

CBQ Finance Limited
FINANCIAL STATEMENTS
31 December 2015

CBQ Finance Limited

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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 2015, 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 Directors' 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 controls as Board of Directors determine are necessary to enable the preparation of the 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 about 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 control 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 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 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

18 January 2016
Doha
State of Qatar


Gopal Balasubramaniam
Partner, KPMG
Qatar Auditors Registry Number 251

CBQ Finance Limited

Chairman's Statement

On behalf of the Members of the Board, it is my pleasure to present the sixth Annual Report and Accounts of the Company covering the period from 1 January 2015 to 31 December 2015.

Since incorporation, the Company has undertaken five debt issues. In 2009 it completed a five year US\$ 1.0 billion Senior Note and a ten year US\$ 600 million Subordinated Note and in 2010 completed a five year CHF 275 million Bond issue.

During 2012, it completed an issuance of US\$500 million five years Senior Note under its US\$ five billion European Medium Term Note (EMTN) programme that it established in 2011.

In 2014, the Company renewed its EMTN programme and issued a five year US\$750 million Senior Note. The proceeds of this note utilized to repay the matured US\$ 1.0 billion Senior Note issued in 2009.

All of these Notes and Bonds are irrevocably guaranteed by the parent company, The Commercial Bank (Q.S.C). The proceeds from these Notes and Bonds were lent to the parent on the same terms and conditions.

The Company repaid the CHF 275 million Bond on maturity in 2015 and also carried out other usual activities during the year like servicing the Notes/Bondholders through periodic coupon payments.

I appreciate the support extended to me by the parent and members of the board of directors of the company during the period.



A C Stevens
Vice Chairman

CBQ Finance Limited

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

In USD'000

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current asset			
Loans to parent company	4	<u>1,838,177</u>	<u>2,117,013</u>
Current assets			
Due from parent company		9,544	10,053
Cash and cash equivalents		<u>1</u>	<u>1</u>
		<u>9,545</u>	<u>10,054</u>
TOTAL ASSETS		<u>1,847,722</u>	<u>2,127,067</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	<u>1</u>	<u>1</u>
Total equity		<u>1</u>	<u>1</u>
LIABILITIES			
Non-current liability			
Debts issued	6	<u>1,838,177</u>	<u>2,117,013</u>
Current liability			
Interest payable		<u>9,544</u>	<u>10,053</u>
Total liabilities		<u>1,847,721</u>	<u>2,127,066</u>
TOTAL EQUITY AND LIABILITIES		<u>1,847,722</u>	<u>2,127,067</u>

On behalf of the Board of Directors, these financial statements have been approved on 13 January 2016 by the following:



 A C Stevens
 Vice Chairman

CBQ Finance Limited**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2015**In USD'000**

	Note	31 December 2015	31 December 2014
Finance income		95,403	131,417
Finance cost	7	<u>(95,403)</u>	<u>(131,417)</u>
NET FINANCE INCOME		<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>-</u></u>	<u><u>-</u></u>

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

CBQ Finance Limited**STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015****In USD'000**

	Share capital	Total
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	<u>1</u>	<u>1</u>
Balance at 1 January 2015	1	1
Profit for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Balance at 31 December 2015	<u>1</u>	<u>1</u>

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

CBQ Finance Limited**STATEMENT OF CASH FLOWS**
For the year ended 31 December 2015**In USD'000**

	Note	31 December 2015	31 December 2014
OPERATING ACTIVITIES			
Profit for the year		-	-
Adjustments for:			
Amortisation of finance cost	7	3,940	5,320
Operating profit before working capital changes		<u>3,940</u>	<u>5,320</u>
Working capital changes:			
Net changes in loans to parent company		278,836	251,377
Amount due from parent company		509	5,543
Interest payable		(509)	(5,543)
Net repayment of debt securities		<u>(282,776)</u>	<u>(256,697)</u>
Net cash from operating activities		<u>(3,940)</u>	<u>(5,320)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		-	-
Cash and Cash Equivalent at 1 January		<u>1</u>	<u>1</u>
CASH AND CASH EQUIVALENT AT 31 December		<u>1</u>	<u>1</u>

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

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 (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 2015

The following standards, amendments and interpretations, which became effective as of 1 January 2015, and are relevant to the Company:

- Amendments to IAS 19 Defined Benefit Plans: *Employee Contributions*
- Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle.

2 BASIS OF ACCOUNTING (CONTINUED)

New standards, amendments and interpretations (continued)

New standards, amendments and interpretations effective from 1 January 2015 (continued)

The application of these amendments 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, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, 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 IFRS 11 – Joint Operations and to IAS 27 – Separate Financial Statements
- Amendments to IFRS 10 and IAS 28
- Annual improvements to IFRSs 2011-2013 cycle and 2012-2014 cycle

The Company is assessing the potential impact of the above stated new standards, amendments 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

The Company classifies its non-derivative financial assets into the following: bank balances, customer funds, due from Qatar Exchange and certain other assets. The Group classifies its non-derivative financial liabilities into the other financial liabilities category which consist of bank overdraft, due to customers, due to Qatar Exchange and certain other liabilities.

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.

2 BASIS OF ACCOUNTING (CONTINUED)

Significant accounting policies (continued)

Non-derivative financial assets and financial liabilities – recognition and derecognition (continued)

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

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 Group on terms that the Group 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.

Financial assets measured at amortized cost

The Group 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 Group 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.

2 BASIS OF ACCOUNTING (CONTINUED)

Significant accounting policies (continued)

Impairment (continued)

Financial assets measured at amortized cost (continued)

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 Group 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.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (property, plant and equipment and inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in 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.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**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 2015	31 December 2014
Bank balance	1	1
Loans to Parent Company	1,838,177	2,117,013
Due from Parent Company	<u>9,544</u>	<u>10,053</u>
Total credit risk exposure	<u>1,847,722</u>	<u>2,127,067</u>

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.

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.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk Management (continued)

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.

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 2015	31 December 2014
Loan (i)	-	282,776
Loan (ii)	600,000	600,000
Loan (iii)	500,000	500,000
Loan (iv)	750,000	750,000
	1,850,000	2,132,776
Less: Deferred financing costs	(11,823)	(15,763)
	1,838,177	2,117,013

Notes:

- (i) This loan matured and was repaid on 7 December 2015, was originally extended from the issue of CHF 275 million Bond in December 2010 at a fixed interest rate of 3% per annum.

The loans were granted to the parent company using the proceeds of the following debt 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 USD 500 million EMTN Notes Programme –due on 11 April 2017 and carries a fixed interest rate of 3.375% per annum; and
- (iv) 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

In USD '000

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 DEBT ISSUED

	31 December 2015	31 December 2014
CHF Bonds due 7 December 2015 (i)	-	282,695
Subordinated Notes due 18 November 2019 (ii)	595,160	594,132
EMTN Programme – Senior unsecured notes (iii)	1,243,017	1,240,186
	<u>1,838,177</u>	<u>2,117,013</u>

Movements in debt issued are analysed as follows:

	31 December 2015	31 December 2014
Balance at beginning of the year	2,117,013	2,368,390
Additions of EMTN Programme – Senior unsecured notes	-	743,303
Repayment of senior notes	(282,776)	(1,000,000)
Amortisation of financing cost	3,940	5,320
	<u>1,838,177</u>	<u>2,117,013</u>

The table below shows the maturity profile of debt issued:

	31 December 2015	31 December 2014
Up to 1 year	-	282,695
Between 1 and 3 years	497,811	496,281
Over 3 years	1,340,366	1,338,037
Total	<u>1,838,177</u>	<u>2,117,013</u>

Notes:

(i) **CHF denominated Bonds:** On 7 December 2010, the company completed the issuance of a CHF 275 million five years bond paying a fixed coupon of 3.0% per annum. Interest is payable annually. This bond matured on 7 December 2015 and repaid.

(ii) **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 2015 was USD 688 million (31 December 2014: USD 718 million). The above debt instruments have been irrevocably guaranteed by the ultimate parent company and are listed and traded on the London Stock Exchange.

(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 2015 was USD 510 million (31 December 2014: USD 521 million).

6 DEBT ISSUED (CONTINUED)**(iii) EMTN Programme – Senior unsecured notes (continued):**

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 2015 was USD 753 million (31 December 2014: USD 755 million).

7 FINANCE COST

	31 December 2015	31 December 2014
Interest expense	91,463	126,097
Amortisation of financing costs	3,940	5,320
	<u>95,403</u>	<u>131,417</u>

8 RELATED PARTIES**Related party transactions**

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

	31 December 2015	31 December 2014
Finance income	<u>95,403</u>	<u>131,417</u>

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

Loans to Parent Company	<u>1,838,177</u>	<u>2,117,013</u>
Amounts due from parent company	<u>9,544</u>	<u>10,053</u>

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 2015 (31 December 2014: USD 1,000).

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.