

**ARAB PETROLEUM INVESTMENTS
CORPORATION (APICORP)**

**INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL
STATEMENTS**

31 DECEMBER 2021

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

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Independent auditors' report (continued)
Arab Petroleum Investments Corporation

Impairment of loans and advances

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

The key audit matter

We focused on this area because:

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

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

How the matter was addressed in our audit

Our procedures included:

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

Independent auditors' report (continued)
Arab Petroleum Investments Corporation

The key audit matter	How the matter was addressed in our audit
	<p>outcomes were appropriate, given the borrower's circumstance; and</p> <ul style="list-style-type: none"> ➤ evaluated the basis on which the allowance was determined, and the evidence supporting the analysis performed by management. <p>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.</p>

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	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> ▪ unquoted equity securities of US\$ 732,893 thousands make up 9% of total assets by value; and <p>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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▪ understanding and testing relevant key controls over valuation process including valuation governance controls; ▪ with the support of our valuation specialists, we performed the following: <ul style="list-style-type: none"> ➤ 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.

Independent auditors' report (continued)
Arab Petroleum Investments Corporation

Responsibilities of Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditors' report (continued)
Arab Petroleum Investments Corporation

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.



KPMG Fakhro
Partner Registration Number 100
2 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2021

(US\$000)

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

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



Dr. Aabed Al-Saadoun
Chairman



Dr. Ahmed Ali Attiga
Chief Executive Officer



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

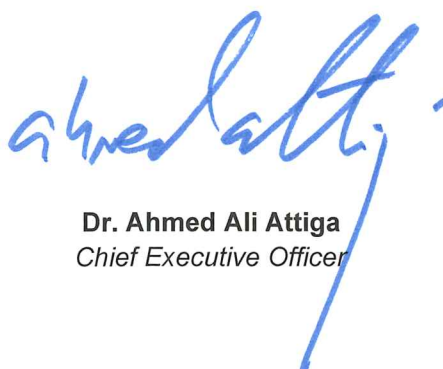
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2021

(US\$000)

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



Dr. Aabed Al-Saadoun
Chairman



Dr. Ahmed Ali Attiga
Chief Executive Officer



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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

(US\$000)

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

(US\$000)

2021	Total Equity attributable to Shareholders of the Corporation							
	Share capital	Legal reserve	General reserve	Investments fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	1,500,000	247,000	81,574	483,228	126,662	2,438,464	2,945	2,441,409
Comprehensive income								
Profit for the year	-	-	-	-	100,807	100,807	(1,186)	99,621
Other comprehensive income								
- Transfer to retained earnings on sale of equity instruments at FVOCI	-	-	-	(18,106)	18,106	-	-	-
- Net change in fair value of debt investments at FVOCI	-	-	-	(4,757)	-	(4,757)	-	(4,757)
- Net change in fair value of equity investments at FVOCI	-	-	-	18,032	-	18,032	-	18,032
<i>Total other comprehensive income</i>	-	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021 *(continued)*

(US\$000)

2020	Total Equity attributable to Shareholders of the Corporation							
	Share capital	Legal reserve	General reserve	Investments fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	1,000,000	235,000	464,016	531,794	117,558	2,348,368	2,403	2,350,771
Comprehensive income								
Profit for the year	-	-	-	-	114,530	114,530	542	115,072
<i>Other comprehensive income</i>								
- Transfer to retained earnings on sale of equity instruments at FVOCI	-	-	-	(24,132)	24,132	-	-	-
- Net change in fair value of debt Investments in FVOCI/ Realized gain on sale	-	-	-	(26,339)	-	(26,339)	-	(26,339)
- Net change in fair value of equity investments at FVOCI	-	-	-	1,905	-	1,905	-	1,905
<i>Total other comprehensive income</i>	-	-	-	(48,566)	24,132	(24,434)	-	(24,434)
Total comprehensive income for year	-	-	-	(48,566)	138,662	90,096	542	90,638
Transfer to legal reserve	-	12,000	-	-	(12,000)	-	-	-
Transfer from general reserve	-	-	117,558	-	(117,558)	-	-	-
Transfer to share capital	500,000	-	(500,000)	-	-	-	-	-
Balance as at 31 December 2020	1,500,000	247,000	81,574	483,228	126,662	2,438,464	2,945	2,441,409

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021
(US\$000)

	2021	2020
OPERATING ACTIVITIES		
Profit for the year	99,621	115,072
Adjustment for:		
Depreciation	6,725	6,925
End-of-service benefits	1,843	1,757
Net interest income	(71,334)	(83,072)
Share of profit from equity accounted investees	(5,329)	(1,701)
Net hedge ineffectiveness loss/(gain)	9,501	590
Loss/(gain) on sale of investments	25,477	(45,673)
Change in fair value of investments designated at FVTPL	(14,214)	23,124
Gain from sale of associate	(2,964)	-
Loss from disposal of vessels	11,778	-
Dividend income	(98,174)	(47,046)
Impairment (reversal)/charge, net	(1,981)	16,656
Net amortisation of transaction fee	760	1,399
Changes in operating assets and liabilities		
Interest receivable	147,565	215,901
Loans and advances drawdown	(2,443,285)	(1,620,453)
Loans and advances repaid by customers	1,731,213	1,376,149
Placements with banks	(47,800)	237,132
Other assets	12,632	2,329
Other liabilities	(14,215)	60,376
	(652,181)	259,465
End-of-service benefits paid	(3,050)	(1,066)
Net cash (used in) / from operating activities	(655,231)	258,399
INVESTING ACTIVITIES		
Purchase of investments	(2,843,038)	(6,387,183)
Sale and redemptions of investments	3,282,066	5,892,881
Purchase of property, equipment and vessels	(4,579)	(4,234)
Proceeds from disposal of vessels	32,660	-
Dividends received	97,393	41,246
Net cash from / (used in) investing activities	564,502	(457,290)
FINANCING ACTIVITIES		
Proceeds from deposits	2,152,184	3,048,676
Repayment of deposits	(2,293,393)	(3,186,580)
Repayment of bank term financing	(1,175,000)	(150,000)
Proceeds from Sukuk and bonds	1,750,000	1,132,099
Repayment of Sukuk and bonds	(399,135)	(500,000)
Dividend paid	(5,243)	-
Finance charges paid	(75,245)	(129,204)
Net cash (used in) / from financing activities	(45,832)	214,991
Net (decrease) / increase in cash and cash equivalents for the year	(136,561)	16,100
Cash and cash equivalents at 1 January	187,613	171,513
Cash and cash equivalents at 31 December	51,052	187,613
Cash and bank balances	51,052	57,613
Placements with banks (with maturity less than three months)	-	130,000
	51,052	187,613

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1 REPORTING ENTITY

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

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

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

(i) Share capital

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

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

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

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

(ii) Activities

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****1 REPORTING ENTITY (continued)****(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").

2 GENERAL**(i) Statement of compliance**

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

(ii) Basis of preparation

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

(iii) Functional and presentation currency

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****B. EQUITY ACCOUNTED INVESTEEES**

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

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

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

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

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

C. STANDARDS ISSUED AND EFFECTIVE**Interest rate benchmark reform-phase 2(amendment to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16)**

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

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

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

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities

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

Derivatives

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

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

D. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

(i) Annual Improvements to IFRS Standards 2018-2020

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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for the year ended 31 December 2021

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3 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

E. CASH AND CASH EQUIVALENTS

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

F. REPURCHASE AND RESALE AGREEMENTS

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

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

G. PROPERTY, EQUIPMENT AND VESSELS

(i) Recognition and Measurement

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****G PROPERTY, EQUIPMENT AND VESSELS (continued)****Capital work in progress**

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

Leases

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****G PROPERTY, EQUIPMENT AND VESSELS (continued)**

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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021**

(US\$000)

3 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)****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).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)****(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.

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

Financial liabilities

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

(iv) Modifications of financial assets and financial liabilities**Financial assets**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)**

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)****(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.

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for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)****(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.

(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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)**

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)**

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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)****(ix) Derivative financial instruments**

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

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

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

(x) Financial guarantee contracts

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

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

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

(xi) Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges. The Group does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition, the Group uses the exemption to continue using IFRS 9 hedge accounting rules.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****H. FINANCIAL INSTRUMENTS (continued)**

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

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

Fair value hedges

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****N. USE OF JUDGEMENTS AND ESTIMATES**

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Judgements**Classification of financial assets**

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

Significant increase of credit risk

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

COVID-19 impact

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

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

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

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

Impairment allowance on loans and advances at amortised cost

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

N. USE OF JUDGEMENTS AND ESTIMATES (continued)

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

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

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

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

(ii) Assumptions and estimation uncertainties

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

Impairment of financial instruments

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

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

O. FOREIGN CURRENCY TRANSACTIONS

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

Investments (non-monetary assets) denominated in foreign currencies that are stated at fair value are translated to US dollars at reporting date. Differences arising from changes in rates are included in the fair value reserve in equity for FVOCI 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

4 PLACEMENTS WITH BANKS

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

5 LOANS AND ADVANCES

	2021	2020
Islamic loans at amortised cost	1,120,485	1,371,658
Conventional loans;		
a) at amortised cost	3,608,457	2,603,484
b) at FVTPL	48,956	47,367
Interest receivable	15,545	13,250
	4,793,443	4,035,759
Unamortized participation and upfront fees	(79,844)	(53,288)
Expected credit loss impairment allowance (note 26)	(70,028)	(68,255)
	4,643,571	3,914,216

Movement during the year

	2021	2020
Balance at 1 January	4,022,509	3,778,261
Drawdowns	2,443,285	1,620,453
Called guarantee	41,729	-
Repayments by customers	(1,731,213)	(1,376,149)
Fair value change	1,588	(56)
	4,777,898	4,022,509
Interest receivable	15,545	13,250
	4,793,443	4,035,759

Balance at 31 December

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

5 LOANS AND ADVANCES (continued)

Movement on impairment allowances is as follows:

2021	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	9,094	43,327	15,834	68,255
Net charge / (reversal) for the year	(5,730)	9,874	(2,371)	1,773
At 31 December 2021	3,364	53,201	13,463	70,028

2020	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	3,756	35,546	12,191	51,493
Net movement between stages	-	9,217	(9,217)	-
Net charge /(reversal) for the year	5,338	(1,436)	12,860	16,762
At 31 December 2020	9,094	43,327	15,834	68,255

6 INVESTMENTS

		2021	2020
Debt securities at FVOCI	6.1	1,867,401	2,324,826
Equity securities at FVOCI	6.2	863,361	859,720
Other investments at FVTPL	6.3	38,286	36,189
		2,769,048	3,220,735

6.1 Debt securities at FVOCI

	2021	2020
Treasury bills	304,999	374,932
Fixed-rate bonds	1,476,312	1,867,535
Floating-rate bonds	74,106	67,869
Interest receivable	12,374	15,302
Expected credit loss impairment allowance (note 26)	(390)	(812)
	1,867,401	2,324,826

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

6. *INVESTMENTS (continued)*

6.2 Equity securities at FVOCI

	2021	2020
Unlisted equities	694,607	710,796
Listed equities	168,754	148,924
	863,361	859,720

Movements during the year

	2021	2020
Balance at 1 January	859,720	889,056
Additions during the year	34	-
Sold during the year	(10,266)	(30,429)
Net fair value change	13,873	1,093
Balance at 31 December	863,361	859,720

6.3 Other investments at FVTPL

	2021	2020
Managed funds and others	6,063	3,602
Unlisted equities	32,223	32,587
	38,286	36,189

Movements during the year

	2021	2020
Balance at 1 January	36,189	59,997
Additions during the year	3,262	2,285
Sold during the year	(13,791)	(3,024)
Net fair value change	12,626	(23,069)
Balance at 31 December	38,286	36,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

7 EQUITY ACCOUNTED INVESTEEES

The movement on equity-accounted investees is given below:

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

Name	Country of incorporation	% holding		Nature of business
		2021	2020	
Falcon Cement Company BSC	Kingdom of Bahrain	30	30	Manufacturing and trading of cement
(Ashtead Technology) BP INV2B BIDCO LIMITED	United Kingdom	20.7	32.9	Oil and gas services and facilities management company
Al Khorayef United Holding	State of Kuwait	24	24	Oil and gas services and facilities management company
GC-16 JV	State of Kuwait	24	24	Oil and gas services and facilities management company
Intra Taf Holding	Luxembourg	40	40	Holding and management company

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

8 PROPERTY, EQUIPMENT AND VESSELS

	Land	Building	Vessels	Computer, Furniture & Equipment	Capital work in progress	Total
Cost						
Balance at 1 January 2020	4,004	54,793	117,254	22,665	2,959	201,675
Additions	-	-	-	333	3,901	4,234
Balance at 31 December 2020	4,004	54,793	117,254	22,998	6,860	205,909
Additions	-	405	-	722	3,452	4,579
Transfers	-	1,194	-	3,645	(4,839)	-
Disposal	-	-	(71,340)	(29)	-	(71,369)
Balance at 31 December 2021	4,004	56,392	45,914	27,336	5,473	139,119
Accumulated depreciation and impairment						
Balance at 1 January 2020	-	45,436	35,395	17,752	-	98,583
Charge for the year	-	935	5,360	630	-	6,925
Balance at 31 December 2020	-	46,371	40,755	18,382	-	105,508
Charge for the year	-	767	4,172	1,786	-	6,725
Disposal for the year	-	-	(26,903)	(28)	-	(26,931)
Impairment charge (Note 23)	-	-	3,500	-	-	3,500
Balance at 31 December 2021	-	47,138	21,524	20,140	-	88,802
Carrying Amount						
Balance at 31 December 2021	4,004	9,254	24,390	7,196	5,473	50,317
Balance at 31 December 2020	4,004	8,422	76,499	4,616	6,860	100,401

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

9 OTHER ASSETS

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

10 DEPOSITS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(US\$000)

11 BANK TERM FINANCING

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

12 SUKUK AND BONDS ISSUED

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

13 OTHER LIABILITIES

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

14 COMMITMENTS AND GUARANTEES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

15 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

The contractual maturity analysis of the derivative instruments are included as part of liquidity risk information in note 26.

The net hedge ineffectiveness gain/losses recognized in the consolidated income statement are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

16 NET INTEREST INCOME

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

17 DIVIDEND INCOME

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

18 CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FVTPL

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

19 NET FEE INCOME

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

20 OTHER INCOME, NET

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

21 OPERATING EXPENSES

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

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

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

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

23 IMPAIRMENT LOSSES ON OTHER ASSETS, NET

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021
(US\$000)**24 APPROPRIATIONS**

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

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

25 RELATED PARTY TRANSACTIONS

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

Loans to related parties

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

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

Investments in related parties

	2021	2020
Investments	956,267	969,359
Commitments to investments	9,952	45,727
Guarantees as shareholder	-	7,977
Dividends received during the year	94,568	46,946

Others

	2021	2020
Deposits from corporates	143,773	18,664
Deposits from shareholders	120,138	119,067
Dividend payable to shareholders	17,802	23,045
Interest expense on deposits from corporates during the year	934	2,343
Interest expense on deposits from shareholders during the year	1,031	1,649
Balances due to key management	611	165

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****26 FINANCIAL RISK MANAGEMENT*****Financial risk management objectives***

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

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

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

a.) Credit risk management

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****26 FINANCIAL RISK MANAGEMENT (continued)****Credit risk grades**

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021****(US\$000)****26 FINANCIAL RISK MANAGEMENT (continued)**

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021
(US\$000)
26 FINANCIAL RISK MANAGEMENT (continued)

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

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

Credit quality analysis

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

i. Placements with banks at amortised cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

26 **FINANCIAL RISK MANAGEMENT (continued)**

ii. Investments in debt securities at measured at FVOCI

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

2020	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	1,192,930	-	-	1,192,930
A+ to A-	853,573	66,873	-	920,446
BBB to BBB-	50,864	5,154	-	56,018
BB+ to B-	48,427	107,817	-	156,244
Gross amount	2,145,794	179,844	-	2,325,638
ECL Allowance	(394)	(418)	-	(812)
Carrying Amount	2,145,400	179,426	-	2,324,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021
(US\$000)26 *FINANCIAL RISK MANAGEMENT (continued)**CREDIT RISK MANAGEMENT (continued)*iii. Loans and Advances at amortised cost

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

2020	Stage 1	Stage 2	Stage 3	Total
AAA to AA-	643,667	-	-	643,667
A+ to A-	1,460,161	-	-	1,460,161
BBB to BBB-	776,445	79,261	-	855,706
BB+ to C	277,141	735,192	-	1,012,333
D	-	-	16,525	16,525
Gross amount	3,157,414	814,453	16,525	3,988,392
ECL Allowance	(9,094)	(43,327)	(15,834)	(68,255)
Carrying Amount	3,148,320	771,126	691	3,920,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

26 *FINANCIAL RISK MANAGEMENT (continued)*

CREDIT RISK MANAGEMENT (continued)

iv. Loans commitments and financial guarantees

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021
(US\$000)26 **FINANCIAL RISK MANAGEMENT (continued)****CREDIT RISK MANAGEMENT (continued)**

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

2021

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

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

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

2020

	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,719	44,166	16,976	66,861
Net movement between stages	-	9,217	(9,217)	-
Net charge for the year	6,233	(5,046)	13,069	14,256
At 31 December	11,952	48,337	20,828	81,117

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

	Stage 1	Stage 2	Stage 3	Total
Placements with financial institutions	115	-	-	115
Loans and advances	9,094	43,327	15,834	68,255
Debt securities at amortised cost	394	418	-	812
Loan commitments and financial Guarantees	2,349	4,592	4,994	11,935
	11,952	48,337	20,828	81,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

26 **FINANCIAL RISK MANAGEMENT** (continued)

CREDIT RISK MANAGEMENT (continued)

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

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

	Loans and Advances (note 5)		Placements with banks (note 4)		Debt securities at FVOCI (note 6.1)	
	2021	2020	2021	2020	2021	2020
Concentration of credit risk by location						
Kingdom of Saudi Arabia	1,476,480	1,218,291	-	79,789	424,683	427,468
State of Qatar	554,746	536,608	205,501	-	289,318	136,396
Other Gulf Cooperation Council states	1,560,119	1,419,492	51,546	236,167	484,656	613,419
Egypt and North Africa	240,377	249,610	30,206	-	-	-
Total Arab World	3,831,722	3,424,001	287,253	315,956	1,198,657	1,177,283
Europe	425,841	235,023	-	-	-	-
Asia and Oceania	233,686	130,367	5,225	8,733	221,305	384,864
United States	152,322	124,825	-	50,003	447,439	762,679
Carrying amount at 31 December	4,643,571	3,914,216	292,478	374,692	1,867,401	2,324,826

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(US\$000)

26 **FINANCIAL RISK MANAGEMENT (continued)****b.) Liquidity risk and funding management**

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

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

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

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

Contractual maturities of financial liabilities (including interest)**2021****Liabilities**

Deposits
Sukuk and bonds issued

Derivative instruments:

Interest rate swaps
Off-balance sheet exposures

	Up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	Contractual Outflows	Carrying Value
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)
Interest rate swaps	(7,456)	(5,579)	-	-	(13,035)	(27,961)
Off-balance sheet exposures	(245,651)	(818,433)	(874,383)	(25,960)	(1,964,427)	(1,964,427)
	(627,202)	(1,462,956)	(5,115,432)	(25,960)	(7,231,550)	(7,243,231)

2020**Liabilities**

Deposits
Bank term financing
Sukuk issued

Derivative instruments

Forward exchange contracts
Interest rate swaps
Cross currency swaps
Off-balance sheet exposures

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

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26 *FINANCIAL RISK MANAGEMENT (continued)***c.) Market risk management**

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

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

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

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

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

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

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

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

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

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26 FINANCIAL RISK MANAGEMENT (continued)
c.) Market risk management (continued)

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

At 31 December 2021	5% strengthening of USD	5% weakening of USD
AED	1	(1)
EGP	73	(73)
EUR	1	(1)
GBP	50	(50)
KWD	18	(18)
At 31 December 2020	5% strengthening of USD	5% weakening of USD
AED	1	(1)
GBP	41	(41)
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 2020. The capital structure of the Corporation consists of net debt and equity of the Corporation. The Corporation is not subject to any externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

27 EFFECTIVE INTEREST RATES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28 FAIR VALUE HIERARCHY AND CATEGORIES OF FINANCIAL INSTRUMENTS

a. Fair value Hierarchy

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

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

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

	Level 1	Level 2	Level 3	Total
2021				
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

(US\$000)

28 **FAIR VALUE HIERARCHY AND CATEGORIES OF FINANCIAL INSTRUMENTS** (continued)

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

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

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

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

Reconciliation of Level 3 fair value measurements

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

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

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for the year ended 31 December 2021

(US\$000)

28 **FAIR VALUE HIERARCHY AND CATEGORIES OF FINANCIAL INSTRUMENTS** (continued)

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

b) Categories of financial instruments

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

2021	Amortized cost	Designated at FVTPL	FVOCI – equity securities	FVOCI – debt securities	Total Carrying amount
Financial assets					
Cash and bank balances	51,052	-	-	-	51,052
Placements with banks	292,478	-	-	-	292,478
Investments	-	38,286	863,361	1,867,401	2,769,048
Loans and advances	4,594,615	48,956	-	-	4,643,571
Other Assets	43,328	46,870	-	-	90,198
Total financial and other assets	4,981,473	134,112	863,361	1,867,401	7,846,347
Financial liabilities					
Deposits	348,994	-	-	-	348,994
Other liabilities	159,073	27,961	-	-	187,034
Sukuks and Bonds issued	743,571	4,158,278	-	-	4,901,849
Total financial and other Liabilities	1,251,638	4,186,239	-	-	5,437,877

2020	Amortized cost	Designated at FVTPL	FVOCI – equity securities	FVOCI – debt securities	Total Carrying amount
Financial assets					
Cash and bank balances	57,613	-	-	-	57,613
Placements with banks	374,692	-	-	-	374,692
Investments	-	36,189	859,720	2,324,826	3,220,735
Loans and advances	3,866,849	47,367	-	-	3,914,216
Other Assets	30,052	80,895	-	-	110,947
Total financial and other Assets	4,329,206	164,451	859,720	2,324,826	7,678,203
Financial liabilities					
Deposits	490,034	-	-	-	490,034
Other liabilities	140,341	47,107	-	-	187,448
Bank term financing	1,171,871	-	-	-	1,171,871
Sukuks and Bonds issued	2,046,445	1,555,608	-	-	3,602,053
Total financial and other Liabilities	3,848,691	1,602,715	-	-	5,451,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(US\$000)

29 MATURITY PROFILE OF ASSETS AND LIABILITIES

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

	Up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	2021 Total
Assets					
Cash and bank balances	51,052	-	-	-	51,052
Placements with banks	242,408	50,070	-	-	292,478
Debt securities at FVOCI	442,296	132,042	1,035,260	257,803	1,867,401
Equity securities at FVOCI	-	-	-	863,361	863,361
Other investments at FVTPL	-	-	-	38,286	38,286
Equity accounted investees	-	-	-	95,518	95,518
Loans and advances	637,888	645,276	1,947,602	1,412,805	4,643,571
Property, equipment & vessels	-	-	-	50,317	50,317
Other assets	45,355	44,843	-	-	90,198
Total assets	1,418,999	872,231	2,982,862	2,718,090	7,992,182

Liabilities and Equity

Deposits	(348,994)	-	-	-	(348,994)
Sukuks and Bonds issued	(15,185)	(617,316)	(4,269,348)	-	(4,901,849)
Other liabilities	(90,746)	(87,227)	(9,061)	-	(187,034)
Equity	-	-	-	(2,552,546)	(2,552,546)
Non-controlling Interest	-	-	-	(1,759)	(1,759)

Total liabilities and equity

	(454,925)	(704,543)	(4,278,409)	(2,554,305)	(7,992,182)
Maturity Gap	964,074	167,688	(1,295,547)	163,785	-
CUMULATIVE MATURITY GAP	964,074	1,131,762	(163,785)	-	-

2020					
Total assets	800,247	1,226,237	2,850,598	3,015,733	7,892,815
Total liabilities and equity	(464,667)	(818,790)	(4,167,949)	(2,441,409)	(7,892,815)
Maturity gap	335,580	407,447	(1,317,351)	574,324	-
Cumulative maturity gap	335,580	743,027	(574,324)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(US\$000)

30 REPRICING PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

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

2020	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
ASSETS					
Placements with banks	286,400	52,000	-	-	338,400
Debt securities at FVOCI					
Floating-rate bonds	67,869	-	-	-	67,869
Loans and advances					
US\$ denominated	2,694,926	1,128,461	-	-	3,823,387
Non US\$ denominated	90,000	37,384	-	-	127,384
LIABILITIES					
Deposits					
US\$ denominated	(290,865)	(198,763)	-	-	(489,628)
Bank term financing	(150,000)	(1,025,000)	-	-	(1,175,000)
Sukuks and Bonds issued	(1,879,135)	(1,627,245)	-	-	(3,506,380)
Interest rate sensitivity gap	819,195	(1,633,163)	-	-	(813,968)
Cumulative Gap	819,195	(813,968)	(813,968)	(813,968)	

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(US\$000)

31 CURRENCY EXPOSURES

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

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

COMMITMENTS AND GUARANTEES

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

GCC

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

Significant exchange rates

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

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

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

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32 INDUSTRY DISTRIBUTION OF ASSETS AND LIABILITIES

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

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

33 SEGMENT ANALYSIS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34 GEOGRAPHICAL DISTRIBUTION OF RISK

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

	2021	2020
ASSETS		
Kingdom of Saudi Arabia	2,699,537	2,525,817
State of Qatar	1,049,681	676,174
Other Gulf Cooperation Council states	2,164,690	2,399,799
Egypt and North Africa	411,253	441,429
Total Arab world	6,325,161	6,043,219
Europe	454,311	235,141
Asia and Oceania	536,282	574,583
United States	509,927	734,528
Other North and South America	166,501	305,344
Total assets	7,992,182	7,892,815
LIABILITIES AND EQUITY		
Kingdom of Saudi Arabia	5,477,600	4,915,677
State of Qatar	258,948	247,225
Other Gulf Cooperation Council states	1,069,863	1,266,582
Other Middle East states	373,411	357,859
Egypt and North Africa	727,760	658,239
Total Arab world	7,907,582	7,445,582
Europe	81,898	291,624
Asia and Oceania	521	154,778
Other North and South America	2,181	831
Total liabilities and equity	7,992,182	7,892,815
COMMITMENTS AND FINANCIAL GUARANTEES		
Kingdom of Saudi Arabia	709,744	353,415
State of Qatar	8,255	-
Other Gulf Cooperation Council states	468,456	430,302
Other Middle East states	16,535	35,155
Egypt and North Africa	321,230	371,973
Total Arab world	1,524,220	1,190,845
Europe	229,979	449,094
Asia and Oceania	168,682	232,280
United States	41,546	6,635
	1,964,427	1,878,854

35 COMPARATIVE

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