has transferred the contractual right to receive cash flows to the financial assets.

2 BASIS OF ACCOUNTING (CONTINUED)

Significant accounting policies (continued)

Non-derivative financial instruments (continued)

Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

- ***Non-derivative financial liabilities***

The Company classifies non-derivative financial liabilities into the following categories: Debt issued and certain other financial liabilities.

Debt issued and other financial liabilities are recognised initially at fair value. Subsequent to initial recognition, all financial liabilities are measured at amortised cost.

All financial liabilities are recognised on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are derecognised when they are extinguished, that is when the contractual obligation is discharged, cancelled or expired.

- ***Fair value***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of financial instruments are not materially different from their carrying values.

Impairment

- ***Financial Assets***

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- ***Non-Financial Assets***

The carrying amounts of the Company’s assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. All impairment losses are recognised in the statement of income.

Cash and cash equivalents

Cash and cash equivalents include unrestricted balances held with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

FOR THE YEAR ENDED 31 DECEMBER 2014 In USD '000

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Definition and classification

Financial instruments cover all financial assets and liabilities of the Company. The accounting policies used to recognise and measure the financial instruments are disclosed in note 2 of the financial statements.

Risk Management

Introduction

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit, liquidity, market, including non-trading and operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on bank balance, loans to parent company and due from parent company. The maximum exposure to credit risk is the carrying amount as at the reporting date.

The Company has policies and procedures in place to limit the amount of credit exposure to any counterparty. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with individual counterparties and continually assessing the creditworthiness of counterparties.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements

	31 December 2014	31 December 2013
Bank balance	1	1
Loans to Parent Company	2,117,013	2,368,390
Due from Parent Company	10,053	15,596
Total credit risk exposure	**2,127,067**	2,383,987

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates might affect the value of financial instruments or the future profitability of the Company. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The Company is not exposed to interest rate risk on its interest bearing assets and liabilities as the bank balances are on fixed rate basis.

FOR THE YEAR ENDED 31 DECEMBER 2014 In USD '000

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk Management (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has Qatari Riyal as its only transactional currency as of the statement of financial position date, which is pegged to the US Dollar, and hence is not impacted by foreign exchange rate fluctuations.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of equity investments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any equity price risk as it does not hold any equity investments.

Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact. The Company seeks to minimise actual or potential losses from operational risks failure through a framework of policies and procedures that identify, assess, control, manage, and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, the management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and balances with Banks.

The Company's management monitors the maturity profile on an overall basis with ongoing liquidity monitoring by the Parent's Treasury.

At the end of the reporting period, all financial liabilities will mature within 12 months from the end of the reporting period except for debt issued which matures within a period of 3 years and above.

4 LOANS TO PARENT COMPANY

	31 December 2014	31 December 2013
Loan (i)	-	1,000,000
Loan (ii)	600,000	600,000
Loan (iii)	282,776	282,776
Loan (iv)	500,000	500,000
Loan (v)	750,000	-
	2,132,776	2,382,776
Less: Deferred financing costs	(15,763)	(14,386)
	2,117,013	2,368,390

Notes:

(i) This loan matured and was repaid on 18 November 2014, was originally extended from the issue of USD 1 billion Senior note in November 2009 at a fixed interest rate of 5% per annum.

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FOR THE YEAR ENDED 31 DECEMBER 2014 In USD '000

4 LOANS TO PARENT COMPANY (CONTINUED)

The above loans were granted to the parent company using the proceeds of the following debts issued by the Company:

(ii) This loan represents the proceeds from the issue of USD 600 million Subordinated Notes due on 18 November 2019 and carries a fixed interest rate of 7.5% per annum;
(iii) This loan represents the proceeds from the issue of CHF 275 million Bonds due on 7 December 2015 and carried a fixed interest rate of 3% per annum;
(iv) This loan represents the proceeds from the issue of USD 500 million EMTN Notes Programme –due on 11 April 2017 and carries a fixed interest rate of 3.375% per annum; and
(v) This loan represents the proceeds from the issue of USD 750 million EMTN Notes Programme –due on 24 June 2019 and carries a fixed interest rate of 2.875% per annum

5 SHARE CAPITAL

The issued and paid up share capital of the Company is comprised of 1,000 common shares of USD 1.00 each.

6 DEBTS ISSUED

	31 December 2014	31 December 2013
Senior Notes due 18 November 2014	-	997,803
Subordinated Notes due 18 November 2019 (i)	594,132	593,175
CHF Bonds due 7 December 2015(ii)	282,695	282,605
EMTN Programme – Senior unsecured notes (iii)	1,240,186	494,807
	2,117,013	2,368,390

Movements in debt issued are analysed as follows:

	31 December 2014	31 December 2013
Balance at beginning of the year	2,368,390	2,363,637
Additions of EMTN Programme – Senior unsecured notes	743,303	-
Repayment of senior notes	(1,000,000)	-
Amortisation of financing cost	5,320	4,753
	2,117,013	2,368,390

The table below shows the maturity profile of debts issued:

	31 December 2014	31 December 2013
Up to 1 year	282,695	997,803
Between 1 and 3 years	496,281	282,605
Over 3 years	1,338,037	1,087,982
Total	**2,117,013**	2,368,390

Notes:

(i) On 18 November 2009, the Company completed the issuance of the following debt instrument:

Senior Notes: USD 1,000 million five-year Senior Note paying a fixed coupon of 5.00% per annum. Interest is payable semi-annually, This Senior note matured on 18 November 2014 and repaid.

FOR THE YEAR ENDED 31 DECEMBER 2014 In USD '000

Subordinated Notes: On 18 November 2009, the Company completed the issuance of USD 600 million ten-year Subordinated Notes paying a fixed coupon of 7.50% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of ten years. The estimated fair value of the Subordinated Notes as at 31 December 2014 was USD 718 million (31 December 2013: USD 705 million). The above debt instruments have been irrevocably guaranteed by the ultimate parent company and are listed and traded on the London Stock Exchange.

(ii) On 7 December 2010, the Company completed the issuance of the following debt instrument:

CHF denominated Bonds: CHF 275 million five years bond paying a fixed coupon of 3.0% per annum. Interest is payable annually in arrears and the principal is payable in full at maturity on 7 December 2015. This bond has been irrevocably guaranteed by the ultimate parent company and are listed and traded on the SIX Swiss Exchange AG, Zurich. The fair value of the CHF denominated Bonds as at 31 December 2014 was USD 285 million (31 December 2013: USD 319 million)

(iii) **EMTN Programme – Senior unsecured notes:**

a) On 11 April 2012, the Company completed an issuance of USD 500 Million five years unsecured fixed rate notes under its USD 5 billion European Medium Term Note ("EMTN") Programme that it established in 2011. The notes carry a fixed coupon of 3.375% per annum with interest payable semi-annually and are listed on the London Stock Exchange. Estimated fair value of the EMTN notes as of 31 December 2014 was USD 521 million (31 December 2013: USD 517 million).

b) On 24 June 2014, the Company completed an issuance of USD 750 Million five years unsecured fixed rate notes under its renewal EMTN Programme. The notes carry a fixed coupon of 2.875% per annum with interest payable semi-annually and are listed on the London Stock Exchange. Estimated fair value of the EMTN notes as of 31 December 2014 was USD 755 million.

7 FINANCE COST

	31 December 2014	31 December 2013
Interest expense	126,097	120,806
Amortisation of financing costs	5,320	4,753
	131,417	125,559

8 RELATED PARTIES

Related party transactions

Transactions with related party included in the statement of comprehensive income are as follows:

	31 December 2014	31 December 2013
Finance income	**131,417**	125,559

Balances with related party included in the statement of financial position are as follows:

Loans to Parent Company	**2,117,013**	2,368,390
Amounts due from parent company	**10,053**	15,596

9 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it complies with local regulatory requirements. There are no externally imposed capital requirements. Capital comprises share capital only and is measured at USD 1,000 at 31 December 2014.

10 COMPARATIVE INFORMATION

The comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported net assets or equity.