

CBQ Finance Limited
FINANCIAL STATEMENTS
31 December 2013

CBQ Finance Limited

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FINANCIAL STATEMENTS

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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 2013, and the statements of comprehensive income, changes in equity and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is 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 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 considered 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 management, 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 2013, and its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards.

Other matter

The accompanying financial statements of the Company as at and for the year ended 31 December 2012 were audited by another auditor whose audit report dated 27 January 2013, expressed an unmodified audit opinion thereon.

KPMG LLC

KPMG LLC

09 February 2014
Doha
State of Qatar

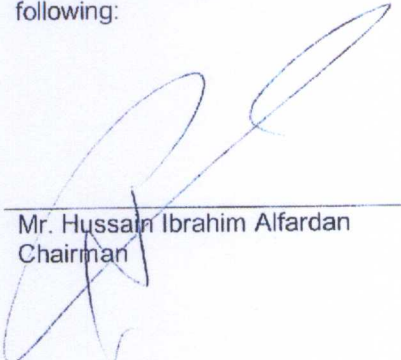
CBQ Finance Limited

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

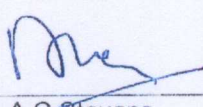
In USD'000

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current asset			
Loans to parent company	4	<u>2,368,390</u>	<u>2,363,637</u>
Current assets			
Due from parent company		15,596	15,698
Bank balance		<u>1</u>	<u>1</u>
		<u>15,597</u>	<u>15,699</u>
TOTAL ASSETS		<u>2,383,987</u>	<u>2,379,336</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>2,368,390</u>	<u>2,363,637</u>
Current liability			
Interest payable		<u>15,596</u>	<u>15,698</u>
Total liabilities		<u>2,383,986</u>	<u>2,379,335</u>
TOTAL EQUITY AND LIABILITIES		<u>2,383,987</u>	<u>2,379,336</u>

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



Mr. Hussain Ibrahim Alfardan
Chairman



Mr. A.C. Stevens
Deputy Chairman

CBQ Finance Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

In USD'000

	Note	31 December 2013	31 December 2012
Finance income		125,559	116,041
Finance cost	7	(125,559)	(116,041)
NET INCOME		<u>-</u>	<u>-</u>
PROFIT / (LOSS) FOR THE YEAR		<u>-</u>	<u>-</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>-</u>	<u>-</u>

CBQ Finance Limited**STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013**

In USD'000

	Share capital	Total
Balance at 1 January 2012	1	1
Loss for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	-	-
Balance at 31 December 2012	<u>1</u>	<u>1</u>
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	<u>1</u>	<u>1</u>

CBQ Finance Limited**STATEMENT OF CASH FLOWS**
For the year ended 31 December 2013**In USD'000**

	31 December 2013	31 December 2012
	<i>Notes</i>	
OPERATING ACTIVITIES		
Profit for the year	-	-
Adjustments for:		
Finance expense	7 125,559	116,041
Finance income	(125,559)	(116,041)
Operating profit / (loss) before working capital changes	-	-
Working capital changes:		
Interest payable	15,596	15,698
Amount due from parent company	(15,596)	(15,698)
Net cash used in operating activities	-	-
NET DECREASE IN BANK BALANCES	-	-
Bank balances as at 1 January	1	1
BANK BALANCE AS AT 31 December	1	1

CBQ Finance Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 CORPORATE INFORMATION

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 at 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 organised 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 the issue of debt instruments.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Statement of compliance

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

2.3 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:

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.

2.4 New standards, amendments and interpretations

New Standards, Amendments and Interpretations issued and effective

During the year, the Company has adopted the following standards effective for the annual period beginning on or after 1 January 2013. The new standards do not have any material impact to the Company.

- *IAS 1 (amendment) - Presentation of items of other comprehensive income*

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss the future if certain conditions are met from those that would never be reclassified to profit or loss.

The adoption of this amendment had no significant impact on the financial statements

- *Amendments to IFRS 7 on offsetting financial assets and financial liabilities (2011)*

Disclosures – Offsetting Financial Assets and Financial Liability (Amendment to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial positions. Based on the new disclosure requirement, the Company has to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under the master netting arrangements or similar arrangements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

2 ACCOUNTING POLICIES (CONTINUED)

2.4 New standards, amendments and interpretations (continued)

New Standards, Amendments and Interpretations issued and effective (continued)

The adoption of this amendment had no significant impact on the financial statements.

• *IFRS 13 - Fair value measurement*

IFRS 13 provides a single source of guidance in how fair value is measured and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. It unified the definition of fair value as the price that would be received to sell asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosures requirements about fair value measurement in other IFRS, including IFRS 7.

The adoption of this amendment had no significant impact on the financial statements.

• *Improvements to IFRSs (2011)*

Improvements to IFRS issued in 2011 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRS" comprise amendments that results in accounting changes to presentation, recognition, or measurements purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. There were no changes to significant changes to the current accounting policies of the Company as a result of these amendments.

New Standards, Amendments and Interpretations issued but not yet effective

• *IFRS 9 – Financial Instruments*

IFRS 9 was issued in November 2009, amended in October 2010 and November 2013 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets and financial liabilities and hedge accounting. The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted. The adoption of this standard is not expected to have a significant impact on the Company.

• *Amendments to IAS 32 on offsetting financial assets and financial liabilities (2011)*

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforcement right to offset and when gross settlements is equivalents to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted. The Company is not expecting a significant impact from the adoption of these amendments.

2.5 Significant accounting policies

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

a) Interest income and expense

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

b) 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 bank balance. Financial liabilities consist of debts issued and certain other liabilities.

i) Non-derivative financial assets

Bank balance comprise balance with bank on current account.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2 ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

b) Non-derivative financial instruments (continued)

i) Non-derivative financial assets (continued)

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.

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.

ii) 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.

iii) 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.

d) Impairment

i) 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.

ii) 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2 ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting policies (continued)

e) Provisions

The Company makes provisions for any expected legal or financial liabilities as a charge to the statement of income based on the likelihood and expected amount of such liabilities at the statement of financial position date.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

3.1 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 2.5(b) of the financial statements.

3.2 Risk Management

3.2.1 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.

3.2.2 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 Co. and due from Parent Co. 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.

a) 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 2013 USD '000	31 December 2012 USD '000
Bank balance	1	1
Loans to Parent Company	2,368,390	2,363,637
Due from Parent Company	15,596	15,698
Total credit risk exposure	<u>2,383,987</u>	<u>2,379,336</u>

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

3.2 Risk Management (continued)

3.2.3 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 and term deposits are on fixed rate basis.

3.2.4 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 and hence is not impacted by foreign exchange rate fluctuations.

3.2.5 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.

3.2.6 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.

3.2.7 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 panel of 3years.

4 LOANS TO PARENT COMPANY

	31 December 2013	31 December 2012
Loan (i)	1,000,000	1,000,000
Loan (ii)	600,000	600,000
Loan (iii)	282,776	282,776
Loan (iv)	500,000	500,000
	2,382,776	2,382,776
Less: <u>Deferred financing costs</u>	<u>(14,386)</u>	<u>(19,139)</u>
	<u>2,368,390</u>	<u>2,363,637</u>

Notes:

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

- (i) This loan represents the proceeds from the issue of USD 1 billion Senior Notes due on 18 November 2014 and carries a fixed interest rate of 5% per annum;
- (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

5 SHARE CAPITAL

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

6 DEBTS ISSUED

	31 December 2013	31 December 2012
Senior Notes due 18 November 2014 (i)	997,803	995,421
Subordinated Notes due 18 November 2019 (i)	593,175	592,288
CHF Bonds due 7 December 2015(ii)	282,605	282,515
EMTN Programme – Senior unsecured notes (iii)	<u>494,807</u>	<u>493,413</u>
	<u>2,368,390</u>	<u>2,363,637</u>

Movements in debt issued are analysed as follows

	31 December 2013	31 December 2012
Balance at beginning of the year	2,363,637	1,867,051
EMTN Programme – Senior unsecured notes	-	492,288
Amortisation of financing cost	<u>4,753</u>	<u>4,298</u>
	<u>2,368,390</u>	<u>2,363,637</u>

6 DEBTS ISSUED (CONTINUED)

The table below shows the maturity profile of debts issued:

	31 December 2013	31 December 2012
Up to 1 year	997,803	-
Between 1 and 3 years	282,605	1,277,936
Over 3 years	1,087,982	1,085,701
Total	<u>2,368,390</u>	<u>2,363,637</u>

Notes:

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

Senior Notes: USD 1,000 million five-year Senior Notes paying a fixed coupon of 5.00% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of five years. The estimated fair value of the Senior Notes as at 31 December 2013 was USD 1.034 billion (2012: USD 1.058 billion).

Subordinated Notes: 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 2013 was USD 705 million (2012: USD 736 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 2013 was USD 319 million (2012: USD 310 million).

- (iii) **EMTN Programme – Senior unsecured notes:** 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 was USD 517 million (2012: USD 520 million).

7 FINANCE COST

	31 December 2013	31 December 2012
Interest expense	120,806	111,743
Amortisation of financing costs	4,753	4,298
	<u>125,559</u>	<u>116,041</u>

8 RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Related party transactions

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

	31 December 2013	31 December 2012
Finance income	<u>125,559</u>	<u>116,041</u>

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

Loans to Parent Company	2,368,390	2,363,637
Amounts due from parent company	<u>15,596</u>	<u>15,698</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 2013.

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.