



الشركة العربية للاستثمارات البترولية
Arab Petroleum Investments Corporation

20

ANNUAL REPORT

2022

Building Capacity and Generating Positive Returns

Annual Report 2022

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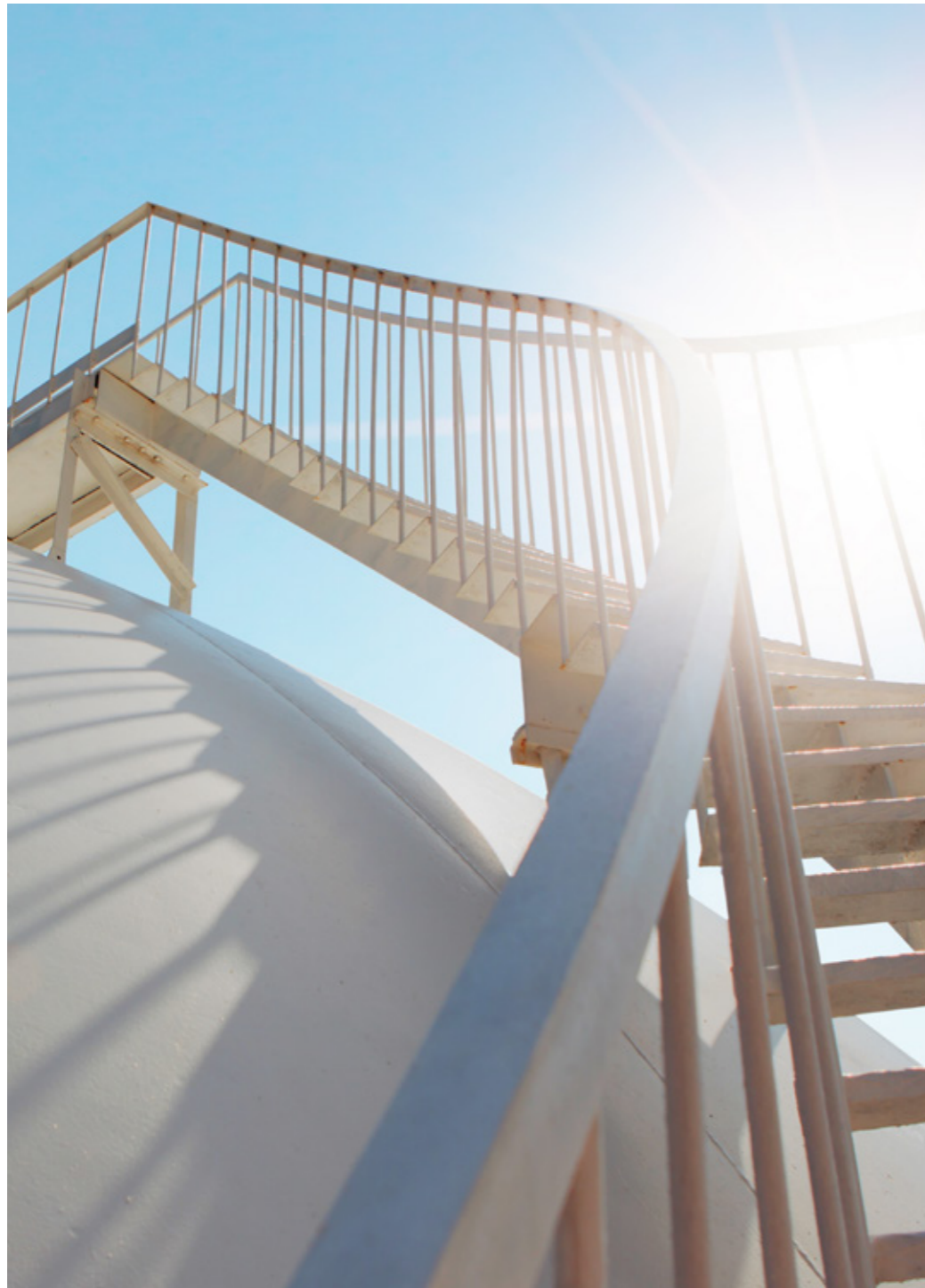
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APICORP
at a
GLANCE

FOCUS ON
The energy of tomorrow

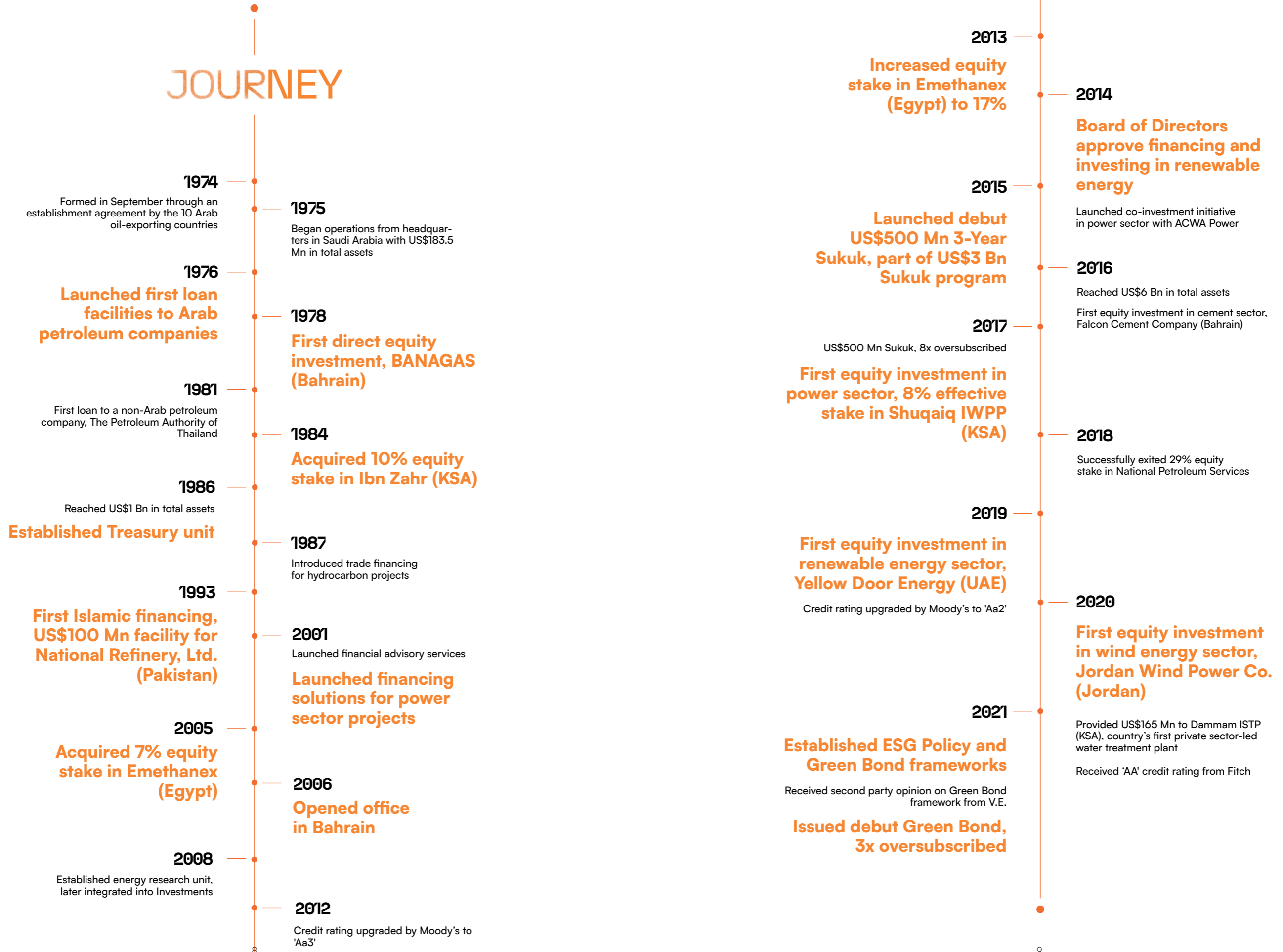
A close-up photograph of a man in a blue suit and striped tie, holding a silver pen in his right hand. The background is blurred, showing another person in a suit. The lighting is soft and professional.



APICORP has been facilitating development and financing sustainable change across the region's energy sector for almost five decades.

As its diverse markets and the ambitions of the Corporation's Members continue to evolve, its mandate remains the same. APICORP applies its deep expertise, comprehensive offerings, and large-scale energy investments to support Member Countries and accelerate the energy transition across the MENA region and beyond, embracing a more sustainable future to create increasing value for the organization and all its stakeholders.

JOURNEY



YEAR *in* REVIEW

2022 HIGHLIGHTS

During a year of memorable milestones and outstanding achievements, APICORP maintained strategic focus on powering the region's balanced energy transition by financing the development and success of the region's energy sector.

JANUARY

APICORP partnered with IsDB in US\$1 Bn infrastructure financing initiative to finance strategic utility projects that contribute to human and economic development in their respective Member Countries and support their national development strategies.

MARCH

APICORP received 'AA-' credit rating from S&P Global, bolstering its position as one of the highest-rated financial institutions in the MENA region.

APRIL

APICORP Green Bond won 'ESG Bond Deal of the Year' at the Bonds, Loans & Sukuk Middle East Awards.

APICORP received 'A2' Sustainability Rating, becoming the MENA region's first financial institution to receive a solicited Sustainability Rating from Moody's ESG Solutions, reflecting its successful integration of ESG factors into its strategy, operations and risk management.

APICORP launched "#SwitchedOnToChange", a regional campaign aimed at highlighting and addressing wider sustainability issues in the energy sector including tackling underrepresentation of women in the sector by encouraging increased diversity and inclusion.

MAY

APICORP appointed Mr. Khalid Ali Al-Ruwaigh as its new CEO, responsible for driving the Corporations future growth and continued success.

APICORP recognized as Associate Member of the International Association of Credit Portfolio Managers, which will support knowledge exchange and development of best practices and standards.

JUNE

APICORP's 'AA' credit rating affirmed by Fitch, reinforcing APICORP's position as one of the highest-rated financial institutions in the MENA region.

APICORP leveraged its Preferred Creditor Status to become MENA's first financial institution to launch an A/B loan program, creating a more sustainable energy ecosystem to support APICORP's less developed Member Countries and encouraging private sector participation.

AUGUST

APICORP signed MoU with nogaholding to promote collaboration focused on strategic initiatives and projects which will be crucial to the future of the Kingdom of Bahrain's energy sector.

NOVEMBER

APICORP launched the MENA region's first Sharia-compliant carbon offset facility, supporting regional net zero ambitions through finance of high-quality voluntary carbon credits.

APICORP published research paper entitled '*MENA'S sustainability journey in light of COP27*' on key themes, priorities and outcomes of the 2022 United Nations Climate Change Conference held in Egypt.

APICORP published thought leadership white paper entitled '*Diversity: The key to the MENA sustainability challenge*' on the need for greater gender diversity for sustainability in the region.

DECEMBER

APICORP adopted Bloomberg solutions for enterprise-wide digital transformation, supporting its digital transformation project to optimize operations and increase efficiencies.

VISION

To be the trusted financial partner
of the Arab energy industry.

MISSION

To support the sustainable development
of the region's energy sector and related
industries through a range of financing
and direct equity solutions, as well as
energy research and advisory services.

WHO WE ARE

The Arab Petroleum Investments Corporation (APICORP) is an energy-focused multilateral financial institution with assets totaling approximately 9 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, 'AA-' by S&P Global, and 'AA' by Fitch.

Approximately



Billion USD

in assets spanning countries in the MENA region and beyond

ENERGY VALUE CHAIN

Electricity Generation



Electricity Transmission, Distribution, Storage, and Retail



Oilfield Services (OFS)

Midstream Oil and Gas

Downstream Oil, Gas and Petrochemicals



Water Desalination



Waste Management

Carbon Management

Transportation and Logistics



Metals, Mining, and Energy Intensive Industries

Energy Efficiency and Conservation



Hydrogen Production, Conversion, Transportation, Storage, and End Use

WHAT WE DO

The Arab Petroleum Investments Corporation (APICORP) 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 four 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 and Partnerships

Invests APICORP's shareholder capital in acquiring direct equity stakes in energy and energy-related private businesses in Member Countries and the broader MENA region, to expand and diversify the Corporation's portfolio, build lasting partnerships, and create long-term value for shareholders.

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

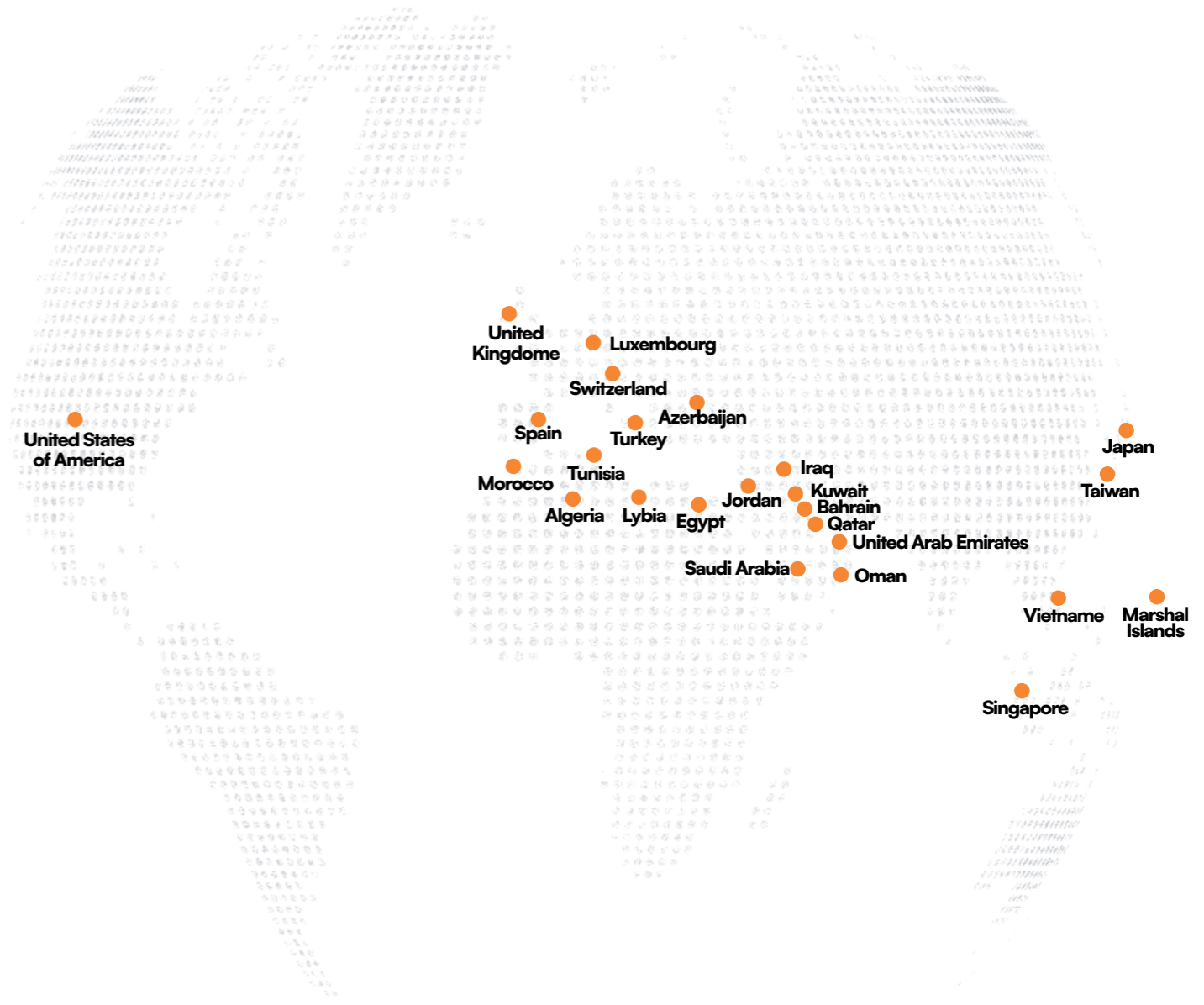
Provides analysis and insights on the regional and global energy sector to both internal and external stakeholders, and guidance to strategic partners, as well as positioning APICORP as a world-class thought leader in energy investment, finance, and sustainability and leadership in APICORP's corporate 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 financial institution with unmatched industry knowledge.

A 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.



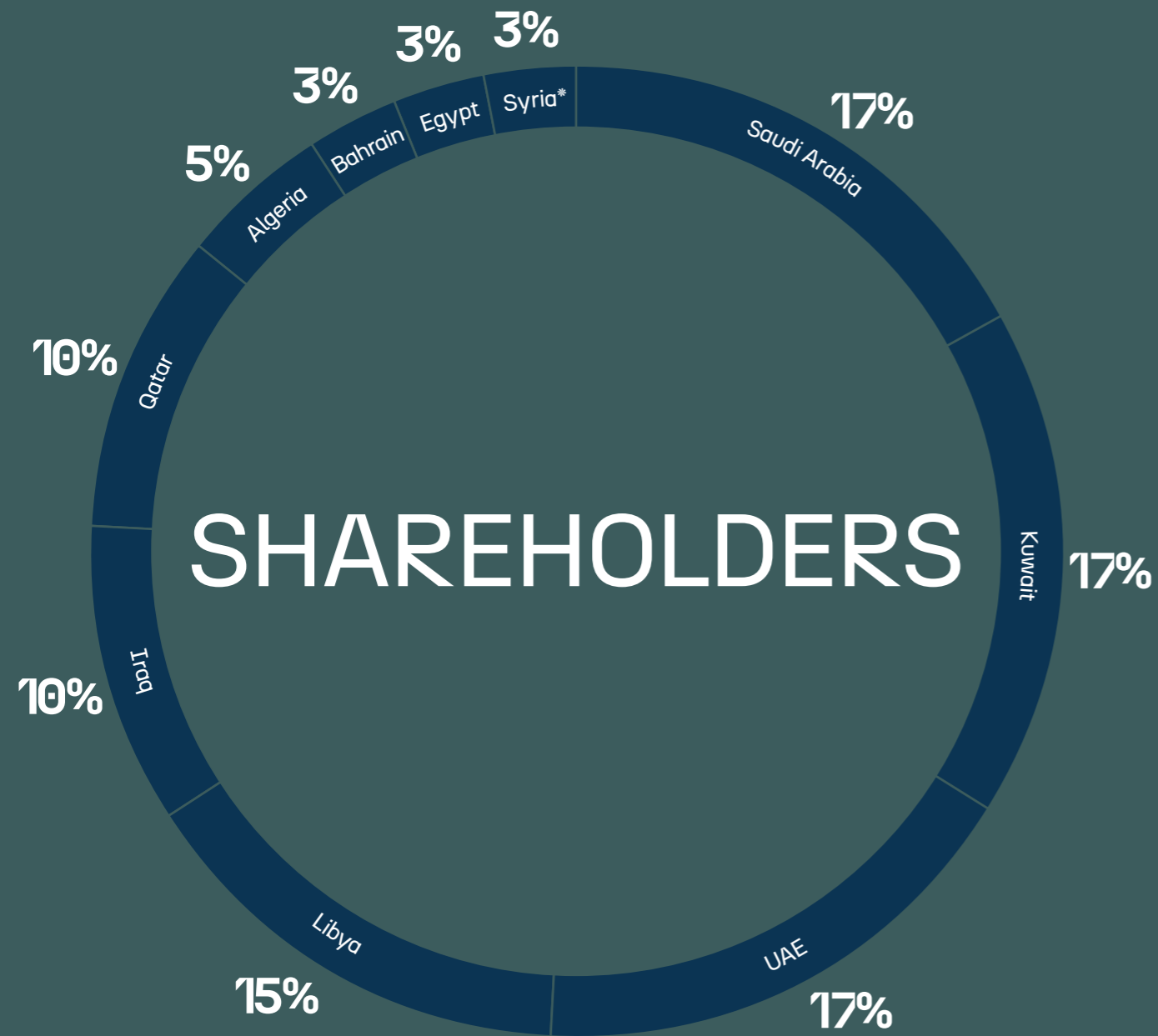
North America

Europe

GCC

Asia

Africa



*Syria has no current representation on APICORP's Board of Directors, and there are currently no active projects taking place in the nation.



A photograph of two men in traditional Middle Eastern attire, including white thobes and red and white checkered ghutras, sitting at a table. They are looking down at a document on the table, with one man pointing at a specific area. The image is slightly blurred, giving it a professional and focused appearance.

FOCUS ON
Steering investments

LEADERSHIP

CHAIRMAN'S STATEMENT

On behalf of the board, it is my distinct honor and pleasure to introduce the annual report and consolidated financial statements of the Arab Petroleum Investments Corporation (APICORP) for 2022. After a strong performance in 2021, APICORP continued to thrive and add value to its Member Countries in 2022 with its clear-sighted mission, proven good governance, resilience, and agility.



41%

Growth in 2022

US\$164.5 Mn

Net income (including capital gains)

If 2022 was a year in which the economies of the GCC continued to buck global macroeconomic headwinds, it was also one in which the nations operating in the Arab energy sector redoubled their commitments to transition and investments in sources of future energy.

APICORP's performance in 2022 and its outsized impact on the Arab energy sector reflects the Corporation's unique mandate and structure. The Corporation reported 41% growth in 2022, which was also a record year for net income (including capital gains), stood at US\$164.5 Mn at year end. The Corporation's assets also increased by 10.8% to US\$8.85 Bn.

—

As the region's only energy-focused multilateral financial institution with more than 47 years of operational expertise in transformative energy investments, APICORP is uniquely positioned to stand at the forefront of this rapidly evolving energy landscape while playing an ever larger and more strategic role in mobilizing essential finance, expertise, and private sector support.

—

Transformative Innovation

Following the successful launch of APICORP's US\$750 Mn Green Bond in 2021, the Corporation further bolstered its reputation as a source of financial leadership this year with a series of transformational financial innovations.

In June 2022, APICORP leveraged its Preferred Creditor Status to become MENA's first financial institution to launch an A/B loan program. It is aimed at encouraging international debt financing in its Member Countries which have limited access to foreign currency debt.

APICORP also collaborated with the Islamic Development Bank on a US\$1 Bn fund for strategic infrastructure projects. The program is designed to encourage private sector participation in a more sustainable energy ecosystem.

In October, this was followed by APICORP's launch of the first-of-its-kind carbon Sharia-compliant carbon offset facility in the MENA region, as part of its commitment to provide innovative financial solutions to enable a balanced energy transition.

The US\$75 Mn Murabaha facility will be used to fund voluntary carbon offsets that will be applied towards the development of environmentally friendly projects worldwide, while providing governments and companies with a viable pathway to immediately begin decarbonizing energy value chains and accelerate their journey to net zero. Carbon offsets can also be used to mitigate risks associated with the energy transition by making investment portfolios more resilient to fast-evolving environmental regulations.

Raising Standards & Receiving Recognition

APICORP's commitment to excellence and innovation has not only expressed itself in new financial products and services but in the many awards it garnered throughout 2022 and its recognition by the international ratings agencies.

In April, APICORP's Green Bond was awarded "ESG Bond Deal of the Year" at the prestigious Bonds, Loans & Sukuk Middle East Awards, and the Corporation also launched its region-wide #SwitchedOnToChange campaign, which aims to

highlight and help address a wide range of issues faced by women in the energy sector and encourage more sector diversity and inclusion.

In December, APICORP adopted Bloomberg solutions to support its own digital transformation by deploying a single, seamless, integrated suite of solutions that enable us to meet regulatory requirements, enhance business controls, manage risk, and make more informed trading, hedging, and investment decisions.

The Corporation's ongoing commitment to good governance and risk management is also reflected in the assessments made by the international ratings agencies. APICORP received 'AA-', 'A2', and 'AA' ratings from S&P Global, Moody's ESG Solutions, and Fitch respectively in 2022, reinforcing its position as the leading multilateral lending institution and one of the highest-rated financial institutions in the MENA region.

Looking Ahead

It is clear that the energy transition has reached a critical juncture and nowhere is the regional shift from commitment to implementation exemplified more clearly than in Egypt and the UAE's hosting of COP27 and the upcoming COP28 respectively. The MENA region is now at the heart of global climate change discussions and has started to realize the enormous human, natural, and economic potential that can be gleaned from the energy transition, diversification, and lower-carbon economic growth.

As a result, APICORP has also embarked on its own process of transformation as it reconsiders its mandate and strategic vision. Going forward, the Corporation will continue to champion, finance, and deliver a balanced energy transition while providing valuable advisory and support to its Member Countries, but it will also focus increasingly on its investments and impact across the MENA region.

Acknowledgements

On behalf of the Board of Directors, I would like to say how proud we are of our colleagues. APICORP's performance in 2022 is a direct reflection of their relentless efforts to maximize opportunities and deliver value for our Member Countries while raising the bar for APICORP, the MENA region, and the industry as a whole.

The Board and I would also like to thank Dr. Ahmed Ali Attiga for his dedicated service to the Corporation over the past five years.

It is now our pleasure to work with Mr. Khalid Ali Al-Ruwaigh, APICORP's new Chief Executive Officer, who brings a wealth of experience and a fresh perspective into his role, and we would like to take this opportunity to wish him every luck and success in his stewardship of this unique organization, with a more focused approach on growth and impact.

Finally, I would like to extend the Board's profound appreciation to the governments of our Member Countries for their ongoing trust and support.

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

BOARD of DIRECTORS



Dr. Aabed Al-Saadoun

Kingdom of Saudi Arabia

Chairman of the Board
Chairman of Governance and Remuneration Committee

Deputy Minister of Energy,
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



Mrs. Amel Abdullatif

People's Democratic Republic of Algeria

Member of Audit
and Risk
Committee

General Manager, Taxation
Directorate, Ministry of Finance

Mr. Sharif Salim Al-Olama

United Arab Emirates

Deputy Chairman of Audit and Risk
Committee

Undersecretary for Energy and
Petroleum Affairs, Ministry of Energy
& Infrastructure



**Sh. Dr. Nimer Fahed
Al-Malik Al-Sabah**

State of Kuwait

Chairman of Audit
and Risk Committee

Undersecretary,
Ministry of Oil

**Mr. Mohammed
Khalid Al-Ghanem**

State of Qatar

Member of Audit
and Risk Committee

Manager, Corporate Finance
and Controls, Qatar Energy



H.E Tarek El-Molla

Arab Republic of Egypt

Member of Governance and
Remuneration Committee

Minister, Ministry of Petroleum
& Mineral Resources



**Mr. Yousif Abdullah
Hamoud**

Kingdom of Bahrain

Member of Governance and
Remuneration Committee

Undersecretary of Financial
Affairs, Ministry of Finance
& National Economy



**Dr. Hamed Younis
Saleh**

Republic of Iraq

Member of Audit
and Risk Committee

Undersecretary,
Ministry of Oil

CEO'S MESSAGE



It gives me great pleasure to report that 2022 was another year of strategic progress and achievement for APICORP. In this report, we will reflect on APICORP's ongoing growth and the deals and investments that effectively position the Corporation as it embarks on an ambitious program of strategic reassessment, realignment and rebranding towards a more focused and sustainable future.

Building on a strong legacy and an established track record of growth and profitability, APICORP refocused its efforts on generating and delivering value for its Member Countries, resulting in an outstanding performance for 2022. We have also worked on reinforcing our position of trust and leadership in a rapidly transitioning energy sector and region.

This may be APICORP's 47th Annual Report, but it is my first and I am acutely aware of the Corporation's rich legacy, its reputation, and its unique role and mandate in the Arab world's energy landscape. I am committed to working with our people and partners to further enhance the unique value of the corporation through a focused approach on growth and impact.

US\$605 Mn
of paid debts in full

Raised
US\$450 Mn
in new money by way of
loans and new capital market
issuances

Building on Strong Foundations

APICORP's strong financial performance in 2022 not only exceeded all key metrics that were set by the Board but also provided the ideal starting point from which to pursue the Corporation's plans for change, while building on its unique proposition, industry expertise, and long-standing experience. This solid foundation will now empower APICORP, as it navigates challenges and maximizes the opportunities afforded by its Member state's commitments to net zero and the region's energy transition.

The Corporation has succeeded in building an enviable portfolio that has proven itself capable of delivering strong growth and financial results alongside a growing balance sheet and equity book. Many of APICORP's long-standing investments also delivered great results and record dividends in 2022, which enabled the Corporation to pay off US\$605 Mn of debts in full just as it raised US\$450 Mn in new money by way of loans and new capital market issuances.

The Corporation's outstanding rating by organizations such as S&P Global and Fitch meant that it was able to secure some of the lowest financing cost in the region that will directly translate into the bottom line in years to come while setting a benchmark and the tone for future borrowings.

When coupled with the huge savings resulting from efficiencies across the organization operations, this allows APICORP to maximize its returns and impact.

Accelerating Change in the Future

Looking ahead to 2023, APICORP is well-positioned to repeat the growth and success it delivered in the previous years. The Corporation's core business, vision and values will evolve as we continue to deliver on our mandate and role as a trusted partner for the Arab energy sector while building a resilient portfolio that delivers outstanding value for its Members.

As the transformational change of the energy sector across the MENA region and beyond continues to gain momentum, APICORP is mirroring and contributing to this dynamic. While we remain convinced that hydrocarbons will continue to play a critical and central role in the global energy security and mix for many years to come, APICORP recognizes the need to consider a wider energy mix, in line with its commitment to ensuring long-term economic sustainability and energy security.

As part of this transition, we have launched a strategy re-set exercise to create a more focused yet strategic roadmap in support of our ambition to fulfill a wider mandate in the energy sector in the region at large through a well-defined purpose and impact. In addition, the organization is embarking on a new re-brand project to reflect its evolving role within the investment and finance of the energy transition. APICORP will also move its headquarters from its current location in Dammam, Saudi Arabia, to the Kingdom's capital, Riyadh, one of the region's major financial centers where it will be able to leverage the benefits of co-location and collaboration with industry peers and the very best available talent.

While expanding its client base, APICORP will continue to drive efficiencies to continually grow and diversify its investor pool and support them through a broad range of financial products delivered across an ever-wider geographic footprint. The Corporation will continue to support its sustainability approach by strengthening its ESG credentials while assisting Member Countries to meet their own sustainable objectives in a year that will see the UAE host the 28th United Nations Conference of the Parties (COP28).

Acknowledgements

It has been my pleasure to meet many of our clients and partners since I became APICORP's Chief Executive Officer, many of whom often talk to me about the caliber of my colleagues. APICORP's people are its most precious resource and I'd like to take this opportunity to thank our Board and all our employees for their steadfast professionalism and support, which have played such a critical role in defining APICORP's identity, reputation and success.

I look forward to working with my colleagues and our stakeholders as we embark on this new chapter in the Corporation's history, building momentum and setting the pace for finance, impact, and investment in both the Arab energy sector and the wider region.



Mr. Khalid Ali Al-Ruwaigh

Chief Executive Officer

Arab Petroleum Investments Corporation (APICORP)

MANAGEMENT TEAM

1. **Mr. Khalid Ali Al-Ruwaigh** — Chief Executive Officer
2. **Mr. Ajay Kumar Jha** — Director, Risk & Compliance
3. **Mr. Moied Alhussain** — Director, Legal
4. **Mr. Bennie Burger** — Managing Director, Investments
5. **Mr. Nicolas Thévenot** — Managing Director, Corporate Banking
6. **Eng. Raeda Al Sarayreh** — Director, Corporate Communications & Outreach
7. **Dr. Yasser Gado** — Treasurer
8. **Eng. Fahad Alshahrani** — Head of Shared Services
9. **Mr. Alper Ozun** — Acting Head of Finance
10. **Mr. Mostafa El Baroudy** — Director, Operations & Finance Complex



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From left to right
6 → 10



STRATEGY
and
BUSINESS MODEL



FOCUS ON
Creating value

STRATEGY

APICORP’s roadmap to the future is based on its 2020 strategy, a sustainability-driven approach that draws on the Corporation’s unmatched experience as an energy-focused multilateral financial institution. The approach makes APICORP increasingly integrated, agile, resilient, and flexible.

The Corporation’s ESG standards and practices are embedded in all aspects of operations and enable APICORP to continue delivering innovative financial solutions for a more sustainable energy future. This will enable the Corporation to continue to be a driving force in the financing of key energy players and meet the demands of an evolving landscape.

Strategic Pillars

APICORP’s corporate strategy will aim to drive profitable growth through a focus on:

Thrive

as a multilateral financial institution in the transitioning energy world

Lead

the financing of energy players

Diversify

and deepen client base

Shape

the energy landscape in the Arab world

Build

an agile and efficient external and internal ecosystem

Thrive

- 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

- Institutionalize client centric business development
- Expand financial solutions and approaches
- Mobilize external funding for the energy sector

Diversify

- Expand lending to the regional private sector
- Expand business with energy traders

Shape

- Advise Arab governments and stakeholders on energy policy and strategy
- Enhance thought leadership in the energy sector

Build

- Establish and nurture strategic partnerships
- Improve organization, people, and culture
- Enhance processes and systems

Preparing the New Strategy

Building on the success and momentum of its current strategy, APICORP initiated in 2022 the process to develop a new strategy that will provide a clear roadmap for the Corporation to accelerate growth, foster innovation, and maximize sustainable impact in the years ahead.

BUSINESS MODEL

Strengths

Financial Strengths

- High credit ratings; Moody's 'Aa2', S&P 'AA-', and Fitch 'AA'
- Consistently profitable; Robust liquidity and risk metrics
- Approximately US\$9 Bn in assets; US\$20 Bn in authorized capital

Operational Strengths

- Unique mandate; sole energy-focused multilateral financial institution in MENA
- International presence in 25+ countries
- 45+-year track record of sustained growth and success

Human Capital Strengths

- Highly experienced Board of Directors representing most Member Countries
- Diverse and experienced Executive Team
- 120 talented employees from 17 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 APICORP

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

Creates Value

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 and Partnerships

- Investments in quality businesses at sensible values, taking into account:
 - ESG considerations
 - Impact of investments
 - Energy transition
 - Geographic and sub sectoral diversification
- Pro-actively manages the Corporation's equity portfolio seeking maximization of long-term return to shareholders

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
- Ensures balance sheet assets and liabilities are properly matched in terms of interest rate sensitivity and maturity
- Identifies, measures, and manages credit risk, market risk, and operational risk and implements hedging strategies

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

Stakeholders

Shareholders

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

Employees

- Average tenure of 11 years
- Employee engagement at 74% (+7% vs Global Financial Services Norms)
- Diverse and inclusive work environment with strong corporate culture

Communities

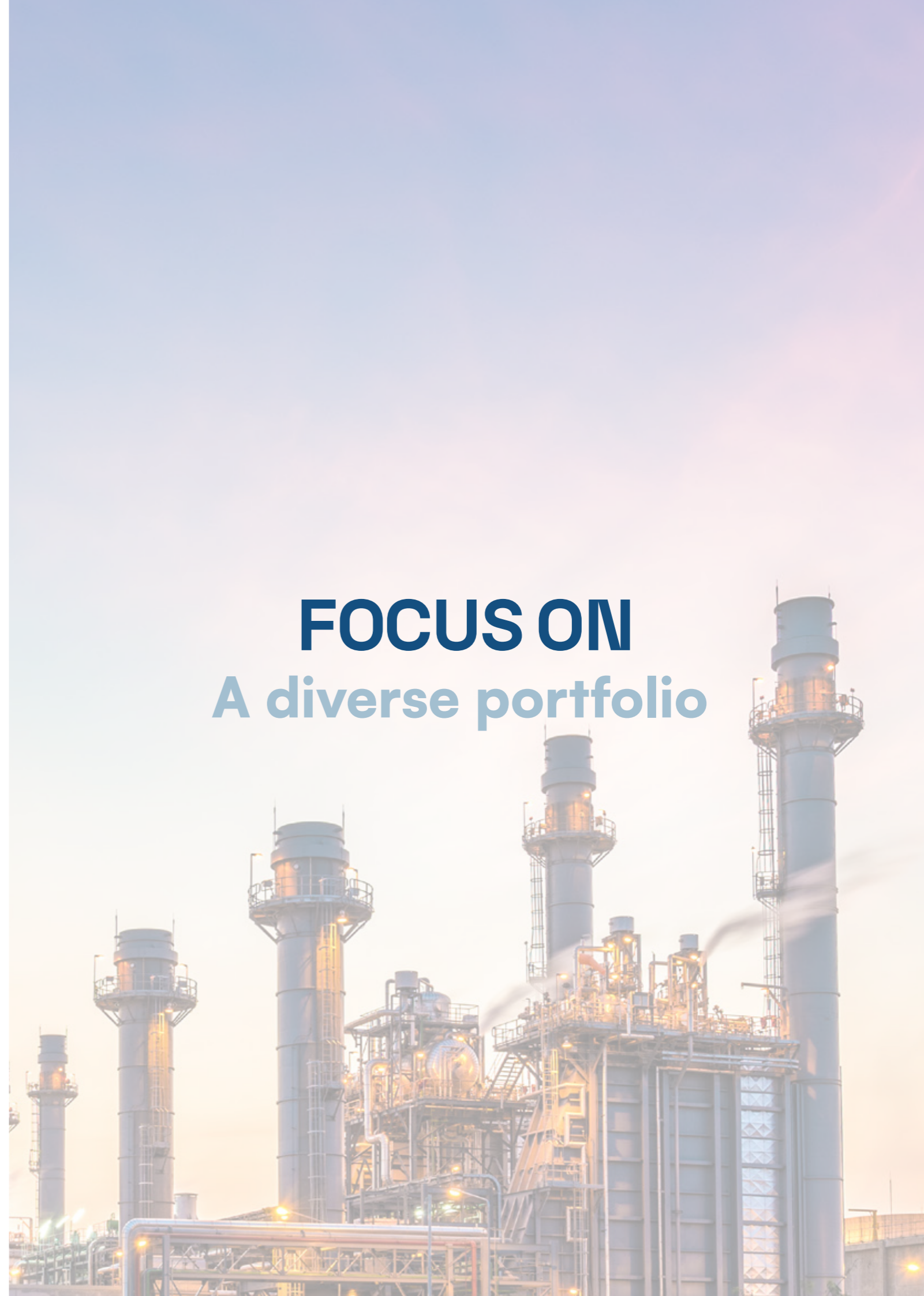
- Supporting local economies to ensure a positive social impact
- Improving the communities in which APICORP operates
- Supporting the governments of Member Countries in delivering on national strategies and development plans

Environment

- Leading the region's energy transition
- Issued the APICORP Green Bond in 2021 (US\$750 Mn, 3x oversubscribed)
- 14% of the loan book is environmentally and socially linked
- Green assets grew by 551% (2016 to 2022)

GROUP
PERFORMANCE

FOCUS ON
A diverse portfolio



FINANCIAL HIGHLIGHTS

Management Discussion and Analysis

Building on the strong momentum established in 2021, APICORP maintained strategic focus and capitalized on strong economic growth across its Member Countries to make significant progress this year towards its vision to be the trusted financial partner of the Arab energy industry.

APICORP delivered a year of record profitability and financial performance in 2022.

The Corporation recorded a 41% rise in total net income (including capital gains) to reach US\$164.5 Mn compared to US\$117.7 Mn for the previous year. This strong performance was primarily driven by the strength of its portfolio, enhanced efficiencies, and higher interest rates, which resulted in an 88% increase in interest income to US\$134.2 Mn for the year. Combined with relatively stable operating expenses, this outstanding financial performance resulted in a 33% surge in total profits for the year, reaching US\$148.8 Mn.

This is also reflected in its key financial metrics, with capital adequacy ratio slightly decreasing from 32% in 2021 to 31% in 2022, and the key leverage ratio reducing from 2.13x to 2.03x year-on-year. In addition, the Corporations' return on assets and return on equity rose 26.7% and 26%, respectively, while its non-performing loans increased from 0.55 % to 1.18 % for the year.

Following the Corporation's landmark US\$750Mn Green Bond issuance in 2021, APICORP achieved several significant milestones in the sustainability space, as it continued its drive toward supporting a balanced energy transition.

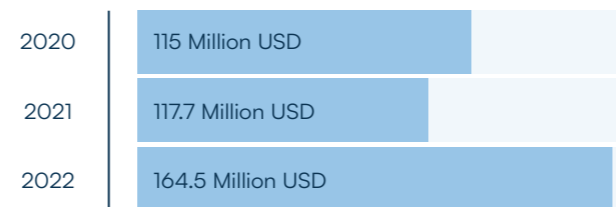
The Corporation's balance sheet grew by 10.8% during the year, from US\$7.9 Bn in 2021 to reach US\$8.8 Bn as of year-end 2022, primarily driven by growth in investment assets, which exceeded US\$3.5 Bn for the year. Notably, Corporate Banking delivered income growth of 62% to reach US\$197 Mn in 2022, and secured new funded commitments of US\$2.4 Bn to grow the total funded assets to US\$4.2 Bn.

Meanwhile, the Treasury and Capital Markets portfolio grew by 48% year on year to reach US\$3.27 Bn, resulting in income of US\$69.7 Mn, reflecting its diversified fixed income portfolio and high yielding money markets placements, and income from the equity investments portfolio surged by 11% compared to 2021 to reach US\$136.7 Mn for 2022, driven by higher dividend and investment income that reached US\$121.5 Mn on total investment assets of over US\$1.2 Bn.

Demonstrating the strength of its financial fundamentals and outlook, APICORP received an 'AA-' credit rating from S&P Global in March, and also successfully retained its Aa2 rating from Moody's and AA rating from Fitch in 2022.

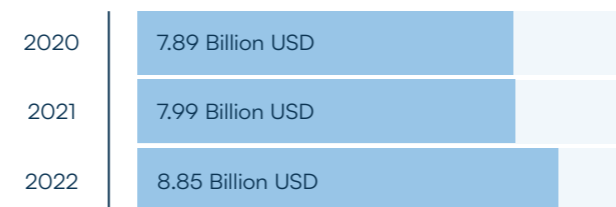
Net Income - Including Capital Gains (in USD)

164.5 Million



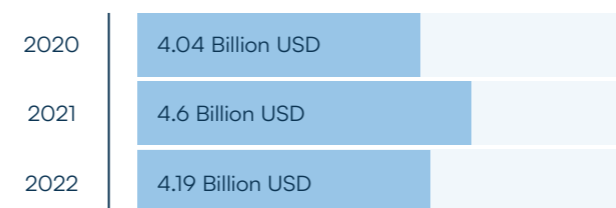
Assets (in USD)

8.85 Billion



Corporate Banking Portfolio (in USD)

4.19 Billion



CORPORATE BANKING

APICORP's Corporate Banking unit overcame significant macroeconomic turbulence and uncertainty during 2022 to bolster its reputation as the trusted financial partner for Member Countries across the Arab world.

It continued to create value for the Arab energy industry and cement its commitment to provide innovative financial solutions that enable a balanced approach to the energy transition, while facilitating a series of landmark deals across the value chain.

Total Funded Assets US\$4.2 Bn

After several consecutive years of strong growth of the loan portfolio, APICORP initiated a slight reorientation of priorities in late 2021, geared towards the preservation of profitability in a context of increasing competition and margin squeeze, especially in the renewable space.

Combined with significant delays in the closing of large transactions in the GCC, the cancellation of several renewable projects in Saudi Arabia that APICORP had budgeted for 2022, and massive prepayments and refinancings at reduced margins, this focus on profitability led to a 9% contraction in 2022 of the portfolio of funded loan assets, from US\$4.6 Bn as at year-end 2021 to US\$4.2 Bn at year-end 2022.

On their side, the unfunded trade finance activities remained dynamic, within the framework of a cautious approach towards emerging economies, particularly outside the MENA region. As at year-end 2022, unfunded trade finance assets amounted to US\$850 Mn compared to US\$638 Mn the previous year.

Overall, income net of Libor continued to grow, from US\$114 Mn in 2021 to US\$121 Mn in 2022. Net yield of the portfolio achieved a historical record at 2.79% p.a. compared to 2.63% p.a. in 2021.

Concurrently, Corporate Banking continued to book new assets on pricing terms acceptable to the Corporation in 2022 and secured new funded commitments of US\$2.4 Bn against a funded target of US\$1.875 Bn, representing c. 30 funded transactions.

Several other notable initiatives were launched during the year:

- In **January**, APICORP and Saudi Arabia's Islamic Development Bank (IsDB) partnered in a US\$ 1 Bn utility infrastructure financing initiative to bridge the investment gap in MENA countries where it remains difficult to access capital.
- Likewise, in **June**, APICORP announced the launch of an A/B loan structure with the same objective, to bridge the investment gap due to difficult access to capital of certain Member Countries. Aimed at encouraging international debt financing in Member Countries with limited access to foreign currency debt, A/B loans are a very effective tool in helping APICORP achieve its sustainable development goals on a commercial basis while enabling certain Members to fund the sustainable transformation of their respective energy sectors. APICORP will lead negotiations and administer the loans while also acting as the lender of record on behalf of B-Lenders.
- In **August**, APICORP signed a memorandum of understanding with Bahrain's Oil and Gas Holding Company B.S.C (c) (nogaholding) to promote collaboration between the two entities by sharing knowledge and best practices on Environmental, Social, and Governance (ESG) aspects and promoting sustainability initiatives for the benefit of Bahrain.
- Finally, in **December**, as part of its commitment to provide innovative financial solutions that enable a balanced energy transition while supporting Arab countries' aspirations to reach net zero, APICORP closed on the MENA region's first Sharia-compliant carbon offset facility, a US\$75 Mn Murabaha facility in favor of Hartree Partners, and will fund high-quality voluntary carbon offsets.

Project Finance

Corporate Banking pursued and executed a range of landmark deals across the region in 2022, mainly:

—
A first-of-its-kind in the region bespoke transaction for the Project Magma Waste Management, in conjunction with Natixis
—

—
Zuluf Water Treatment Plant, a critical project for Saudi Aramco
—

—
Repdo 3 PV with Jinko Power for the construction of the 300 MW Saad Solar PV Project in Saudi Arabia
—

—
An equity bridge loan (EBL) to fund, along with three international lenders, part of the equity commitment of ACWA Power in the NEOM Green Hydrogen project
—

—
An offshore service vessel (OSV) acquisition financing for Allianz — Shuaa Capital, along with National Bank of Fujairah (NBF)
—

Trade Finance

APICORP further enhanced its position as the regional financier of choice in the trade finance space in 2022 by booking US\$1.4 Bn of syndicated and bilateral facilities — including refinancings — an increase of c. US\$600 Mn from 2021.

This included the expansion of bilateral facilities with traders as well as the provision of finance support to clients such as ACWA Power, ADES Group, and the National Energy Services Reunited Corp., whose requirements have been historically project finance-focused. For the second year running, APICORP also took successful charge of the regional syndication of the revolving credit facility for SOCAR Trading, the trading arm of Azerbaijan's state oil company.

The LC desk also continued to grow throughout 2022, processing 106 transactions in 2022, 40 more than in 2021, representing an aggregate value of US\$1.8 Bn. Total annual income of the LC desk reached US\$6.8 Mn in 2022.

Corporate Banking in 2023

In the year ahead, Corporate Banking aims to continue its growth trajectory and support the decarbonization efforts of the entire value chain of the energy industry and the development of renewable projects, while keeping the emphasis on loan asset profitability and quality.

It will seek to capitalize on opportunities to diversify geographically as well, by supporting companies to achieve their international growth ambitions outside the region.

Financial innovation powering the Middle East's net zero ambitions

As nations and corporations around the globe come together for positive change towards their common vision of a net zero world, innovation in financial solutions is as important as it is in technology to accelerate the energy transition. High-quality carbon credits may be one of the viable pathways for the Middle East to rapid decarbonization.

While there is broad agreement that the climate reality requires an energy transition to cleaner, more sustainable energy sources, and hundreds of billions of investments poured into scaling alternative energy sources, the fossil fuel energy infrastructure continues to be the lifeblood of today's modern economy —

**supplying 80%
of current global primary
energy demand.**

A balanced energy transition that unlocks the environmental, social, and economic benefits of a net zero world is crucial and financial tools such as carbon credits will be imperative to it.

The Middle East is accelerating decarbonization

Regional decarbonization in the Middle East is at the heart of many nations' environmental and economic policymaking. The Middle East is one of the world's most hydrocarbon-rich regions, with nearly half of the planet's proven oil reserves and close to 40% of proven natural gas reserves. This reality creates three fundamental dynamics: economic necessity, a unique responsibility for global supply, and decarbonization.

Saudi Arabia, Oman, UAE, Qatar, Bahrain, Kuwait, and Iraq have all made net zero commitments for the period between 2030 and 2060. Government targets — and the rationale for change — are shared by many of the region's largest energy companies including Saudi Aramco, the Abu Dhabi National Oil Company (ADNOC) and others, many of whom have announced decarbonization targets in support of their respective countries' net zero commitments.

However, to fulfill their commitment to the Paris Agreement, these decarbonization targets need more than just reduction in emissions. This is where financial innovation can fill the gap and accelerate the global energy transition.

**APICORP is driving
positive change through
its lending activities to
support renewable power,
sustainable investments,
and carbon offsets.**

Financial institutions have a key role to play in making this vision a reality, applying a range of tools to support nations and corporations, including carbon offsets.

**In renewable power,
Corporate Banking has been
instrumental in the financing
of several transactions
totaling c.**

**US\$500 Mn
of commitments in 2022**

Corporate Banking also joined several sustainability linked facilities both in Project and Trade Finance and supported several sustainability projects, including one of the world's largest waste-to-energy project in Dubai.

Finally, Corporate Banking structured an innovative financing solution to help the expansion of the Voluntary carbon markets. Voluntary carbon markets — both regionally and globally — have emerged to trade carbon offsets, with each 'carbon offset' representing one ton of carbon dioxide equivalent (CO₂e), which, when traded, offsets corresponding emissions by the holder.

The first-of-its-kind Murabaha facility launched by APICORP was developed as part of its commitment to providing innovative financial solutions specifically designed to enable a balanced energy transition. The approach is also aimed at supporting the Paris Climate Agreement, while the facility's Shariah compliance promotes adoption by making it more attractive in Islamic nations across the region.

In aggregate, the exposure (drawn and yet-to-be drawn) of APICORP to renewable and sustainable projects at year-end 2022 amounted to c. US\$953 Mn.

INVESTMENTS *and* PARTNERSHIPS

APICORP's Investments and Partnerships unit achieved strong results in 2022, delivering income from its equity portfolio and capital gains on exits that exceeded 2021 results by 9.4%

The Investments and Partnerships business primarily invests a portion of the Corporation's shareholder capital directly in the equity of energy and energy-related private businesses in Member Countries and the broader MENA region. It secondarily invests indirectly through third party fund investments. As a responsible investor, guided by APICORP's strong ESG principles, the Corporation prefers to invest alongside like-minded, sophisticated, and professional partners, in quality businesses that have a discernible and sustainable competitive advantage. APICORP favors investments with a tangible developmental impact, particularly in the context of advancing the region's energy transition.

Total Income

US\$136.7 Mn

Additional Investments

US\$80 Mn

Operational Highlights

As part of its ongoing commitment to decarbonization and bolstering the sustainability of the MENA region's energy landscape, APICORP along with its partners in Yellow Door Energy, concluded successful negotiations with one of the leading global investors in sustainable infrastructure, Actis, in July 2022 for their acquisition of a controlling stake in the Dubai-headquartered renewable energy business serving the Middle East, Africa and South Asia. Being one of APICORP's earliest equity investments in the renewable energy space, Yellow Door Energy is the leading distributed Commercial & Industrial (C&I) solar platform in the Middle East and Africa (MEA) region with more than 200MW of secured production capacity, 106MW of which is in operation and 104MW awarded and under construction.

In September APICORP also participated in TAQA's successful capital increase, which facilitated the well services company's 100% acquisition of UAE-based Al Mansoori Petroleum Services. This acquisition significantly expands TAQA's business beyond Saudi Arabia to the wider Middle East and North Africa (MENA) region and complements their range of oil field services.

As part of APICORP's active investment strategy, the Corporation is progressively seeking to exit investments after a reasonable investment holding period, taking into account the need for long term value maximization. During 2022, the Corporation concluded a partial sale of its interest in Ashtead Technology, a leading integrated subsea technology company that supports the global offshore energy sector. The solid capital gains achieved to date have validated this successful investment, alongside London-based Buckthorn Partners, with whom the Corporation has built a strategic partnership and also participated in further investments. APICORP expects to exit the remainder of its holdings in Ashtead Technology during 2023. The sale of the five vessels owned by the APICORP Petroleum Shipping Fund

was concluded in 2022 through fund management partners Tufton Oceanic Middle East. The Corporation also completed a successful exit from its last remaining investment in the Goldman Sachs managed account investment vehicle.

APICORP participated in a number of regional IPOs in 2022 and committed capital to two infrastructure funds, one of which focuses on global emerging markets while the other is GCC-focused. The Corporation is in the process of engaging a select group of external fund managers for the establishment of a public investment portfolio, which will include regional listed equities and fixed income investments. This augments short-term portfolio growth and provides access to attractive investments in assets with a similar or lower risk profile than direct investments in private companies.

—
APICORP remains cautious and selective in its approach to investments and will continue to invest in a responsible manner, with a focus on expanding its portfolio in the renewables sector.
—

It is APICORP's firm belief that the hydrocarbon sector will continue to occupy a cardinal role and position in the region and the world's energy mix, and that this will be the case well into the future. Accordingly, APICORP will continue to provide appropriate and responsible support to the traditional hydrocarbon sector in its Member Countries, across the MENA region and beyond, with a focus on energy efficiency technologies.

Investments and Partnerships in 2023

Looking towards 2023, Investments and Partnerships will build on the strong momentum already in place, as it implements a new integrated business model, informed by a new corporate business strategy.

The business will continue focusing primarily on direct investments, with some allowance for indirect investments through funds, in addition to launching a (limited) public investment portfolio. Overall, the business will actively seek to participate in energy transition and in energy efficiency initiatives and opportunities in the region.

Investments and Partnerships will continue its pursuit of opportunities that will aid in the diversification of its equity portfolio. It will continue to seek investment opportunities in high quality businesses at the right price and remain highly selective and cautious in its approach to investments. The business will also endeavor to exit investments at an optimal time, considering long-term value maximization for shareholders.



TREASURY and CAPITAL MARKETS

APICORP's Treasury and Capital Markets (T&CM) unit outperformed in 2022, exceeding the planned budget mainly due to higher income from a well-diversified and high-quality fixed income portfolio coupled with high yielding money markets placements.

During the last quarter of 2022, T&CM successfully concluded two medium-term loan deals and two private placement issuances totaling US\$450 Mn **at approximately the lowest financing costs in the region compared to its peer group, enhancing APICORP's reputation as a leading energy-focused multilateral financial institution.**

Treasury Assets

Increased by

48%

US\$2.21Bn

as at December 31, 2021

US\$3.27Bn

as at December 31, 2021

Total Funds raised from bonds and loans since 2010
US\$12.96 Bn

No. of trades
49

T&CM ensures that APICORP's daily liquidity requirements are funded in a timely and cost-effective manner. APICORP's recent strategy has been to prioritize liquidity management and to minimize its reliance on short-term funding, while raising stable medium-term funding at the lowest possible costs to support its operations.

APICORP's short-term borrowings, including repo borrowings, at year-end 2022 were US\$1,094.1 Mn, while short-term placements, an essential indicator of liquidity, was US\$786.3 Mn. Treasury also continued its investor engagements mainly in the GCC, Asia, and Europe throughout the year, and succeeded in attracting many new counterparties in 2022, increasing investor diversity and geographical reach.

APICORP Trading Special Purpose Vehicle (SPV), an entity created mainly to house exchange cleared derivatives, became operational in 2022 thereby adding further flexibility in dealing in derivative transactions.

During 2022, APICORP repaid US\$605 Mn of maturing debts while raising US\$450 Mn in loans and new capital market private placement issuances, through a US\$100 Mn Sukuk and a US\$100 Mn conventional private placement, as well as securing a US\$250 Mn loan from a local bank.

First MENA financial institution to receive a solicited "A2" Sustainability Rating from Moody's ESG Solutions

Proceeds of APICORP's 2021 US\$750 Mn Green Bond, the first ever Green Bond issued by an energy-focused multi-lateral financial institution, are being used to fund projects that align with the United Nations Sustainable Development Goals (SDGs), such as renewable energy, green buildings, pollution prevention and control, and low-carbon technologies and solutions.

In recognition of the Green Bond's success, APICORP was recognized by *The Banker's* with the "Deals of the Year 2022" award in the Sustainable Finance category. In addition, the deal was also awarded "ESG Bond Deal of the Year" at the 2022 Bonds, Loans & Sukuk Middle East Awards.

Due to reliance on diversified sources of funding and subsequent improvement in asset and liability mismatches, along with a short duration, high-quality liquid fixed income book, APICORP maintained healthy solvency and liquidity metrics, reinforcing its position as one of the highest-rated financial institutions in the MENA region.

APICORP is the first MENA financial institution to receive a solicited "A2" Sustainability Rating from Moody's ESG Solutions, reflecting a successful integration of ESG factors into its strategy, operations, and risk management, while recognizing APICORP's comprehensive anti-corruption, anti-money laundering, non-discrimination, and gender diversity protocols.

Treasury and Capital Markets in 2023



Looking ahead, T&CM will build on its success in 2022 by continuing to diversify and deepen its client base across an ever-wider range of geographies, while securing competitive funding at the lowest possible cost in the region compared to its peers, increasing APICORP's margins in its lending and investment books.

As part of its sustainability strategy, APICORP will also continue to lead the sustainability drive in the energy space across the MENA region by supporting Member Countries in their respective energy transition journeys.

A photograph of two workers in hard hats and light-colored shirts standing in a field of tall grass. They are looking at a tablet together. In the background, a line of wind turbines is visible against a bright, hazy sky at sunset or sunrise. The overall tone is warm and optimistic.

FOCUS ON
The energy transition



SUSTAINABILITY *at* APICORP

Annual Report 2022

A NEW ERA FOR ENERGY AND FINANCE

A fundamental pillar of APICORP's corporate strategy, sustainability informs the Corporation's vision and the role of innovative finance solutions in supporting tomorrow's energy system today.

APICORP sees unprecedented opportunities for its Member Countries and the wider MENA region within a sustainable, balanced energy transition.

Since its establishment in 1975, APICORP has supported the sustainable development of the MENA region's energy sector. The Corporation understands the transformational opportunities that energy can deliver, and now that the sector is entering a new era, APICORP is too.

551%
% increase in total environmental and socially-linked loans (2017-22)

63%
% of green bond investors are driven by ESG mandates

14%
% of the loan book are environmental and socially-linked loans as of end-2022

Financial innovation for a sustainable energy system

Saudi Arabia, Oman, the UAE, Qatar, Bahrain, Kuwait, and Iraq have all made net zero commitments for the period between 2030 and 2060. Government targets — and the rationale for change — are also shared by many of the region's largest energy companies such as Saudi Aramco, QatarEnergy, and the Abu Dhabi National Oil Company (ADNOC), many of whom have announced decarbonization targets in support of their respective countries' net zero commitments.

To help realize the balanced transition that will enable APICORP's Member Countries to deliver on these commitments, APICORP has also embarked on its own process of financial transformation and innovation.

Building on 2021's landmark achievements, when APICORP's inaugural US\$750 Mn Green Bond set new benchmarks for sustainable investment in MENA, this year saw the Corporation further consolidate its role as both an innovator and a driving force in the balanced realignment of the region's energy and financial ecosystems.

APICORP continued to deploy best-practice ESG principles across all operations throughout the year, with environmental and socially-linked projects comprising 14% of its US\$4.3 Bn loan portfolio, which encompasses leading public and private sector partners in 5 countries.

In recognition of the Corporation's successful integration of ESG factors into its strategy, operations, and risk management, APICORP became the first and only energy-focused financial institution in the MENA region to receive a solicited 'A2' Sustainability Rating from Moody's ESG Solutions.

Supporting tomorrow's energy industry TODAY

Over the next decade, every aspect of national and regional energy systems will be affected by climate and energy policy changes, continuous technological innovation, and shifting energy supply and demand. APICORP launched a series of landmark transactions and initiatives throughout 2022 that will enable a balanced transition to unlock the environmental, social, and economic benefits of net zero while recognizing that the increasingly innovative and efficient use of the existing fossil fuel energy infrastructure will continue to be the lifeblood of the regional economy — supplying 80% of current global primary energy demand. APICORP expects to allocate US\$1 Bn to green energy projects over the next two years.

APICORP's AWARD- WINNING GREEN BOND

Thus far, APICORP has allocated US\$335 Mn out of the US\$750 Mn from its debut green bond issued in October 2022 to 10 projects in five countries, including Saudi Arabia, the UAE, Egypt, Jordan, and Spain. The financed projects include solar and wind farms, waste-to-energy plants, and wastewater treatment facilities. Collectively, the projects produce 9.4 Terawatt-hour (TWh) of clean power for nearly one million homes while avoiding 20,057,118 of carbon dioxide equivalent (TCO₂e) per year.

As of 31 October 2022, APICORP's portfolio of environmentally-linked loans financed for the period amounted to US\$624 Mn, or 14% of the total loan portfolio compared to 3% in 2016. This significant increase reflects the strategic shift towards investing in and enabling a balanced energy transition across the region.

Allocated proceeds
by country

**saudi
arabia**

Allocation **19%**
Number of Projects **2**

**united arab
emirates**

Allocation **55%**
Number of Projects **5**

spain

Allocation **13%**
Number of Projects **1**

jordan

Allocation **7%**
Number of Projects **1**

egypt

Allocation **7%**
Number of Projects **1**

The projects to which APICORP allocated green bond proceeds include Shuaa Energy 2 and 3, the SPV companies established to develop the third and fifth phases of the Mohammed bin Rashid Al Maktoum solar park in Dubai, UAE, Saudi Arabia's Sudair One Renewable Energy, whose Sudair solar PV plant is the first project under PIF's renewable energy program, and Alfanar's Soliedra wind farm in the Castile and León regions of Spain.

The remaining US\$415 Mn from the unallocated green bond proceeds was invested into other green assets including securities and funds which comply with the Green Bond framework.

The success of the green bond, which was three times oversubscribed and attracted strong interest from green investors from across the globe, earned the prestigious ESG Bond Deal of the Year by Bonds, Loans & Sukuk Middle East Awards in April 2022.

MENA's FIRST SHARIA- COMPLIANT CARBON OFFSET FACILITY

In November 2022, APICORP set yet another precedent as part of its vision for supporting the MENA region in its journey to sustainability. Signed in favor of Hartree Partners Power & Gas Company (UK) Limited, an affiliate of Hartree Partners LP, a global energy and commodities firm, the US\$75 Mn Murabaha agreement - the first-of-its-kind in the MENA region - is designed to fund carbon offsets that are registered with the non-profit platform Verra, the largest global registry for nature-based offsets.

The offsets will be used to develop environmentally friendly projects worldwide, with each carbon offset representing the ownership of one ton of carbon dioxide equivalent (CO₂e) which offsets corresponding emissions by the holder.

Carbon offsetting offers a viable pathway for governments and companies to cut their emissions; this is particularly relevant to the Arab region. In addition to having substantially higher carbon emissions per capita than peer economies, the region's already scarce water and agricultural resources are one of the most affected by climate change impact according to the United Nations Framework Convention on Climate Change (UNFCCC).

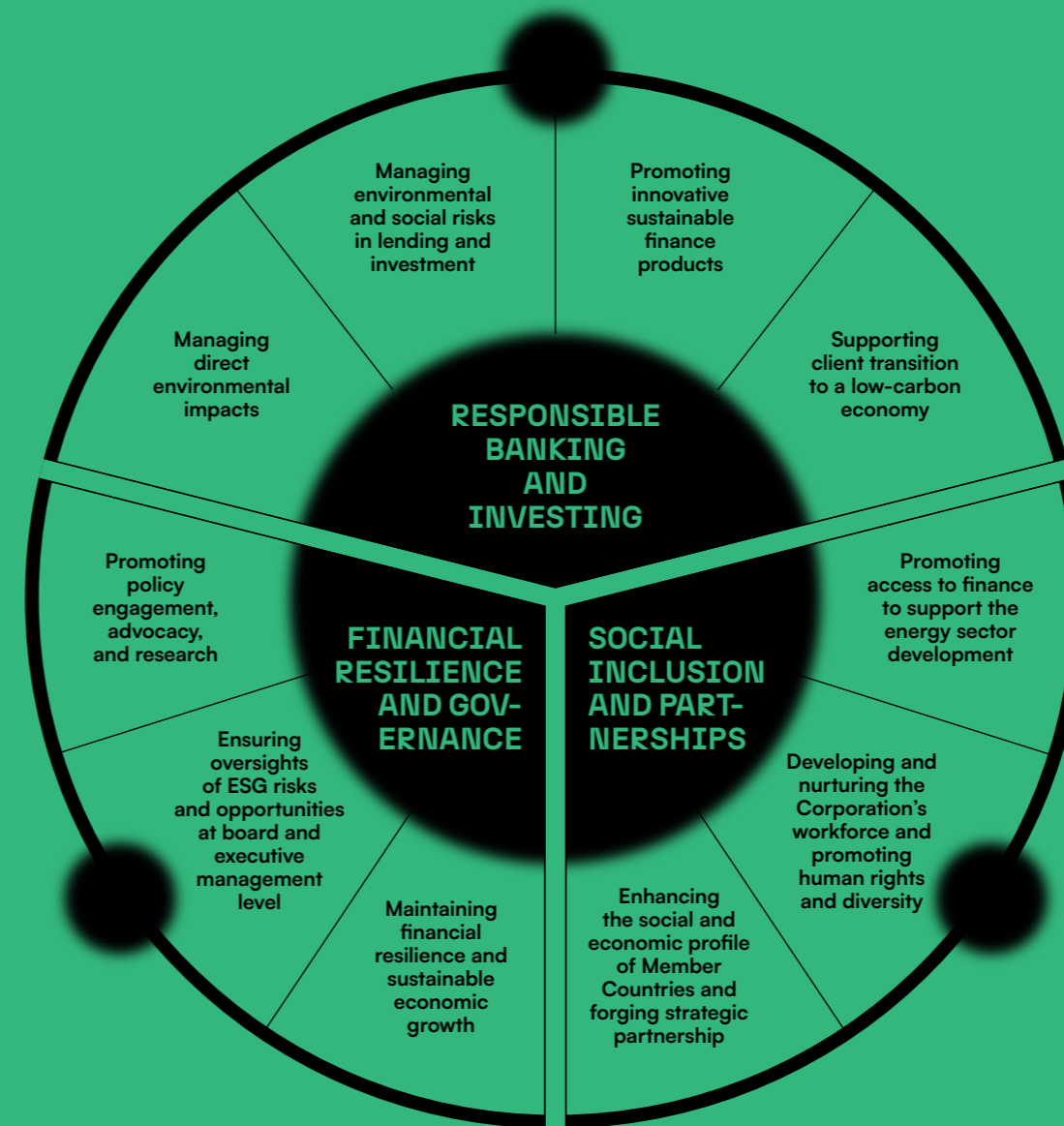
APICORP's ESG Policy Framework

As part of its commitment to global best practices in sustainable business operations and to measuring both its direct and indirect social and environmental impact, APICORP continued to strive for transparency and held itself to the very highest standards of corporate governance throughout 2022.

The APICORP ESG policy framework, which was approved by the Board of Directors in 2021, encapsulates the Corporation's aspiration to spearhead the sustainable energy transition in the MENA region and support global net-zero ambitions while embedding sound sustainability considerations across the organization to power the implementation of its ESG objectives.

APICORP's ESG objectives are defined by three main pillars - Responsible Banking and Investing, Social Inclusion and Partnerships, and Financial Resilience and Governance - which are supported by 10 projects that are aligned with the UN Sustainable Development Goals (SDGs).

APICORP's ESG Policy Framework



PILLAR 1
Responsible Banking
and investing

PILLAR 2
Social Inclusion
and Partnerships

PILLAR 3
Financial Resilience
and Governance

The framework also focuses on the need to maintain financial resilience as APICORP pursues further integration of sustainable lending and investment practices by identifying material issues which affect its business decisions through robust assessment processes.

Risk management is an integral component of APICORP's sustainable growth trajectory, and the 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 APICORP's asset portfolio, and the toolkit calls for stringent holistic guidelines for the assessment of all nuclear, fracking, and mining investments.

Through the Corporation's ESG policy framework, APICORP aims to solidify and institutionalize its commitment to environmental restoration, social responsibility, robust governance, and ethical operations and supporting Member Countries in realizing a more sustainable future through identifying, managing, and reporting on ESG risks and opportunities.

Coal-Fired Power

APICORP does not have any coal-related assets, nor will it 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 follows a prudent approach and applies an enhanced assessment when considering projects related to fracking.

Arctic Oil

APICORP does not have any assets in the Arctic, nor will it 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 follows a prudent approach and applies an enhanced assessment when considering projects related to mining.

APICORP'S GLOBAL IMPACT

3.9 Mn
total population served
(homes)

561 Mn
total potable water produced
(m³/year)

23.4 Mn
total GHG emissions avoided
(TCO₂e/year)

79 Mn
total treated wastewater
(m³/year)

10 Mn
total electricity generation
(MWh/year)

7.9 Mn
total cooling capacity
(Mbtu/year)

INNOVATION AND THOUGHT LEADERSHIP

Strategy, Energy Economics, and Sustainability (SEES)

APICORP's Strategy, Energy Economics, and Sustainability (SEES) Unit aims to deliver thought leadership in the context of energy policy, sustainability, and green financing & investment trends to both external and internal stakeholders. The unit also helps keep APICORP's business units informed regarding energy transition dynamics and developments in emerging technologies and investments globally with a particular focus on the MENA region.

SEES' flagship product is the '*MENA Energy Investment Outlook*' a five-year outlook published in the second quarter of each year which provides insights on sector trends and developments from an investment perspective for various energy sectors, including oil, gas (including LNG and petrochemicals), and power (including renewables and hydrogen). The outlook also sheds light on key global and regional green financing and ESG developments. SEES also published the new '*APICORP Top Picks for 2022*' annual briefing in early February.

In addition, and partnering with regional and international institutions, SEES and KAPSARC co-authored the whitepaper

‘ESG: A Barrier or a Solution to the Oil and Gas Investment Emergency?’

following a jointly hosted workshop in September, as well as peer reviewing the *‘Green Hydrogen for Industry’* whitepaper, published by The International Renewable Energy Agency (IRENA).

In November 2022 and coinciding with the COP27 climate conference held in Sharm El Sheikh, SEES published,

‘MENA’s Sustainability Journey in Light of COP27’

on the possible use of incentives to increase public adoption of renewable and clean energy solutions, the role of credit and export guarantees as an accelerator for MENA’s energy transition, and the need to incentivize the adoption of carbon pricing and Exchange Traded Schemes (ETS) for more jurisdictions globally, among other issues.

In addition to publications, SEES staff participated in a number of diverse high-profile expert roundtables and media engagements throughout the year, including feature interviews on Al-Arabiya TV, and in ADIPEC and Euromoney panels, as well as editorial features in leading industry publications and journals.

DIVERSITY: The Key to Sustainability

In full alignment and support of APICORP's strategic focus and participation in COP27, the Corporation took action to reinforce its position and commitment towards diversity as a fundamental pillar in sustainability.

Women's leadership is crucial in tackling climate change and successfully managing the energy transition. This is especially true in the Middle East and North Africa region (MENA), where gender imbalance in leadership is significant. The UN Global Gender Gap report 2022 states MENA needs more female leaders to close the gender gap that stands at 115 years.

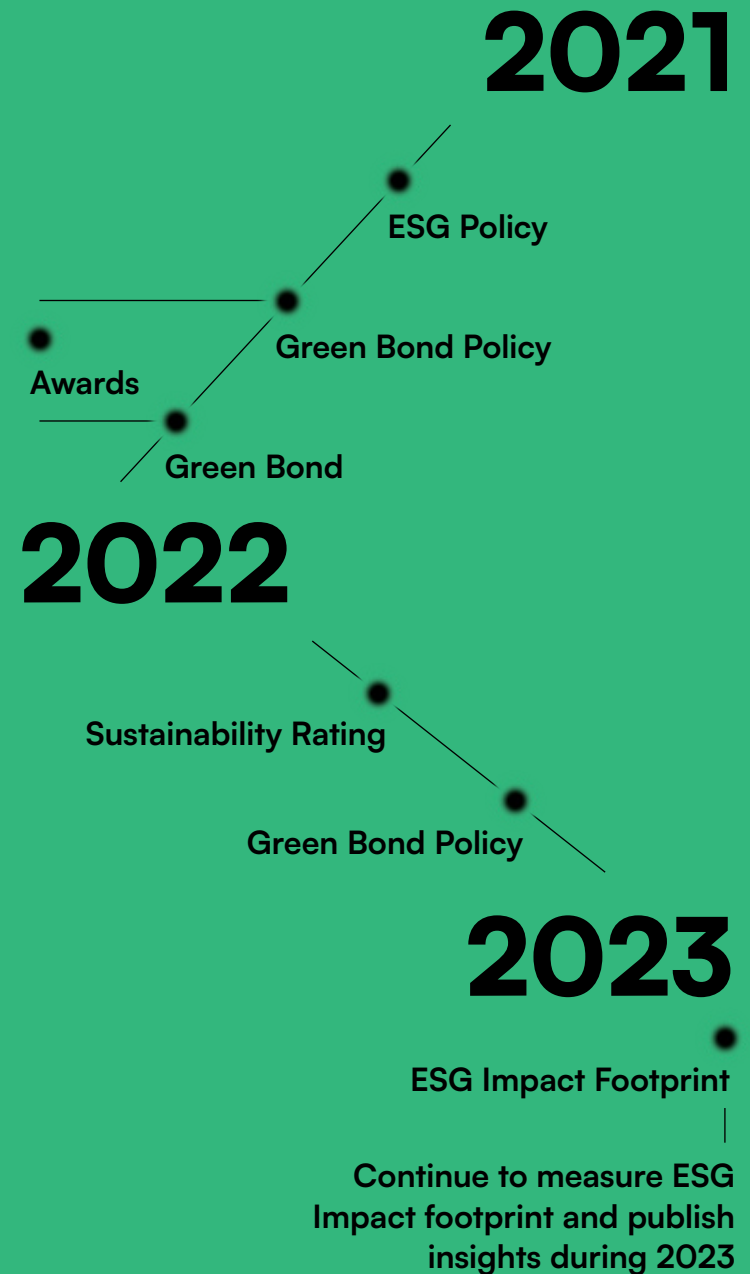
This critical issue was highlighted in the previously mentioned 'MENA's Sustainability Journey in Light of COP27' SEES publication, which was launched at COP27. In addition, following its hosting of the

#SwitchedOnToChange

webinar in April 2022 aimed at tackling the underrepresentation of women in the energy sector, APICORP leveraged its prominent position in support of increased diversity.

APICORP also commissioned a landmark study into the links between gender diversity and sustainability, in partnership with the 30% Club MENA, Arabian Business, and The American University in Cairo School of Business. Published in November 2022, *Diversity: the Key to the Sustainability Challenge in MENA*, advocated for greater female inclusion and leadership in the fight against climate change, especially at the board level.

LOOKING AHEAD



As the UN Department of Economic and Social Affairs has accepted, the energy transition is not a uniform, one-size-fits-all process. While the desired destination — global net zero — reflects a worldwide will and shared purpose, the path countries and regions will take must not only reflect their diverse priorities but should also be just, inclusive, and systemic.

To this end, APICORP will continue to build upon the success of its ongoing sustainability journey by ensuring that sustainability becomes the foundation for everything it does. This will be achieved by implementing robust ESG metrics and governance structures across the Corporation throughout 2023 and beyond while engaging with international ESG structures, principles, and commitments.

Specific forthcoming initiatives include APICORP's own internal sustainability campaign,

Less is More,

which aims to raise awareness of sustainability issues within the Corporation while driving change by eliminating single-use plastics within the workplace, reducing paper use, and increasing levels of recycling.

A close-up photograph of a woman wearing a yellow hard hat and a safety vest with reflective stripes. She is smiling broadly, showing her teeth. In the background, another person wearing a similar safety vest is visible but out of focus.

FOCUS ON
Developing talent

POWERED
by
PEOPLE

Core Values

INTEGRITY

ACCOUNTABILITY

EXCELLENCE

UNITY

Supporting the ambitions of the Arab energy sector requires expertise, dedication and agility, delivered by the most talented and motivated team in the industry, and a strong corporate culture that brings the team together around to the Corporation core values and shared ambitions.

APICORP is dedicated to realizing opportunities and creating value for Member Countries while delivering on its responsibilities to the environment and society. That is why APICORP's most valuable asset — its people — are encouraged to embrace and champion the Corporation's core values by living by them in their professional and personal lives.

As a leading multilateral financial institution, diversity is an inherent part of APICORP's culture and articles of establishment. Today, APICORP employs 120 people from 17 nationalities, 62% of whom are from Member Countries. In 2022, women accounted for 15% of the Corporation's total workforce.

120
employees

17
nationalities

15%
female employees

44
years - average age

11
new colleagues
joined in 2022

11
years - average tenure

63.93%
of employees participated in
learning and development

800
training
courses run

BUILDING A CULTURE AROUND SUSTAINABILITY

APICORP reflects its business commitments to its broader ESG ambitions through an internal focus on sustainability-focused practices within the workplace.

The Corporation's strong values and innovative mindset are critical in empowering its employees to rise to the challenges facing the financial and energy sectors today.



APICORP's goal is to make ESG an integral part of who they are and what they do: that means investing in a highly skilled and diverse team, which is not only essential to the delivery of the Corporation's strategy but is also the foundation of a good reputation, competitive advantage, and success.

As an ambitious company with a clear vision and values, APICORP is also committed to playing a part in driving, delivering, and supporting the sustainability ambitions and goals of all Member Countries.

In line with this commitment to sustainability, APICORP challenges its people to be part of the solution. With the goal of making sustainability an integral part its culture every single day,

the Corporation **focused on three key initiatives during 2022:**

- the elimination of single-use plastics from the business**
- reducing paper use across the office, and**
- a new in-house recycling campaign.**

DRIVING EMPLOYEE ENGAGEMENT

APICORP works continuously to not only ensure it attracts the best talent, but also retains, nurtures, and maximizes the potential of the outstanding existing talent across the Corporation.

—
Strong engagement helps to accelerate its people’s development, enhance their leadership capabilities, and improve their performance.
—

Throughout 2022, the Corporation engaged with employees through a series of questionnaires and focus groups to capture what it means to work for APICORP while further developing a company culture that aligns with its values and vision.

It continued to listen and communicate with employees throughout the year to build team culture, elevate performance, and promote employee wellbeing. Consistent engagement included regular town hall meetings, pulse surveys, activities, campaigns, awareness programs and the celebration of international initiatives that align with APICORP’s vision and mission. APICORP also expanded its Board-approved remote working policy, allowing employees to work from home for up to 12 days per year.

Throughout the year, the Corporation ran a rolling program of internal initiatives to engage employees in support of a range of worthy events and initiatives, related to its core work and strategic sustainability objectives.

To mark Earth Day this year, APICORP encouraged the whole team to take a ‘Net Zero by 2050’ pledge that aligns with the Corporation’s own commitment to carbon neutrality. This was part of the promotion of a full suite of small-scale initiatives such as tree planting, home energy conservation, and the embrace of environmentally friendly products and services that were promoted to help employees to reduce their personal carbon footprints.

On March 26, APICORP employees were invited to recognize Earth Hour by switching off all non-essential lights for one hour in a symbolic demonstration of the Corporation’s commitment to reducing energy consumption and protecting the environment.

In celebration of World Environment Day, APICORP hosted a pop-up farmers’ market at its head office to encourage employees to consider and connect with environmental issues while providing a showcase for producers who prioritize organic and environmentally responsible methods.

APICORP is committed to a work environment that values Diversity, Equity, and Inclusion (DE&I), and where everyone is treated with dignity and respect. APICORP believes that empowering people of all genders will make its business and society more prosperous and sustainable. This year International Women’s Day was celebrated in support of the #BreaktheBias Campaign.

As part of APICORP’s ongoing commitment to raise awareness about breast cancer and the need for and importance of early detection and treatment, the lighting of APICORP’s headquarters, logo and email signature turned pink for the month of October. The Corporation also hosted a webinar on “Women’s Health and Breast Cancer,” which provided invaluable information and resources to help women reduce their risk of breast cancer and detect it in its early stages.

APICORP also celebrated and participated in Movember to raise awareness about the physical and mental health issues that affect men, to encourage its male employees and their family members to take care of their health and seek help when needed, and to provide resources and information to help them maintain good physical and mental health.

In addition, APICORP launched its Road to Riyadh CONNECT page, complete with FAQs, which was coupled with a digital suggestion box to encourage feedback and ideas from employees relating to the organization’s upcoming move from Dammam to Riyadh.

Key changes to enable the future

APICORP LEGACY

Providing financial solutions for oil and gas



1

One APICORP in one location

2

Headquarter move to promote business development

3

Review of the APICORP strategy

4

Name and branding refresh

5

Culture with new ways of working

6

Enhanced processes/ systems and platforms to accelerate change



APICORP FUTURE

Financial solutions for the energy of tomorrow

Expanded scope to include the entire energy value chain, including the shift to newer energy sources

ENSURING EMPLOYEE WELLBEING and FACILITATING CHANGE

As APICORP provides future-focused financial solutions for the energy sector of tomorrow, it has become clear that the organization must embark on its own journey of internal transformation to prepare for a more sustainable future.

APICORP recognized the need for change on numerous plains, from reviewing its strategy and refreshing its name and branding, to adopting new ways of working to promote its culture. In line with this ambition, APICORP's Board approved a remote working policy in 2022, which allows employees to

work from home for 12 days per year. In addition to enhancing processes and systems to accelerate this change, the physical location of the business will be consolidated at a single location, Riyadh, following a planned move away from APICORP's home for the last five decades, Dammam.

While change is essential for progress, growth, and innovation, it can also be challenging and disruptive without careful and effective management. APICORP recognizes the importance of managing "the people side of change", which requires clear-sighted leadership alignment on strategic direction and change objectives, and effective communication and execution of transformation initiatives. The Corporation understands that failing to address these issues might lead to competing priorities, poor retention of key talent, and ultimately hinder APICORP's ability to adapt and thrive in a rapidly evolving landscape.

By engaging with 65% of the organization, APICORP was able to gather valuable insights and ensure a smoother change journey for employees while reducing risk to the business.

This program is called

“
**YOUR APICORP.
YOUR FUTURE.
YOUR JOURNEY
TO MORE.**
”

YOUR APICORP.
YOUR FUTURE.
YOUR JOURNEY
TO MORE.

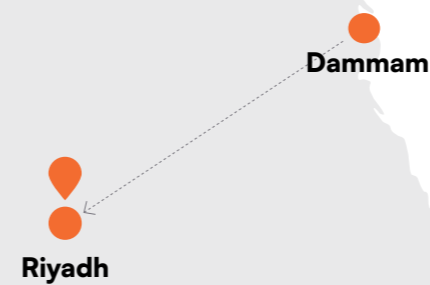
To better address these ongoing changes, APICORP developed a new positioning strategy and internal change narrative in Arabic and English that allows the communication unit to guide colleagues through the different phases of the change. Clear messaging and a new visual identity are in the process of being established to provide employees with a better understanding of how the changes they may encounter fit into the bigger picture of the Corporation's repositioning.

To support the change process, APICORP launched several key initiatives aimed at engaging employees and facilitating a smoother transition.



SUPPORTING THE RELOCATION

During 2022, the HR unit supported the upcoming relocation to Riyadh to ensure a smooth process for the wider APICORP team. A benchmarking survey was conducted to ensure employee salaries are correctly reviewed in line with the relocation and industry standards.



A relocation package was provided to employees to help cover the costs of travel and accommodation while they search for a new place to live and to assist with the move itself in due course. Additionally, dedicated time off was provided for employees who chose to head to Riyadh to search for suitable living arrangements, schooling options, and other life change requirements. A mobile office has been established in Riyadh for employees to work from while in the city, while making arrangements for the move in 2023.

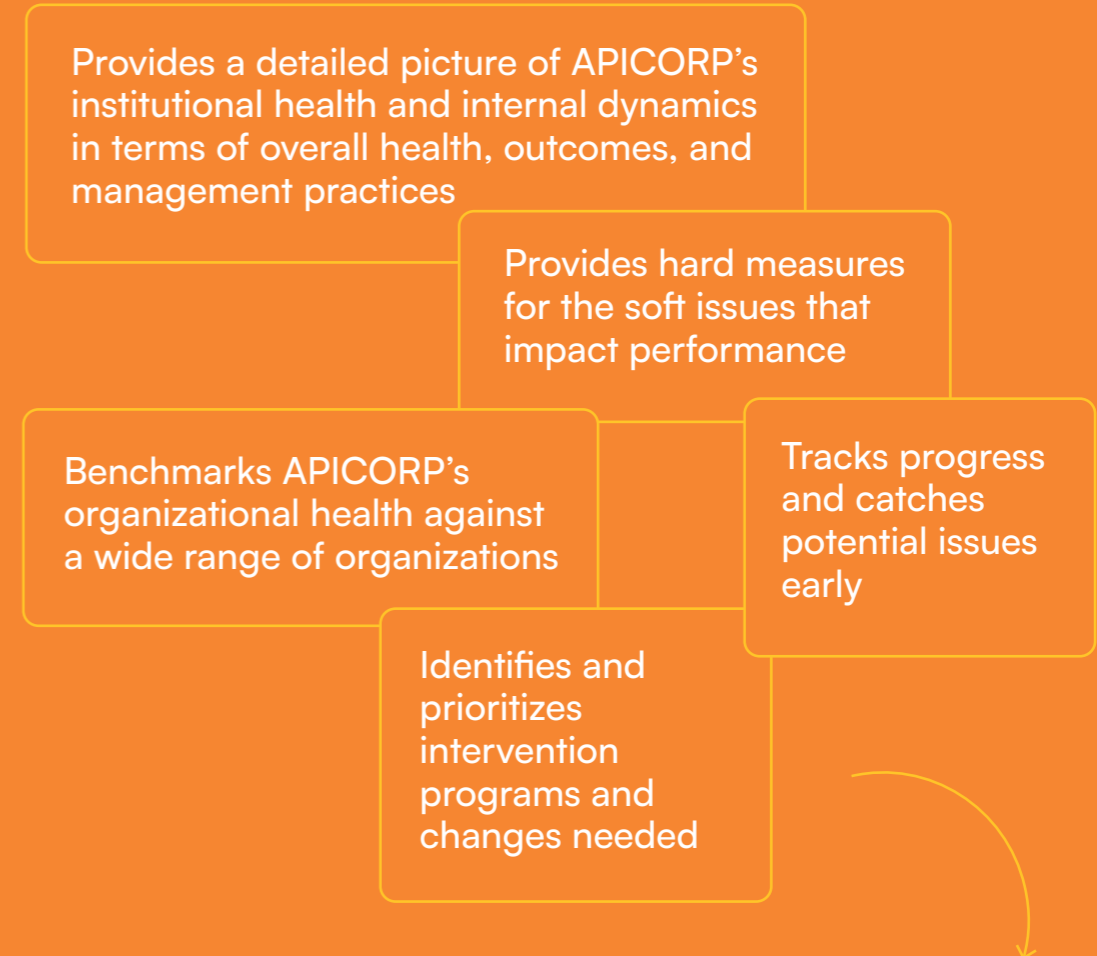
PROMOTING THE HEALTH of THE TEAM

Industry research has demonstrated the healthiest companies are more than twice as likely to outperform their peers.

An Organizational Health Index (OHI) solution goes beyond a typical engagement or employee survey by prescribing interventions to improve those elements of health that are directly linked to performance.

In 2022, APICORP began to adopt multi-stage OHI measures to track the elements of the Corporation's organization that drive performance and provide the HR Unit with a simple but powerful roadmap for improving the Corporation's organizational health.

This OHI solution:



This is achieved through a comprehensive online OHI employee assessment survey for the whole organization and in-depth interviews and focus groups to gain a deeper understanding of the key issues. The results from these assessments will be used in workshops to discuss implications, set aspirations, develop interventions and initiatives, and identify milestones for improvement.

PEOPLE *and* CULTURE IN 2023

As APICORP enters 2023, the Corporation looks forward to embarking on the next step of its transition process while remaining focused on engaging with and enabling the various needs of its people and maintaining a safe, secure, and rewarding working environment.



Throughout the year APICORP will deliver an enhanced training program that encourages employees' personal development and professional growth alongside further initiatives to prepare them for the Corporation's rebrand and move to Riyadh. By relocating to the capital, APICORP will be at the heart of Saudi Arabia's financial center and benefit from attracting a wider and increasingly diverse pool of talent from across the Kingdom and the wider region.

2023 will also be a year in which APICORP accelerates its ongoing process of digital transformation. This will not only include the increased automation of an ever-wider array of employee services, but the deployment of a suite of integrated solutions that will enable the optimization of operations and increased efficiencies that will cover the full trade lifecycle. These solutions will empower enhanced management, business control and workflow execution, adherence to regulatory requirements, risk management, and make more informed trading, hedging and investment decisions.

—7

RISK
and
CORPORATE
GOVERNANCE



FOCUS ON
Sustainable solutions

RISK MANAGEMENT *and* COMPLIANCE

APICORP continued its proactive and rigorous approach to comprehensive risk management during 2022.

Through a commitment to continuous improvement, the Corporation ensures key risks are identified and mitigated in order to safeguard APICORP and the value it seeks to create through its strategy and diverse activities for its shareholders and stakeholders.


APICORP is consistently ranked as one of the most profitable institutions among its peers within the supranational space, with an unblemished track record of profitability for over two decades. The foundation of this exceptional financial performance is its prudent, balanced approach to risk management and full compliance with all relevant local and international regulations and guidelines.

The Corporation's robust risk policy, strong — and improving — credit ratings, and healthy growth


in its asset portfolio, provide the foundation for risk and compliance activities that are fundamental to its strategic progress. By overseeing the effective management of risks to the business, Risk Management & Compliance plays a key role in business sustainability and 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.


2022 Achievements and Milestones



Following the introduction of APICORP's dedicated ESG risk management framework in 2021, which built on and solidified the diverse risk and compliance function activities to support the business overall and the issuance of its successful debut Green Bond in particular, this year was again marked by significant progress in this critical area.



APICORP introduced new policies for both liquidity and market risk, which will improve its liquidity profile and enhance management of market risk exposures, which will be supported by a newly-introduced market risk monitoring software. The Corporation also enhanced risk management automation and conducted a risk appetite benchmarking exercise, which will support the integration of the current risk appetite with the new corporate strategy to be launched in 2023. These moves contributed to a positive outlook from Fitch, setting the groundwork for a solid rating profile in future.



In line with the Corporation's ESG commitments and ambitions, it conducted an ESG review of all active assets, to fully understand the current ESG footprint and positioning, as it seeks to drive progress. This was complemented by the acquisition of the first-ever Sustainability Rating in the MENA region by Moody's ESG Solutions, and the publication of APICORP's first Green Bond Report, which demonstrated how the funds from the bond are being applied for sustainable impact.

Risk Management Framework

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



Risk Management

Liquidity and Market Risk
 Credit and Investment Risk
 Operational Risk
 Risk Analytics and Reporting
 ESG Risk Management

Compliance

Central Bank of Bahrain
 Basel Guidelines
 Anti Money Laundering

Governance

Governance Charters
 Authority Matrix
 Policies and Procedures

To support and complement its risk management framework, APICORP has 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

APICORP identified the principal risks to the fulfillment of its 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.

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.

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.

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.

Looking Forward

In 2023, APICORP will continue to prioritize the resilience and sustainability of its business and financial position through ever-increasing capabilities and capacity focused on risk management and compliance.

The Corporation will ensure that it remains fully compliant with all applicable regulations, while pursuing international and industry best practices to continually enhance risk management across the board.

With the imminent launch of its new corporate strategy, APICORP will ensure full alignment of its risk management activities and risk appetite with the new strategy in order to maximize the ability of the Corporation's leadership and team to execute effectively and efficiently. Following the strategy rollout, Risk Management and Compliance will continue to fine tune the risk management framework to optimize it on a risk reward basis, while also seeking to enhance functionality and performance through additional automation and awareness at every level.

INFORMATION TECHNOLOGY

The strategic application of technology is fundamental to manage operations and achieve APICORP's ambitions efficiently and effectively.

The Information Technology (IT) unit continued to support the Corporation's strategic plans to drive innovation and digital transformation throughout 2022, while using every resource at its disposal to deliver substantive value for Member Countries.

Interest Rate Benchmark Reform

IT was integral in the successful and smooth transition from the existing international interest rate benchmark (LIBOR), which is being phased out, to a more robust, alternative risk-free rate for its Core Banking.

Compliance with International Standards and Best Practices

IT have successfully implemented the ISO 27001 and ISO 20000 frameworks for industry best practice in the areas of Information Security Management and IT Service Management, further enhancing the internal policies and procedures within the IT unit.

Management Information Systems

IT made significant progress on the delivery of a new, innovative Management Information System (MIS). Powered by the best-in-class data visualization tool, Microsoft Power BI, the robust system will drive better business decisions and unify reporting and analysis across the Corporation.

Bloomberg Solutions Rollout

In December, IT proceeded with the adoption and rollout of a suite of integrated solutions from Bloomberg to support APICORP's digital transformation journey to further enhance the Corporation's range of financial services and solutions, aims to optimize operations, and increase efficiencies through a single seamless, integrated suite of solutions.

APICORP is using several Bloomberg solutions across its Treasury and Capital Markets, Investments, Operations and Risk and Compliance units, including Bloomberg AIM, a leading buy-side order management system, Bloomberg Vault and Bloomberg Multi-Asset Risk System (MARS). IT also implemented expanded subscriptions to the Bloomberg Terminal for real-time financial data, news and information.

Security Controls

Every year, IT leads a corporation-wide project to ensure that APICORP's Swift-related infrastructure, policies and practices, which are critical for combating cyber-related fraud, are compliant with Swift's Customer Security Programme (CSP). Updated annually, the CSP is designed to help financial institutions ensure their defenses against cyberattacks are up to date and effective, while ensuring the integrity and security of the wider financial network. Internally, IT validates APICORP's security controls, both in terms of solutions and/or systems as well as security access to the Corporation's estate.

Fixed Asset Tracking

Fixed asset tracking allows APICORP to more easily manage its tangible assets, providing end-to-end visibility of its estate and property from acquisition to disposition. In 2022 saw the Corporation shift from a physical, barcode-based system to a digital and remote solution that deploys radio-frequency identification (RFID) technology. IT has led the rollout of the new system by starting with the assets in its charge which include the servers in APICORP's data center, the switches and routers in the communication room, as well as end user equipment such as laptops, screens and IB telephones.

HR Self-Service Platform

IT continued to support HR's ongoing implementation of efficient and streamlined self-service procedures and systems. As of this year, these now include the ability to apply and receive approval for remote working.

Security Operations Center

As part of its ongoing efforts to safeguard APICORP's network, data and authentication systems, IT implemented the Corporation's Security Operations Center (SOC), a managed security service which works 24/7 to monitor and respond to any incidents across the network and IT environment.

Enhanced Work Management

IT deployed Atlassian's Jira Work Management software to optimize the Corporation's internal processes and procedures while improving the unit's monitoring, project management and response times to various support requests.



Looking Ahead

IT has begun to prepare for APICORP's relocation to Riyadh in 2023, an exciting project whose success will be measured by how seamlessly the move is with minimal disruption and downtime for the Corporation's business and security.

Work on the Management Information System (MIS) will also be ongoing as the unit continues to enhance the automation of the Corporation's decision-making and administrative processes.

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 peers.

The Corporation further maintains and regularly updates a comprehensive and coherent set of approved governance documents (e.g. Board and management charters, authority 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 (Deloitte during 2022) for the internal audit function (fully outsourced and directly reporting to the BARC) and similarly (KPMG during 2022) 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 experienced management team ensures 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
- Green Bond 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

Governance in 2023

APICORP is firmly committed to safeguarding its business and shareholders through comprehensive corporate governance and robust risk management. It remains focused on continually strengthening these critical functions, in line with the highest international standards and industry best practices.

In the year ahead, APICORP will continue to build on the solid governance foundation already in place through a large-scale governance initiative, which will bolster the Corporation's governance and ensure its full alignment with the new corporate strategy, and the rapidly evolving sustainability and financial sector landscape.

COMMITTEES

Board Committees

Board Audit and Risk Committee

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 and audit functions, as well as compliance with legal and regulatory requirements.

Board Governance and Remuneration Committee

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 Committees

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 APICORP's balance sheet risks, 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, currencies, 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).

Credit and Investment Committee

The Credit and Investment Committee (CIC) is responsible for reviewing business proposals on debt financing (funded and unfunded exposures) and equity investments (including divestments) with due consideration to APICORP's risk and return parameters. It is also responsible for reviewing and recommending credit and investment-related policies and procedures to the approving authority and maintaining effective oversight over the debt and equity portfolios of APICORP.

Green Bond Committee

The Green Bond Committee (GBC) is a subset of the CIC. It is responsible for overseeing the implementation of the Green Bond Framework and the process of allocating the proceeds of Green Bond/Sukuk issues, along with any related reporting.

Tenders and Bids Committee

The Tenders and Bids Committee (TBC) is responsible for Executive Management in maintaining effective oversight over APICORP's procurement process. It reviews procurement proposals and underlying processes, and provides recommendations to the approving authority, as per the procurement policy and authority matrix.



FOCUS ON
Making an impact

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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 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 47.8% 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.

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.
- 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\$ 998,349 thousands make up 11.3% 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 Standards, 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
20 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(US000\$)

	NOTE	2022	2021
Assets			
Cash and cash equivalents		21,552	51,052
Placements with banks	4	786,271	292,478
Loans and advances	5	4,229,726	4,643,571
Investments	6	3,591,605	2,769,048
Equity accounted investees	7	68,127	95,518
Property, equipment and vessels	8	42,772	50,317
Other assets	9	113,839	90,198
Total assets		8,853,892	7,992,182
Liabilities			
Deposits	10	958,811	348,994
Securities sold under agreements to repurchase		135,310	-
Bank term financing	11	251,099	-
Sukuk and bonds issued	12	4,208,960	4,901,849
Other liabilities	13	379,135	187,034
Total liabilities		5,933,315	5,437,877
Equity			
Share capital	1	1,500,000	1,500,000
Legal reserve		273,000	258,000
General reserve		316,149	208,236
Investments fair value reserve		680,213	478,397
Retained earnings		151,126	107,913
Total equity attributable to shareholders of the Corporation		2,920,488	2,552,546
Non-controlling interests		89	1,759
Total equity		2,920,577	2,554,305
Total liabilities and equity		8,853,892	7,992,182

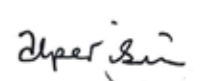
The consolidated financial statements, were approved by the Board of Directors on 4 March 2023 and signed on its behalf by:



Dr. Aabed Al-Saadoun
Chairman



Khalid Al-Ruwaigh
Chief Executive Officer



Dr. Alper Ozun
Acting Head of Finance

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 2022

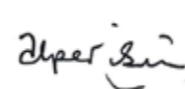
	(US000\$)	
	2022	2021
Interest income	262,088	145,560
Interest expense	(127,815)	(74,226)
Net interest income	134,273	71,334
Dividend income	110,861	98,174
Net loss on financial assets at FVTPL	4,321	14,214
Net gain/(loss) on derecognition of financial assets at FVOCI	4,504	(25,477)
Share of profit from equity accounted investees	5,141	5,329
Net fee income	6,061	5,234
Other income, net	2,554	(17,580)
Total income	267,715	151,228
Operating expenses	(60,641)	(53,588)
Impairment (loss) / reversal on financial instruments, net	(42,001)	7,723
Impairment losses on other assets, net	(16,199)	(5,742)
Profit for the year	148,874	99,621
Profit for the year attributable to:		
Shareholders of the Corporation	150,544	100,807
Non-controlling interests	(1,670)	(1,186)
	148,874	99,621
Per share information		
Basic and diluted earnings per share	US \$ 99	US \$ 66
Net asset value per share	US \$ 1,947	US \$ 1,702
Weighted average number of shares (in thousand)	1,500	1,500



Dr. Aabed Al-Saadoun
Chairman



Khalid Al-Ruwaigh
Chief Executive Officer



Dr. Alper Ozun
Acting Head of Finance

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	(US000\$)	
	2022	2021
Profit for the year	148,874	99,621
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	206,905	18,032
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	14,997	(30,234)
Reclassified to profit or loss on sale of debt securities at FVOCI	(4,504)	25,477
Total other comprehensive income for the year	217,398	13,275
Total comprehensive income for the year	366,272	112,896
Total comprehensive income for the year attributable to:		
Shareholders of the Corporation	367,942	114,082
Non-controlling interests	(1,670)	(1,186)
	366,272	112,896

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 2022

(US000\$)

2022	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 2022	1,500,000	258,000	208,236	478,397	107,913	2,552,546	1,759	2,554,305
Comprehensive income								
Profit for the year	-	-	-	-	150,544	150,544	(1,670)	148,874
Other comprehensive income								
— Transfer to retained earnings on sale of equity securities at FVOCI	-	-	-	(15,582)	15,582	-	-	-
— Net change in fair value of debt securities at FVOCI / realised gain on sale	-	-	-	10,493	-	10,493	-	10,493
— Net change in fair value of equity securities at FVOCI	-	-	-	206,905	-	206,905	-	206,905
Total other comprehensive income	-	-	-	201,816	15,582	217,398	-	217,398
Total comprehensive income for year	-	-	-	201,816	166,126	367,942	(1,670)	366,272
Transfer to legal reserve	-	15,000	-	-	(15,000)	-	-	-
Transfer to general reserve	-	-	107,913	-	(107,913)	-	-	-
Balance as at 31 December 2021	1,500,000	273,000	316,149	680,213	151,126	2,920,488	89	2,920,577
2021								
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 securities at FVOCI/ realized gain on sale	-	-	-	(4,757)	-	(4,757)	-	(4,757)
— Net change in fair value of equity securities 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

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

For the year ended 31 December 2022

	(US000\$)	
	2022	2021
OPERATING ACTIVITIES		
Profit for the year	148,874	99,621
Adjustment for:		
Depreciation	8,255	6,725
End-of-service benefits	1,733	1,843
Net interest income	(134,273)	(71,334)
Share of profit from equity accounted investees	(5,141)	(5,329)
Net hedge ineffectiveness loss	852	9,501
(Gain)/ loss on sale of investments	(4,504)	25,477
Change in fair value of investments designated at FVTPL	(4,321)	(14,214)
Gain from sale of associate	(4,309)	(2,964)
Loss from disposal of vessels	383	11,778
Dividend income	(110,861)	(98,174)
Impairment charge/ (reversal), net	58,200	(1,981)
Net amortisation of transaction fee	659	760
Changes in operating assets and liabilities		
Interest receivable	232,319	147,565
Loans and advances drawdown	(2,332,626)	(2,443,285)
Loans and advances repaid by customers	2,714,646	1,731,213
Placements with banks	(487,762)	(47,800)
Other assets	8,799	12,632
Other liabilities	(79,385)	(14,215)
	11,538	(652,181)
End-of-service benefits paid	(856)	(3,050)
Net cash from/ (used in) operating activities	10,682	(655,231)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	(US000\$)	
	2022	2021
INVESTING ACTIVITIES		
Purchase of investments	(2,712,289)	(2,843,038)
Sale and redemptions of investments	2,056,373	3,282,066
Purchase of property, equipment and vessels	(2,535)	(4,579)
Proceeds from disposal of vessels	19,500	32,660
Dividends received	118,921	97,393
Net cash from / (used in) investing activities	(520,030)	564,502
FINANCING ACTIVITIES		
Proceeds from deposits	3,914,520	2,152,184
Repayment of deposits	(3,173,892)	(2,293,393)
Proceeds of bank term financing	250,000	-
Repayment of bank term financing	-	(1,175,000)
Proceeds from Sukuk and bonds	193,014	1,750,000
Repayment of Sukuk and bonds	(605,000)	(399,135)
Dividend paid	-	(5,243)
Finance charges paid	(98,794)	(75,245)
Net cash from/ (used in) financing activities	479,848	(45,832)
Net decrease in cash and cash equivalents for the year	(29,500)	(136,561)
Cash and cash equivalents at 1 January	51,052	187,613
Cash and cash equivalents at 31 December	21,552	51,052

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 2022) (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 2022, the Corporation's authorised capital is US \$ 20,000 million (2021: US \$ 20,000 million), subscribed capital US \$ 10,000 million (2021: US \$ 10,000 million) and issued and paid up capital is US \$ 1,500 million (2021: US \$ 1,500 million), whereas the remainder of US \$ 8,500 million (2021: US \$ 8,500 million) is callable capital.

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 Kingdom of Saudi Arabia and through a banking branch in 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 2022) (US\$000)

2. GENERAL

(i) Statement of compliance

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

(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

There are no new standards or amendments to standards which became effective as of 1 January 2022 that were relevant and had a material impact on the consolidated financial statements

D. Standards Issued But Not Yet Effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Group are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022) (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	5 to 40 years
Computers, Furniture & Equipment	1 to 10 years
Vessels	25 years

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.

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 2022) (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 2022) (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. 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 2022) (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 2022) (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.

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.

The Group has initiated a cross-functional IBOR committee to manage its transition from LIBORs to alternative risk-free rates. The new contracts entered by the Group on or after 1 January 2022 are based on Secured Overnight Financing Rates (SOFR).

Non-derivative financial assets and liabilities

As at 31 December 2022, US\$ 222.3 million of financial assets transitioned from LIBOR to SOFR, while US\$ 3,579.1 million of exposures maturing after 30 June 2023 continue to be linked to LIBOR. As at 31 December 2022, no financial liabilities transitioned from LIBOR to SOFR, while US\$ 625.0 million of liabilities maturing after 30 June 2023 continue to be linked to LIBOR. The Group is in discussion with the counterparties to effect an orderly transitioned of US\$ exposure to the relevant benchmark.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022) (US\$000)

Derivatives

As at 31 December 2022, no derivatives transitioned from LIBOR to SOFR, while a notional value of US\$ 4,042.2 million of derivatives maturing after 30 June 2023 continue to be linked to LIBOR. An orderly transition of US\$ exposure to the relevant benchmark is planned on 30 June 2023 at transition rates communicated by the International Swaps and Derivatives Association (ISDA).

Hedge accounting

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

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.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022) (US\$000)

(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)) and selection and approvals of models used to measure ECL. (refer Note 3H(viii) and Note 26(a))

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.

During 2022 the ECL model methodology, significant increase in credit risk (SICR) thresholds, and definition of default remain consistent with those used as at 31 December 2021.

The model inputs, including forward-looking information, scenarios and associated weightings, were revised to reflect the current outlook.

The Group's models are calibrated to consider past performance and macroeconomic forward-looking variables as inputs. 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.

(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(vi)) 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

	2022	2021
With Islamic financial institutions	230,000	155,000
With conventional financial institutions	325,503	130,000
Margin call accounts	224,118	6,859
Interest receivables	6,728	805
Expected credit loss impairment allowance (note 26)	(78)	(186)
	786,271	292,478

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022)
(US\$000)

5. LOANS AND ADVANCES

	2022	2021
Islamic loans at amortised cost	945,954	1,120,485
Conventional loans:		
a) at amortised cost	3,279,441	3,608,457
b) at FVTPL	155,145	48,956
Interest receivable	29,017	15,545
	4,409,557	4,793,443
Unamortized participation and upfront fees	(76,274)	(79,844)
Expected credit loss impairment allowance (note 26a(iii))	(103,557)	(70,028)
	4,229,726	4,643,571
Movement during the year		
Balance at 1 January	4,777,898	4,022,509
Drawdowns	2,332,626	2,443,285
Called guarantee	-	41,729
Repayments by customers	(2,714,646)	(1,731,213)
Fair value change	(15,338)	1,588
	4,380,540	4,777,898
Interest receivable	29,017	15,545
	4,409,557	4,793,443

Movement on impairment allowances is as follows:

2022	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	3,364	53,201	13,463	70,028
Net charge for the year	476	6,869	26,184	33,529
Net movement between stages	(108)	108	-	-
At 31 December 2022	3,732	60,178	39,647	103,557
2021				
At 1 January 2021	9,094	43,327	15,834	68,255
Net charge for the year	(5,730)	9,874	(2,371)	1,773
At 31 December 2021	3,364	53,201	13,463	70,028

6. INVESTMENTS

	2022	2021	
Debt securities at FVOCI	6.1	2,456,505	1,867,401
Equity securities at FVOCI	6.2	1,102,578	863,361
Other investments at FVTPL	6.3	32,522	38,286
	3,591,605	2,769,048	
6.1 Debt securities at FVOCI			
Treasury bills		976,017	304,999
Fixed-rate bonds		1,294,140	1,476,312
Floating-rate bonds		176,807	74,106
Interest receivable		11,725	12,374
Impairment allowance (note 26)		(2,184)	(390)
	2,456,505	1,867,401	

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 2022, the fair value of debt investment at FVOCI pledged as collateral under repurchase agreements was US \$ 155.0 million (2021: US Nil). 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	998,349	694,607
Listed equities	104,229	168,754
	1,102,578	863,361

Movements during the year

Balance at 1 January	863,361	859,720
Additions during the year	53,223	34
Transfer from equity accounted investees (note 7)	14,744	-
Sold during the year	(35,655)	(10,266)
Net fair value change	206,905	13,873
Balance at 31 December	1,102,578	863,361

6.3 Other investments at FVTPL

Managed funds	30,408	6,063
Listed equities	2,114	-
Unlisted equities	-	32,223
	32,522	38,286

Movements during the year

Balance at 1 January	38,286	36,189
Additions during the year	41,285	3,262
Derecognition during the year	(56,464)	(13,791)
Net fair value change	9,415	12,626
Balance at 31 December	32,522	38,286

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022) (US\$000)

7. EQUITY ACCOUNTED INVESTEEES

The movement on equity-accounted investees is given below:

	2022	2021
Balance at 1 January	95,518	114,211
Sold during the year	(7,170)	(10,002)
Transfer to equity accounted at FVOCI*	(14,744)	-
Share of profit for the year	5,141	5,329
Dividend received	(2,908)	(4,927)
Change in foreign exchange value	(460)	(6,851)
Impairment loss (note 23)	(7,250)	(2,242)
Balance at 31 December	68,127	95,518

Name	Country of incorporation	% holding		Nature of business
		2022	2021	
Falcon Cement Company BSC	Kingdom of Bahrain	30	30	Manufacturing and trading of cement
(Ashtead Technology) BP INV2B BIDCO LIMITED*	United Kingdom	9.5	20.7	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

*The company ceased to be an associate during the year and transferred to equity security at FVOCI (note 6.2).

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):

	2022	2021
Total assets	440,860	404,704
Total liabilities	202,625	181,255
Total revenues	160,946	85,001
Total net results	12,195	16,293

8. PROPERTY, EQUIPMENT AND VESSELS

	Land	Building	Right-of-Use	Vessels	Computer, Furniture & Equipment	Capital work in progress	Total
Cost							
At 1 January 2022	4,004	56,392	-	45,914	27,336	5,473	139,119
Additions	-	281	23,567	-	1,712	542	26,102
Transfers	-	1,503	-	-	1,275	(2,778)	-
Disposal	-	-	-	(45,914)	(124)	-	(46,038)
At 31 December 2022	4,004	58,176	23,567	-	30,199	3,237	119,183

Depreciation and impairment

At 1 January 2022	-	47,138	-	21,524	20,140	-	88,802
Charge for the year	-	695	158	-	7,402	-	8,255
Impairment charge (Note 23)	-	-	-	5,000	-	987	5,987
Disposal	-	-	-	(26,524)	(109)	-	(26,633)
At 31 December 2022	-	47,833	158	-	27,433	987	76,411

Carrying Amount

At 31 December 2022	4,004	10,343	23,409	-	2,766	2,250	42,772
At 31 December 2021	4,004	9,254	-	24,390	7,196	5,473	50,317

In 2022 the Group entered a lease agreement for head office operation in the Kingdom of Saudi Arabia.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022)
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9. OTHER ASSETS

	2022	2021
Interest receivable	28,284	17,261
Derivative financial instruments (note 15)	82,271	46,870
Employee loans and advances	1,001	1,128
Dividends receivable	473	8,533
Receivable from sale of investments	-	10,271
Other receivables and prepayments, net	1,810	6,135
	113,839	90,198

10. DEPOSITS

	2022	2021
Deposits from banks	563,000	85,000
Deposits from corporates	268,101	143,773
Deposits from shareholders	123,128	120,138
Interest payable	4,582	83
	958,811	348,994

11. BANK TERM FINANCING

	2022	2021
US\$ 100 million loan 2022 - 2025 - fully drawn	100,000	-
US\$ 150 million loan 2022 - 2025 - fully drawn	150,000	-
Interest payable	1,099	-
	251,099	-

12. SUKUK AND BONDS ISSUED

	2022	2021
US \$ 3 billion Sukuk programme (partially drawn)		
Series 2: US\$500 million bonds 2017 — 2022	-	506,937
Profit rate: 3.141% p.a.		
US \$ 3 billion GMTN programme (partially drawn)		
Series 1: US\$750 million bonds 2018 — 2023	737,492	775,804
Interest rate: 4.125% p.a.		
US \$ 3 billion GMTN programme (partially drawn)		
Series 2: US\$1,000 million bonds 2020 — 2025	924,820	1,000,834
Interest rate: 1.46% p.a.		
US \$ 3 billion GMTN programme (partially drawn)		
Series 3: US\$1,000 million bonds 2021 — 2026	912,477	999,114
Interest rate: 1.26% p.a.		
US\$ 105 million floating rate bond 2017 — 2022 (fully drawn)	-	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)	121,524	135,306
Coupon rate: 0.71% p.a.		
US \$ 750 million fixed rate Green Bond 2021 — 2026 (fully drawn)	670,453	740,283
Interest rate: 1.483% p.a.		
US \$ 100 million APICORP bonds 2022 - 2025 (fully drawn)	99,980	-
LIBOR plus margin 4.875%		
US\$ 100 million APICORP bonds 2022 - 2025 (fully drawn)	100,396	-
Coupon rate: 5.0% p.a.		
Interest payable	23,477	20,889
Unamortised front-end fee	(6,659)	(7,318)
	4,208,960	4,901,849

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022)
(US\$000)

13. OTHER LIABILITIES

	2022	2021
Interest payable	28,727	7,892
Dividend payable to shareholders	17,802	17,802
End of service benefits (see below)	12,982	12,105
Derivatives financial instruments (note 15)	265,860	27,961
Lease liabilities	23,409	-
Accrued expenses and other liabilities	20,520	19,333
Call account liability	259	57,422
Guarantee payable	-	41,729
Expected credit losses for commitments and financial guarantees allowance (note 26)	9,576	2,790
	379,135	187,034
Movement on end of service benefits		
Balance as at 1 January	12,105	13,312
Charge for the year	1,733	1,843
Paid during the year	(856)	(3,050)
Balance as at 31 December	12,982	12,105

14. COMMITMENTS AND GUARANTEES

	2022	2021
Commitments to underwrite and fund loans	2,223,139	1,946,848
Commitments to subscribe capital to investments	68,910	9,952
Other commitments	6,382	7,627
	2,298,431	1,964,427

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:

	2022		2021	
	Asset	Liabilities	Asset	Liabilities
Interest rate swaps (Fair value hedges)	82,271	262,132	40,238	27,961
Cross currency swaps (Fair value hedges)	-	2,928	6,557	-
Foreign exchange contracts (Other derivatives held for risk management)	-	800	75	-
At 31 December	82,271	265,860	46,870	27,961

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

	2022	2021
Interest rate swaps (Fair value hedges)	5,292,743	4,992,047
Cross currency swaps (Fair value hedges)	87,850	87,850
Foreign exchange contracts (Other derivatives held for risk management)	36,234	13,492
At 31 December	5,416,827	5,093,389

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:

	2022	2021
Gain/ (losses) on the hedged items attributable to risk hedged, net	235	(27,337)
(Losses)/ gains on the hedging instruments, net	(1,087)	17,836
Net hedge ineffectiveness loss	(852)	(9,501)

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022)
(US\$000)

16. NET INTEREST INCOME

	2022	2021
Interest income from		
Cash and cash equivalent	1,836	9
Placements with banks — Islamic banks	10,471	1,170
Placements with banks — Conventional banks	17,357	1,903
Debt securities at FVOCI (net)	34,274	20,199
Loans and advances — Islamic banks	30,789	12,379
Loans and advances — Conventional banks	131,315	82,373
Loans designated at FVTPL	6,673	5,736
Amortisation of loan participation and upfront fees	29,373	21,791
Total interest income	262,088	145,560
Interest expense on		
Deposits from banks — Islamic banks	1,622	38
— Conventional banks	6,307	119
Securities sold under agreement to repurchase	1,361	664
Deposits from corporates & shareholders — Islamic institutions	370	181
— Conventional	6,038	1,015
Bank term financing	1,112	6,986
Sukuk and bonds issued	108,365	58,672
Amortisation of front-end fees on bank term financing, Sukuk and bond issued	2,573	6,551
Lease liability	67	-
Total interest expense	127,815	74,226
Net interest income	134,273	71,334

17. DIVIDEND INCOME

	2022	2021
Equity securities at FVOCI		
• Listed	8,265	7,003
• Unlisted	102,596	91,171
	110,861	98,174

18. CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FVTPL

	2022	2021
Loan designated at FVTPL	(5,094)	1,588
Investments at FVTPL	9,415	12,626
	4,321	14,214

19. NET FEE INCOME

	2022	2021
Agency, advisory and other services	6,061	5,234
	6,061	5,234

20. OTHER INCOME, NET

	2022	2021
Gain on sale of equity accounted investee	4,309	2,964
FX Exchange gains / (losses), net	2,099	(911)
Rental income	365	416
Loss from sale of vessels	(383)	(11,778)
Net loss from hedge ineffectiveness (note 15)	(852)	(9,501)
(Loss)/ Income from vessels	(3,056)	1,230
External fund management fees	(2,050)	-
Others	2,122	-
	2,554	(17,580)

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022)
(US\$000)

21. OPERATING EXPENSES

	2022	2021
Staff cost	31,148	26,667
End of service benefits	1,733	1,843
Premises costs, including depreciation	14,160	12,711
Equipment and communications costs	4,244	2,849
Key Management's and Board benefits, fees and charges	3,320	2,663
Consultancy and legal fee	3,962	992
Corporate social responsibility (CSR)	2,074	4,336
Other	-	1,527
	60,641	53,588

22. IMPAIRMENT (LOSS) / REVERSAL ON FINANCIAL INSTRUMENTS, NET

	2022	2021
Placements with banks	108	(71)
Loans and advances (Note 5)	(33,529)	(1,773)
Debt securities at FVOCI	(1,794)	422
Loan commitments and guarantees	(6,786)	9,145
	(42,001)	7,723

23. IMPAIRMENT LOSSES ON OTHER ASSETS, NET

	2022	2021
Equity accounted investees (Note 7)	(7,250)	(2,242)
Property, equipment and vessels (Note 8)	(5,987)	(3,500)
Provision on prepayments	(2,962)	-
	(16,199)	(5,742)

24. APPROPRIATIONS

The following appropriations for the year ended 31 December 2021 were approved by the shareholders on 26 February 2022.

	2022	2021
Legal reserve	15,000	11,000
General reserve	107,913	126,662

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.

	2022	2021
Loans to related parties		
Loans outstanding at 31 December — gross	3,160,260	3,126,675
Expected credit loss on loans outstanding	(64,372)	(23,383)
Commitments to underwrite and fund loans at 31 December	885,370	1,076,236
Expected credit loss on commitments	(1,709)	(2,079)
Interest income from loans during the year	108,903	71,807
Loan fees received during the year	3,908	2,907

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 2022 and 2021.

	2022	2021
Investments in related parties		
Investments	1,163,177	956,267
Commitments to investments	68,910	9,952
Dividends received during the year	118,921	94,568

	2022	2021
Others		
Deposits from corporates	268,101	143,773
Deposits from shareholders	123,128	120,138
Dividend payable to shareholders	17,802	17,802
Interest expense on deposits from corporates during the year	6,386	934
Interest expense on deposits from shareholders during the year	2,821	1,031
Balances due to key management	685	611

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022) (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).

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.

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.

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022) (US\$000)

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.

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

2022	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	148,000	-	-	148,000
A+ to A-	277,846	-	-	277,846
BBB to BBB-	-	-	-	-
BB+ to B-	330,000	30,503	-	360,503
Gross amount	755,846	30,503	-	786,349
ECL Allowance	(71)	(7)	-	(78)
Carrying Amount	755,775	30,496	-	786,271
2021				
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

ii. Investments in debt securities at measured at FVOCI

2022	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	124,948	-	-	124,948
A+ to A-	66,463	-	-	66,463
BBB to BBB-	2,202,829	-	-	2,202,829
BB+ to B-	49,934	-	-	49,934
Non-Rated	-	14,515	-	14,515
Gross amount	2,444,174	14,515	-	2,458,689
ECL Allowance	(446)	(1,738)	-	(2,184)
Carrying Amount	2,443,728	12,777	-	2,456,505
2021				
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

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022)

(US\$000)

iii. Loans and Advances at amortised cost

2022	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	506,727	-	-	506,727
A+ to A-	1,583,146	-	-	1,583,146
BBB to BBB-	1,078,802	-	-	1,078,802
BB+ to C	256,107	778,175	-	1,034,282
D	-	-	51,455	51,455
Gross amount	3,424,782	778,175	51,455	4,254,412
ECL Allowance	(3,732)	(60,178)	(39,647)	(103,557)
Carrying Amount	3,421,050	717,997	11,808	4,150,855

2021

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

iv. Loans commitments and guarantees

2022	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	1,264	-	-	1,264
A+ to A-	263,979	-	-	263,979
BBB to BBB-	1,307,139	89,000	-	1,396,139
BB+ to C	374,450	164,401	-	538,851
D	-	32,482	-	32,482
Gross amount	1,946,832	285,883	-	2,232,715
ECL Allowance	(3,467)	(6,109)	-	(9,576)
Carrying Amount	1,943,365	279,774	-	2,223,139

iv. Loans commitments and guarantees (continued)

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

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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).

2022	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,192	54,739	13,463	73,394
Net movement between stages	(197)	197	-	-
Net charge for the year	2,721	13,096	26,184	42,001
At 31 December	7,716	68,032	39,647	115,395

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

Placements with financial institutions	71	7	-	78
Loans and advances	3,732	60,178	39,647	103,557
Debt securities at amortised cost	446	1,738	-	2,184
Loan commitments and financial guarantees	3,467	6,109	-	9,576
	7,716	68,032	39,647	115,395

2021

At 1 January	11,952	48,337	20,828	81,117
Net movement between stages	562	(562)	-	-
Net (reversal)/ charge 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

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)	
	2022	2021	2022	2021	2022	2021
Concentration of credit risk by sector						
Energy	1,873,666	2,056,684	-	-	74,663	56,758
Materials	869,277	954,442	-	-	128,666	97,810
Financials & Sovereign	43,047	47,264	786,271	292,478	1,896,626	1,441,789
Utilities	1,187,909	1,304,290	-	-	292,632	222,455
Industrials	255,827	280,891	-	-	63,918	48,589
Carrying amount at 31 December	4,229,726	4,643,571	786,271	292,478	2,456,505	1,867,401
Concentration of credit risk by location						
Kingdom of Saudi Arabia	1,344,734	1,476,480	-	-	558,657	424,683
State of Qatar	505,246	554,746	552,450	205,501	380,588	289,318
Other Gulf Cooperation Council states	1,421,410	1,560,119	138,572	51,546	637,549	484,656
Egypt and North Africa	218,928	240,377	81,203	30,206	-	-
Total Arab World	3,490,318	3,831,722	772,225	287,253	1,576,794	1,198,657
Europe	387,843	425,841	-	-	-	-
Asia and Oceania	212,834	233,686	14,046	5,225	291,119	221,305
United States	138,731	152,322	-	-	588,592	447,439
Carrying amount at 31 December	4,229,726	4,643,571	786,271	292,478	2,456,505	1,867,401

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022) (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.

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 counterparties. The asset and liability maturity profile based on estimated repayment terms is set out in note 29.

Contractual maturities of financial liabilities (including interest).

2022	Up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	Contractual Outflows	Carrying Value
Liabilities						
Deposits	(1,043,430)	-	-	-	(1,043,430)	(958,811)
Securities sold under agreements to repurchase	(84,944)	-	(54,816)	-	(139,760)	(135,310)
Bank term financing	(250,000)	-	(30,863)	-	(280,863)	(251,099)
Sukuk and bonds issued	(1,104,140)	(466,777)	(2,697,047)	-	(4,267,964)	(4,208,960)
	(2,482,514)	(466,777)	(2,782,726)	-	(5,732,017)	(5,554,180)
Derivative instruments:						
Interest rate swaps	(261,980)	(3,080)	-	-	(265,060)	(265,060)
Forward contracts	(800)	-	-	-	(800)	(800)
Off-balance sheet exposures	(329,297)	(702,730)	(790,373)	(400,739)	(2,223,139)	(2,223,139)
	(3,074,591)	(1,172,587)	(3,573,099)	(400,739)	(8,221,016)	(8,043,179)
2021						
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)

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.

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 2022. The Group's exposure to USD LIBOR linked financial liabilities maturing after June 2023 is US \$300 million as at 31 December 2022. 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.

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 2022	1,289	(82)	(1,289)	82
At 31 December 2021	1,512	379	(1,512)	(379)

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

	2022	2021
Fixed rate instruments		
Financial assets	6,369,732	5,881,535
Financial liabilities	(4,717,080)	(5,062,475)
	1,652,652	819,060
Variable rate instruments		
Financial assets	6,446,565	6,012,274
Financial liabilities	(6,347,407)	(5,215,694)
	99,158	796,580

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 2022	5% strengthening of USD	5% weakening of USD
AED	8	(8)
EGP	(147)	147
EUR	1	(1)
GBP	(56)	56
KWD	18	(18)
At 31 December 2021		
AED	1	(1)
EGP	73	(73)
EUR	1	(1)
GBP	50	(50)
KWD	18	(18)

Equity prices risk is the risk that Corporations quoted equity investments will depreciate in value due to movements in the quoted equity prices. The overall authority of equity prices risk management is vested in ALCO. Periodical listed equity prices movements are reviewed by executive management and ALCO. The Corporation's exposure to listed equities is insignificant hence sensitivity to equity prices risk is not significant.

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 2021. 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:

	2022	2021
Interest-bearing financial assets		
Fixed-rate bonds	3.18%	2.99%
Floating-rate bonds	5.91%	1.59%
Placements with banks	3.19%	1.29%
Loans and advances	3.68%	2.27%
US dollar denominated	3.67%	2.25%
Non-US dollar denominated	4.38%	2.56%
Interest-bearing financial liabilities		
Deposits from banks	4.17%	0.35%
Deposits from corporates	4.48%	0.12%
Deposits from shareholders	5.14%	0.72%
Securities sold under repurchase agreements	4.72%	-
Bank term financing	4.05%	-
Sukuk and Bonds	2.54%	1.93%
US\$ LIBOR at 31 December was:		
One-month	4.39%	0.10%
Three-month	4.77%	0.21%
Six-month	5.14%	0.34%

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022)
(US\$000)

28. FAIR VALUE HIERARCHY AND CLASSIFICATION 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 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:

2022	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances at FVTPL	-	111,283	43,862	155,145
Debt securities at FVOCI				
Treasury Bills	976,017	-	-	976,017
Fixed-rate bonds	-	1,294,140	-	1,294,140
Floating-rate bonds	-	176,807	-	176,807
Other investments at FVTPL	2,114	-	30,408	32,522
Equity securities at FVOCI	104,229	-	998,349	1,102,578
Derivative financial assets	-	82,271	-	82,271
	1,082,360	1,664,501	1,072,619	3,819,480
Financial liabilities				
Sukuk and Bonds issued	-	3,567,142	-	3,567,142
Derivative financial liabilities	-	265,860	-	265,860
	-	3,833,002	-	3,833,002

Financial Instruments table (continued)

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

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 2022	Weighted average input	Reasonable possible shift +/- (in average input)	Increase/ (decrease) in valuation
Discounted cash flow & Market multiples approach	Illiquidity discount	1,072,619	10%-15%	+/- 1%	+11,159 / (11,159)
	Cost of equity		10%-18%	+/- 1%	+27,340 / (27,340)
	Terminal growth rate		2%	+/- 1%	+ 26,580 / (26,580)

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

	2022	2021
Balance at 1 January	781,849	794,352
Total gains or losses:		
In other comprehensive income	274,691	655
In profit and loss	2,508	14,214
Purchases	57,283	3,296
Sold	(43,712)	(30,668)
Balance at 31 December	1,072,619	781,849

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.

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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:

2022	Amortized cost	Designated at FVTPL	FVOCI — equity securities	FVOCI — debt securities	Total Carrying amount
Financial assets					
Cash and cash equivalent	21,552	-	-	-	21,552
Placements with banks	786,271	-	-	-	786,271
Investments	-	32,522	1,102,578	2,456,505	3,591,605
Loans and advances	4,074,081	155,145	-	-	4,229,226
Other Assets	31,568	82,271	-	-	113,839
Total financial and other assets	4,913,472	269,938	1,102,578	2,456,505	8,742,493
Financial liabilities					
Deposits	1,094,121	-	-	-	1,094,121
Other liabilities	113,275	265,860	-	-	379,135
Bank term financing	251,099	-	-	-	251,099
Sukuks and Bonds issued	641,818	3,567,142	-	-	4,208,960
Total financial and other Liabilities	2,100,313	3,833,002	-	-	5,933,315
2021					
Financial assets					
Cash and cash equivalent	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

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	2022 Total
Assets					
Cash and cash equivalent	21,552	-	-	-	21,552
Placements with banks	562,232	-	224,039	-	786,271
Debt securities at FVOCI	591,784	562,977	1,172,322	129,422	2,456,505
Equity securities at FVOCI	-	-	-	1,102,578	1,102,578
Other investments at FVTPL	-	-	-	32,522	32,522
Equity accounted investees	-	-	-	68,127	68,127
Loans and advances	153,296	378,959	2,057,218	1,640,253	4,229,726
Property, equipment & vessels	-	-	-	42,772	42,772
Other assets	40,790	26,055	38,412	8,582	113,839
Total assets	1,369,654	967,991	3,491,991	3,024,256	8,853,892
Liabilities and Equity					
Deposits	(958,811)	-	-	-	(958,811)
Securities sold under agreements to repurchase	(85,197)	-	(50,113)	-	(135,310)
Bank term financing	-	(1,099)	(250,000)	-	(251,099)
Sukuks and Bonds issued	-	(876,968)	(3,331,992)	-	(4,208,960)
Other liabilities	(18,944)	(58,988)	(258,401)	(42,802)	(379,135)
Equity	-	-	-	(2,920,488)	(2,920,488)
Non-controlling Interest	-	-	-	(89)	(89)
Total liabilities and equity	(1,062,952)	(937,055)	(3,890,506)	(2,963,379)	(8,853,892)
Maturity Gap	306,702	30,936	(398,515)	60,877	-
CUMULATIVE MATURITY GAP	306,702	337,638	(60,877)	-	-
2021					
Total assets	1,418,999	872,231	2,982,862	2,718,090	7,992,182
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)	-	-

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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:

2022	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	2022 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	-	44,220	4,581,519
Non US\$ denominated	103,493	26,665	-	-	130,158
Liabilities					
Deposits					
US\$ denominated	(831,102)	-	-	-	(831,102)
Securities sold under agreements to repurchase	(84,944)	-	(50,006)	-	(134,950)
Bank term financing	-	-	(250,000)	-	(250,000)
Sukuks and Bonds issued	(2,268,322)	(1,900,137)	-	-	(4,168,459)
Interest rate sensitivity gap	(33,212)	(24,730)	(300,006)	44,220	(313,728)
Cumulative Gap	(33,212)	(57,942)	(357,948)	(313,728)	

2021

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)	

31. CURRENCY EXPOSURES

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

2022	Assets	Liabilities and equity	2022 Net Exposure	2021 Net Exposure
Assets, Liabilities and Equity				
United States dollar	8,396,816	(8,688,366)	(291,550)	(356,027)
Euro	300	(42)	258	243
Other OECD currencies	38,241	(152,663)	(114,422)	(102,412)
Asia Pacific	-	-	-	890
Arab currencies				
GCC	418,535	(12,821)	405,714	457,306
	8,853,892	(8,853,892)	-	-
			2022	2021
Commitments and Guarantees				
United States dollar			2,235,461	1,920,837
Saudi Riyal			45,656	43,590
Kuwaiti Dinar			17,314	-
			2,298,431	1,964,427

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:

		2022	2021
Euro	EUR 1=US\$	1.0612	1.1325
Saudi riyal	SAR 1=US\$	0.2666	0.2666
Swiss franc	CHF 1=US\$	0.9290	0.9155
British pound	GBP 1=US\$	1.2018	1.3492
Egyptian pound	EGP 1=US\$	0.0404	0.0636

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 2022)
(US\$000)

32. INDUSTRY DISTRIBUTION OF ASSETS AND LIABILITIES

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

	2022	2021
Assets		
Energy	2,026,214	2,871,346
Materials	923,535	1,241,104
Financials & Sovereign Financials	3,727,784	1,921,937
Utilities	1,699,086	1,579,797
Industrials	477,273	377,998
Total assets at 31 December	8,853,892	7,992,182
Liabilities and Equity		
Energy	222,622	744,345
Materials	176,347	-
Financials & Sovereign	5,534,346	4,693,532
Equity	2,920,577	2,554,305
Total liabilities and equity at 31 December	8,853,892	7,992,182
Commitments and Guarantees		
Energy	1,688,073	916,852
Materials	-	100,000
Financials	518,849	252,263
Utilities	59,027	642,655
Industrials	32,482	40,109
Sovereign & Public Finance	-	12,548
Total commitments and guarantees at 31 December	2,298,431	1,964,427

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:

	2022	2021
Assets		
Kingdom of Saudi Arabia	3,955,803	2,699,537
State of Qatar	991,373	1,049,681
Other Gulf Cooperation Council states	2,339,753	2,164,690
Egypt and North Africa	306,562	411,253
Total Arab world	7,593,491	6,325,161
Europe	491,126	454,311
Asia and Oceania	408,113	536,282
United States	128,483	509,927
Other North and South America	232,679	166,501
Total assets	8,853,892	7,992,182
Liabilities and Equity		
Kingdom of Saudi Arabia	5,681,712	5,477,600
State of Qatar	295,214	258,948
Other Gulf Cooperation Council states	1,309,443	1,069,863
Other Middle East states	421,474	373,411
Egypt and North Africa	1,021,322	727,760
Total Arab world	8,729,165	7,907,582
Europe	67,852	81,898
Asia and Oceania	266	521
Other North and South America	56,609	2,181
Total liabilities and equity	8,853,892	7,992,182

Notes to the Consolidated Financial Statements (for the year ended 31 December 2022)
(US\$000)

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

	2022	2021
Commitments and Financial Guarantees		
Kingdom of Saudi Arabia	139,444	709,744
State of Qatar	-	8,255
Other Gulf Cooperation Council states	78,725	468,456
Other Middle East states	469,584	16,535
Egypt and North Africa	313,040	321,230
Total Arab world	1,000,793	1,524,220
Europe	983,193	229,979
Asia and Oceania	263,350	168,682
United States	51,095	41,546
	2,298,431	1,964,427

35. COMPARATIVE

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



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