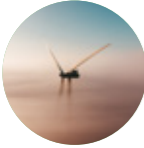












الشركة العربية للاستثمارات البترولية
Arab Petroleum Investments Corporation

Annual Report 2021

Table of Contents

01		04 APICORP at a Glance	6 Timeline 8 Who We Are 11 What We Do	12 Global Footprint 15 Our Shareholders
02		16 Leadership	18 Chairman's Statement 22 Board of Directors	24 Chief Executive Officer's Message 28 Management Team
03		30 Strategy and Business Model	32 Our Strategy	36 Our Business Model
04		40 Sustainability and Energy Transition		
05		52 Group Performance	54 Management Discussion and Analysis	56 Operational Highlights Corporate Banking Investments Portfolio Management Treasury and Capital Markets

06		78 Our People and Practices		
07		116 Looking Ahead		
08		122 Managing Risk and Compliance	124 Risk Management and Compliance 128 IT Operations and Cyber Security	130 Governance 133 Committees
09		134 Financial Statements		



APICORP at a Glance

01

Unlike any other organization, APICORP powers the conventional energy sector with financial solutions and drives the transition to clean energy in the MENA region and beyond.



Who We Are

The Arab Petroleum Investments Corporation is an energy-focused multilateral financial institution with assets totalling

More than

8

Billion USD

in countries spanning
the MENA region and beyond

Founded in 1975 by the ten Arab oil-exporting countries and headquartered in Saudi Arabia, APICORP is an integral pillar of the region's energy ecosystem in view of its impact in supporting sustainable development across the MENA region's wider energy spectrum.

With a strong commercial mandate in support of the sustainable economic development of our Member Countries, we focus on supporting businesses that have strong potential to sustainably enhance the energy sector, create jobs, diversify economies, build capacity and generate positive returns, with a special focus on the region.

By providing debt solutions for strategic project and trade finance transactions, as well as equity participations across the energy value chain, we are spearheading the development and transformation of the Arab energy sector, a cornerstone of the region's vision for sustainable economic growth.

As the partner of choice for both public and private sector entities seeking financing, strategic investment and advisory services, we are unlocking value in the region's evolving energy landscape.

APICORP is the only energy-focused financial institution in the MENA region rated 'Aa2' by Moody's and 'AA' by Fitch.



Vision

Our vision is to be the trusted financial partner for the Arab energy industry, its stakeholders, and investors, both regionally and globally.

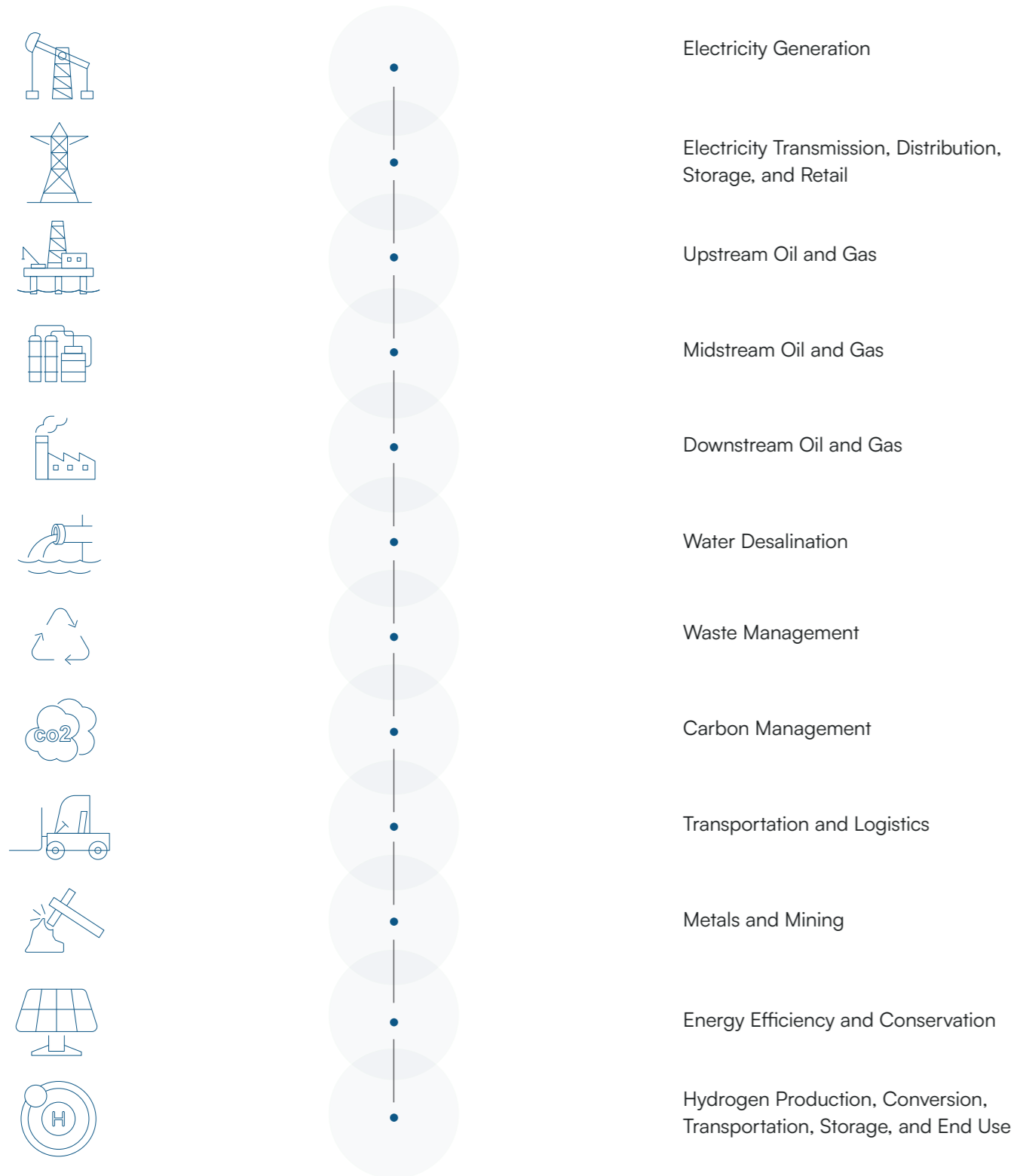
The energy world is undergoing a transition that requires a conscious transformation from traditional models to a client-centric, solution-focused approach that effectively leverages resources and enhances sustainability.



Mission

To develop the Arab energy sector through a range of creative, value-added solutions, provided on a commercial basis, facilitating value maximization. Our offering includes equity investment, debt financing, financial advisory, and energy research services.

Energy Value Chain



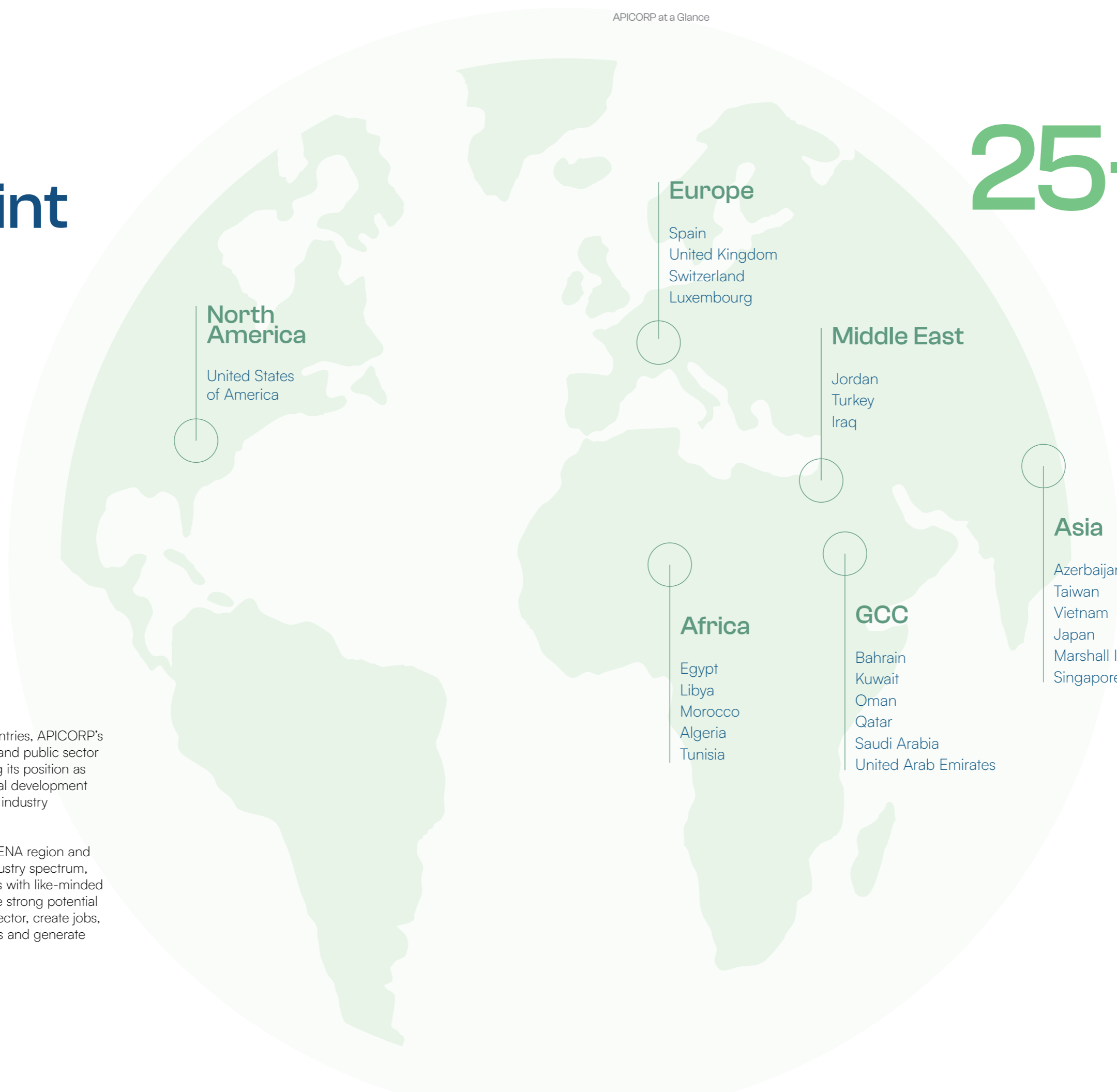
What We Do

The Arab Petroleum Investments Corporation is leading the sustainable energy transition across the Arab world and beyond. Throughout the energy value chain, we advise on and finance energy projects and industries — both traditional and sustainable — for our Member Countries. Our diverse, multinational team of experienced investment and finance professionals work through the following five integrated business lines:

- Corporate Banking**
 Offers an innovative array of conventional and Islamic funded and unfunded financing solutions to support the Arab energy sector within the MENA region and beyond, as well as serving as a catalyst for trade growth across the region along with international partners.
- Investments**
 Invests APICORP's capital to acquire direct equity stakes alongside strategic partners in both greenfield and brownfield projects with strong management teams and solid growth potential in diversified energy sub-sectors across multiple geographies.
- Portfolio Management**
 Oversees APICORP's portfolio cutting across both Investments and Corporate Banking with a dynamic, hands-on approach to managing loans and investment portfolios post-disbursement while driving exit strategies and optimizing portfolio performance.
- Treasury and Capital Markets**
 Proactively manages APICORP's liquidity, which includes a diversified high-quality fixed income portfolio, and maintains a robust funding profile to ensure the Corporation's growth, resilience, and sustainability.
- Strategy, Energy Economics, and Sustainability**
 Provides analysis, insights, and advisory services on the regional and global energy sector to both internal and external stakeholders, and guidance to strategic partners, as well as positioning APICORP as a world-class thought leader in energy investment, finance, and sustainability and leadership in APICORP's corporate strategy design and implementation.

Global Footprint

25+ Countries make up APICORP's network of partners



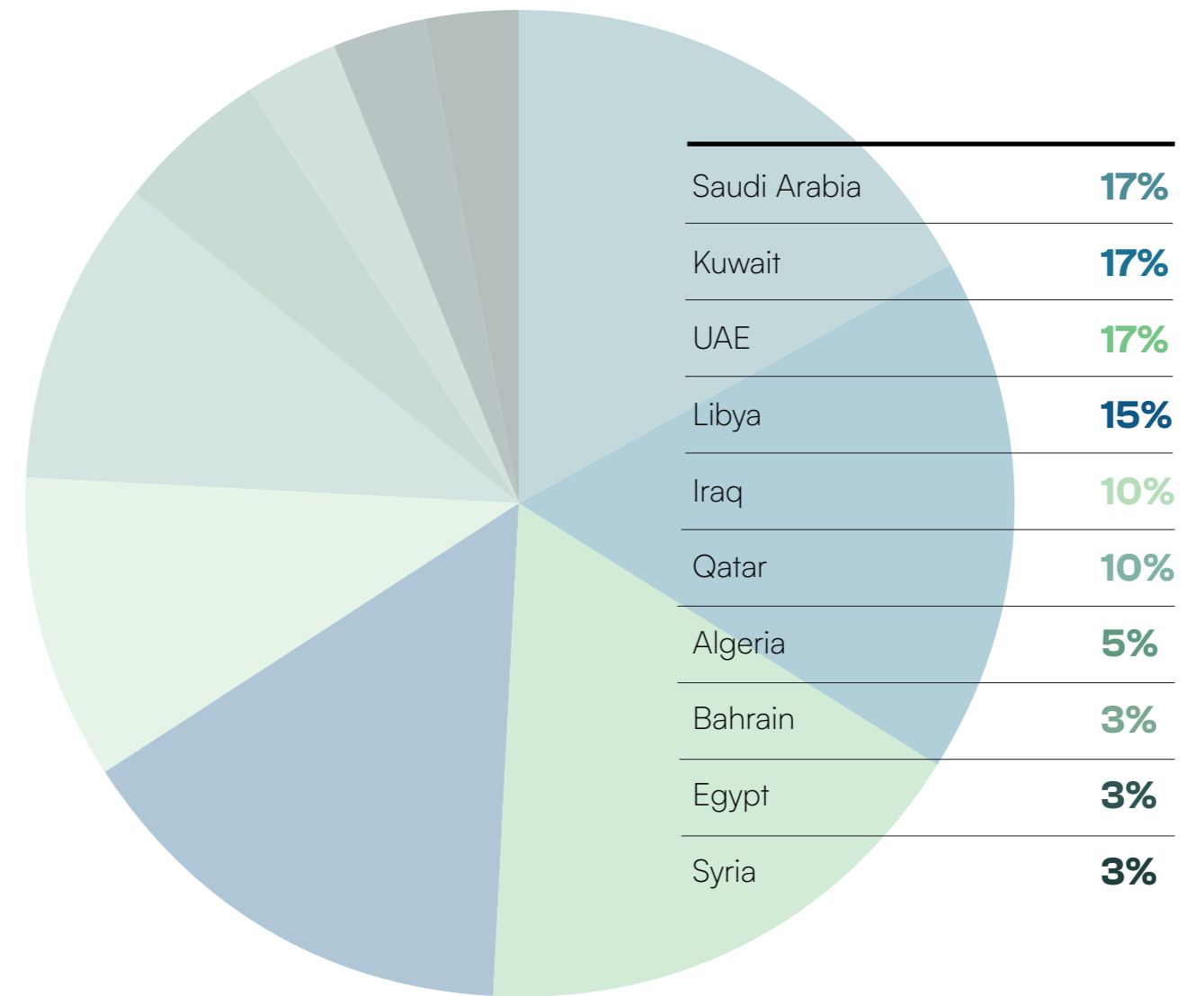
With exposure in more than 25 countries, APICORP's ever-expanding footprint of private and public sector partners is instrumental in solidifying its position as a leading energy-focused multilateral development financial institution with unmatched industry knowledge.

Our wide array of partners in the MENA region and beyond spans the entire energy industry spectrum, with a focus on forging relationships with like-minded organizations and projects that have strong potential to sustainably develop the energy sector, create jobs, diversify economies, build capacities and generate positive returns.

“Methanex Egypt and APICORP have had a very successful partnership and I think that the reason is because we’re very like-minded organizations and share a similar vision around supporting the economy, creating jobs, and improving the communities in which we operate.”

Ryan Christopher
Chief Financial Officer, Methanex Egypt

Our Shareholders



10
OPEC

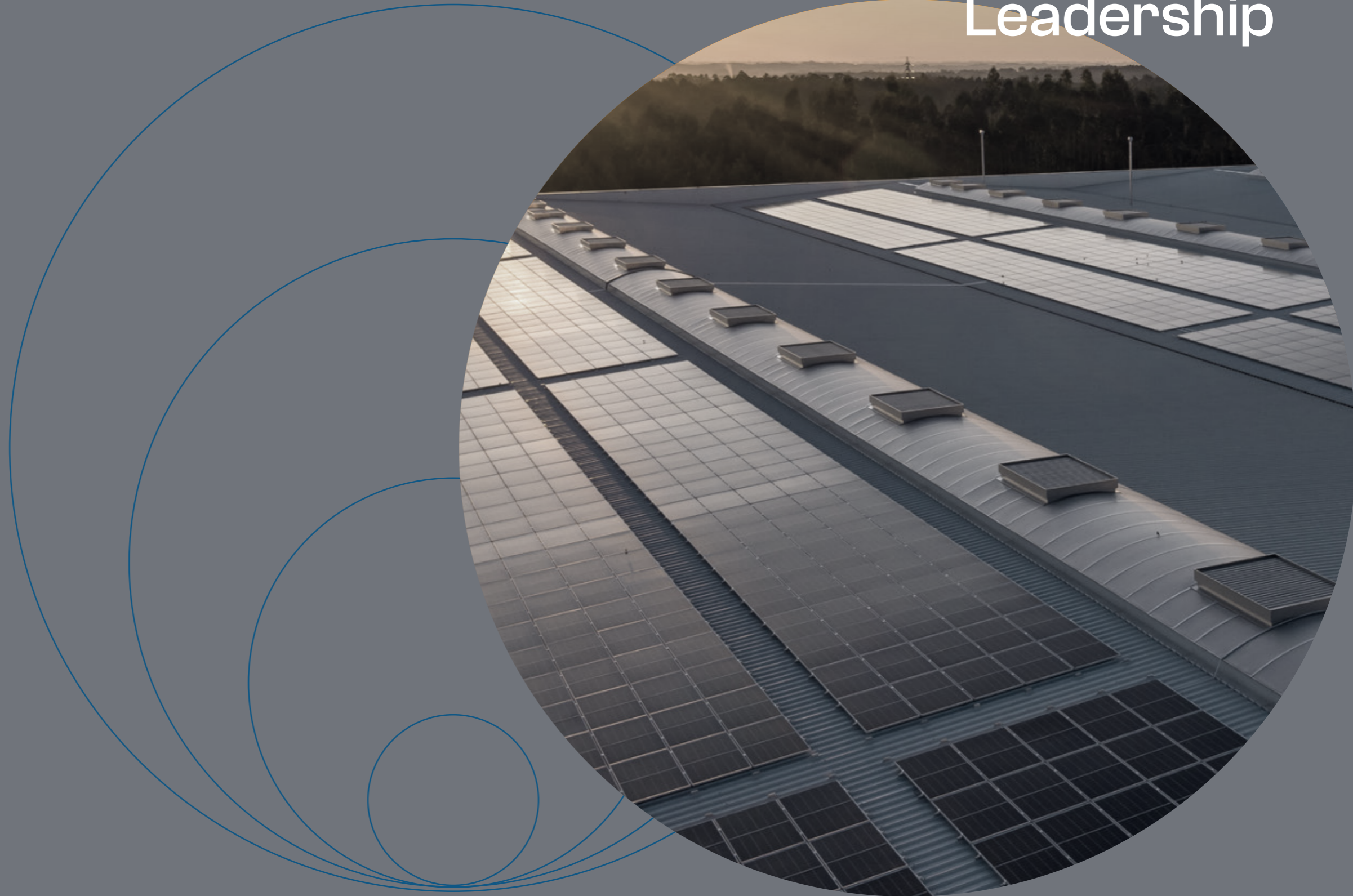
Organization of Arab Petroleum
Exporting Countries



Leadership

02

Our leadership team is steering APICORP's investments towards a balanced energy transition while also providing valuable advisory to our Member Countries.





“We issued our debut US\$750 Mn Green Bond in 2021, marking the dawn of a new era in the MENA investment space.”

Chairman's Statement

Throughout 2021, the Arab Petroleum Investments Corporation continued to serve the interests of our Member Countries through our dynamic strategy, strong governance standards, and sound investment principles. Today, we are ideally positioned to establish APICORP as the preferred financial partner for the regional oil and gas sector and in leading a balanced energy transition within the MENA region.

APICORP remains steadfast in its support for its Member Countries' energy investment objectives, be it in developing the traditional hydrocarbon and oil and gas sector or in advancing the energy transition. We are well-positioned to play a prominent role in driving the sustainable realignment of the regional investment agenda, ensuring the longevity and financial success of our Member Countries whilst supporting their economic diversification and environmental protection goals.

In addition to ramping up our public and private sector investments in non-conventional energy sources, in 2021 we maintained a balanced approach through a number of strategic investments and loans in hydrocarbon activities to support our Member Countries. Most notably, these included financing ACWA Power's Jazan IGCC Complex in Saudi Arabia, as well as ADES International Holding's projects and Cairn-Cheiron acquisition of Royal Dutch Shell's upstream assets in the Western Desert, both in Egypt.

We also continued to offer perceptive thought leadership, liaising and advising our members to optimize their engagement in the low-carbon energy space, both through our engagement in renewable energies and a cleaner, greener traditional hydrocarbon industry.

Meanwhile, through our strategic partnerships, we are placing increasing emphasis on the objectives of the United Nations Sustainable Development Goals — a key example being the Infra Initiative, a US\$1 Bn private sector-focused infrastructure financing scheme established in 2021 with the Islamic Development Bank to support strategic utility projects that contribute to human and economic development.

This pioneering initiative aligns with our equity investments in pioneering projects and companies in the private sector such as Emethanex, Tafiya Wind Farm, and Yellow Door Energy which continue to forge new frontiers for our region through disruptive technologies that push the energy transition agenda forward.

Furthermore, we continue to engage with government and industry through our Strategy, Energy Economics, and Sustainability (SEES) Department, providing gas and petrochemical outlooks for the region, as well as insights on developments in segments including hydrogen, and carbon capture, utilization, and storage.

A Leader in Sustainable Investment

In a landmark move that reflects the Corporation's strategic objectives going forward, we issued our debut US\$750 Mn Green Bond in 2021, marking the dawn of a new era in the MENA investment space and establishing a means for energy-focused entities and financial institutions to adopt sustainable funding pathways in the future.

With a focus on renewable energy, green buildings, pollution prevention and control, and low-carbon technologies and solutions, this complex achievement involved a rigorous asset selection process to ensure compliance with the criteria of the Corporation's Green Bond Framework, undertaken by our dedicated Green Bond Committee (GBC) and closely aligned with key global sustainability benchmarks.

Robust Policy and Governance

Our aspirations in the MENA sustainable energy transition are embodied in APICORP's new ESG policy framework. Approved in 2021, the framework reflects our deep commitments to the highest standards of corporate governance, and our ambition to embed sound sustainability considerations across our business. The policy framework is also designed to advance progress in achieving the UN SDGs — particularly in the areas of responsible investment, social inclusion, and sound financial governance.

High environmental risk industries such as coal-fired power, arctic oil, oil sands, and nuclear energy do not currently feature in our asset portfolio, and our risk management structures remain an integral component of our growth strategy. Powered by a new ESG Due Diligence toolkit to govern investment decisions, we intend to ensure a balanced portfolio through stringent holistic guidelines for the assessment of investments.

Supporting our Member Countries in 2022

APICORP remains dedicated to supporting the interests of our Member Countries as they embark on new development pathways that balance engagement in environmentally conscious hydrocarbon production with the introduction of a broad range of technologies to advance the global sustainable energy transition, while also continuing to provide necessary support and investment in traditional energy opportunities.

The Corporation will build upon the successes achieved so far in our sustainability journey throughout 2022 and beyond by applying robust ESG metrics and governance structures across our business. This will include the implementation of the ESG toolkit to cover our entire portfolio, the finalization of our ESG strategy, and the release of the Corporation's first sustainability report.

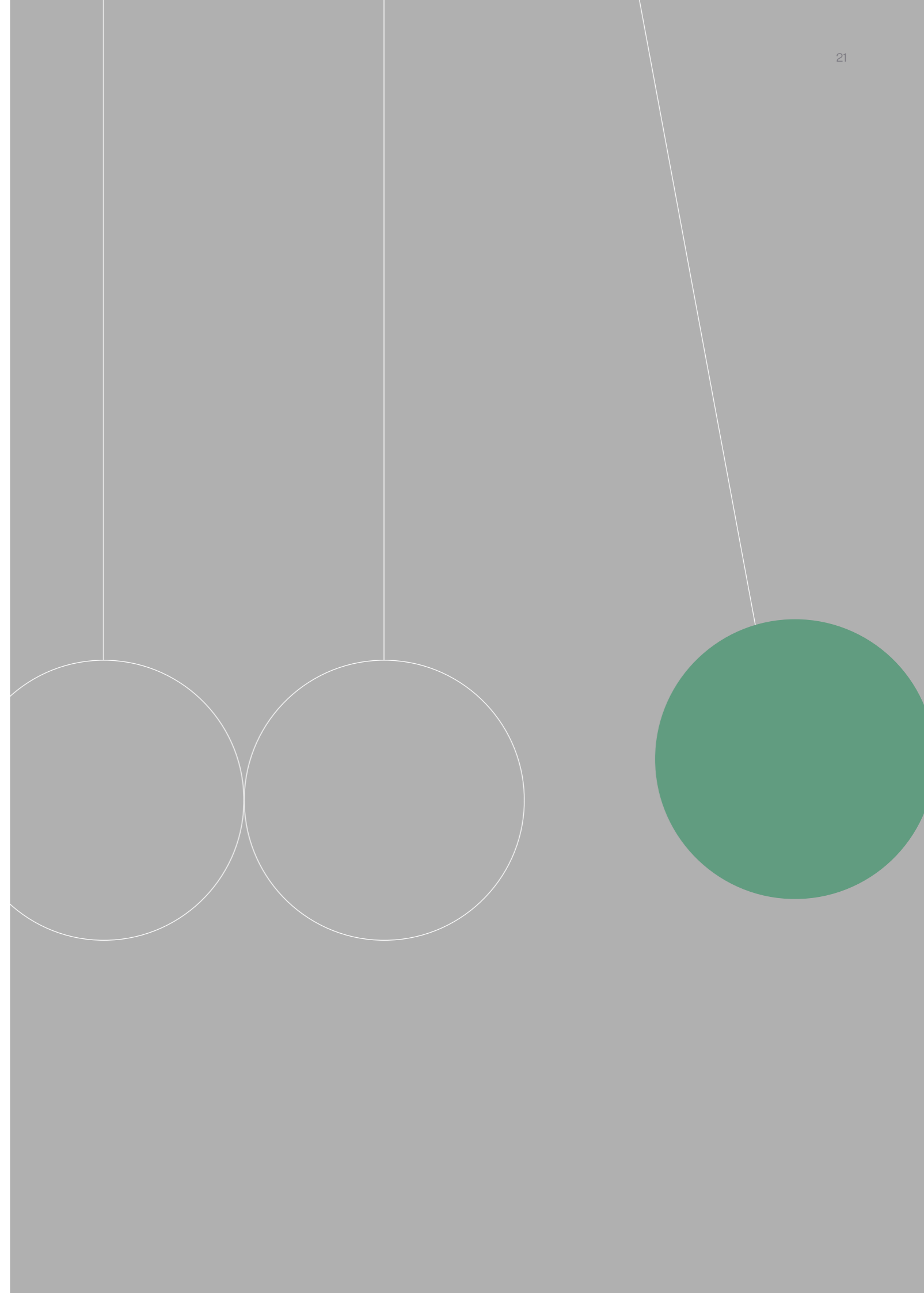
As we do so, we will continue to expand our engagement with international ESG structures, principles, and commitments, positioning APICORP as a leading financial institution in sustainable energy sector development.

Acknowledgments

On behalf of the APICORP Board of Directors, I wish to extend my deep appreciation to the governments of our Member Countries for their ongoing trust and support. I would also like to take this opportunity to thank the dedicated and diligent management and team members at every level of APICORP for their exceptional commitment and performance during a transformative and successful year.

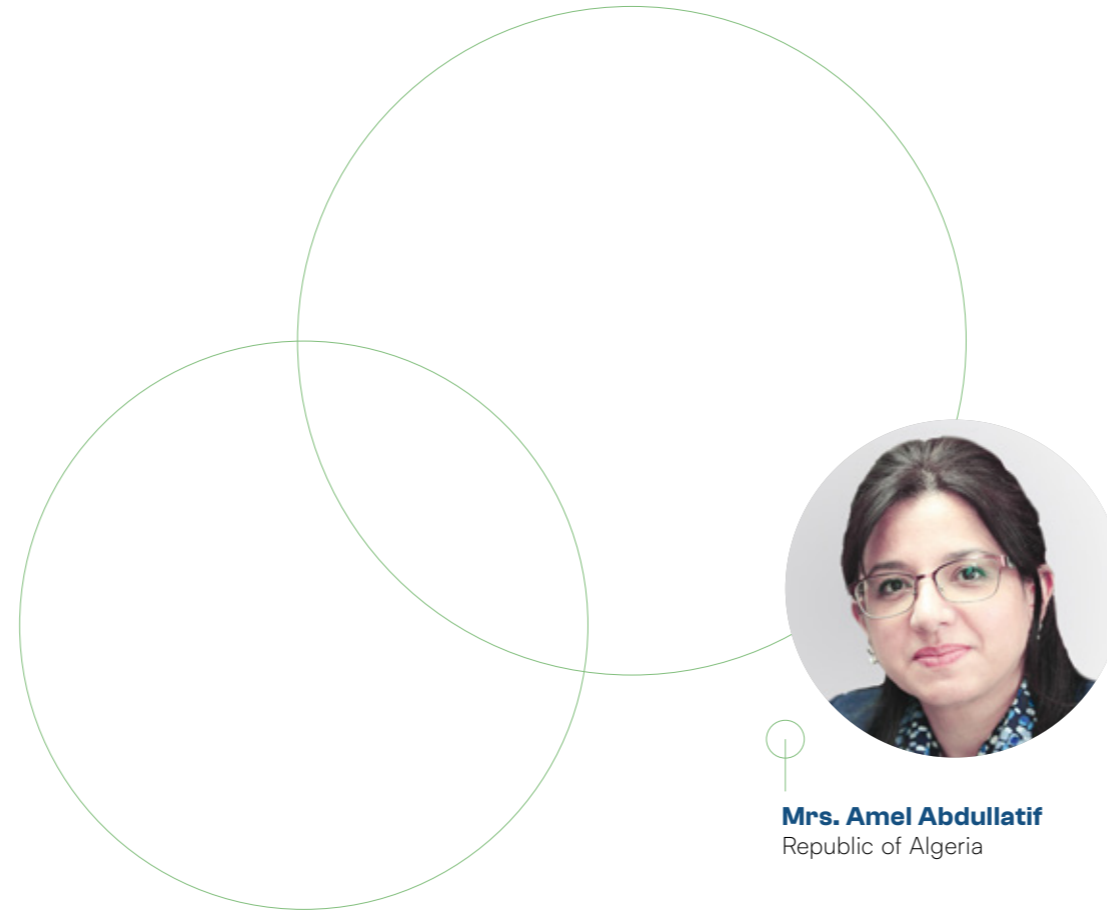
We are now ideally positioned to lead the energy transition for the region, building on the strong momentum of the year, and continuing to collaborate closely with all our valued stakeholders in order to drive substantive and sustainable change for the Arab energy sector.

Dr. Aabed Al Saadoun
Chairman,
Arab Petroleum Investments Corporation (APICORP)



Board of Directors

APICORP's Board of Directors is comprised of high-ranking representatives from the Ministries of Energy and Finance as well as sovereign wealth funds from our Member Countries.



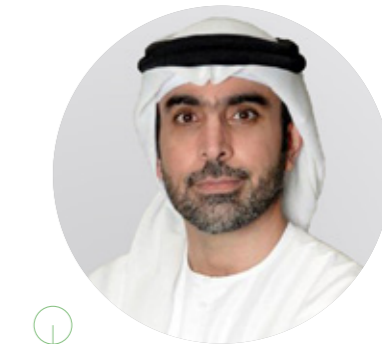
Mrs. Amel Abdullatif
Republic of Algeria

Member of Audit and Risk Committee
General Manager, Taxation Directorate, Ministry of Finance



Mr. Mohammed Khalid Al-Ghanem
State of Qatar

Member of Audit and Risk Committee
Manager, Corporate Finance & Control, Qatar Energy



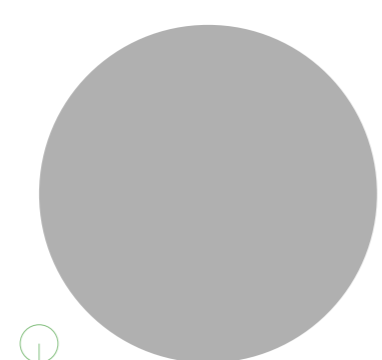
Engineer. Mr. Sharif Salim Al-Olama
The United Arab Emirates

Deputy Chairman of Audit and Risk Committee
Undersecretary, Ministry of Energy and Infrastructure



Dr. Aabed Al-Saadoun
Kingdom of Saudi Arabia

Chairman of the Board
Chairman of Governance and Remuneration Committee
Deputy Minister, Ministry of Energy



Mr. Moussa Alhassan Atiq
State of Libya

Deputy Chairman
Deputy Chairman of Governance and Remuneration Committee
General Manager, Libyan Foreign Investment Company



Mr. Alaa Kidher Kadhum Al-Yassiri
Republic of Iraq

Member of Audit and Risk Committee
General Manager, State Organization for Marketing of Oil (SOMO)



Sheikh Dr. Nimer Fahed Al-Malik Al-Sabah
State of Kuwait

Chairman of Audit and Risk Committee
Undersecretary, Ministry of Oil



H.E Engineer. Tarek El-Molla
Republic of Egypt

Member of Governance and Remuneration Committee
Minister, Ministry of Petroleum and Minerals Resource



Mr. Yousif Abdullah Hamoud
Kingdom of Bahrain

Member of Governance and Remuneration Committee
Undersecretary of Financial Affairs, Ministry of Finance and National Economy



“Our investment strategy will continue to focus on direct engagements in quality businesses alongside like-minded partners committed to long-term value creation with positive developmental impact”

Chief Executive Officer’s Message

Despite the significant challenges posed by the COVID-19 pandemic, the Arab Petroleum Investments Corporation delivered a highly encouraging performance for our Member Countries and investors in 2021, leveraging our robust credit rating to raise financing whilst providing thought leadership in our sector to set a course for our region towards a more sustainable future.

Leading the region’s sustainable energy transition

APICORP delivered a strong financial performance while establishing an exciting foundation for the future of the Corporation and our region’s energy sector during 2021.

While we continue to target key investments in our Member Countries and the broader MENA region, we prioritized opportunities with tangible sustainable development impacts, particularly in the context of the global energy transition.

Our journey to establish APICORP at the forefront of the MENA sustainable finance market began with ramping up our investments and lending for green assets, and then shifted into high gear when we issued our debut US\$750 Mn Green Bond in 2021. As a first mover in our sector, the issuance was received with open arms by the market — it was three times oversubscribed, with pure ESG investors accounting for some 63% and around 94% of investors coming from beyond the MENA region.

Through our increasing engagement in sustainable energy transition and our expanding advisory capacities, we continued to shape the opinions of policymakers across the region. Leveraging our position as one of the highest-rated Arab financial institutions, APICORP is driving the diversification of the MENA energy mix whilst also supporting our Member Countries’ core conventional energy segments to become cleaner, greener, and less carbonized.

Our Performance in 2021

Our Corporate Banking portfolio grew by 20% in 2021, reaching total assets of US\$5.4 Bn — comprising US\$4.7 Bn of funded assets and US\$0.7 Bn of unfunded loan commitments and guarantees. Net income for the business amounts to US\$100 Mn.

Despite falling short of our budget in 2021, owing to the slow pace of economic recovery from the pandemic, we secured new commitments of US\$2.3 Bn to outperform budgeted expectations by US\$0.6 Bn for the year.

Total transactions in 2021 stood at US\$2.88 Bn, including a US\$70 Mn for Madero in Egypt and US\$120 Mn for leading oilfield services provider, National Energy Services Reunited (NESR) Corporation. We also continued to focus on securing incremental growth in existing investments alongside trusted partners, originating and assessing an extensive range of new opportunities. Overall, we disbursed US\$11.5 Mn during the year and gained approval for a further US\$95 Mn in investments.

3 times oversubscribed Issuance

63% ESG Investors

94%

Investors coming from outside the MENA region

Corporate Banking

Growth in 2021

20%

Total assets

4.7 Billion USD
Funded assets

0.7 Billion USD
Unfunded loan commitments and guarantees

5.4
Billion USD

Net Income

Decline in 2021

13.4%

100
Million USD

APICORP completed successful exits from the Egyptian Bahraini Gas Derivative Company (EBGDGO) and Tankage Mediterranee (TANKMED) in 2021; supported the landmark Ashtead Technology IPO on the London Stock Exchange (LSE) Alternative Investment Market (AIM), allowing APICORP to divest 32% of its pre-IPO shareholding; and secured more than US\$90 Mn in dividends, share of results, and capital gains.

Furthermore, we were successful in identifying value-generating synergies between the Equity and Loan portfolios, raising US\$1.75 Bn through three successful issuances in 2021, and delivering a substantial reduction in funding costs across our outstanding borrowing of US\$4.85 Bn, while also further strengthening APICORP's ratings performance.

1.75
Billion USD

through three successful
issuances in 2021

Leading the MENA Sustainable Finance Sector

Complementing APICORP's long-standing engagement in oil and gas, power generation, and desalination, we delivered our commitment to incorporate an increasing share of renewable projects in our portfolio in 2021. Green assets now account for 20% of APICORP's total loan book and represent the fastest growing aspect of our portfolio, having risen 663% from US\$84 Mn in 2015 to US\$641 Mn in 2021.

As well as issuing our landmark Green Bond in 2021, we syndicated transactions for TotalEnergies' 50 MW distributed generation plant in the UAE; and provided US\$40 Mn in financing for Saudi Arabia's first independent sewage treatment plant in Dammam.

APICORP also signed a US\$125 Mn five-year Shariah-compliant corporate facility to support ACWA Power's pipeline and provided an equity bridge loan for the company's Kom Ombo Solar PV project in Egypt.

By year-end, we had funded environmentally and sustainability linked projects of US\$538 Mn with committed disbursements of around US\$544 Mn.

Through these transactions and our pipeline of investments and projects across the region — both in Member and non-Member Countries — we are contributing to the diversification of the energy mix and, more broadly, the diversification of national economies, so they're positioned for sustainable success in the future.

Dedicated to our People

At APICORP, we remain dedicated to providing a supportive working environment for our people that promotes personal growth and professional development and embeds a unified culture inspired by our core corporate values. Above all, we seek to embed a commercial mindset among our people that emphasizes enhanced performance, clear communication, talent growth, agility, and collaboration. We continue to attract key talent from across the globe to enhance our increasingly diverse workforce from 19 different nationalities and are committed to increasing the representation of women across all aspects of our organization.

At end-2021, female employees accounted for 15% of our workforce — marking a 200% increase over the past five years.

Capitalizing on the opportunities presented by our advanced IT infrastructure and professional development resources in 2021, our employees accessed 284 hours of training activities during the year, covering behavioral, leadership, and technical learning.

Delivering further Progress and Diversification in 2022

While significant operational challenges remain, APICORP will continue to build upon our exceptional performance in 2021 and our long record of success in assisting our Member Countries to monetize their energy assets as they embark on a sustainable, diversified energy pathway.

With some US\$800 Mn in originated green assets in the pipeline to complement our current book strength of US\$506 Mn, we will continue to lead the region through our green financing activities, progressing toward our goal to grow the green proportion of our loan book.

Our investment strategy will continue to focus on direct engagements in quality businesses alongside like-minded partners committed to long-term value creation with positive developmental impact, whilst also leveraging the significant potential for further equity investment in conventional energy businesses and projects — we will never stop supporting conventional energy sources in this region but

moving forward we will integrate our ESG framework. This is the lens through which we will view our business — this will ensure that we select the right projects to finance and investors to work with, as we further develop our green portfolio and credentials.

Building on our long record of success in assisting Member Countries to monetize their energy assets, APICORP will also offer increasing value through our advisory services as the region embarks on a sustainable, diversified energy pathway.

Above all, APICORP will continue to leverage our strong exposure and expertise in project and trade finance to serve a growing range of MENA clients whilst expanding our products to enter additional markets and sectors beyond the region.

Acknowledgments

I would like to take this opportunity to express my gratitude to our Board of Directors for their guidance in navigating the challenges of 2021, and to the governments of our Member Countries for their continued support and confidence in APICORP as a trusted financial partner in the diversification of the MENA energy sector.

I also wish to thank our dedicated employees for their resilience throughout the year. Their admirable commitment to our strategic goals represents a key aspect of our ongoing success in delivering innovative financing solutions and strategic investments to support our Member Countries' energy development and diversification.



Dr. Ahmed Ali Attiga
Chief Executive Officer,
Arab Petroleum Investments Corporation (APICORP)

Management Team

Our Senior Management Team is responsible for the attainment of the vision and mission of APICORP as well as overseeing the execution of the strategy, corporate performance, and day-to-day operations of the Corporation.



Dr. Ahmed Ali Attiga

Chief Executive Officer



Ajay Kumar Jha

Director, Risk and Compliance



Ali Hassan Fadel

Director, Legal



Basema Al Mahroos

Director, Portfolio Management



Bennie Burger

Managing Director, Investments



Hamdi Bata

Director, Human Resources and Corporate Affairs



Mohammad Khatib

Director, Information Technology



Nicolas Thévenot

Managing Director, Corporate Banking



Raeda Al Sarayreh

Director, Corporate Communications



Dr. Sherif Ayoub

Chief Financial Officer



Dr. Yasser Gado

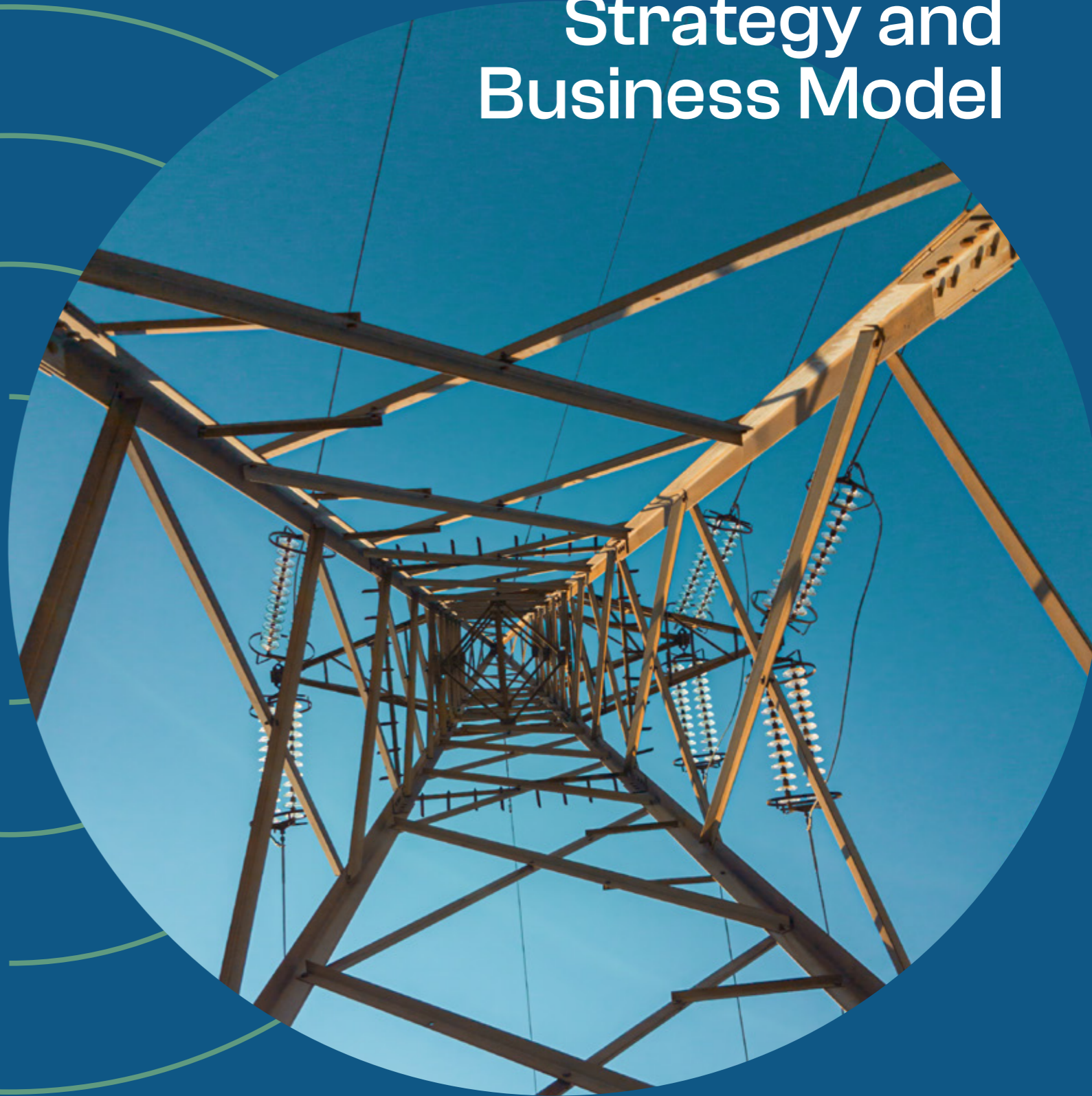
Treasurer



Strategy and Business Model

03

Focusing on partnerships and sustainability, we continue to lead the energy transition and support the growth and diversification of our Member Countries, providing financing throughout the energy value chain.



Our Strategy



The Arab Petroleum Investments Corporation's five-year strategy outlines our strategic focus and priorities as we aim to power the energy transition by leading the sustainability drive in the MENA region's energy space and supporting our Member Countries in the sustainability transition.

APICORP's roadmap to the future is based on our 2020-2024 five-year strategy, a sustainability-driven approach that draws on our unmatched experience as an energy-focused multilateral development financial institution.

The approach will see us become increasingly integrated, agile, resilient, and flexible.

The world-class ESG standards and practices we have embedded in all aspects of operations enable us to continue delivering innovative financial solutions for a more sustainable energy future.

This will enable us to continue to be a driving force in the financing of key energy players and meet the demands of an evolving landscape.

Our Strategic Pillars

Thrive

in the transitioning energy world

Grow lending in Arab countries undergoing transition

Enhance performance of existing investments portfolio

Pursue a balanced approach to investments with a shorter exit cycle

Expand green energy portfolio

Embed ESG principles across APICORP business

Lead

the financing of energy players

Institutionalize client centric business development

Expand financial solutions and approaches

Mobilize external funding for the energy sector

Diversify

and deepen our client base

Expand lending to the regional private sector

Expand business with energy traders

Shape

the energy landscape in the Arab world

Advise Arab governments and stakeholders on energy policy and strategy

Enhance thought leadership in the energy sector

Build

an agile and efficient external and internal ecosystem

Establish and nurture strategic partnerships

Improve organization, people, and culture

Enhance processes and systems

Our Business Model

The Arab Petroleum Investments Corporation builds on our unique mandate and value proposition as an energy-focused multilateral development financial institution to create substantial and sustainable value for our diverse stakeholder community across the MENA region and around the world.

Our Strengths



Financial Strengths

- Highest credit ratings of any Arab financial institution focused on the energy sector (Moody's 'Aa2' and Fitch 'AA')
- Trusted financial partner for the Arab energy industry
- Over US\$8 Bn in assets



Operational Strengths

- Leading financial institution with a development mandate across the Arab energy space
- International presence in 25+ countries
- 45+-year track record of continuous growth and success



Human Capital Strengths

- Highly experienced Board of Directors representing all Member Countries
- Diverse and experienced Executive Team
- 122 talented employees from 19 countries with deep expertise and in-depth country knowledge



ESG Strengths

- Best-in-class adoption and implementation of ESG-related metrics for an energy-focused multilateral financial institution
- Commitment to responsible banking and investing
- Ethical operations and robust governance
- Leader in ESG data analytics and advisory

How We Create Value

APICORP provides financial advisory, corporate banking and equity solutions for strategic impact-driven energy projects across the entire energy value chain.



Corporate Banking Solutions

- Credit facilities (conventional and Islamic)
- Trade and commodity finance facilities (funded and unfunded)
- Financial advisory services (debt raising, debt restructuring, acquisition financing, business valuation, and financial feasibility studies)



Investments

- ESG considerations
- Impact investments
- Energy transition
- Geographic diversification



Portfolio Management

- Manages the institution's debt and equity portfolios to optimize performance



Treasury and Capital Markets

- Provides stable funding for the balance sheet growth and liquidity requirements
- Manages a high-quality liquid investment portfolio to provide enhanced, steady returns



Strategy, Energy Economics, and Sustainability

- Provides thought leadership, research and analysis, and insights to internal and external stakeholders as well as offers advisory services to Member Countries and partners

Our Stakeholders



Our Shareholders

- From a return on equity and return on asset perspective, APICORP is one of the most profitable multilateral development banks
- Lowest pricing for a benchmark issue in history



Our Employees

- Average tenure of 10 years
- Employee engagement at 74% (+7% vs Global Financial Services Norms)
- Diverse and inclusive work environment with strong corporate culture



Our Communities

- Supporting local economies to ensure a positive social impact
- Improving the communities in which we operate
- Supporting the governments of Member Countries in delivering on national strategies and development plans



Our Environment

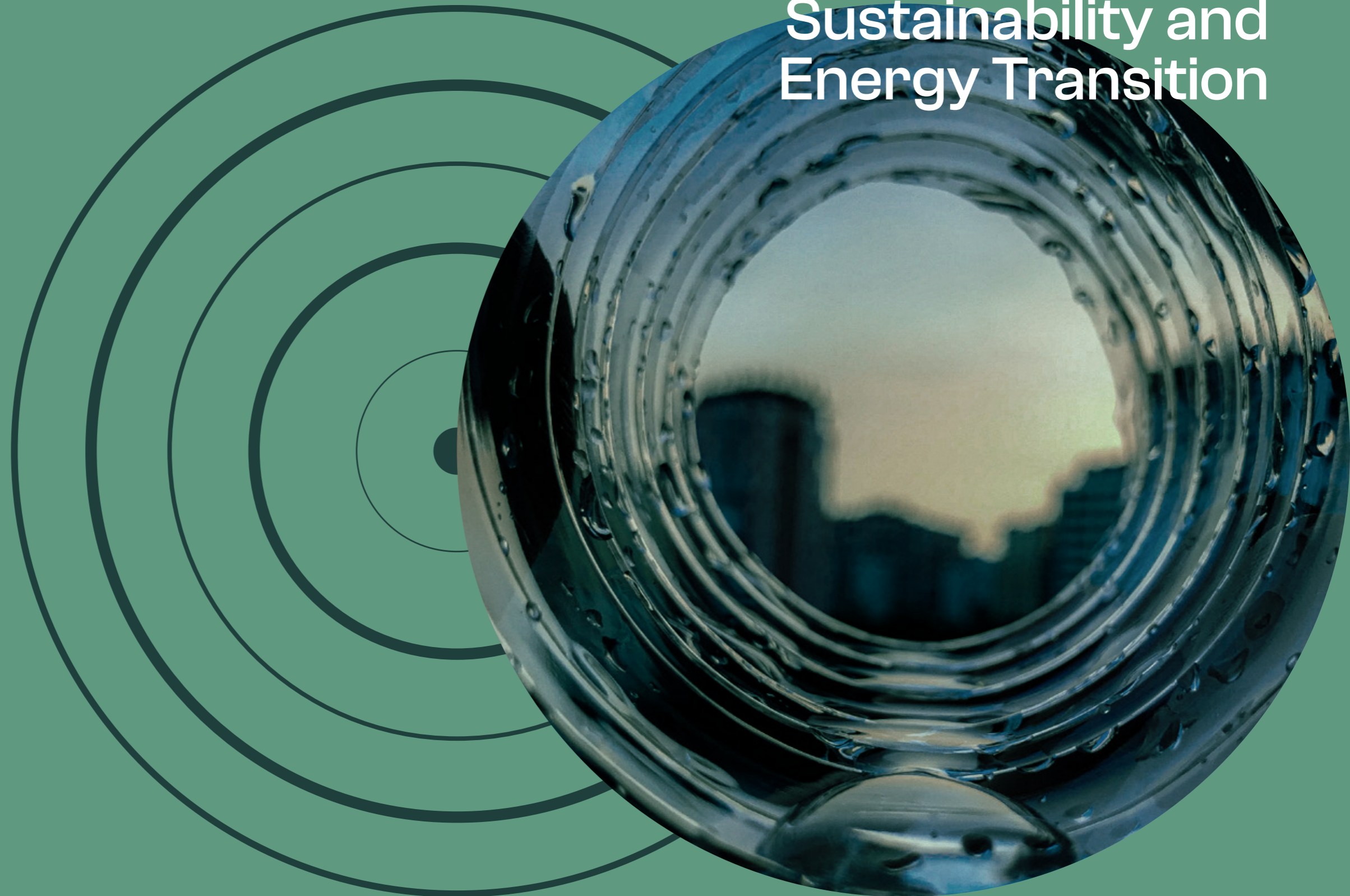
- Leading energy transition in the region
- Issued the APICORP Green Bond in 2021 (US\$ 750 Mn, 3x oversubscribed)
- 20% of the loan book is green
- Green assets grew by 663% (2015 to 2021)



Sustainability and Energy Transition

04

This year, we took a leap of faith into energy transition and forged a green path for the needs of the region and the future of our planet.





Sustainability is one of the main components of APICORP's corporate strategy and an essential guiding factor in our investment decisions.

We aim to achieve best-in-class levels of adoption and implementation of sustainable ESG metrics, further bolstering our position as the preferred partner in leading the energy transition in the MENA region.

We increased our green assets by some

663%

in the last five years to account for 15% of our portfolio on 2021

Reflecting APICORP's mandate to support and advance the development of the energy industry across our Member Countries, and their various commitments to achieving global net-zero aspirations, we strive to establish a balanced and increasingly low-carbon energy mix.

APICORP is therefore well-positioned to play a prominent role in the transition to cleaner and renewable energy technologies, and we are driving the sustainable realignment of the regional investment agenda.

It has been a transformational year for us in this context, with both public and private sector investments in non-conventional energy sources being ramped up significantly. We increased our green assets by some 663% to account for 15% of our portfolio in 2021, while 20% of our total loan book is now green and 63% of our debut Green Bond investors strictly ESG-driven.

More broadly, we have reinforced our thought leadership in the sector in 2021, liaising and advising our Member Countries to optimize their engagement in the low-carbon energy space as well as in the context of their traditional roles in the hydrocarbon industry.

Our approach to sustainability therefore aims to ensure the longevity and financial success of our Member Countries, whilst also meeting their economic diversification and environmental protection strategies.

20% of our total loan book is now green



63% of our investors

are driven by ESG mandates

Investing in our Energy Future

APICORP’s engagement in the energy transition gathered pace in 2021, with syndicated transactions for TotalEnergies’ 50 MW solar PV distributed generation projects in the UAE for US\$34 Mn.

These transactions were complemented by our green asset financing projects, including the 117 MW Tafila Wind Farm project in Jordan, the MENA region’s first utility-scale wind farm, and the Dammam West Independent Sewage Treatment Plant (ISTP) in Saudi Arabia, the first in the Kingdom.

Other landmark achievements in 2021 included two loans to ACWA Power, the first a US\$125 Mn five-year Shariah-compliant corporate facility to support its future growth pipeline, and the second an equity bridge loan for its Kom Ombo Solar PV project in Egypt.

Meanwhile, our 2021 partnership with the Islamic Development Bank will see the establishment of the Infra Initiative, a US\$1 Bn private sector-focused infrastructure financing scheme to support strategic utility projects that contribute to human and economic development, in line with the objectives of the United Nations Sustainable Development Goals.

Our ESG Policy Framework

The APICORP ESG policy framework, approved by our Board of Directors in 2021, encapsulates our aspiration to spearhead the sustainable energy transition in the MENA region and support global net-zero ambitions.

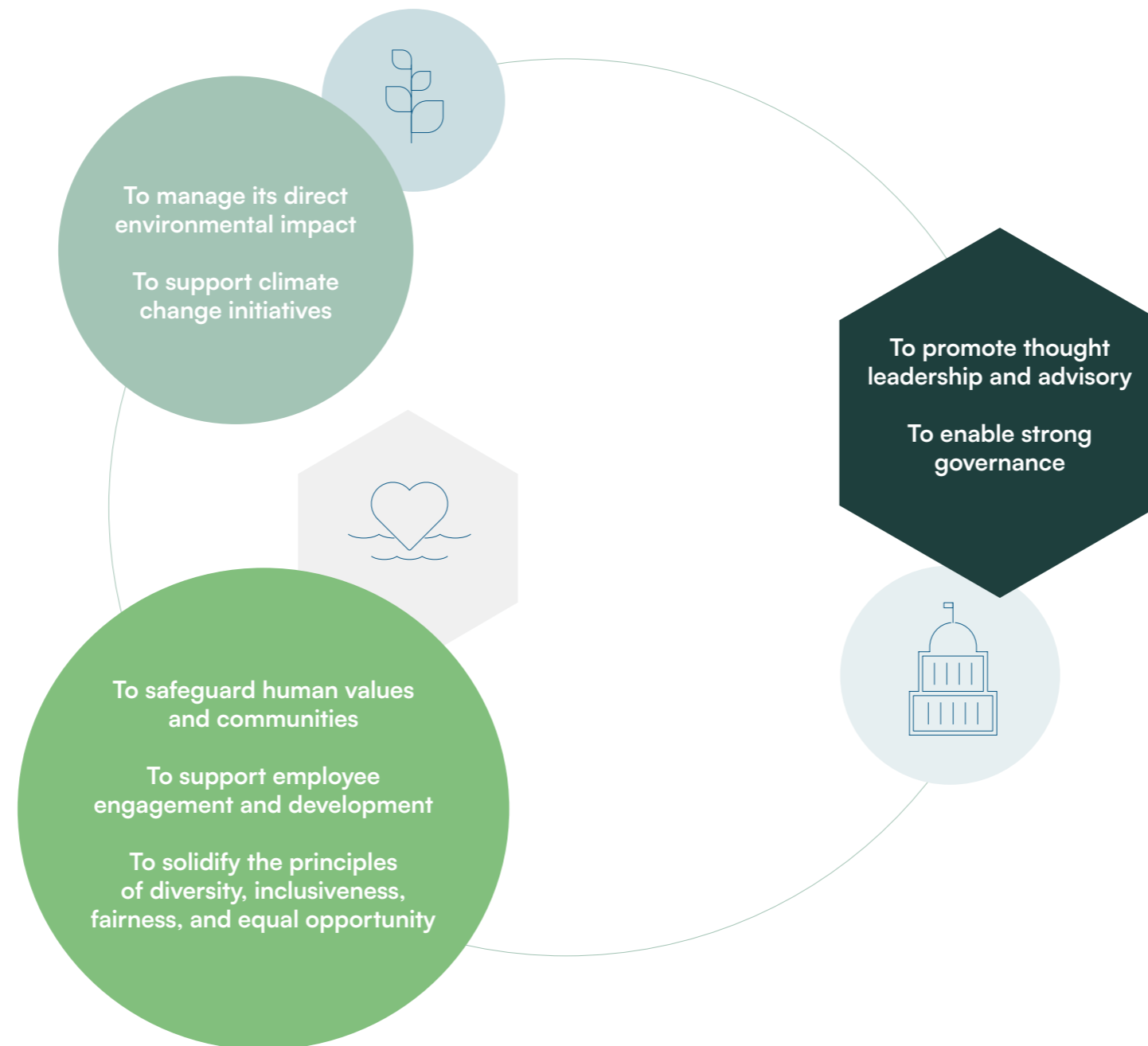
With 10 pillars inspired by the key objectives of our Member Countries and broader global development objectives, the framework is designed to advance progress in achieving the UN SDGs — particularly in the areas of responsible investment, social inclusion, and sound financial governance.

Building on our deep commitments to the highest standards of corporate governance, the framework seeks to embed sound sustainability considerations across our organization to power the implementation of our ESG objectives.

It also focuses on the need to maintain financial resilience as we pursue further integration of sustainable lending and investment practices by identifying material issues that affect our business decisions through robust assessment processes.

Risk management is an integral component of APICORP’s sustainable growth trajectory, and our new ESG due diligence toolkit governs the evaluation of prospective and current portfolio companies, as well as lending and investment decisions.

High-environmental-risk industries such as coal-fired power, arctic oil, and oil sands do not — and will not — feature in our asset portfolio, and the toolkit calls for stringent holistic guidelines for the assessment of all nuclear, fracking, and mining investments.



Coal-Fired Power

APICORP does not have any coal-related assets and will not finance projects related to coal, including clean coal.

Oil Sands

APICORP does not have any assets related to oil sands, and will not finance assets related to oil sands.

Fracking

APICORP will follow a prudent approach and apply an enhanced assessment when considering projects related to fracking.

Arctic Oil

APICORP does not have any assets in the Arctic and will not finance projects within the Arctic region.

Nuclear

APICORP does not have any assets in the nuclear space, nor does it have any such assets in its pipeline of projects and will only finance nuclear power generators that adhere to the highest international safety standards.

Mining

APICORP follow a prudent approach and apply an enhanced assessment when considering projects related to mining.

Through the application of these key pillars, the framework will guide our engagement with stakeholders and our investment activities moving forward, accentuating our engagement in the clean energy space whilst also driving our data and analytics capabilities in the context of ESG exposure within the MENA energy market.

The APICORP Green Bond: A New Benchmark for Sustainable Investment

Testifying to the strength of our commitment to achieving a balanced and sustainable energy mix in the region and capitalizing on the significant appetite for investments in the energy transition, we launched our debut Green Bond in 2021.

The US\$750 Mn US-denominated five-year benchmark issuance, which was close to three times oversubscribed, marks the dawn of a new era in the MENA investment space, establishing a pathway for energy-focused entities and financial institutions within the region to adopt sustainable frameworks and funding sources.

All of the constituent projects funded by APICORP will be closely aligned with the UN SDGs, with a central focus on renewable energy, green buildings, pollution prevention and control, and low-carbon technologies and solutions.

This investment approach will be overseen by a designated Green Bond Committee (GBC) to ensure compliance with our ESG and Green Bond Frameworks, as well as alignment with global best practices and national energy sustainability strategies.

Green Bond in 2021

750
Million USD

“The ESG framework is another important milestone in APICORP's journey to support its Member Countries and the broader Arab region in sustainably utilizing their energy resources.”

Fouad Elchamaa

Senior Manager, Risk and Compliance



Strategy, Energy Economics, and Sustainability (SEES)

Building on our core objective to support the development of the energy industries of our Member Countries and across the broader Arab world, APICORP's sustainability journey provides a new pathway to increasing investment in sustainable energy sector development and diversification.

The Strategy, Energy Economics, and Sustainability (SEES) Department aims to deliver thought leadership in the context of green financing and investment by communicating the latest developments in the sector to both internal and external stakeholders.

As well as keeping business units informed regarding broader market movements, SEES is guided by an evolving suite of research tools to monitor emerging technologies and advancements that are shaping the energy transition — particularly in the MENA region.

SEES' flagship product is the annual MENA Energy Investment Outlook. With a five-year horizon, the outlook is published in Q2 of each year to provide insights on sector trends and developments from an investment perspective for various energy fields, including oil and gas, renewables, power, and petrochemicals, among others.

This is complemented by white papers covering a broad range of energy sector developments and innovations released in both English and Arabic (e.g. Leveraging Energy Storage Systems in MENA).

The findings of these white papers are communicated through participation in conferences, panels, and workshops, as well as via reputable media outlets and agencies, and provide a valuable and unique source of intelligence for energy stakeholders.

SEES also regularly engages with government and industry. In 2021, for example, we participated in high-impact workshops with OAPEEC, issuing gas and petrochemical outlooks for the region; and with the Oil and Gas Climate Initiative and Saudi Arabia's Ministry of Energy, providing insights on developments in hydrogen, and carbon capture, utilization, and storage (CCUS).

We also participated as panelists in 'The International Association for Energy Economics' (IAEE) conference, an ADIPEC leadership roundtable on hydrogen, as well as several other conferences and roundtables on hydrogen in the MENA region. Throughout the year, SEES was continuously engaged in energy transition dialogues with leading think tanks and participated as regular panelists in workshops and webinars.

Charting a Sustainable Pathway in 2022

APICORP will continue to build upon the successful launch of our sustainability journey throughout 2022 and beyond by implementing robust ESG metrics and governance structures across the Corporation.

Capitalizing on our successes in 2021, including the debut Green Bond and finalization of our ESG Policy Framework, we will leverage this solid ESG platform and our considerable budget allocation to achieve further significant milestones across all relevant pillars.

Specific forthcoming initiatives include the implementation of the ESG toolkit to cover our entire portfolio, the finalization of our ESG Strategy, and the release of the Corporation's first Sustainability Report.

We also intend to expand our engagement with international ESG structures, principles, and commitments, positioning the Corporation as a leading player in the realization of global goals in the areas of sustainable energy sector development and the transition to net-zero emissions.



Group Performance

05

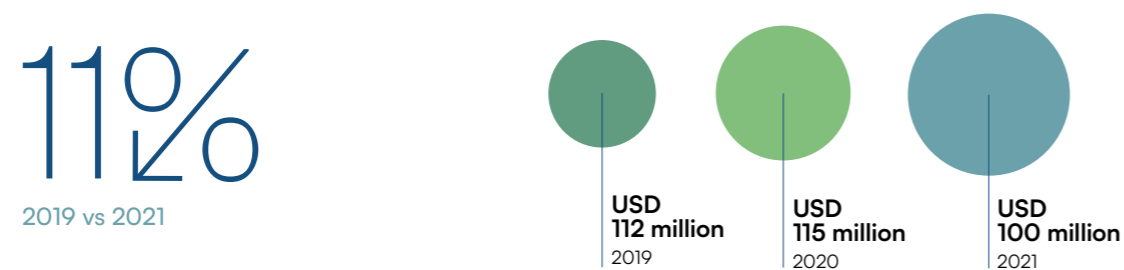


APICORP has grown to become the largest multilateral development bank in the region, raising US\$11.8 Bn in bonds and loans since 1997. In 2021, we continued to thrive, raising US\$1.75 Bn by cultivating greener energy solutions.

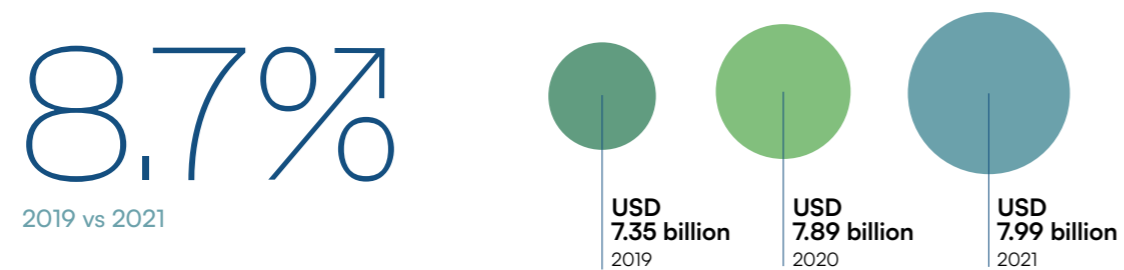
Management Discussion and Analysis

2021 Highlights

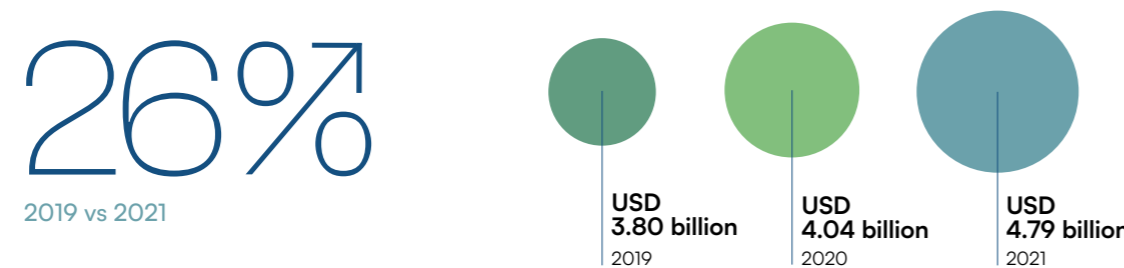
Net Income



Assets



Corporate Banking Portfolio



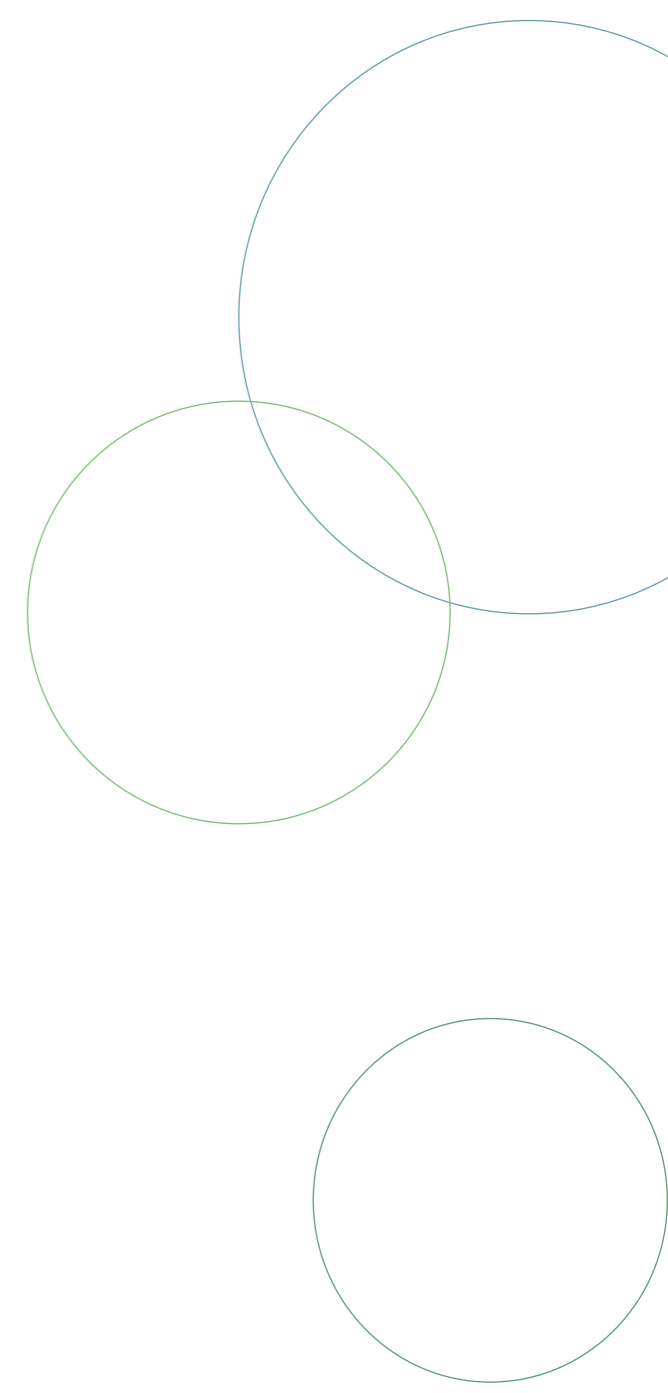
APICORP's performance in 2021 marked a year of notable financial and operational achievements.

This was despite the backdrop of the Corporation, and the entire energy sector, emerging from the unprecedented challenges that were associated with the COVID-19 pandemic the year prior. More specifically, during the year of 2021, the Corporation recorded a net income of US\$99.6 Mn, which was 13% lower from the figure that was achieved in 2020, primarily due to the reduction in the reference rates as well as the remarkable volatility that was witnessed in the financial markets throughout the year. That being said, the resurgence in the performance of the Corporation's equity investment portfolio during the period contributed positively to the bottom line in a manner that exceeded expectations.

The balance sheet grew by 1.3% y-o-y during 2021 to reach US\$8 Bn, with the Corporate Banking portfolio recording an extraordinary increase of 20% to US\$5.4 Bn as the Corporation actively sought to disburse its US\$500 Mn countercyclical support package to its Member Countries and strategic partners which was launched in 2020. All in all, Corporate Banking achieved a remarkable increase in drawdowns that reached US\$2.4 Bn throughout the year as bent up demand for project financing from 2020 was released in 2021. The Treasury and Capital Markets portfolio was reduced in size to mitigate the impact from the volatility in the financial markets, as well as to take advantage of liability optimization for APICORP, while the equity investment portfolio was largely at the same level of the previous year with some exit opportunities materializing during 2021.

With regards to the financial metrics, the capital adequacy for the Corporation increased from 31% in 2020 to 32% in 2021, and the key leverage ratio reduced from 2.2x to 2.1x. In addition, the return on assets and return on equity recorded 1.3% and 3.9%, respectively. Furthermore, the non-performing loans reduced from 0.59% to 0.55% over the period. Notably, APICORP successfully retained its Aa2 rating from Moody's and AA rating from Fitch in the year 2021.

A notable achievement for the Corporation in 2021 was the landmark US\$750Mn Green Bond issuance that took place in September. This follows stellar growth in the green portfolio with a five-year growth exceeding 5x (approx. US\$600 Mn). Notably, the APICORP Green Bond was nearly three times oversubscribed, garnering US\$2.2 Bn in orders from more than 80 institutional and sovereign investors who were mostly strictly ESG-focused investors (63%). Moreover, the Green Bond issuance achieved the lowest interest rate ever for a benchmark issuance in the history of APICORP.



Operational Highlights

5.4
Billion USD

Corporate Banking

Total Assets

Corporate Banking

Throughout 2021, the Arab Petroleum Investments Corporation (APICORP) continued to contribute meaningfully to the energy transition and support the economic growth and diversification of our Member Countries and the wider region, providing conventional and Islamic financing for an expanding range of public and private sector clients operating throughout the energy value chain.

In keeping with our mission to support the energy industry in the region, APICORP continued to provide financing for the MENA hydrocarbon sector, capitalizing on the trend toward scaling back financing in the sector, whilst also driving the energy transition by arranging landmark transactions in the renewable and sustainable space.

Despite the considerable disruption imposed by the COVID-19 pandemic that continued into 2021, particularly in the first half of the year, we achieved highly encouraging portfolio growth of 20% for the year, reaching total assets of US\$5.4 Bn. This included US\$4.7 Bn of funded assets and US\$0.7 Bn of unfunded loan commitments and guarantees. The total number of transactions completed in 2021, LC desk activities excluded, was 32.

While the slow initial pace of recovery saw APICORP fall short of our budget in 2021, we secured new commitments of US\$2.2 Bn funded to outperform budgeted expectations by US\$0.6 Bn for the year.

Net income for the year rose by 4.6% to US\$114 Mn, representing an increase of more than US\$4 Mn over 2020 and exceeding our 2019 pre-pandemic historical performance.

The Corporation's commitment to incorporating an increasing share of renewable projects in its portfolio will complement its long-standing engagement in the energy industry, spanning oil and gas, power generation, and desalination.

Notable deals in 2021 included several landmark transactions in the region, including Jazan, Sudair, Marafiq Red Sea, Dolphin Energy, ADES Arabia, Dubai Waste to Energy, as well as smaller scale deals primarily within the regional and international private sector, including an Egyptian upstream financing for a consortium formed of Cheiron and Cairn, and a corporate facility for National Energy Services Reunited (NESR) Corporation — a publicly listed leading provider of oilfield services in the MENA region, and revolving credit facility for BB Energy.

APICORP also signed a US\$1 Bn Framework Agreement for The Economic Infrastructure Financing Initiative (The Infra Initiative) with the Islamic Development Bank, and aimed to support strategic utility projects that contribute to human and economic development.

1st

energy investment company to issue a Green Bond in the region.

APICORP Green Assets

Total Number of Green Projects

11

Total Electricity Generation

134

Million megawatts per year

Total GHG Emissions Avoided

85

Million tons of CO₂ emissions per year

Total Population Served

3.4

Million Homes

Total Treated Wastewater

73

Million m³ per year

Driving the MENA Sustainable Finance Market

Sustainability remains a key driver of our strategy, with an increasing focus on the renewable energy segment, as we deliver on our commitment to lead the MENA region's sustainable transition to a renewable future. Powered by our robust ESG strategy, our goal is to lead an effective and balanced sustainability transition of the MENA energy sector, defining the pathway for the adoption of sustainable financing among energy-focused entities and financial institutions.

Our green assets represent the fastest growing aspect of our portfolio, having expanded by approximately 663%, from US\$84 Mn in 2015 to US\$641 Mn in 2021 (drawn and undrawn), they now account for 12.8% of APICORP's total loan book.

Our green assets represent the fastest growing aspect of our portfolio having expanded by approximately

663%

APICORP syndicated transactions for TotalEnergies' 50 MW portfolio in the UAE, with full completion expected in 2022.

What is TotalEnergies?

Committed to supporting its customers in their energy transition and fulfilling their global ambitions in low-carbon energy, TotalEnergies solar activities hub actively develops, finances, builds, and operates photovoltaic projects across the globe. Strategically located in the Middle East, they envision playing a critical role in the region as a responsible energy player.

Other green and sustainable asset financing projects in the region include the Dammam West Sustainable Independent Sewerage Treatment Plant (ISTP) in Saudi Arabia, which is currently under construction with completion expected in 2023.

We also signed a US\$125 Mn five-year Shariah-compliant corporate facility to support ACWA Power's future growth pipeline in early 2021, and an equity bridge loan for ACWA Power's Kom Ombo Solar PV project in Egypt.

Where does ACWA Power operate?

With a portfolio of 64 assets across 3 continents, ACWA Power is a developer, investor, and operator of power generation and desalinated water plants. Their operations span across 12 countries including Saudi Arabia, Jordan, Morocco, United Arab Emirates, Oman, Azerbaijan, South Africa, China, Turkey, Egypt, Vietnam, and Uzbekistan, focusing on high-growth economies with sound regulatory environments.

Leading the Sustainable Energy Transition in 2022

As we enter 2022, APICORP aims to build upon our growth performance in 2021, leveraging APICORP's AA credit rating to help members raise financing and expanding our Corporate Banking book.

As APICORP charts a path to a balanced and sustainable energy transition, we will continue to lead the region through our green financing activities.

This will remain a key focus for Corporate Banking in the coming year, with some US\$800 Mn in originated green assets in the pipeline to complement our current book.

We will also build upon our long record of success in assisting our Member Countries to monetize their energy assets through our advisory services as they embark on a sustainable, diversified energy pathway.

Above all, APICORP will continue to leverage our strong exposure and expertise in project and trade finance to serve a growing range of MENA clients whilst expanding our products to enter additional markets and sectors beyond the region.

"APICORP is a substantial investor in Yellow Door Energy. They have been active in the governance of the company and have provided us with a substantial construction facility, allowing us to construct our solar power plants in a very timely manner. They have also introduced us to a number of their partners to whom we have provided sustainable energy solutions, helping them lower their power tariffs."

Nalin Nayyar

Chief Financial Officer, Yellow Door Energy



Investments

Despite the enduring disruption caused by the COVID-19 pandemic, the Arab Petroleum Investments Corporation delivered solid income from our equity portfolio in 2021, exceeding expectations and contributing to the overall success of the Corporation in a resilient and successful year.

We invest a portion of our shareholder capital directly in the equity of energy and energy-related private businesses and projects in our Member Countries and the broader MENA region, with a preference for investing alongside sophisticated and professional partners in quality businesses that have a discernable and sustainable competitive advantage, with tangible developmental impact, particularly in the context of the global energy transition.

Given the barriers to physical interaction with companies and management teams imposed by the pandemic, in 2021, our business remained largely focused on securing incremental growth in existing investments alongside our trusted partners.

We are a proactive proponent of sustainable change in our region.

Our activities are guided by our strong ESG principles as a responsible, long-term equity investor. We therefore seek to participate increasingly in investment opportunities with sound green, social, and governance characteristics, and maintain a measured and conservative approach to developing a well-diversified and balanced equity portfolio.

Reflecting this corporate ethos, we maintain investments in two sustainable businesses — namely the Jordan Wind Power Company (Tafila Wind Farm) and Yellow Door Energy — and we are actively pursuing further equity opportunities in the renewables segment. Nevertheless, we remain dedicated to the vital interests of our Member Countries and provide continued, responsible support for the region's hydrocarbon sector.

Operational Highlights

2021 was another challenging year for the execution of new investments. Travel restrictions implemented in early 2020 remained largely in place, with business travel only beginning to return in Q4 before being undermined yet again by the rise of the Omicron COVID-19 variant.

These restrictions, together with work-from-home requirements, lockdowns, and evolving quarantine and testing requirements, continued to adversely affect the global private equity industry.

In particular, the inability to physically meet with prospective partners and the management teams of target businesses and conduct “on-the-ground” due diligence prevented verification of critical information and assets — the basic necessities for responsible and successful investments in the private equity domain.

Despite these obstacles, our Investments Team succeeded in originating and assessing an extensive range of potential new investment opportunities that are aligned with APICORP's mandate. We executed relatively limited incremental investments in two existing investee companies in 2021, namely Yellow Door Energy and Coretrax. We secured a promising pipeline of potential new investments, a number of which were at an advanced stage of assessment and/or execution by year-end.

“We are serious about investing responsibly, including investments in green energy, improved energy efficiency, and energy transition. This, however, does not preclude us from providing continued support to the growth and development of an efficient hydrocarbon sector, especially in our Member Countries. We invest in an environmentally and socially responsible manner and we play an active role in ensuring and improving good governance.”

Bennie Burger

Managing Director, Investments



2022 Investments Outlook

We will continue to pursue diverse opportunities in 2022, leveraging our extensive active pipeline.

While significant operational challenges are likely to endure in the immediate future, the success achieved across the region in combatting the pandemic provides encouraging signs for the development of our Investments business in the coming year.

Our strategy remains unchanged, and we will continue to favour direct investments in quality businesses alongside like-minded partners. Ultimately, the Corporation remains committed to long-term value creation with a positive developmental impact, supported by global ESG standards and best practices, and we will continue to play an active role in promoting responsible investments in energy transition.

We are confident that our region offers significant potential for further equity investment in conventional energy businesses and projects, and we continue to develop progress toward transactions that offer opportunities for new strategic partnerships in this vital sector.

117

Investment opportunities
originated and assessed

2

Investments
executed

APICORP
Investments
in 2021

“APICORP has opened up new avenues and opportunities for us. They have vast investment experience working with similar projects, they provide valuable input, and have excellent relations with international financial institutions who financed our project.”

Samer S. Judeh

Chairman, Jordan Wind Project Company



Portfolio Management

Leveraging APICORP's agility and adaptability in a challenging market environment, our Portfolio Management Department brought significant improvement to the management of portfolio assets. Portfolio Management's key objective is to safeguard the quality of the asset book, preserve and enhance portfolio value and its development impact, and maximize return on investment.

Since the establishment of the Portfolio Management Department (PMD) in 2019, our mission has been to dynamically and proactively manage APICORP's debt and equity portfolios, while aligning closely with other key functions to ensure working in unison towards supporting business growth, promoting development impact in our Member Countries and maximizing value for all stakeholders.

While we remain committed to supporting our Member Countries' traditional interests in the conventional energy sectors, PMD is also backing the Corporation's drive to support greener energy alternatives as part of the global energy transition towards zero-carbon emissions. Having contributed to the development of APICORP's corporate-level ESG policy framework, we diligently monitor both our debt and equity investments' progress toward ESG objectives and related KPIs, and we are actively involved in identifying opportunities for meaningful ESG impacts within the portfolio.

As with the other business units, the pandemic posed significant challenges, particularly in the context of limiting face-to-face communication over the past two years, which is an important part of our monitoring process. However, the PMD Team remained resilient and adaptable. One example of this is our landmark follow-on investment in Yellow Door Energy. In response to the challenge of accessing financing amid the pandemic, we modified our traditional funding approach and raised convertible debt to support the necessary growth capital needs of the business.

"With the first financing facility of its kind in the region, APICORP helped us develop and finance our portfolio on a long-term basis, giving us exactly what we need to grow our portfolio of solar photovoltaic assets."

Laurent Longuet

Chief Executive Officer, SirajPower



Performance in 2021

On the equity side, the PMD Team ensured the successful execution of the Corporation's exit from Egyptian Bahraini Gas Derivative Company (EBGDGO) and Tankage Mediterranean (TANKMED). In addition, during the year we actively engaged with our investment partners for the successful IPO of Ashtead Technology. The exit activities supplemented by dividends and share of results yielded an exceptional contribution of US\$90 Mn to the Corporation's overall results.

Our exit from TANKMED — a legacy investment held for more than 37 years — was also successfully completed despite political turmoil in Tunisia. This exit generated a Money-on-Money return of 14.0x making it one of the most successful investments in the Corporation's history.

PMD played an active role in the successful IPO of **Ashtead Technology** on the Alternative Investment Market of the London Stock Exchange in November 2021. In this process APICORP managed to divest 32% of its pre-IPO shareholding.

Who is Ashtead Technology?

Ashtead Technology was established in 1985 to supply high-quality survey and ROV equipment to customers in the North Sea and beyond. As a result of organic growth and strategic acquisitions, Ashtead Technology has become a global leader in underwater technology solutions to the global offshore energy sector.

We also initiated a new trading mandate for listed equities, which provides the flexibility to trade within a certain price range based on an approved framework. This allows us considerable agility in optimizing the portfolio and unlocking significant potential opportunities to generate value going forward.

PMD continues to enhance the Corporation's relationship with our existing partners and the management of our investee companies to allow for deeper alignment and potential for business development. This also included proactively managing the appointment of Board Members in investee companies to ensure effective oversight and maximize value to all shareholders including APICORP.

On the debt side, the establishment of PMD has dramatically changed the way APICORP manages its debt portfolio. PMD brought significant improvement to the management of distressed loans ensuring that APICORP's interests as a lender are safeguarded at all times. The team successfully managed the complexity associated with troubled accounts and played an active role with all stakeholders to clear obstacles and push towards equitable and sustainable solutions.

PMD brought noticeable enhancement to credit review by way of redesigning the credit review process to suit the specificity of our loan book. The team developed a focused credit review template covering major loan evaluation parameters. This was crucial to optimize turnaround time and meet tight deadlines without compromising on the quality and comprehensiveness of the review process.

Furthermore, PMD enhanced the credit rating process in liaison with Risk to ensure rating parameters are scored objectively to achieve consistent and fair ratings for all facilities.

The team handled waivers and amendment requests of varying complexity across the debt portfolio and developed a live tracker to enhance the transparency and ensure timely reporting and resolution.

PMD successfully identified a number of potential value-generating synergies between the equity and debt portfolios in 2021, including the ability to leverage the equity relationship with refinancing the Shuqaiq International Water and Electricity Company (SIWEC) EBL facility internally, securing a higher overall transaction value through interest expense reductions; and supporting YDE with a construction facility to support its growth strategy.

Portfolio Management in 2022

Portfolio Management's role within development finance institutions has been growing in the past few years. Having a dedicated, focused and experienced team looking after portfolio assets became a necessity amidst the growing capital and liquidity constraints, increasing cost and margin pressures, and changed market conditions. In most financial institutions and MDB's, Portfolio Management now assumes a broader and central role that aligns closely with other functions such as finance and treasury, risk, operations, legal and other business functions.

More than

90

Million USD

in dividends,
share of
results, and
capital gains.

Our PMD Team is at the heart of APICORP's ongoing transformation, applying vision, focus, and perseverance to build upon and develop our role within the Corporation in 2022 and beyond.

On the equity side, we will continue to proactively manage the Corporation's equity portfolio reflecting the strategy approved by the Board, engaging with investee companies to enhance value creation, improve dividend generation, and prepare assets for potential exit.

We will continue developing and maintaining close relationships with co-investors to align on long-term strategy and common optimization agendas, as well as engaging external advisors to develop and propose optimization plans and continue to enhance the value of the Corporation's investments going forward.

Other key focus areas will also include leveraging the knowledge base and networks of external directors to spearhead business opportunities for portfolio companies, assessing opportunities for cross-selling financing options, and initiating proactive trading calls to generate capital gains and capturing lucrative opportunities while leading to higher portfolio optimization.

On the debt side, we will continue assuming a forefront role in managing the debt portfolio, taking the responsibility for managing and mitigating portfolio risks, while ensuring optimal value to all stakeholders involved.

We will seek to implement advanced loan and portfolio management solutions and foster reliance on analytics-based decision-making that will expand PMD's role in guiding business development and optimizing balance sheet structure.

PMD will continue to maintain greater collaboration with the rest of the organization, particularly business, risk and finance in order to develop a capital efficient business.

Treasury and Capital Markets

During 2021, the Arab Petroleum Investments Corporation printed three highly successful issuances, including the MENA region’s first benchmark Green Bond by an energy-focused financial institution, backed by APICORP’s ‘Aa2’ rating from Moody’s and ‘AA’ rating from Fitch.

Having raised a total of US\$11.9 Bn in bonds and loans across four currencies and 44 trades since 1997, Treasury and Capital Markets ensures the daily liquidity requirements of APICORP are funded in a timely and in a cost effective manner.

With diverse engagement across the Regulation S and 144A markets, Sukuk, Formosa, Dim Sum bond issuances, the current outstanding of our Medium Term (MT) Funding book stands around US\$4.85 Bn — currently all of our borrowings are from debt capital markets (DCM).

To support the growing funding needs and reliance on DCM borrowings, APICORP removed the borrowing limits on its US\$3 Bn GMTN and Sukuk Program allowing additional flexibility to access the capital markets.

APICORP’s strategy during the last few years was on prioritizing liquidity management and minimizing reliance on short-term funding while raising stable medium-term funding for supporting its operations. The short-term borrowings as of end of December 2021 stood at around US\$348.99 Mn, while our short-term placements, an essential component to show reciprocity to our counterparties, was US\$292.48 Mn.

Funding raised from bonds and loans since 1997

11.9 Billion USD

across 4 currencies



of trades since 1997

44

Highlights of Medium Term Funding since 2015

	Description	Tenor	Currency	Amount
2015	1 st Public Sukuk Issuance	5 Years	USD	500 Mn
	Total		USD	500 Mn
2016	Private Placement Sukuk	3 Years	SAR	250 Mn
	1 st Formosa Floating Rate Note	5 Years	USD	300 Mn
	Total		USD	366 Mn
2017	2 nd Formosa Floating Rate Note	5 Years	USD	105 Mn
	Term Deposit	3 Years	SAR	375 Mn
	2 nd Public Sukuk Issuance	5 Years	USD	500 Mn
	Total		USD	705 Mn
2018	Bilateral Term Loan	3 Years	USD	150 Mn
	1 st China/Dim Sum Bond Issuance	3 Years	CNH	630 Mn
	Bilateral Term Loan	3 Years	USD	150 Mn
	Bilateral Term Loan	3 Years	USD	75 Mn
	Conventional 144A/Reg S Public Issuance	5 Years	USD	750 Mn
	Total		USD	1,225 Mn
2019	Term Deposit	2 Years	SAR	375 Mn
	Bilateral Term Loan	3 Years	USD	50 Mn
	3 rd Formosa Floating Rate Note	5 Years	USD	300 Mn
	Syndicated Term Loan	5 Years	SAR	1.5 Bn
	Bilateral Term Loan	5 Years	SAR	1.5 Bn
	4 th Formosa Floating Rate Note	5 Years	USD	325 Mn
	Bilateral Term Loan	5 Years	USD	100 Mn
	Total		USD	1,675 Mn
2020	1 st GBP Private Placement	3 Years	GBP	100 Mn
	Conventional Reg S Public Issuance	5 Years	USD	750 Mn
	1 st Conventional Reg S Public Tap	5 Years	USD	250 Mn
	Total		USD	1,125 Mn
2021	Conventional Public Issuance	5 Years	USD	750 Mn
	2 nd Conventional Reg S Public Tap	5 Years	USD	250 Mn
	Conventional 144A/Reg S Public Issuance	5 Years	USD	750 Mn
	Total		USD	1,750 Mn

Through our active Medium Term Fund raising in 2021 at competitive rates, we delivered a substantial reduction in funding costs on our overall borrowings.

In September 2021, Treasury and Capital Markets facilitated APICORP’s first access to the ESG debt capital markets through our debut US\$750 Mn Green Bond issuance under our Global Medium-Term Note Program, further strengthening our diversified investor pool and becoming the first energy-focused financial institution in the MENA region to issue a benchmark Green Bond.

Green Bond issuance



2021 Performance

APICORP raised US\$1.75 Bn during 2021 by successfully issuing a US\$750 Mn Regulation S bond (at 69 basis points above the mid-swap) followed by a tap issuance of US\$250 Mn (at +39 bps) and a US\$750 Mn landmark debut Green Bond (at +40 bps) issuance in September 2021. These transactions were well received by the investor community witnessing large, diversified orders from around the world, with robust demand from central banks as well as sovereign, supranational, and agency (SSA) investors.

The debut Green Bond issuance posed a significant challenge, given our mandate to focus only on energy-related green assets, and to ensure compliance with the criteria of our Green Bond Framework developed by our dedicated Green Bond Committee.

Leveraging these three successful issuances in 2021, we ensured APICORP maintains no maturity mismatches in short-term buckets of up to one year, providing a solid basis for sustaining and enhancing our high credit ratings.

The Green Bond marked our second benchmark issuance in 2021 and attracted more than 80 institutional investors worldwide —

63% of whom are strictly ESG-focused

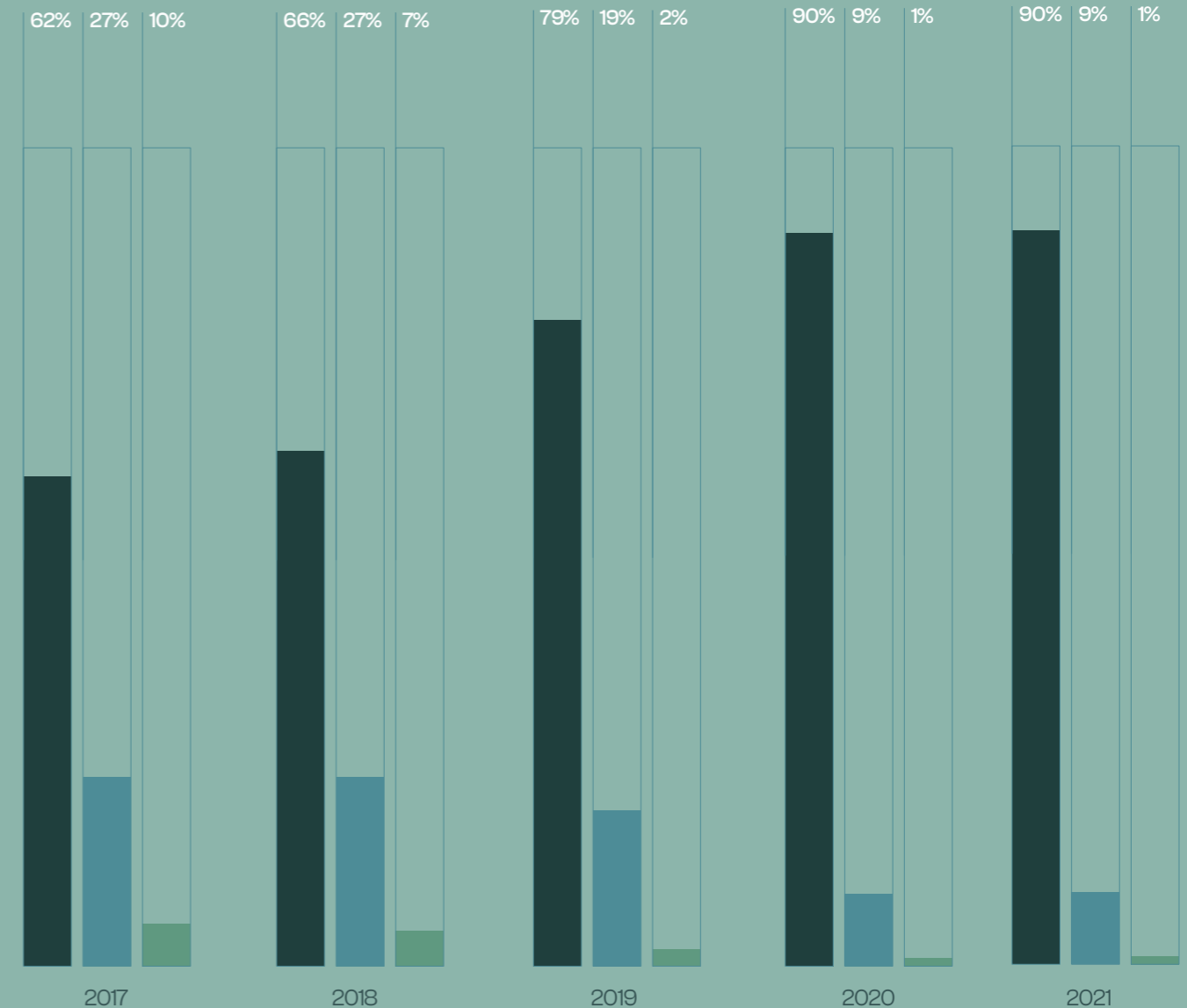
— leveraging our strong underlying ESG framework fundamentals, impressive second-party opinion rating, and equally robust balance sheet.

We also maintained APICORP’s key investor relationships, acting as a central hub to attract and acquire new investors. Despite the pressure on investors around the world in 2021 stemming from the COVID-19 pandemic, supply chain disruptions, and rampant inflation, we capitalized on the strong surge of economic activity later in the year, leading to a successful Green Bond issuance.

Through our rigorous oversight of liquidity management, we ensure APICORP’s high-quality liquid assets meet the rating criteria of major global agencies Fitch and Moody’s, while our emphasis continues to be directed towards maintaining a high-quality short duration investment portfolio and ensuring a steady stream of income for APICORP.

Treasury Investment Book by Rating


■ Rated A and Above
 ■ Rated BB B and Below
 ■ Not Rated



A high quality, well diversified liquid asset pool.

Treasury and Capital Markets in 2022

In the coming year, Treasury and Capital Markets will continue to invest in a broadly diversified selection of highly rated securities with short tenures, whilst actively hedging its interest rate exposure to insulate against rising interest rates.

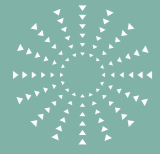


Building on robust investor appetite and backed by strong ratings, we will continue to diversify our funding and investor base by tapping debt capital markets where appropriate.

As the global economic recovery progresses, we expect the recent growth surge to moderate in 2022 as central banks and governments begin to draw down stimulus packages, triggering rising interest rates and volatility in the bond market.

We also remain highly vigilant of other developments that could affect markets, including the potential for further disruptions stemming from the COVID-19 pandemic. Our robust, time-tested strategy therefore remains unchanged, and our emphasis will remain on capital preservation, investment quality, and income generation.

Nonetheless, we remain open to opportunities for further thematic funding and fundraising, including looking into adding a couple of new lines of business to Treasury and Capital Markets.



06

The driving force of APICORP is its people. People guide the development and transformation of the organization, pushing towards a greener future.

Our People and Practices



Investing in Our Most Valuable Asset



Amid the unprecedented challenges of the past year, the employees of the Arab Petroleum Investments Corporation have shown exceptional resilience, perseverance, and teamwork.

The driving force behind our success has always been our people; their dedication to our goals lies at the heart of our strong performance in 2021 and our ongoing ESG transformation.





“The key sustainable competitive advantage APICORP has is its people.”

Hamdi Bata
Director, Human Resources and Corporate Affairs

The diverse skillsets and expertise of our employees represent a key differentiator and competitive advantage for APICORP.

Their dedication and adaptability have also served as the basis for our successful development and transformation as an organization.

We therefore strive to deliver a supportive working environment that encourages their growth and professional development, and embeds a unified culture inspired by our corporate values.

We also continue to attract key talent from across the globe to enhance our increasingly diverse workforce. This effort is spearheaded by our Leadership Team, which works to ensure our human resources consistently reflect our business needs and strategy.

As a unique organization within our industry, undergoing transformation and at a time where the energy industry is evolving, our human capacity requirements are rigorous and necessitate a broad mix of expertise that is exceptional among peer organizations.



Our Corporate Culture

Our unique corporate culture is built around our values, guided by our beliefs and norms that can be observed through our practices, behaviours and artifacts. The way we approach decision-making in all that we do and how we manage talent is firmly rooted in our corporate values:

-  Integrity
-  Accountability
-  Excellence
-  Unity

We invest in our people to embed a commercial mindset centered on enhanced performance, clear communication, talent growth, cohesiveness, and collaboration, all of which are derived from these four values while fulfilling our mandate.

We are also dedicated to making a positive impact on our people, our environment, and our communities.

Our ESG journey aims to position APICORP as a key agent of change, leading the sustainable development of our industry and encouraging a mindset that will promote the action necessary to meet the multifaceted challenges facing the world today.

Collectively, these objectives guide every action we take as responsible corporate individuals and are reflected in the day-to-day activities of our entire team. Our aim is to create a cleaner and more compassionate world for coming generations — a mission that requires us to apply all elements of our culture and lead by example in everything we do.

Safeguarding our People amid the Pandemic

We continued to build our resilience throughout the ongoing COVID-19 pandemic in 2021, improving our HR systems and processes to maintain the well-being of our people throughout this challenging year for recruitment and talent management.

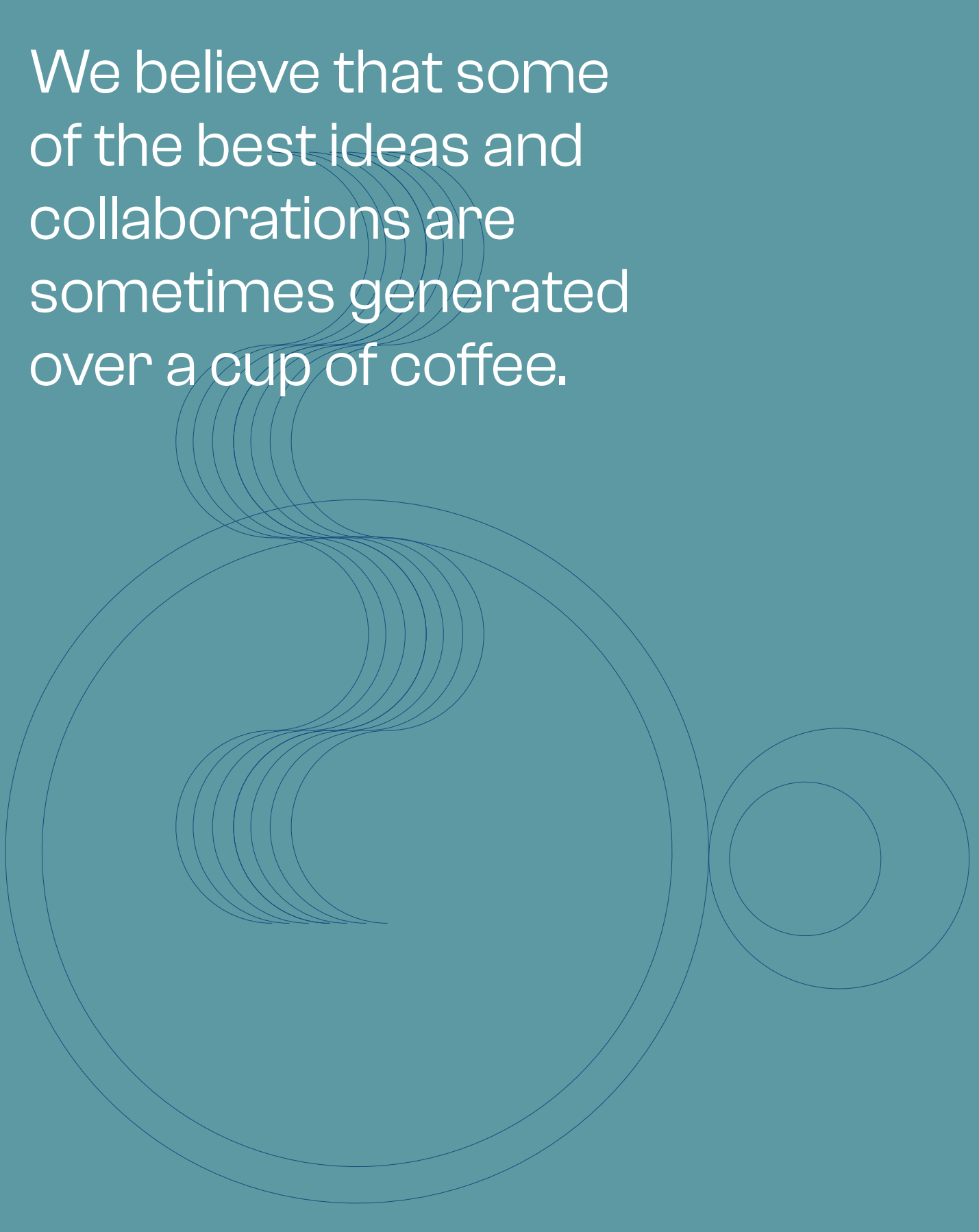
Thanks to the proactive planning, we successfully delivered on our HR goals and achieved highly encouraging progress both in terms of stakeholder engagement and our ongoing sustainability drive while embracing the new set of accountabilities dictated by the changes imposed by the impact and restrictions of the challenging times the world experiences.

We continued to embed our values and the principles of our code of conduct through a variety of employee engagement activities and sought to bring our people together as soon as restrictions were eased to resume our regular calendar of in-person events.

We believe that some of the best ideas and collaborations are sometimes generated over a cup of coffee.

In addition, we updated our HR e-solutions to support new working arrangements and implemented a new online platform to manage talent acquisition, which improved the process, reflected in the solid progress in our talent acquisition and development programs in 2021, including devising specific learning tracks for each function which incorporated new tools to allow better progress monitoring and alignment of professional development with our corporate goals.

We believe that some of the best ideas and collaborations are sometimes generated over a cup of coffee.



Our Highly Skilled and Diverse Team

APICORP is deeply committed to diversity and inclusion and maintaining the right mix of talent and expertise to deliver our corporate strategic goals.

As a multilateral financial institution, diversity is built into our very DNA, it is a virtue built within our articles of establishment as an institution. We continue to expand the matrix of nationalities and backgrounds our people represent. APICORP today employs 122 people representing 19 different nationalities, 60% of whom are from our Member Countries.

Workforce

122
employees

13

new colleagues
joined in 2021

We welcomed 13 new colleagues to APICORP during 2021, and the average tenure of our workforce is currently 10 years — a clear testament to our employee engagement efforts.

Our people are diversified across different age groups, providing us with a range of fresh perspectives and valuable experiences.

Tenure

Average

10
Years

Maximum 26 Years

Minimum 1 Month

% joined in the last 5 years

0-5	40%
5-10	14%
10-15	12%
15-20	13%
20-25	21%

Age Grouping

Average

44
Years

Maximum 59 Years

Minimum 28 Years

20-30	9%
30-40	33%
40-50	33%
50-60	25%



Gender inclusivity and equal opportunities are important factors in our recruitment philosophy.

At end-2021, women accounted for some 15% of our total workforce — representing an increase of

200%

over the past five years.



Gender Diversity

2021

Nationalities Count

2021



"Gender diversity has increased significantly over the past couple of years along with empowering women to take leading roles within the organization. When I first joined APICORP, I was one of the first few women hired and faced a lot of challenges. I managed to witness the evolution of APICORP in breaking the bias and embracing a more diversified culture."

Rawan Salloom

Vice President, Treasury and Capital Markets
An APICORP Employee for 10+ Years



Our learning and development activities continued throughout 2021 according to our strategic plans, utilizing online platforms and solutions to ensure the personal development journeys across APICORP continue without disruption with 1,957 total hours of online training completed by our people in 2021. We continued to encourage our employees to acquire further professional certifications (around 10% achieved professional development certificates) that improves their ability to carry on their role requirements effectively.

Our philosophy to learning and growth begins with ensuring each manager understands the type of talent that exists within their teams.

Talent development plans takes into consideration employees' current performance against the job requirements, from both a technical and behavioral perspective, and considers future potential to support the growth required. By doing so, we equip every manager with better awareness of their employee's needs, thus enabling them to be better designers of the experiences required within their functions to stretch people's abilities and support their growth. Courses and learning modules can only address a part of talent development, but the majority rests within each leader's ability to drive their team's performance and unleashing their potential.

In 2021, we also continued to collaborate with the best-in-class talent development houses and created a project to identify and instill seven habits that characterize effective people in a highly targeted process that aims to develop astute and successful leaders.

Our talent development efforts are aligned with the strategy progress required, thus in 2022, themes like stakeholder management, strategic communication, activating personal agility, and performance coaching are among the array of programs offered to employees. We also focused on nurturing leadership qualities and improving leadership effectiveness.

Online Training by our people in 2021

1,957
Total hours

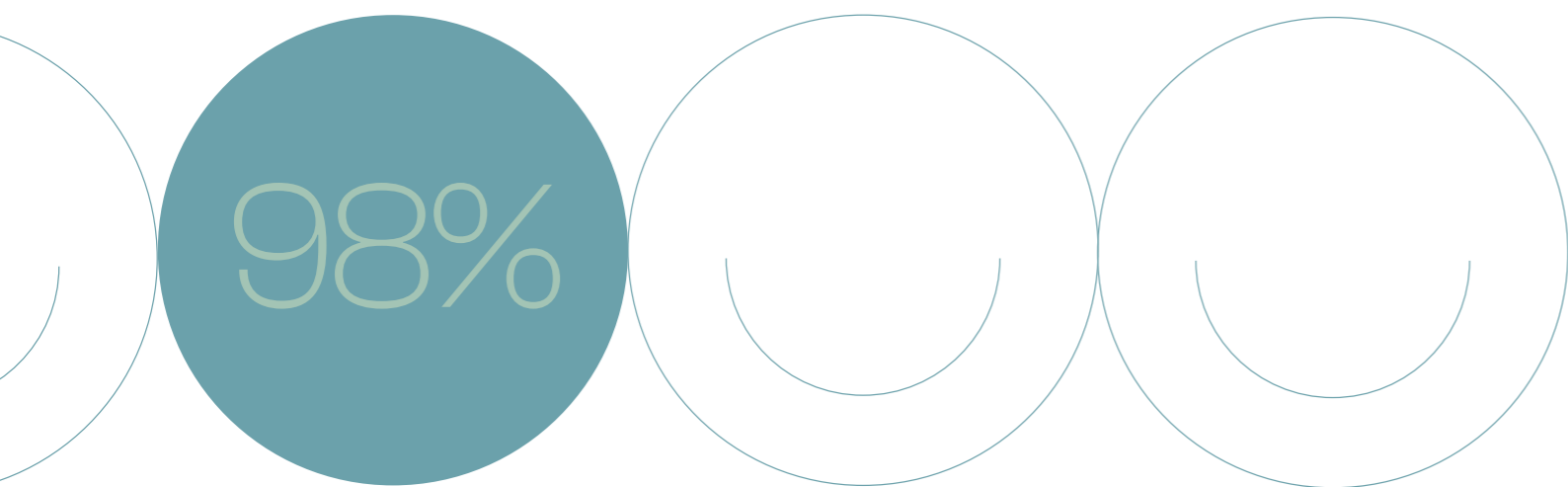
Employee Well-being and Engagement

We are dedicated to ensuring the health and well-being of our people.

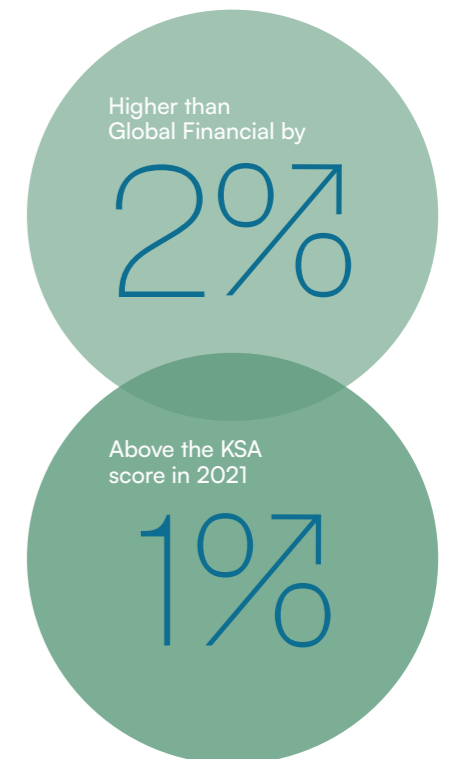
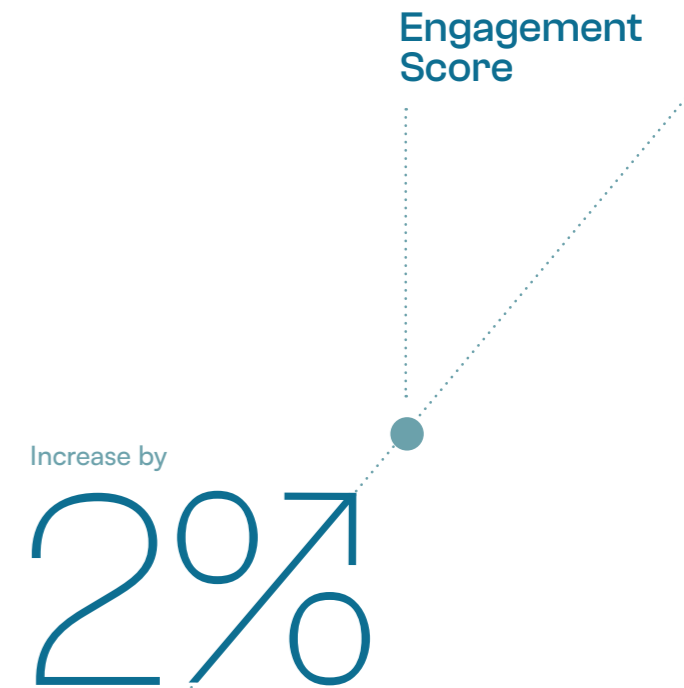
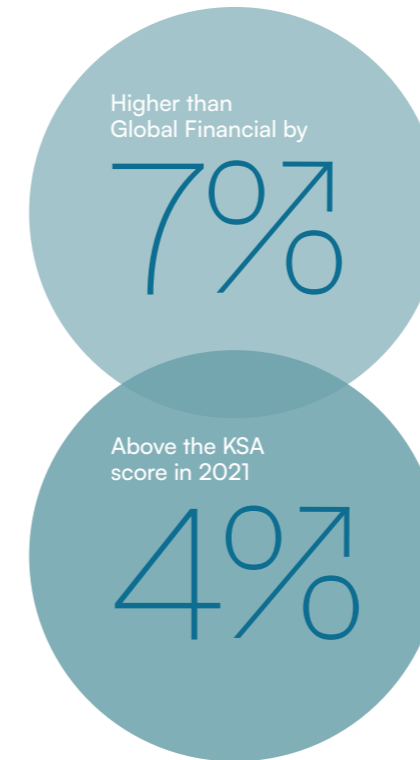
Working together with our healthcare provider, APICORP ensured all our people had access to the right expertise and support to manage the unique stresses and challenges brought about by the pandemic in 2021. This included replacing benefits such as gym memberships with support for purchasing equipment to help our people stay fit and healthy at home. Moreover, we worked diligently with our healthcare provider to expand their offerings by creating a calendar for webinars and online workshops to support employees in dealing with stress, anxiety, mental agility, and other challenges amplified by the pandemic additionally related topics.

Through our adaptive approach, we aim to ensure the well-being of our people is maintained above all considerations, and our most recent spot survey in 2020 revealed a 98% satisfaction rate among our workforce with how the institution has managed the pandemic and its impact on the workplace.

Satisfaction rate among our workforce



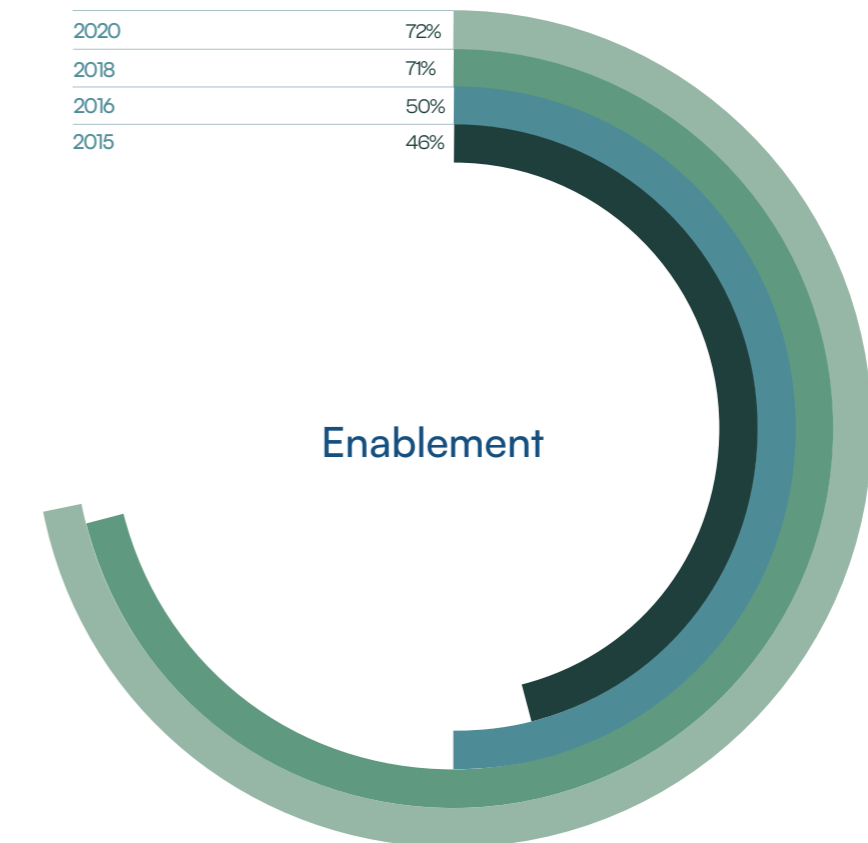
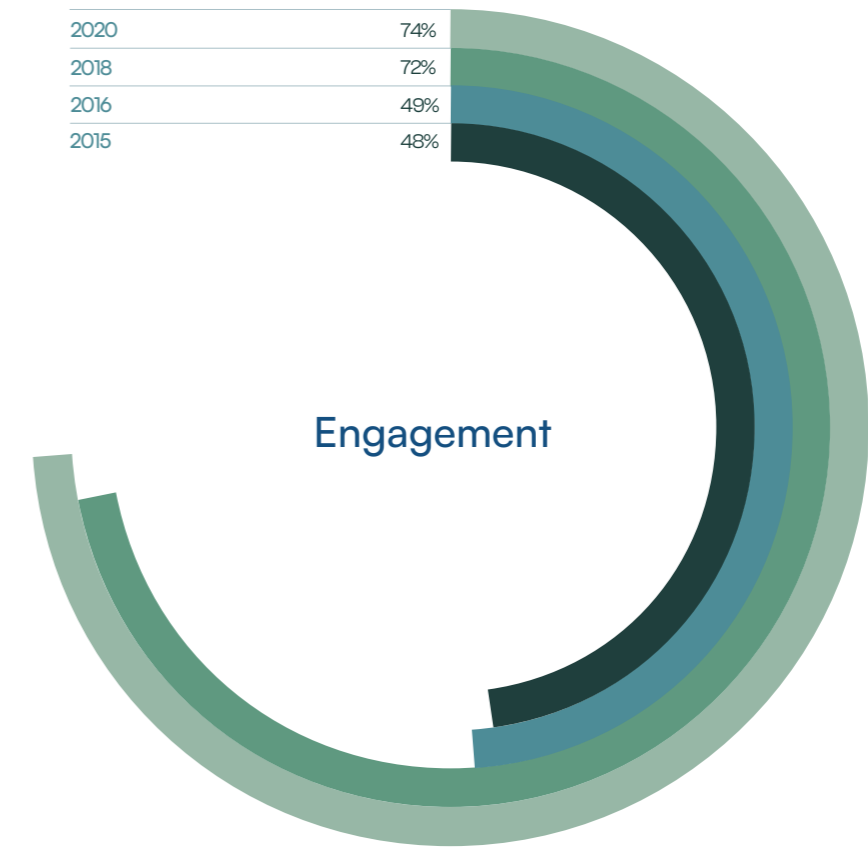
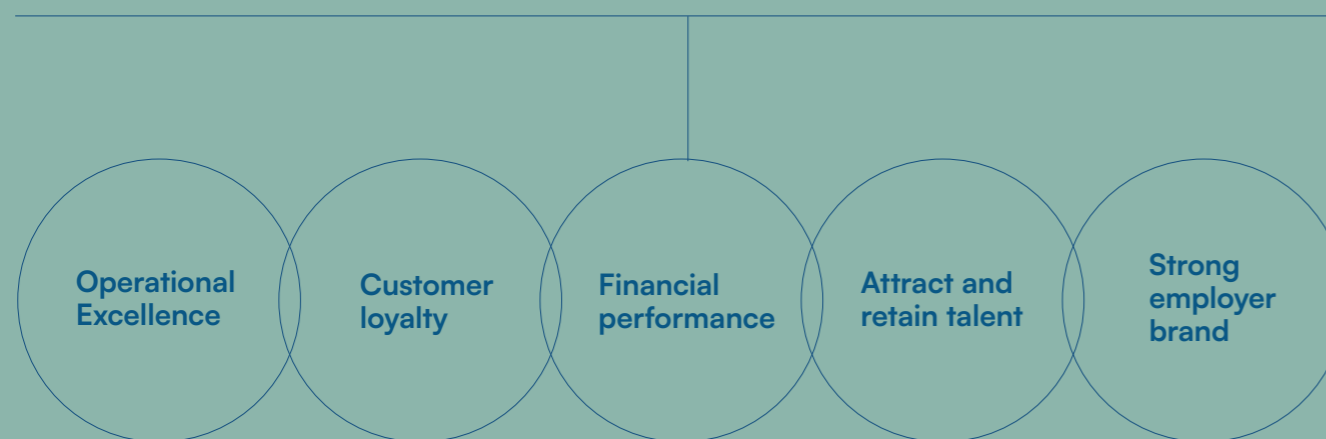
Employee Engagement and Recognition



What the survey measures



The results it achieves



Our Employee Value Proposition

We are dedicated to offering a working environment that values honesty and integrity, rewards success, and dedication, and provides a safe and secure platform for personal growth and professional development.

Our value proposition places significant emphasis on continuing professional development, encouraging personal and professional growth through a host of advancement opportunities to refine employee skill-sets and add momentum to their careers.

In this way, we seek to grow our reputation in the marketplace as an equitable, rewarding, and compassionate employer that inspires achievement and rewards success whilst also protecting the well-being of our people at all times.

Our Employee Value Proposition therefore offers a broad range of dimensions that allow our people to achieve a healthy work-life balance, supported by a range of key attributes that serve to attract and retain talent across APICORP beyond the traditional elements which organizations normally compete in providing.

APICORP offers an opportunity to be a part of a unique purpose at an exciting time where the industry we serve is evolving. Our sense of purpose is vivid in our people, to be a part of an entity that directly contributes to the development of a better and cleaner energy industry.

At APICORP, we strive to constantly improve how we link each employee's contribution to the overall strategic goals of the institution, driving a performance-based environment, one that differentiates rewards based on contribution while ensuring its market competitiveness in rewards, allowances and benefits.

Promising Future
 Vision and Mission
 Strategy
 Center of our plans

Sense of Purpose
 Creating meaning and purpose — not just a job
 Contributing to the development of industry and member states

Development Opportunities
 Training and development opportunities, technical, soft-skills, and leadership
 68 days of training
 Knowledge transfer through our partners



Enabling Environment
 Physical space
 Tools and resources
 Organizational climate development

Market Competitive Practices
 Fairness and consistency - internal equity
 Benchmarked - external competitiveness
 Pay mix - balancing fixed and variable

Recognition for Contribution
 Linking pay and performance
 Differentiating contribution
 Recognizing delivery



Accountability is both cherished and demanded at APICORP. We define it as the obligation to account for our decisions and actions. At the core of accountability are the qualities of reliability, personal responsibility, and discretion.

“It is an exciting time to be working at APICORP, given an environment that fosters professional and personal growth. We are encouraged to think freely and to be creative and collaborative in our approach.”

Zia Ul Rab Siddiqui
 Director, Investments
 An APICORP Employee for 10+ Years

Empowering our People in 2022

As we enter 2022, our overarching goals remain unchanged. We continue to focus on enabling and addressing the various talent needs, as well as engaging the performance of our people whilst maintaining a safe, secure, and rewarding working environment that encourages personal and professional growth.

We are proud to know that each of our employees remains committed to our shared goals and is aligned with our vision and ethos as a corporation. While COVID-19 has undermined our ability to engage our people in the way we would like, 2022 will see further initiatives to re-ignite the passion and drive of our people as we ramp up the momentum of programs that have been affected in recent years.

In particular, we will focus on improving talent and performance management in a holistic approach that unifies these two aspects under one model which in turn supports the achievement of our organizational and transformation goals. Despite the challenges of 2021, we succeeded in more closely aligning our strategies to our day-to-day operations.

The coming year will see the roll-out of leadership development programs, personal development plans, and internal communication agendas to support our transformative journey.

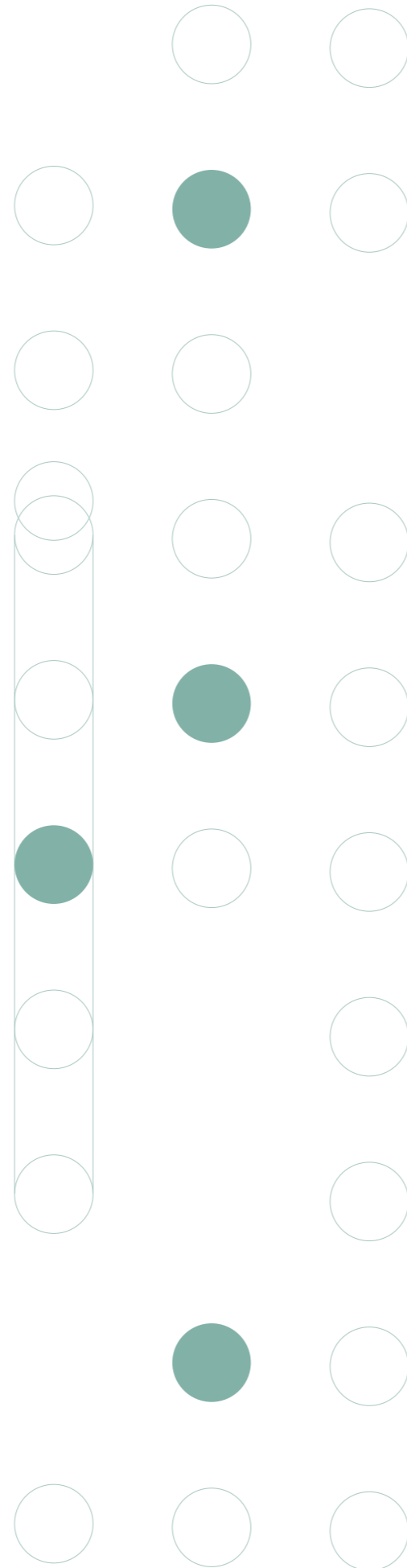
HR will also focus on supporting heads of functions to lead their departments and teams in an increasingly effective and holistic manner that is consistent across the organization.

The next chapter in our development is therefore focused on stakeholder management, business development, and business creation, with a strong emphasis on social and environmental aspects.

Above all, however, we will remain dedicated to providing a working environment that is conducive to personal and professional growth for all our people, and to supporting their well-being and engagement going forward. We are proud of the people of APICORP and continuously looking forward to attracting and retaining the best talent out there.

An Exceptional Working Environment

Since people are the driving force of APICORP, it is crucial to cultivate a positive corporate culture where people feel valued, involved, and motivated and to establish a rewarding work environment that fosters growth.



An employee engagement survey was conducted in 2021 and yielded positive results, determining that APICORP employees feel they are driven by a sense of purpose, take pride in working for the Corporation, have a clear sense of direction, and believe the performance and standards are high. The results indicate that employees believe the workforce is diverse and inclusive and that it is a place that promotes trust, fairness, and mutual respect. This high engagement score reinforces our commitment to the satisfaction and well-being of our employees as well as their professional development.

We take great pride that our people have such overwhelmingly positive sentiments towards APICORP.

Purpose Driven Institution

Rich history of positive developmental impact and commercially sound achievements for the past 48 years

83%

of employees believed that APICORP provides high-quality services and impact.

Purpose-driven organizations succeed in forging an emotional connection between employees and their services.

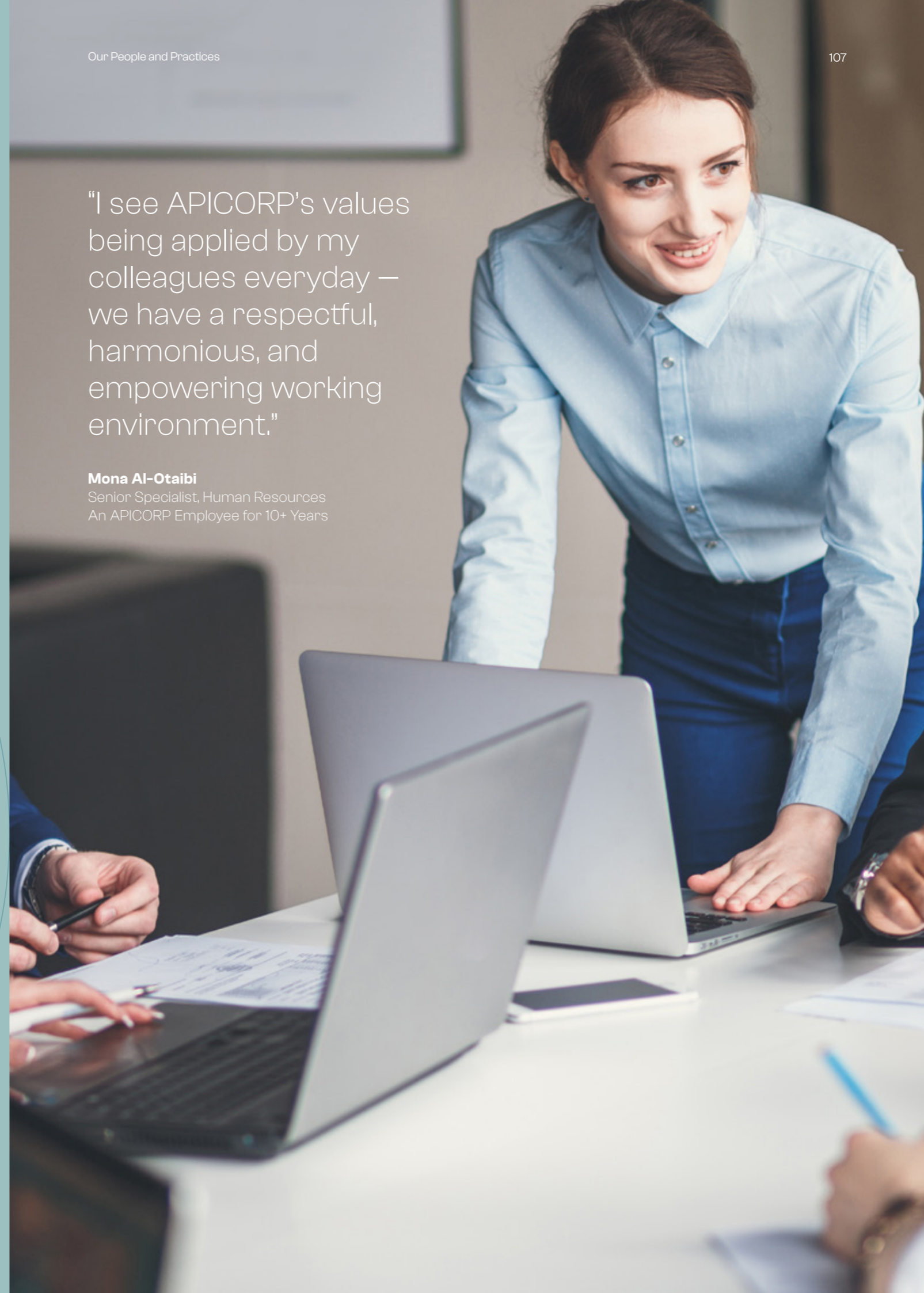
80%

of employees believe that APICORP is responding effectively and adapts to changes in the business environment.

“I see APICORP's values being applied by my colleagues everyday — we have a respectful, harmonious, and empowering working environment.”

Mona Al-Otaibi

Senior Specialist, Human Resources
An APICORP Employee for 10+ Years

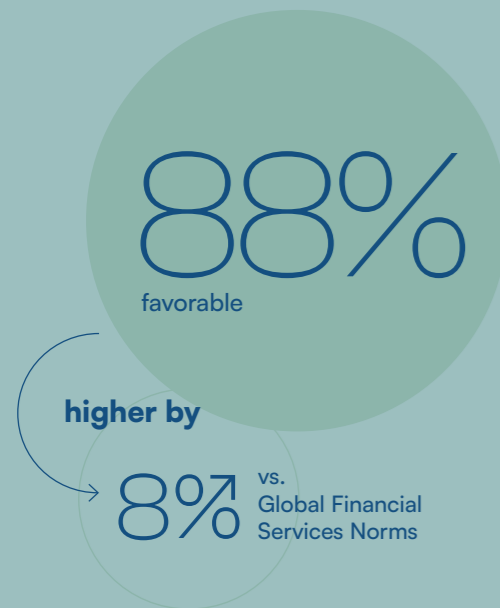


With a work environment built around trust, fairness, and mutual respect, we have successfully built a high degree of social capital and goodwill amongst our team members:

Positive levels of Engagement



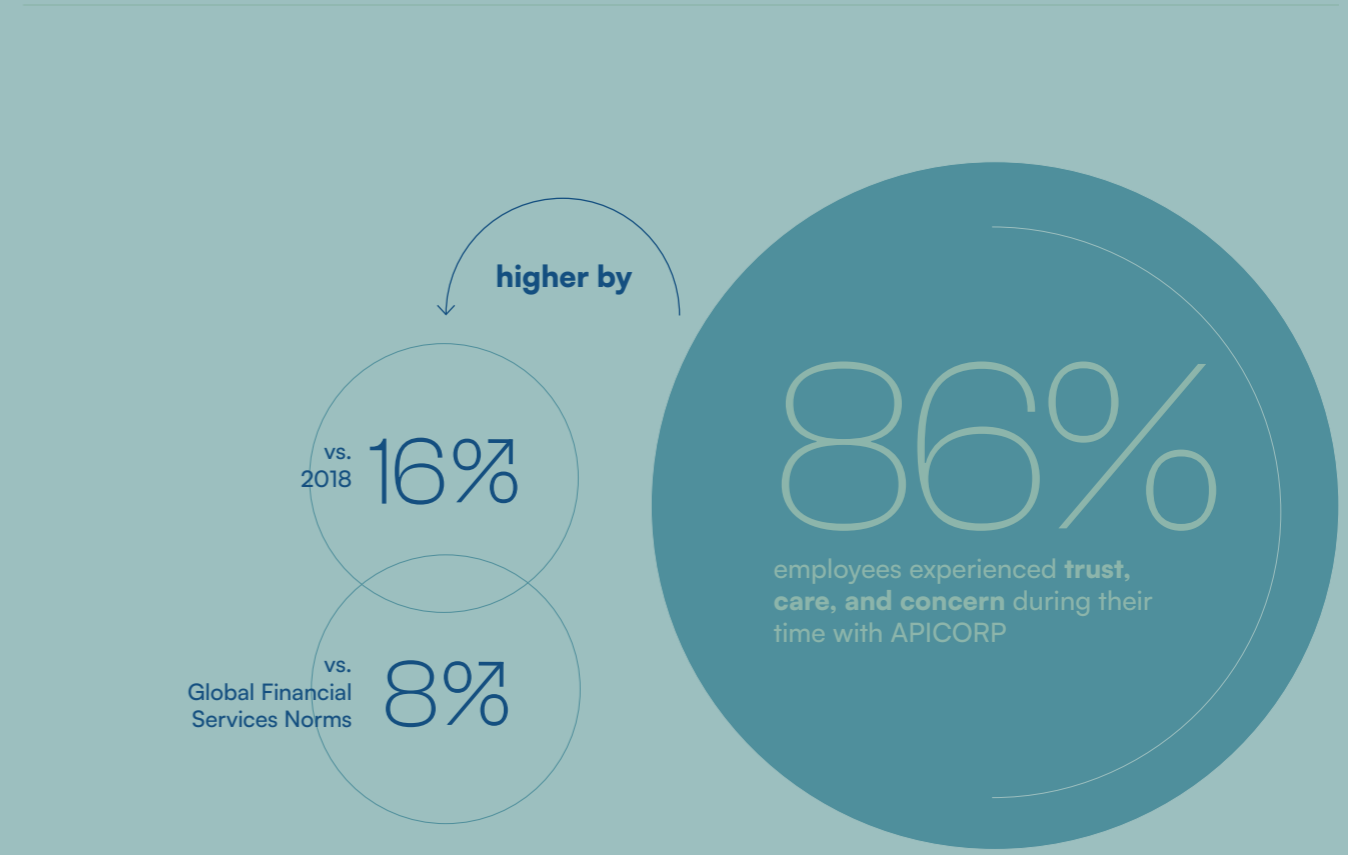
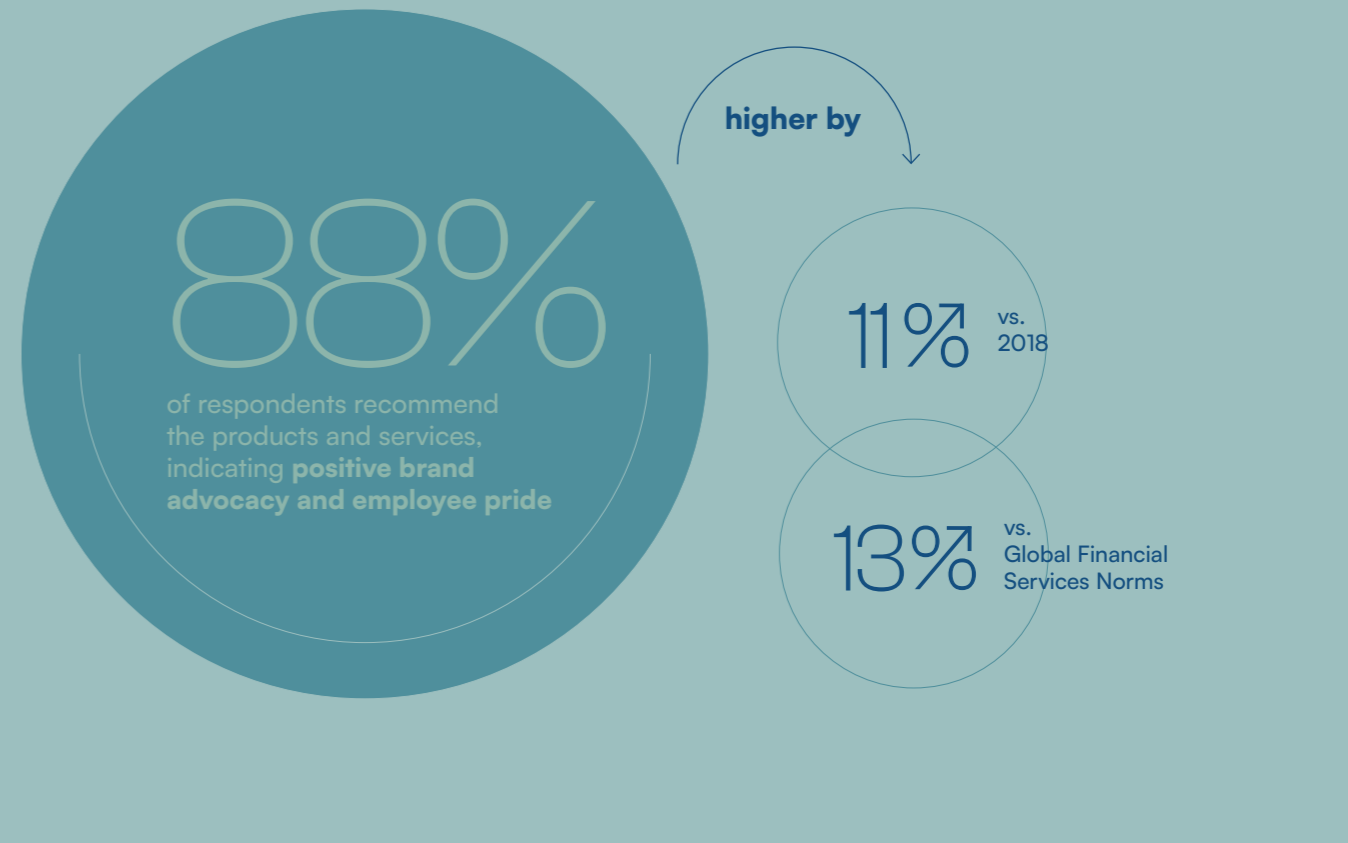
are confidently influenced by employees having a sense of pride in working for APICORP



Encouraging levels of Enablement



commenting that APICORP provides opportunities to do challenging and interesting work



Clear and Promising Direction

82%

employees trusted the APICORP Leadership Team

higher by

13% vs. 2018

7% vs. Global Financial Services Norms

84%

Employees aware of the strategic priorities

83%

Employees claimed to understand the link between his/her goal and the APICORP strategy

Performance and Standards

89%

of respondents believed that APICORP expects a high level of performance, indicating a performance work culture

higher by

8% vs. 2018

13% vs. Global Financial Services Norms

Furthermore, APICORP has accomplished creating a focused performance environment by

Setting goals

88%

Providing impactful feedback

72%

Linking pay with performance

75%

APICORP has successfully provided

Productive physical work environment

87%

Information access

78%

Resource availability

70%

Diversity and Inclusion

APICORP celebrates diversity in individuals, perspectives, and opinions.

We actively embrace and celebrate the rich multidimensionality united under the APICORP banner. Today, we represent 19 nationalities and the percentage of female employees at APICORP is growing, and women are increasingly represented in senior executive positions in the organization; representing an increase of 200% over the past five years, 15% of APICORP's total workforce is female with three women serving as members of the Senior Management Team.



Total Compensation and Development

Tangible total compensation is benchmarked at the

75th

percentile

within the financial services industry to ensure external competitiveness and constantly reviewed internally to manage internal equity

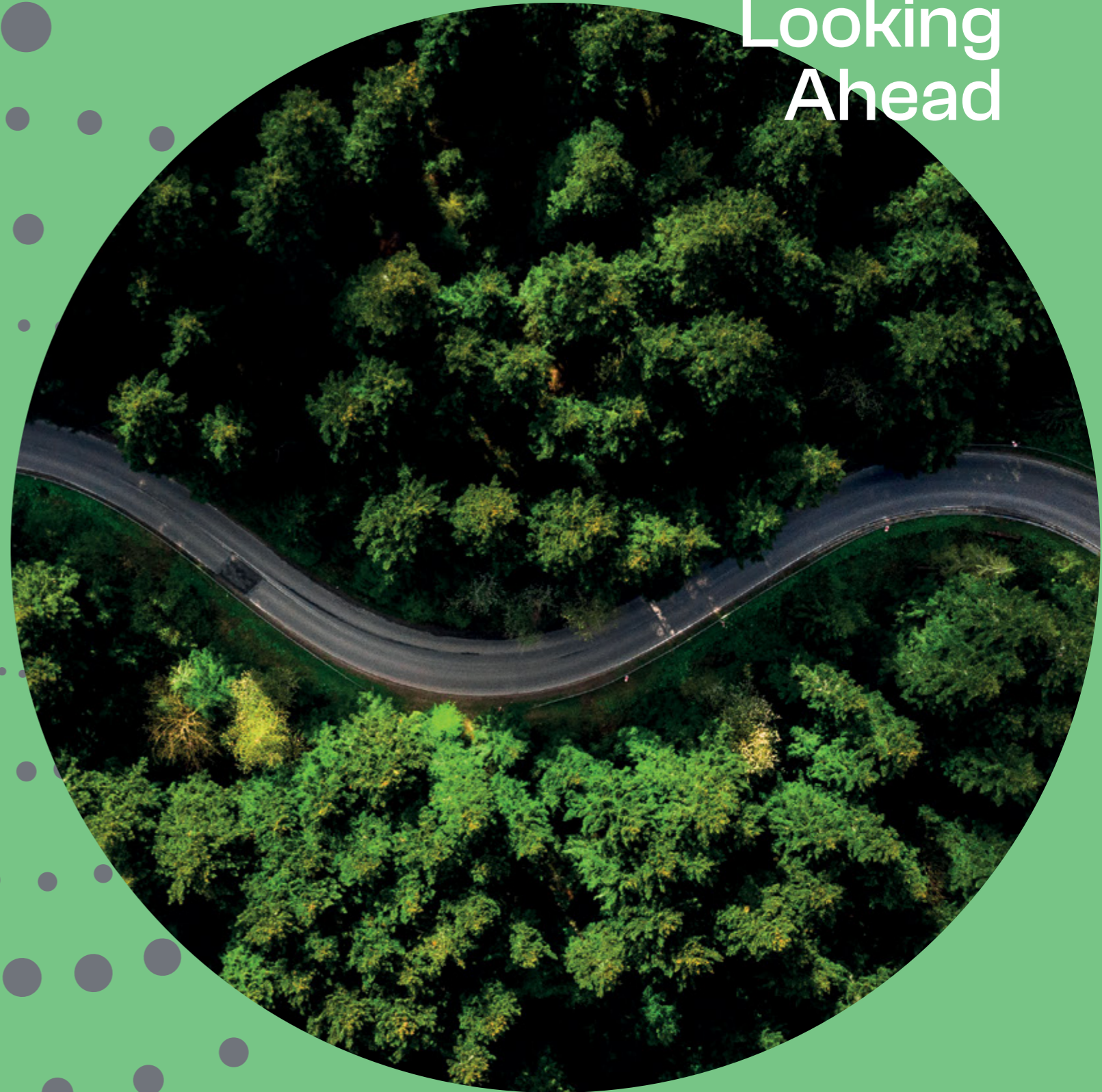
Development is embedded within APICORP's practices providing employees with a specific understanding of their strengths and areas of development, producing opportunities to develop technical, behavioral, and leadership capacities.




07

We will continue to build upon our sustainability journey into the future while amplifying our visibility. APICORP is constantly evolving in line with the sector's ever-changing landscape to uphold our strategy.

Looking Ahead





“Green energy economy is a great investment and bright future for the coming generation.”

Rasha Alqarata

Legal Associate and Deputy MLRO

With great purpose and determination, we will build on the momentum established throughout 2021 to enhance value creation for our stakeholders and accelerate our strategic and sustainability ambitions towards our vision to be the trusted financial partner for the Arab energy industry.

As we look toward the future, the Arab Petroleum Investments Corporation is well-positioned to continue to lead the energy transition in the region while charting a sustainable pathway.

We are committed to a balanced approach, which serves our Member Countries' immediate and long-term interests through a combination of environmentally conscious hydrocarbon production and a broad range of technologies to advance the global sustainable energy transition.

Following the launch of our sustainability journey in 2021, we will seek to accelerate our impact by investing sustainably, finalizing our ESG Policy Framework, and implementing robust ESG metrics and governance structures across the Corporation.

While the issuing of our debut Green Bond in 2021 marked an excellent beginning and outstanding achievement for APICORP, our ambitions are much greater still. With originated green assets of over US\$800 Mn in the pipeline, our role as a trailblazer in green financing activities for our region is now clearer than ever.

On this solid ESG foundation, we will seek to accelerate a range of integrated initiatives, such as the introduction of our ESG toolkit to cover our entire portfolio, the finalization of our ESG Strategy, and the release of the Corporation's first Sustainability Report.

We will also work to position and promote the Corporation's role as a key player in the realization of global sustainable energy sector development goals and the transition to net-zero emissions, as we deepen our commitments and engagement with local and international partners, standards, and principles.

Our focus on knowledge development and publication will continue unabated, providing valuable industry insights and advisory to support our Member Countries and build our reputation as a thought leader in our sector and region.

We will also continue to leverage our strong credit rating and expertise to help our Member Countries raise financing, as we seek to create significant and sustainable value, build robust strategic partnerships, and drive strategic progress for the Corporation across our region and globally.

Green Assets

800

Million USD



Managing Risk and Compliance

08



Reflecting the evolving market and risk environment, APICORP led the development of a dedicated ESG risk management framework to support the issuance of the region's first-ever Green Bond.

Risk Management

The Arab Petroleum Investments Corporation continued to develop and refine its robust risk management capabilities during 2021, ensuring focus and agility in preparing for and mitigating key risks to execute our strategic priorities and achieve our mandate.

APICORP has never ended a financial year with a loss in the last 20 years, and is consistently ranked as one of the most profitable institutions among its peers within the supranational space. One of the key elements behind this exceptional financial performance is our prudent, balanced approach to risk management and full compliance with all relevant local and international regulations and guidelines.

Backed by a robust risk policy, a strong — and improving — credit rating, and healthy growth in assets under management, our risk and compliance activities are fundamental to our strategic progress and sustainable success. This well-developed function is responsible for overseeing the risks emanating from our core business functions and other activities, providing the requisite support to ensure the achievement of our key objectives. It is empowered to effectively report on risk and compliance-related aspects within the Corporation, through direct reporting lines to both the Chief Executive Officer and the Board Audit and Risk Committee.

The function is responsible for setting and overseeing policies, guidelines, and frameworks in coordination with the relevant stakeholders to manage the

Corporation’s day-to-day risks. It applies a dedicated risk appetite framework, which is reviewed periodically and benchmarked with best practices, to focus on the Corporation’s most critical risk metrics.

2021 Achievements and Milestones

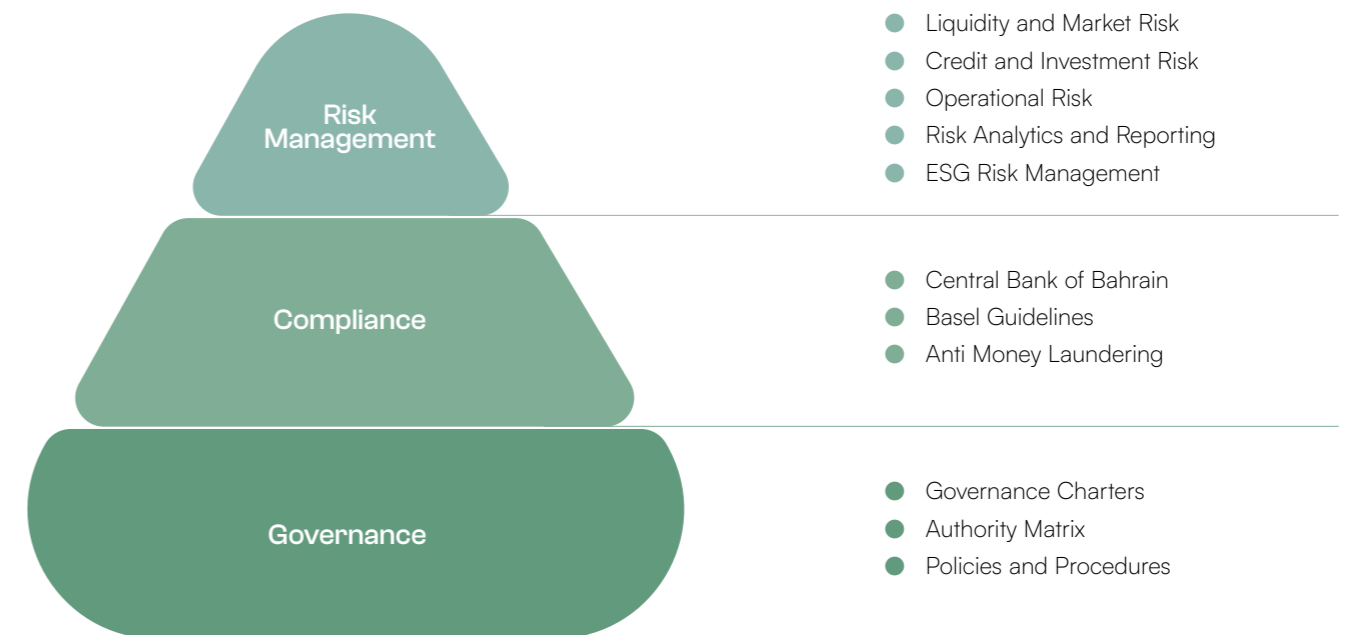
Reflecting the continuously evolving market and risk environment in which APICORP operates and its strategic priorities, we spearheaded the development of a dedicated ESG risk management framework in 2021. The framework complemented other work by our risk and compliance function to support the issuance of our successful debut Green Bond.

The year also saw the establishment of our risk and compliance’s middle office function to provide an additional internal control layer when it comes to monitoring and reviewing the transactions between the front office and back office. We also updated several policies and frameworks, as part of our periodic review process to align with best practices, which included APICORP’s market risk policy and exposure management framework.

Risk Management Framework

APICORP’s risk management framework empowers the risk and compliance function to provide guidance across three main pillars:

- Risk Management
- Compliance
- Governance



To support and complement our risk management framework, we have a dedicated risk appetite dashboard which provides continuous monitoring of risks across seven key categories:



The risk management framework is further supported with a set of policies and guidelines that are benchmarked periodically against best practices and relevant regulations and guidelines.

Principal Risks

We identified the principal risks to the fulfillment of our overarching organizational strategy and developed several policies that are benchmarked against the best practices and periodically reviewed and updated. Furthermore, the function defined specific metrics (along with related thresholds) and set in place adequate tools to monitor, assess, and report on those principal risks.

Principal Risk	Description
Credit Risk	The risk that a borrower or counterparty will be unable or unwilling to meet a commitment that it has entered into with APICORP, resulting in a financial loss. Policies and procedures have been established for the control and monitoring of all such exposures.
Liquidity Risk	The risk that APICORP will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management ensures that funds are always available to meet the funding requirements.
Market Risk	The risk that changes in market factors (e.g. interest rates, equity prices, and forex rates) will affect APICORP's income and/or the value of its holdings of financial instruments. APICORP has established a Board approved market risk policy and limits. All market risk positions are monitored through dedicated systems on a live basis under the oversight of ALCO and RMC.
Operational Risk	The risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, or people issues. APICORP ensures its liquidity risk management through a Board approved liquidity risk policy and liquidity metrics to maintain robust liquidity under normal and stress conditions.

Looking Forward

For 2022, we will continue to ensure that our corporate strategy and operations are supported by robust risk management and compliance with all applicable regulations by continuing to review and bolster our policies.

We look forward to further enhancing our credit risk framework during 2022 along with going live with a best-in-class market risk system.

In addition, we are working on automating our risk metrics and risk factors through a single system to ensure timely reporting of risk factors, metrics, and thresholds. In particular, we are focused on further developing our focus on ESG risks, with emphasis on risk-driven metrics.

IT Operations and Cyber Security

Information Technology and innovation continue to create substantive value and enable the success of APICORP in supporting the goals of our Member Countries.

During 2021, a year of major technological transformation and progress at APICORP, we fully activated our new IT Security and Governance function, building new capabilities and internal resources for more effective support and safeguards.

We carried out a complete re-implementation of the core banking system to increase efficiency, improve access to data, and enhance the accuracy of reporting, while also successfully implementing an information security management system based on the ISO 27001 standard.

To support the sustainability of our business, we bolstered our cloud computing capabilities and developed new partnerships and collaborations internally and externally. We also continued to invest in important enhancements in cyber security, infrastructure, and collaboration for improved security and effectiveness.

Furthermore, we successfully introduced a new, market-leading system in partnership with Bloomberg, which allows our Treasury Team to trade using different instruments and to better monitor and control these activities. This system provides increased visibility for treasury management, with real-time, seamless integration to achieve more accurate results and faster responses.

Successfully achieved

ISO 27001

Global standard for
information security

Governance

APICORP’s Governance Framework is periodically benchmarked against best practices

Strong Governance Framework and Enforcement Mechanism

APICORP maintains a very straightforward and transparent organizational structure that is similar to other highly-rated MDB peers.

The Corporation further maintains and regularly updates a comprehensive and coherent set of approved governance documents (e.g. Board and management charters, authorizing matrix, policies and procedures, etc.).

APICORP’s Board of Directors and management ensure the strict enforcement of all internal policies and adherence to regulatory guidelines as a best practice.

The corporation engages one of the Big Four audit firms (PWC during 2020/2021) for the internal audit function (fully outsourced and directly reporting to the BARC) and similarly (KPMG during 2020/2021) for its external audit. Firms change periodically as per best practice.

APICORP is driven by a strong Management Team with a proven track record.

Key Highlights

Organizational Structure, Policies and Procedures, and Modus Operandi as well as IT systems are complementary and mutually reinforcing.

Strong quality of management (with notable MDB experience) ensure vigorous implementation with due consideration to risk management and internal control.

Independent functionalities (e.g. Risk Management and Internal Audit) and processes (e.g., External Audit) are robust and report directly to the Board.

Governance Framework in line with Best Practices



Senior Management

Business activities consistent with approved strategy, risk appetite, and policies

Executive Management Committee

Management Sub-Committees:

- Credit and Investment Committee
- Asset-Liability Committee
- Risk Management Committee
- Tenders and Bids Committee



Disclosure and Transparency

Governance practice is adequately transparent to depositors, stakeholders, and market participants

- Implementation of all relevant accounting, financial and banking standards



Board Practices

Diversified Board entrusted with strategic direction, business growth, compliance, and governance.

- Dedicated Board Sub-Committee for Governance
- Oversight of Senior Management
- Qualified members
- Governance practice for its own work



Risk Management and Internal Controls

Best global practice in risk management frameworks, policies and guidelines; well-designed system-based internal controls built on detailed processes and procedures

- Independent risk, compliance, and internal audit function
- Functions have sufficient authority, resources, and Board access
- Effective internal controls



Work Environment

Robust Employment Practice (code of conduct, grievance, and whistleblowing policy); engaging environment with best-in-class employee benefits

Compensation

- Board’s oversight on compensation practice
- Compensation aligned with prudent risk-taking
- Ensure corporate structure does not involve undue or inappropriate complexity

Committees

Board Committee

Board Audit and Risk Committee (BARC)

The Board Audit and Risk Committee (BARC) reviews and recommends to the Board of Directors the financial statements and annual administrative budget of the institution.

It also oversees all financial activities, internal control, risk management framework, audit functions, as well as compliance with legal and regulatory requirements.

Board Governance and Remuneration Committee (BGRC)

The Board Governance and Remuneration Committee (BGRC) reviews and recommends to the Board of Directors the corporate governance framework and ensures implementation of the corporate governance policies and procedures across the institution.

It also reviews and recommends to the Board of Directors the remuneration and rewards policy, evaluates the performance of the Executive Management, and facilitates the recruitment of the Executive Management Team.

Management Committee

Executive Management Committee

The Executive Management Committee (EMC) is responsible for the effective management of the institution's strategic plan, business direction, corporate governance, corporate performance, interdepartmental collaboration, human resources, information technology, corporate communication, CSR, and other related issues.

Risk Management Committee

The Risk Management Committee (RMC) is responsible for overseeing the effective management of APICORP's Risk Appetite Framework, risk-related policies and procedures, risk exposures and rating models, regulatory compliance, business continuity, and other related matters.

Asset Liability Management Committee

The Asset Liability Management Committee (ALCO) is responsible for overseeing the effective management of the balance sheet risks of APICORP in line with the Risk Appetite Framework, including the formulation of strategic directions regarding the mix and maturities of the assets and liabilities, interest rate profile, currency, and funds transfer pricing. In addition, the ALCO supervises the institution's funding program as well as liquidity management and capital market activities (e.g., hedging).



09

Considered the most profitable and accredited multilateral development bank in the region, APICORP is leveraging its reputation to help members secure financing with high capital returns while driving sustainable development in the energy sector.

Financial Statements



Independent Auditors' Report

To the Shareholders of
Arab Petroleum Investments Corporation
Dammam, Kingdom of Saudi Arabia



Opinion

We have audited the consolidated financial statements of Arab Petroleum Investments Corporation (the "Corporation") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated 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 (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances

(Refer to accounting policy in Note 3H(viii) and disclosures relating to credit risk in Note 26 (a))

The key audit matter

We focused on this area because:

- Of the significance of loans and advances representing 57.5% of total assets by value; and
- The determination of expected credit loss allowance (ECL) is highly subjective and judgemental. The most significant areas where we identified greater level of management judgment are:
 - » Criteria selected to identify significant increases in credit risk (SICR);
 - » Use of inherently judgemental complex models to estimate ECLs which involve determining Probabilities of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD);
 - » The need to measure ECL on a forward-looking basis, incorporating future macro-economic variables reflecting a range of future economic conditions;
 - » Qualitative adjustments (overlays) made to ECL results to address model limitations or emerging risks and trends in underlying portfolio which are inherently judgemental especially in the current COVID-19 environment.

The carrying value of individually assessed stage 3 loans and advances may be materially misstated if individual impairments are not appropriately identified and estimated. The identification of impaired assets and the estimation of future cash flows and valuation of collateral require judgement.

How the matter was addressed in our audit

Our procedures included:

- Understanding management's process and testing the relevant key controls over ECL, including over:
 - » The completeness and accuracy of data flows from source system to the ECL calculation;
 - » Model review, validation and approval;
 - » Assessment and calculation of material SICR indicators and criteria;
 - » The review and approval of assumptions used in the base case economic scenario used in ECL calculation; and
 - » The ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating on a timely basis, to lower grades for enhanced monitoring.
- We involved our credit risk specialists to assist us in:
 - » Evaluating the appropriateness of Group's impairment methodology;
 - » Evaluating the appropriateness and reasonableness of key modelling judgments (eg. the transfer criteria used to determine SICR);
 - » Evaluating the appropriateness of material management overlays to results of the ECL model taking into account the judgment and estimates the Group has made through the ECL process (including macro-economic forecast). We also considered the performance of ECL model during the year and impact of assumptions used in the calculation.
- For all loans classified as stage 3 credit impaired loans, we:
 - » Evaluated the Group's assessment of the recoverability of these exposures and assessed whether the key assumptions used in the recovery strategies, collateral rights and ranges of potential outcomes were appropriate, given the borrower's circumstance; and
 - » Evaluated the basis on which the allowance was determined, and the evidence supporting the analysis performed by management, of assumptions used in the calculation.

Evaluating the adequacy of the Group's disclosures related to ECL on loan and advances in the consolidated financial statements by reference to the relevant accounting standards.

Valuation of unquoted equity securities (level 3)

(Refer to accounting policy in Note 3H(vi) and disclosures relating to fair value of financial instruments in Note 28(a))

The key audit matter

We focused on this area because:

- Unquoted equity securities of US\$ 732,893 thousands make up 9% of total assets by value; and

The valuation of unquoted equity securities requires the application of valuation techniques which often involve the exercise of high degree of judgement and the use of unobservable assumptions and estimates about the performance of the investees company.

How the matter was addressed in our audit

Our audit procedures included:

- Understanding and testing relevant key controls over valuation process including valuation governance controls;
- With the support of our valuation specialists, we performed the following:
 - » Evaluating the appropriateness of the valuation techniques used by management and testing their application;
 - » Evaluating the reasonableness of key inputs and assumptions, with reference to historic performance of the investee and market information; and
 - » Assessing reasonableness of the valuation.
- Evaluating the adequacy of the Group's disclosures related to valuation of unquoted equity securities categorised as level 3 by reference to the relevant accounting Standards.



Responsibilities of Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Jalil AlAali.



KPMG Fakhro

Partner Registration Number 100
2 March 2022

Consolidated Statement of Financial Position

As at 31 December 2021

(US000\$)

	Note	2021	2020
Assets			
Cash and bank balances		51,052	57,613
Placements with banks	4	292,478	374,692
Loans and advances	5	4,643,571	3,914,216
Investments	6	2,769,048	3,220,735
Equity accounted investees	7	95,518	114,211
Property, equipment and vessels	8	50,317	100,401
Other assets	9	90,198	110,947
Total assets		7,992,182	7,892,815
Liabilities			
Deposits	10	348,994	137,887
Securities sold under agreements to repurchase		-	352,147
Bank term financing	11	-	1,171,871
Sukuk and bons issued	12	4,901,849	3,602,053
Other liabilities	13	187,034	187,448
Total liabilities		5,437,877	5,451,406
Equity			
Share capital	1	1,500,000	1,500,000
Legal reserve	24	258,000	247,00
General reserve	24	208,236	81,574
Investments fair value reserve		478,397	483,228
Retained earnings		107,913	126,662
Total equity attributable to shareholders of the coporation		2,552,546	2,438,464
Non-controlling interests		1,759	2,945
Total equity		2,554,305	2,441,409
Total liabilities and equity		7,992,182	7,892,815

The consolidated financial statements, were approved by the Board of Directors on 26 February 2022 and signed on its behalf by:



Dr. Aabed Al-Saadoun
Chairman



Dr. Ahmed Ali Attiga
Chief Executive Officer



Dr. Sherif El Sayed Ayoub CFA, CPA
Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements .

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

(US000\$)

	Note	2021	2020
Interest income		145,560	197,711
Interest expense		(74,226)	(114,639)
Net interest income	16	71,334	83,072
Dividend income	17	98,174	47,046
Net loss on financial assets at FVTPL	18	14,214	(23,124)
Net gain/(loss) on derecognition of financial assets at FVOCI		(25,477)	45,673
Share of profit from associates		5,329	1,701
Net fee income	19	5,234	3,532
Other income, net	20	(17,580)	19,087
Total income		151,228	176,987
Operating expenses	21	(53,588)	(47,659)
Impairment (loss) / reversal on financial instruments, net	22	7,723	(14,256)
Impairment losses on other assets, net	23	(5,742)	-
Profit for the year		99,621	115,072
Profit for the year attributable to:			
Shareholders of the Corporation		100,807	114,530
Non-controlling interests		(1,186)	542
		99,621	115,072
Per share information			
Basic and diluted earnings per share		US \$ 66	US \$ 85
Net asset value per share		US \$ 1,702	US \$ 1,792
Weighted average number of shares (in thousand)		1,500	1,361



Dr. Aabed Al-Saadoun
Chairman



Dr. Ahmed Ali Attiga
Chief Executive Officer



Dr. Sherif El Sayed Ayoub CFA, CPA
Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements .

Consolidated Statement of Comprehensive Income

As at 31 December 2021

(US000\$)

	2021	2020
Profit for the year	99,621	115,072
Other comprehensive income		
Items that will not be reclassified to the statement of profit or loss		
Net change in fair value of equities at FVOCI	18,032	1,905
Items that are or may be reclassified subsequently to the statement of profit or loss		
Net change in fair value of debt securities at FVOCI	(30,234)	19,338
Reclassified to profit or loss on sale of debt securities at FVOCI	25,477	(45,673)
Total other comprehensive income for the year	13,275	(24,430)
Total comprehensive income for the year	112,896	90,642
Total comprehensive income for the year attributable to:		
Shareholders of the Corporation	114,082	90,100
Non-controlling interests	(1,186)	542
	112,896	90,642

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements .

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

2021	Total Equity attributable to Shareholders of the Corporation						Non-controlling interests	Total equity
	Share capital	Legal reserve	General reserve	Investments fair value reserve	Retained earnings	Total		
Balance at 1 January 2021	1,500,000	247,000	81,574	483,228	126,662	2,438,464	2,945	2,441,409
Comprehensive income								
Profit for the year	-	-	-	-	100,807	100,807	(1,186)	99,621
Other comprehensive income								
— Transfer to retained earnings on sale of equity instruments at FVOCI	-	-	-	(18,106)	18,106	-	-	-
— Net change in fair value of debt investments at FVOCI	-	-	-	(4,757)	-	(4,757)	-	(4,757)
— Net change in fair value of equity investments at FVOCI	-	-	-	18,032	-	18,032	-	18,032
Total other comprehensive income	-	-	-	(4,831)	18,106	13,275	-	13,275
Total comprehensive income for year	-	-	-	(4,831)	118,913	114,082	(1,186)	112,896
Transfer to legal reserve	-	11,000	-	-	(11,000)	-	-	-
Transfer to general reserve	-	-	126,662	-	(126,662)	-	-	-
Balance as at 31 December 2021	1,500,000	258,000	208,236	478,397	107,913	2,552,546	1,759	2,554,305
2020								
Balance at 1 January 2020	1,000,000	235,000	464,016	531,794	117,558	2,348,368	2,403	2,350,771
Comprehensive income								
Profit for the year	-	-	-	-	114,530	114,530	542	115,072
Other comprehensive income								
— Transfer to retained earnings on sale of equity instruments at FVOCI	-	-	-	(24,132)	24,132	-	-	-
— Net change in fair value of debt investments at FVOCI	-	-	-	(26,339)	-	(26,339)	-	(26,339)
— Net change in fair value of equity investments at FVOCI	-	-	-	1,905	-	1,905	-	1,905
Total other comprehensive income	-	-	-	(48,566)	24,132	(24,434)	-	(24,434)
Total comprehensive income for year	-	-	-	(48,566)	138,662	90,096	542	90,638
Transfer to legal reserve	-	12,000	-	-	(12,000)	-	-	-
Transfer to general reserve	-	-	117,558	-	(117,558)	-	-	-
Transfer to share capital	500,000	-	(500,000)	-	-	-	-	-
Balance as at 31 December 2020	1,500,000	247,000	81,574	483,228	126,662	2,438,464	2,945	2,441,409

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements .

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements .

Consolidated Statement of Cash Flows

As at 31 December 2021

	(US000\$)	
	2021	2020
OPERATING ACTIVITIES		
Profit for the year	99,621	115,072
Adjustment for:		
Depreciation	6,725	6,925
End-of-service benefits	1,843	1,757
Net interest income	(71,334)	(83,072)
Share of profit from equity accounted investees	(5,329)	(1,701)
Net hedge ineffectiveness loss/(gain)	9,501	590
Loss/(gain) on sale of investments	25,477	(45,673)
Change in fair value of investments designated at FVTPL	(14,214)	23,124
Gain from sale of associate	(2,964)	-
Loss from disposal of vessels	11,778	-
Dividend income	(98,174)	(47,046)
Impairment (reversal)/charge, net	(1,981)	16,656
Net amortisation of transaction fee	760	1,399
Changes in operating assets and liabilities		
Interest receivable	147,565	215,901
Loans and advances drawdown	(2,443,285)	(1,620,453)
Loans and advances repaid by customers	1,731,213	1,376,149
Placements with banks	(47,800)	237,132
Other assets	12,632	2,329
Other liabilities	(14,215)	60,376
	(652,181)	259,465
End-of-service benefits paid	(3,050)	(1,066)
Net cash (used in) / from operating activities	(655,231)	258,399

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements .

Consolidated Statement of Cash Flows

As at 31 December 2021

	(US000\$)	
	2021	2020
INVESTING ACTIVITIES		
Purchase of investments	(2,843,038)	(6,387,183)
Sale and redemptions of investments	3,282,066	5,892,881
Purchase of property, equipment and vessels	(4,579)	(4,234)
Proceeds from disposal of vessels	32,660	-
Dividends received	97,393	41,246
Net cash from / (used in) investing activities	564,502	(457,290)
FINANCING ACTIVITIES		
Proceeds from deposits	2,152,184	3,048,676
Repayment of deposits	(2,293,393)	(3,186,580)
Repayment of bank term financing	(1,175,000)	(150,000)
Proceeds from Sukuk and bonds	1,750,000	1,132,099
Repayment of Sukuk and bonds	(399,135)	(500,000)
Dividend paid	(5,243)	-
Finance charges paid	(75,245)	(129,204)
Net cash (used in) / from financing activities	(45,832)	214,991
Net (decrease) / increase in cash and cash equivalents for the year	(136,561)	16,100
Cash and cash equivalents at 1 January	187,613	171,513
Cash and cash equivalents at 31 December	51,052	187,613
Cash and bank balances		
Cash and bank balances	51,052	57,613
Placements with banks (with maturity less than three months)	-	130,000
	51,052	187,613

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements .

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

1. Reporting Entity

Arab Petroleum Investments Corporation (“APICORP” or the “Corporation”) is an Arab joint stock company established on 23 November 1975 in accordance with an international agreement signed and ratified by the ten member states of the Organization of Arab Petroleum Exporting Countries (OAPEC). The agreement defines the objectives of the Corporation as:

- participation in financing petroleum projects and industries, and in fields of activity which are derived therefrom, ancillary to, associated with, or complementary to such projects and industries; and
- giving priority to Arab joint ventures which benefit the member states and enhance their capabilities to utilise their petroleum resources and to invest their funds to strengthen their economic and financial development and potential.

The establishing agreement states that APICORP is exempt from taxation in respect of its operations in the member states.

(i) Share capital

As of 31 December, 2021, the Corporation’s authorised capital is US \$ 20,000 million (2020: US \$ 20,000 million), subscribed capital US \$ 10,000 million (2020: US \$ 10,000 million) and issued and paid up capital is US \$ 1,500 million (2020: US \$ 1,500 million), whereas the remainder of US \$ 8,500 million (2020: US \$ 8,500 million) is callable capital.

In April 2020, the General assembly upon recommendation of the Board of Directors approved the increase of the authorized capital from US\$2.4 billion to US\$20 billion, subscribed capital from US\$2 billion to US\$10 billion, Paid-up capital was increased from US\$1 billion to US\$1.5 billion by transferring US\$500 million from general reserves.

The capital is denominated in shares of US\$ 1,000 each and is owned by the governments of the ten OAPEC states as follows:

	Authorised capital	Subscribed capital	Issued and fully paid	Callable capital	%
United Arab Emirates	3,400,000	1,700,000	255,000	1,445,000	17%
Kingdom of Bahrain	600,000	300,000	45,000	255,000	3%
Democratic and Popular Republic of Algeria	1,000,000	500,000	75,000	425,000	5%
Kingdom of Saudi Arabia	3,400,000	1,700,000	255,000	1,445,000	17%
Syrian Arab Republic	600,000	300,000	45,000	255,000	3%
Republic of Iraq	2,000,000	1,000,000	150,000	850,000	10%
State of Qatar	2,000,000	1,000,000	150,000	850,000	10%
State of Kuwait	3,400,000	1,700,000	255,000	1,445,000	17%
Libya	3,000,000	1,500,000	225,000	1,275,000	15%
Arab Republic of Egypt	600,000	300,000	45,000	255,000	3%
	20,000,000	10,000,000	1,500,000	8,500,000	100%

(ii) Activities

APICORP is independent in its administration and the performance of its activities and operates on a commercial basis with the intention of generating net income. It operates from its registered head office in Dammam, Kingdom of Saudi Arabia and through a banking branch in Manama, Kingdom of Bahrain.

Currently, the Corporation’s financing activities take the form of loans, equity investments, project & trade financing and fund investments, as well as treasury investments. These activities are funded by shareholders’ equity, medium-bank term financing, Sukuk, bonds, deposits from governments and corporates and short-term deposits from banks.

(iii) Significant subsidiaries

The following subsidiaries are consolidated in these consolidated financial statements:

APICORP Petroleum Shipping Fund Limited

A close-ended fund incorporated in Cayman Islands in 2012 for the purposes of investment in a series of IMO II/III MR Tankers (“commercial marine vessels”). The Fund is 94% owned by the Corporation.

The Fund has a 100% subsidiary (the ‘Charter Company’), a special purpose vehicle to act as a conduit for the usage and leasing of ships and has also set up 100% special purpose entities (SPEs) to own the vessels for the beneficial interest of the Fund.

APICORP Managed Investment Vehicle

A special purpose vehicle set up in 2017 in the Cayman Islands as a 100% owned subsidiary that seeks to provide long-term capital gains and regular yield through the creation of a diversified, global portfolio of energy-related investments (CP VII Funds and the Energy Partners Funds) in equity and equity-related and similar securities or instruments, including debt or other securities or instruments with equity-like returns.

APICORP Sukuk Limited

The Corporation has set up a special purpose vehicle in 2015, APICORP Sukuk Limited, incorporated in Cayman Islands. It is a 100% owned subsidiary with the primary activity to issue Sukuk and related products.

APICORP Trading SPV Limited

The Corporation has set up a special purpose vehicle in 2019, APICORP Trading SPV Limited, incorporated in Cayman Islands. It is a 100% subsidiary set up primarily for the purpose of holding interest rate swap, foreign exchange and repurchase agreement deals.

The consolidated financial statements include the financial statements of APICORP and its subsidiaries (together “the Group”).

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

2. General

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the measurement at fair value of derivatives, financial instruments held at Fair Value through Profit and Loss (FVTPL) and financial instruments at Fair Value through Other Comprehensive Income (FVOCI). In addition, financial assets and liabilities that are hedged in a fair value hedging relationship, are adjusted to record changes in fair value attributable to the risk that is being hedged.

(iii) Functional and presentation currency

These consolidated financial statements are presented in US Dollars, which is also the Group's functional currency. All amounts have been rounded to the nearest thousands, except otherwise stated

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all periods presented in the consolidated financial statements and have been consistently applied by the Group except if mentioned otherwise (see note 3(c)).

A. Basis Of Consolidation

"Subsidiaries" are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights, to variable returns from its involvement with the investee company, and has the ability to influence the returns through its power over the entity.

Special Purpose Entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the acquisition of shipping vessels as well as the execution of a specific borrowing or investment transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group: 1) the Corporation has power over the SPE and is exposed to or has rights to variable returns from its involvement with the SPE; 2) the Corporation has the ability to use its power over the SPE at inception; and 3) the Corporation can subsequently affect the amount of its return, the Corporation concludes that it controls the SPE. The assessment of whether the Corporation has control over a SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Corporation and the SPE, except whenever there is a change in the substance of the relationship between the Corporation and a SPE.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date on which control ceases. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interest (NCI) are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners' equity of the Group

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resultant gain or loss is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, or when appropriate, the cost on initial recognition of an equity accounted investee.

B. Equity Accounted Investees

The Group's interest in equity accounted investees comprise interests in associates. An associate is an entity over which the Group has significant influence but not control or joint control over the financial and operating policies.

Interests in associates are accounted for using the equity method of accounting. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity accounted investees until the date on which significant influence ceases.

Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the investee arising from changes in the investee's equity. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Intra-group gains on transactions between the Group and its equity accounted associates are eliminated to the extent of the Group's interest in the investees.

The carrying amount of the equity accounted investment is tested for impairment in accordance with the policy in Note J.

C. Standards Issued And Effective

Interest rate benchmark reform-phase 2(amendment to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the interest rate benchmark reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of the existing interest rate benchmark with a risk-free rate (RFR). The amendments provide practical relief from certain requirements of IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is effective for annual reporting periods beginning on or after 1 January 2021. The changes did not result in any material impact on the Group's consolidated financial information.

The Group adopted IBOR reform Phase 2 from its effective date, which allows as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating interest rate, provided that certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

The majority of LIBOR and other IBORs are to be discontinued after 31 December 2021 and replaced with certain Alternative Benchmark Rates, with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place.

The Group has undertaken a project under the oversight of a cross-functional IBOR Committee to manage its transition from LIBORs to alternative risk-free rates. The objectives of the IBOR Committee include evaluating the extent to which assets and liabilities are referenced to LIBOR cash flows, assessing whether contracts need to be amended as a result of these reforms, and managing IBOR reform communication with counterparties. The new contracts to be entered by the Group on or after 1 January 2022 will be based on using various alternative benchmark interest rates including certain "risk-free" rates.

Non-derivative financial assets and liabilities

The Group's exposure to its floating non-derivative financial assets and liabilities is predominantly linked to USD LIBOR. The Group will transition these contracts to RFRs through bilateral agreements ahead of June 2023. The Group's exposure to financial assets that are based on USD LIBOR maturing after June 2023 is US \$80.9 million as at 31 December 2021. The Group's exposure to USD LIBOR linked financial liabilities maturing after June 2023 is US \$300 million as at 31 December 2021. The Group is in discussion with the counterparties to effect an orderly transition of USD exposures to the relevant RFR.

Derivatives

The Group's interest rate derivative instruments have floating legs predominantly linked to USD LIBOR. Such instruments are governed by the International Swaps and Derivatives Association (ISDA) Master Agreements. ISDA has defined a fall-back logic (ISDA protocol) to replace the LIBOR fixings following the transition. These fall-back rates are published by Bloomberg Index Securities Limited for use in legacy derivatives contracts. The existing contracts can be transitioned to these alternatives.

The Group has applied the hedging relief available under the amendments to IFRS 9 Financial Instruments relating to interest rate benchmark reforms and assessment of economic relationship between hedged items and hedging instruments.

D. Standards 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 2022 where earlier application is permitted; however, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements.

(i) Annual Improvements to IFRS Standards 2018-2020

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018–2020. A key amendment is:

IFRS 9 Financial Instruments

This amendment clarifies that — for the purpose of performing the "10 per cent test" for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Adoption of this amendment is not expected to have a material impact on the consolidated financial statements of the Group.

(ii) Reference to the Conceptual Framework (Amendments to IFRS 3)

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

Adoption of this amendment is not expected to have a material impact on the consolidated financial statements of the Group.

(iii) Classification of liabilities as current or non-current (amendment to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further, 'a right to defer' exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments — e.g. convertible debt.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Adoption of this amendment is not expected to have a material impact on the consolidated financial statements of the Group.

(iv) Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognizes the full gain on the loss of control. But under the standard on associates and JVs, the parent recognizes the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognized in full if the underlying assets are impaired. The amendments require the full gain to be recognized when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations.

Adoption of this amendment is not expected to have a material impact on the consolidated financial statements of the Group.

(v) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Adoption of these amendments is not expected to have a material impact on the consolidated financial statements of the Group.

(vi) Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

Adoption of this amendment is not expected to have a material impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

E. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances and placements with financial institution with original maturities of less than 3 months from the acquisition date, which are subject to insignificant risk of fluctuation in their realisable value.

F. Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) are not derecognised, as the Group retains all or substantially all the risks and rewards of the transferred assets. Amounts received under these agreements are treated as liabilities and the difference between the sale and repurchase price treated as interest expense using the effective interest method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position. Amounts paid under these agreements are treated as assets and the difference between the purchase and resale price treated as interest income using the effective interest method.

G. Property, Equipment And Vessels

(i) Recognition and measurement

Items of property, equipment and vessels are stated at cost less accumulated depreciation and impairment losses, if any. Where items of property, equipment and vessels comprise significant components having different useful lives, these components are accounted for as separate items of property, equipment and vessels.

Any gain or loss on disposal of an item of property, equipment and vessels (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in the consolidated statement of profit or loss.

(ii) Subsequent expenditure

An expenditure incurred subsequently to replace a major component of an item of property, equipment and vessels that is accounted for separately is capitalised if it increases the future economic benefits expected to accrue from the item of property, equipment and vessels. All other expenditure, for example on maintenance and repairs, is expensed in the consolidated statement of profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of the items of property, equipment and vessels. Land is not depreciated.

The estimated useful lives of the Group's property, equipment and vessels are as follows:

Buildings	40 years
Computers, Furniture & Equipment	3 to 10 years
Vessels	25 years from the date built

The property, equipment and vessels residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revision of the residual value, useful life and depreciation method are included in the consolidated statement of profit or loss for the year in which the changes arise.

Capital work in progress

Assets under construction are classified as Capital work in progress. The Capital work in progress comprises expenditure incurred on the acquisition and installation of assets which is transferred to the appropriate category of asset and depreciated after it is put to commercial or intended use.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in consolidated statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities as separate line item on face of the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

H. Financial Instruments

(i) Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities and Sukuk on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or a financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Transaction costs on financial instruments at FVTPL are expensed in the consolidated statement of profit or loss. The fair value of a financial instrument at initial recognition is generally its transaction price.

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to stakeholders. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the
- duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (iv)), 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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in the consolidated statement of profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the consolidated statement of profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the consolidated statement of profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated statement of profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in the consolidated statement of profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vi) Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price — i.e. the fair value of the consideration given or received.

If a market for a financial instrument is not active or there is no market, the Group establishes fair value using well-recognised valuation techniques that may include recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flows or market multiples for similar instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

In determining fair valuation, the Group in many instances relies on the financial data of investees and on estimates by the management of the investee companies as to the effect of future developments.

Although the Group uses its best judgment, there are inherent limitations in any estimation technique. The fair value estimates presented herein are not necessarily indicative of an amount the Group could realise in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the consolidated financial statements.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in the consolidated statement of profit or loss in the 'other income' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in the consolidated statement of profit or loss in the 'other income' line item. Other exchange differences are recognised in OCI in the investment revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in the consolidated statement of profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investment fair value reserve.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

(viii) Impairment of exposures subject to credit risk

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents
- Placements with banks
- Securities purchased under agreements to re-sell;
- Debt securities;
- Loans and advances;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

The Group measures ECL through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment as well as forward-looking information. The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

In determining whether credit risk has increased significantly since initial recognition, the following criteria are considered:

- Downgrade in risk rating according to the approved ECL policy;
- Facilities restructured during previous twelve months;
- Qualitative indicators; and
- Facilities overdue by 30 days as at the reporting date subject to rebuttal in deserving circumstances

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material obligation to the Group; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligation.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective profit rate of the financial asset.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. In absence of adequate loss history, suitable proxies as well as regulatory parameters and guidance is used to determine the LGD.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and the ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikelihood to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings;
- For loan commitments and financial guarantee contracts: generally, as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

(ix) Derivative financial instruments

The Group enters into a variety of derivative financial instruments held to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain/loss is recognised in the consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(x) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of: 1) the amount of the loss allowance determined in accordance with IFRS 9; and 2) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the consolidated statement of financial position and the remeasurement is presented in other revenue. The Group has not designated any financial guarantee contracts as at FVTPL.

(xi) Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges. The Group does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In

addition, the Group uses the exemption to continue using IFRS 9 hedge accounting rules.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases, discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in the consolidated statement of profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognised in OCI. The Group has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at FVOCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in the consolidated statement of profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognised in the consolidated statement of profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

Where hedging gains/losses are recognised in the consolidated statement of profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the Effective Interest Rate (EIR) method is used (i.e. debt instruments measured at amortised cost or at FVOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates.

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2021. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2021.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

I. Revenue Recognition

(i) Interest income and expense

Interest income and expense is recognised in consolidated profit or loss, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(ii) Dividend income

Dividend income is recognized when the right to receive income is established. This is usually when approved by the shareholders.

(iii) Income from vessel charter

Income from vessel charter is recognized over the term of the contract with charter of vessels.

J. Impairment Of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

K. Legal And General Reserves

Under Article 35 of APICORP's establishment agreement and statute, 10% of profit for the year is to be appropriated to a legal reserve until such reserve equals the paid-up share capital. The Legal Reserve is not available for distribution.

Article 35 also permits the creation of other reserves such as a general reserve on the recommendation of the directors and approval of the shareholders. The General Reserve may be applied as is consistent with the objectives of the Corporation, and as may be decided by the General Assembly, on the recommendation of the Board of Directors. The General Reserve is provided for based on the recommendation of the Board of Directors.

L. End Of Service Benefits

The corporation has a defined benefit plan. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

Past-service costs are recognised immediately in the consolidated statement of profit or loss, unless the changes to the gratuity plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The Corporation provides end of service benefits for its employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

M. Provisions

The Group recognises a provision when it has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

N. Use Of Judgements And Estimates

The preparation of the consolidated financial statements in conformity with IFRSs 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Judgements

Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether contractual terms of the financial assets are SPPI on the principal amount outstanding. Refer Note 3H(ii)

Significant increase of credit risk

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approvals of models used to measure ECL. (refer Note 3H(viii) and Note 26(a))

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

COVID-19 impact

COVID-19 was declared a worldwide pandemic by the World Health Organisation in March 2020. COVID-19 and related measures to slow the spread of the virus have since had a significant impact on the local and global economy, supply chains and financial markets.

The Group has considered the impact of COVID-19 and related market volatility in preparing these consolidated financial statements. While the methodologies and assumptions applied in the measurement of various items within the financial statements remain unchanged from those applied in the 2020 financial statements, the impact of COVID-19 has resulted in the application of further judgement and the incorporation of estimates and assumptions specific to the impact of COVID-19.

Principally this has resulted in updates to the Group's economic assumptions used in determining expected credit losses (ECL) and the impairment assessment for other non-financial assets.

The Group's risk and capital management framework continues to be applied and the Group continues to monitor the impact of COVID-19 on the Group's risk and capital profile. Non-financial risks re-emerging from local and global movement restrictions, and remote working by staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Group's Risk Management Framework.

Impairment allowance on loans and advances at amortised cost

In determining the appropriate level of expected credit losses (ECLs) the Group considered the macro-economic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date.

The ECL methodology, significant increase in credit risk (SICR) thresholds, and definition of default remain consistent with those used as at 31 December 2020.

The model inputs, including forward-looking information, scenarios and associated weightings, were revised to reflect the current outlook. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how the social and economic consequences of COVID-19 will materialize, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

The Group's models are calibrated to consider past performance and macroeconomic forward-looking variables as inputs. The IASB and global regulators have issued guidance consistent with IFRS 9, to consider the exceptional circumstances of the COVID-19 pandemic. This includes consideration of significant government support and the high degree of uncertainty around historic long-term trends used in determining reasonable and supportable forward-looking information as well as the assessment of underlying credit deterioration and migration of balances to progressive stages.

The Group considers both qualitative and quantitative information in the assessment of significant increase in credit risk. The Group continues to assess borrowers for other indicators of unlikelihood to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or longer term.

(ii) Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of financial instruments

Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information. (Refer Note 26 (a)).

Measurement of fair value of financial instruments with significant unobservable inputs (level 3). (Refer Note 3H(vii) and Note (28).

O. Foreign Currency Transactions

Transactions in currencies other than US dollars (foreign currencies) are translated at the exchange rates ruling at the date of the transaction. All monetary assets and liabilities, denominated in foreign currencies, are translated into US dollars at rates prevailing at the reporting date. Differences arising from changes in exchange rates are recognised in the consolidated statement of profit or loss.

Investments (non-monetary assets) denominated in foreign currencies that are stated at fair value are translated to US dollars at reporting date. Differences arising from changes in rates are included in the fair value reserve in equity for FVO-CI investments and in statement of profit or loss for FVTPL investments. All other non-monetary assets and liabilities are stated at the historical rates of exchange.

4. Placements with Banks

	2021	2020
With Islamic financial institutions	155,000	130,000
With conventional financial institutions	130,000	208,400
Margin call accounts	6,859	35,659
Interest receivables	805	748
Expected credit loss impairment allowance (note 26)	(186)	(115)
	292,478	374,692

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

5. Loans and Advances

	2021	2020
Islamic loans at amortised cost	1,120,485	1,371,658
Conventional loans:		
a) at amortised cost	3,608,457	2,603,484
b) at FVTPL	48,956	47,367
Interest receivable	15,545	13,250
	4,793,443	4,035,759
Unamortized participation and upfront fees	(79,844)	(53,288)
Expected credit loss impairment allowance (note 26)	(70,028)	(68,255)
	4,643,571	3,914,216
Movement during the year		
Balance at 1 January	4,022,509	3,778,261
Drawdowns	2,443,285	1,620,453
Called guarantee	41,729	-
Repayments by customers	(1,731,213)	(1,376,149)
Fair value change	1,588	(56)
Gross loan balance	4,777,898	4,022,509
Interest receivable	15,545	13,250
Balance at 31 December	4,793,443	4,035,759

Movement on impairment allowances is as follows:

2021	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	9,094	43,327	15,834	68,255
Net charge / (reversal) for the year	(5,730)	9,874	(2,371)	1,773
At 31 December 2021	3,364	53,201	13,463	70,028
2020				
At 1 January 2020	3,756	35,546	12,191	51,493
Net movement between stages	-	9,217	(9,217)	-
Net charge /(reversal) for the year	5,338	(1,436)	12,860	16,762
At 31 December 2020	9,094	43,327	15,834	68,255

6. Investments

		2021	2020
Debt securities at FVOCI	6.1	1,867,401	2,324,826
Equity securities at FVOCI	6.2	863,361	859,720
Other investments at FVTPL	6.3	38,286	36,189
		2,769,048	3,220,735
6.1 Debt securities at FVOCI			
Treasury bills		304,999	374,932
Fixed-rate bonds		1,476,312	1,867,535
Floating-rate bonds		74,106	67,869
Interest receivable		12,374	15,302
Expected credit loss impairment allowance (note 26)		(390)	(812)
		1,867,401	2,324,826

Securities sold under agreements to repurchase: The Group enters into collateralised borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of debt securities at FVOCI. At 31 December 2021, the fair value of debt investment at FVOCI pledged as collateral under repurchase agreements was US Nil (2020: US \$383 million). These transactions are conducted under the terms that are usual and customary to standard securities borrowings and lending activities.

6.2 Equity securities at FVOCI

Unlisted equities	694,607	710,796
Listed equities	168,754	148,924
	863,361	859,720

Movements during the year

Balance at 1 January	859,720	889,056
Additions during the year	34	-
Sold during the year	(10,266)	(30,429)
Net fair value change	13,873	1,093
Balance at 31 December	863,361	859,720

6.3 Other investments at FVTPL

Managed funds and others	6,063	3,602
Unlisted equities	32,223	32,587
	38,286	36,189

Movements during the year

Balance at 1 January	36,189	59,997
Additions during the year	3,262	2,285
Sold during the year	(13,791)	(3,024)
Net fair value change	12,626	(23,069)
Balance at 31 December	38,286	36,189

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

7. Equity Accounted Investees

The movement on equity-accounted investees is given below:

	2021	2020
Balance at 1 January	114,211	91,904
Additions during the year	-	24,908
Sold during the year	(10,002)	-
Share of profit for the year	5,329	1,701
Dividend received	(4,927)	(5,286)
Change in foreign exchange value	(6,851)	984
Impairment loss (Note 23)	(2,242)	-
Balance at 31 December	95,518	114,211

Name	Country of incorporation	% holding		Nature of business
		2021	2022	
Falcon Cement Company BSC	Kingdom of Bahrain	30	30	Manufacturing and trading of cement
(Ashtead Technology) BP INV2B BIDCO LIMITED	United Kingdom	20.7	32.9	Oil and gas services and facilities management company
Al Khorayef United Holding	State of Kuwait	24	24	Oil and gas services and facilities management company
GC-16 JV	State of Kuwait	24	24	Oil and gas services and facilities management company
Intra Taf Holding	Luxembourg	40	40	Holding and management company

Summarised financial information of associates that have been equity-accounted not adjusted for the percentage ownership held by the Group (based on most recent management accounts):

	2021	2020
Total assets	404,704	406,827
Total liabilities	181,255	162,888
Total revenues	85,001	85,758
Total net results	16,293	14,308

8. Property, Equipment And Vessels

	Land	Building	Vessels	Computer, Furniture & Equipment	Capital work in progress	Total
Cost						
Balance at 1 January 2020	4,004	54,793	117,254	22,665	2,959	201,675
Additions	-	-	-	333	3,901	4,234
Balance at 31 December 2020	4,004	54,793	117,254	22,998	6,860	205,909
Additions	-	405	-	722	3,452	4,579
Transfers	-	1,194	-	3,645	(4,839)	-
Disposal	-	-	(71,340)	(29)	-	(71,369)
Balance at 31 December 2021	4,004	56,392	45,914	27,336	5,473	139,119

Accumulated depreciation and impairment

Balance at 1 January 2020	-	45,436	35,395	17,752	-	98,583
Charge for the year	-	935	5,360	630	-	6,925
Balance at 31 December 2020	-	46,371	40,755	18,382	-	105,508
Charge for the year	-	767	4,172	1,786	-	6,725
Disposal for the year	-	-	(26,903)	(28)	-	(26,931)
Impairment charge (Note 23)	-	-	3,500	-	-	3,500
Balance at 31 December 2021	-	47,138	21,524	20,140	-	88,802

Carrying Amount

Balance at 31 December 2021	4,004	9,254	24,390	7,196	5,473	50,317
Balance at 31 December 2020	4,004	8,422	76,499	4,616	6,860	100,401

Capital work in progress includes US \$ 0.987 million related to the Headquarters improvement project that are based on percentage of completion as certified by engineering department as at 31 December 2021.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

9. Other Assets

	2021	2020
Interest receivable	17,261	18,690
Derivative financial instruments (note 15)	46,870	80,895
Employee loans and advances	1,128	825
Dividends receivable	8,533	7,752
Receivable from sale of investments	10,271	-
Advances to contractors	2,764	-
Other receivables and prepayments	3,371	2,785
	90,198	110,947

10. Deposits

	2021	2020
Deposits from banks	85,000	-
Deposits from corporates	143,773	18,664
Deposits from shareholders	120,138	119,067
Interest payable	83	156
	348,994	137,887

11. Bank Term Financing

	2021	2020
US\$ 150 million loan 2018 - 2021 - fully drawn	-	150,000
US\$ 75 million loan 2018 - 2021 - fully drawn	-	75,000
US\$ 50 million loan 2019 — 2022 — fully drawn	-	50,000
SAR 1,500 million loan 2019 — 2024 — fully drawn	-	400,000
SAR 1,500 million loan 2019 — 2024 — fully drawn	-	400,000
US\$ 100 million loan 2019 — 2024 — fully drawn	-	100,000
Interest payable	-	1,952
Unamortised front-end fee	-	(5,081)
	-	1,171,871

12. Sukuk And Bonds Issued

	2021	2020
US \$ 3 billion Sukuk programme (partially drawn)		
Series 2: US \$ 500 million bonds 2017 — 2022	506,937	517,687
Profit rate: 3.141% p.a.		
US \$ 3 billion GMTN programme (partially drawn)		
Series 1: US \$ 750 million bonds 2018 — 2023	775,804	803,952
Interest rate: 4.125% p.a.		
US \$ 3 billion GMTN programme (partially drawn)		
Series 2: US \$ 1,000 million bonds 2020 — 2025	1,000,834	1,002,247
Interest rate: 1.46% p.a.		
US \$ 3 billion GMTN programme (partially drawn)		
Series 3: US \$ 1,000 million bonds 2021 — 2026	999,114	-
Interest rate: 1.26% p.a.		
US\$ 105 million floating rate bond 2017 — 2022 (fully drawn)	105,000	105,000
LIBOR plus margin 1.10%		
US \$ 300 million floating rate bond 2019 — 2024 (fully drawn)	300,000	300,000
LIBOR plus margin 1.05%		
US \$ 325 million floating rate bond 2019 — 2024 (fully drawn)	325,000	325,000
LIBOR plus margin 0.90%		
GBP 100 million fixed rate bond 2020 — 2023 (fully drawn)	135,306	137,401
Coupon rate: 0.71% p.a.		
US \$ 750 million fixed rate Green Bond 2021 — 2026 (fully drawn)	740,283	-
Interest rate: 1.483% p.a.		
US \$ 300 million floating rate bond 2016 — 2021 (fully drawn)	-	300,000
LIBOR plus margin 1.15%		
CNH 630 million bond 2018 — 2021 (fully drawn)	-	96,568
Coupon rate: 4.7% p.a.		
Interest payable	20,889	17,195
Unamortised front-end fee	(7,318)	(2,997)
	4,901,849	3,602,053

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

13. Other Liabilities

	2021	2020
Interest payable	7,892	10,580
Dividend payable to shareholders	17,802	23,045
End of service benefits (see below)	12,105	13,312
Derivatives financial instruments (note 15)	27,961	47,107
Accrued expenses and other liabilities	19,333	12,920
Call account liability	57,422	68,549
Guarantee payable	41,729	-
Expected credit losses for commitments and financial guarantees allowance (note 26)	2,790	11,935
	187,034	187,448
Movement on end of service benefits		
Balance as at 1 January	13,312	12,621
Charge for the year	1,843	1,757
Paid during the year	(3,050)	(1,066)
Balance as at 31 December	12,105	13,312

14. Commitments and Guarantees

	2021	2020
Commitments to underwrite and fund loans	1,946,848	1,820,553
Commitments to subscribe capital to investments	9,952	45,402
Guarantees to bank on loans of investee companies	-	7,977
Other commitments	7,627	4,922
	1,964,427	1,878,854

During the year, the Group committed to spend US \$ 7.604 million towards the Corporate social responsibility (CSR) for the design and construction of APICORP Roundabout located on King Faisal Road and Mohammed Al-Fateh Street, Al-Rakah district, Al-Khobar City, Kingdom of Saudi Arabia. Based on percentage of completion as certified by engineering department US \$ 4.336 million as at 31 December 2021 was transferred to operating expenditure (note 21). The balance of US \$ 3.268 million is still part of other commitments as at 31 December 2021.

15. Derivative Financial Instruments

Fair value hedges

The Group uses interest rate swaps to hedge its exposure to changes in fair value, of certain investments and borrowings in fixed rate bonds, attributable to changes in market interest rates. It also includes cross currency swaps to hedge the currency risks of investments and borrowings which are denominated in currencies other than US dollar (the functional currency). Fair values of the interest rate swap agreements are estimated based on the prevailing market rates of interest.

Other derivatives held for risk management

The Group uses derivatives, not designated in qualifying accounting hedge relationship, to manage its exposure to market risks. The Group enters into foreign exchange forward contracts to manage against foreign exchange fluctuations. Fair values of the forward currency contracts are estimated based on the prevailing market rates of interest and forward rates of the related foreign currencies, respectively.

The derivatives are valued based on observable inputs (refer note 28). The fair values of derivative financial instruments held by the Group as at 31 December are provided below:

	2021		2020	
	Asset	Liabilities	Asset	Liabilities
Interest rate swaps (Fair value hedges)	40,238	27,961	72,916	44,539
Cross currency swaps (Fair value hedges)	6,557	-	7,548	2,566
Foreign exchange contracts (Other derivatives held for risk management)	75	-	431	2
At 31 December	46,870	27,961	80,895	47,107

The notional amount of derivative financial instruments held by the Group as at 31 December are provided below:

	2021	2020
Interest rate swaps (Fair value hedges)	4,992,047	2,060,000
Cross currency swaps (Fair value hedges)	87,850	186,985
Foreign exchange contracts (Other derivatives held for risk management)	13,492	394,498
At 31 December	5,093,389	2,641,483

The contractual maturity analysis of the derivative instruments are included as part of liquidity risk information in note 26. The net hedge ineffectiveness gain/losses recognized in the consolidated income statement are as follows:

	2021	2020
Losses on the hedged items attributable to risk hedged, net	(27,337)	(30,471)
Gains on the hedging instruments, net	17,836	29,881
Net hedge ineffectiveness loss	(9,501)	(590)

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

16. Net Interest Income

	2021	2020
Interest income from		
Cash and bank balances	9	297
Placements with banks — Islamic banks	1,170	2,773
Placements with banks — Conventional banks	1,903	7,797
Debt securities at FVOCI (net)	20,199	47,680
Loans and advances — Islamic banks	12,379	42,715
Loans and advances — Conventional banks	82,373	69,602
Loans designated at FVTPL	5,736	5,989
Amortisation of loan participation and upfront fees	21,791	20,858
Total interest income	145,560	197,711
Interest expense on		
Deposits from banks — Islamic banks	38	48
— Conventional banks	119	4,727
Securities sold under agreement to repurchase	664	2,720
Deposits from corporates & shareholders — Islamic institutions	181	1,156
— Conventional	1,015	2,835
Others	-	4,243
Bank term financing	6,986	23,690
Sukuk and bonds issued	58,672	71,461
Amortisation of front-end fees on bank term financing, Sukuk and bond issued	6,551	3,759
Total interest expense	74,226	114,639
Net interest income	71,334	83,072

17. Dividend Income

	2021	2020
Equity securities at FVOCI		
• Listed	7,003	7,747
• Unlisted	91,171	39,299
	98,174	47,046

18. Change in Fair Value of Financial Assets at FVTPL

	2021	2020
Loan designated at FVTPL	1,588	(56)
Investments at FVTPL	12,626	(23,068)
	14,214	(23,124)

19. Net Fee Income

	2021	2020
Agency, advisory and other services	5,234	3,532
	5,234	3,532

20. Other Income, Net

	2021	2020
Loss from sale of vessels	(11,778)	-
Net loss from hedge ineffectiveness (note 15)	(9,501)	(590)
FX Exchange (losses)/gains, net	(911)	2,119
Gain from sale of associates	2,964	-
Income from vessels	1,230	17,136
Rental income	416	422
	(17,580)	19,087

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

21. Operating Expenses

	2021	2020
Staff cost	26,667	23,014
End of service benefits	1,843	1,757
Premises costs, including depreciation	12,711	13,533
Equipment and communications costs	2,849	2,661
Key Management's and Board benefits, fees and charges	2,663	3,689
Consultancy and legal fee	992	2,731
Corporate social responsibility (CSR)*	4,336	-
Other	1,527	274
	53,588	47,659

*this represents cost incurred towards the design and construction of a roundabout located on King Faisal road and Mohammed Al Fateh street, Al-Khobar City, Kingdom of Saudi Arabia (refer Note 14).

22. Impairment Reversal / (Loss)

On Financial Instruments, Net

	2021	2020
Placements with banks	(71)	(69)
Loans and advances (Note 5)	(1,773)	(16,762)
Debt securities at FVOCI	422	472
Loan commitments and financial guarantees	9,145	2,103
	7,723	(14,256)

23. Impairment Losses

On Other Assets, Net

	2021	2020
Equity accounted investees (Note 7)	(2,242)	-
Property, equipment and vessels (Note 8)	(3,500)	-
	(5,742)	-

24. Appropriations

The following appropriations for the year ended 31 December 2020 were approved by the shareholders on 25 April 2021.

	2021	2020
Legal reserve	11,000	12,000
General reserve	126,662	117,558

25. Related Party Transactions

APICORP's principal related parties are its shareholders. Although the Group does not transact any commercial business directly with the shareholders themselves, it is engaged in financing activities with companies, which are either controlled by the shareholder governments or over which they have significant influence.

	2021	2020
Loans to related parties		
Loans outstanding at 31 December — gross	3,126,675	2,860,536
Expected credit loss on loans outstanding	23,383	24,811
Commitments to underwrite and fund loans at 31 December	1,076,236	799,752
Expected credit loss on commitments	2,079	4,186
Interest income from loans during the year	71,807	91,671
Loan fees received during the year	2,907	1,174

Loans to related parties are made at prevailing market interest rates and subject to normal commercial negotiation as to terms. The majority of loans to related parties are syndicated, which means that participation and terms are negotiated by a group of arrangers, of which the Group may, or may not, be a leader. No loans to related parties were written off in 2021 and 2020.

Investments in related parties

Investments	956,267	969,359
Commitments to investments	9,952	45,727
Guarantees as shareholder	-	7,977
Dividends received during the year	94,568	46,946

Others

Deposits from corporates	143,773	18,664
Deposits from shareholders	120,138	119,067
Dividend payable to shareholders	17,802	23,045
Interest expense on deposits from corporates during the year	934	2,343
Interest expense on deposits from shareholders during the year	1,031	1,649
Balances due to key management	611	165

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

26. Financial Risk Management

Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring risk management policies.

The risk management policies are established to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation, through its training as well as management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation. The Board Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

a.) Credit risk management

Credit risk is the risk that a borrower or counter-party of the Corporation will be unable or unwilling to meet a commitment that it has entered into with the Corporation, causing a financial loss to the Corporation. It arises from the lending, treasury and other activities undertaken by the Corporation. Policies and procedures have been established for the control and monitoring of all such exposures.

Proposed loans and investments at FVOCI (equity) are subject to detailed due diligence, analysis and appraisal before being reviewed by the Credit and Investments Committee (consisting of the CEO and Senior Managers of the Corporation), which makes appropriate recommendations to the Board of Directors, who have the ultimate authority to sanction commitments. These procedures, plus the fact that most of the loans are sponsored by sovereign and semi sovereign entities limit the Corporation's exposure to credit risk.

The Corporation faces a credit risk on undrawn commitments because it is potentially exposed to loss in an amount equal to the total unused commitments. However, the eventual loss, if any, will be considerably less than the total unused commitments since most commitments to extend credit are contingent upon borrowers maintaining specified credit standards. All loan commitments, whether drawn or undrawn, are subject to systematic monitoring so that potential problems may be detected early and remedial actions taken.

Treasury activities are controlled by means of a framework of limits and external credit ratings. Dealing in marketable securities is primarily restricted to GCC countries, the United States and major European and Asian stock exchanges. Dealings are only permitted with approved internationally rated banks, brokers and other counter-parties. Securities portfolios and investing policies are reviewed from time to time by the Assets and Liabilities Committee ("ALCO").

Credit risk grades

The Corporation allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. These comprise the following:

- Information obtained during periodic review of customer files- e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes;
- Data from credit reference agencies, press articles, changes in external credit ratings;
- Quoted bond and credit default swap (CDS) prices for the borrower where available;
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities;
- Payment record including overdue status as well as a range of variables about payment ratios;
- Utilisation of the granted limit;
- Requests for and granting of forbearance; and
- Existing and forecast changes in business, financial and economic conditions

The Corporation monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Additionally, during the year the Group assessed borrowers for other indicators of unlikeliness to pay taking into consideration the underlying cause of seasonal difficulty, temporary or long term due to COVID-19.

The Corporation uses credit risk grades as a primary input into the determination of the term structure of the PD for exposure.

The Corporation collects performance and default information about its credit exposure analysed by jurisdiction or region and by type of product and borrower as well as credit risk grading. The information used is based on the internally generated rating model. The internal credit grade system is not intended to replicate external credit grades but factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a lower internal credit grade. Lower grades are indicative of a higher likelihood of default. Credit ratings are used by the Corporation to decide the maximum lending amount per transaction and also to set minimum pricing thresholds.

The Corporation monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Corporation will measure the loss allowance based on lifetime rather than 12-month ECL.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Corporation collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Corporation employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)

(US\$000)

Based on advice from the Risk Management Department and economic experts and as well as consideration of a variety of external actual and forecast information, the Corporation formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Corporation then uses these forecasts to adjust its estimates of PDs.

The base case represents a most-likely outcome and is aligned with information used by the Corporation for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The Corporation has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used the key indicators for the selected countries such as the interest rates and the GDP growth.

Incorporation of forward-looking information

The Corporation incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the ALCO and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The economic uncertainties caused by COVID-19 and volatility in oil prices impacting regional economic forecast have required the Corporation to update input and assumptions used for determination of ECL. Accordingly, the Corporation's ECL estimates are inherently uncertain and actual results may differ from those estimates.

The Corporation has stressed financing exposure with regards to specific countries which are expected to be most impacted by COVID-19 and oil price volatility. The Corporation has also given higher weightage to stressed scenario in assessing the ECL due to likely near term impact of COVID-19.

Credit quality analysis

The following table sets out information about credit quality of financial assets measured at amortised cost and debt investment securities at FVOCI. For loan commitments and financial guarantee contracts, the amounts in the table represents the amounts committed or guaranteed respectively.

i. Placements with banks at amortised cost

2021	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	50,000	-	-	50,000
A+ to A-	212,664	-	-	212,664
BBB to BBB-	-	-	-	-
BB+ to B-	30,000	-	-	30,000
Gross amount	292,664	-	-	292,664
ECL Allowance	(186)	-	-	(186)
Carrying Amount	292,478	-	-	292,478

i. Placements with banks at amortised cost (continued)

2020	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	234,060	-	-	234,060
A+ to A-	110,610	-	-	110,610
BBB to BBB-	30,137	-	-	30,137
BB+ to B-	-	-	-	-
Gross amount	374,807	-	-	374,807
ECL Allowance	(115)	-	-	(115)
Carrying Amount	374,692	-	-	374,692

ii. Investments in debt securities at measured at FVOCI

2021	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	912,355	-	-	912,355
A+ to A-	774,374	71,897	-	846,271
BBB to BBB-	41,659	-	-	41,659
BB+ to B-	18,834	48,672	-	67,506
Gross amount	1,747,222	120,569	-	1,867,791
ECL Allowance	(129)	(261)	-	(390)
Carrying Amount	1,747,093	120,308	-	1,867,401

2020

AAA to AA-	1,192,930	-	-	1,192,930
A+ to A-	853,573	66,873	-	920,446
BBB to BBB-	50,864	5,154	-	56,018
BB+ to B-	48,427	107,817	-	156,244
Gross amount	2,145,794	179,844	-	2,325,638
ECL Allowance	(394)	(418)	-	(812)
Carrying Amount	2,145,400	179,426	-	2,324,826

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

iii. Loans and Advances at amortised cost

2021	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	696,464	-	-	696,464
A+ to A-	1,449,686	-	-	1,449,686
BBB to BBB-	1,371,566	89,954	-	1,461,520
BB+ to C	399,372	723,982	-	1,123,354
D	-	-	13,463	13,463
Gross amount	3,917,088	813,936	13,463	4,744,487
ECL Allowance	(3,364)	(53,201)	(13,463)	(70,028)
Carrying Amount	3,913,724	760,735	-	4,674,459

2020

AAA to AA-	643,667	-	-	643,667
A+ to A-	1,460,161	-	-	1,460,161
BBB to BBB-	776,445	79,261	-	855,706
BB+ to C	277,141	735,192	-	1,012,333
D	-	-	16,525	16,525
Gross amount	3,157,414	814,453	16,525	3,988,392
ECL Allowance	(9,094)	(43,327)	(15,834)	(68,255)
Carrying Amount	3,148,320	771,126	691	3,920,137

iv. Loans commitments and financial guarantees

2021	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	14,456	-	-	14,456
A+ to A-	461,068	-	-	461,068
BBB to BBB-	1,013,070	-	-	1,013,070
BB+ to C	331,732	94,084	32,438	458,254
D	-	-	-	-
Gross amount	1,820,326	94,084	32,438	1,946,848
ECL Allowance	(1,513)	(1,277)	-	(2,790)
Carrying Amount	1,818,813	92,807	32,438	1,944,058

iv. Loans commitments and financial guarantees (continued)

2020	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	-	-	-	-
A+ to A-	83,833	-	-	83,833
BBB to BBB-	1,275,914	30,428	-	1,306,342
BB+ to C	91,852	305,165	-	397,017
D	-	7,977	33,362	41,339
Gross amount	1,451,599	343,570	33,362	1,828,531
ECL Allowance	(2,349)	(4,592)	(4,994)	(11,935)
Carrying Amount	1,449,250	338,978	28,368	1,816,596

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)

(US\$000)

The following tables show reconciliations from the opening to the closing balance of the loss allowance: 12-month ECL (Stage 1), Lifetime ECL not credit-impaired (Stage 2), Lifetime ECL and credit-impaired (Stage 3).

2021	Stage 1	Stage 2	Stage 3	Total
At 1 January	11,952	48,337	20,828	81,117
Net movement between stages	562	(562)	-	-
Net reversal for the year	(7,322)	6,964	(7,365)	(7,723)
At 31 December	5,192	54,739	13,463	73,394

Break down of ECL by category of assets in the statement of financial position and off-balance sheet commitments:

Placements with financial institutions	186	-	-	186
Loans and advances	3,364	53,201	13,463	70,028
Debt securities at amortised cost	129	261	-	390
Loan commitments and financial guarantees	1,513	1,277	-	2,790
	5,192	54,739	13,463	73,394

2020

At 1 January	5,719	44,166	16,976	66,861
Net movement between stages	-	9,217	(9,217)	-
Net reversal for the year	6,233	(5,046)	13,069	14,256
At 31 December	11,952	48,337	20,828	81,117

Break down of ECL by category of assets in the statement of financial position and off-balance sheet commitments:

Placements with financial institutions	115	-	-	115
Loans and advances	9,094	43,327	15,834	68,255
Debt securities at amortised cost	394	418	-	812
Loan commitments and financial guarantees	2,349	4,592	4,994	11,935
	11,952	48,337	20,828	81,117

The Corporation monitors concentration of credit risk by sector and by geographic location. An analysis of concentration of risk at the reporting date is shown below (also refer note 32 and 34).

	Loans and Advances (note 5)		Placements with banks (note 4)		Debt securities at FVOCI (note 6.1)	
	2021	2020	2021	2020	2021	2020
Concentration of credit risk by sector						
Energy	2,056,684	1,570,315	-	-	56,758	208,997
Materials	954,442	935,336	-	-	97,810	72,821
Financials & Sovereign	47,264	38,869	292,478	374,692	1,441,789	1,508,015
Utilities	1,304,290	1,072,589	-	-	222,455	486,566
Industrials	280,891	297,107	-	-	48,589	48,427
Carrying amount at 31 December	4,643,571	3,914,216	292,478	374,692	1,867,401	2,324,826

Concentration of credit risk by sector

Kingdom of Saudi Arabia	1,476,480	1,218,291	-	79,789	424,683	427,468
State of Qatar	554,746	536,608	205,501	-	289,318	136,396
Other Gulf Cooperation Council states	1,560,119	1,419,492	51,546	236,167	484,656	613,419
Egypt and North Africa	240,377	249,610	30,206	-	-	-
Total Arab World	3,831,722	3,424,001	287,253	315,956	1,198,657	1,177,283
Europe	425,841	235,023	-	-	-	-
Asia and Oceania	233,686	130,367	5,225	8,733	221,305	384,864
United States	152,322	124,825	-	50,003	447,439	762,679
Carrying amount at 31 December	4,643,571	3,914,216	292,478	374,692	1,867,401	2,324,826

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

b.) Liquidity risk and funding management

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Corporation.

The Corporation's liquidity management policies are designed to ensure that even under adverse conditions, the Corporation has access to adequate funds to meet its obligations, and to service its core investment and lending functions. This is achieved by the application of prudent but flexible controls, which provide security of access to liquidity without undue exposure to increased costs from the liquidation of assets or to bid aggressively for deposits.

The management of the Group has enhanced its monitoring of the liquidity and funding requirements. In response to COVID-19 outbreak, the Group invoked its contingency funding plan and continues to monitor and respond to all liquidity and funding requirements that are presented. The Group continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Group in current extreme stress. As at the reporting date, the liquidity and funding position of the Group remains strong and is well placed to absorb and manage the impacts of this.

Daily liquidity position monitoring and regular stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies are subject to review and approval by ALCO. Liquidity controls are provided for an adequately diversified deposit base in terms of maturities and the range of counter-parties. The asset and liability maturity profile based on estimated repayment terms is set out in note 29.

Contractual maturities of financial liabilities (including interest)

2021	Up to 3 months	3 months to 1 year	3 months to 1 year	5 years and over	Contractual Outflows	Carrying Value
Liabilities						
Deposits	(349,066)	-	-	-	(349,066)	(348,994)
Sukuk and bonds issued	(25,029)	(638,944)	(4,241,049)	-	(4,905,022)	(4,901,849)
	(374,095)	(638,944)	(4,241,049)	-	(5,254,088)	(5,250,843)
Derivative instruments:						
Interest rate swaps	(7,456)	(5,579)	-	-	(13,035)	(27,961)
Off-balance sheet exposures	(245,651)	(818,433)	(874,383)	(25,960)	(1,964,427)	(1,964,427)
	(627,202)	(1,462,956)	(5,115,432)	(25,960)	(7,231,550)	(7,243,231)

2020

Liabilities						
Deposits	(291,476)	(199,220)	-	-	(490,696)	(490,034)
Bank term financing	(376)	(238,291)	(946,880)	-	(1,185,547)	(1,171,871)
Sukuk issued	(108,782)	(311,409)	(3,107,245)	-	(3,527,436)	(3,602,053)
	(400,634)	(748,920)	(4,054,125)	-	(5,203,679)	(5,263,958)
Derivative instruments						
Forward exchange contracts	(405,159)	-	-	-	(405,159)	(2)
Interest rate swaps	(12,536)	(8,125)	-	-	(20,661)	(44,539)
Cross currency swaps	(448)	(981)	-	-	(1,429)	(2,566)
Off-balance sheet exposures	(263,882)	(535,391)	(545,225)	(534,356)	(1,878,854)	(1,878,854)
	(682,025)	(544,497)	(545,225)	(534,356)	(2,306,103)	(1,925,961)

c.) Market risk management

Market risk is the risk that changes in market factors, such as interest rate, equity prices and foreign exchange rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Corporation holds (but currently does not actively trade) debt and equity securities. Treasury activities are controlled by the ALCO and are also subject to a framework of Board-approved currency, industry and geographical limits and ratings by credit rating agencies.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates, foreign exchange rates and equity prices.

Interest rate risk: Loans and advances are normally denominated in United States dollars, as is the Corporation's funding, and interest rates for both are normally linked to LIBOR. The Corporation's exposure to interest rate fluctuations on certain financial assets and liabilities is also hedged by entering into interest rate swap agreements.

Exposure to interest rate risk is restricted by permitting only a limited mismatch between the re-pricing of the main components of the Corporation's assets and liabilities. The re-pricing profile of assets and liabilities is set out in note 30.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Corporation's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a periodic basis include a 100 basis point (bp) parallel fall or 100 basis point (bp) rise in all yield curves worldwide. An analysis of sensitivity of the Corporation's consolidated statement of profit or loss and equity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant consolidated statement of financial position) is as follows:

	100 bp parallel increase		100 bp parallel decrease	
	Profit/loss	Equity	Profit/loss	Equity
At 31 December 2021	1,512	379	(1,512)	(379)
At 31 December 2020	1,493	373	(1,493)	(373)

At reporting date, the interest rate profile of the Corporation's interest-bearing financial instruments was:

	2021	2020
Fixed rate instruments		
Financial assets	5,881,535	3,694,754
Financial liabilities	(5,062,475)	(3,367,855)
	819,060	326,899
Variable rate instruments		
Financial assets	6,012,274	5,324,093
Financial liabilities	(5,215,694)	(4,209,217)
	796,580	1,114,876

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

Currency risk is minimised by regular review of exposures to currencies other than United States dollars to ensure that no significant positions are taken, which may expose the Corporation to undue risks. Currently, there is no trading in foreign exchange. The Corporation's net currency exposures are set out in note 31. The Corporation's exposures in the currencies other than US dollar is also hedged by entering into forward contracts. An analysis of the Corporation's consolidated statement of profit or loss sensitivity to 5% strengthening or 5% weakening of US dollar against major un-pegged foreign currencies is shown below. This analysis assumes that all other variables, in particular interest rates, remain same.

At 31 December 2021	5% strengthening of USD	5% weakening of USD
AED	1	(1)
EGP	73	(73)
EUR	1	(1)
GBP	50	(50)
KWD	18	(18)
<hr/>		
At 31 December 2020		
AED	1	(1)
GBP	41	(41)
KWD	18	(18)

d.) Operational risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing. A framework and methodology has been developed to identify and control the various operational risks. While operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures, and trained and competent people are in place throughout the Corporation. A strong internal audit function makes regular, independent appraisals of the control environment in all identified risk areas. Adequately tested contingency arrangements are also in place to support operations in the event of a range of possible disaster scenarios.

e.) Capital management

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances. The Corporation's overall strategy remains unchanged from 2020. The capital structure of the Corporation consists of net debt and equity of the Corporation. The Corporation is not subject to any externally imposed capital requirements.

27. Effective Interest Rates

The weighted average effective interest rates of the Group's financial instruments at the reporting date were:

	2021	2020
Interest-bearing financial assets		
Fixed-rate bonds	2.99%	2.93%
Floating-rate bonds	1.59%	1.72%
Placements with banks	1.29%	0.60%
Loans and advances	2.27%	2.38%
US dollar denominated	2.25%	2.36%
Non-US dollar denominated	2.56%	2.51%
<hr/>		
Interest-bearing financial liabilities		
Deposits from banks	0.35%	-
Deposits from corporates	0.12%	0.92%
Deposits from shareholders	0.72%	0.90%
Borrowings under repurchase agreements	-	0.75%
Bank term financing	-	1.63%
Sukuk and Bonds	1.93%	1.33%
<hr/>		
US\$ LIBOR at 31 December was:		
One-month	0.10%	0.14%
Three-month	0.21%	0.24%
Six-month	0.34%	0.26%

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

28. Fair Value Hierarchy And Categories of Financial Instruments

a. Fair value Hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

The COVID-19 pandemic has resulted in a global economic slowdown with uncertainties in the economic environment. The global capital and commodity markets have also experienced great volatility and a significant drop in prices. The Group's fair valuation exercise primarily relies on quoted prices from active markets for each financial instrument (i.e. Level 1 input) or using observable or derived prices for similar instruments from active markets (i.e. Level 2 input) and has reflected the volatility evidenced during the period and as at the end of the reporting date in its measurement of its financial assets and liabilities carried at fair value. Where fair value measurements was based in full or in part on unobservable inputs (i.e. Level 3), management has used its knowledge of the specific asset/ investee, its ability to respond to or recover from the crisis, its industry and country of operations to determine the necessary adjustments to its fair value determination process.

The table below analyses financial instruments, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized:

2021	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances at FVTPL	-	-	48,956	48,956
Debt securities at FVOCI				
Treasury Bills	304,999	-	-	304,999
Fixed-rate bonds	-	1,476,312	-	1,476,312
Floating-rate bonds	-	74,106	-	74,106
Other investments at FVTPL	-	-	38,286	38,286
Equity securities at FVOCI	168,754	-	694,607	863,361
Derivative financial assets	-	46,870	-	46,870
	473,753	1,597,288	781,849	2,852,890
Financial liabilities				
Sukuk and Bonds issued	-	4,158,278	-	4,158,278
Derivative financial liabilities	-	27,961	-	27,961
	-	4,186,239	-	4,186,239

Financial Instruments table (continued)

2020	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances at FVTPL	-	-	47,367	47,367
Debt securities at FVOCI				
Treasury Bills	324,946	49,986	-	374,932
Fixed-rate bonds	208,747	1,658,788	-	1,867,535
Floating-rate bonds	-	67,869	-	67,869
Other investments at FVTPL	-	-	36,189	36,189
Equity securities at FVOCI	148,924	-	710,796	859,720
Derivative financial assets	-	80,895	-	80,895
	682,617	1,857,538	794,352	3,334,507
Financial liabilities				
Deposit from bank	-	-	-	-
Sukuk and Bonds issued	-	1,555,608	-	1,555,608
Derivative financial liabilities	-	47,107	-	47,107
	-	1,602,715	-	1,602,715

The potential effect of using reasonable possible alternative assumptions for fair valuing equity investments classified as level 3 are summarised below:

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2021	Weighted average input	Reasonable possible shift +/- (in average input)	Increase/ (decrease) in valuation
Market multiples approach	Illiquidity discount	189,648	8%-12%	+/- 1%	1,896 / (1,896)
Discounted cash flow	Cost of equity	592,201	9%-15%	+/- 1%	4,268 / (4,268)
	Terminal growth rate		2%-3%	+/- 1%	1,164 / (1,164)
		781,849			

The management believes that the fair value of the Corporation's financial assets which are carried at amortised cost are not materially different from the carrying value due to the instruments are subject to floating rate interest and maturity of short term and also these financial assets are fair valued at level 2 of fair value hierarchy.

Reconciliation of Level 3 fair value measurements

	2021	2020
Balance at 1 January	794,352	828,365
Total gains or losses:		
in other comprehensive income	655	(13,174)
In profit and loss	14,214	(23,124)
Purchases	3,296	2,285
Sold	(30,668)	-
Balance at 31 December	781,849	794,352

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021) (US\$000)

The Group's derivatives are classified as Level 2 as they are valued using inputs that can be observed in the market.

The above assets and liabilities are carried at fair value at the balance sheet date. Other financial assets and liabilities carry floating interest rate and therefore the management believes that the fair values approximate their carrying values and are not materially different from their carrying values.

b. Categories of financial instruments

The following table summarizes the balances of financial assets and financial liabilities by measurement category in the consolidated statement of financial position as of 31 December:

2021	Amortized cost	Designated at FVTPL	FVOCI – equity securities	FVOCI – debt securities	Total Carrying amount
Financial assets					
Cash and bank balances	51,052	-	-	-	51,052
Placements with banks	292,478	-	-	-	292,478
Investments	-	38,286	863,361	1,867,401	2,769,048
Loans and advances	4,594,615	48,956	-	-	4,643,571
Other Assets	43,328	46,870	-	-	90,198
Total financial and other assets	4,981,473	134,112	863,361	1,867,401	7,846,347
Financial liabilities					
Deposits	348,994	-	-	-	348,994
Other liabilities	159,073	27,961	-	-	187,034
Sukuks and Bonds issued	743,571	4,158,278	-	-	4,901,849
Total financial and other Liabilities	1,251,638	4,186,239	-	-	5,437,877
2020					
Financial assets					
Cash and bank balances	57,613	-	-	-	57,613
Placements with banks	374,692	-	-	-	374,692
Investments	-	36,189	859,720	2,324,826	3,220,735
Loans and advances	3,866,849	47,367	-	-	3,914,216
Other Assets	30,052	80,895	-	-	110,947
Total financial and other assets	4,329,206	164,451	859,720	2,324,826	7,678,203
Financial liabilities					
Deposits	490,034	-	-	-	490,034
Other liabilities	140,341	47,107	-	-	187,448
Bank term financing	1,171,871	-	-	-	1,171,871
Sukuks and Bonds issued	2,046,445	1,555,608	-	-	3,602,053
Total financial and other Liabilities	3,848,691	1,602,715	-	-	5,451,406

29. Maturity Profile of Assets and Liabilities

The maturity profile of the Group's assets and liabilities, based on management's estimate of its realizations, is set out below.

	Up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	2021 Total
Assets					
Cash and bank balances	51,052	-	-	-	51,052
Placements with banks	242,408	50,070	-	-	292,478
Debt securities at FVOCI	442,296	132,042	1,035,260	257,803	1,867,401
Equity securities at FVOCI	-	-	-	863,361	863,361
Other investments at FVTPL	-	-	-	38,286	38,286
Equity accounted investees	-	-	-	95,518	95,518
Loans and advances	637,888	645,276	1,947,602	1,412,805	4,643,571
Property, equipment & vessels	-	-	-	50,317	50,317
Other assets	45,355	44,843	-	-	90,198
Total assets	1,418,999	872,231	2,982,862	2,718,090	7,992,182
Liabilities and Equity					
Deposits	(348,994)	-	-	-	(348,994)
Sukuks and Bonds issued	(15,185)	(617,316)	(4,269,348)	-	(4,901,849)
Other liabilities	(90,746)	(87,227)	(9,061)	-	(187,034)
Equity	-	-	-	(2,552,546)	(2,552,546)
Non-controlling Interest	-	-	-	(1,759)	(1,759)
Total liabilities and equity	(454,925)	(704,543)	(4,278,409)	(2,554,305)	(7,992,182)
Maturity Gap	964,074	167,688	(1,295,547)	163,785	-
CUMULATIVE MATURITY GAP	964,074	1,131,762	(163,785)	-	-
2020					
Total assets	800,247	1,226,237	2,850,598	3,015,733	7,892,815
Total liabilities and equity	(464,667)	(818,790)	(4,167,949)	(2,441,409)	(7,892,815)
Maturity gap	335,580	407,447	(1,317,351)	574,324	-
Cumulative maturity gap	335,580	743,027	(574,324)	-	-

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

30. Repricing Profile of Financial Assets and Liabilities

The repricing profile of the Group's interest bearing financial assets and financial liabilities at 31 December was as follows:

2021	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Assets					
Placements with banks	235,000	50,000	-	-	285,000
Debt securities at FVOCI					
Floating-rate bonds	74,106	-	-	-	74,106
Loans and advances					
US\$ denominated	2,738,557	1,798,742	-	-	4,537,299
Non US\$ denominated	103,493	26,665	-	-	130,158
Liabilities					
Deposits					
US\$ denominated	(348,912)	-	-	-	(348,912)
Sukuks and Bonds issued	(2,507,623)	(2,350,530)	-	-	(4,858,153)
Interest rate sensitivity gap	294,621	(475,123)	-	-	(180,502)
Cumulative Gap	294,621	(180,502)	(180,502)	(180,502)	

2020

Assets					
Placements with banks	286,400	52,000	-	-	338,400
Debt securities at FVOCI					
Floating-rate bonds	67,869	-	-	-	67,869
Loans and advances					
US\$ denominated	2,694,926	1,128,461	-	-	3,823,387
Non US\$ denominated	90,000	37,384	-	-	127,384
Liabilities					
Deposits					
US\$ denominated	(290,865)	(198,763)	-	-	(489,628)
Bank term financing	(150,000)	(1,025,000)	-	-	(1,175,000)
Sukuks and Bonds issued	(1,879,135)	(1,627,245)	-	-	(3,506,380)
Interest rate sensitivity gap	819,195	(1,633,163)	-	-	(813,968)
Cumulative Gap	819,195	(813,968)	(813,968)	(813,968)	

31. Currency Exposures

The Group's currency exposures at 31 December were as follows:

2021	Assets	Liabilities and equity	2021 Net Exposure	2020 Net Exposure
Assets, Liabilities and Equity				
United States dollar	7,546,274	(7,902,301)	(356,027)	530,550
Euro	10,665	(10,422)	243	193
Other OECD currencies	29,341	(131,753)	(102,412)	(81,827)
Asia Pacific	-	890	890	(99,134)
Arab currencies				
GCC	405,902	51,404	457,306	(349,782)
	7,992,182	(7,992,182)	-	-

Commitments and Guarantees

	2021	2020
United States dollar	1,920,837	1,736,093
Saudi Riyal	43,590	142,761
	1,964,427	1,878,854

GCC

The member states of the Gulf Co-operation Council are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Their currencies except for Kuwait are pegged against the United States dollar.

Significant exchange rates

The following year-end rates have been used in translating other currencies to United States dollars:

		2021	2020
Euro	EUR 1=US\$	1.1325	1.2270
Saudi riyal	SAR 1=US\$	0.2666	0.2666
Swiss franc	CHF 1=US\$	0.9155	0.8850
British pound	GBP 1=US\$	1.3492	1.3594
Egyptian pound	EGP 1=US\$	0.0636	0.0634

Since the Group's net foreign currency exposures to currencies other than US dollar and GCC currencies is not significant, the sensitivity of fluctuation in the currencies will not be significant.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2021)
(US\$000)

32. Industry Distribution of Assets and Liabilities

The industry distribution of the Group's assets and liabilities was as follows:

	2021	2020
Assets		
Energy	2,871,346	2,209,225
Materials	1,241,104	1,575,851
Financials & Sovereign Financials	1,921,937	2,081,499
Utilities	1,579,797	1,630,202
Industrials	377,998	396,038
Total assets at 31 December	7,992,182	7,892,815
Liabilities And Equity		
Energy	744,345	179,094
Financials & Sovereign	4,693,532	5,272,312
Equity	2,554,305	2,441,409
Total liabilities and equity at 31 December	7,992,182	7,892,815
Commitments And Guarantees		
Energy	916,852	866,183
Materials	100,000	155,296
Financials	252,263	521,555
Utilities	642,655	292,464
Industrials	40,109	32,482
Sovereign & Public Finance	12,548	10,874
Total commitments and guarantees at 31 December	1,964,427	1,878,854

33. Segment Analysis

Information reported to the Board of directors for the purposes of resource allocation and assessment of segment performance focuses as a single reportable segment. The directors of the Group have chosen to organise the Group as one operating segment.

Assets, liabilities, income and expenses are disclosed in the relevant notes to the consolidated financial statements of the Group.

34. Geographical Distribution of Risk

The geographical distribution of risk of the Group's assets and liabilities, after taking into account insurance and third-party guarantees, was as follows:

	2021	2020
Assets		
Kingdom of Saudi Arabia	2,699,537	2,525,817
State of Qatar	1,049,681	676,174
Other Gulf Cooperation Council states	2,164,690	2,399,799
Egypt and North Africa	411,253	441,429
Total Arab world	6,325,161	6,043,219
Europe	454,311	235,141
Asia and Oceania	536,282	574,583
United States	509,927	734,528
Other North and South America	166,501	305,344
Total assets	7,992,182	7,892,815
Liabilities and Equity		
Kingdom of Saudi Arabia	5,477,600	4,915,677
State of Qatar	258,948	247,225
Other Gulf Cooperation Council states	1,069,863	1,266,582
Other Middle East states	373,411	357,859
Egypt and North Africa	727,760	658,239
Total Arab world	7,907,582	7,445,582
Europe	81,898	291,624
Asia and Oceania	521	154,778
Other North and South America	2,181	831
Total liabilities and equity	7,992,182	7,892,815

Geographical distribution of risk of the Group's assets and liabilities table (continued)

	2021	2020
Commitments and Financial Guarantees		
Kingdom of Saudi Arabia	709,744	353,415
State of Qatar	8,255	-
Other Gulf Cooperation Council states	468,456	430,302
Other Middle East states	16,535	35,155
Egypt and North Africa	321,230	371,973
Total Arab world	1,524,220	1,190,845
Europe	229,979	449,094
Asia and Oceania	168,682	232,280
United States	41,546	6,635
	1,964,427	1,878,854

35. Comparative

The comparative figures have been regrouped in order to conform with the presentation for current year. Such regrouping did not affect previously reported profit, comprehensive income for the year or total equity.



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