CBQ Finance Limited

FINANCIAL STATEMENTS

31 December 2017

CBQ Finance Limited

CONTENTS

	Page(s)
Independent auditor’s report to the shareholder	1-2
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of profit or loss and other comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 – 14

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER

CBQ Finance Limited
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

Report on the audit of the financial statements

Opinion
We have audited the accompanying financial statements of CBQ Finance Limited (the 'Company'), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors' for the financial statements
The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER (CONTINUED)

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLC

KPMG L.L.C.

25 January 2018
Doha
State of Qatar

CBQ Finance Limited

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

	Note	2017	2016
ASSETS			
Non-current asset			
Loans to parent company	4	**2,089,616**	2,085,519
Current assets			
Loans to parent company	4	29,988	499,399
Due from parent company		6,893	10,453
Cash and cash equivalents		1	1
		36,882	509,853
TOTAL ASSETS		**2,126,498**	2,595,372
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	1	1
Total equity		**1**	1
LIABILITIES			
Non-current liability			
Debt issued	6	**2,089,616**	2,085,519
Current liability			
Debt issued	6	29,988	499,399
Interest payable		6,893	10,453
		36,881	509,852
Total liabilities		**2,126,497**	2,595,371
TOTAL EQUITY AND LIABILITIES		**2,126,498**	2,595,372

On behalf of the Board of Directors, these financial statements have been approved on 25 January 2018 by the following:

Joseph Abraham
Chairman

Rehan Ahmed Khan
Director

The attached notes 1 to 9 form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December **In USD'000**

	Note	2017	2016
Finance income		100,450	101,581
Finance cost	7	(100,450)	(101,581)
NET FINANCE INCOME		-	-
PROFIT FOR THE YEAR		-	-
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

The attached notes 1 to 9 form an integral part of these financial statements

CBQ Finance Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017 **In USD'000**

	Share capital	Total
Balance at 1 January 2016	1	1
Profit for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Balance at 31 December 2016	1	1
Balance at 1 January 2017	**1**	1
Profit for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year		-
Balance at 31 December 2017	**1**	1

The attached notes 1 to 9 form an integral part of these financial statements

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

	Note	**2017**	2016
OPERATING ACTIVITIES			
Profit for the year		-	-
Adjustments for:			
Amortization of finance cost	7	4,820	4,737
Operating profit before working capital changes		**4,820**	4,737
Working capital changes:			
Net changes in loans to parent company		465,314	(746,741)
Amount due from parent company		3,560	(909)
Interest payable		(3,560)	909
Net changes in debt securities		(470,134)	742,004
Net cash from operating activities		**-**	-
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 (P.S.Q.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 was 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.

2 BASIS OF ACCOUNTING (CONTINUED)

New standards, amendments and interpretations

New standards, amendments and interpretations effective from 1 January 2017

The following standards, amendments and interpretations, which became effective as of 1 January 2017 are revelvant:

- Annual Improvements to IFRSs 2012–2014 Cycle – various standards
- Disclosure Initiative (Amendments to IAS 7)

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

New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted; however; the Company has not early applied the following new or amended standards in preparing these financial statements.

- IFRS 15 – Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 9 – Financial Instruments (Effective 1 January 2018)
- Amendments to IFRS 2 – Classification and Measurement of Shared-based Payment Transactions (Effective 1 January 2018)
- IFRS 16 – Leases (Effective 1 January 2019)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company does not expect to have a significant impact on its financial statements from adoption of these standards.

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

The Company classifies its non-derivative financial assets into the following: loans to parent company, due from parent company and cash and cash equivalents and certain other assets. The Company classifies its non-derivative financial liabilities into the other financial liabilities category which consist of debt issued and interest payable.

2 BASIS OF ACCOUNTING (CONTINUED)

Significant accounting policies (continued)

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

Non-derivative financial assets – measurement

Loans and receivables
These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Impairment

Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

2 BASIS OF ACCOUNTING (CONTINUED)

Significant accounting policies (continued)

Impairment (continued)

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2017 In USD '000

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 2017	31 December 2016
Bank balance	1	1
Loans to parent company	2,119,604	2,584,918
Due from parent company	6,893	10,453
Total credit risk exposure	**2,126,498**	2,595,372

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 loans to parent company and debt securities are on fixed rate basis.

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 is not exposed to currency risk as the Company has US Dollars as its only transactional currency as of the statement of financial position date.

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.

FOR THE YEAR ENDED 31 DECEMBER 2017 In USD '000

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

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 including EMTN Notes maturing on 7 November 2018 will mature within 12 months from the end of the reporting period except for other debt issued which will mature within a period of 1 year and above.

4 LOANS TO PARENT COMPANY

	31 December 2017	31 December 2016
Loan (i)	600,000	600,000
Loan (ii)	-	500,000
Loan (iii)	750,000	750,000
Loan (iv)	750,000	750,000
Loan (v)	29,995	-
	2,129,995	2,600,00
Less: Deferred financing costs	(10,391)	(15,082)
	2,119,604	2,584,918
Receivable within one year shown under current assets	(29,988)	(499,399)
	2,089,616	2,085,519

Notes:

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

(i) 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;

(ii) This loan represents the proceeds from the issue of USD 500 million EMTN Notes Programme. This loan matured on 11 April 2017 and has been fully repaid;

(iii) 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;

(iv) This loan represents the proceeds from the issue of USD 750 million EMTN Notes Programme due on 13 June 2021 and carries a fixed interest rate of 3.25% per annum; and

(v) This loan represents the proceeds from the issue of EUR 25 million EMTN Notes programme due on 7 November 2018 and carries a fixed interest rate of 0.12% 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 each.

FOR THE YEAR ENDED 31 DECEMBER 2017 In USD '000

6 DEBT ISSUED

	31 December 2017	31 December 2016
Subordinated Notes due 18 November 2019 (i)	597,476	596,274
EMTN Programme – Senior unsecured notes (ii)	1,522,128	1,988,644
	2,119,604	2,584,918

Movements in debt issued are analysed as follows:

	31 December 2017	31 December 2016
Balance at beginning of the year	2,584,918	1,838,177
Additions of EMTN Programme – Senior unsecured notes	29,866	742,004
Repayment of senior notes	(500,000)	-
Amortisation of financing cost (Note 7)	4,820	4,737
	2,119,604	2,584,918
Maturing within one year shown under current liabilities	(29,988)	(499,399)
	2,089,616	2,085,519

The table below shows the maturity profile of debt issued:

	31 December 2017	31 December 2016
Up to 1 year	29,988	499,399
Between 1 and 3 years	1,345,358	1,342,798
Over 3 years	744,258	742,721
Total	**2,119,604**	2,584,918

Notes:

(i) **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 2017 was USD 647 million (31 December 2016: USD 675 million). These notes will mature on 18 November 2019. The above debt instruments have been irrevocably guaranteed by the ultimate parent company and are listed and traded on the London Stock Exchange.

(ii) **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 carried a fixed coupon of 3.375% per annum with interest payable semi-annually and were listed on the London Stock Exchange. These notes matured on 11 April 2017 and have been fully paid.

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 Irish Stock Exchange. These notes will mature on 24 June 2019. Estimated fair value of the EMTN notes as of 31 December 2017 was USD 747 million (31 December 2016: USD 754 million).

FOR THE YEAR ENDED 31 DECEMBER 2017 In USD '000

6 DEBT ISSUED (CONTINUED)

(ii) **EMTN Programme – senior unsecured notes: (continued)**

c) On 13 June 2016, 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 3.25% per annum with interest payable semi-annually and are listed on the Irish Stock Exchange. These notes will mature on 13 June 2021. Estimated fair value of the EMTN notes as of 31 December 2017 was USD 744 million (31 December 2016: USD 746 million)

d) On 14 November 2017, the Company completed an issuance of EUR 25 million one year unsecured fixed rate notes under its renewal EMTN Programme. The notes carry a fixed rate of 0.12% per annum with interest payable at maturity. These notes will mature on 7 November 2018.

7 FINANCE COST

	31 December 2017	31 December 2016
Interest expense	95,630	96,844
Amortisation of financing costs (Note 6)	4,820	4,737
	100,450	101,581

8 RELATED PARTIES

Related party transactions

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

	31 December 2017	31 December 2016
Finance income	**100,450**	101,581

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

Loans to parent company	**2,119,604**	2,584,918
Amounts due from parent company	**6,893**	10,453

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 2017 (31 December 2016: USD 1,000).