

## RATING ACTION COMMENTARY

# Fitch Affirms APICORP at 'AA+'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 04 Jun 2025: Fitch Ratings has affirmed Arab Petroleum Investments Corporation's (APICORP) Long-Term Issuer Default Rating (IDR) at 'AA+' with a Stable Outlook, and APICORP Sukuk Limited's (ASL) programme at 'AA+'.

A full list of rating actions is at the end of this rating action commentary.

## KEY RATING DRIVERS

**SCP Drives Rating:** APICORP's 'AA+' Long-Term IDR reflects its Standalone Credit Profile (SCP) of 'aa+', underpinned by solvency and liquidity assessments of 'aa+' and a 'medium' risk business environment. The Stable Outlook reflects our view that APICORP's SCP will remain consistent with a 'AA+' rating over the medium term. Growth in banking exposures balanced with high profitability will continue to support the bank's 'excellent' capitalisation assessment.

**'Excellent' Capitalisation:** APICORP's usable capital to risk-weighted assets (FRA) ratio of 46% and equity to adjusted-assets of 30% at end-2024 were above the 'excellent' thresholds of 35% and 25%, respectively, but slightly below 2023 levels, due to the increase in the balance sheet, driven by fast growth in net loans (+20%). We expect loan growth to moderate over the medium term and for both capitalisation metrics to remain well above the 'excellent' thresholds and in line with the recent historical trend.

APICORP remains highly profitable, particularly relative to other multilateral development banks, with an exceptionally high return on equity of 8.1% and a net profit of USD266 million in 2024. Unlike most multilateral development banks, APICORP's operating model is profit maximising, and it has paid a dividend to its shareholders in the past. To support growth in capitalisation, the bank agreed with shareholders in 2022 that no dividends will be paid in the three years to 2025.

**Slight Deterioration in Loans' Ratings:** The weighted average rating of the loan book slightly weakened in 2024 to 'BBB+' from 'A-' in 2023, after accounting for APICORP's

preferred creditor status. This was mainly due to increased exposure to countries with low ratings (such as Bahrain (B+/Negative), 14% of loans in 2024 from 12% in 2023). Fitch expects the credit quality of the loan book to return to the 'A' category over the medium term.

The bank's non-performing loans (NPL) ratio fell to 0.5% at end-2024 from 0.8% at end-2023, with no new NPLs, and still 'very low' (i.e. below 1%) as per Fitch's Supranational Rating Criteria. We expect the NPL ratio to remain below 1% in our forecasts. We project overall credit risk will be maintained within the 'very low' level over the next years, one of the key strengths of APICORP's credit profile.

**Overall Risks Remain 'Low':** Our 'low' risk assessment is unchanged from last year. APICORP's risk management remains conservative overall and it is adopting measures to improve its risk appetite framework and governance structure. Concentration risk remains within the 'low' threshold. The entity is exposed to higher sectorial (notably oil and gas) and geographical concentration, but continuous improvements have been made in the past years. Equity risks remain 'high' (21.9% of total banking exposure) in a portfolio where its member countries have large energy related investments.

**Unchanged Liquidity Assessment:** Fitch has maintained its assessment of APICORP's liquidity at 'aa+'. The bank continues to operate with treasury assets of higher credit quality, with the share of treasury assets rated 'AA-' or above at 42% at end-2024 (29% at end-2017). Fitch expects this ratio to be stable over the medium term. APICORP continues to operate with an 'excellent' liquidity buffer (defined as liquid assets divided by short-term debt) of 1.81x at end-2024 (above the 'excellent' threshold of 1.5x) from 1.3x at end-2017.

**'Medium Risk' Business Environment:** We assess APICORP's business environment as 'medium risk', reflecting a 'medium risk' business profile and operating environment. The former considers the 'low' risk governance as well as the sectoral focus of APICORP's strategy, which we consider 'medium' risk compared with peers. All assessments of the business environment are unchanged from last year.

**Support Assessment Unchanged:** Support is assessed at 'aa-', based on the average rating of the bank's key shareholders. Fitch defines APICORP's key shareholders as Saudi Arabia (A+/Stable), Kuwait (AA-/Stable) and United Arab Emirates (AA-/Stable), each of which account for 17% of the bank's capital.

**Sukuk Programme Rating:** ASL is a special purpose vehicle incorporated in the Cayman Islands and was established to issue trust certificates (sukuk). The programme's rating is in line with APICORP's 'AA+' Long-Term IDR, which reflects Fitch's view that a default of

senior unsecured obligations issued under the programme would equal a default of APICORP in accordance with Fitch's rating definitions.

## **RATING SENSITIVITIES**

### **Factors that could, individually or collectively, lead to negative rating action/downgrade:**

**Solvency (Credit Risk):** A deterioration in our assessment of credit risk (currently 'very low'), which could be driven by a sustained period of either the NPL ratio being above 1% or the adjusted average rating of loans being in the 'BBB' category, or persistent loan growth above the historical trend.

**Solvency (Capitalisation):** An increase in leverage or marked increase in valuation losses that erodes APICORP's capital and affects our 'excellent' capitalisation assessment.

**Liquidity:** Reduced liquidity buffers sustained below Fitch's 150% 'excellent threshold', a decline in the credit quality of treasury assets, and/or an increase in the share of short-term funding.

### **Factors that could, individually or collectively, lead to positive rating action/upgrade:**

**Solvency (Risk):** A sustained improvement in our concentration assessment (currently 'low') stemming from sectoral diversification away from the oil & gas sectors and improvement in the top five concentration metrics; and reduction in equity participation (to less than 10% of total banking exposure) over the medium term.

**Business Environment:** A stronger assessment of the business environment driven by an improved business profile or operating environment. This could reflect greater than expected diversification of APICORP's operations to higher rated countries.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **ESG CONSIDERATIONS**

APICORP has an ESG Relevance Score of '4' for Rule of Law, Institutional & Regulatory Quality. Supranationals are neither subject to bank regulation nor supervised by an external authority. Instead, supranationals comply with their own set of rules. Fitch pays particular attention to internal prudential policies, including compliance with these

policies. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

APICORP has an ESG Relevance Score of '4' for Policy Status and Mandate Effectiveness due to its inherent sectoral concentration in the energy sector as a result of APICORP's mandate to invest solely in this sector. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

### RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Arab Petroleum Investments Corporation	LT IDR	AA+	Affirmed	AA+
	ST IDR	F1+	Affirmed	F1+
senior unsecured	LT	AA+	Affirmed	AA+
APICORP Sukuk Limited				
senior unsecured	LT	AA+	Affirmed	AA+

PREVIOUS

Page

1

of

10 rows



NEXT

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**APPLICABLE CRITERIA**

[Sukuk Rating Criteria \(pub. 13 Jun 2022\)](#)

[Suprationals Rating Criteria \(pub. 03 Oct 2024\) \(including rating assumption sensitivity\)](#)

**ADDITIONAL DISCLOSURES**

[Dodd-Frank Rating Information Disclosure Form](#)

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**ENDORSEMENT STATUS**

APICORP Sukuk Limited

EU Issued, UK Endorsed

Arab Petroleum Investments Corporation

EU Issued, UK Endorsed

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