

**ARAB PETROLEUM INVESTMENTS CORPORATION**

**U.S.\$105,000,000 Floating Rate Notes due 2022**

(the Notes)

Issue Price: 100 per cent. of the Aggregate Nominal Amount

Issue Date: 26 October 2017

This information package includes the Prospectus dated 13 October 2017 prepared by Arab Petroleum Investments Corporation in connection with US\$105,000,000 Floating Rate Notes due 2022 (the **Prospectus**).

The Notes will be issued by the Arab Petroleum Investments Corporation (the **Issuer**).

Application will be made by the Issuer for the Notes to be listed on the Taipei Exchange (the **TPEX**) in the Republic of China (the **ROC**). The Notes will be traded on the TPEX pursuant to the applicable rules of the TPEX. The effective date of listing and trading of the Notes on the TPEX is expected to be on or about 26 October 2017.

The TPEX is not responsible for the content of this information package and/or any supplement or amendment thereto and no representation is made by the TPEX as to the accuracy or completeness of this information package and/or any supplement or amendment hereto. The TPEX expressly disclaims any and all liabilities for any losses arising from, or as a result of the reliance on, all or part of the contents of this information package and/or any supplement or amendment thereto. The admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, in the ROC, to investors other than "professional investors" as defined under Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds which currently include:

- (a) a "professional institutional investor" as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act, including overseas or domestic (i) banks, securities enterprises, futures enterprises, insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further defined in Paragraph 3 of Article 2 of the Organization Act of the Financial Supervisory Commission, (ii) fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, funds managed by financial services companies in accordance with the Securities Investment Trust and Consulting Act, Futures Trading Act, or Trust Enterprise Act, or assets invested by financial services companies upon receiving a financial consumer's mandate and delivery or being transferred under a trust, and (iii) other institutions approved by the Financial Supervisory Commission of the ROC;
- (b) a legal entity or fund with total assets exceeding NT\$50,000,000 according to its most recent CPA-audited or reviewed financial report; and
- (c) a natural person meeting all of the following three criteria and having applied in writing to the securities firm for the status of professional investor: where he/she: (i) has provided a proof of financial capacity of at least NT\$30,000,000; or has made a single trade, the transaction amount of which is higher than NT\$3,000,000, has total investment assets booked at and made through such securities firm in the amount higher than NT\$15,000,000, and has provided a statement certifying that the value of his/her total assets has exceeded NT\$30,000,000; (ii) where he/she has sufficient professional knowledge or trading experience in financial products; and (iii) where he/she fully understands that the securities firm

is exempted from certain responsibilities towards professional investors in connection with bond trading activities and agrees to sign for trades as a professional investor.

**Lead Manager**

Crédit Agricole Corporate and Investment Bank, Taipei Branch

**Managers**

Bank of Taiwan  
Capital Securities Corporation  
Crédit Agricole Corporate and Investment Bank, Taipei Branch  
Sinopac Securities Corporation  
Taipei Fubon Commercial Bank Co., Ltd.  
Yuanta Securities Co., Ltd.

## IMPORTANT NOTICE

### THE ATTACHED PROSPECTUS MAY NOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES.

**IMPORTANT: You must read the following notice before continuing.** The following notice applies to the attached prospectus (the "**Prospectus**") following this notice, whether received by e-mail, accessed from an internet page or otherwise received as a result of electronic communication and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Prospectus, including any modifications made to them from time to time, each time you receive any information from Arab Petroleum Investments Corporation (the "**Issuer**") as a result of such access.

**RESTRICTIONS:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM (THE "**UK**"). RATHER, THE COMMUNICATION OF THE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**ORDER**") OR HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (EACH SUCH PERSON BEING REFERRED TO AS A "**RELEVANT PERSON**"). THIS COMMUNICATION IS BEING DIRECTED ONLY AT RELEVANT PERSONS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. NO PERSON OTHER THAN A RELEVANT PERSON SHOULD ACT ON OR RELY ON IT.

THE PROSPECTUS AND ANY OFFER OF THE SECURITIES DESCRIBED IN THE PROSPECTUS WHEN MADE ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA ("**EEA**") WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE DIRECTIVE 2003/71/EC (WHICH INCLUDES THE AMENDMENTS MADE BY DIRECTIVE 2010/73/EU) AND INCLUDING ANY RELEVANT IMPLEMENTING MEASURE IN A RELEVANT MEMBER STATE (AS DEFINED HEREIN) OF THE EEA (THE "**PROSPECTUS DIRECTIVE**") ("**QUALIFIED INVESTORS**").

FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "*SUBSCRIPTION AND SALE*".

The Prospectus must not be acted on or relied on: (i) in the United Kingdom, by persons who are not Relevant Persons; and (ii) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which the Prospectus relates is available only to: (i) in the United Kingdom, Relevant Persons; and (ii) in any member state of the EEA other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE

LAW OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

**CONFIRMATION OF YOUR REPRESENTATION:** In order to be eligible to view the Prospectus or make an investment decision with respect to the Notes described therein: (i) each prospective investor in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S must be outside of the United States; and (ii) each prospective investor in respect of the Notes being offered in the United Kingdom must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the Prospectus, you shall be deemed to have represented to Bank of Taiwan, Capital Securities Corporation, Crédit Agricole Corporate and Investment Bank, Taipei Branch, SinoPac Securities Corporation, Taipei Fubon Commercial Bank Co., Ltd. and Yuanta Securities Co., Ltd. as managers (together, the "**Managers**") that: (1) you have understood and agree to the terms set out herein; (2) the electronic mail (or e-mail) address to which, pursuant to your request, the attached Prospectus has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; (3) in respect of the Notes being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person; (4) you consent to delivery of the Prospectus and any amendments or supplements thereto by electronic transmission; (5) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Managers; and (6) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Prospectus, electronically or otherwise, to any other person and in particular to any U.S. Person or to any address in the United States. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received the Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Prospectus and the other materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of securities described herein be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

Under no circumstances shall the attached Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached Prospectus.

The attached Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, the Issuer nor any person who controls them nor any director, officer, employee nor agent of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Managers. Please ensure that your copy is complete.

The distribution of the attached Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions.



## ARAB PETROLEUM INVESTMENTS CORPORATION

### U.S.\$105,000,000 Floating Rate Notes due 2022

The issue price of the U.S.\$105,000,000 Floating Rate Notes due 2022 (the "Notes") of Arab Petroleum Investments Corporation ("APICORP" or the "Issuer") is 100 per cent. of their principal amount. The Notes will be constituted by a deed of covenant (as amended or supplemented from time to time, the "Deed of Covenant") dated 26 October 2017 entered into by the Issuer.

Unless previously redeemed or cancelled, the Notes will be redeemed on the Interest Payment Date (as defined in "Terms and Conditions of the Notes—Interest") falling in October 2022. The Notes will bear interest from 26 October 2017 at a rate of the sum of: (i) 1.10 per cent. per annum; plus (ii) U.S. dollar 3 month LIBOR, determined 2 Business Days (as defined herein) prior to the beginning of each Interest Period (as defined herein) at 11.00 a.m. London time, with reference to Reuters screen page "LIBOR01", payable quarterly in arrear commencing on the Interest Payment Date falling in January 2018. Payments on the Notes will be made in U.S. dollars without deduction for or on account of taxes imposed or levied by the Relevant Jurisdiction (as defined below) to the extent described under "Terms and Conditions of the Notes—Taxation".

**An investment in the Notes involves certain risks. For a discussion of these risks see "Risk Factors".**

Application will be made by the Issuer to the Taipei Exchange ("TPEX") in the Republic of China ("Taiwan" or the "ROC") for permission to deal in and for the listing of the Notes on the TPEX. TPEX is not responsible for the content of this Prospectus and any amendment and supplement thereto and no representation is made by TPEX as to the accuracy or completeness of this Prospectus and any amendment and supplement thereto. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Prospectus and any amendment and supplement hereto. Admission to listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1, Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC, which currently include: (a) a "professional institutional investor" as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC, which currently includes overseas or domestic: (i) banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further defined in more detail in Paragraph 3 of Article 2 of the Organization Act of the Financial Supervisory Commission; (ii) fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the Securities Investment Trust and Consulting Act, the Future Trading Act or the Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers; and (iii) other institutions recognised by the Financial Supervisory Commission of the ROC; (b) a legal entity or fund with total assets exceeding NT\$50,000,000 according to its most recent CPA-audited or reviewed financial report; and (c) a natural person having applied in writing to the securities firms for the status of professional investor whom meets all of the following three criteria: (i) he/she has provided a proof of financial capacity of at least NT\$30,000,000 or has made a single trade, the transaction amount of which is higher than NT\$3,000,000, his/her total assets and investments booked at and made through such securities firm are higher than NT\$15,000,000, and he/she has provided a statement certifying that the value of his/her total assets has exceeded NT\$30,000,000; (ii) he/she has sufficient professional knowledge or trading experience in financial products; and (iii) he/she fully understands that the securities firm is exempted from certain responsibilities toward professional investors in connection with bond trading activities and agrees to sign up as a professional investor. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

References in this Prospectus to Notes being "listed" (and all related references) shall mean that the Notes have been admitted to listing and trading on TPEX.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered outside the United States by the Managers (as defined in "Subscription and Sale" herein) in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in registered form in denominations of U.S.\$200,000. The Notes may be held and transferred, and will be offered and sold, in the principal amount of U.S.\$200,000. The Notes will be represented by a global registered note certificate (the "Global Note Certificate") registered in the name of a nominee for, and deposited with, the common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream Luxembourg"). Individual note certificates ("Individual Note Certificates") evidencing holdings of Notes will only be available in certain limited circumstances. See "Summary of Provisions relating to the Notes in Global Form" herein.

The Issuer has been assigned a long term rating of Aa3 (stable) by Moody's Deutschland GmbH ("Moody's"). The Notes are expected to be rated Aa3 (stable) by Moody's.

Moody's is established in the EU and is registered under Regulation (EC) No. 1060/2009, as amended. Moody's appears on the latest update of the list of registered credit rating agencies on the European Securities and Markets Authority ("ESMA") website at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

**Lead Manager**

Crédit Agricole Corporate and  
Investment Bank, Taipei Branch

**Managers**

Bank of Taiwan	Capital Securities Corporation	Crédit Agricole Corporate and Investment Bank, Taipei Branch
SinoPac Securities Corporation	Taipei Fubon Commercial Bank Co., Ltd.	Yuanta Securities Co., Ltd.

The date of this Prospectus is 13 October 2017

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## CONTENTS

	<b>Page</b>
RISK FACTORS .....	1
DOCUMENTS INCORPORATED BY REFERENCE .....	13
OVERVIEW .....	14
SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM.....	16
TERMS AND CONDITIONS OF THE NOTES .....	18
USE OF PROCEEDS .....	30
DESCRIPTION OF APICORP .....	31
RISK MANAGEMENT .....	56
MANAGEMENT AND EMPLOYEES .....	61
TAXATION .....	67
SUBSCRIPTION AND SALE .....	69
SETTLEMENT AND TRADING.....	74
GENERAL INFORMATION .....	75

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and does not omit anything likely to affect the import of such information.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain information contained in this Prospectus under the headings "*Risk Factors*" and "*Description of APICORP*" was extracted from independent, third party sources. The Issuer does not accept any responsibility for the accuracy of such information, nor has the Issuer independently verified any such information. The Issuer confirms that this information has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information available from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer has confirmed to the Managers that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue, offering and sale of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue, offering and sale of the Notes) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Neither the Issuer nor any of the Managers has authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Managers.

Neither the Managers nor any of its respective affiliates has authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area; references to "**Relevant Jurisdictions**" mean each of the Kingdom of Saudi Arabia, Kuwait, the United Arab Emirates, Libya, Iraq, the State of Qatar, Algeria, Bahrain, Egypt and Syria; references to the "**Group**" are to the Issuer and its consolidated subsidiaries; references to "**EUR**", "**euro**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended from time to time; references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars; references to "**NT\$**" are to the lawful currency of Taiwan; references to "**ID**" are to the lawful currency of Iraq; references to "**LD**" are to the lawful currency of Libya; references to "**LE**" are to the lawful currency of Egypt; references to "**SR**" are



to the lawful currency of the Kingdom of Saudi Arabia; and references to "TD" are to the lawful currency of Tunisia.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## PRESENTATION OF GROUP FINANCIAL INFORMATION

The financial statements relating to the Group incorporated by reference in this Prospectus are as follows:

- (a) the unaudited condensed consolidated interim financial information of the Group as at and for the six month period ended 30 June 2017, together with the notes thereto and the review report in respect thereof (the "**2017 Interim Financial Statements**");
- (b) the audited consolidated financial statements of the Group as at and for the financial year ended 31 December 2016, together with the notes thereto and the audit report in respect thereof (the "**2016 Financial Statements**"); and
- (c) the audited consolidated financial statements of the Group as at and for the financial year ended 31 December 2015, together with the notes thereto and the audit report in respect thereof (the "**2015 Financial Statements**" and together with the 2016 Financial Statements, the "**Financial Statements**").

The 2017 Interim Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 '*Interim Financial Reporting*' and have been reviewed by Deloitte & Touche – Middle East ("**Deloitte Middle East**") in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in their review report incorporated by reference in this Prospectus. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board. The Financial Statements have been audited by Deloitte Middle East (who has conducted its audits in accordance with the International Standards on Auditing), as stated in each of its unqualified audit reports incorporated by reference in this Prospectus.

The Group publishes its financial statements in U.S. dollars.

## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors – Factors that may affect APICORP's ability to fulfil its obligations under the Notes*" and "*Description of APICORP*" and other sections of this Prospectus. APICORP has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although APICORP believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which APICORP has otherwise identified in this Prospectus, or if APICORP's underlying assumptions prove to be incomplete or inaccurate, APICORP's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors – Factors that may affect APICORP's ability to fulfil its obligations under the Notes*" and "*Description of APICORP*", which include a more detailed description of the factors that might have an impact on the Group's business development and on the industry sectors in which the Group operates.

The risks and uncertainties referred to above include:

- APICORP's ability to realise the benefits it expects from existing and future investments it is undertaking or plans to or may undertake;

- APICORP's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and capital expenditures;
- actions taken by APICORP's joint venture partners or associates that may not be in accordance with its policies and objectives;
- the economic and political conditions in the markets in which APICORP operates; and
- changes in political, social, legal or economic conditions in the markets in which APICORP and its customers operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, APICORP expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

### **ALTERNATIVE PERFORMANCE MEASURES**

A number of the financial measures presented by APICORP in this Prospectus are not defined in accordance with IFRS. However, APICORP believes that these measures provide useful supplementary information to both investors and APICORP's management, as they facilitate the evaluation of company performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. Unless otherwise stated, the list below presents alternative performance measures, along with their reconciliation to the extent that such information is not defined according to IFRS and not included in APICORP's financial statements incorporated by reference into this Prospectus:

- *Return on assets*: Net Profit for the period / year of APICORP divided by average assets for the period / year;
- *Return on equity*: Net Profit for the period / year of APICORP divided by average shareholders' equity for the period / year;
- *Return on paid up capital*: Net Profit for the period / year of APICORP divided by average paid up capital for the period / year;
- *Total capital adequacy ratio*: Tier one capital as at period / year end plus tier two capital as at period / year end divided by risk weighted assets for the period / year. The total capital adequacy ratios for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 were calculated in accordance with the Basel II requirements;
- *Tier 1 capital ratio*: Tier one capital as at period / year end divided by risk weighted assets for the period / year. The Tier 1 capital ratios for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 were calculated in accordance with the Basel II requirements; and
- *Ratio of total shareholders' funds to total assets*: Total shareholders' funds as at period / year end / total assets as at period / year end.

### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF MALAYSIA**

The Notes may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Notes in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within categories set out in Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) read together with Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

#### **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

The Notes will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar. The Notes are not and will not be traded on the Qatar Stock Exchange.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Notes should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

## RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industries in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

### Risks Relating to the Issuer

#### FACTORS THAT MAY AFFECT APICORP'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES

**APICORP's business principally involves lending money to, and making equity investments in, entities engaged in the oil and gas and energy sectors, principally in its Member States, which exposes it to significant economic and political risks**

APICORP, which is a multilateral development bank focused on the hydrocarbon industry, was established pursuant to an establishing agreement and statute (the "**Establishing Agreement**") to which the governments of the ten member states (the "**OAPEC Member States**") of the Organization of Arab Petroleum Exporting Countries ("**OAPEC**") are signatories.

APICORP's business principally involves lending money to, and making equity investments in, entities engaged in the oil and gas and energy sectors, principally in the OAPEC Member States. As a result, APICORP is exposed to:

- a general economic downturn and, in particular, an economic downturn which directly impacts the GCC countries, in which the majority of its borrowers and significant equity investments are located, or Egypt, where it also has significant equity investments;
- a significant and lasting decline in oil and gas prices, such as that seen from mid-2014 to date and as further described below, which is likely to adversely affect both its borrowers (as further described under "*APICORP's business is concentrated in both industry sector and geographical terms, which materially increases its economic and political risks, and the portfolio also has a significant client concentration—Industry concentration*") and the economies of those of the OAPEC Member States which are heavily dependent on the hydrocarbon sector; and
- adverse political developments in any of the OAPEC Member States including, in particular, the GCC countries and Egypt (as further described under "*APICORP's business is concentrated in both industry sector and geographical terms, which materially increases its economic and political risks, and the portfolio also has a significant client concentration—Geographic concentration*").

Any one or more of these developments could materially impact the ability of APICORP's borrowers to pay interest or principal on their loans and could give rise to an increase in non-performing loans ("**NPLs**") in APICORP's loan portfolio. This would in turn result in an increase in APICORP's impairment charges and adversely affect its profitability, and could also adversely affect the value of the equity investments which APICORP has made, and could negatively affect its other comprehensive income or result in material losses if APICORP is forced to divest such investments.

**APICORP's business is concentrated in both industry sector and geographical terms, which materially increases its economic and political risks, and the portfolio also has a significant client concentration**

#### ***Industry concentration***

At 31 December 2016, the majority of APICORP's U.S.\$3.0 billion direct and syndicated lending was to borrowers in the oil and gas and energy industries (including maritime transport of related products). A breakdown of APICORP's loan portfolio by sub-sector within these sectors is set out under "*Description of APICORP—Lending—Portfolio sector and sub-sector concentration*". In addition, almost all of APICORP's U.S.\$987 million direct equity investments and an investment in an associate at 31 December 2016 were in the oil and gas sector and it also owned U.S.\$86 million in available for sale debt securities issued by entities in the oil and gas sector.

The oil and gas industry, in particular, is cyclical with levels of investment and profitability in that sector being materially dependent on prevailing international oil and gas prices, which have fluctuated significantly over the past two decades, and may remain volatile in the future. More recently, international oil prices have witnessed a significant decline. For example, according to data produced by the Organization of the Petroleum Exporting Countries ("**OPEC**"), in 2013 the average annual OPEC reference basket price was U.S.\$105.87 before declining to U.S.\$40.76 in 2016. In 2017, the average monthly OPEC reference basket prices recovered, reaching U.S.\$52.40 per barrel in January, U.S.\$53.37 per barrel in February, U.S.\$50.32 per barrel in March, U.S.\$51.37 per barrel in April and U.S.\$49.20 per barrel in May, although prices still remain below their 2013 levels. It is possible that these lower oil prices, particularly if sustained, could negatively affect APICORP's investees in 2017 and future years. This could result in reduced dividend income and/or impairment charges if any of APICORP's borrowers are materially adversely affected.

APICORP mainly invests in longer-term project financing. Significant and sustained declines in international oil and gas prices could materially and adversely impact the economics of the projects being financed by APICORP, which could result in the projects being restructured or, in extreme cases, becoming unviable. In such cases, APICORP is likely to incur impairment losses on its lending to these projects, which could adversely affect its profitability. In addition, where APICORP has made equity investments in these or other long-term projects, it may also incur material impairment losses on these investments. Further, the value of APICORP's available for sale debt securities issued by oil and gas sector entities may be adversely affected by a sustained decline in the oil and gas sector which could result in significant other comprehensive losses and, potentially, additional impairment charges.

#### ***Geographic concentration***

At 31 December 2016, 86 per cent. of APICORP's U.S.\$3.0 billion direct and syndicated lending was to borrowers in the GCC countries and a further 7.2 per cent. was to borrowers in North Africa, principally Egypt. A geographical breakdown of APICORP's loan portfolio is set out under "*Description of APICORP—Lending—Portfolio geographical concentration*". In addition, the majority of APICORP's U.S.\$987 million direct equity investments and an investment in an associate at 31 December 2016 were in Arab world countries, with five in Saudi Arabia, four in Egypt, two in Libya, one each in Iraq, Tunisia, the UAE and Bahrain, as well as in the IFC Fund to invest in the MENA region. APICORP also had U.S.\$843 million in available for sale debt securities issued by entities in the GCC.

While some countries in the MENA region are seen as having a relatively stable political environment, a number of other jurisdictions in that region are not. Instability in the MENA region may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of MENA region countries, including Algeria, Bahrain, Egypt, Iraq, Libya, Saudi Arabia and Syria (all of which are OAPEC Member States) and the Hashemite Kingdom of Jordan, Palestine, Oman, Tunisia and Yemen (which are not OAPEC Member States). This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and the overthrow of existing leadership and has given rise to increased political uncertainty across the MENA region. Conflict in Libya, which led to the ousting of its military ruler, led to a now ongoing civil war, with multiple sides claiming to be the legitimate government in the country. Conflict in Yemen expanded into a multinational conflict, with GCC countries becoming involved in military operations against the Al Houthi militia. Diplomatic relations between GCC nations and Iran have also deteriorated with many GCC nations cutting full diplomatic ties. Unrest in Syria and conflicts between

multiple sides (including the government of Bashar al-Assad, numerous rebel groups and 'Islamic State of Iraq and Syria') have led to many countries including Russia, Iran, the United States and other North Atlantic Treaty Organization forces becoming involved with military operations in Syria, supporting different sides. Further, a number of Arab states are currently participating in the Saudi Arabian led intervention in Yemen, which began in 2015 in response to requests for assistance from the Yemeni government, and another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. APICORP does not have operations in any of these countries except in Libya where it has a direct equity investment in Arab Drilling and Workover Company (20 per cent. of equity) and a direct equity investment in Arab Geophysical Exploration Services Company (16.7 per cent. of equity). See "*Description of APICORP—Direct equity investments—Direct equity investment portfolio*".

There is no certainty that extremists or terrorist groups will not escalate violent activities in the MENA region or that any currently stable governments in the MENA region will be successful in maintaining the prevailing levels of domestic order and stability. Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the MENA region. It is not generally possible to predict the occurrence of events or circumstances, such as war or hostilities, or the impact of these occurrences, and no assurance can be given that APICORP would be able to sustain the profitable operation of its business if adverse political events or circumstances that impacted the MENA region were to occur.

Investors should also note that APICORP's business and financial performance could be adversely affected by political, economic or related developments outside the MENA region because of inter-relationships within the global financial markets. Moreover, there is no certainty that the governments of the countries to which APICORP is particularly exposed will not implement restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates and new legal interpretations of existing regulations, any of which could have a material adverse effect on APICORP's business, results of operations, financial condition and prospects.

#### ***Client concentration***

At 31 December 2016, APICORP's 10 largest corporate finance client exposures accounted for 39.0 per cent. of its lending portfolio. In addition to its credit exposure to these clients, APICORP also had an equity investment in one of these clients. As a result, if any of these major clients is materially adversely affected by low hydrocarbon prices, adverse economic or political conditions, or other factors, such that its ability to make payments to APICORP is affected, this could result in a material increase in APICORP's impairment charges and adversely affect its profitability, and could also adversely affect the value of the equity investment which APICORP has made in one of these clients, which could negatively affect its other comprehensive income or result in material losses if APICORP is forced to divest such investment.

#### **APICORP is exposed to significant credit risk which could result in significant credit losses in future periods**

Credit risk is the risk of financial loss to APICORP if a customer or counterparty to a financial exposure or instrument fails to meet its contractual obligations. Credit risks arising from adverse changes in the credit quality and recoverability of financings and amounts due from counterparties are inherent in a wide range of APICORP's businesses. Credit risks could arise from a deterioration in the credit quality of specific counterparties, from a general deterioration in local or global economic conditions or from systemic risks within the financial system in which APICORP operates, all of which could affect the recoverability and value of APICORP's assets, result in an increase in NPLs and require an increase in APICORP's impairment provisions, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

#### **APICORP is subject to liquidity risk which could materially adversely affect its results of operations**

Liquidity risk is the risk that APICORP will not be able to honour its obligations when they fall due or will only be able to secure funding at excessive cost which then adversely impacts its profitability. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources.

APICORP's funding principally comprises:

- corporate deposits as well as deposits from its shareholders and from banks, which amounted to U.S.\$1.5 billion and constituted 37.64 per cent. of its total funding at 31 December 2016; and
- borrowings from financial institutions and through the issue of securities which amounted to U.S.\$2.4 billion and constituted 58.47 per cent. of its total funding at 31 December 2016.

APICORP's deposits are typically short-term in nature, with 87.8 per cent. being demand deposits or deposits with maturities of up to three months and 12.2 per cent. having maturities of more than three months at 31 December 2016. However, many of these short-term deposits are rolled over on maturity such that, in practice, a significant portion have actual maturities of a longer duration. By contrast, APICORP's direct and syndicated lending has a more diversified maturity profile, which means that APICORP typically has a significant short-term maturity gap. See note 27 to the 2016 Financial Statements which shows APICORP's maturity gaps.

Accordingly, there is a risk that, if a significant number of APICORP's depositors choose not to roll over their deposits at any time or withdraw their deposits at a rate faster than the rate at which obligors repay financing provided by APICORP, APICORP could experience difficulties in funding those lost deposits. The risk of this happening is likely to increase at times of poor economic performance or material declines in oil and gas prices when APICORP's customers are more likely to need cash and, at those times, it is likely to be more expensive for APICORP to fund those withdrawals from other sources.

At 31 December 2016, APICORP's five largest depositors accounted for 76 per cent. of its deposits, see "*Description of the Group—Funding and liquidity—Deposits*". Any withdrawal of a significant portion of these large deposits may have an adverse effect on APICORP's financial condition and results of operations.

#### **APICORP's direct equity investments involve specific risks**

APICORP's direct equity investments involve specific risks relating to the returns that APICORP derives, its ability to realise the investments and the fact that it has limited involvement in the management and operations of its investee companies. In particular:

- ***APICORP derives a considerable portion of its income from dividends and there is no certainty that dividends will be paid or as to the amount of any dividends that are paid***

In 2016 and 2015, APICORP's dividend income, which is principally derived from its direct equity investments, was U.S.\$57 million and U.S.\$86 million, respectively, and APICORP's interest income, which is its other principal source of income, was U.S.\$126 million and U.S.\$107 million in 2016 and 2015, respectively. Almost all of the companies in APICORP's direct equity investment portfolio are directly or indirectly related to the oil and gas sector, which is cyclical by nature. Any material and sustained reduction in international oil and gas prices would be likely to have a significant impact on APICORP's investees' income and profitability and therefore would be likely to result in them declaring significantly lower or no dividends, which could result in a material reduction in APICORP's income, profitability and cash flows. It is possible that the lower oil prices experienced since mid-2014, particularly if sustained, could negatively affect APICORP's dividend income in 2017 and future years. If so, this would have a material adverse effect on APICORP's business, results of operations, financial condition, cash flows and prospects. In addition, the spillover effect of lower oil and gas revenues for GCC economies has triggered a move by those same countries to reduce government subsidies on local consumption of petrochemicals for both industrial and residential consumers. This, plus the deregulation of petrol prices and the rise in global shale gas exports, has squeezed the operating margins of petrochemical facilities. This is likely to have a significant impact on APICORP's investees' income and profitability, which in turn may have a material adverse effect on APICORP's business, results of operations, financial condition, cash flows and prospects.

- ***The majority of APICORP's direct equity investments are not listed on an active market and are therefore illiquid***

The value of APICORP's direct equity investment and investment in an associate portfolio at 31 December 2016 was U.S.\$987 million. At the date of this Prospectus, only two companies in APICORP's direct equity investments portfolio are listed and actively traded, Yanbu National Petrochemical Company ("**YANSAB**") in Saudi Arabia and Misr Fertilizers Production Company ("**MOPCO**") in Egypt. YANSAB and MOPCO were valued at U.S.\$107.1 million and U.S.\$12.6 million, respectively, or 12.1 per cent. in aggregate of the total portfolio, at 31 December 2016. As a result, if APICORP decides to exit any direct equity investments which are not fair valued using quoted prices on active markets, monetising these investments could be a lengthy process and there is no certainty as to the price which would be obtainable.

- ***APICORP does not consolidate its direct equity investments as it typically does not hold stakes which give it control or significant influence over its investee companies***

APICORP's philosophy when making direct equity investments is that it should principally act in a fiduciary and advisory capacity, typically through a seat on the relevant investee's board of directors. APICORP's inability to exercise control over the majority of its direct equity investments exposes APICORP to certain risks, including the risk that an investee may make business, financial or management decisions with which APICORP does not agree, or that the majority shareholders or the management of any investee may take risks or otherwise act in a manner that is contrary to APICORP's interests.

#### **APICORP's diversification strategy may not be successful**

APICORP's diversification strategy includes achieving a more optimum asset composition by growing its equity portfolio relative to its lending portfolio, by growing its fee income, by enhancing its product development activities and sub-sector diversification in the broader energy and related sectors and by achieving greater geographic diversification. See "*Description of APICORP – Strategy*". This strategy, if implemented successfully, should help APICORP reduce, to an extent, certain of the concentrations described under "*–APICORP's business is concentrated in both industry sector and geographical terms, which materially increases its economic and political risks, and the portfolio also has a significant client concentration*" above.

APICORP's ability to deliver on this strategy is subject to a number of risks and challenges, including its ability to source equity investments that fit its investment criteria, its ability to develop new products that support its plans to grow its fee income, and the fact that its mandate contained in the Establishing Agreement limits its ability to diversify its operations outside the hydrocarbon and energy related sectors and also its ability to geographically diversify.

If APICORP is unable to fully implement its diversification strategy or parts of it are less successfully implemented than others, APICORP will remain exposed to the full effects of the concentration risks described above.

#### **APICORP is exposed to operational risk which could result in damage to its reputation as well as financial losses**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems (including as a result of external events). Operational risks and losses can result from fraud, malicious interference with systems or processes as a result of cybercrime or other causes, error by employees (including failure to document transactions properly or to obtain proper internal authorisation), failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems (such as those of APICORP's counterparties) and the occurrence of natural disasters. Although APICORP has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures (including operational manuals, internal controls, and periodic reviews and audits), it is not possible to entirely eliminate operational risk. Accordingly, there is no assurance that APICORP will not experience significant lapses in operational controls in the future and any such lapses could have a material adverse effect on its reputation, business, results of operations, financial condition or prospects.



### **APICORP is subject to risks relating to its information technology systems and loss of business continuity**

APICORP depends on its information technology ("IT") systems to process transactions on an accurate and timely basis, and to store and process substantially all of its business and operating data. The proper functioning of APICORP's financial control, risk management, credit analysis and reporting, accounting and other IT systems, as well as the communication networks between its different locations, are critical to its business and ability to compete effectively. APICORP's business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages, computer viruses and other malicious acts. The proper functioning of APICORP's IT systems also depends on accurate and reliable data and other system input, which are subject to human error. Any failure or delay in recording or processing APICORP's transaction data could subject it to claims for losses and regulatory fines and penalties. APICORP has implemented and tested detailed business continuity plans and processes as well as disaster recovery procedures, but there is no certainty that these safeguards will be fully effective.

### **APICORP's risk management policies, systems and procedures may leave it exposed to unidentified or unanticipated risks**

APICORP is exposed to a wide range of financial risks, such as credit risk, liquidity risk, interest rate risk, currency exchange rate risk, equity price risk, and IT and other operational risks.

Although APICORP has established risk management policies, procedures and internal controls based on international practices and invests substantial time and effort in the development, implementation and monitoring of risk management strategies and techniques, it cannot mitigate risk exposures under all market environments and may fail to manage its risks adequately at all times, particularly, for example, when risks that it has not identified or anticipated materialise.

APICORP's methods of managing risk include the use of historical market behaviour and setting appropriate risk appetite and maximum tolerance levels to determine and monitor risk exposures. In addition, stress testing using forward-looking scenarios is designed to assist APICORP in analysing the impact of possible future events on its capital, profitability, liquidity and funding position, which in turn helps to shape APICORP's strategy. APICORP's risk management methods are intended to assist it in predicting possible impacts on its risk exposures, but actual outcomes may prove to be significantly different from those which its risk management models predict and could be significantly greater than historical measures indicate.

Investors should note that any failure by APICORP to adequately control the risks to which it is exposed, including as a result of any failure to successfully implement new risk management systems in the future, could have a material adverse effect on its reputation, business, results of operations, financial condition or prospects.

### **APICORP is a multilateral development bank without guarantee-related support from its shareholders**

APICORP is a multilateral development bank, headquartered in Saudi Arabia and owned by the OAPEC Member States. Its three largest shareholders, which together own 51.0 per cent. of APICORP's shares, are Saudi Arabia (rated A1 (stable outlook) by Moody's, A- (stable outlook) by Standard & Poor's and AA- (negative outlook) by Fitch), the UAE (rated Aa2 (negative outlook) by Moody's) and Kuwait (rated Aa2 (negative outlook) by Moody's, AA (stable outlook) by Standard and Poor's and AA (stable outlook) by Fitch).

The OAPEC Member States have agreed in the Establishing Agreement to support APICORP on a joint and several basis and each shareholder has participated in APICORP's five (issued and fully paid) capital increases since it was established. During 2016, the shareholders of APICORP also agreed to raise its callable capital by U.S.\$500 million, increasing the aggregate callable capital to U.S.\$1 billion. However, the agreement to support APICORP is not a guarantee and should not be construed as providing contractual rights to APICORP's creditors. Accordingly, there is no certainty that APICORP's shareholders will continue to provide further capital to it and, if they do not, APICORP's business and/or financial condition may be constrained.

### **Credit ratings may not reflect all risks**

One or more independent credit rating agencies may assign credit ratings to APICORP or the Notes. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. In addition, actual or anticipated changes in APICORP's credit rating or the rating of the Notes could negatively affect the market value of the Notes.

The major factors constraining APICORP's rating noted by Moody's in its September 2016 rating report on APICORP (the "**Moody's report**") are APICORP's challenging operating environment, exposure to a tightening in liquidity conditions and a potential weakening in its shareholders' sovereign credit profiles (see "*APICORP is subject to liquidity risk which could materially adversely affect its results of operations*" above).

Any negative change in APICORP's credit ratings, or a negative change in their outlook, may:

- limit APICORP's ability to raise funding;
- increase APICORP's cost of borrowing; and
- limit APICORP's ability to raise capital,

each of which could adversely affect its business, results of operations, financial condition and prospects.

### **APICORP's continued success depends on its ability to attract and retain key management and qualified personnel**

APICORP is dependent on its senior management for the implementation of its strategy and the operation of its day to day activities. While APICORP has entered into two-year employment contracts with key members of its management, there is no certainty that its current members of senior management will continue to make their services available to APICORP on a longer-term basis.

In addition, APICORP's success will depend, in part, on its ability to continue to retain, motivate and attract qualified and experienced banking and management personnel and it may need to increase employee compensation levels to do so. Competition within the regional banking industry for qualified banking and management personnel is intense due to the low number of available qualified and/or experienced individuals compared to the level of demand. There is no certainty that APICORP will at all times be able to successfully recruit and retain necessary qualified personnel. The loss of members of APICORP's senior management team or an inability to recruit, train and/or retain necessary personnel could impede the implementation of APICORP's strategy and hinder the growth of its business.

### **APICORP's ability to do business may be impaired if its reputation is damaged**

A reputation for financial strength and integrity is critical to APICORP's ability to attract and retain clients. APICORP's reputation could be damaged in the future by various factors, including a decline in or a restatement of or other corrections to its financial results, adverse legal or regulatory action or employee misconduct causing APICORP to breach applicable legal and/or regulatory requirements. The loss of business that could result from damage to APICORP's reputation could materially affect its business, results of operations, financial condition and prospects.

### **APICORP faces significant and increasing competition**

APICORP principally competes with regional and international banks operating in the MENA region with recognised expertise in project finance as well as the financing of energy projects. APICORP cannot guarantee that, if its competitors offer more attractively priced and easily accessible products, its customers will nevertheless prefer the products offered by APICORP and there is no certainty that APICORP will be able to compete effectively against current and future competitors.

**The increased utilisation of renewable energy sources or the widespread adoption of technologies which reduce demand for oil and gas may have an adverse impact on the oil and gas sector generally and therefore negatively affect APICORP's business**

Reflecting the relatively limited sources of known hydrocarbon deposits and the expense associated with exploiting those deposits, there is significant ongoing research into alternative fuel sources, such as, for example, hydro, solar and wind power generation, and into alternative products that are not reliant on hydrocarbon-based fuels, including, for example, vehicles powered by electricity. To the extent that there is increased utilisation of energy generated from renewable sources or the widespread adoption of any technologies that significantly reduce demand for oil and gas, this could have an adverse effect on the oil and gas sector generally. In such a situation, APICORP's business, which is focussed on the hydrocarbon sector, could be negatively affected, including, for example, through projects in which it is involved becoming uneconomic or through reduced demand for the finance or other services which it offers.

**APICORP may from time to time be involved in litigation, the outcome of which is inherently uncertain**

In the ordinary course of its business, APICORP may pursue litigation claims against third parties and may also have litigation claims filed against it. Any such litigation could result in substantial costs and diversion of management attention and resources. The outcome of litigation is inherently uncertain and an unfavourable resolution of one or more material claims could result in APICORP's costs not being recovered or in significant damages being assessed against APICORP, which may not be covered by insurance.

**Legal status**

Subject to the Establishing Agreement, APICORP is subject to certain laws, regulations, administrative actions and policies of Saudi Arabia, Bahrain and any other jurisdiction in which it operates. These regulations may limit APICORP's activities, and changes in supervision and regulation, in particular in Bahrain and Saudi Arabia, could materially affect APICORP's business, the products or services offered, the value of its assets, and its financial position. Although APICORP complies with the policies set by the applicable regulators in each country in which it operates and continually monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond APICORP's control

**Risks relating to the Middle East**

***APICORP and the Group are subject to general political and economic conditions in the Middle East***

The Group currently has significant operations and interests in the Middle East. Investors should be aware that investments in emerging markets are subject to greater risks than those in more developed markets, including risks such as:

- political, social and economic instability;
- external acts of warfare and civil clashes;
- governments' actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- regulatory, taxation and other changes in law;
- difficulties and delays in obtaining new permits and consents for the Group's operations or renewing existing ones;
- potential lack of reliability as to title to real property in certain jurisdictions where the Group operates; and
- inability to repatriate profits and/or dividends.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investments in

emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

Oil prices may fluctuate in response to changes in many factors over which the Group has no control. These factors include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand dynamics, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels;
- global economic and political conditions;
- prices and availability of new technologies; and
- global weather and environmental conditions.

To the extent that economic growth or performance in the Middle East slows or begins to decline or the Middle East is affected by political instability, this could have an adverse effect on the Group's business, results of operations, financial condition and prospects, and subsequently affect the ability of APICORP to perform its obligations in respect of the Notes.

***APICORP and the Group are subject to current regional political instability***

Since 2011 there has been significant political and social unrest in a number of countries in the MENA region, ranging from public demonstrations, sometimes violent, in countries such as Algeria, Bahrain, Egypt, Lebanon and Tunisia, to armed conflict and civil war, in countries such as Libya, Yemen and Syria. The situation has caused significant disruption to the economies of affected countries and has had a destabilising effect on oil and gas prices.

Other potential sources of instability in the region include a worsening of the situation in Iraq, a further deterioration in the current poor relations between the United States and each of Syria and Iran and an escalation of the Israeli-Palestinian conflict. A further deterioration, and possible conflict, between the United States, certain other governments, and Iran in particular, has the potential to adversely affect regional security as well as global oil and gas prices. Such a deterioration in relations, should it materialise, could adversely impact the Middle East and broader regional security, potentially including the outbreak of a regional conflict.

APICORP's and its portfolio companies' businesses and financial performance could be adversely affected by political or related developments both within and outside the Middle East because of the inter-relationships between the global financial markets. Such factors could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects, and in turn affect the ability of APICORP to perform its obligations in respect of the Notes.

**Risk Relating to the Notes**

***There is no active trading market for the Notes.***

Application will be made for the listing of the Notes on the TPEX. No assurances can be given as to whether the Notes will be, or will remain, listed on the TPEX or whether a trading market for the Notes will develop or as to the liquidity of any such trading market. If the Notes fail to or cease to be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes. If any of the Notes are traded after their initial issue, they may trade at a discount or premium from their initial

offering price, depending on prevailing interest rates, the market for similar securities and the market for the Notes and other factors, including general economic conditions and the Issuer's financial condition, performance and prospects. No assurance can be given as to the future price level of the Notes after their initial issue. The Notes may be sold to a limited number of investors, and liquidity of the Notes may be adversely affected if a significant portion of the Notes are bought by a limited number of investors.

***The Notes may be redeemed prior to maturity.***

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdictions or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with Condition 5(b) (*Redemption for tax reasons*).

***Because the Global Note Certificate is held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

The Notes will be represented by the Global Note Certificate except in certain limited circumstances described in the Global Note Certificate. The Global Note Certificate will be registered in the name of a nominee for, and deposited with, the common depository for Euroclear and Clearstream, Luxembourg. Individual Note Certificates evidencing holdings of Notes will only be available in certain limited circumstances. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Note Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Note Certificate will not have a direct right under the Global Note Certificate to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

***Credit Rating***

The Notes are expected to be assigned a rating of Aa3 (stable) by Moody's. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances whilst the registration application is pending). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating

agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

## **Risks relating to taxation**

### *Change of tax law*

Statements in this Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in legislation or in practice in a relevant jurisdiction could adversely impact: (i) the ability of the Issuer to service the Notes; and (ii) the market value of the Notes.

## **Risks relating to enforcement**

### *Change of law*

The structure of the issue of Notes is based on English law and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

### *Enforcing foreign judgments and arbitral awards against the Issuer*

If the Issuer should fail to make payments under the Notes, it may be necessary to bring an action against the Issuer to enforce its obligations which could be time consuming and costly. The Issuer has irrevocably agreed to the Notes being governed by English law and that any disputes shall be referred to and finally resolved by arbitration under the LCIA Rules. An arbitration award rendered in London, in favour of the Noteholders should be enforceable against the Issuer in the courts of those Relevant Jurisdictions which are signatories to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**"). However, in practice, and notwithstanding the New York Convention, such awards may not be enforceable consistently under the laws of all of the Relevant Jurisdictions. The Issuer has also agreed to submit to the jurisdiction of the courts of England (the "**English courts**") at the option of the Noteholders, as the case may be, in respect of any dispute under the Notes. Notwithstanding that a judgment may be obtained in the English courts in favour of the Noteholders, there is no assurance that the Issuer has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. Under the laws of certain of the Relevant Jurisdictions (for example, under the laws of the Kingdom of Saudi Arabia) it is unlikely that the courts of such Relevant Jurisdictions would enforce an English court judgment without re-examining the merits of the claim and such courts may not observe the parties' choice of English law as the governing law of the Notes. In certain of the Relevant Jurisdictions, foreign law is required to be established as a question of fact and the interpretation of English law by the courts of such Relevant Jurisdictions may not accord with the interpretation of an English court. Additionally, in such Relevant Jurisdictions, the choice of foreign law is recognised if the courts of such Relevant Jurisdictions are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. Such courts are unlikely, however, to honour any provision of foreign law which is contrary to public policy, order or morals in such Relevant Jurisdiction, or to any mandatory law of, or applicable in, such Relevant Jurisdiction.

Accordingly, there is no guarantee that any arbitration award rendered in London or any judgment obtained in the English courts, in each case in favour of the Noteholders, would be enforceable against the Issuer in the courts of a Relevant Jurisdiction.

### *Claims for specific enforcement*

In the event that the Issuer fails to perform its obligations under the Notes, the potential remedies available to the Noteholders include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Noteholders and the Agents to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Issuer to perform its obligations under the Notes.

### **Risks related to the market generally**

#### ***The secondary market generally***

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay the principal amount and interest on the Notes and will make any payments under the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Issuer does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (a) the Investor's Currency-equivalent yield on the Notes; (b) the Investor's Currency equivalent value of the principal amount payable on the Notes; and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or amount in respect of the principal amount of the Notes than expected, or no such interest or principal amount. Even if there are no actual exchange controls, it is possible that U.S. dollars for any particular Note may not be available at such Note's maturity.

#### ***Risks related to the potential elimination of the LIBOR "benchmark"***

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the United Kingdom Financial Conduct Authority (the "**FCA**") announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark, or changes in the manner of administration of the LIBOR benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of the Notes (whose interest rate is linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on the Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The information set out in the table below which has previously been published or is published simultaneously with this Prospectus and has been filed with the Central Bank of Ireland (as competent authority under the Prospectus Directive (as defined herein)) shall be deemed to be incorporated in, and to form part of, this Prospectus. For ease of reference, the tables below set out the relevant page references of the 2017 Interim Financial Statements and the Financial Statements, the notes thereto and the auditors' reports (or, as the case may be, review report) in respect thereof.

### 2017 Interim Financial Statements

Independent auditors' review report of condensed consolidated interim financial information .....	Page 1
Consolidated interim statement of financial position .....	Page 2
Consolidated interim statement of income .....	Page 3
Consolidated interim statement of comprehensive income .....	Page 4
Consolidated interim statement of changes in equity .....	Pages 5-6
Consolidated interim statement of cash flows .....	Page 7
Notes to the condensed consolidated interim financial information.....	Pages 8-15

### 2016 Financial Statements

Independent auditors' report to the shareholders .....	Pages 3-8
Consolidated statement of financial position.....	Page 9
Consolidated statement of income.....	Page 10
Consolidated statement of comprehensive income.....	Page 10
Consolidated statement of changes in equity.....	Pages 12-13
Consolidated statement of cash flows.....	Page 14
Notes to the consolidated financial statements .....	Pages 15-62

### 2015 Financial Statements

Independent auditors' report to the shareholders .....	Page 3
Consolidated statement of financial position.....	Page 4
Consolidated statement of income.....	Page 5
Consolidated statement of comprehensive income.....	Page 6
Consolidated statement of changes in equity.....	Pages 7-8
Consolidated statement of cash flows.....	Page 9
Notes to the consolidated financial statements .....	Pages 10-53

Copies of the Financial Statements can be obtained on the website of the Issuer at <http://www.apicorp-arabia.com/investor-relations/financial-summary> and <http://www.apicorp-arabia.com/investor-relations/quarterly-results> and upon request, free of charge, from the registered office of the Issuer and from the specified offices of the Fiscal Agent.



## OVERVIEW

*This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.*

<b>The Issuer:</b>	Arab Petroleum Investments Corporation.
<b>Managers:</b>	Bank of Taiwan, Capital Securities Corporation, Crédit Agricole Corporate and Investment Bank, Taipei Branch, SinoPac Securities Corporation, Taipei Fubon Commercial Bank Co., Ltd. and Yuanta Securities Co., Ltd.
<b>The Notes:</b>	U.S.\$105,000,000 Floating Rate Notes due 2022.
<b>Issue Price:</b>	100 per cent. of the principal amount of the Notes.
<b>Issue Date:</b>	26 October 2017.
<b>Use of Proceeds:</b>	The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes. See " <i>Use of Proceeds</i> ".
<b>Interest:</b>	The Notes will bear interest from 26 October 2017 at a rate of the sum of: (i) 1.10 per cent. per annum; plus (ii) U.S. dollar 3 month LIBOR, determined 2 Business Days (as defined herein) prior to the beginning of each Interest Period (as defined herein) at 11.00 a.m. London time, with reference to Reuters screen page "LIBOR01", payable quarterly in arrear on 26 January, 26 April, 26 July and 26 October in each year commencing 26 January 2018.
<b>Status:</b>	The Notes are senior, unsubordinated, unconditional and unsecured obligations of the Issuer.
<b>Form and Denomination:</b>	The Notes will be issued in registered form in denominations of U.S.\$200,000.
<b>Final Redemption:</b>	26 October 2022.
<b>Negative Pledge:</b>	The Notes will have the benefit of a negative pledge as described in Condition 3 ( <i>Negative Pledge</i> ).
<b>Rating:</b>	<p>The Issuer has been assigned a long term rating of Aa3 (stable) by Moody's. The Notes are expected to be rated Aa3 (stable) by Moody's.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.</p>
<b>Withholding Tax:</b>	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdictions or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes,

duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as set out in Condition 7 (*Taxation*).

**Governing Law and Submission to Jurisdiction:**

The Notes and the Transaction Documents and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

In respect of any dispute under the Notes, the Transaction Documents and the Subscription Agreement, the parties have consented to arbitration under the LCIA Arbitration Rules. Any dispute may also be referred to the courts in England (which shall have exclusive jurisdiction to settle any dispute arising from such documents).

**Listing and Admission to Trading:**

Application will be made by the Issuer to the TPEX in the ROC for permission to deal in and for the listing of the Notes on the TPEX.

**Clearing Systems:**

Euroclear and/or Clearstream, Luxembourg.

**Selling Restrictions:**

There are restrictions on the distribution of this Prospectus and the offer or sale of the Notes in the United Kingdom, the United States, the European Economic Area, the Kingdom of Bahrain, the United Arab Emirates (excluding the Dubai International Financial Centre (the "**DIFC**"), the DIFC, Japan, Singapore, Hong Kong, Malaysia, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre) and Taiwan. See "*Subscription and Sale*".

**Risk Factors:**

Investing in the Notes involves certain risks. See "*Risk Factors*".

## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.*

The Notes will be represented by a Global Note Certificate which will be registered in the name of a nominee for, and deposited with, the common depository for Euroclear and Clearstream, Luxembourg.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or
- (b) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

*Payments on business days:* In the case of all payments made in respect of the Global Note Certificate "**business day**" means any day which is a day on which dealings in foreign currencies may be carried on in New York City and Taipei.

*Payment Record Date:* Each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where

**"Clearing System Business Day"** means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

*Notices:* Notwithstanding Condition 13 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

## TERMS AND CONDITIONS OF THE NOTES

The U.S.\$105,000,000 Floating Rate Notes due 2022 (the "**Notes**") are constituted by a deed of covenant dated 26 October 2017 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by Arab Petroleum Investments Corporation (the "**Issuer**") and are the subject of a fiscal agency agreement dated 26 October 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, HSBC Bank plc as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), HSBC Bank plc as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and HSBC Bank plc as agent bank (the "**Agent Bank**", which expression includes any successor agent bank appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents, the Paying Agents and the Agent Bank and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents.

### 1. **Form, Denomination and Status**

- (a) *Form and denomination:* The Notes are in registered form in denominations of U.S.\$200,000 (each, an "**Authorised Denomination**").
- (b) *Status of the Notes:* The Notes are direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

### 2. **Register, Title and Transfers**

- (a) *Register:* The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers:* Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as

the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

- (d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on (and including) the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

### 3. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not, other than a Permitted Security Interest, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Sukuk Obligation without: (a) at the same time or prior thereto securing the Notes equally and rateably therewith its obligations under the Notes; or (b) providing such other security or other arrangement for those obligations as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Non-recourse Project Financing"** means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that: (i) any Security Interest given by the Issuer is limited solely to assets of the project; (ii) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the monies advanced; and (iii) there is no other recourse to the Issuer in respect of any default by any person under the financing;

**"Permitted Security Interest"** means:

- (a) any Security Interest existing on 26 October 2017;
- (b) any Security Interest securing Relevant Indebtedness of a person existing at the time such person is merged into, or consolidated with, the Issuer, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer;
- (c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer not created in contemplation of such acquisition; or
- (d) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (b) (inclusive) of this definition, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Relevant Indebtedness"** means any Indebtedness, other than Indebtedness incurred in connection with a Non-Recourse Project Financing or Securitisation, which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

**"Securitisation"** means any securitisation of existing or future assets and/or revenues, provided that: (a) any Security Interest given by the Issuer in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (c) there is no other recourse to the Issuer in respect of any default by any person under the securitisation;

**"Security Interest"** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**"Subsidiary"** means, in relation to any person (the **"first Person"**) at any particular time, any other person (the **"second Person"**):

- (a) whose affairs and policies the first Person controls or has the power to control, whether this be through ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated as a subsidiary with those of the first Person; and

"**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with any issue of certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

#### 4. **Interest**

- (a) *Accrual of interest:* The Notes bear interest from 26 October 2017 (the "**Issue Date**"), payable on 26 January, 26 April, 26 July and 26 October in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*); *provided, however, that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day (as defined below), it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4(a) (both before and after judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (b) *Rate of interest:* The rate of interest applicable to the Notes (the "**Rate of Interest**") for each Interest Period will be determined by the Agent Bank on the following basis:
  - (i) the Agent Bank will determine the rate for deposits in U.S. dollars for a period equal to the relevant Interest Period which appears on the display page designated LIBOR01 on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11.00 a.m. (London time) on the second London Banking Day (as defined below) before the first day of the relevant Interest Period (the "**Interest Determination Date**");
  - (ii) if such rate does not appear on that page, the Agent Bank will:
    - (A) request the principal London office of each of four major banks in the London interbank market to provide a quotation of the rate at which deposits in U.S. dollars are offered by it in the London interbank market at approximately 11.00 a.m. (London time) on the Interest Determination Date to prime banks in the London interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and
    - (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and



- (iii) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in New York City, selected by the Agent Bank, at approximately 11.00 a.m. (New York City time) on the first day of the relevant Interest Period for loans in U.S. dollars to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of 1.10 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of 1.10 per cent. per annum and the rate or (as the case may be) arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (c) *Calculation of Interest Amount:* The Agent Bank will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the actual number of days in such Interest Period divided by 360, rounding the resulting figure to the nearest sub-unit of U.S. dollars (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount.
- (d) *Publication:* The Agent Bank will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the other Agents as soon as practicable after such determination but in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Authorised Denomination, the Agent Bank shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Authorised Denomination.
- (e) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Agents and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (f) *Interpretation:* In these Conditions:

"**Calculation Amount**" means U.S.\$200,000;

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York City and Taipei; and

"**London Banking Day**" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

## 5. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling in October 2022, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if:
  - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdictions or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 26 October 2017; and
  - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

*provided, however, that* no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent:

- (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (b) (*Redemption for tax reasons*) above.
- (d) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and such Notes may be held, resold or, at the option of the Issuer, surrendered to the Registrar for cancellation.

## 6. **Payments**

- (a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later

than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed: (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from: (A) the due date for a payment not being a business day; or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in London, New York City and Taipei and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

## 7. **Taxation**

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdictions or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Relevant Jurisdictions by which such taxes, duties, assessments or charges have been

imposed, levied, collected, withheld or assessed other than the mere holding of the Note;  
or

- (b) where the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of: (1) the date on which the payment in question first becomes due; and (2) if the full amount payable has not been received in New York City by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Relevant Jurisdictions, references in these Conditions to the Relevant Jurisdictions shall be construed as references to the Relevant Jurisdictions and/or such other jurisdiction.

Notwithstanding anything herein to the contrary, in no event will the Issuer (or any successor of the Issuer) pay any additional amounts in respect of any taxes, withholding or deduction imposed pursuant to the provisions of Sections 1471 through 1474 of the Code (including any successor provisions or amendments thereof), any current or future regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto.

## 8. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 90 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default is incapable of remedy or, if capable of remedy, such default remains unremedied for 90 days; or
- (c) *Cross-default of Issuer*: the Issuer fails to pay any Indebtedness or Sukuk Obligation when due or (as the case may be) within any originally applicable grace period and provided that: (i) the amount of such Indebtedness or Sukuk Obligation, individually or in the aggregate, exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies); and (ii) such failure has continued for a period of 90 days,

then Noteholders holding not less than one-quarter of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

## 9. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. **Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. **Agents**

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent or agent bank and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a fiscal agent, a registrar and an agent bank.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. **Meetings of Noteholders; Modification**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Holders of not less than 90 per cent. in aggregate face amount of the Notes outstanding who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error

or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. **Notices**

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after the date of mailing.

14. **Further Issuances**

To the extent permitted by applicable authorities in the ROC and subject to the receipt of all necessary regulatory and listing approvals from such authorities, including but not limited to the TPEX and the Taiwan Securities Association (the "**TSA**"), the Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue) so as to form a single series with the Notes.

15. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of: (a) making or filing a claim or proof against the Issuer; (b) obtaining an order or judgment in any court or other tribunal; or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes, the Transaction Documents and any non-contractual obligations arising out of or in connection with the same are governed by, and shall be construed in accordance with, English law.
- (b) *Arbitration:* Subject to Condition 15(c) (*Option to litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Transaction Documents and the Notes (including these Conditions) (including a dispute regarding the existence, validity, interpretation, performance, breach or termination or the consequences of the nullity of the same and any dispute relating to any non-contractual obligations arising out of or in connection with the same) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 15(b). For these purposes:
  - (i) the seat of arbitration shall be London, England;

- (ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
  - (iii) the language of the arbitration shall be English.
- (c) *Option to litigate:* Notwithstanding Condition 15(b) (*Arbitration*) above, any Noteholder (only where permitted so to do in accordance with the terms of the Deed of Covenant) may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:
- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
  - (ii) in the event no arbitration is commenced,
- require that a Dispute be heard by a court of law. If any Noteholder (only where permitted so to do in accordance with the terms of the Deed of Covenant) gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 15(e) (*Court proceedings*) and, subject as provided below, any arbitration commenced under Condition 15(b) (*Arbitration*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation thereto.
- (d) *Termination of arbitration:* If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder (only where permitted so to do in accordance with the terms of the Deed of Covenant and as applicable) must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:
- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
  - (ii) such arbitrator's entitlement to be paid his proper fees and disbursements; and
  - (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (e) *Court proceedings:* In the event that a notice pursuant to Condition 15(c) (*Option to litigate*) is issued, the following provisions shall apply:
- (i) subject to Condition 15(e)(iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
  - (ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
  - (iii) this Condition 15(e)(iii) is for the benefit of the Noteholders only. As a result, and notwithstanding Condition 15(e)(iii) above, the Noteholder (only where permitted so to do in accordance with the terms of the Deed of Covenant) may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Noteholder (only where permitted so to do in accordance with the terms of the Deed of Covenant) may take concurrent Proceedings in any number of jurisdictions.

- (f) *Process Agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.
  
- (g) *Waiver of immunity:* To the extent that the Issuer has, or hereafter may (whether on the grounds of sovereignty or otherwise), acquire any immunity from any Proceedings or from execution of judgment, the Issuer agrees that no such immunity shall be claimed by or on behalf of it or with respect to its assets, and the Issuer has consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes.

## DESCRIPTION OF APICORP

### OVERVIEW

APICORP, which is a multilateral development bank focussed on the hydrocarbon industry, was established on 23 November 1975 pursuant to the Establishing Agreement entered into by the OAPEC Member States.

The Establishing Agreement defines APICORP's purpose as:

- participating in financing petroleum projects and industries, and in fields of activity which are derived from, ancillary to, associated with or complementary to petroleum projects and industries; and
- giving priority to Arab joint ventures which benefit the OAPEC Member States and enhance their ability to utilise their petroleum resources and to invest their savings to strengthen their economic and financial potential.

APICORP seeks to achieve this purpose by supporting relevant projects through participating in syndicated loans or making direct loans and/or through equity investments. It also participates in trade financing activities, provides project-related financial advisory services and publishes research relating to the hydrocarbon industry.

The table below shows details of APICORP's shareholders (the "Shareholders") at 31 December 2016.

Member State	Authorised capital <sup>(1)</sup>	Subscribed capital <sup>(2)</sup>	Issued and fully paid	Callable	Percentage ownership <sup>(3)</sup>
	<i>(U.S.\$ million)</i>				<i>(per cent.)</i>
Kuwait.....	408	340	170	170	17.0
Saudi Arabia .....	408	340	170	170	17.0
United Arab Emirates .....	408	340	170	170	17.0
Libya .....	360	300	150	150	15.0
Iraq .....	240	200	100	100	10.0
Qatar.....	240	200	100	100	10.0
Algeria .....	120	100	50	50	5.0
Bahrain.....	72	60	30	30	3.0
Egypt.....	72	60	30	30	3.0
Syria .....	72	60	30	30	3.0
	<b>2,400</b>	<b>2000</b>	<b>1,000</b>	<b>1000</b>	<b>100.0</b>

Notes:

<sup>(1)</sup> All shares have a nominal value of U.S.\$1,000.

<sup>(2)</sup> Subscribed capital is the sum of issued and fully paid capital and capital which remains callable if recommended by the Board of Directors and approved by APICORP's general assembly. In April 2016, APICORP's subscribed capital was increased to U.S.\$ 2,000 million from U.S.\$1,500 million.

<sup>(3)</sup> Based on issued and fully paid capital.

The rights of the Shareholders in APICORP are contained in the Establishing Agreement and APICORP will be managed in accordance with the provisions contained within the Establishing Agreement. The Establishing Agreement ensures that APICORP is not controlled by any single member state. All resolutions are required to be approved by a majority of the Shareholders.

APICORP is independent in its administration and in the performance of its activities and carries out its operations on a commercial basis with the intention of generating a profit.

APICORP's financial year corresponds to the calendar year. At 31 December 2016, APICORP had total assets of U.S.\$6,142 million, including U.S.\$2,952 million in syndicated and direct loans and U.S.\$987 million in direct equity investments and an investment in an associate. APICORP also has a significant portfolio of available for sale investments, amounting to U.S.\$1,204 million at 31 December 2016, which is intended to provide earnings which are not correlated to APICORP's two other more cyclical business lines of lending to, and making equity investments in, relevant projects.

For the year ended 31 December 2016, APICORP had net interest income of U.S.\$54 million and received U.S.\$59 million in dividend income. APICORP's profit for the year ended 31 December 2016 was U.S.\$93 million.

APICORP's headquarters are located in Dammam, Saudi Arabia. In addition it has a wholesale banking branch in Manama, Bahrain, which is regulated by the Central Bank of Bahrain. Its headquarters office address is Dammam Coastal Road, Al Rakkah, P.O. Box 9599, 31423 Dammam, Saudi Arabia and its telephone number is +966 (0) 3 847 0444.

## **HISTORY**

Following its establishment, APICORP commenced loan financing and direct equity investment activity with various Arab petroleum companies. Trade financing of petroleum, gas and petrochemicals began in 1987. In 2001, APICORP commenced financial advisory services to assist the OAPEC Member States and companies within them with the financing of their projects. In the same year, the Board of Directors (the "**Board**") approved APICORP's expansion into the power generation sector, with a strategic focus on generation or transmission facilities which support the development of energy-related industry projects. In 2007, the Board approved the financing of energy intensive industries such as aluminium and the establishment of energy funds. APICORP continued to support the hydrocarbon and related energy sector throughout the global financial crisis, including at times when market liquidity was significantly constrained.

In 2005, APICORP established a branch in Bahrain with a view to broadening its financing services. APICORP's branch in Bahrain is licensed as a conventional wholesale bank branch and is regulated by the Central Bank of Bahrain.

APICORP's initial authorised share capital was SR 3.6 billion, which increased in May 2011 to U.S.\$2.4 billion. When it was established, APICORP's subscribed capital was SR 1.2 billion. Since then, APICORP has approved raising its subscribed capital and in April 2016 APICORP's subscribed capital was increased to U.S.\$2,000 million.

## **LEGAL STATUS OF APICORP**

APICORP is a corporation established in accordance with a special international agreement, the Establishing Agreement, is hosted by Saudi Arabia and enjoys, with respect to OAPEC Member States and third parties, all the rights and privileges of nationality which national companies enjoy in each Member State. APICORP is subject to the provisions of its Establishing Agreement, which is expressed to prevail in the event that there is a conflict with the internal laws of any OAPEC Member State. APICORP and its branches are also exempt from payment of duties, taxes and all public financial costs and burdens in respect of all operations related to its objectives. APICORP is also exempted from any special fees related to subscription, incorporation, registration, increase of capital, dissolution and liquidation. The Establishing Agreement explicitly grants APICORP privileges throughout the OAPEC Member States. These privileges include:

- an undertaking by the OAPEC Member States, jointly and severally, to support APICORP, although see "*Risk Factors—Factors that may affect APICORP's ability to fulfil its obligations under the Notes—APICORP is a multilateral development bank without guarantee-related support from its shareholders*";
- APICORP's rights and privileges of nationality within any OAPEC Member State;
- APICORP's exemptions from payment of duties and all public and financial costs within OAPEC Member States;
- APICORP's exemption from any currency controls, including from convertibility and transfer restrictions;
- support for APICORP's personnel in entry and residency throughout the OAPEC Member States; and
- an undertaking by the OAPEC Member States to refrain from appropriating any of APICORP's assets.

APICORP's shareholders and their shareholdings have remained unchanged since it was established. The Establishing Agreement provides that only member countries of OAPEC may be shareholders in APICORP. If any shareholder ceases to be an OAPEC Member State, it would also cease to be a shareholder in APICORP and its shares would be distributed among the remaining OAPEC Member State shareholders on a *pro rata* basis.

## **STRATEGY**

APICORP is a multilateral development bank that contributes to the growth, development and transformation of the Arab hydrocarbon and related energy industries through the following activities:

- providing debt funding in the form of project finance, asset-based finance and structured trade finance;
- providing financial structuring and advisory services;
- providing equity funding to companies and projects; and
- providing industry and economic research.

The energy sector in the MENA region offers significant prospects for investors both in terms of the number of energy and related projects and the scale of the investment required.

APICORP aims to consolidate its role as a leading development institution that focuses on the hydrocarbon and related energy industries.

The Boston Consulting Group assisted APICORP with the development of a new five-year strategy, which was approved by the Board towards the end of 2013. The implementation and subsequent refinement of this strategy commenced in early 2014. A Programme Management Office has been established to oversee the implementation of the strategy.

APICORP's main strategic initiatives for 2014 to 2018 under this five-year strategy include:

- maintaining APICORP's developmental role and mandate, whilst becoming more commercially focused;
- achieving a more optimum asset composition by re-balancing the overall portfolio. This will be achieved by focusing on growing the equity portfolio on a relative basis when compared to the lending portfolio. APICORP is also seeking to grow its fee income and enhance its product development activities, with a focus on increasing the Islamic component of the overall portfolio;
- enhancing sub-sector diversification in the broader energy and related sectors and achieving greater geographic diversification;
- strengthening the funding profile by focusing on lengthening funding maturities and improving the overall cost of funding;
- achieving greater operational efficiencies through enhancements in the people, processes and systems dimensions; and
- strengthening APICORP's risk and control frameworks.

The implementation of APICORP's five-year strategy has progressed well. As at the date of this Prospectus, all strategy milestones have either been completed or substantially completed. APICORP's strategic direction remains unchanged and includes a continued focus on maintaining its development mandate, whilst being commercially focused and managing risk prudently. There has been significant progress in achieving greater operational efficiencies through enhancements in the people, processes and systems dimensions contemplated as part of the five-year strategy.

## **CREDIT STRENGTHS**

APICORP benefits from a number of credit strengths. These include:

### **Sovereign ownership and special privileges**

APICORP is 100 per cent. owned by OAPEC Member State governments, 64.0 per cent. owned by GCC governments and 51 per cent. owned by Kuwait, Saudi Arabia and the UAE together. APICORP benefits from a number of special privileges afforded to it by the Establishing Agreement, see "*Legal status of APICORP*" above. APICORP also has *de facto* preferred creditor status by virtue of its status as a multilateral development bank. *De facto* preferred creditor status is based solely on historical practice in relation to multilateral development banks. Preferred creditor status is not, however, a legal status. The preferred creditor status enjoyed by APICORP is also reflected in the fact that the OAPEC Member States have, in the Establishing Agreement, exempted APICORP from all restrictions relating to currency control and fund transfer.

### **Strong shareholder support**

The Establishing Agreement provides that the OAPEC Member States undertake:

- jointly and severally, to support APICORP, protect it and embrace its causes in every way that ensures the protection of its rights and interests internationally and otherwise, however, see "*Risk Factors – APICORP is a multilateral development bank without guarantee-related support from its shareholders*"; and
- to facilitate all the activities related to APICORP's objectives and to adopt all possible measures to that end.

The OAPEC Member States have supported each of APICORP's five issued and fully paid capital increases since it was established and have supported it with significant deposits as described under "*History*" above. In addition, the OAPEC Member States have decided not to receive dividends in each of 2008, 2009, 2010, 2012, 2013 and 2014 to further strengthen APICORP's financial position. OAPEC Member States, through their representatives on the Board, provide APICORP with opportunities to participate in, or initiate, projects in OAPEC Member States.

The Moody's report rates the strength of APICORP's shareholder support as high and notes that APICORP's track record of receiving capital increases demonstrates a strong propensity for shareholders to provide support. However, see also "*Risk Factors – Factors that may affect APICORP's ability to fulfil its obligations under the Notes – Credit ratings may not reflect all risks*".

### **Solid capitalisation and low leverage**

At 31 December 2016, APICORP's capital adequacy ratios determined in accordance with Basel II methodology were 27.6 per cent. (for total capital) and 23.6 per cent. (for Tier 1 capital). See "*Capital adequacy*" below. APICORP's total capital ratio has remained around 28 per cent. since 2009.

APICORP seeks to maintain conservative leverage levels, which it calculates as its total liabilities divided by its total equity. Between 2010 and 2014, its leverage level averaged 2.6 times. At 31 December 2015 and 31 December 2016, APICORP's leverage levels were 2.0 times and 2.1 times, respectively.

The Moody's report notes that APICORP's capital adequacy is in line with and its leverage is lower than that of its peers, which it identifies as the Caribbean Development Bank, Corporacion Andina de Fomento and Inter-American Investment Corporation, based on 31 December 2015 financial data. According to Moody's, APICORP's capital adequacy has been boosted by large capital increases that have outpaced loan growth and by the high quality of its asset portfolio.

### **Sustained and strong financial performance**

APICORP has been profitable in almost every year since it was established, including throughout the global financial crisis. In October 2012, Moody's upgraded APICORP's ratings from A1 to Aa3 with a stable outlook, principally reflecting its improved shareholder capital and funding position. This Aa3 rating has been maintained since that date.

APICORP also has a low and stable amount of NPLs which were U.S.\$68 million at 31 December in each of 2013 and 2014, decreasing to U.S.\$64 million at 31 December in each of 2015 and 2016. These mainly comprised Iraqi and Sudanese loans, which are fully covered by provisions and cash collateral held. APICORP's NPLs comprised 2.4 per cent., 2.5 per cent. and 2.2 per cent., respectively, of its total gross loans at 31 December in each of 2014, 2015 and 2016, with the decrease at 31 December 2016 reflecting an increase in the amount of gross lending.

### Focus on strategic hydrocarbon sector and geographically focussed on the GCC

APICORP focuses on financing projects in the oil and gas, petrochemical and energy sectors and has developed significant expertise in these areas since it was established in 1975. At 31 December 2016, 84.4 per cent. of APICORP's assets were located in the GCC and 34.9 per cent. and 16.6 per cent. were located in Saudi Arabia and Qatar, respectively.

### SUMMARY FINANCIAL INFORMATION

The table below shows a summary of APICORP's consolidated statement of financial position at 31 December in each of 2014, 2015 and 2016.

	At 31 December		
	2014	2015	2016
	<i>(U.S.\$ million)</i>		
<b>Assets</b>			
Cash and cash equivalents .....	65	23	22
Placements with banks.....	918	972	817
Available for sale securities.....	1,181	1,069	1,204
Available for sale direct equity investments and investment in an associate .....	866	923	987
Syndicated and direct loans .....	2,691	2,510	2,952
Property, equipment and vessels .....	129	122	117
Other assets .....	34	34	43
<b>Total assets</b> .....	<b>5,884</b>	<b>5,653</b>	<b>6,142</b>
<b>Liabilities</b>			
Deposits from banks .....	215	172	287
Deposits from corporates.....	1,529	1,383	1,134
Deposits from shareholders .....	106	108	109
Securities sold under agreements to repurchase.....	177	-	158
Bank term financing .....	1,404	1,526	1,520
Bonds issued .....	533	-	300
Sukuk issued .....	-	484	555
Other liabilities .....	61	68	76
<b>Total liabilities</b> .....	<b>4,025</b>	<b>3,741</b>	<b>4,139</b>
Total equity .....	1,859	1,912	2,003
<b>Total liabilities and equity</b> .....	<b>5,884</b>	<b>5,653</b>	<b>6,142</b>

As indicated in the table above, APICORP's principal assets are its syndicated and direct loans (which are described under "*Lending*" below), its available for sale securities (which are described under "*Investments*"), its available for sale direct equity investments (which are described under "*Business—Direct equity investments*" below) and its placements with banks (which are described under "*Funding and liquidity—Liquidity*" below). APICORP's principal liabilities are its borrowings and deposits which are described under "*Funding and liquidity*" below.

The table below shows a summary of APICORP's consolidated statement of income for each of the years ended 31 December in each of 2014, 2015 and 2016.

	Year ended 31 December		
	2014	2015	2016
	<i>(U.S.\$ million)</i>		
Net interest income.....	40	45	54
Dividend income.....	92	91	59
Other income <sup>(1)</sup> .....	24	26	18
<b>Total income</b> .....	<b>156</b>	<b>162</b>	<b>131</b>
Operating expenses.....	(38)	(38)	(36)
(Impairment)/impairment reversals, net.....	(13)	(16)	(2)
<b>Profit for the year</b> .....	<b>105</b>	<b>108</b>	<b>93</b>

Notes:

<sup>(1)</sup> Other income includes bareboat charter income (as to which see "Direct equity investments – Introduction" below), loss on trading securities, gain on sale of available for sale securities and miscellaneous other income described in note 19 to the 2016 Financial Statements.

APICORP's net interest income represents the difference between its interest income (which it principally earns on the loans made by it, its available for sale debt securities portfolio and its placements with banks) and its interest expense (which principally represents the interest that it pays on the deposits it accepts and on its borrowings). APICORP also generates a significant amount of dividend income from its direct equity investments.

The table below shows a summary of APICORP's consolidated statement of comprehensive income for each of the years ended 31 December in each of 2014, 2015 and 2016.

	Year ended 31 December		
	2014	2015	2016
	<i>(U.S.\$ million)</i>		
Profit for the year.....	105	108	93
<b>Other comprehensive income</b>			
Change in fair value of available for sale direct equity investments.....	(56)	(31)	23
Other.....	3	(25)	15
<b>Total other comprehensive income for the year</b> .....	<b>(53)</b>	<b>(56)</b>	<b>38</b>
<b>Total comprehensive income for the year</b> .....	<b>52</b>	<b>52</b>	<b>131</b>

APICORP's other comprehensive income is principally driven by changes in the fair value of its direct equity investments. At 31 December 2016, only 12.1 per cent. of APICORP's direct equity investments, representing two investments, were quoted on active markets, enabling a market-price related fair value to be established. The fair value of the remaining 72.8 per cent. of APICORP's direct equity investment portfolio is based on internal valuations performed using industry standard valuation methods, including discounted cash flow valuation and comparable peer multiple valuations.

The table below shows a summary of APICORP's consolidated statement of cash flows for each of the years ended 31 December in each of 2014, 2015 and 2016.

	Year ended 31 December		
	2014	2015	2016
	<i>(U.S.\$ million)</i>		
Net cash from / (used in) operating activities.....	(117)	153	(251)
Net cash from / (used in) investing activities.....	(2)	90	(111)
Net cash from / (used in) financing activities.....	159	(285)	362
Cash and cash equivalents at start of year.....	25	65	23
Cash and cash equivalents at end of year.....	65	23	22

The table below shows certain ratios for APICORP at, and for the years ended, 31 December in each of 2014, 2015 and 2016.

	<b>At/year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Return on assets (per cent.).....	1.79	1.90	1.52
Return on equity (per cent.).....	5.65	5.63	4.64
Return on paid up capital (per cent.).....	10.50	10.76	9.34

## **BUSINESS**

APICORP has three principal business lines:

- project finance, asset-based finance, trade finance, structured commodity finance and financial advisory (together referred to as "**Corporate Finance**");
- captive private equity investments through direct or indirect equity investments (together referred to as "**Investments**"); and
- funding and liquidity management and the investment of excess liquidity in APICORP's available for sale investment portfolio (together referred to as treasury and capital markets or "**T&CM**").

APICORP's Corporate Finance business line provides debt finance and financial advisory services to businesses and projects in the oil and gas and related energy sectors.

The Investments business line invests in businesses and projects in the oil and gas and related energy sectors through direct equity investments and through funds.

The T&CM business line is principally responsible for funding and managing APICORP's liquidity needs and for investing its excess liquidity.

APICORP also publishes macro-economic research on the oil and gas and related energy sectors.

### **Corporate Finance**

#### ***Introduction***

The Corporate Finance business line arranges financing through loans and credits for projects developed by local, regional and international sponsors in the energy and hydrocarbon sectors. This financing activity is a major contributor to APICORP's interest income, contributing U.S.\$62.5 million, or 49.7 per cent., of APICORP's total interest income, in 2016. APICORP also provides financial advisory services to clients when specifically requested, primarily to assist them in raising finance but also in terms of project development guidance, financial feasibility studies, validation of commercial viability and structure and transaction structuring. This advice generates a small amount of fee income. Including other minor sources of income, the Corporate Finance business line generated total income of U.S.\$75.7 million in 2016, equal to 57.8 per cent. of APICORP's total income in that year.

#### ***Products and services***

Corporate Finance principally arranges medium- to long-term finance, although it also offers shorter-term trade finance and structured commodity finance. APICORP offers loans and credits both on a conventional and on an Islamic finance basis. Key medium- to long-term finance products include project finance, asset-based finance (vessels and rigs), reserve-based finance, acquisition finance, equity bridge finance and working capital finance.

APICORP offers a complete suite of trade finance products and services, comprising letters of credit ("LCs") and letters of guarantee; and the handling of export LCs, including advising, negotiation and confirmation. APICORP's range of structured commodity finance products includes transactional and inventory financings, borrowing base facilities, pre-export financings and prepayment facilities. An initiative has also been launched to offer these products in a Shari'a-compliant manner.



Although APICORP does not have its own Islamic banking unit and Shari'a board, it typically partners with Islamic finance institutions on arranging and advisory mandates. In addition to being involved in many Islamic facilities arranged in recent years for significant hydrocarbon related projects, APICORP is also a regular participant in Islamic Development Bank's trade finance transactions. In 2014, APICORP launched an initiative to increase the visibility of its Islamic finance capabilities, and started to systematically offer Shari'a-compliant finance solutions to its clients along with conventional products. As a result, the share of Islamic finance assets as a percentage of APICORP's total unimpaired loan portfolio had grown from 27 per cent. at 31 December 2014 to 40 per cent. at 31 December 2016.

### *Clients*

Corporate Finance's client base includes the national oil and gas companies of the OAPEEC Member States, international companies which are active in the MENA region and a select group of privately owned companies from the MENA region. Corporate Finance's particular focus in relation to its medium- and longer-term financing is investment projects that are deemed strategic because of their economic impact, size, location, technology or diversification. These projects typically have strong support from their sponsors, which frequently include governments. Through participating in arranging and implementing the financing for these investments, Corporate Finance has developed close and long-standing relationships with the sponsors of these projects.

Corporate Finance also enjoys close relationships with all the major international and regional financial institutions which are active in financing the hydrocarbon and energy industries throughout the MENA region and beyond when the project or trade transaction financed benefits the MENA region. APICORP exclusively finances the energy and hydrocarbon sector and is active throughout the energy value chain. The industry segments financed by APICORP include:

- upstream: oil and gas production; oil field services and drilling; offshore service vessels and mining;
- midstream: oil and product tankers; liquefied natural gas ("LNG") tankers; and oil and product terminals;
- downstream: refineries, petrochemicals and gas to liquids projects;
- utilities: conventional power and water and renewables; and
- energy intensive: aluminium and metals, cement and polysilicon.

### *Lending criteria*

Corporate Finance aims to finance investment projects which have a strong economic rationale and that meet a strategic purpose. The criteria applied by APICORP when selecting projects for investment include:

- the quality of the sponsors, the degree of their commitment and the strength of APICORP's relationship with them;
- the economic rationale and the competitiveness of the project;
- the degree of "off-shorisation" of the project (revenues in U.S. dollars for U.S. dollar loans, for example);
- the degree of protection of the project from local factors, such as exchange rates, inflation and regulation;
- the resilience of the project;
- the maximisation of export credits and multilateral loans in the financing of a project in difficult countries;
- the role and visibility of APICORP in the financing; and

- the remuneration – APICORP provides medium-to long-term financing at concessionary rates in line with its multilateral development bank mandate and while profit is an important factor, its decision to advance financing is not solely driven by profitability.

As a general rule, a country which has significant economic or political challenges is considered a less robust sponsor. In these instances, APICORP's criteria concerning equity, project structure, guarantees, export-credits and multilateral financings are more stringent.

APICORP requires prior approval from its credit and investment committee and from the Board before committing to any funded or unfunded credit facility. Each approval is required to be supported by a detailed credit application, which includes a comprehensive rating scorecard specific to the nature of the transaction. APICORP has developed internal country limits which differ according to the regional grouping: OAPEC Member States and non-member countries.

For each OAPEC Member State, the portfolio limit is 10 times the share capital of that shareholder's equity plus the amount of its contribution to the share capital. For non-member countries, the portfolio limits are based on each country's overall economic structure and development, its socio-political outlook, its macroeconomic outlook, its sovereign rating outlook and its historical exposure and credit track record.

If the obligor is owned or majority owned by an OAPEC Member State, the relevant OAPEC Member State's portfolio limit caps the obligor's portfolio limit. If the obligor is not owned by an OAPEC Member State, the single obligor portfolio limit is 10 per cent. of APICORP's net worth. In addition, no lending commitment to any one group of companies may exceed 25 per cent. of APICORP's net worth, unless the group of companies is majority owned by an OAPEC Member State, in which case the limit does not apply.

While APICORP does not have explicit guidelines in terms of industry segment, APICORP does set single obligor limits, and strives, to the extent possible, to avoid concentration on specific petroleum products which are susceptible to market volatility. In this connection, APICORP conducts a break-even analysis in terms of the commodity prices specific to the particular investment in order to mitigate or check acceptable risk levels.

The maximum underwriting that APICORP is entitled to consider amounts to half of its net worth, although APICORP has not underwritten more than U.S.\$350 million on any individual project.

### ***Lending portfolio***

See "*Lending*" below for a discussion of APICORP's direct and syndicated loan portfolio.

## **LENDING**

APICORP's Corporate Finance business line provides syndicated and direct loans for projects developed by local, regional and international sponsors in the energy and hydrocarbon sectors. The Corporate Finance business line also provides trade and other finance which is included in the tables below. See "*Business – Corporate Finance – Products and services*".

## Portfolio status and risk classification

The table below shows the performance status of APICORP's syndicated and direct loans outstanding at 31 December in each of 2014, 2015 and 2016.

	At 31 December		
	2014	2015	2016
	<i>(U.S.\$ million)</i>		
<b>Unimpaired loans</b>			
Islamic.....	732	830	1,215
Conventional.....	2014	1,751	1,818
Unamortised participation and upfront fees.....	(56)	(47)	(55)
Collective impairment allowance.....	(14)	(24)	(25)
<b>Impaired loans</b>			
Non-performing <sup>(1)</sup> .....	68	64	64
Performing.....	30	-	-
Allowance for specific impairments.....	(42)	(23)	(19)
Dividends due to Iraq government, offset against defaulted loans <sup>(1)</sup> .....	(41)	(41)	(46)
<b>Total syndicated and direct loans</b> .....	<b>2,691</b>	<b>2,510</b>	<b>2,952</b>

### Notes:

<sup>(1)</sup> As a result of the 1990-1991 second gulf war, certain companies controlled by the Iraq government defaulted on loans amounting to U.S.\$52 million at 31 December 2016. Accordingly, and until negotiation is undertaken with the Government of Iraq, APICORP, starting from 2003, has made a primary offset of the unpaid dividends due to the Government of Iraq, against the principal amounts of the defaulted loans due from the Government of Iraq controlled companies. At 31 December 2016, the total amount of contractual interest and fees due on the defaulted loans was U.S.\$152 million.

APICORP has adopted a five-tiered asset classification, being "Standard", "Watch List", "Substandard", "Doubtful" and "Loss" and grades its assets under 10 rating categories. Assets within the AAA to C rating band (that is, AAA, AA, A, BBB, BB, B and C) are considered to be performing assets and assets graded DDD, DD or D are considered to be non-performing assets. See "*Risk management-Credit risk management-Credit approval process*" below.

The table below shows the internal rating classification of APICORP's gross syndicated and direct loans (i.e. before impairment, unamortised fees and dividends offset against defaulted loans) outstanding at 31 December 2016.

	At 31 December
	2016
	<i>(per cent.)</i>
<b>Performing</b>	
AAA.....	7.45
AA.....	17.12
A.....	52.75
BBB.....	13.80
BB.....	6.8
B.....	
C.....	0.02
<b>Non-performing</b>	
D.....	2.06
<b>Total gross syndicated and direct loans</b> .....	<b>100.00</b>

## Portfolio sector and sub-sector concentration

APICORP's direct and syndicated loans are concentrated within the hydrocarbon and energy sector by virtue of its founding mandate. However, APICORP seeks to maintain a diversified profile of loans within that sector. The table below shows the classification by sub-sector within the hydrocarbon and energy sectors of APICORP's syndicated and direct loans outstanding at 31 December in each of 2014, 2015 and 2016.

	At 31 December					
	2014		2015		2016	
	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)
Oilfield production development activities .....	444	16.5	343	13.7	346	11.8
Floating production, storage and offloading facilities .....	229	8.5	147	5.9	137	4.6
LNG plants .....	—	—	—	—	130	4.4
Petroleum and petrochemicals .....	639	23.7	520	20.7	481	16.3
Maritime transportation .....	42	1.6	26	1.0	129	4.4
Refineries .....	569	21.1	517	20.6	560	19.0
Power generation .....	294	10.9	449	17.9	483	16.4
Other petroleum .....	474	17.7	478	19.0	520	17.6
Banks and financial institutions .....	—	—	30	1.2	106	3.6
Other industries .....	—	—	—	—	60	2.0
<b>Total syndicated and direct loans .....</b>	<b>2,691</b>	<b>100.0</b>	<b>2,510</b>	<b>100.0</b>	<b>2,952</b>	<b>100.0</b>

### Portfolio geographical concentration

APICORP's direct and syndicated loans are also concentrated within the Arab world, again reflecting its mandate and OAPEC Member States. The table below shows the geographical classification of APICORP's syndicated and direct loans outstanding at 31 December in each of 2014, 2015 and 2016.

	At 31 December					
	2014		2015		2016	
	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)
Saudi Arabia .....	1,098	40.8	1,055	42.0	1,083	36.7
Qatar .....	734	27.3	651	25.9	634	21.5
Other GCC States .....	583	21.7	516	20.6	823	27.9
Egypt and North Africa .....	135	5.0	140	5.6	212	7.2
<b>Total Arab world .....</b>	<b>2,550</b>	<b>94.8</b>	<b>2,362</b>	<b>94.1</b>	<b>2,752</b>	<b>93.2</b>
Europe .....	25	0.9	42	1.7	104	3.5
Asia Pacific .....	116	4.3	62	2.5	63	2.1
United States .....	—	—	44	1.7	33	1.1
<b>Total syndicated and direct loans .....</b>	<b>2,691</b>	<b>100.0</b>	<b>2,510</b>	<b>100.0</b>	<b>2,952</b>	<b>100.0</b>

### Portfolio currency and interest rate breakdown

APICORP's loans are principally denominated in U.S. dollars although it also has a small amount of loans denominated in Saudi Arabian riyal. Almost all of APICORP's loans bear interest at floating rates of interest that reprice within one year or less.

The table below shows the weighted average effective interest rates of the Group's syndicated and direct loans at 31 December in each of 2014, 2015 and 2016.

	At 31 December		
	2014	2015	2016
	(per cent.)		
Syndicated and direct loans .....	1.67	1.88	2.58
U.S. dollar denominated .....	1.67	1.89	2.56
Other currencies .....	1.78	-	3.52

## Portfolio maturity breakdown

The table below shows a maturity profile of APICORP's direct and syndicated loans at 31 December 2016.

	Up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	Total
Syndicated and direct loans ( <i>U.S.\$ million</i> ).....	149	354	1,434	1,015	2,952
Syndicated and direct loans ( <i>per cent.</i> ).....	5.0	12.0	48.6	34.4	100.0

## COMMITMENTS TO LEND AND GUARANTEES

At any time, APICORP has significant commitments to advance funds under loan agreements that it has entered into. In addition, APICORP provides guarantees of bank loans to its investee companies. See note 11 to the 2016 Financial Statements.

The table below shows the movements on APICORP's undrawn loan commitments and guarantees during each of 2014, 2015 and 2016.

	2014	2015	2016
	<i>(U.S.\$ million)</i>		
Undrawn loan commitments and guarantees at 1 January.....	652	710	714
Additional underwriting and commitments during the year.....	1,265	1,148	2,112
Drawdowns during the year.....	(843)	(850)	(1,128)
Expired commitments and other movements, net.....	(364)	(294)	(765)
<b>Undrawn loan commitments and guarantees at 31 December.....</b>	<b>710</b>	<b>714</b>	<b>933</b>

## Direct equity investments

### Introduction

The Investments business line invests directly in private and public companies and/or indirectly in such companies through an investment in funds. The private companies invested in are required to operate in the oil and gas industries, and in other industries derived from, ancillary to, associated with and/or complementary to, the oil and gas industry. Priority is given to Arab joint ventures which benefit OAPEC Member States and enhance their capability to utilise their petroleum resources.

As of 31 December 2016, APICORP's direct equity investment portfolio comprises 16 investments in companies, two capital commitments in funds and an equity interest in a shipping fund. 15 of the investments in companies are in companies located in seven Arab countries: five in Saudi Arabia, four in Egypt, two in Libya and one each in Bahrain, Iraq, Tunisia and the UAE. The remaining investment is in a company located in the United Kingdom. The portfolio includes investments in six petrochemical companies; four oil and gas fields services ("**OFS**") companies; one liquefied petroleum gas ("**LPG**") extraction company; one engineering products manufacturer; one fertiliser manufacturing facility, one petroleum products storage company, one cement manufacturer and one services provider to the sub-sea and onshore environmental monitoring and inspection sectors.

During the first quarter of 2017, APICORP entered into an agreement with Goldman Sachs for the creation of an investment partnership vehicle aimed at pursuing global energy co-investments. Goldman, Sachs & Co., through its Merchant Banking Division, will act as Investment Manager for the investment partnership vehicle, which is to make private equity co-investments in a diversified, global portfolio of energy assets, alongside Goldman Sachs' West Street Capital Partners VII funds. This investment partnership entails a commitment of U.S.\$500 million over a five year period. APICORP completed the first investment of U.S.\$26.5 million under this partnership in a leading oil field services company in North America.

During the same period, APICORP also signed a sale and purchase agreement to acquire an indirect minority stake in Shuqaiq Independent Water & Power Project ("**Shuqaiq IWPP**"). Under the terms of the agreement, which is subject to the satisfaction of conditions precedent (including certain consents), APICORP shall purchase a 13.33 per cent. equity stake in Shuqaiq International Water Company, thereby obtaining an effective 8 per cent. stake in Shuqaiq IWPP. The project is located 130 kilometres north of

Jazan, Saudi Arabia, and has the capacity to generate 850 megawatts of power and 212,000 cubic meters of desalinated water per day. The project's commercial operations commenced in 2011 under a 20-year power and water purchase agreement with Water & Electricity Company, Saudi Arabia.

In addition to direct equity investments, APICORP has also executed subscription agreements and committed capital to invest in Powervest Fund and IFC MENA Fund, as discussed further under "*Direct equity investment portfolio*" below. APICORP's commitment to the Powervest Fund is to the extent of 31.5 per cent. of the total fund value. The total value of the fund when fully invested will be U.S.\$159 million.

APICORP also has a 94 per cent. equity interest in APICORP Petroleum Shipping Fund ("**APSF**"), an investment vehicle that owns five medium range petroleum products tankers that are being leased, on a bareboat basis, to an international trading company. APSF's financials are consolidated in APICORP's financial statements.

The investments portfolio contributes to APICORP's objectives of developing the hydrocarbon and energy industries in the MENA region. The total fair value of APICORP's investments portfolio was U.S.\$987 million at 31 December 2016. This portfolio generated dividend income of U.S.\$57 million for APICORP in 2016, equal to 43.5 per cent. of APICORP's total income in that year.

### ***Investment criteria***

APICORP typically invests in meaningful minority stakes when making direct equity investments and acts in a fiduciary and advisory capacity through board representation. APICORP typically does not exercise significant direct influence over the management or operations of its investee companies.

The investment guidelines for equity investments for APICORP include:

- a targeted minimum level of dividend yield to be maintained in the overall equity investment portfolio;
- the targeting of investments in the hydrocarbon sector as well as in industries derived from, ancillary to, associated with, and/or complementary to, this sector. The guidelines also make allowance for a limited level of investment outside these sectors;
- the prioritisation of investments in the OAPEC Member States, the MENA region and investments with an Arab connection, with specific allowance for investments beyond these criteria subject to adhering to specific requirements;
- the provision for direct equity investments and indirect equity investments through funds;
- guidance on the collective level of investments in companies at different stages of the business life cycle, with a specific limit on investments in the early stages of development;
- guidance on targeted investment return ranges;
- guidance on preferred investment size ranges and a limit on the maximum size of each new investment;
- guidance on the preferred level of shareholding and board representation;
- guidance on the preferred and maximum investment periods;
- guidance on qualitative and developmental factors to be considered; and
- guidance on the preferred types of partners in equity investments.

### Direct equity investment portfolio

The table below summarises APICORP's direct equity investments at 31 December 2016\*. All of the investees listed below are related parties.

Company	Paid-up capital	APICORP's share	Other major shareholders	Main activities
Arab Drilling and Workover Company (ADWOC), Libya	LD 60 million	20.00%	<ul style="list-style-type: none"> <li>Arab Petroleum Services Co. ("APSCO"), Libya</li> <li>First Energy Bank, Bahrain</li> </ul>	Drilling and related operations in the Arab world
Arab Company for Detergent Chemicals (ARADET), Iraq	ID 36 million	32.00%	<ul style="list-style-type: none"> <li>Government of the Republic of Iraq</li> <li>Government of the Kingdom of Saudi Arabia</li> <li>Government of the State of Kuwait</li> <li>Arab Mining Company, Amman, Jordan</li> <li>The Arab Investment Co., Saudi Arabia</li> </ul>	Production and marketing of linear alkyl benzene (LAB) and by-products
Tankage Mediterranee (TANKMED), Tunisia	TD 30 million	20.00%	<ul style="list-style-type: none"> <li>Tunisian Petro Enterprise</li> <li>National Oil Dist. Co.</li> <li>Bank of Tunisia/Saudi</li> <li>Bank of Tunisia/Kuwait</li> </ul>	Storage and handling of petroleum products at La Skhira terminal
Arab Geophysical Exploration Services Company (AGESCO), Libya	LD 35 million	16.67%	<ul style="list-style-type: none"> <li>APSCO, Libya</li> <li>National Oil Company, Libya</li> </ul>	Providing seismic services for the oil and gas industry in the Arab world
Saudi European Petrochemical Company (IBN ZAHR), Saudi Arabia	SR 1,025 million	10.00%	<ul style="list-style-type: none"> <li>Saudi Basic Industries Corp. ("SABIC"), Saudi Arabia</li> <li>Ecofuel, Italy</li> </ul>	Production and marketing of methyl tertiary butyl ether (MTBE) and polypropylene
The Arabian	SR 8,510	3.45%	<ul style="list-style-type: none"> <li>SABIC, Saudi</li> </ul>	Production and marketing

<b>Company</b>	<b>Paid-up capital</b>	<b>APICORP's share</b>	<b>Other major shareholders</b>	<b>Main activities</b>
Industrial Fibers Company (IBN RUSHD), Saudi Arabia	million		<ul style="list-style-type: none"> <li>• Arabia</li> <li>• Public Investments Fund ("<b>PIF</b>"), Saudi Arabia</li> </ul>	of aromatics, purified terephthalic acid (PTA) and polyester fibres
Alexandria Fiber Company (AFCO), Egypt	U.S.\$48.2 million	10.00%	<ul style="list-style-type: none"> <li>• Birla Group Companies</li> <li>• Sidi Kerir Petrochemical</li> <li>• Saudi Egyptian Industrial Investment Company</li> </ul>	Production and marketing of acrylic fibres
Yanbu National Petrochemical Company (YANSAB), Saudi Arabia	SR 5,625 million	1.32%	<ul style="list-style-type: none"> <li>• SABIC, Government of the Kingdom of Saudi Arabia</li> </ul>	Production and marketing of polyethylene, ethylene glycol, polypropylene and other by-products
Egyptian Methanex Methanol Company (EMethanex), Egypt	U.S.\$215 million	17.00%	<ul style="list-style-type: none"> <li>• Methanex Corporation, Canada</li> <li>• Egyptian Petrochemicals Holding Company (Echem), Egypt</li> <li>• Egyptian Natural Gas Holding Company ("<b>Egas</b>"), Egypt</li> <li>• Egyptian Natural Gas Company (EGASCO), Egypt</li> </ul>	Production and marketing of methanol
Misr Fertilizers Production Company (MOPCO), Egypt	LE 2,291 million	3.03%	<ul style="list-style-type: none"> <li>• Echem, Egypt</li> <li>• Agrium, Canada</li> <li>• National Investments Bank, Egypt</li> <li>• Egas, Egypt</li> <li>• EGASCO,</li> </ul>	Production and marketing of ammonia and urea



<b>Company</b>	<b>Paid-up capital</b>	<b>APICORP's share</b>	<b>Other major shareholders</b>	<b>Main activities</b>
			Egypt	
The Egyptian Bahraini Gas Derivative Company (EBGDCO), Egypt	U.S.\$25 million	20.00%	<ul style="list-style-type: none"> <li>Egas, Egypt</li> <li>Danagas, Bahrain</li> </ul>	Recovery and marketing of propane and butane
The Industrialization & Energy Services Company (TAQA), Saudi Arabia	SR 5 billion	5.88%	<ul style="list-style-type: none"> <li>PIF, Saudi Arabia</li> <li>General Organization for Social Insurance (GOSI), Saudi Arabia</li> </ul>	Drilling, OFS and related sectors (seismic processing, cementing, seamless pipe manufacturing, industrial gases)
NPS Holding Limited (NPS), United Arab Emirates	U.S.\$370 million	29.12%	<ul style="list-style-type: none"> <li>Fajr Capital</li> <li>Waha Capital</li> <li>Al Noowais Investments</li> </ul>	Well services and intervention, wireline logging, testing, drilling and work-over activities
Saudi Mechanical Industries Co. (SMI), Saudi Arabia	SR 250 million	15.0%	<ul style="list-style-type: none"> <li>Fajr Capital</li> <li>Jadwa Investment Company</li> </ul>	Industrial Manufacturing (oil and gas, water pump systems and engineering components)
IFC Middle East and North Africa Fund, LP	U.S.\$162.4** million	9.23%	<ul style="list-style-type: none"> <li>IFC Founder Partner, LLC</li> <li>Arab Fund for Economic and Social Development</li> <li>The Arab Investment Company</li> </ul>	Investment in equity, quasi-equity or equity-related investments in IFC's member countries in the MENA region
APICORP Petroleum Shipping Fund (APSF)	U.S.\$37.34 million	94%	<ul style="list-style-type: none"> <li>Tufton Oceanic (ME) Ltd</li> </ul>	An investment vehicle that owns five medium range petroleum products tankers
Falcon Cement Company B.S.C., Bahrain	U.S.\$41.9 million	30%	<ul style="list-style-type: none"> <li>Gulf Finance House (GFH)</li> <li>BCC Building Materials</li> <li>Abu Dhabi Financial Group (ADFG)</li> </ul>	Production and marketing of cement
Ashtead	GBP 27.9	35%	<ul style="list-style-type: none"> <li>Buckthorn</li> </ul>	Sub-sea equipment and

<b>Company</b>	<b>Paid-up capital</b>	<b>APICORP's share</b>	<b>Other major shareholders</b>	<b>Main activities</b>
Technology, United Kingdom	million		Partners LLP	services

\* Post 31 December 2016, APICORP acquired a stake in an oil field services company (through its co-investment partnership with Goldman Sachs) and separately signed a share purchase and sale agreement for an equity stake in Shuqaiq IWPP.

\*\* Total committed capital. At 31 December 2016, APICORP has invested U.S.\$3.1 million of its total share of U.S.\$15 million.

The table below summarises APICORP's direct equity investment portfolio at 31 December 2016.

<b>Country</b>	<b>Number of investments</b>	<b>Fair value at 31 December 2016</b>	<b>Percentage of portfolio</b>
	(U.S.\$ million)		(%)
Saudi Arabia .....	5	710	71.9
Egypt .....	4	122	12.4
UAE .....	1	107	10.9
Libya .....	2	3	0.3
Tunisia .....	1	3	0.3
Iraq .....	1	0	0.0
MENA* .....	1	3	0.3
Bahrain .....	1	26	2.6
United Kingdom .....	1	13	1.3
<b>Total</b> .....	<b>17**</b>	<b>987</b>	<b>100.0</b>

\* IFC MENA Fund

\*\* Excludes investment in APSF, whose financials are consolidated in APICORP's financial statements.

Each company in APICORP's direct equity investments portfolio has its own dividend policy, which is usually governed by the amount of the annual profit earned, the company's liquidity, its business growth plans and the policies and priorities of the majority shareholders.

### ***Exit strategy***

APICORP's Investment business line is responsible for identifying potential exit opportunities, assessing the feasibility and desirability of potential exits and recommending potential divestments to the appropriate decision making body in accordance with APICORP's approved authority matrix. In addition, the Investment business line is responsible for the effective execution of exit mandates in line with APICORP's investment guidelines.

Given its development mandate, APICORP's direct equity investments have typically been long-term and strategic in nature. For example, five of its current direct equity investments have been held for around 30 years and the average holding period in the direct equity investment portfolio is around 15 years.

### **Treasury and capital markets**

#### ***Introduction***

The T&CM business line's mandate is to:

- ensure that APICORP is adequately funded and that a diverse range of counterparties, products and maturity profiles are available at any given time. See further "*Funding and liquidity-Funding*" below;
- manage market risks proactively. See further "*Risk management-Market Risk Management*" below; and

- manage an investment portfolio with the aim of providing enhanced earnings not correlated to APICORP's other two main cyclical business lines.

At 31 December 2016, T&CM had assets of U.S.\$2,042 million. The total market value of investments in the fixed and floating income securities portfolio at 31 December 2016 amounted to U.S.\$1,117 million, and continued to be focused on strong credits with an average portfolio rating of 'A'. During 2016, T&CM activities earned gross income of U.S.\$43.0 million, equal to 32.8 per cent. of APICORP's total income in that year.

### ***Investment strategy***

T&CM operates out of two centres: APICORP's head office in Dammam and APICORP's branch in Bahrain. Both treasuries work closely together, and consider their operations as one, except to the extent that local regulation dictates otherwise.

APICORP's treasury investment strategy is conservative, targeting high quality assets and liquid investments aiming to provide a stable and reliable source of income throughout different economic and market conditions and un-correlated to the economic cycles inherent in the hydrocarbon-related Corporate Finance and Investment's business lines. T&CM's investment policy permits investments in three major asset classes, fixed and floating rate securities, funds, and equities.

The aim of this strategy is to enhance profitability by providing stable year-on-year returns over cost of funds and to manage APICORP's liquidity while remaining within defined risk parameters. The majority of the investment portfolio comprises fixed income securities which can either be sold or used to raise finance through sale and repurchase ("**repo**") transactions if necessary.

The allocation of investments is mainly based on the performance outlook of each asset class, taking into account liquidity considerations, which on occasion leads APICORP to re-adjust its asset mix to ensure that it maintains a conservative approach. T&CM endeavours to avoid significant volatility in its investment portfolio and focuses on capital preservation. Currently, the majority of the portfolio is in fixed and floating rate securities.

### ***Investment portfolio***

APICORP's investment portfolio is discussed further under "*Investments*" below.

## **FUNDING AND LIQUIDITY**

### **Funding**

APICORP actively manages a net funding requirement of approximately U.S.\$4 billion a year. To this end, it maintains an active relationship with counterparties across the GCC, Europe, the United States, Asia and Africa, although the bulk of its funding was sourced from the GCC in 2016. At 31 December 2016, corporates accounted for 27.9 per cent. of its funding, with financial institutions accounting for 69.4 per cent. and governments and their agencies accounting for 2.7 per cent.

APICORP's funding strategy relies on a mixture of shorter-term deposits and medium to longer-term borrowings. At 31 December 2016, deposits comprised 41.5 per cent. of APICORP's funding and borrowings comprised 58.5 per cent.

### ***Deposits***

APICORP's deposits are contractually short-term in nature and comprise a mix of conventional and Islamic bank deposits, deposits from corporate, shareholder deposits and repo deposits. At 31 December 2016, these deposits together totalled U.S.\$1,687 million, of which 89 per cent. were demand deposits or deposits with maturities of up to three months and 11 per cent. had maturities of more than three months. Notwithstanding the contractual maturities of the deposit portfolio, APICORP's experience is that a significant portion of the portfolio is sticky in nature, with around 25 government, corporate and bank depositors holding an average year end balance of approximately U.S.\$1.8 billion in aggregate over the period from 31 December 2014 to 31 December 2016. See "*Risk Factors—Factors that may affect APICORP's ability to fulfil its obligations under the Notes—APICORP is subject to liquidity risk which could materially adversely affect its results of operations*".

APICORP's deposit counterparty base includes a wide range of conventional and Islamic banks, companies, governments and government agencies.

The table below shows APICORP's deposits at 31 December in each of 2014, 2015 and 2016.

	At 31 December		
	2014	2015	2016
	<i>(U.S.\$ million)</i>		
Deposits from banks .....	215	172	287
Deposits from corporates .....	1,529	1,383	1,133
Deposits from shareholders .....	106	108	109
Repo deposits .....	178	-	158
<b>Total deposit funding</b> .....	<b>2,028</b>	<b>1,663</b>	<b>1,687</b>

<sup>(1)</sup> All deposit balances in the above table are shown at 31 December. Certain deposit balances fluctuate significantly during each year.

APICORP accepts deposits in a range of currencies. At 31 December 2016, 83.9 per cent. of its deposits were denominated in U.S. dollars, 10.5 per cent. were denominated in euro and the balance was denominated in other currencies.

The table below shows the weighted average effective interest rates of APICORP's deposits at 31 December in each of 2014, 2015 and 2016.

	At 31 December		
	2014	2015	2016
	<i>(per cent.)</i>		
Deposits from banks .....	0.75	1.08	1.55
Deposits from corporates .....	0.75	1.23	1.24
Deposits from shareholders .....	0.92	1.17	1.52
Repo deposits .....	0.95	-	1.88

### ***Borrowings***

At 31 December 2016, APICORP had six fully drawn bank term loans, two issues of debt securities and one issue of trust certificates outstanding.

	At 31 December		
	2014	2015	2016
	<i>(U.S.\$ million)</i>		
<b>Bank term loans</b>			
SAR 2.5 billion 2012-2015 .....	667	-	-
SAR 500 million 2012-2017 .....	133	133	133
SAR 440 million 2012-2017 .....	117	117	117
U.S.\$105 million 2012-2018 <sup>(1)</sup> .....	75	68	58
SAR 1 billion 2014-2019 .....	267	267	267
U.S.\$150 million 2014-2017 .....	150	150	150
SAR 3 billion 2014-2019 .....	-	800	800
Unamortised front-end fee .....	(5)	(9)	(5)
<b>Total bank term loans</b> .....	<b>1,404</b>	<b>1,526</b>	<b>1,520</b>
U.S.\$533 million bonds due 2015 .....	533	-	-
Unamortised front-end fee .....	(0)	-	-
U.S.\$300 million Floating Rate Notes due 2021 .....	-	-	300
Unamortised front-end fee .....	-	-	(0)
U.S.\$500 million sukuk due 2020 .....	-	485	490
Unamortised front-end fee .....	-	(1)	(2)
SAR250 million sukuk due 2019 .....	-	-	67
<b>Total borrowings</b> .....	<b>1,937</b>	<b>2,010</b>	<b>2,375</b>

Notes:

<sup>(1)</sup> Borrowed through a subsidiary.

All of APICORP's borrowings are denominated in U.S dollars or Saudi riyal (which is pegged to the U.S dollar at a rate of U.S.\$1.00 to SAR 3.75).

The table below shows the weighted average effective interest rates of APICORP's borrowings at 31 December in each of 2014, 2015 and 2016.

	At 31 December		
	2014	2015	2016
	<i>(per cent.)</i>		
Bank term financing .....	1.43	2.09	3.06
Bonds issued .....	2.02	-	-
Sukuk Bonds .....	-	2.51	3.16

APICORP's borrowings contain the following financial covenants:

- the ratio of total shareholders' funds to total assets must at all times be 16.67 per cent. or higher; and
- total shareholders' funds must at all times be higher than U.S.\$800 million for the bank financing.

APICORP's total shareholders funds amounted to U.S.\$2,003 million at 31 December 2016 and the ratio of total shareholders' funds to total assets at that date was 32.6 per cent.

### Liquidity

APICORP's liquidity is measured as its cash and placements with banks. The table below shows APICORP's liquidity at 31 December in each of 2014, 2015 and 2016.

	At 31 December		
	2014	2015	2016
	<i>(U.S.\$ million)</i>		
Placements with Islamic financial institutions .....	328	292	320
Placements with conventional financial institutions .....	562	648	491
Reverse purchase agreements <sup>(1)</sup> .....	25	26	-
Margin call accounts on securities sold under agreement to repurchase .....	3	6	6
<b>Total placements with banks</b> .....	<b>918</b>	<b>972</b>	<b>817</b>
Cash .....	65	23	22
<b>Total liquidity</b> .....	<b>983</b>	<b>995</b>	<b>839</b>

Notes:

<sup>(1)</sup> APICORP uses repo and reverse repo transactions principally as a short-term cash management tool. Any fluctuations shown simply reflect balance sheet requirements over reporting dates.

At 31 December 2016, 84.1 per cent. of APICORP's bank placements were with institutions that were rated AAA to A and 6.1 per cent. were with institutions that were rated BBB to BB. The remaining placements were with institutions that were not rated.

### INVESTMENTS

APICORP's T&CM business line is mandated to manage an investment portfolio with the aim of providing enhanced earnings not correlated to APICORP's other two main cyclical business lines. This investment portfolio principally comprises fixed and floating rate bonds, which comprised approximately 92.8 per cent. of the portfolio for 2016. Managed funds make up the balance of the portfolio. All of the securities within the portfolio were classified as available for sale for accounting purposes at 31 December 2016.

Currently, 7.2 per cent. of the investment portfolio is managed by an external fund manager. It is APICORP's intention over time to increase the externally managed proportion of the investment portfolio to between 40 and 50 per cent.

### Portfolio breakdown by security type

The table below shows a breakdown of APICORP's available for sale investment portfolio at 31 December in each of 2014, 2015 and 2016.

	At 31 December					
	2014		2015		2016	
	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)
Fixed rate bonds.....	854	72.3	682	63.8	924	76.8
Floating rate bonds .....	241	20.4	210	19.6	193	16.0
Structured notes .....	30	2.5	-	-	-	-
Managed funds.....	23	2.0	177	16.6	87	7.2
Listed equities.....	33	2.8	-	-	-	-
<b>Total available for sale investments.....</b>	<b>1,181</b>	<b>100.0</b>	<b>1,069</b>	<b>100.0</b>	<b>1,204</b>	<b>100.0</b>

APICORP uses a portion of the securities within the portfolio as collateral for repo-based financing transactions. At 31 December 2016, securities with a fair value of U.S.\$ 189 million had been pledged as collateral for these transactions.

### Portfolio maturity breakdown

The table below shows a maturity profile of APICORP's available for sale securities at 31 December 2016.

	Up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	Total
Available for sale securities (U.S.\$ million) .....	63	83	622	436	1,204
Available for sale securities (per cent.).....	5.2	6.9	51.7	36.2	100.0

### Fixed income portfolio

APICORP principally invests its liquidity in a portfolio of fixed and floating rate securities, although a small proportion is also invested in structured notes, funds and equities. APICORP's structured notes, which all matured in 2015, did not bear interest. At 31 December 2016, APICORP's fixed income portfolio had an average credit rating of 'A'. The average rating is the weighted average rating of securities in the portfolio.

APICORP's fixed income portfolio principally comprises debt securities issued by financial institutions and governments and public sector bodies. The remaining securities are principally invested within the petroleum and energy sector.

### Ratings classification of fixed income portfolio

The table below shows the ratings classification by issuer type of APICORP's fixed income securities portfolio at 31 December in each of 2014, 2015 and 2016.

	At 31 December					
	2014		2015		2016	
	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)
<b>Rated AAA to A</b> .....	<b>925</b>	<b>82.2</b>	<b>658</b>	<b>73.7</b>	<b>718</b>	<b>64.3</b>
Of which:						
Financial institutions .....	636	56.5	343	38.4	299	26.8
Governments and public sector .....	114	10.1	155	17.3	140	12.5
Other .....	175	15.6	160	18.0	279	25.0
<b>Rated BBB to B</b> .....	<b>200</b>	<b>17.8</b>	<b>189</b>	<b>21.2</b>	<b>352</b>	<b>31.5</b>
Of which:						
Financial institutions .....	138	12.3	131	14.7	160	14.3
Governments and public sector .....	62	5.5	58	6.5	109	9.8
Other .....	—	—	—	—	83	7.4
<b>Not rated available-for-sale investments</b> .....	<b>—</b>	<b>—</b>	<b>45</b>	<b>5.1</b>	<b>47</b>	<b>4.2</b>
<b>Total fixed income available for sale Investments</b> .....	<b>1,125</b>	<b>100.0</b>	<b>892</b>	<b>100.0</b>	<b>1,117</b>	<b>100.0</b>

### *Geographical concentration of fixed income portfolio*

APICORP's fixed income securities portfolio principally comprises debt securities issued by Arab world issuers. The table below shows the geographical location of the issuers within APICORP's fixed income securities portfolio at 31 December in each of 2014, 2015 and 2016.

	At 31 December					
	2014		2015		2016	
	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)	(U.S.\$ million)	(per cent.)
Saudi Arabia .....	235	20.9	177	19.9	213	19.1
Qatar .....	152	13.5	110	12.3	106	9.5
Other GCC states .....	571	50.8	469	52.6	524	46.9
<b>Total GCC</b> .....	<b>958</b>	<b>85.2</b>	<b>756</b>	<b>84.8</b>	<b>843</b>	<b>75.5</b>
Europe .....	75	6.6	45	5.0	65	5.8
Asia Pacific .....	-	-	-	-	8	0.7
United States .....	92	8.2	91	10.2	201	18.0
<b>Total fixed income available for sale investments</b> .....	<b>1,125</b>	<b>100.0</b>	<b>892</b>	<b>100.0</b>	<b>1,117</b>	<b>100.0</b>

### *Sectoral breakdown of fixed income portfolio*

The table below shows the sectoral breakdown of APICORP's fixed income available for sale securities portfolio at 31 December in each of 2014, 2015 and 2016.

	2014	2015	2016
	(U.S.\$ million)		
Oilfield production development services .....	27	5	22
LNG plants .....	37	37	-
Petroleum and petrochemicals .....	45	-	-
Power generation .....	70	69	7
Marine Transportation .....	-	45	60
Banks and financial institutions .....	688	460	469
Governments and public sector .....	210	226	303
Other industries .....	48	50	256
<b>Total</b> .....	<b>1,125</b>	<b>892</b>	<b>1,117</b>

### ***Interest rate structure of fixed income portfolio***

The table below shows the weighted average effective interest rates of the Group's fixed income securities portfolio at 31 December in each of 2014, 2015 and 2016.

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(per cent.)</i>		
Fixed rate bonds.....	4.59	4.85	4.60
Floating rate bonds .....	1.08	1.89	3.10

### ***Fair value determination***

All of APICORP's available for sale securities have fair values that are determined using quoted prices on active markets.

### **CAPITAL ADEQUACY**

APICORP's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain its future development of its business. APICORP recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. APICORP monitors and manages its capital based on the capital adequacy ratios prescribed by the Basel Committee (Basel II) and also voluntarily complies with certain Basel III requirements. APICORP's capital adequacy at 31 December 2016 based on qualifying capital to total risk weighted exposure was 27.6 per cent.

APICORP's capital adequacy at 31 December 2014, 2015 and 2016 are set out in the table below.

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(U.S.\$ million, except ratios)</i>		
<b>Risk weighted exposures</b>			
On balance sheet assets.....	5,147	4,819	5,283
Off balance sheet exposures .....	275	889	964
Total risk weighted exposures.....	5,422	5,708	6,247
<b>Capital adequacy</b>			
Tier 1 capital <sup>(1)</sup> .....	1,313	1,420	1,473
Tier 2 capital <sup>(2)</sup> .....	251	216	249
Qualifying capital .....	1,564	1,636	1,722
Total capital adequacy ratio.....	28.8%	28.7%	27.6%
Tier 1 capital ratio.....	24.2%	24.9%	23.6%

Notes:

<sup>(1)</sup> Comprises share capital, legal and general reserves and retained earnings.

<sup>(2)</sup> Comprises investments fair value reserve and collective impairment allowance.

### **RELATED PARTIES TRANSACTIONS**

APICORP's principal related parties are its shareholders. Although APICORP 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 made by APICORP to related parties are made at prevailing market interest rates and are 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 APICORP may, or may not, be a leader. No loans to related parties were written off in 2014, 2015 or 2016.



The table below summarises APICORP's related party loans, direct equity investments in related parties and deposits from related parties at 31 December in each of 2014, 2015 and 2016.

	<b>At 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(U.S.\$ million)</i>		
<b>Loans to related parties</b>			
Loans outstanding (gross).....	1,857	1,830	2,265
Allowance for specific impairments.....	(22)	(23)	(19)
Dividends due to Iraq government.....	(41)	(41)	(46)
Loan commitments.....	499	445	525
<b>Direct equity investments in related parties</b>			
Investments.....	866	923	987
Commitments to invest.....	5	95	73
Guarantees as shareholder.....	19	13	11
<b>Deposits</b>			
Deposits from corporates.....	692	997	1,134
Deposits from shareholders.....	106	107	109

The table below summarises APICORP's interest and dividend income received from, and interest expense paid to, related parties in each of 2014, 2015 and 2016.

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(U.S.\$ million)</i>		
<b>Loans to related parties</b>			
Interest received.....	26	37	44
Loan fees received.....	3	13	6
Allowance for specific impairment.....	(8)	(5)	(6)
<b>Direct equity investments in related parties</b>			
Dividends received.....	91	86	58
<b>Deposits</b>			
Interest expense.....	(7)	(7)	(16)

## COMPETITION

APICORP's primary competition is from regional, international and development banks which have recognised expertise in project finance, ship finance, structured commodity finance as well as the financing of energy projects and energy trade in the MENA region. However, in many cases competitors on certain deals are also partners on other deals leading to competitive partnership. APICORP is also increasingly facing competition from local banks in their own jurisdictions which have established expertise in the project financing area and are prepared to support aggressively their national champions and landmark projects. These banks also benefit from the ability to fund themselves with low cost retail deposits in their local currency. This competition directly impacts the ability of APICORP to win advisory and structuring mandates and also affects the pricing of transactions, particularly at times where there is significant market liquidity. This competition may also lead to certain transactions being structured in a more aggressive manner than APICORP considers appropriate in light of the risks involved.

With regard to direct equity investments, APICORP's competition includes investment funds and private equity companies, large family holding companies with growing interest in the oil and gas industry, and energy project developers.

See generally "*Risk Factors—Factors that may affect APICORP's ability to fulfil its obligations under the Notes—APICORP faces significant and increasing competition*".

## **COMPLIANCE**

APICORP is committed to building and maintaining a culture of ethical behaviour, corporate governance and regulatory compliance. APICORP's compliance function is independent from its business activities. Among other matters, the compliance function is responsible for:

- determining the internal measures and procedures needed to comply with applicable laws, regulations, procedures and internal standards and providing appropriate guidance to employees in this respect;
- monitoring adherence to all applicable laws, regulations, procedures and internal standards either directly or by delegating this responsibility to other clearly identified departments or persons as part of APICORP's internal control process;
- assisting management in ensuring that all activities are conducted in conformity with all applicable requirements; and
- assessing the appropriateness of APICORP's compliance-related guidelines and, where necessary, proposing amendments.

APICORP seeks to ensure that it maintains full compliance with all applicable laws and regulations (including those promulgated by the U.S. Office of Foreign Assets Control, the European Union and the United Nations). APICORP aims to achieve compliance through internal polices, including its compliance charter, which is approved by senior management and the Board.

Effective anti-money laundering ("AML") and know your customer ("KYC") procedures form a fundamental part of APICORP's internal control regime. APICORP has an AML and KYC policy to assist it in its AML and KYC activities and in combating the financing of terrorism activities ("CFT"). This policy follows the AML/KYC/CFT guidelines and rules of the Central Bank of Bahrain, which governs APICORP's Branch in Bahrain. Ongoing KYC, AML and sanctions training is provided to all of APICORP's employees on a regular basis.

## **INTERNAL AUDIT**

APICORP has engaged KPMG to conduct the internal audit of all of its activities. KPMG reports its findings to the Board Audit and Risk Committee.

## **INFORMATION TECHNOLOGY**

APICORP uses IT to support the delivery of its business strategy. APICORP uses market leading software solutions for its financial services and enterprise resource planning to provide services to its business and to respond to new trends in business strategies as they arise. APICORP deals with a range of hardware and software partners as well as outsourcing vendors to achieve its long-term strategic IT vision, which is to ensure that the IT services that it delivers are reliable, secure and business aligned.

APICORP has a data centre with appropriate redundancy levels, high availability and a managed virtualised environment. It has also established a disaster recovery site which is in replication with the main data centre for all mission critical applications.

## **RISK MANAGEMENT**

### **INTRODUCTION**

The role of risk management is to understand, measure and manage risk in all aspects of APICORP's business. APICORP aims to embed a risk management culture in all of its business processes and to ensure that a risk management culture is adopted throughout the organisation. Accordingly, APICORP seeks to continually improve its risk management in line with industry standards and Central Bank of Bahrain guidelines and by investing in the right people and systems.

APICORP's risk management framework is focused on fully integrating enterprise-wide risk management into its operations and culture. The risk management structure covers credit risk, market risk, liquidity risk, operational risk and compliance. APICORP seeks to ensure that risks are proactively identified and managed and it aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on its financial performance.

APICORP's risk management policies are established to identify and analyse the risks which it faces, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. APICORP's risk management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and the products and services offered. APICORP, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES**

The Board has overall responsibility for the establishment and oversight of APICORP's risk management framework. The Board has established a Board Audit and Risk committee, which is responsible for developing and monitoring APICORP's risk management policies. In addition, the same committee oversees how management monitors compliance with APICORP's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by APICORP. The Board Audit and Risk committee is assisted in its oversight role by APICORP's internal audit function, which undertakes both regular and *ad hoc* reviews of risk management controls and procedures.

The Risk and ALCO Committee, which is a management level committee, is responsible for developing and monitoring APICORP's risk management policies to maintain effective oversight of the key risks faced. Risk management policies have been established to identify and analyse the risks faced by APICORP; set appropriate risk limits and controls; and monitor risks and adherence to limits. APICORP's risk management policies and systems are reviewed regularly to reflect changes in market conditions and APICORP's activities. APICORP is focusing on integrating risk management functions with its business lines and aims to develop a disciplined and integrated control environment that can optimise its risk-reward profile.

For a further discussion of APICORP's Board and management committees, see "*Management and Employees – Management*".

APICORP's Risk Management Department is responsible for ensuring and maintaining effective enterprise-wide risk management, as contained in APICORP's Risk Charter; together with all risk management policies, risk exposure thresholds, rating models and related manuals.

### **CREDIT RISK MANAGEMENT**

#### **Introduction**

Credit risk is the risk that a borrower or counterparty will be unable or unwilling to meet a commitment that it has entered into with APICORP, causing a financial loss to APICORP. Credit risk principally arises from APICORP's direct and syndicated lending, bank placements and fixed income investments.

Credit evaluation of obligors and counterparties, a robust rating model, consultative approval procedures, transactional strengths and a risk-based pricing methodology help APICORP to manage its credit risk exposures effectively. Policies, procedures and limits have been established to control, monitor and manage all credit risks. APICORP's overall credit exposure is evaluated on an ongoing basis to ensure as

broad a diversification of credit risk as is possible, within the constraints of APICORP's mandate. Potential concentrations by country, product, industry sub-sector and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification.

### **Credit approval process**

All of APICORP's credit transactions undergo two levels of review before being proposed for Board approval, with interim approval being granted as a clearance to perform further due diligence. Final approval is only granted after detailed due diligence has been conducted and the results are considered satisfactory.

Applicants for direct credit are required to submit detailed information to APICORP, including relevant background information as well as specific information on their management, business model, major suppliers and customers and bank relationships and limits. In addition, APICORP typically requires audited financial statements for the last three years as well as current year financial information where available. The availability of sovereign guarantees and commitments and export credit agency cover are also key factors in the evaluation of a credit application.

Officers within APICORP's Corporate Finance business line conduct a financial analysis of the applicant, propose an internal credit grade and negotiate the key terms of the proposed facility with the applicant. They also conduct screening checks and undertake site visits. All credit applications are also reviewed independently by APICORP's Risk Management Department. Risk queries are discussed with the transaction team and the queries and their resolution are reflected in the credit application. Reference checks are made through market sources and intermediaries. Where appropriate, specialist consultants may be engaged to undertake technical, financial and/or legal due diligence. Once the credit application has been completed it and the accompanying risk review and any external due diligence reports obtained are submitted to the Credit and Investment Committee for review and approval.

Where APICORP is participating in a syndicated loan, APICORP typically receives and reviews the standard credit package submitted to all potential syndicate participants. APICORP's review process for syndicated loan participations does not materially differ from that for its direct lending.

In each case, once all internal review and validation steps have been completed, the application is submitted to the Credit and Investment Committee, a management level committee which makes an appropriate recommendation to the Board. The Board has the ultimate authority to sanction commitments.

APICORP's treasury activities, including its investments in fixed income securities and its bank placements, 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 stock exchanges. Dealings are only permitted with approved internationally rated banks, brokers and other counterparties. Securities portfolios and investing policies are reviewed from time to time by the Risk and ALCO Committee.

### **Credit rating and measurement**

APICORP's risk rating system is the basis for determining the credit risk of its asset portfolio and, therefore, appropriate asset pricing, the portfolio management strategy and loss provisions and reserves. The risk rating is also a key factor in credit approval.

APICORP's internal rating model considers multiple characteristics, including the strength of project sponsors, the relevant market and industry parameters and technical strengths of the borrower. In addition, transaction characteristics such as the security package, the political and legal environment and the financial strength of the borrower are also considered.

APICORP has adopted a five-tiered asset classification, being "Standard", "Watch List", "Substandard", "Doubtful" and "Loss" and grades its assets under 10 rating categories. Assets within the AAA to C rating band (that is, AAA, AA, A, BBB, BB, B and C) are considered to be performing assets and assets graded DDD, DD or D are considered to be non-performing assets.

APICORP's internal ratings also form the basis for its impairment provisioning in respect of individual assets.

The table below summarises APICORP's asset classification and grading model.

<b>Internal rating</b>	<b>Asset classification</b>	<b>Default indicator</b>	<b>Provision category</b>
AAA to B .....	Standard	No past due payments	Collective provision
C .....	Watch list	Past due payments of 90 days or less	Collective provision
DDD .....	Substandard	Past due payment of 180 days or less	Specific provision
DD .....	Doubtful	Past due payment of 360 days or less	Specific provision
D .....	Loss	Past due payment of more than 360 days	Specific provision

APICORP has recently adopted a risk-based pricing mechanism under which the allocation of capital for each loan is based on the loan's internal rating, in accordance with Basel guidance that riskier assets should require more capital. APICORP's loans are priced to derive an acceptable return on capital which means that higher pricing is applied to riskier loans.

### **Credit monitoring**

APICORP monitors its credit exposures on a regular basis as well as any external trends which may impact risk management outcomes. Internal risk management reports, containing information on key variables, portfolio delinquency and impairment performance, are presented to both the Risk and ALCO Committee and the Board Audit and Risk Committee. All exposures are monitored carefully for performance and reviewed formally on an annual basis or earlier. APICORP's policies mandate client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed proactively.

All non-performing accounts are monitored closely by the Corporate Finance, Finance and Risk Management Departments. These accounts are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement and exit of the account.

### **Credit mitigation**

APICORP seeks to mitigate potential credit losses from any given account, customer or portfolio using a range of tools, including taking collateral or guarantees in particular. The reliance that can be placed on these credit mitigation resources is carefully assessed taking into account their legal enforceability, the market value of any collateral and the counterparty risk of any guarantor.

APICORP accepts a range of collateral types, including receivables; fixed assets such as plant and machinery; marketable securities; commodities; bank guarantees; and LCs. Risk mitigation policies control the approval of different collateral types.

APICORP values its collateral in accordance with its risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

APICORP also takes out comprehensive non-payment insurance cover for certain exposures in non-investment grade countries based on transaction credit assessments.

## **LIQUIDITY RISK AND FUNDING MANAGEMENT**

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

APICORP's liquidity management policies are designed to ensure that even under adverse conditions, APICORP 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. APICORP seeks to maintain an adequate level of quality liquid assets to continuously support its liquidity needs. Well-diversified sources of funding are also maintained, and liquidity mismatches are monitored and managed on a proactive basis. APICORP adopted a new liquidity risk policy in 2015 in compliance with Basel III guidelines.

As part of liquidity management, APICORP also ensures availability of bank term financing at competitive rates at all times to meet its long-term funding requirements.

APICORP's daily liquidity position is monitored and regular stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All of APICORP's liquidity policies are subject to review and approval by the Risk and ALCO Committee. Liquidity controls are provided for an adequately diversified deposit base in terms of maturities and the range of counterparties. APICORP's asset and liability maturity profile, based on estimated repayment terms, is set out in note 27 to the 2016 Financial Statements.

## **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 APICORP'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 optimising the return on risk.

The majority of APICORP's available for sale investments (which are not actively traded) is in debt securities, with the minority in equity-related securities/funds. Treasury activities are controlled by the Risk and ALCO Committee and are also subject to a framework of Board-approved currency, industry and geographical limits and ratings by recognised rating agencies.

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

### **Interest rate risk**

APICORP's syndicated and direct loans and its funding are principally denominated in U.S. dollars and the interest rates for both are typically linked to U.S. dollar LIBOR. APICORP's exposure to interest rate fluctuations on certain financial assets and liabilities is also hedged by entering into interest rate swap agreements.

APICORP's exposure to interest rate risk is restricted by permitting only a limited mismatch between the re-pricing of the main components of its assets and liabilities. The re-pricing profile of APICORP's assets and liabilities at 31 December in each of 2015 and 2016 is set out in note 28 to the 2016 Financial Statements.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of APICORP'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 parallel fall or rise in all yield curves worldwide. An analysis of the sensitivity of APICORP's statement of income and equity at 31 December in each of 2015 and 2016 to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is set out in note 24 to the 2016 Financial Statements.

### **Currency risk**

Currency risk is minimised by conducting a regular review of exposures to currencies other than the U.S. dollar to ensure that no significant positions are taken which may expose APICORP to undue risks. Currently, APICORP does not trade in foreign exchange. APICORP's net currency exposures at 31 December in each of 2015 and 2016 are set out in note 29 to the 2016 Financial Statements. APICORP's exposures in currencies other than the U.S. dollar are also hedged by entering into forward contracts. An

analysis of the sensitivity of APICORP's statement of income to a 5 per cent. strengthening or a 5 per cent. weakening of U.S. dollar against major un-pegged foreign currencies at 31 December in each of 2015 and 2016 is set out in note 24 to the 2016 Financial Statements.

### **Equity price risk**

Equity price risk is the risk that APICORP's quoted equity investments will depreciate in value due to movements in their quoted equity prices. The Risk and ALCO Committee is responsible for managing equity price risk. Periodic listed equity price movements are reviewed by executive management and the Risk and ALCO Committee. APICORP considers that it has an insignificant exposure to listed equities.

### **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 APICORP's 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. APICORP's 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 and, as part of its overall business continuity planning, APICORP intends shortly to introduce crisis management communication guidelines to ensure that all appropriate initial steps are taken in relation to both internal and external stakeholders, such as customers, employees, regulators and counterparties, in the event of a crisis. In addition, an incident management system has been developed to report, assess and control operational risks across the organisation.

## MANAGEMENT AND EMPLOYEES

### MANAGEMENT

#### Introduction

APICORP's governing bodies include the General Assembly, the Board and its committees and the Office of the Chief Executive and General Manager. The Chief Executive and General Manager, appointed by the Board, is responsible for all the activities of APICORP under the supervision of the Board. The Chief Executive and General Manager is assisted by the Deputy Chief Executive and General Manager.

#### The Board

APICORP's Board comprises one director appointed by each of the OAPEC Member States. The Board elects its chairman. Membership of the Board is for a term of four years and may be renewed for any number of successive terms. The Board meets once every three months.

The members of the current Board are listed below. Members of the Board represent their respective country's interest in APICORP and, as shown in the table below, most Board members are in current leadership positions in their countries.

Name	Title	Principal occupation outside APICORP	Member State*
Dr. Aabed bin Abdulla Al-Saddoun .....	Chairman	Deputy Minister for Companies Affairs, Ministry of Petroleum & Minerals	Saudi Arabia
Mr. Khaled Amr Al-Gunsel	Deputy Chairman	General Manager, Libyan Arab Foreign Investment Company	Libya
ENG. Sherin Ahmed Mohamed.....	Member	Undersecretary for Planning and Technical Follow-up, Ministry of Petroleum	Egypt
Dr. Matar Hamed Al-Neyadi .....	Member	Undersecretary, Ministry of Energy	UAE
Shaikh Talal Naser A. Al-Sabah .....	Member	Assistant Undersecretary for Administration & Finance, Ministry of Oil	Kuwait
Husam Hussein Wali .....	Member	General Manager, South Refineries Company	Iraq
Mr. Ebrahim Ahmad Al-Mannai.....	Member	Manager, Management Accounting, Qatar Petroleum	Qatar
Mr. Farid Baka .....	Member	General Manager for Budget, Ministry of Finance	Algeria
Mr. Mahmood Hashim Al-Kooheji .....	Member	Chief Executive Officer, Bahrain Mumtalakat Holding Company	Bahrain

\* Due to the current political situation in Syria, no representative from Syria is assigned to APICORP's Board at the date of this Prospectus.

The address of each Board member is the registered office of APICORP at Dammam Coastal Road, Al Rakkah, Dammam, Saudi Arabia. There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to APICORP.



### ***Board committees***

APICORP has two Board level committees which are the Audit and Risk Committee and the Remuneration and Nomination Committee.

#### ***The Audit and Risk Committee***

The Audit and Risk Committee oversees APICORP's financial activities, internal control, corporate governance and risk governance. The Committee is responsible for oversight of APICORP's:

- financial activities and reporting system;
- internal controls and risk management framework;
- audit functions; and
- legal and compliance requirements.

The Audit and Risk Committee comprises Shaikh Talal Nasser A. Al-Sabah as Chairman, Dr. Matar Hamed Al-Neyadi (as Deputy Chairman) and Mr. Farid Baka and Mr. Ebrahim Ahmad Al-Mannai (as members).

#### ***The Remuneration and Nomination Committee***

The Remuneration and Nomination Committee has oversight responsibility relating to employee compensation and benefits. The Committee is responsible for:

- recommending appropriate remuneration and reward policies to the Board; and
- ensuring that human resources policies and practices are in line with applicable laws and regulations.

The Remuneration and Nomination Committee comprises Dr. Aabed bin Abdulla Al-Saddoun (as Chairman), Mr. Khaled Amr Al-Gunsel (as Deputy Chairman) and Shaikh Talal Naser A. Al-Sabah, Mr. Mahmood Hashim Al-Kooheji and Mr. Ebrahim Ahmad Al-Mannai (as members).

### ***Senior management***

The members of APICORP's senior management team are:

<b><u>Name</u></b>	<b><u>Title</u></b>
Dr. Ahmad Ali Attiga.....	Chief Executive and General Manager
Mr. Bennie Burger.....	Head of Corporate Strategy and Acting Head of Investments
Mr. Nicolas Thévenot.....	Head of Corporate Finance
Mr. Hesham Farid.....	Head of T&CM
Mr. Mohammed Suba'a .....	Acting Head of Finance
Mr. Ali Hassan Fadel.....	Head of Legal & Board Secretary
Mr. Ajay Kumar Jha.....	Head of Risk Management & Compliance
Mr. Mohammed Al-Mubarak .....	Head of Operations
Mr. Hamdi Bata .....	Head of Human Resources & Corporate Services
Mr. Mujtaba Al-Nedham .....	Acting Head of IT

The address of each member of senior management is the registered office of APICORP at Dammam Coastal Road, Al Rakkah, Dammam, Saudi Arabia. There are no potential conflicts of interest between the private interests or other duties of the members of senior management listed above and their duties to APICORP.

**Dr. Ahmed Ali Attiga** (Chief Executive and General Manager)

Dr. Attiga's career and experience span over 25 years in investment management, development finance, private equity, research and teaching. He has served at the Board of Executive Directors of the World Bank Group in Washington, D.C. as well as a Manager of a Private Equity fund for the State of Wisconsin in the United States of America. He also advised PIF on privatisation and restructuring strategies. In his early career, he held teaching and research positions at the University of Wisconsin-Madison and the Kuwait Institute for Scientific Research. He joined APICORP in April 2017.

Dr. Attiga is a board member of the Emirates Development Bank and has served on the Royal International Commission to evaluate Jordan's Privatization Program. He is a Trustee of the Al-Aman Fund for the Future of Orphans, chaired by Her Majesty Queen Rania Al-Abduallah, and a member of the Arab Thought Forum among many other various professional affiliations.

Dr. Attiga, holds three graduate degrees from the University of Wisconsin-Madison: a Ph.D. in Finance & Development, an MBA, and an M.S. in International Economies. He obtained his B.A. in Economics (*Summa cum laude*) from Kuwait University.

**Mr. Bennie Burger** (Head of Corporate Strategy and Acting Head of Investments)

Mr. Burger has 25 years' experience in the financial services industry. He previously held a wide range of roles at The Standard Bank (at various times between 1990 and 2007), most recently as Regional Director: Corporate and Investment Banking for Southern Africa and Sector Head for Construction and Infrastructure. Between 1998 and 1999 he was a Team Leader: Commercial Banking at BOE Bank and between 1999 and 2001 he was Associate Director: Corporate Banking at PSG Investment Bank. Between 2008 and 2012 he held various roles at Al Rajhi Bank and Al Rajhi Capital, most recently as Director and Head of Investment Banking between 2010 and 2012. Between 2013 and 2014 he was Chief Financial Officer at Alghaz Holding in Saudi Arabia. He joined APICORP in 2014.

Mr. Burger has Bachelor degrees in Agricultural and Business Economics and Business Administration and a Masters degree in Business Administration from the University of Stellenbosch and the University of Stellenbosch Business School.

**Mr. Nicolas Thévenot** (Head of Corporate Finance)

Mr. Thévenot has 24 years' experience in the financial services industry. He has previously worked at Credit Agricole Indosuez in a range of roles between 1992 and 2000, most recently as Vice President-Asset Based Finance/MENA (between 1998 and 2000). He joined APICORP in 2000 as head of the business group for North Africa and the Mediterranean basin in the department that handles the project finance, financial advisory and trade finance activities of APICORP ("**P&TF**"). In October 2004, he was appointed head of P&TF.

Mr. Thévenot has a Bachelor's degree and a Master's degree in Public Administration and Economics from l'Institut d'Etudes Politiques de Paris and a post graduate diploma in International Economics from the same institution.

**Mr. Hesham Farid** (Head of T&CM)

Mr. Farid has 31 years' experience in the financial services industry. He has previously been a credit officer at Misr Iran Development Bank (between 1984 and 1985) and he subsequently worked in a range of roles at Arab International Bank until 1996, most recently as Head of Fixed Income Investments (between 1990 and 1996). He joined APICORP in 1996. He was promoted to Acting Executive Vice President – Treasury & Capital Markets Department in 2009 and assumed his current position in June 2010.

Mr. Farid has a Bachelor's degree and a Master's degree in Business Administration, both from The American University in Cairo.

**Mr. Mohammed Suba'a** (Acting Head of Finance)

Mr. Mohammed Suba'a has 23 years' experience in the financial services industry. Prior to joining APICORP, he worked as Assistant Manager in the Finance Department of Al- Bank Al Saudi Al Fransi. He joined APICORP in 1994 as Syndicated Loans Officer. Since 2000, he has worked as Financial Accounting Manager and, in January 2017, he assumed his current position as Acting Head of Finance.

Mr. Suba'a has a Bachelor's degree in Science in Accounting from King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia. In addition, he holds an Executive Master of Business Administrations from the University of Bahrain and has completed a post graduate diploma in International Financial Reporting Standards from Ernst and Young Co.

**Mr. Ali Hassan Fadel** (Head of Legal & Board Secretary)

Mr. Fadel is a Solicitor of the Supreme Court of England and Wales. He is also a Certified Compliance Officer of the American Academy of Financial Management. Mr. Fadel practiced as an Advocate in Sudan between 1984 and 1993. He subsequently studied in London between 1994 and 1998 where he qualified as a Solicitor and he practiced as a Solicitor in London between 1999 and 2005. He joined APICORP in 2005.

Mr. Fadel graduated from the University of Khartoum with a Bachelor's degree in Law. Mr. Fadel also has a Master's degree in Commercial Law from the Queen Mary & Westfield College of the University of London and post graduate diplomas in English Law (Common Professional Examination) and in Legal Practice (Legal Practice Course) from the London Guildhall University.

**Mr. Ajay Kumar Jha** (Head of Risk Management & Compliance)

Mr. Jha has around 20 years' experience in the financial services industry. He has previously worked in a range of roles as follows: Loan Officer at TATA Finance Limited (1997 to 1999); Branch Manager at GE Capital, Indore (1999 to 2000); Regional Business Head, Mortgages at ICICI Bank, Kolkata (2001 to 2004); Assistant Vice President, Retail Banking at Citibank (2004 to 2008); Head-Credit & Risk Practice at Accenture (2008), Head of Risk at Amlak International Finance for Real Estate (2008 to 2009) and Head of Risk at Al Rahji Capital (2009 to 2014). He joined APICORP in 2014.

Mr. Jha has a Bachelors' degree in Chemistry from Delhi University and a Masters degree in Business Administration from the Institute of Management Studies, Indore, India.

**Mr. Mohammed Al-Mubarak** (Head of Operations)

Mr. Al-Mubarak has over 21 years' experience in the financial services industry. He previously worked at Banque Saudi Fransi between 1994 and 1998 in a range of roles, most recently as the Head of Nostro Cash Management in the Treasury Operations Department. He joined APICORP in 1998 and assumed his current position in 2010.

Mr. Al-Mubarak has an MBA degree from the University of Bahrain and a Bachelor's degree in Management from King Fahd University of Petroleum and Minerals, Saudi Arabia.

**Mr. Hamdi Bata** (Head of Human Resources & Corporate Services)

Mr. Bata has around 13 years' experience in human resources. He previously worked at La Roche College, Pittsburg, USA (between 2003 and 2009), most recently as Director of Academic Support (2006 to 2009), as a Managing Consultant for the Hay Group (between 2010 and 2013) and Head of Shared Services and Organisational Transformation at Castrol (between 2013 and 2015). He joined APICORP in 2015.

Mr. Bata has a Bachelor's degree in International Management and Information Systems and a Master's degree in Human Resource Management – Organisational Development & Change, both from La Roche College.

**Mr. Mujtaba Al-Nedham** (Acting Head of Information Technology)

Mr. Mujtaba has more than 12 years' experience in the IT Banking Sector relating to applications, business development and infrastructure. He previously worked at Riyadh Bank for a period of two years in a variety of roles on a development project for the bank. He joined APICORP in 2007 as System Analyst. In November 2016, he assumed his current position as Acting Head of Information Technology.

Mr. Mujtaba has a Bachelor's degree in Computer Science from King Fahad University of Petroleum and Minerals in Dahrhan, Saudi Arabia.

**Management committees**

APICORP has four management level committees.

*Executive Management Committee*

The Executive Management Committee's responsibilities include:

- reviewing and recommending APICORP's corporate strategy, annual budget, business plan, human resource policy and corporate governance policy;
- periodically reviewing APICORP's financial performance against its approved plan; and
- managing dispute solutions, crisis situations and key reputational risk events.

The Executive Management Committee comprises the Chief Executive and General Manager (as Chairman), the Deputy Chief Executive and General Manager, the Head of T&CM, the Head of Investments, the Head of Corporate Finance, the Head of Finance, the Head of Corporate Strategy, the Head of Risk Management & Compliance, the Head of Legal, the Head of IT, the Head of Operations, the Head of Energy Research and the Head of Human Resources & Corporate Services.

The committee met on a monthly basis during 2016.

*Credit and Investment Committee*

The Credit and Investment Committee's responsibilities include:

- reviewing and recommending new debt-related transactions, equity investment proposals, and direct investments and exit guidelines to the Board;
- reviewing renewals and extensions of existing credit facilities and non-performing credit facilities;
- ensuring compliance with credit policies and procedures, and direct investments and exit guidelines; and
- reviewing joint ventures, feasibility studies and due diligence reports.

The Credit and Investment Committee comprises the Chief Executive and General Manager (as Chairman), the Deputy Chief Executive and General Manager, the Head of Finance, the Head of T&CM, the Head of Corporate Finance, the Head of Investments, the Head of Corporate Strategy, the Head of Risk Management & Compliance and the Head of Energy Research.

The committee met more than 20 times in 2016.

*The Risk and ALCO Committee*

The Risk and ALCO Committee's responsibilities include:

- reviewing APICORP's funding strategy, external rating, asset and liability composition and maturity profile, capital structure, pricing policies and various financial ratios, including capital adequacy and cost of funding;

- reviewing and recommending risk management policies and procedures, internal rating models, asset liability management policy, liquidity policy and liquidity contingency policy and plan;
- recommending and reporting key risk parameters and positions to the Board Audit and Risk Committee;
- monitoring and reviewing all aspects of regulatory and legal compliance;
- performing oversight of market, interest and foreign exchange risks; and
- monitoring APICORP's liquidity position.

The Risk and ALCO Committee comprises the Chief Executive and General Manager (as Chairman), the Deputy Chief Executive and General Manager, the Head of Corporate Strategy, the Head of Investments, the Head of Corporate Finance, the Head of T&CM, the Head of Risk Management & Compliance and the Head of Finance.

The committee met seven times in 2016.

#### *Tender and Bid Committee*

The Tender and Bid Committee's responsibilities include:

- approving and awarding contracts within its approved budget and authority;
- reviewing and recommending tender and bid policies and procedures, including the vendor selection process;
- ensuring the development of clear guidelines for bidders;
- ensuring that ethical practices are followed and recorded; and
- facilitating purchase decisions within its authority.

The Tender and Bid Committee comprises the Head of T&CM (as Chairman), the Head of Finance, the Head of Risk Management & Compliance and the Head of Strategy.

The committee met 10 times in 2016.

## **EMPLOYEES**

At 31 December 2016, APICORP had 112 full time employees, compared with 118 at 31 December 2015 and 126 at 31 December 2014. APICORP embraces diversity and there are 18 different nationalities among its employees.

APICORP is a performance-driven organisation and this is reflected in its reward philosophy which links performance to rewards. APICORP pays competitive rates of remuneration and seeks to match best pay practices in the GCC markets. APICORP offers its employees a wide range of benefits, including housing and transportation allowances and annual air flight tickets to and from their countries of origin for employees and their families on a yearly basis. It also offers relocation packages, subscription allocations, premium health coverage, life insurance and different work life balance programmes. It pays employee-differentiated bonuses in accordance with performance scorecards, as well as paying above market average end of service benefits. APICORP also provides a comprehensive training and development programme for all its employees. APICORP completed 68 days of training in 2016.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date.

### **ROC Taxation**

The following is a general description of the principal ROC tax consequences for investors receiving interest in respect of, or disposing of, the Notes and is of a general nature based on the Issuers' understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and that the Notes will be issued, offered, sold and re-sold to professional investors as defined under Paragraph 1, Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC only. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Notes.

#### *Payments on the Notes*

As the Issuer of the Notes is not an ROC statutory tax withholder, there is no ROC withholding tax on any payment to be paid by the Issuer on the Notes.

Payments of interest under the Notes to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC-sourced income. However, such holder must include the interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax (the "AMT"), unless the sum of the interest and other non-ROC-sourced income received by such holder and the person(s) who is/are required to jointly file the tax return in a calendar year is below NT\$1 million. If the amount of the AMT exceeds the annual income tax calculated pursuant to the Taiwan Basic Income Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include any premium or accrual yield receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 17 per cent. (unless the total taxable income for a fiscal year is under \$120,000 New Taiwan Dollars), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

#### *Sale of the Notes*

In general, the sale of corporate bonds or financial bonds is subject to a 0.1 per cent. securities transaction tax (the "STT") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act of the ROC prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Notes will be subject to STT at 0.1 per cent. of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC individual and corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the ordinary income tax calculated pursuant to the Income Basic Tax Act (also known as the AMT Act), the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over 5 years to offset against capital gains of same category of income for the purpose of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to income tax on any capital gains generated from the sale of the Notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to income tax or AMT on any capital gains generated from the sale of the Notes.

## SUBSCRIPTION AND SALE

Bank of Taiwan, Capital Securities Corporation, Crédit Agricole Corporate and Investment Bank, Taipei Branch, SinoPac Securities Corporation, Taipei Fubon Commercial Bank Co., Ltd. and Yuanta Securities Co., Ltd. (collectively, the "**Managers**"), have, in a subscription agreement dated 13 October 2017 (the "**Subscription Agreement**") and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe the Notes at their issue price of 100 per cent. of their principal amount. The Issuer has also agreed to reimburse the Managers for certain of its expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### **United Kingdom**

Each of the Managers has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **United States of America**

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

Until 40 days after the commencement of any offering, an offer or sale of Notes within the United States by any of the Managers (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area (each, a "**Relevant Member State**"), each of the Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to



decide to purchase or subscribe for Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **Kingdom of Bahrain**

Each of the Managers has represented and agreed that it has not offered, and will not offer, Notes: (i) to the Public in the Kingdom of Bahrain except pursuant to the provisions of Articles 80-85 of the Central Bank of Bahrain and Financial Institutions Law; and (ii) except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each of the Managers has represented and agreed, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

Each of the Managers has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each of the Managers has represented and agreed that it will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws, regulations and ministerial guidelines of Japan.

### **Singapore**

Each of the Managers has acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the Securities

and Futures Act (Chapter 289 of Singapore) (the "SFA") pursuant to Section 274 of the SFA; or (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### **Hong Kong**

Each of the Managers has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"), other than: (i) to "**professional investors**" within the meaning of the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "CO") or which do not constitute an offer to the public within the meaning of the CO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" within the meaning of the SFO and any rules made under the SFO.

### **Malaysia**

Each of the Managers has represented and agreed that:

- (a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Market and Services Act 2007 of Malaysia (the "CSMA"); and
- (b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to

persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b), and Schedule 7 or Section 230(1)(b), and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CSMA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and the Managers are not responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 11 or Article 12 of the "**Offers of Securities Regulations**" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated 21 December 2016 (the "**KSA Regulations**"), made through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 11 of the KSA Regulations or by way of a limited offer under Article 12 of the KSA Regulations. Each of the Managers has represented and agreed that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 18 of the KSA Regulations places restrictions on secondary market activity with respect to the Notes, including as follows:

- (a) a Saudi Investor (referred to as a "**transferor**") who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:
  - (i) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;
  - (ii) the Notes are offered or sold to a sophisticated investor; or
  - (iii) the Notes are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;
- (b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;
- (c) if the requirement in paragraph (ii) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and
- (d) the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Notes.

### **State of Qatar (including the Qatar Financial Centre)**

Each of the Managers has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of

foreign securities in the State of Qatar (including the Qatar Financial Centre). This Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

## **Taiwan**

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1, Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC, which currently include the following three types of investors:

- (a) A "professional institutional investor" as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC, which currently includes: overseas or domestic (i) banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further defined in more detail in Paragraph 3 of Article 2 of the Organization Act of the Financial Supervisory Commission, (ii) fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the Securities Investment Trust and Consulting Act, the Future Trading Act or the Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognized by the Financial Supervisory Commission of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional institutional investor.
- (b) A legal entity or fund with total assets exceeding NT\$50,000,000 according to its most recent CPA-audited or reviewed financial report; and
- (c) A natural person having applied in writing to the securities firms for the status of professional investor who meets all of the following three criteria:
  - (i) He/she has provided a proof of financial capacity of at least NT\$30,000,000 or has made a single trade, the transaction amount of which is higher than NT\$3,000,000, his/her total assets and investments booked at and made through such securities firm are higher than NT\$15,000,000, and he/she has provided a statement certifying that the value of his/her total assets has exceeded NT\$30,000,000;
  - (ii) He/she has sufficient professional knowledge or trading experience in financial products; and
  - (iii) He/she fully understands that the securities firm is exempted from certain responsibilities towards professional investors in connection with bond trading activities and agreed to sign up as a professional investor.

Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

## **General**

Each of the Managers has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

## SETTLEMENT AND TRADING

### ROC Settlement and Trading

Investors with a securities book-entry account with an ROC securities broker and a foreign currency deposit account with an ROC bank, may request the approval of the Taiwan Depository & Clearing Corporation (the "TDCC") for the settlement of the Notes through the account of TDCC with Euroclear or Clearstream, Luxembourg and if such approval is granted by TDCC, the Notes may be so cleared and settled. In such circumstances, TDCC will allocate the respective book-entry interest of such investor in the Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEX as domestic bonds.

In addition, an investor may apply to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream, Luxembourg to the TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets.

For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders will actually receive such distributions may vary depending upon the daily operations of the ROC banks with which the holder has the foreign currency deposit account.

## GENERAL INFORMATION

### Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 23 September 2017.

### Listing of Notes

2. Application will be made to the TPEX for permission to deal in and for the listing of the Notes on the TPEX.

### Legal and Arbitration Proceedings

3. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

### Significant/Material Change

4. There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2017 and there has been no material adverse change in the prospects of the Issuer or of the Group since 31 December 2016.

### Auditors

5. The 2017 Interim Financial Statements have been reviewed by Deloitte Middle East. The Financial Statements have been audited without qualification by Deloitte Middle East.
6. Deloitte Middle East has conducted its review of the 2017 Interim Financial Statements in accordance with IAS 34 '*Interim Financial Reporting*' and the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in their review report incorporated by reference in this Prospectus. Deloitte Middle East has conducted its audits in respect of the Financial Statements in accordance with International Standards on Auditing issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board.
7. The Financial Statements are based on IFRS by the International Accounting Standards Board. The 2017 Interim Financial Statements have been prepared in accordance with IAS 34 '*Interim Financial Reporting*' and the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in their review report incorporated by reference in this Prospectus.
8. The business address of Deloitte Middle East is Al-Zamil Tower, Government Avenue, P.O. Box 421, Manama, Kingdom of Bahrain. Deloitte & Touche Middle East is registered with the Ministry of Industry and Commerce in Bahrain. Some of its professionals are members of the Bahrain Accountants Association and/or international professional bodies.

### Documents on Display

9. Copies of the following documents may be inspected during normal business hours at the offices of each of the Agents for as long as the Notes are outstanding:
  - (a) Transaction Documents;
  - (b) the Establishing Agreement;
  - (c) the Issuer's registration certificate number 2050003977 dated 5/11/1396H (corresponding to 29 October 1976);
  - (d) the audited consolidated financial statements of the Group as at and for the financial years ended 31 December 2016 and 31 December 2015 and the most recently published

unaudited condensed consolidated interim financial statements (if any) of the Group, in each case together with any audit or review reports prepared in connection therewith. The Group currently prepares unaudited condensed consolidated interim accounts for the first six months of each year;

- (e) this Prospectus; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements to this Prospectus and any other documents incorporated herein or therein.

**ISIN and Common Code**

- 10. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1697899083 and the common code is 169789908.
- 11. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

**Managers transacting with the Issuer**

- 12. The Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer (and its affiliates) in the ordinary course of business.

## **THE ISSUER**

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Kingdom of Saudi Arabia

## **REGISTRAR AND TRANSFER AGENT**

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England

## **FISCAL AGENT AND PAYING AGENT**

### **HSBC Bank plc**

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## **MANAGERS**

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### **Capital Securities Corporation**

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Taiwan (R.O.C.)

### **Crédit Agricole Corporate and Investment**

#### **Bank, Taipei Branch**

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### **SinoPac Securities Corporation**

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Taiwan (R.O.C.)

### **Taipei Fubon Commercial Bank Co., Ltd.**

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Taiwan (R.O.C.)

### **Yuanta Securities Co., Ltd.**

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## **LEGAL ADVISERS**

*To the Issuer as to English law*

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*To the Issuer as to ROC law*

**Lee and Li, Attorneys-at-Law**

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*To the Managers as to English law*

**Clifford Chance LLP**

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**AUDITORS TO THE ISSUER**

**Deloitte & Touche – Middle East**

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