ARAB PETROLEUM INVESTMENTS CORPORATION (APICORP)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2020

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months period ended 30 June 2020

CONTENTS **Page**

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Independent auditors' report on review of condensed consolidated interim financial information

13 August 2020

The Shareholders
Arab Petroleum Investments Corporation
Dammam, Kingdom of Saudi Arabia

Introduction
We have reviewed the accompanying 30 June 2020 condensed consolidated interim financial information of Arab Petroleum Investments Corporation (the "Corporation") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2020;
- the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2020;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2020; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Corporation is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020 (US$000)

	Note	30 June 2020 (reviewed)	31 December 2019 (audited)
ASSETS			
Cash and cash equivalents		57,868	48,620
Placements with banks	6	723,864	606,850
Investments	7	3,416,130	2,729,279
Equity accounted investee	8	85,411	91,904
Loans and advances	9	3,626,503	3,697,715
Property, equipment and vessels		101,745	103,092
Other assets		117,200	71,961
Total assets		**8,128,721**	7,349,421
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits	10	471,482	484,329
Securities sold under repurchase agreements		149,080	145,853
Bank term financing	11	1,320,228	1,324,874
Sukuk and bonds issued	12	3,691,735	2,927,481
Other liabilities		174,822	116,113
Total liabilities		**5,807,347**	4,998,650
EQUITY			
Share capital	1	1,500,000	1,000,000
Legal reserve		235,000	235,000
General reserve		81,574	464,016
Investments fair value reserve		447,566	531,794
Retained earnings		54,374	117,558
Total equity attributable to shareholders of the Corporation		**2,318,514**	2,348,368
Non-controlling interests		2,860	2,403
Total equity		**2,321,374**	2,350,771
Total liabilities and equity		**8,128,721**	7,349,421

The condensed consolidated interim financial information was approved by the Board of directors on 13 August 2020 and signed on its behalf by:

Dr. Aabed Al-Saadoun
Chairman

Dr. Ahmed Ali Attiga
Chief Executive Officer

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

The accompanying notes 1 to 15 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2020 **(US$000)**

		30 June 2020 (reviewed)	30 June 2019 (reviewed)
Interest income		110,478	146,082
Interest expense		(64,510)	(90,241)
Net interest income		**45,968**	55,841
Dividend income		21,074	29,097
Net (loss)/gain on financial assets at FVTPL		(26,844)	1,642
Net gain/(loss) on derecognition of financial assets at FVOCI		26,363	(443)
Net fee income		910	605
Other income		15,093	6,879
Share of profit/(loss) from associate	8	316	(55)
Total income		**82,880**	93,566
Operating expenses		(23,545)	(23,186)
Impairment		(4,504)	-
Profit for the period		**54,831**	70,380

Profit for the period attributable to:		
Shareholders of the Corporation	54,374	70,309
Non-controlling interests	457	71
	54,831	70,380

Per share information

Basic and diluted earnings per share	**US $ 45**	US $ 58
Net asset value per share	**US $ 1,900**	US $ 1,925
Weighted average number of shares (in thousand)	**1,220**	1,220

The accompanying notes 1 to 15 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2020 **(US$000)**

	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Profit for the period	**54,831**	70,380
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss:		
Reclassified to statement of profit and loss on sale of debt securities at FVOCI	26,363	(443)
Changes in fair value of debt securities	(65,664)	41,512
	(39,301)	41,069
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity investments at FVOCI	(44,927)	(27,455)
	(44,927)	(27,455)
Total other comprehensive income for the period	**(84,228)**	13,614
Total comprehensive income for the period	**(29,397)**	83,994

Total comprehensive income for the period attributable to:		
Shareholders of the Corporation	(29,854)	83,923
Non-controlling interest	457	71
	(29,397)	**83,994**

The accompanying notes 1 to 15 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020 **(US$000)**

2020 (reviewed)	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 period	-	-	-	-	54,374	54,374	457	54,831
Other comprehensive income:								
- Net change in fair value of debt investments at FVOCI	-	-	-	(39,301)	-	(39,301)	-	(39,301)
- Net change in fair value of equity investments at FVOIC	-	-	-	(44,927)	-	(44,927)	-	(44,927)
Total other comprehensive income	-	-	-	(84,228)	-	(84,228)	-	(84,228)
Total comprehensive income for the period	**-**	**-**	**-**	**(84,228)**	**54,374**	**(29,854)**	**457**	**(29,397)**
Transfer to general reserve	-	-	117,558	-	(117,558)	-	-	-
Increase in share capital	500,000		(500,000)	-	-	-	-	-
Balance as at 30 June 2020	**1,500,000**	**235,000**	**81,574**	**447,566**	**54,374**	**2,318,514**	**2,860**	**2,321,374**

The accompanying notes 1 to 15 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020 *(continued)* **(US$000)**

2019 (Reviewed)	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 2019	1,000,000	223,000	331,085	546,700	165,086	2,265,871	2,087	2,267,958
Comprehensive income:								
Profit for the period	-	-	-	-	70,309	70,309	71	70,380
Other comprehensive income:								
- Transfer to on sale of equity investments at FVOCI	-	-	-	(18,921)	18,921	-	-	-
- Net change in fair value of debt investments at FVOCI	-	-	-	41,069	-	41,069	-	41,069
- Net change in fair value of equity investments at FVOCI	-	-	-	(27,455)	-	(27,455)	-	(27,455)
Total other comprehensive income	-	-	-	(5,307)	18,921	13,614	-	13,614
Total comprehensive income for the period	-	-	-	(5,307)	89,230	83,923	71	83,994
Declared dividends (note 16)	-	-	-		(30,841)	(30,841)	-	(30,841)
Transfer to general reserve	-	-	134,245	-	(134,245)	-	-	-
Balance as at 30 June 2019	1,000,000	223,000	465,330	541,393	89,230	2,318,953	2,158	2,321,111

The accompanying notes 1 to 15 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS54,829
for the six months ended 30 June 2020 **(US$000)**

	30 June 2020 (reviewed)	30 June 2019 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	**54,831**	70,380
Adjustment for:		
Depreciation	3,589	3,846
Retirement benefits obligation	1,043	1,257
Interest expense	64,510	90,241
Share of (gain)/loss from associates	(316)	55
(Gain)/Loss on sale of investment	(26,363)	443
Net loss/(gain) on investments designated at FVTPL	26,844	(1,642)
Dividend Income	(21,074)	(29,097)
Amortization of transaction fee	557	(3,221)
Impairment, net	4,504	-
Changes in operating assets and liabilities		
Loans and advances drawdown	(681,238)	(862,379)
Loans and advances repayment	740,096	640,493
Placements with banks, net	(118,052)	3,960
Other assets	10,930	(28,996)
Other liabilities	29,720	18,304
Net cash generated from/ (used in) operations	**89,581**	(96,356)
Retirement benefits obligation paid	(137)	(116)
Net cash generated from / (used in) operating activities	**89,444**	(96,472)
INVESTING ACTIVITIES		
Purchase of investments	(2,116,123)	(772,341)
Sale and redemption of investments	1,379,968	599,683
Dividends received	23,387	29,097
Purchase of equipment	(2,242)	(1,011)
Net cash used in investing activities	**(715,010)**	(144,572)
FINANCING ACTIVITIES		
(Repayment)/ Proceeds from deposits, net	(9,620)	240,243
Proceeds from term financing, Bond and Sukuk, net	720,000	123,555
Dividend paid	-	(8,492)
Interest paid	(75,566)	(100,408)
Net cash generated from financing activities	**634,814**	254,898
Net increase in cash and cash equivalents during the period	9,248	13,854
Cash and cash equivalents at beginning of the period	48,620	26,021
Cash and cash equivalents at end of the period	**57,868**	39,875

The accompanying notes 1 to 15 are an integral part of the condensed consolidated interim financial information.

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 there from, 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.

Whereas APICORP's core project financing and lending activities are not of a cyclical nature, non-interest income from securities, in particular, is influenced by events in the world's capital markets and may vary materially from first six-month period to another.

Domicile and taxation

The Corporation is an international entity, and operates from its registered head office in Dammam, Kingdom of Saudi Arabia. The establishing agreement states that APICORP is exempt from taxation in respect of its operations in the member states.

Share capital

As of June 30, 2020, the Corporation's authorised capital is US $ 20,000 million (2019: US $ 2,400 million), subscribed capital US $ 10,000 million (2019: US $ 2,000 million) and issued and paid up capital is US $ 1,500 million (2019: US $ 1,000 million), whereas the remainder of US $ 8,500 million (2019: US $ 1,000 million) is callable capital.

In April 2020, the Board of Directors approved and recommended to the General Assembly 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, and paid-up capital from US$1 billion to US$1.5 billion by transferring US$500 million from general reserves.

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

	Authorised Capital	Subscribed capital	Issued and fully paid	Callable capital	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%**

1. Reporting Entity (continued)

Activities
APICORP is independent in its administration and the performance of its activities, and operates on a commercial basis with the intention of contributing to the development of its member states as well as generating net income. It operates from its registered head office in Dammam, Kingdom of Saudi Arabia and its Banking Unit in Manama, Kingdom of Bahrain.

Currently, the Corporation's financing activities take the form of loans, equity investments and in close-ended funds. These activities are funded by shareholders' equity, bank term financing, bonds, sukuk, deposits from government, corporate and as well as short-term deposits from banks.

Subsidiaries
The condensed consolidated interim financial information includes the financial information of APICORP and its subsidiaries (together "the Group"). The subsidiaries in the Group are as follows:

APICORP Petroleum Shipping Fund Limited
The Corporation has set up the APICORP Petroleum Shipping Fund Limited ("the Fund" or "the subsidiary"), a close-ended fund incorporated in Cayman Island in 2012. The Fund is established 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. Assets and liabilities and results of operations of the Fund have been included in the condensed consolidated interim financial information of the Corporation. The Fund has a 100% subsidiary (the 'Charter Company'), a special purpose vehicle to act as a conduit for leasing of ships and has also set up 100% special purpose entities (SPEs) to own the vessels for the beneficial interest of the Fund.

During the year 2017, the board of directors of the Fund had resolved to continue the Fund (originally established in 2012 as 5 years closed-ended fund) for a further period of 3 years until 2020.

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 Private Sukuk Limited
The Corporation has set up a special purpose vehicle in 2016, APICORP Private 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 set up primarily for the purpose of holding interest rate swap, foreign exchange and repurchase agreement deals.

APICORP Managed Investment Vehicle
The Corporation has set up a special purpose vehicle, APICORP Managed Account Investment Vehicle L.P, incorporated in Cayman Islands. It is a 100% owned subsidiary. The Investment seeks to provide long-term capital gains and regular yield through the creation of a diversified, global portfolio of energy-related investments.

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2. Basis of Preparation

The condensed consolidated interim financial information has been prepared in condensed form in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended 31 December 2019.

The condensed consolidated interim financial information is reviewed, not audited.

The Corporation presents the condensed consolidated interim statement of financial position in order of liquidity.

The Corporation's functional and presentation currency is United States dollars (US $) because it is a supranational organisation with its capital and the majority of its transactions and assets denominated in that currency.

3. Financial risk management objectives and policies

The Group's financial risk management objectives and policies are consistent with those disclosed in the last audited consolidated financial statements for the year ended 31 December 2019 except for effects of COVID-19 as set out below:

<u>LIBOR reform</u>
Phase 2 of the LIBOR project relates to the replacement of benchmark rates with alternative risk-free rates. The impact of rate replacement on the Group's products and services remain a key area of focus. Management is in the process of planning for a project on the Group's transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The project is expected to be significant in terms of scale and complexity and will impact products, internal systems and processes.

<u>Operational risk management</u>
In response to COVID-19 outbreak, there were various changes in the working model, interaction with customers, customer acquisition and executing contracts and carrying out transactions with customers. The management of the Corporation has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted. The Risk Management Department (RMD) has carried out a comprehensive review of the existing control environment which includes controls over effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes and the use of internal audit to prevent and detect risks. While these risks cannot be completed eliminated, the operational risk function in RMD has considered whether to update the risk registers by identifying potential loss events based on their review of the business processes in the current environment. As of 30 June 2020, the Corporation did not have any significant issues relating to operational risks.

4. Estimates and judgments

The preparation of this condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as well as income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the audited annual consolidated financial statements as at and for the year ended 31 December 2019 other than the impact arising from COVID-19.

Credit Risk Measurement

The uncertainties due to COVID-19 and resultant economic volatility has impacted the Corporation's financing operations and is expected to affect most of the customers and sectors to some degree. Additionally, the volatility in oil prices during the early part of 2020, will have a regional impact due to its contribution to regional economies. It is difficult to assess at this stage the degree of impact faced by each sector although the predominant exposure of Corporation is in the energy sector which has been impacted due to oil prices. Considering this evolving situation, the Group has taken preemptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The economic uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the inputs and assumptions used for the determination of Expected Credit Losses (ECL) as at 30 June 2020. ECL were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Corporation has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

Scenario analysis has been conducted with various stress assumptions taking into consideration all model parameters i.e. probability weighting of economic scenarios, probability of default, loss given default, exposure of default and period of exposure. Furthermore, a comprehensive assessment of all clients has been undertaken covering all relevant factors including but not limited to financial standing, industry outlook, facility structure, depth of experience, shareholder support, etc. Each industry under the portfolio has a wide spectrum of clients, ranging from clients vulnerable to the outbreak to clients having strong financial standing to withstand the downturn and the qualitative adjustments have been considered accordingly.

In light of the current uncertain economic environment, the Corporation has re-assessed the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 30 June 2020. In making estimates, the Corporation assessed a range of possible outcomes by stressing the previous basis (that includes upside, base case and downside scenarios) and changed the downside weightings through to 100%.

4. Estimates and judgments(continued)

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparties. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The Risk Management Department has also enhanced its monitoring of the financing portfolio by reviewing the performance of exposures to sectors expected to be directly or indirectly impacted by COVID-19 to identify potential Significant Increase in Credit Risk (SICR) on a qualitative basis. The Corporation 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.

Credit quality assessments

The Corporation has mapped its internal credit rating scale to Moody's rating scale, the table below provides an analysis of counterparties by rating grades and credit quality of the Corporation's credit risk, based on Moody's ratings (or their equivalent) as at 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020 **(US$000)**

4. Estimates and judgments(continued)

Rating grade	Grade and Basis for recognising ECL	Loans and advances	Debt Investment Securities	Loan Commitments and Financial Guarantees	Placements with banks
AAA to AA-	Investment grade 12 months ECL	695,523	1,640,554	-	132,606
A+ to A-	Investment grade 12 months ECL	1,106,010	649,600	290,070	388,566
BBB to BBB-	Investment grade 12 months ECL	951,651	66,890	857,820	202,822
BB+ to B-	Investment grade Lifetime ECL	915,375	153,239	440,913	-
C	Non-investment grade Lifetime ECL	-	-	-	-
D	Default Lifetime ECL (credit impaired)	24,596	-	8,936	-
Total		**3,693,155**	**2,510,283**	**1,597,739**	**723,994**

Movement on impairment allowance

	Stage 1	Stage 2	Stage 3	Total
Impairment allowance balance as at 31 December 2019				
Placements with banks	46	-	-	**46**
Investment securities (debt) at FVTOCI	371	913	-	**1,284**
Loans and advances	3,756	35,546	12,191	**51,493**
Loan commitments and financial guarantees	1,796	12,242	**-**	**14,038**
	5,969	**48,701**	**12,191**	**66,861**
Net transfer between stages	673	(6,076)	5,403	-
Net remeasurement for the Period	(241)	4,090	655	**4,504**
Impairment allowance balance as at 30 June 2020				
Placements with banks	123	7	-	**130**
Investment securities (debt) at FVTOCI	654	110	-	**764**
Loans and advances	3,752	41,375	13,896	**59,023**
Loan commitments and financial guarantees	1,872	5,223	4,353	**11,448**
	6,401	**46,715**	**18,249**	**71,365**

for the six months ended 30 June 2020 (US$000)

5. Seasonality of operations

Except for dividend income of $21,074 thousand (2019: US$ 29,097 thousand) which is normally received in the first half of the year, the Corporation doesn't have any significant income of seasonal nature.

6. Placement with banks

	30 June 2020 (reviewed)	31 December 2019 (audited)
With Islamic financial institutions	103,000	206,087
With conventional financial institutions	577,800	397,997
Margin call accounts	41,336	-
Interest receivables	1,858	2,812
Expected credit loss impairment allowance	(130)	(46)
	723,864	606,850

7. Investments

	30 June 2020 (reviewed)	31 December 2019 (audited)
Debit securities at FVTOCI		
- *Treasury Bill*	1,040,786	394,408
- *Fixed-rate bonds*	1,389,063	1,303,446
- *Floating-rate bonds*	67,068	69,533
- *Interest receivable*	13,366	14,123
Expected credit loss impairment allowance	(764)	(1,284)
Net debt securities	**2,509,519**	1,780,226
Equity securities at FVTOCI	**872,248**	889,056
Other Investments at FVTPL	**34,363**	59,997
	3,416,130	2,729,279

8. Equity accounted investees

	30 June 2020 (reviewed)	31 December 2019 (audited)
Balance at 1 January	91,904	27,823
Transferred from equity securities at FVOCI	-	16,596
Additions during the year	-	51,611
Share of profit for the year	316	893
Impairment charge for the year	-	(10,390)
Dividends during the year	(3,597)	-
Change in foreign exchange value	(3,212)	5,371
Balance at 30 June	**85,411**	91,904

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020 **(US$000)**

9. Loans and advances

	30 June 2020 (reviewed)	31 December 2019 (audited)
Islamic loans at amortised cost	1,346,604	1,364,028
Conventional loans		
a) at amortised cost	2,328,082	2,366,809
b) at FVTPL	47,424	47,424
Interest receivable	18,469	26,167
	3,740,579	3,804,428
Unamortized participation and upfront fees	(55,053)	(55,220)
Expected credit loss impairment allowance	(59,023)	(51,493)
	3,626,503	3,697,715

10. Deposits

	30 June 2020 (reviewed)	31 December 2019 (audited)
Deposits from banks	200,496	242,182
Deposits from corporates	150,696	122,453
Deposits from shareholders	118,505	117,484
Interest payable	1,785	2,210
	471,482	484,329

11. Bank Term Financing

	30 June 2020 (reviewed)	31 December 2019 (audited)
US$ 150 Million loan 2018 - 2021 - fully drawn	150,000	150,000
US$ 150 Million loan 2018 - 2021 - fully drawn	150,000	150,000
US$ 75 Million loan 2018 - 2021 - fully drawn	75,000	75,000
US$ 50 Million loan 2019 - 2022 - fully drawn	50,000	50,000
SAR 1,500 Million loan 2019 - 2024 - fully drawn	400,000	400,000
SAR 1,500 Million loan 2019 - 2024 - fully drawn	400,000	400,000
US$ 100 million loan 2019 – 2024 – fully drawn	100,000	100,000
Interest payable	1,461	7,157
Unamortized front-end fees	(6,233)	(7,283)
	1,320,228	1,324,874

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020 **(US$000)**

12. Sukuk and bonds issued

	30 June 2020 (reviewed)	31 December 2019 (audited)
US $ 3 billion Sukuk programme (partial drawn)		
Series 1:- US $ 500 million bonds 2015 – 2020 profit rate: 2.383% p.a.	501,439	498,168
Series 2:- US $ 500 million bonds 2017 – 2022 profit rate: 3.141% p.a.	521,972	506,641
US $ 3 billion GMTN programme (partial drawn)		
Series 1:- US $ 750 million bonds 2018 – 2023 interest rate: 4.125% p.a.	812,898	783,244
Series 2:- US $ 750 million bonds 2020 – 2025 interest rate: 1.46% p.a.	720,000	-
US $ 300 million floating rate bond 2016 – 2021 (fully drawn) LIBOR plus margin 1.15%	300,000	300,000
US$ 105 million floating rate bond 2017 – 2022 (full drawn) LIBOR plus margin 1.10%	105,000	105,000
CNH 630 million bond 2018 – 2021 (full drawn) interest rate : 4.7% p.a.	90,218	91,880
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 0.9%	325,000	325,000
Interest payable	17,895	19,742
Unamortised front-end fee	(2,687)	(2,194)
	3,691,735	2,927,481

13. Commitments and guarantees

	30 June 2020 (reviewed)	31 December 2019 (audited)
Commitments to underwrite and fund loans	1,589,762	1,527,096
Commitments to subscribe capital to direct equity investments	45,498	45,727
Guarantees to bank on loans of investee companies	7,977	7,977
Other commitments	1,044	1,814
	1,644,281	1,582,614

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020 **(US$000)**

14. 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	**30 June 2020 (reviewed)**	31 December 2019 (audited)
Loans outstanding at	2,615,137	2,498,757
Commitments to underwrite and fund loans at	806,677	681,528
Interest income from loans during the year	44,151	132,011
Loan fees received during the year	7,183	1,858

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 2020 and 2019.

Investments in related parties	**30 June 2020 (reviewed)**	31 December 2019 (audited)
Investments	985,176	980,960
Commitments to investments	45,498	45,727
Guarantees as shareholder	7,977	7,977
Dividends received during the year	23,387	64,350

Deposits from corporates	150,696	122,453
Deposits from shareholders	118,505	117,484
Dividend payable to shareholders	23,045	23,045
Interest expense on deposits from corporates during the year	1,084	10,759
Interest expense on deposits from shareholders during the year	1,101	3,530

For key management's compensation

Balances due to key management	503	445
Transactions with key management	818	598

15. Fair value of financial instruments

a) Fair value

Fair value is the price that would be received from sell an asset or paid to transfer a liability in an ordinary transaction between market participants and the measurement date.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

b) 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 were 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.

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020 **(US$000)**

15. *Fair value of financial instruments (continued)*
b) *Fair value hierarchy(continued)*

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

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt securities at FVTOCI				
Treasury Bill	1,040,786	-	-	1,040,786
Fixed-rate bonds	1,389,063	-	-	1,389,063
Floating-rate bonds	67,068	-	-	67,068
Other Investments at FVTPL	-	2,511	31,852	34,363
Equity securities at FVTOCI	142,345	-	729,903	872,248
Derivative financial assets	-	90,489	-	90,489
	2,639,262	**93,000**	**761,755**	**3,494,017**
Deposits from banks	-	100,496	-	100,496
Sukuks and bonds issued	-	1,928,101	-	1,928,101
Derivative financial liabilities	-	63,653	-	63,653
	-	**2,092,250**	**-**	**2,092,250**

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt securities at FVTOCI				
Treasury Bill	394,408	-	-	394,408
Fixed-rate bonds	1,303,446	-	-	1,303,446
Floating-rate bonds	69,533	-	-	69,533
Other Investments at FVTPL	-	2,495	57,502	59,997
Equity securities at FVTOCI	165,617	-	723,439	889,056
Derivative financial assets	-	43,046	-	43,046
	1,933,004	**45,541**	**780,941**	**2,759,486**
Deposits from banks	-	100,516	-	100,516
Sukuks and bonds issued	-	1,879,933	-	1,879,933
Derivative financial liabilities	-	28,235	-	28,235
	-	**2,008,684**	**-**	**2,008,684**

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

for the six months ended 30 June 2020 (US$000)

15. *Fair value of financial instruments (continued)*

b) Fair value hierarchy(continued)

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 30 June 2020	Weighted average input	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Illiquidity discount	729,903	10%	+/- 1%	184 / (184)
		729,903			

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.

Movement on Level 3 fair value at FVOCI

	30 June 2020 (reviewed)	31 December 2019 (audited)
Balance at 1 January	723,439	757,385
Total gains or losses:		
in other comprehensive income	(18,444)	(37,561)
Purchases	24,908	20,211
Transfer in/out	-	(16,596)
Balance at	**729,903**	**723,439**

c) Decline in fair value of investments

As at 30 June 2020, the fair value of the Group's investments had declined significantly amounting to $84,288 thousands.