

**QNB FINANCE LTD.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of QNB Finance Ltd.

### *Opinion*

We have audited the accompanying financial statements of QNB Finance Ltd. (the 'Company'), which comprise the statement of financial position as at 31 December 2018, the statements of 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, financial position of the Company as at 31 December 2018, 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 in this audit 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') together with the ethical requirements that are relevant to our audit of the Bank's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Matter*

The financial statements as at and for the year ended 31 December 2017 were audited by another auditor, whose audit report dated 18 January 2018, expressed an unmodified audit opinion thereon.

### *Responsibilities of the Board of Directors for the Financial Statements*

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

In preparing the financial statements, the Board of Directors is 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### *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.

As part of an audit in accordance with ISA, we exercise professional judgement 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 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 Board of Directors.
- Conclude on the appropriateness of the Board of 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 Board of 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.

17 January 2019  
Doha  
State of Qatar



Gopal Balasubramaniam  
Qatar Auditor's Registry Number 251  
KPMG  
Licensed by QFMA: External Auditor's  
License No. 120153

**QNB Finance Ltd.**  
**Statement of Financial Position**  
**As at 31 December 2018**

	Notes	<u>2018</u> USD'000	<u>2017</u> USD'000
<b>ASSETS</b>			
Amounts due from Parent Company		12,751,036	11,984,720
<b>Total Assets</b>		<b><u>12,751,036</u></b>	<b><u>11,984,720</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Debt Securities	5	5,691,878	5,796,514
Other Borrowings	6	6,929,487	6,108,175
Other Liabilities		129,671	80,031
<b>Total Liabilities</b>		<b><u>12,751,036</u></b>	<b><u>11,984,720</u></b>
<b>EQUITY</b>			
Share Capital	7	-	-
Retained Earnings		-	-
<b>Total Equity</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Liabilities and Equity</b>		<b><u>12,751,036</u></b>	<b><u>11,984,720</u></b>

These financial statements were approved by the Board of Directors on 17 January 2019 and were signed on its behalf by:

  
 .....  
**Noor Mohd Al-Naimi**  
 Director

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

AKRS

**QNB Finance Ltd.**  
**Statement of Comprehensive Income**  
**For the Year Ended 31 December 2018**

	<u>2018</u>	<u>2017</u>
	USD'000	USD'000
<b>Income</b>		
Interest Income	430,776	260,389
<b>Expense</b>		
Interest Expense	<u>(430,776)</u>	<u>(260,389)</u>
<b>Profit for the Year</b>	<u>-</u>	<u>-</u>
<b>Total Comprehensive Income for the Year</b>	<u><u>-</u></u>	<u><u>-</u></u>

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

**QNB Finance Ltd.**  
**Statement of Changes in Equity**  
**For the Year Ended 31 December 2018**

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Balance at 1 January 2017	-	-	-
Profit for the Year	-	-	-
Total Comprehensive Income for the Year	-	-	-
Balance at 31 December 2017	-	-	-
Balance at 1 January 2018	-	-	-
Profit for the Year	-	-	-
Total Comprehensive Income for the Year	-	-	-
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**QNB Finance Ltd.**  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2018**

	<u>2018</u>	<u>2017</u>
	<u>USD'000</u>	<u>USD'000</u>
<b>Cash Flows from Operating Activities</b>		
Profit for the Year	-	-
Adjustments for:		
Interest income	(430,776)	(260,389)
Interest expense	430,776	260,389
	<u>-</u>	<u>-</u>
Changes in Operating Assets:		
Changes in Due from Parent Company	(2,945,117)	(1,077,746)
<b>Net Cash used in Operating Activities</b>	<b><u>(2,945,117)</u></b>	<b><u>(1,077,746)</u></b>
<b>Cash Flows from Investing Activity</b>		
Interest received	306,808	237,825
<b>Net Cash from Investing Activity</b>	<b><u>306,808</u></b>	<b><u>237,825</u></b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of Debt Securities	2,779,300	630,000
Repayment of Debt Securities	(2,850,000)	(1,000,000)
Proceeds from issuance of Other Borrowings	7,089,240	3,818,898
Repayment of Other Borrowings	(4,073,423)	(2,371,152)
Interest paid	(306,808)	(237,825)
<b>Net Cash from Financing Activities</b>	<b><u>2,638,309</u></b>	<b><u>839,921</u></b>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
<b>Cash and cash equivalents as at 31 December</b>	<b><u>-</u></b>	<b><u>-</u></b>

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

**QNB Finance Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**1. CORPORATE INFORMATION**

QNB Finance Ltd. (the "Company") was incorporated on 18 October 2010 and registered as an exempt company with limited liability in Cayman Islands. The principal purpose of the Company is to raise funding through the international capital markets to lending to Qatar National Bank (Q.P.S.C.) (the "Bank" or "Parent Company"). All the Debt Securities and Other Borrowings issued by the Company are irrevocably and unconditionally guaranteed by the Bank. The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is a wholly owned subsidiary of Qatar National Bank (Q.P.S.C.)

During 2011, the Company established a USD7.5 billion Medium Term Note ("MTN") programme under Reg S format and certain of the Notes issued under the MTN programme are listed in London Stock Exchange. Notes to be issued under the programme may comprise senior Notes (the "Senior Notes") and subordinated Notes (the "Subordinated Notes"). As at 31 December 2018, the aggregate nominal amount of Notes outstanding will not at any time exceed USD 17.5 billion (or the equivalent in other currencies) under the MTN programme. Also, the Company has issued certain Series of Notes under the MTN programme which are dual-listed on the Taipei Exchange and the London Stock Exchange.

On 27 April 2016, the Company established an AUD 2 billion debt issuance under Kangaroo Programme for the issuance of Australian dollar-denominated medium-term notes, which may be issued in the Australian wholesale capital market. As at 31 December 2018, the Company has issued AUD700 million under the Kangaroo Programme.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

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

**b) Basis of measurement**

The financial statements have been prepared on the historical cost basis. The statement of financial position has been presented based on liquidity.

**c) Functional and presentation currency**

These financial statements have been presented in US Dollars ("USD"), which is the Company's functional currency. All financial information presented in US Dollars has been rounded to the nearest thousands.

**d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below.

*Impairment of amounts due from Parent Company - Applicable from 1 January 2018*

Assessment whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward- looking information in the measurement of ECL.

*Impairment of amounts due from Parent Company - Applicable till 31 December 2017*

An estimate of the collectible amount of account receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance for impairment applied according to the length of time past due, based on historical recovery rates.

*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 Parent Company will provide the required financial support and the Parent Company has resources to continue in the 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.



**QNB Finance Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been consistently applied by the Company.

#### **a) Foreign Currencies**

The financial statements are denominated in US Dollars. Transactions in other foreign currencies are translated into US Dollars at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates ruling at the statement of financial position date. Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### **b) Revenue Recognition**

Interest income is recognised in statement of profit or loss using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all relevant transaction costs and fees paid or received that are an integral part of the effective interest rate.

#### **c) Financial Instruments**

Financial instruments comprise financial assets and financial liabilities. Financial assets consists of amounts due from Parent Company and financial liabilities consist of debt securities, other borrowings and certain other liabilities.

##### *(i) Non-derivative financial assets*

Amounts due from Parent Company has been recognised initially at fair value. Subsequent to the initial recognition it is measured at amortised cost less any impairment losses, if any.

##### Initial Recognition

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.

##### Derecognition

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

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such 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.

From 1 January 2018, a financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### *(ii) Non-derivative financial liabilities*

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

##### Initial Recognition

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.

##### Derecognition

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

**QNB Finance Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Impairment of financial assets**

*Assets carried at amortised cost - Policy applicable from 1 January 2018*

The Company recognises loss allowances for expected credit losses (ECL) on these assets at an amount equal to lifetime ECL, except for the assets that are determined to have low credit risk at the reporting date or on which credit risk has not increased significantly since their initial recognition, for which they are measured as 12-month ECL. 12-month ECL are the portion of ECL that result from default events on financial instruments that are possible with the 12 months after the reporting date.

ECL are a probability-weighted estimate of credit losses. For assets not credit-impaired, ECL is measured as between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). For asset impaired, ECL is measured as the present value of estimated future cash flows.

At each reporting date, the Group assesses whether these assets are impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred, which includes significant financial difficulty of the borrower or issuer, or a breach of contract.

*Assets carried at amortised cost - Policy applicable till 31 December 2017*

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.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a financing arrangement by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in payment status of borrowers or issuers.

Impairment is the difference between carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

**e) New Standards and Amendments to Standards**

The following amendments to IFRS and new IFRSs have been applied by the Company in preparation of these financial statements. The below were effective from 1 January 2018:

**IFRS 9 Financial Instruments**

The Company has adopted IFRS 9 on 1 January 2018 and which has resulted in the following changes:

**(a) Classification and measurement of financial instruments**

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets, namely; Measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). Under IFRS 9, derivatives embedded in contracts, where the host is a financial asset are never bifurcated. Instead, the hybrid financial instrument, as a whole is assessed for classification. The Company has performed a detailed analysis of its business model for managing financial assets as well as their cashflow characteristics. The below table presents the measurement categories under both standards.

	<b>IAS 39</b>	<b>IFRS 9</b>
<i>Financial assets</i>		
Amounts due from Parent Company	Amortised cost	Amortised cost

There were no changes to the classification and measurement of financial liabilities.

Based on the Company's assessment, the new IFRS9 classification requirements did not have an impact on its measurements for financial assets as both AFS and FVOCI have broadly similar measurement mechanism.

**QNB Finance Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(b) Impairment

From 1 January 2018, the Company recognises loss allowances for ECL on the debt financial instruments that are not measured at FVTPL. Impairment is assessed in the form of ECL, and for such loss, it is not necessary for a loss event to occur before an impairment loss is recognised. As at 30 June 2018, no ECL charge has been recognized on the financial assets as these only include balances highly rated thereby reducing any residual counter party settlement risk, which is also evidenced by the fact of zero historical defaults.

**IFRS 15 'Revenue from Contracts with Customers'**

The Company has implemented this new revenue recognition standard with effect from 1 January 2018. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The Company has assessed the impact of IFRS 15 and has determined that the standard have no material effect, when applied, on the financial statements of the Company for current or prior periods.

***Standards issued but not yet effective***

The below mentioned standards, interpretations and amendments to standards are not yet effective. The Company is currently evaluating the impact of new standard. The Company will adopt these new standards on the respective effective dates.

	<b>Effective Date</b>
IFRS 16 Leases	01/01/2019

**IFRS 16 'Leases'**

The Company will adopt IFRS 16 Leases on its mandatory adoption date of 1 January 2019. The new standard will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company intends to apply the simplified transition approach and does not expect to restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

The Company expects no recognition of right-of-use assets and lease liabilities as it is not party to any lease contract.

**QNB Finance Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**4. FINANCIAL RISK MANAGEMENT**

**I. Financial Instruments**

**a) Definition and Classification**

Financial instruments cover all financial assets and liabilities of the Company. Financial assets include amounts due from the Parent Company and financial liabilities represent debt securities, other borrowings and certain other liabilities.

Note 3 explains the accounting policies used to recognise and measure financial instruments.

**b) Fair Value of Financial Instruments**

Fair values of all the financial assets and liabilities are disclosed in Note 4(e).

**II. Risk Management**

**a) Risk Management Framework**

Risk is limited in the Company's activities and it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls at the Parent Company level. This process of risk management is critical to the Company's continuing profitability. The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk.

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

Furthermore, the Company follows the Parent Company's risk management framework and risk management approach.

**Risk management structure**

The Parent Company is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

**Risk Measurement and Reporting Systems**

Monitoring and controlling risks is primarily performed based on limits established by the Parent Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Parent Company is willing to accept.

**b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Gross maximum exposure to credit risk is shown below:

	<b>31 December 2018</b>	31 December 2017
	<b>USD'000</b>	USD'000
Amounts due from Parent Company	12,751,036	11,984,720
<b>Total Credit Risk Exposure</b>	<b>12,751,036</b>	<b>11,984,720</b>

**QNB Finance Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**II. Risk Management (Continued)**

**c) Liquidity Risk**

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below shows the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

The Company is an exempted company with limited liability incorporated under the laws of the Cayman Islands for the principal purpose of providing funding, through the international capital markets, to the Parent Company.

From time to time, the Company issues Notes under the MTN programme. In the case of each such issuance under the MTN programme, the notes are guaranteed by the Parent Company and the proceeds of each issuance made available to the Parent Company pursuant to one or more loan agreements (each, a "Notes Loan Agreement"), whereby the Parent Company is obligated to make payments to the Company that match the payment obligations of the Company under the Notes.

As the Company does not have any business operations, the Company is entirely dependent on Parent Company to service its payment obligations under the Notes, therefore, the Company's ability to fulfil its payment obligations under the Notes is entirely dependent on Parent Company's performance, and thus the Company is subject to all the risks to which Parent Company is subject, including to the extent that such risks could limit Parent Company's ability to satisfy in full and on a timely basis its obligations under the Deed of Guarantee.

2018	Within	1 - 3	3 - 12	1 - 5	More than	Total
	1 Month	Months	Months	Years	5 Years	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Debt Securities	2,411	83,263	218,409	6,350,851	242,291	6,897,225
Other Borrowings	530,256	248,467	542,457	5,979,450	647,567	7,948,197
Other Liabilities	-	129,671	-	-	-	129,671
<b>Total Liabilities</b>	<b>532,667</b>	<b>461,400</b>	<b>760,867</b>	<b>12,330,301</b>	<b>889,858</b>	<b>14,975,093</b>

  

2017	Within	1 - 3	3 - 12	1 - 5	More than	Total
	1 Month	Months	Months	Years	5 Years	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Debt Securities	2,411	1,029,046	1,925,031	2,452,972	787,500	6,196,960
Other Borrowings	53,899	1,890,884	2,162,798	1,921,704	324,219	6,353,504
Other Liabilities	-	80,031	-	-	-	80,031
<b>Total Liabilities</b>	<b>56,310</b>	<b>2,999,961</b>	<b>4,087,829</b>	<b>4,374,676</b>	<b>1,111,719</b>	<b>12,630,495</b>

**d) Market Risk**

*Currency Risk*

The Company is not exposed to any currency risk as the risk arising from the respective financial liabilities have an equal and opposite impact to the financial assets of the Company. Also all currency risks are borne by the Parent Company.

*Interest Rate Risk*

The Company is not exposed to any interest risk as the risk arising from the respective financial liabilities have an equal and opposite impact to the financial assets of the Company. Also all interest rate risks are borne by the Parent Company and a significant portion of the Company's financial assets and financial liabilities comprise of fixed rate debt securities.

**e) Fair values**

The table below shows the fair values of the financial assets and financial liabilities of the Company as at the end of the year.

	Carrying values		Fair values	
	2018	2017	2018	2017
	USD'000	USD'000	USD'000	USD'000
Due from Parent Company	12,751,036	11,984,720	12,751,036	11,984,720
Debt Securities	5,691,878	5,796,514	5,636,228	5,768,389
Other Borrowings	6,929,487	6,108,175	6,975,213	6,197,333
Other Liabilities	129,671	80,031	129,671	80,031

Fair value measurements for debt securities were based on Level 1 measurement techniques and fair values for other borrowings were based on Level 2 measurement techniques as per IFRS 13.

There have been no transfers between Level 1 and Level 2. (2017: Nil)

**QNB Finance Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**5. DEBT SECURITIES**

	<b>31 December 2018</b>	31 December 2017
	<b>USD'000</b>	USD'000
Face Value of the Bonds	5,697,728	5,810,000
Less: Unamortised discount	(5,850)	(13,486)
	<b>5,691,878</b>	<b>5,796,514</b>

The table shows below the details of the debt securities issued:

2018	-	2,848,039
2020	998,464	997,348
2021	2,822,054	1,321,724
2023	298,054	-
2028	192,858	-
2047	661,031	629,403
2048	719,417	-
	<b>5,691,878</b>	<b>5,796,514</b>

The above debt securities are denominated in USD and comprise of fixed and floating interest rates.

**6. OTHER BORROWINGS**

The table below shows the maturity profile of the other borrowings outstanding as at the end of the reporting period:

**As at 31 December 2018**

	USD	EUR	CHF	CNY	JPY	HKD	GBP	SGD	AUD	Total
	USD'000									
2019	256,977	497,071	50,839	79,958	149,168	42,389	-	-	-	1,076,402
2020	2,722,766	-	-	18,899	146,421	-	-	-	21,177	2,909,263
2021	249,905	-	152,517	701,439	42,751	-	-	-	-	1,146,612
2022	289,985	-	-	-	-	25,535	-	-	-	315,520
2023	1,171,270	45,620	101,678	-	-	58,731	-	-	-	1,377,299
2024	20,000	-	-	-	-	-	-	-	-	20,000
2033	84,391	-	-	-	-	-	-	-	-	84,391
	<b>4,795,294</b>	<b>542,691</b>	<b>305,034</b>	<b>800,296</b>	<b>338,340</b>	<b>126,655</b>	<b>-</b>	<b>-</b>	<b>21,177</b>	<b>6,929,487</b>

**As at 31 December 2017**

	USD	EUR	CHF	CNY	JPY	HKD	GBP	SGD	AUD	Total
	USD'000									
2018	2,207,470	997,673	-	220,316	202,925	19,832	268,660	74,630	-	3,991,506
2019	256,887	517,479	51,026	84,149	96,588	42,479	-	-	-	1,048,608
2020	145,623	-	-	-	-	-	-	-	23,345	168,968
2021	139,000	-	153,077	-	41,648	-	-	-	-	333,725
2022	245,000	-	-	-	-	25,590	-	-	-	270,590
2023	-	23,870	102,051	-	-	58,857	-	-	-	184,778
2047	110,000	-	-	-	-	-	-	-	-	110,000
	<b>3,103,980</b>	<b>1,539,022</b>	<b>306,154</b>	<b>304,465</b>	<b>341,161</b>	<b>146,758</b>	<b>268,660</b>	<b>74,630</b>	<b>23,345</b>	<b>6,108,175</b>

The above comprise of fixed and floating interest rates.

**QNB Finance Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

**7. SHARE CAPITAL**

The issued and paid up share capital of the Company as at 31 December 2017 is USD 100 (31 December 2017: USD 100). The issued share capital of the Company comprises of 100 ordinary shares of par value of USD1 each. All shares carry equal voting rights.

**8. MATURITY OF ASSETS AND LIABILITIES**

<b>As at 31 December 2018</b>	<b>Current portion USD'000</b>	<b>Non current portion USD'000</b>	<b>Total USD'000</b>
<b>ASSETS</b>			
Amounts due from Parent Company	1,206,073	11,544,963	12,751,036
<b>TOTAL ASSETS</b>	<b>1,206,073</b>	<b>11,544,963</b>	<b>12,751,036</b>
<b>LIABILITIES</b>			
Debt Securities	-	5,691,878	5,691,878
Other Borrowings	1,076,402	5,853,085	6,929,487
Other Liabilities	129,671	-	129,671
<b>TOTAL LIABILITIES</b>	<b>1,206,073</b>	<b>11,544,963</b>	<b>12,751,036</b>
<b>As at 31 December 2017</b>			
<b>ASSETS</b>			
Amounts due from Parent Company	6,919,576	5,065,144	11,984,720
<b>TOTAL ASSETS</b>	<b>6,919,576</b>	<b>5,065,144</b>	<b>11,984,720</b>
<b>LIABILITIES</b>			
Debt Securities	2,848,039	2,948,475	5,796,514
Other Borrowings	3,991,506	2,116,669	6,108,175
Other Liabilities	80,031	-	80,031
<b>TOTAL LIABILITIES</b>	<b>6,919,576</b>	<b>5,065,144</b>	<b>11,984,720</b>

Non-current portion of amounts due from Parent Company are identical to the non-current portion of amounts due under Debt Securities and Other Borrowings, since these represent contractual obligations to respective note holders of the Company. In case of any early repayment to note holders, the Parent Company provides the required funding to the Company, to comply with payment obligations.

**9. RELATED PARTIES**

The Company has transactions in the ordinary course of business with the Parent Company. At the end of the reporting period, such significant balances include the below:

	<b>31 December 2018 USD'000</b>	31 December 2017 USD'000
<b>Statement of Financial Position Items</b>		
Due from Parent Company	12,751,036	11,984,720
<b>Income Statement Items</b>		
Interest Income	430,776	260,389