

## IMPORTANT NOTICE

**THIS PROSPECTUS MAY NOT BE DISTRIBUTED, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, (THE "SECURITIES ACT")) OR ANY OTHER JURISDICTION IN WHICH IT WOULD BE UNLAWFUL TO DO SO.**

**IMPORTANT: You must read the following 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**") and/or the Managers (as defined below) as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended only for you and you agree you will not reproduce or publish this electronic transmission or forward the attached document to any other person.

**RESTRICTIONS:** NOTHING IN THIS DOCUMENT 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 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 OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATIONS 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 DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGERS AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE 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 SECURITIES LAWS OF OTHER JURISDICTIONS.

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 (A) 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 (AS AMENDED, THE "**ORDER**"), (B) 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 OR (C) TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE ORDER (ALL SUCH PERSONS IN (A), (B) AND (C) ABOVE TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THIS DOCUMENT 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 REGULATION (EU) 2017/1129 (THE "**PROSPECTUS REGULATION**") ("**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 THIS 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 LAWS 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 securities described therein, (i) each prospective investor in respect of the securities 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 securities 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 Crédit Agricole Corporate and Investment Bank, Taipei Branch, Fubon Securities Co., Ltd., HSBC Bank (Taiwan) Limited, KGI Securities Co. Ltd., Mega International Commercial Bank Co., Ltd., SinoPac Securities Corporation, Standard Chartered Bank (Taiwan) Limited, Taishin International Bank Co., Ltd. and Yuanta Securities Co., Ltd. as managers (together, the "**Managers**") and the Issuer 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 securities 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 securities described herein.

Neither the Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the document or for any statement made therein, in connection with the Issuer or the offer of the Notes (as defined in the document) (the "**Offer**"), or for any acts or omissions of the Issuer or any other person in connection with the Prospectus and the Offer. The Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the Prospectus or any such statement. No representation or warranty, express or implied, is made by any of the Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the Prospectus.

The Managers are acting exclusively for the Issuer and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of the Prospectus) as their client in relation to the Offer and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to herein.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this 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 this 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 securities described hererin are reminded that any subscription or purchase may only be made on the basis of the information contained in this Prospectus.

This 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 this 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.

**MIFID II product governance** – There are no manufacturers for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). Any person offering, selling or recommending the Notes (a "**distributor**") should consider (i) the target market for the Notes to be eligible counterparties and professional clients only, each as defined in MiFID II, and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients to be appropriate. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market) and determining appropriate distribution channels.



## ARAB PETROLEUM INVESTMENTS CORPORATION

### U.S.\$325,000,000 Floating Rate Notes due 2024

The issue price of the U.S.\$325,000,000 Floating Rate Notes due 2024 (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 4 December 2019 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 December 2024. The Notes will bear interest from 4 December 2019 at a rate of the sum of: (i) 0.90 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 March 2020. 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*".

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") for the purpose of giving information with regard to the issue of the Notes. The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin (the "**Euronext Dublin**"). Such an approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus nor as an endorsement of the quality of any Notes. Investors should make their own assessment as to the suitability of investing in such Notes. There can be no assurance that any such admission to trading will be obtained. Application has been made to the Euronext Dublin for the Notes to be admitted to the official list and trading on its regulated market. The regulated market of the Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "**MiFID II**").

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: (i) overseas or domestic 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) overseas or domestic fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Future Trading Act or the ROC 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 meeting all of the following three criteria and having applied in writing to the securities firms for the status of a professional investor: (i) its total assets exceeding NT\$50,000,000 according to its most recent CPA-audited or reviewed financial report, (ii) its authorized person doing the transaction has sufficient professional knowledge and trading experience in bonds, and (iii) it fully understands that the securities firm is exempted from certain responsibilities towards professional investors in connection with bond trading activities and agrees to sign up as a professional investor; 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.

This Prospectus is valid for 12 months. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply once the Notes are admitted to the official list and trading on the regulated market of the Euronext Dublin.

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*") 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 the denomination 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 and integral multiples of U.S.\$1,000 in excess thereof. 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*".

The Issuer has been assigned a long term rating of Aa2 (stable) by Moody's Deutschland GmbH ("**Moody's**"). The Notes are expected to be rated Aa2 by Moody's.

Moody's is established in the EU and is registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). 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>.

Amounts payable under the Notes are calculated by reference to the London Interbank Offered Rate ("**LIBOR**"), which is provided by ICE Benchmark Administrator Limited (the "**Administrator**"). As at the date of this Prospectus, the Administrator appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011).

**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**

Standard Chartered Bank (Taiwan) Limited

**Joint Bookrunners**

Crédit Agricole Corporate and  
Investment Bank, Taipei Branch

HSBC Bank (Taiwan) Limited

Standard Chartered Bank (Taiwan)  
Limited

**Managers**

Crédit Agricole Corporate and  
Investment Bank, Taipei Branch

Fubon Securities Co., Ltd.

HSBC Bank (Taiwan) Limited

KGI Securities Co. Ltd.

Mega International Commercial Bank  
Co., Ltd.

SinoPac Securities Corporation

Standard Chartered Bank (Taiwan)  
Limited

Taishin International Bank Co., Ltd.

Yuanta Securities Co., Ltd.

The date of this Prospectus is 25 November 2019

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

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 the Group*" (as indicated therein) has been extracted from independent, third party sources. The Issuer confirms that all third party information contained in this Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Prospectus is stated where such information appears in this Prospectus.

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.

None of the Issuer or 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 their respective affiliates have 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 or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Manager) in connection with the issue and offering of the Notes. 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.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### PRESENTATION OF GROUP FINANCIAL INFORMATION

The financial statements relating to the Group referred to in this Prospectus are as follows:

- (a) the unaudited condensed consolidated financial information of the Group as of 30 June 2019 and for the six-month period then ended, together with the notes thereto and the auditor's review report in respect thereof (the "**Interim Financial Statements**");

- (b) the audited consolidated financial statements of the Group as of 31 December 2018 and for the year then ended, together with the notes thereto and the audit report in respect thereof (the "**2018 Financial Statements**"); and
- (c) the audited consolidated financial statements of the Group as of 31 December 2017 and for the year then ended, together with the notes thereto and the audit report in respect thereof (the "**2017 Financial Statements**") and together with the 2018 Financial Statements, the "**Annual Financial Statements**").

The Interim Financial Statements and the Annual Financial Statements are together referred to as the "**Financial Statements**".

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (the "**IASB**") and interpretations issued by the International Financial Reporting Standards Interpretations Committee of the IASB (together, "**IFRS**"). The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The Annual Financial Statements have been audited by Deloitte & Touche – Middle East ("**Deloitte Middle East**") (which has conducted its audits in accordance with the International Standards on Auditing), as stated in each of its unqualified reports incorporated by reference in this Prospectus. The Interim Financial Statements have been reviewed by KPMG Fakhro ("**KPMG**") in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" who have issued an unqualified report on the Interim Financial Statements.

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

## **PRESENTATION OF OTHER INFORMATION**

In this Prospectus, references to:

- "**Establishing Agreement**" are to the establishing agreement and statute for APICORP dated 23 November 1975 to which the governments of the 10 OAPEC Member States are signatories;
- "**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;
- "**GCC**" are to the Gulf Co-Operation Council;
- the "**Group**" are to APICORP and its consolidated subsidiaries and associates;
- "**ID**" are to the lawful currency of Iraq;
- "**LD**" are to the lawful currency of Libya;
- "**LE**" are to the lawful currency of Egypt;
- a "**Member State**" are, unless the context does not permit, references to a Member State of the European Economic Area;
- "**MENA**" are to the Middle East and North Africa region;
- "**OAPEC**" are to Organization of Arab Petroleum Exporting Countries;
- "**OAPEC Member State**" are to each of the 10 member states of OAPEC, being the Democratic and Popular Republic of Algeria ("**Algeria**"), the Kingdom of Bahrain ("**Bahrain**"), the Arab Republic of Egypt ("**Egypt**"), the Republic of Iraq ("**Iraq**"), the State of Kuwait ("**Kuwait**"), the State of Libya ("**Libya**"), the State of Qatar ("**Qatar**"), the Kingdom of Saudi Arabia ("**Saudi Arabia**"), the Syrian Arab Republic ("**Syria**") and the United Arab Emirates (the "**UAE**");
- "**PRC**" are to the People's Republic of China;

- **"Relevant Jurisdictions"** means each of the Cayman Islands, the Kingdom of Saudi Arabia, Kuwait, the United Arab Emirates, Libya, Iraq, the State of Qatar, Algeria, Bahrain, Egypt and Syria;
- **"Renminbi"**, **"CNH"**, **"RMB"** and **"CNY"** are to the currency of the PRC;
- **"SR"** are to the lawful currency of the Kingdom of Saudi Arabia;
- **"TD"** are to the lawful currency of Tunisia; and
- **"U.S.\$"** or **"U.S. dollars"** are to the lawful currency of the United States.

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. Additionally, the figure "0" is used to indicate that a specific figure has been rounded to zero, whereas a dash indicates that there is no value for that column or row.

### 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 the Group"* 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 the Group"*, 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:

- the level of international oil and gas prices which are subject to significant fluctuations for reasons that are beyond APICORP's control;
- changes in political, social, legal or economic conditions in the markets in which APICORP and its investees operate;
- APICORP's ability to realise the benefits it expects from its existing and future investments; and
- APICORP's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and capital expenditures.

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*: Profit for the year of APICORP divided by total assets at the end of the year;
- *Return on equity*: Profit for the year of APICORP divided by total equity and non-controlling interests at the end of the year;
- *Return on paid up capital*: Profit for the year of APICORP divided by share capital at the end of the year;
- *Total capital adequacy ratio*: Calculated in accordance with Basel II requirements;
- *Tier 1 capital ratio*: Calculated in accordance with Basel II requirements; and
- *Ratio of total shareholders' funds to total assets*: Total equity attributable to shareholders of the corporation as at year end divided by total assets as at 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 any 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 pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and any 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 (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or any 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 the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and 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 or sold 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 Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in Qatar. The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

#### **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 Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representation 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.

#### **NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)**

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### **MIFID II PRODUCT GOVERNANCE**

There are no manufacturers for the purposes of MiFID II. Any person offering, selling or recommending the Notes (a "**distributor**") should consider (i) the target market for the Notes to be eligible counterparties and professional clients only, each as defined in MiFID II, and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients to be appropriate. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market) and determining appropriate distribution channels.

## CONTENTS

	Page
IMPORTANT NOTICES.....	i
RISK FACTORS .....	1
DOCUMENTS INCORPORATED BY REFERENCE .....	12
OVERVIEW .....	13
SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM.....	15
TERMS AND CONDITIONS OF THE NOTES .....	17
USE AND ESTIMATED NET AMOUNT OF PROCEEDS.....	30
DESCRIPTION OF THE GROUP.....	31
RISK MANAGEMENT .....	60
MANAGEMENT AND EMPLOYEES .....	67
TAXATION .....	74
SUBSCRIPTION AND SALE .....	77
SETTLEMENT AND TRADING.....	83
GENERAL INFORMATION .....	84

## RISK FACTORS

*APICORP believes that the following factors may affect its ability to fulfil its obligations in respect of the Notes. All of these factors are contingencies which may or may not occur and APICORP is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*If any of the risks described below actually materialise, APICORP and/or the Group's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to occur, the trading price of the Notes could decline and investors could lose all or part of their investment.*

*APICORP believes that the factors described below represent all the material risks inherent in investing in the Notes, but the inability of APICORP to pay periodic distribution amounts, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by APICORP based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

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

**The Group'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, which exposes it to significant economic and political risks**

The Group'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, the Group 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 between mid-2014 and the start of 2017, which is likely to adversely affect both its borrowers (as further described under "*The Group's business is concentrated on the oil and gas and energy sectors, which materially increases its economic risks*") and the economies of those of the OAPEC Member States which are heavily dependent on the hydrocarbon sector; and
- adverse political developments in or affecting any of the OAPEC Member States including, in particular, the GCC countries and Egypt (as further described under "*The Group's business is concentrated in geographical terms, which materially increases its political risks*").

Any one or more of these developments could materially negatively impact the business of the Group's equity investees or the ability of the Group's borrowers to pay interest or principal on their loans and could give rise to an increase in non-performing loans ("NPLs") in the Group's loan portfolio. This would in turn be likely to result in:

- an increase in the Group's impairment charges that could adversely affect its profitability;
- an adverse effect on the value of the equity investments which the Group has made which could negatively affect the Group's other comprehensive income and could also result in certain investments being impaired;
- an adverse effect on the ability of the Group's equity investee companies to pay dividends to the Group; and/or
- potentially material losses if the Group is forced to divest such investments.

Any of the foregoing could have a material adverse effect on the Group and the Issuer's ability to fulfil its obligations under the Notes.

**The Group's business is concentrated on the oil and gas and energy sectors, which materially increases its economic risks**

As at 31 December 2018, 90.9 per cent. of the Group's U.S.\$3.5 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 the Group's loan portfolio by sub-sector within these sectors is set out under "*Business Description—Business—Portfolio sector and sub-sector concentration*". In addition, 96.9 per cent. of the Group's U.S.\$1,002.0 million direct equity investments as at 31 December 2018 were in the oil and gas and energy sectors and, as at the same date, the Group also owned U.S.\$628.0 million in fair value through other comprehensive income ("FVTOCI") debt securities issued by entities in the oil and gas sector.

The oil and gas industry, in particular, has historically been 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 are likely to remain volatile in the future. This volatility can be illustrated using the OPEC reference basket price, which is a price based on the average of the prices of petroleum blends that are produced by OPEC member countries. According to data produced by OPEC, the average annual OPEC reference basket prices in 2015, 2016, 2017 and 2018 were U.S.\$49.49 per barrel, U.S.\$40.76 per barrel, U.S.\$52.43 per barrel and U.S.\$69.78 per barrel, respectively, compared to average annual OPEC reference basket prices of around U.S.\$100 in each of the four years preceding 2015.

Oil and gas 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, the United States and Russia;
- global and regional supply and demand dynamics, and expectations regarding future supply and demand, for oil and gas products;
- the ability of members of OPEC and other oil and gas 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 oil and gas producing or consuming countries;
- increased utilisation of renewable or other energy sources or the widespread adoption of technologies which reduce demand for oil and gas;
- global economic and political conditions; and
- global weather and environmental conditions.

The Group mainly invests in longer-term projects. Significant and sustained declines in international oil and gas prices could materially and adversely impact the economics of the projects being financed by the Group, which could result in the projects being restructured or, in extreme cases, becoming unviable. In all cases where there is a significant and sustained decline in oil and gas prices, the Group is likely:

- to experience reduced dividend income from its equity investee companies - for example the Group's dividend income from its available for sale direct equity investments fell from U.S.\$57.3 million in 2016 to U.S.\$35.3 million in 2017, though this increased to U.S.\$52.1 million in 2018; and/or
- to incur impairment losses on its lending to, and equity investments in, these projects, which could adversely affect its profitability, for example the Group increased its collective impairment charge relating to its direct and syndicated loans by U.S.\$10.6 million, or 77.9 per cent., in 2015 and it recorded specific impairment charges against its available for sale direct equity investments of U.S.\$5.0 million in 2015 and U.S.\$5.1 million in 2016;

In addition, the fair value of the Group'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. For example, in 2015 the net change in the fair value of the Group's available for sale investments (excluding direct equity investments) was a decline of U.S.\$20.5 million and the net change

in the fair value of the Group's available for sale direct equity investments was a decline of U.S.\$30.9 million. As a result, a substantial decline in the oil and gas prices could have a material adverse effect on the Group.

**The Group's business is concentrated in geographical terms, which materially increases its political risks**

As at 31 December 2018, 73.9 per cent. of the Group's U.S.\$3.5 billion direct and syndicated lending was to borrowers in the GCC countries and a further 11.7 per cent. was to borrowers in North Africa, principally Egypt. A geographical breakdown of the Group's loan portfolio is set out under "*Business Description—Business—Portfolio geographical concentration*". In addition, 78.5 per cent. of the Group's U.S.\$1,002.0 million direct equity investments (See "*Description of the Group—Business—Investments—Direct equity investment portfolio*") as at 31 December 2018 were in Arab world countries, with six out of a total of 15 direct equity investments in companies in Saudi Arabia, four in Egypt, two in Libya and one each in Bahrain, Iraq and Tunisia, as well as an indirect equity investment in the IFC Fund to invest in the MENA region. As at the same date, the Group also had U.S.\$741.3 million in FVTOCI 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 and 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 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. There is an ongoing civil war in Libya, with multiple sides claiming to be the legitimate government in the country. Conflict in Yemen has expanded into a multinational conflict, with GCC countries becoming involved in military operations against the Al Houthi militia. 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.

Diplomatic relations between GCC nations and Iran have also deteriorated with many GCC nations cutting full diplomatic ties and, in June 2017, three GCC countries, Saudi Arabia, the UAE and Bahrain, and two other regional countries, Egypt and Yemen, severed diplomatic ties with Qatar, cut transport links and imposed sanctions on Qatar. The stated rationale for these actions was Qatar's support of terrorist and extremist organisations and Qatar's interference in the internal affairs of other countries.

The Group does not have operations in any of the countries currently affected by armed conflict, except in Libya where it has a direct equity investment in Arab Drilling and Workover Company (20 per cent. of equity), which has been substantially impaired, and a direct equity investment in Arab Geophysical Exploration Services Company (16.7 per cent. of equity), which has been fully impaired. These investments together amount to less than 0.5 per cent. of APICORP's direct equity investment portfolio. See "*Description of the Group—Business—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. 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 the Group will be able to sustain the profitable operation of its business if adverse political events or circumstances that impact the countries in which it has significant investments occur. Due to the geographic concentration of its business, the Group is more exposed to such adverse changes than some of its competitors may be and there can be no assurance that the occurrence of any such adverse events in the regions in which the Group operates will not materially impact the Issuer's ability to fulfil its obligations under the Notes.

Investors should also note that the Group'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.

**The Group conducts a significant proportion of its business with related parties and has significant client concentrations**

The Group's principal related parties are its shareholders and the Group conducts a significant amount of business with companies that are controlled by its shareholders or over which its shareholders have significant influence and which are classified as related parties of the Group accordingly.

As at 31 December 2018, 67.8 per cent. of the Group's U.S.\$3.5 billion syndicated and direct loans outstanding were made to related parties. As at the same date, all of the Group's U.S.\$969.5 million direct equity investments were in entities that are related parties. In addition, 64.6 per cent. of the Group's U.S.\$819.4 million total deposits as at 31 December 2018 were from related parties.

Although it is the Group's policy that loans to related parties are made at prevailing market interest rates and subject to normal commercial negotiation as to terms and the Group applies defined criteria to making direct equity investments, no assurance can be given that the Group would not have obtained more favourable terms from loans to, or direct equity investments in, third parties. In addition, it is possible that the Group may, in the future, be influenced in its decision to advance a loan or make a direct equity investment in a related party by virtue of its relationship with the relevant shareholder which owns or significantly influences the prospective investee.

As at 31 December 2018, the Group's 10 largest loan exposures accounted for 34.2 per cent. of its lending portfolio. In addition to its credit exposure, the Group also had an equity investment in one of these clients. As a result, if any of these major clients is materially adversely affected, whether by low hydrocarbon prices, adverse economic or political conditions, or other factors, such that its ability to make payments to the Group is affected, this could result in a material increase in the Group's impairment charges and adversely affect its profitability and therefore have a material adverse effect on the Group.

**The Group is exposed to significant credit risk as a result of its lending activities and investments in fixed income securities**

As at 31 December 2018, the Group's syndicated and direct lending portfolio amounted to U.S.\$3,492.9 million, or 50.2 per cent. of its total assets, its investments in fixed income securities (net of provisions) amounted to U.S.\$1,299.1 million, or 18.7 per cent. of its total assets, and its commitments to underwrite and fund financings amounted to U.S.\$1,021.0 million, or 67.0 per cent. of its total off-balance sheet exposures.

Credit risk is the risk of financial loss to the Group 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 the Group's businesses. The Group regularly reviews and analyses its syndicated and direct lending portfolio and other credit risks, and the Group's provision for losses on its syndicated and direct lending portfolio is based on, among other things, its analysis of current and historical delinquency rates and financing management and the valuation of the underlying assets, as well as numerous other management assumptions. However, these internal analyses and assumptions may give rise to inaccurate predictions of credit performance, particularly in a volatile economic climate. See "*—The Group's risk management policies, systems and procedures may leave it exposed to unidentified or unanticipated risks*" below.

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 the Group operates. Given that the Group's lending activities and investments constitute a significant proportion of its assets, any of these factors could affect the recoverability and value of the Group's credit-related assets, result in an increase in NPLs and require an increase in impairment provisions, which could have a material adverse effect on the Group.

**A substantial increase in impairment provisions related to the Group's syndicated and direct lending or the occurrence of losses greater than the previously recorded impairment provisions in respect of such lending would have a material adverse effect on the Group**

In connection with its syndicated and direct lending, the Group periodically establishes impairment allowances for losses, which are recorded in its income statement as "impairment, net". The Group's overall level of impairment provisioning against its syndicated and direct lending is based upon its assessment of prior loss experience, the volume and type of financing advanced to its customers, the amount and type of collateral held, industry standards, ageing/past due financings, economic conditions in its borrowers' markets and other factors related to the recoverability of the financing. The Group seeks to make an appropriate level of provision for credit losses based on management's best estimate of the amount of loss expected to be incurred, however the Group may have to significantly increase its impairment provision

for credit losses in the future as a result of any increase in NPLs or adverse economic conditions leading to increases in customers defaults, or for other reasons.

On 1 January 2018, the Group adopted IFRS 9: Financial Instruments ("IFRS 9") which, among other things, introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The implementation of IFRS 9 on the Group's calculation of impairment allowances resulted in an increase in impairment charges to U.S.\$35.5 million as at 1 January 2018 and the Group expects that its provisions for credit losses are likely to become more volatile following the implementation of IFRS 9. The impact from the adoption of IFRS 9 as at 1 January 2018 has resulted in a decrease in retained earnings by U.S.\$11.4 million and fair value reserve by U.S.\$1.3 million which resulted from the reclassification of financial instrument. In addition, the impairment allowance transition arrangements under IFRS 9 resulted in a 0.6 per cent. reduction in the opening balance of the Group's equity as at 1 January 2018.

A significant increase in the Group's impairment charges or any change in its estimate of the risk of loss inherent in its syndicated and direct lending portfolio, as well as the occurrence of credit-related losses in excess of its impairment provisions, could have a material adverse effect on the Group in future periods.

### **The Group is subject to the risk that liquidity may not always be readily available**

Liquidity risk is the risk that the Group will not be able to meet its obligations, including funding commitments, 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.

The Group's funding principally comprises:

- term-borrowings from financial institutions, which amounted to U.S.\$1,438.6 million, and constituted 31.5 per cent. of its total funding, as at 31 December 2018;
- borrowing through the issue of securities in the form of conventional debt securities and sukuk, which amounted to U.S.\$2,305.1 million, and constituted 50.5 per cent. of its total funding, as at 31 December 2018; and
- deposits which it accepts from corporates, as well as from its shareholders and from banks, which amounted to U.S.\$819.4 million, and constituted 18.0 per cent. of its total funding, at 31 December 2018.

The Group's deposits are typically short-term in nature, with 50.6 per cent. being demand deposits or deposits with maturities of up to three months and 18.8 per cent. having maturities of more than three months but less than one year as at 31 December 2018. The Group uses these deposits principally to fund its treasury operations for the purposes of profit generation and liquidity. Although many of the Group's short-term deposits have, in the past, been rolled over on maturity such that, in practice, a significant portion have had actual maturities of a longer duration, there can be no assurance that this will continue to be the case. Reflecting the short-term nature of its deposit base and the fact that the Group's direct and syndicated lending has a more diversified maturity profile, the Group has at certain times experienced significant short-term maturity gaps. See "*Description of the Group—Funding and Liquidity—Borrowings—Liquidity*".

Accordingly, there is a risk that if a significant number of the Group'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 the Group, the Group 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 the Group's customers are more likely to need cash and, at those times, it is likely to be more expensive for the Group to fund those withdrawals from other sources.

At 31 December 2018, the Group's five largest depositors accounted for 70.1 per cent. of its deposits. Any withdrawal of all or a significant portion of any of these large deposits may have a material adverse effect on the Group.

### **The Group's direct equity investments involve specific risks**

The Group's direct equity investments involve specific risks relating to the returns that the Group 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:

- the Group derives a considerable portion of its income from dividends from its direct equity investments and there is no certainty that dividends will be paid or as to the amount of any dividends that are paid. In 2018, 2017 and 2016, the Group's dividend income from its direct equity investments amounted to U.S.\$52.1 million,



U.S.\$35.3 million and U.S.\$57.3 million, respectively, equal to 20.6 per cent., 25.0 per cent. and 43.5 per cent., respectively, of the Group's total income in each year. Almost all of the companies in the Group's direct equity investment portfolio are directly or indirectly related to the oil and gas sector, which is cyclical by nature. Material and sustained reductions in international oil and gas prices are likely to have a significant impact on the Group's equity investees' income and profitability and therefore are likely to result in those investees declaring significantly lower or no dividends, which, as illustrated by the trend above, could result in a material reduction in the Group's income, profitability and cash flows. In addition, the spill over effect of lower oil and gas revenues for GCC economies has triggered a move by those 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 certain of the Group's investees' income and profitability, which in turn may also have a material adverse effect on the Group.

- The majority of the Group's direct equity investments are not listed on an active market and are therefore illiquid. The value of the Group's direct equity investment portfolio as at 31 December 2018 was U.S.\$1,002.0 million. As at the same date, only two companies in the portfolio were listed and actively traded, Yanbu National Petrochemical Company ("YANSAB") in Saudi Arabia and Misr Oil Processing Company ("MOPCO") in Egypt. YANSAB and MOPCO were valued at U.S.\$126.5 million and U.S.\$29.9 million, respectively, equal to 15.4 per cent. in aggregate of the total portfolio, as at 31 December 2018. If the Group elects to exit any of its other 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.
- The Group does not typically consolidate its direct equity investments as it generally does not hold stakes which give it control or significant influence over its investee companies. The Group'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. The Group's inability to exercise control or significant influence over the majority of its direct equity investments exposes the Group to certain risks, including the risk that an investee may make business, financial or management decisions with which the Group 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 the Group's interests.

The foregoing risks could result in a significant reduction in dividend income from, or the value of, the Group's direct equity investments, which could have a material adverse effect on the Group.

#### **The Group could be materially adversely affected by market risks**

The Group could be materially adversely affected by market risks that are outside its control, including, without limitation, volatility in interest rates, prices of securities and currency exchange rates. In particular, an increase in interest rates generally may decrease the value of the Group's fixed-rate financings and securities and may increase the Group's funding costs. In addition, it is the Group's experience that its fixed rate assets generally re-price faster than its fixed rate liabilities which means that the Group generally benefits at times of increasing interest rates but is adversely affected at times of falling interest rates. See "*Risk management—Market risk management—Interest rate risk*".

The Group is also exposed to foreign exchange rate risk. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that the Group may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Group attempts to manage its foreign exchange rate risk 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 the Group to undue risks, by not trading in foreign exchange and by hedging its exposures in currencies other than the U.S. dollar through forward contracts, although there can be no assurance that any such hedging activity will in all cases protect the Group against its foreign exchange rate risks. See also "*Risk management—Market risk management—Currency risk*".

The Group enters into derivative transactions, such as interest rate swaps and forward foreign exchange contracts to hedge its exposure to interest rate and foreign exchange rate risks. These derivative contracts had a notional value of U.S.\$3.7 billion as at 31 December 2018, compared to U.S.\$3.2 billion as at 31 December 2017 and U.S.\$2.4 billion as at 31 December 2016 and the Group's derivatives portfolio had a net negative fair value of U.S.\$9.3 million as at 31 December 2018 compared to U.S.\$7.7 million as at 31 December 2017 and U.S.\$15.4 million as at 31 December 2016. There is no assurance that the Group's derivative contracts will be successful in mitigating its interest rate and foreign exchange exposures or that the Group will not experience significant losses on its derivatives contracts from time to time.

Adverse movements in interest and foreign exchange rates may also adversely impact the revenues and financial condition of the Group's depositors, borrowers and other counterparties which, in turn, may impact the Group's deposit base and the quality of its credit exposures to certain borrowers and other counterparties. Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future volatility in interest rates or currency exchange rates.

#### **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, the UAE and Kuwait.

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. In addition, APICORP has U.S.\$1 billion in callable capital, which is a joint and several obligation of each shareholder to provide additional capital within two months when called if required to service debt, to expand development operations (while maintaining capital adequacy ratios) or to absorb losses from treasury or development-related assets. The issuance of callable capital requires convening a shareholder meeting and APICORP cannot compel its shareholders to provide such capital. Accordingly, neither the agreement to support APICORP nor the callable capital is a guarantee and neither should 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, the Group's business and/or financial condition may be constrained.

#### **A negative change in APICORP's credit rating could limit its ability to raise funding and may increase the Group's borrowing costs**

APICORP is currently rated Aa3 (on a long-term basis) and P-1 (on a short-term basis) by Moody's. These credit ratings are an important factor in determining the Group's cost of borrowing. The interest rates charged on the Group's borrowings are also partly dependent on its credit ratings.

There is no assurance that APICORP's credit rating will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely if circumstances in the future so warrant. A downgrade of APICORP's credit rating, or a negative change in its outlook, may:

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

Given the nature of the industries in which the Group operates, the occurrence of any of the above events can have a material adverse impact on the Group which. In addition, actual or anticipated changes in APICORP's credit rating may negatively affect the market value of the Notes.

The major factors that could exert downward pressure on APICORP's rating noted by Moody's in its October 2018 rating report on APICORP (the "**Moody's report**") are (i) an extended period of very low oil prices or a regional political shock that would significantly impair asset quality, (ii) an indication that shareholders' willingness to support APICORP is weakening or (iii) an increase in liquidity risk or any other funding pressures emerging as a result of a worsening operating environment.

The rating assigned to APICORP may not reflect the potential impact of all risks related to the Group, the market 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 could negatively affect the market value of the Notes.

#### **The Group faces significant and increasing competition**

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

### **The Group is subject to regulation**

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 the Group's activities, and changes in supervision and regulation, in particular in Bahrain and Saudi Arabia, could materially affect the Group's business, the products or services offered, the value of its assets, and its financial position. Although the Group 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 the Group's control.

### **The Group is 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 and other changes in law; 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.

### **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES**

#### **Risks relating to the Notes**

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

Application has been made for the Notes to be admitted to the official list and trading on the regulated market of the Euronext Dublin and application will also 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 regulated market of the Euronext Dublin or 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 Euronext Dublin or 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 APICORP'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 APICORP 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, APICORP may redeem all outstanding Notes in accordance with the 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 APICORP***

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 depositary 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.

APICORP will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary 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. APICORP 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 APICORP 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 Aa2 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.

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

APICORP 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. APICORP 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 face 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 APICORP 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 face 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.

***The regulation and reform of benchmarks may adversely affect the value of the Notes***

Rates and indices which are deemed to be "benchmarks" (such as the London Interbank Offered Rate ("**LIBOR**")) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Notes.

The Benchmark Regulation was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmark Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things: (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmark Regulation could have a material impact on the Notes, in particular, if the methodology or other terms of LIBOR are changed in order to comply with the requirements of the Benchmark Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks" (including LIBOR): (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark"; or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms in making any investment decision with respect to the Notes.

***Future discontinuance of LIBOR may adversely affect the value of the Notes***

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. In a further speech on 12 July 2018, the Financial Conduct Authority emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. This may cause LIBOR to perform differently than it has in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, amounts payable in respect of the Notes will be determined for the relevant period by the fall-back provisions applicable to the Notes set out in the Conditions, which may result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Notes.

If a Benchmark Event (as defined in the Conditions) occurs, there is a possibility that the rate of interest could alternatively be set by an Independent Adviser or APICORP (without a requirement for the consent or approval of the Noteholders) by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of LIBOR. The consent of the Noteholders shall not be required in connection with effecting a successor rate or an alternative reference rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Agent Bank. APICORP shall promptly, following the determination of any successor rate, give notice thereof to the Agent Bank and the Noteholders, which shall specify the effective date(s) for such successor rate or alternative rate and any consequential changes made to the Conditions.

Investors should be mindful of the applicable fall-back provisions applicable to the Notes and the adverse effect these may have on the value or liquidity of, and return on, the Notes.

### **Risks relating to enforcement**

#### ***Enforcing foreign judgments and arbitral awards against APICORP***

If APICORP should fail to make payments under the Notes, it may be necessary to bring an action against APICORP to enforce its obligations which could be time consuming and costly. APICORP 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 APICORP 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. APICORP 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 APICORP 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 APICORP in the courts of a Relevant Jurisdiction.

#### ***Claims for specific enforcement***

In the event that APICORP 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 APICORP to perform its obligations under the Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Prospectus provided however that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supercedes such statement.

For ease of reference, the tables below set out the relevant page references for the consolidated financial statements, the notes to the consolidated financial statements and the Auditors' reports for the years ended 31 December 2017 and 2018 for the Issuer, and the unaudited consolidated interim financial statements for the six months ended 30 June 2019 for the Issuer, as set out in the respective annual reports or interim report.

### ***Consolidated Financial Statements Year ended 31 December 2017***

Independent auditor's report .....	Pages 74-77
Statement of financial position .....	Page 78
Statement of income .....	Page 79
Statement of comprehensive income .....	Page 80
Statement of changes in equity .....	Pages 81-82
Statement of cash flows .....	Page 83
Notes to the consolidated financial statements .....	Pages 84-152

### ***Consolidated Financial Statements Year ended 31 December 2018***

Independent auditor's report .....	Pages 25-27
Statement of financial position .....	Page 28
Statement of income .....	Page 29
Statement of comprehensive income .....	Page 30
Statement of changes in equity .....	Pages 31-32
Statement of cash flows .....	Page 33
Notes to the consolidated financial statements .....	Pages 34-69

### ***Condensed Consolidated Interim Statements Six Months ended 30 June 2019***

Independent auditor's review report .....	Page 1
Statement of financial position .....	Page 2
Statement of profit or loss .....	Page 3
Statement of comprehensive income .....	Page 4
Statement of changes in equity .....	Pages 5-6
Statement of cash flows .....	Page 7
Notes to the condensed consolidated interim financial information .....	Pages 8-19

This Prospectus will be available, in electronic format, on the website of the Euronext Dublin (<http://www.ise.ie>).

Copies of the documents specified above as containing information incorporated by reference in this Prospectus may be inspected, free of charge, on the website of the Issuer (i) in the case of the 2018 Financial Statements at [http://www.apicorp.org/files/AR-2018/APICORP\\_AR\\_2018\\_EN\\_for\\_Website\\_Financials.pdf](http://www.apicorp.org/files/AR-2018/APICORP_AR_2018_EN_for_Website_Financials.pdf); (ii) in the case of the 2017 Financial Statements at [http://www.apicorp.org/files/AR-2017/APICORP\\_AR\\_2017\\_ENGLISH\\_Consolidated\\_Financial\\_Statements.pdf](http://www.apicorp.org/files/AR-2017/APICORP_AR_2017_ENGLISH_Consolidated_Financial_Statements.pdf); and in the case of the Interim Financial Statements at [http://www.apicorp.org/Financials/INTERIM\\_FINANCIALS/APICORP\\_FS\\_30\\_JUN\\_2019.pdf](http://www.apicorp.org/Financials/INTERIM_FINANCIALS/APICORP_FS_30_JUN_2019.pdf), and in each case upon request, free of charge, from the specified offices of the Fiscal Agent.

Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

## 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>Lead Manager:</b>	Standard Chartered Bank (Taiwan) Limited.
<b>Other Managers:</b>	Crédit Agricole Corporate and Investment Bank, Taipei Branch, Fubon Securities Co., Ltd., HSBC Bank (Taiwan) Limited, KGI Securities Co. Ltd., Mega International Commercial Bank Co., Ltd., SinoPac Securities Corporation, Taishin International Bank Co., Ltd. and Yuanta Securities Co., Ltd.
<b>The Notes:</b>	U.S.\$325,000,000 Floating Rate Notes due 2024.
<b>Issue Price:</b>	100 per cent. of the principal amount of the Notes.
<b>Issue Date:</b>	4 December 2019.
<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 and Estimated Net Amount of Proceeds</i> ".
<b>Interest:</b>	The Notes will bear interest from 4 December 2019 at a rate of the sum of: (i) 0.90 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 4 March, 4 June, 4 September and 4 December in each year commencing 4 March 2020.
<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 the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Final Redemption:</b>	4 December 2024.
<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 Aa2 (stable) by Moody's. The Notes are expected to be rated Aa2 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 (as defined in the Conditions) 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 has been made for the Notes to be admitted to the official list and trading on the regulated market of the Euronext Dublin.

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:**

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 depositary 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 (the "**Holder**"), 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 London, 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 and such notices shall be deemed to have been

given to the Noteholders in accordance with Condition 13 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any Alternative Clearing System.

## TERMS AND CONDITIONS OF THE NOTES

The U.S.\$325,000,000 Floating Rate Notes due 2024 (the "**Notes**") are constituted by a deed of covenant dated 4 December 2019 (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 4 December 2019 (as amended or supplemented from time to time, the "**Agency Agreement**" and together with the Deed of Covenant, the "**Transaction Documents**") between the Issuer, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), as the transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), as agent bank (the "**Agent Bank**", which expression includes any successor agent bank appointed from time to time in connection with the Notes) and 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). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agent, the Agent Bank and the Paying Agents 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 the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (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 4 December 2019;
- (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 4 December 2019 (the **"Issue Date"**), payable on 4 March, 4 June, 4 September and 4 December 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 0.90 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, and provided further that such failure is not due to the occurrence of a Benchmark Event (as defined in Condition 4(g) (*Benchmark Replacement*) below), the Rate of Interest applicable to the Notes during such Interest Period will be the sum of 0.90 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.

If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event, the Rate of Interest shall be calculated in accordance with the terms of Condition 4(g) (*Benchmark Replacement*).

- (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.\$1,000;

**"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.

- (g) *Benchmark Replacement:* Notwithstanding the provisions in Condition 4(b) above, if the Issuer determines that a Benchmark Event has occurred in relation to the Reference Rate or the Issuer considers that there may be a Successor Rate in relation to the Reference Rate when the Rate of Interest (or the relevant component part thereof) in respect of the Notes remains to be determined by the Reference Rate, then the following provisions shall apply:
- (i) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine, no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **"IA Determination Cut-off Date"**), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Rate and (in either case) any Adjustment Spread for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
  - (ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Rate and (in either case) any Adjustment Spread;
  - (iii) if a Successor Rate or, failing which, an Alternative Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in this Condition 4(g)); provided that if Condition 4(g)(ii) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest



shall be the initial Rate of Interest); for the avoidance of doubt, the proviso in this Condition 4(g)(iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in this Condition 4(g);

- (iv) if the Independent Adviser or the Issuer (as applicable) determines a Successor Rate or, failing which, an Alternative Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also (without the consent or approval of Noteholders), acting in good faith and in a commercially reasonable manner, specify changes to these Conditions, and the method for determining the fallback rate in relation to the Notes, in order to ensure the proper operation of such Successor Rate or Alternative Rate (as the case may be) and (in either case) any Adjustment Spread. If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining such Adjustment Spread, then such Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread;
- (v) if any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4(g) and the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith and in a commercially reasonable manner, determines (x) that amendments to these Conditions and the Transaction Documents are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (y) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4(g)(vi), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Transaction Documents to give effect to such Benchmark Amendments with effect from the date specified in such notice;
- (vi) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Rate (as applicable) or Adjustment Spread and the specific terms of any Benchmark Amendments to these Conditions and/or the Transaction Documents, promptly give notice thereof to the Fiscal Agent, the Agent Bank and the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any;
- (vii) the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in the notice referred to in Condition 4(g)(vi) (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)), which are to be determined solely by the Issuer following consultation with the Independent Adviser (if appointed), will be binding on the Issuer, the Agents, and the Noteholders; and
- (viii) an Independent Adviser appointed pursuant to this Condition 4(g) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Agents or the Noteholders for any determination made by it or for any advice given to the Issuer in connection with any determinations made by the Issuer, pursuant to this Condition.

In this Condition 4(g):

**"Adjustment Spread"** means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is required to be applied to the Successor Rate or the Alternative Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable) determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

**"Alternative Rate"** means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the Reference Rate in customary market usage in the international debt capital markets for the purposes of determining interest rates in respect of notes denominated in U.S. Dollars and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its sole discretion is most comparable to the Reference Rate;

**"Benchmark Event"** means (i) the Reference Rate ceases to be published or ceases to exist; (ii) a public statement by the administrator of the Reference Rate that it will, by a specified date within the following six months, cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate); (iii) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; (iv) a public statement by the supervisor of the administrator of the Reference Rate that means the Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences; or (v) it has become unlawful to calculate any payments due to be made to any Noteholder using the Reference Rate (including, without limitation, under the Benchmark Regulation (EU) 2016/1011, if applicable);

**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer and at the Issuer's expense;

**"Reference Rate"** means the London interbank offered rate;

**"Relevant Nominating Body"** means, in respect of the Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities, (D) the Financial Stability Board or any part thereof, or (E) the International Swaps and Derivatives Association, Inc. or any part thereof; and

**"Successor Rate"** means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate (for the avoidance of doubt, whether or not such Reference Rate has ceased to be available) which is formally recommended by any Relevant Nominating Body.

## 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 December 2024, 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 4 December 2019; 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 16(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 16(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 16(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 16(e) (*Court proceedings*) and, subject as provided below, any arbitration commenced under Condition 16(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 16(c) (*Option to litigate*) is issued, the following provisions shall apply:
- (i) subject to Condition 16(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 16(e)(iii) is for the benefit of the Noteholders only. As a result, and notwithstanding Condition 16(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 AND ESTIMATED NET AMOUNT OF PROCEEDS**

The net proceeds of the issue of the Notes, expected to amount to U.S.\$324,502,000 after deduction of commissions, fees and estimated expenses in connection with the issue of the Notes, will be used by the Issuer for general corporate purposes.

## DESCRIPTION OF THE GROUP

### OVERVIEW

APICORP, which is a multilateral development bank focused on the hydrocarbon industry, was established on 23 November 1975 pursuant to the Establishing Agreement.

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") as at 31 December 2018.

Member State	Authorised capital <sup>(1)</sup>	Subscribed capital <sup>(2)</sup>	Issued and fully paid	Callable	Percentage ownership <sup>(3)</sup>
	(U.S.\$ million)				(per cent.)
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 <sup>(4)</sup>	3.0
	<b>2,400</b>	<b>2,000</b>	<b>1,000</b>	<b>1,000</b>	<b>100.0</b>

Notes:

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

(2) 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.

(3) Based on issued and fully paid capital.

(4) Restricted due to APICORP sanctions compliance policy.

In May 2011, APICORP's shareholders agreed to change the capital structure by introducing callable capital in the amount of U.S.\$750 million. Callable capital, which can be requested in order to service debt, to expand development operations (while maintaining capital adequacy ratios) or to absorb losses from treasury or development-related assets, is a joint and several obligation of each member country to provide additional capital within two months when called. In April 2016, the shareholders' U.S.\$1 billion line of credit was replaced with additional callable capital, which increased total callable capital to U.S.\$1 billion. Although APICORP does not have specific guarantees from its shareholders, APICORP believes that the introduction of callable capital demonstrates stronger support than the line of credit made available by its shareholders in 2008. See "*Risk Factors—APICORP is a multilateral development bank without guarantee-related support from its shareholders*".

The rights of the Shareholders are contained in the Establishing Agreement and APICORP is managed in accordance with the provisions contained in 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 votes cast, with each Shareholder having one vote per share held.

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. As at 31 December 2018, the Group had total assets of U.S.\$6,952.7 million, including U.S.\$3,492.9 million in syndicated and direct loans and U.S.\$1,002.0 million in direct

equity investments, including an investment in an associate. The Group also has a significant treasury investment portfolio of investments at FVTOCI (primarily fixed income securities), amounting to U.S.\$1,401.8 million as at 31 December 2018, which is intended to provide earnings which are not correlated to the Group's two other more cyclical business lines of lending to, and making equity investments in, relevant projects.

In 2018, the Group had net interest income of U.S.\$111.0 million and received U.S.\$56.4 million in dividend income. The Group's profit for 2018 was U.S.\$182.3 million.

The Group's headquarters are located in Dammam, Saudi Arabia. In addition, APICORP has a wholesale banking branch in Manama, Bahrain, which is regulated by the Central Bank of Bahrain. Its headquarters office address is Dammam Coast 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, the Group 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 the Group'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. The Group continued to support the hydrocarbon and related energy sector throughout the global financial crisis, including at times when market liquidity was significantly constrained.

In 2006, APICORP established its branch in Bahrain with a view to broadening its financing services.

APICORP's initial authorised share capital was SAR 3.6 billion (U.S.\$960 million), which increased in May 2011 to U.S.\$2.4 billion. When it was established, APICORP's subscribed capital was SAR 1.2 billion (U.S.\$320 million). APICORP's subscribed capital has increased since then, most recently to U.S.\$2.0 billion in April 2016.

## 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 the Establishing Agreement, which are expressed to prevail in the event that there is a conflict with the internal laws of any OAPEC Member State. APICORP is also exempt from the 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.

APICORP believes that 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 Group has been implementing and refining its current strategy since 2014. The current strategy was developed with the assistance of Boston Consulting Group and approved by the Board towards the end of 2013. The Board set a number of strategy milestones which have been substantially or fully completed and the Group continues to implement and refine its strategy.

The Group's main strategic initiatives include:

- maintaining the Group's developmental role and mandate, whilst becoming more commercially focused;
- achieving an optimum asset mix by growing the balance sheet size and rebalancing the portfolio. The strategy also envisages the Group growing its fee income and enhancing its product development activities;
- enhancing sub-sector diversification in the broader energy and related sectors and achieving greater geographic diversification;
- strengthening its 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 the Group's risk and control frameworks.

## STRENGTHS

The Group believes that it benefits from a number of 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 collectively. 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 (although APICORP does not benefit from a specific guarantee 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 also supported it with significant deposits. The Group also benefits from U.S.\$1 billion in callable capital, which provides a further indication of potential future shareholder support. In addition, the OAPEC Member States elected not to declare dividends in respect of each of 2008, 2009, 2010, 2012, 2013, 2014 and 2016 to further strengthen APICORP's financial position. A total dividend of U.S.\$30 million was declared in respect of 2017. A total dividend of U.S.\$30.8 million was declared in respect of 2018. 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 very high and notes that this is reinforced by APICORP's incremental capitalisation from retained earnings.

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

As at 31 December 2018, the Group's capital adequacy ratios determined in accordance with Basel II methodology were 28.88 per cent. (for total capital) and 28.34 per cent. (for Tier 1 capital). The Group's total capital ratio has remained around 28 per cent. since 2009, supported by the quality of its asset portfolio and its strong track record of profitability.

The Group seeks to maintain conservative leverage levels, which it calculates as its total liabilities divided by its total equity and non-controlling interests. As at 31 December in each of 2018, 2017 and 2016, the Group's leverage levels were 2.07 times, 1.90 times and 2.07 times, respectively.

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

The Group 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.

The Group also has a low and stable amount of NPLs which were U.S.\$12.47 million as at 31 December 2018 and U.S.\$63.6 million as at 31 December in each of 2017 and 2016. These mainly comprised Iraqi loans and one Libyan loan, which are fully covered by provisions and cash collateral held. The Group's NPLs comprised 0.34 per cent., 2.05 per cent. and 2.06 per cent., respectively, of its total gross loans as at 31 December in each of 2018, 2017 and 2016. As of 31 December 2018, the Group's NPLs reduced to U.S. \$12.47 million, or 0.34 per cent. of its total gross loans, as a result of a settlement agreement, with the Government of Iraq in relation to the overdue Iraqi loan.

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

The Group 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. As at 31 December 2018, 72.5 per cent. of APICORP's assets were located in the GCC and 32.2 per cent. and 7.9 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 as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(U.S.\$ million)		
<b>Assets</b>			
Cash and cash equivalents.....	26.0	65.4	21.8
Placements with banks .....	777.9	459.7	816.8
Investment classified as held for sale.....	—	110.6	—
Investments .....	2,432.3	2,447.6	2,083.5
Investment in an associate.....	27.8	27.6	107.2
Syndicated and direct loans.....	3,492.9	2,965.0	2,951.6
Property, equipment and vessels .....	102.2	112.0	117.4
Other assets.....	93.6	48.9	43.4
<b>Total assets .....</b>	<b>6,952.7</b>	<b>6,236.8</b>	<b>6,141.7</b>
<b>Liabilities</b>			
Deposits from banks.....	139.4	175.6	286.9
Deposits from corporates.....	415.2	1,051.3	1,133.6
Deposits from shareholders .....	114.0	110.8	108.8
Securities sold under agreements to repurchase .....	150.8	153.1	157.8
Other liabilities .....	121.7	76.5	76.1
Bank term financing .....	1,438.6	1,063.4	1,520.2
Sukuk and Bonds issued.....	2,305.1	1,455.8	855.1
<b>Total liabilities .....</b>	<b>4,684.8</b>	<b>4,086.5</b>	<b>4,138.5</b>
<b>Equity</b>			
Share capital .....	1,000.0	1,000.0	1,000.0
Legal reserve.....	223.0	204.5	194.0
General reserve .....	331.0	279.3	195.5
Fair value reserve on investments .....	546.7	570.8	527.4
Retained earnings .....	165.1	93.1	83.8
Total equity attributable to shareholders of the corporation.....	2,265.9	2,147.7	2,000.7
Non controlling interests .....	2.1	2.6	2.5
<b>Total liabilities, equity and non controlling interests .....</b>	<b>6,952.7</b>	<b>6,236.8</b>	<b>6,141.7</b>

As indicated in the table above, the Group's principal assets are its syndicated and direct loans, its direct equity investments (including its investment in an associate) and its treasury investment portfolio, each of which are discussed in more detail below. As at 31 December 2018, the Group's syndicated and direct loans and its direct equity investments aggregated U.S.\$5,953.0 million, or 85.6 per cent. of its total assets. APICORP's principal liabilities are its bank term financing and its bond and sukuk issued, which are described under "*Funding and liquidity*" below.

The table below shows APICORP's consolidated statement of income data for each of the years ended 31 December 2018, 31 December 2017 and 31 December 2016.

	Year ended 31 December		
	2018	2017	2016
	(U.S.\$ million)		
Interest income .....	245.6	159.5	125.7
Interest expense .....	(134.6)	(93.3)	(71.9)
Net interest income .....	111.0	66.2	53.8
Dividend income .....	56.4	37.3	59.4
Gain on derecognition of Investments held for sale .....	86.7	—	—
Net (loss)/gain on financial assets at FVTPL .....	(9.0)	15.2	—
Net (loss)/gain on derecognition of financial assets at FVOCI .....	(0.1)	0.1	0.7
Net fee income .....	0.3	0.6	0.7 <sup>(1)</sup>
Other income, net <sup>(1)</sup> .....	7.4	22.1	20.8
Total income .....	252.7	141.5	131.6
Operating expenses .....	(44.8)	(37.3)	(36.1) <sup>(1)</sup>
Impairment, net .....	(25.6)	(0.6)	(2.1)
Profit for the year .....	182.3	103.6	93.4
Profit for the year attributable to:			
Shareholders of the Corporation .....	182.8	103.6	93.3
Non-controlling interests .....	(0.5)	—	0.1
<b>Profit for the year</b> .....	<b>182.3</b>	<b>103.6</b>	<b>93.4</b>

Notes:

- (1) 2016 financial information has been derived from the 2017 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 data for each of the years ended 31 December 2018, 31 December 2017 and 31 December 2016.

	Year ended 31 December		
	2018	2017	2016
	(U.S.\$ million)		
Profit for the year .....	182.3	103.6	93.4
Other comprehensive income/(loss)			
<i>Items that will not be reclassified subsequently to the consolidated statement of income</i>			
Net change in fair value of equity investments at FVOCI .....	(8.0)	43.4	15.3
<i>Items that may be reclassified subsequently to the consolidated statement of income</i>			
Net change in fair value of debt investments at FVOCI .....	(14.0)	(0.0)	22.8
<b>Total other comprehensive income for the year</b> .....	<b>(22.0)</b>	<b>43.4</b>	<b>38.2</b>
<b>Total comprehensive income for the year</b> .....	<b>160.3</b>	<b>147.0</b>	<b>131.6</b>

APICORP's other comprehensive income is principally driven by changes in the fair value of its direct equity investments. At 31 December 2018, only 15.6 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

84.4 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 data for each of the years ended 31 December 2018, 31 December 2017 and 31 December 2016.

	Year ended 31 December		
	2018	2017	2016
	(U.S.\$ million)		
Net cash from / (used in) operating activities .....	(800.4)	384.4	(249.5)
Net cash from / (used in) investing activities .....	213.7	(287.1)	(113.2)
Net cash from / (used in) financing activities .....	547.3	(53.7)	361.5
Cash and cash equivalents at start of year .....	65.4	21.8	23.0
Cash and cash equivalents at end of year .....	26.0	65.4	21.8

The table below shows certain ratios for APICORP at, and for each of the years ended, 31 December 2018, 2017 and 2016.

	As at / year ended 31 December		
	2018	2017	2016
Return on assets <sup>(1)</sup> (per cent.) .....	2.62	1.66	1.52
Return on equity <sup>(2)</sup> (per cent.) .....	8.04	4.82	4.66
Return on paid up capital <sup>(3)</sup> (per cent.) .....	18.23	10.36	9.34
Total capital adequacy ratio <sup>(4)</sup> (per cent.) .....	28.88	27.76	27.63
Tier 1 capital ratio <sup>(4)</sup> (per cent.) .....	28.34	27.43	23.63
Total shareholders' funds/total assets <sup>(5)</sup> (per cent.)	32.59	34.44	32.58

(1) Profit for the period divided by total assets at the end of the period.

(2) Profit for the period divided by total equity and non-controlling interests at the end of the period.

(3) Profit for the period divided by share capital at the end of the period.

(4) Calculated in accordance with Basel II requirements.

(5) Total equity attributable to shareholders of the corporation divided by total assets.

## BUSINESS

The Group has three principal business areas:

- 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 the Group's investment portfolio (together referred to as treasury and capital markets or "**T&CM**").

Corporate Finance principally provides debt finance and financial advisory services to businesses and projects in the oil and gas and related energy sectors.

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

T&CM is principally responsible for funding and managing the Group's liquidity needs and for investing its excess liquidity.

The Group also publishes macro-economic research, with a focus on the oil and gas and related energy sectors.



## Corporate Finance

### Introduction

Corporate Finance 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 the Group's interest income, with syndicated and direct loans contributing U.S.\$133.4 million, or 54.3 per cent., of the Group's total interest income in 2018. The Group 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, Corporate Finance generated total income of U.S.\$150.8 million in 2018, U.S.\$107.6 million in 2017 and U.S.\$75.7 million in 2016, equal to 59.7 per cent., 76.0 per cent. and 57.8 per cent., respectively, of the Group's total income in each 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. The Group 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.

The Group 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. The Group's range of structured commodity finance products includes transactional and inventory financings, borrowing base facilities, pre-export financings and prepayment facilities.

Although the Group does not have its own Islamic banking unit and *Shari'a* board, it typically arranges and advises on Islamic transactions and has established strong relationships with major participants in the Islamic finance industry. In line with its current strategy, in 2014, the Group 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 the Group's total unimpaired loan portfolio grew from approximately 32.2 per cent. at 1 January 2016 to approximately 41.5 per cent. at 31 December 2018.

### Clients

Corporate Finance's client base includes the national oil and gas companies of the OAPC 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. The Group exclusively finances the energy and hydrocarbon sector and is active throughout the energy value chain. The segments within these sectors financed by the Group 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*: refinery, petrochemical and gas to liquid projects;
- *utilities*: conventional power and water desalination projects; water treatment; hydrocarbon-related waste management and renewables projects; 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 the Group when selecting projects for investment include:

- the quality of the sponsors, the degree of their commitment and the strength of the Group's relationship with them;
- the economic rationale and competitiveness of the project;
- the degree of "off-shorisation" of the project (revenue 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 the Group in the financing; and
- the remuneration –the Group provides medium-to long-term financing at market rates. However while profit is an important factor, its decision to advance financing is not solely driven by profitability and it also takes into account the developmental impact of the project.

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

The Group 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 maintains country specific lending limits, single obligor limits, single group level limits and rating wise portfolio limits for its Corporate Finance business.

The country limit for member countries is limited to 10 times their respective equity contributions, while the country cap for non-member countries is linked to their sovereign ratings as well as to a certain percentage of APICORP's total shareholders' equity, the maximum being 30 per cent. The maximum single obligor limit is 10 per cent. of the Group's net worth (being its total assets less its total liabilities). In addition, no lending commitment to any one group of companies may exceed 25 per cent. of the Group's net worth.

### **Lending portfolio**

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

### **LENDING**

The Group provides syndicated and direct loans for projects developed by local, regional and international sponsors in the energy and hydrocarbon sectors

### ***Portfolio status and risk classification***

The table below shows the status of the Group's syndicated and direct loans outstanding as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(U.S.\$ million)		
<b>Unimpaired loans</b>			
Islamic .....	1,491.4	1,176.1	1,214.7
Conventional .....	2,099.7	1,865.9	1,817.5
Unamortised participation and up front fees.....	(55.0)	(50.5)	(54.7)
Expected credit loss/Collective impairment allowance.....	(43.2)	(25.8)	(25.2)
<b>Total unimpaired loans.....</b>	<b>3,492.9</b>	<b>2,965.7</b>	<b>2,952.3</b>
<b>Impaired loans</b>			
Non-performing loans .....	12.5	63.6	63.6
Allowance for specific impairments .....	(12.5)	(18.8)	(18.8)
Dividends due to the Government of Iraq, offset against defaulted loans <sup>(1)</sup> .....	—	(45.5)	(45.5)
<b>Total loans.....</b>	<b>3,492.9</b>	<b>2,965.0</b>	<b>2,951.6</b>

<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.\$51.8 million as at 31 December 2017. Accordingly, the Group, starting from 2003, offset 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. During the first half of 2018, APICORP entered into a final settlement agreement with the Government of Iraq in relation to the overdue loans and related contractual charges under which APICORP set off the overdue principal and contractual charges on the impaired Iraqi loans due up to the date of settlement against the dividend payable by APICORP to the Government of Iraq.

The table below shows the internal rating classification of the Group's syndicated and direct loans outstanding as at 31 December 2018. For information regarding the Group's internal rating classifications, see "Risk management—Credit risk management—Credit rating and measurement".

	As at 31 December 2018
	(U.S.\$ million)
<b>Neither past due nor impaired</b>	
Grade A to AAA .....	1,948.8
Grade B to BBB .....	1,642.4
<b>Total neither past due nor impaired .....</b>	<b>3,591.1</b>
<b>Impaired loans</b>	
Grade D .....	12.5
<b>Total gross impaired loans .....</b>	<b>12.5</b>
Unpaid dividends and interest due to the Government of Iraq.....	—
Allowance for impairment .....	(12.5)
<b>Carrying amount.....</b>	<b>—</b>
Collective impairment allowance .....	(43.2)
Unamortised participation and commitment fees.....	(55.0)
<b>Total syndicated and direct loans.....</b>	<b>3,492.9</b>

#### **Portfolio sector and sub-sector concentration**

The Group's direct and syndicated loans are concentrated within the hydrocarbon and energy sector by virtue of APICORP's founding mandate. However, the Group seeks to maintain a diversified profile of loans within those sectors. The table below shows the classification by sub-sector within the hydrocarbon and energy sectors of the Group's syndicated and direct loans outstanding by amount as at 31 December in each of 2018, 2017 and 2016.

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(U.S.\$ million)</i>		
Oilfield production development services .....	847.6	304.3	347.0
Floating production, storage and offloading facilities .....	—	133.7	136.5
Liquefied natural gas plants .....	367.6	133.9	130.1
Petroleum and petrochemicals .....	5.2	404.9	480.9
Maritime transportation .....	0.5	167.3	128.7
Refineries .....	350.9	602.3	559.7
Power generation .....	1,484.1	469.0	482.9
Other petroleum .....	118.9	561.0	519.7
Banks and financial institutions .....	44.6	83.6	105.8
Governments and public sector .....	156.5	—	-
Other industries .....	117.1	105.0	60.3
<b>Total syndicated and direct loans .....</b>	<b>3,492.9</b>	<b>2,965.0</b>	<b>2,951.6</b>

The table below shows the classification by sub-sector within the hydrocarbon and energy sectors of the Group's syndicated and direct loans outstanding by proportion of the total as at 31 December in each of 2018, 2017 and 2016.

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(per cent.)</i>		
Oilfield production development services .....	24.3	10.3	11.8
Floating production, storage and offloading facilities .....	—	4.5	4.6
Liquefied natural gas plants .....	10.5	4.5	4.4
Petroleum and petrochemicals .....	0.1	13.7	16.3
Maritime transportation .....	0.0	5.6	4.3
Refineries .....	10.0	20.3	19.0
Power generation .....	42.5	15.9	16.4
Other petroleum .....	3.4	18.9	17.6
Banks and financial institutions .....	1.3	2.8	3.6
Governments and public sector .....	4.5	—	-
Other industries .....	3.4	3.5	2.0
<b>Total syndicated and direct loans .....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### **Portfolio geographical concentration**

The table below shows the geographical classification of the Group's syndicated and direct loans outstanding by amount as at 31 December in each of 2018, 2017 and 2016.

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(U.S.\$ million)</i>		
Saudi Arabia .....	989.5	933.5	1,083.2
Qatar .....	436.6	532.4	633.9
Other GCC states .....	1,154.8	927.7	823.2
Egypt and North Africa .....	409.7	207.9	211.7
<b>Total Arab world .....</b>	<b>2,990.6</b>	<b>2,601.5</b>	<b>2,752.0</b>
Europe .....	188.6	159.4	104.1
Asia Pacific .....	175.0	142.9	62.9
United States .....	138.7	61.2	32.6
<b>Total syndicated and direct loans .....</b>	<b>3,492.9</b>	<b>2,965.0</b>	<b>2,951.6</b>

The Group's direct and syndicated loans are also concentrated within the Arab world, again reflecting APICORP's mandate and its shareholder base. The table below shows the geographical classification of the Group's syndicated and direct loans outstanding by proportion of the total as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	<i>(per cent.)</i>		
Saudi Arabia.....	28.3	31.5	36.7
Qatar.....	12.5	18.0	21.5
Other GCC states .....	33.1	31.3	27.9
Egypt and North Africa.....	11.7	7.0	7.2
<b>Total Arab world.....</b>	<b>85.6</b>	<b>87.8</b>	<b>93.3</b>
Europe .....	5.4	5.4	3.5
Asia Pacific .....	5.0	4.8	2.1
United States .....	4.0	2.0	1.1
<b>Total syndicated and direct loans.....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### ***Portfolio currency and interest rate breakdown***

The Group'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 the Group'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 as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
Syndicated and direct loans .....	4.75	3.28	2.58
U.S. dollar denominated .....	4.76	3.26	2.56
Non-U.S. dollar denominated .....	4.73	3.70	3.52

### ***Portfolio maturity breakdown***

The table below shows a maturity profile of the Group's direct and syndicated loans as at 31 December 2018.

	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> ) .....	199.4	483.4	1,808.6	1,001.5	<b>3,492.9</b>
Syndicated and direct loans ( <i>per cent.</i> ).....	5.7	13.8	51.8	28.7	<b>100.0</b>

## **COMMITMENTS AND CONTINGENT LIABILITIES**

The Group's principal commitments are to underwrite and fund loans to be made by it and to subscribe capital to direct equity investees. The Group also has limited other commitments and a contingent liability in respect of a guarantee given by it in respect of a loan made to Egyptian Bahraini Gas Derivative Company, a fully impaired direct equity investment at FVTOCI. The Group's shares in Egyptian Bahraini Gas Derivative Company have been pledged to secure this guarantee.

The table below shows the Group's commitments and contingent liabilities as at 31 December 2018.

	<b>As at 31 December</b>
	<b>2018</b>
	<i>(U.S.\$ million)</i>
Commitments to underwrite and fund loans.....	1,021.0
Commitments to subscribe capital to investments in FVOCI (Equity).....	488.1
Guarantees to bank on loans of investee companies	8.8
Fixed assets commitments .....	1.9
Other commitments .....	5.0
<b>Total commitments.....</b>	<b>1,524.8</b>

The table below shows the movements on the Group's undrawn loan commitments and guarantees during each of 2018, 2017 and, 2016.

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(U.S.\$ million)</i>		
<b>Undrawn loan commitments and guarantees</b>			
Balance at 1 January .....	787.3	932.9	713.6
Additional underwriting and commitment during the period.....	1,902.4	1,810.1	2,112.6
Drawdowns during the period.....	(1,540.0)	(942.8)	(1,127.9)
Expired commitments and other movements – net .....	(128.7)	(1,012.9)	(765.4)
<b>Balance at the end of the period .....</b>	<b>1,021.0</b>	<b>787.3</b>	<b>932.9</b>

## Investments

### Introduction

Investments invests directly in private and public companies and/or indirectly in such companies through an investment in funds. The private companies invested in 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 at 31 December 2018, the Group's direct equity investment portfolio comprised 16 direct equity investments in companies, one capital commitment in a fund, an equity interest in a shipping fund and a managed account arrangement with Goldman Sachs & Co. Of the investments in companies, 15 are in companies located in six Arab countries: six in Saudi Arabia, four in Egypt, two in Libya and one each in Bahrain, Iraq and Tunisia. The remaining investment is in a company located in the United Kingdom. The portfolio includes investments in six petrochemical companies; three 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, one services provider to the sub-sea and onshore environmental monitoring and inspection sectors and one independent power and water project. Six of the direct equity investments listed above have been fully impaired.

In addition to direct equity investments, the Group has also committed capital to invest in the IFC MENA Fund, as discussed further under "*—Direct equity investment portfolio*" below. The Group's commitment to the IFC MENA Fund is U.S.\$15 million.

The Group 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 were leased, on a bareboat basis (i.e. without a crew), to an international trading company. This charter expired in February 2018 and, since then, the vessels have been employed using a combination of index-linked charters and pool employment structures.

During 2017, APICORP entered into a managed account arrangement with Goldman Sachs & Co. for the creation of an investment partnership vehicle aimed at pursuing global energy co-investments. Goldman, Sachs & Co., through its Merchant Banking Division, acts as the Investment Manager for the investment partnership vehicle, which aims to make private equity co-investments in a diversified, global portfolio of energy assets, alongside Goldman Sachs' West Street Capital Partners VII funds. As at 31 December 2018, APICORP has completed two co-investments in North America through this investment vehicle, in the oil field services sector and in the natural gas and natural gas liquid gathering and processing sector.

In the third quarter of 2017, the Group agreed to sell one of its investments, being its 29.12 per cent. shareholding in NPS Holding Company, to a special purpose acquisition company ("SPAC") listed on NASDAQ. The transaction is subject to approvals from regulatory bodies and investors identified by the SPAC. The sale completed in June 2018.

The investments portfolio contributes to the Group's objectives of developing the hydrocarbon and energy industries in the MENA region. The total fair value of the Group's direct equity investments portfolio was U.S.\$ 1,002.0 million as at 31 December 2018. This portfolio generated dividend income of U.S.\$52.1 million in 2018, U.S.\$35.4 million in 2017 and U.S.\$57.3 million in 2016, equal to 20.6 per cent., 25.0 per cent. and 43.5 per cent., respectively, of the Group's total income in each year.

Most of the Group's direct equity investments are held on at fair value, although the portfolio also includes two investments, APSF and APICORP Managed Account Investment Vehicle, which are consolidated as subsidiaries and one investment, Falcon Cement Company, which is an equity accounted associate. In addition, both investments made through the managed account investment partnership vehicle with Goldman Sachs & Co. are held as investments designated at fair value through profit or loss ("FVTPL").

### ***Investment criteria***

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

The Group's investment guidelines for equity investments 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 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 the Group's direct equity investments at 31 December 2018. These investments are at FVTOCI, save where noted below. All of the investees listed below are related parties.

<b>Company</b>	<b>Paid-up capital</b>	<b>APICORP's share</b>	<b>Other major shareholders</b>	<b>Main activities</b>
Arab Drilling and Workover Company (ADWOC), Libya <sup>(1)</sup>	LD 60 million (equal to U.S.\$43.6 million as at 31 December 2018)	20.00%	Arab Petroleum Services Co. ("APSCO"), Libya First Energy Bank, Bahrain	Drilling and related operations in the Arab world
Arab Company for Detergent Chemicals (ARADET), Iraq <sup>(1)</sup>	ID 36 million (equal to U.S.\$30,379.8 as at 31 December 2018)	32.00%	Iraqi government Saudi Arabian government Kuwaiti government Arab Mining Company, Amman, Jordan The Arab Investments Co., Saudi Arabia	Production and marketing of linear alkyl benzene (LAB) and by-products
Tankage Mediterranee (TANKMED), Tunisia	TD 30 million (equal to U.S.\$11.5 million as at 31 December 2018)	20.00%	Tunisian Petro Enterprise National Oil Distribution Company Bank of Tunisia/Saudi Bank of Tunisia/Kuwait APSCO, Libya National Oil Company, Libya	Storage and handling of petroleum products at La Skhira terminal
Arab Geophysical Exploration Services Company (AGESCO), Libya <sup>(1)</sup>	LD 35 million (equal to U.S.\$25.4 million as at 31 December 2018)	16.67%		Providing seismic services for the oil and gas industry in the Arab world
Saudi European Petrochemical Company (IBN ZAHR), Saudi Arabia	SAR 1,025 million (equal to U.S.\$273.3 million as at 31 December 2018)	10.00%	Saudi Basic Industries Corporation. ("SABIC"), Saudi Arabia Ecofuel, Italy	Production and marketing of methyl tertiary butyl ether (MTBE) and polypropylene
The Arabian Industrial Fibers Company (IBN RUSHD), Saudi Arabia <sup>(1)</sup>	SAR 8,510 million (equal to U.S.\$2,269.3 million as at 31 December 2018)	3.45%	SABIC, Saudi Arabia Public Investments Fund ("PIF"), Saudi Arabia	Production and marketing of aromatics, purified terephthalic acid (PTA) and polyester fibres
Alexandria Fiber Company (AFCO), Egypt <sup>(1)</sup>	U.S.\$48.3 million	10.00%	Birla Group Companies Sidi Kerir Petrochemical Saudi Egyptian Industrial Investment Company SABIC, Saudi Arabia	Production and marketing of acrylic fibres
Yanbu National Petrochemical Company (YANSAB), Saudi Arabia	SAR 5,625 million (equal to U.S.\$150.7 million as at 31 December 2018)	1.32%		Production and marketing of polyethylene, ethylene glycol, polypropylene and other by-products
Egyptian Methanex Methanol Company (EMethanex), Egypt	U.S.\$215 million	17.00%	Methanex Corporation, Canada Egyptian Petrochemicals Holding Company (Echem), Egypt Egyptian Natural Gas Holding Company ("Egas"), Egypt Egyptian Natural Gas Company (EGASCO), Egypt	Production and marketing of methanol



Company	Paid-up capital	APICORP's share	Other major shareholders	Main activities
Misr Oil Processing Company (MOPCO), Egypt	EGP 2,291 million (equal to U.S.\$128.2 million as at 31 December 2018)	3.03%	Echem, Egypt Agrium, Canada National Investments Bank, Egypt Egas, Egypt EGASCO, Egypt	Production and marketing of ammonia and urea
The Egyptian Bahraini Gas Derivative Company (EBGDCO), Egypt <sup>(1)</sup>	U.S.\$25 million	20.00%	Egas, Egypt Danagas, Bahrain	Recovery and marketing of propane and butane
The Industrialization & Energy Services Company (TAQA), Saudi Arabia	SAR 5 billion (equal to U.S.\$1,333.3 million as at 31 December 2018)	5.88%	PIF, Saudi Arabia General Organization for Social Insurance (GOSI), Saudi Arabia	Energy and related sectors (drilling, oil and gas fields services, seamless pipe manufacturing and industrial gases, among others)
Saudi Mechanical Industries Co. (SMI), Saudi Arabia	SAR 250 million (equal to U.S.\$66.6 million as at 31 December 2018)	15.00%	Fajr Capital Jadwa Investment Company	Industrial Manufacturing (oil and gas, water pump systems and engineering components)
Falcon Cement Company B.S.C., Bahrain <sup>(4)</sup>	U.S.\$41.9 million	30.00%	Gulf Finance House (GFH) BCC Building Materials Abu Dhabi Financial Group (ADFG)	Production and marketing of cement
Ashtead Technology, United Kingdom	GBP 27.9 million (equal to U.S.\$36.8 million as at 31 December 2018)	35.00%	Buckthorn Partners LLP	Sub-sea equipment and services
Shuqaiq International Water and Electricity Company, Saudi Arabia	SAR 3 million (equal to U.S.\$0.8 million as at 31 December 2018)	13.33%	ACWA Power	Holding company for the Shuqaiq Independent Water & Power Project
IFC Middle East and North Africa Fund, LLP (IFC Fund)	U.S.\$162.4 million <sup>(2)</sup>	9.23%	IFC Founder Partner, LLC Arab Fund for Economic and Social Development The Arab Investment Company	Investment in equity, quasi-equity or equity-related investments in IFC's member countries in the MENA region
APICORP Petroleum Shipping Fund (APSF) <sup>(3)</sup>	U.S.\$37.34 million	94.00%	Tufton Oceanic (ME) Ltd	An investment vehicle that owns five medium range petroleum products tankers
APICORP Managed Account Investment Vehicle, North America (MAIV)	U.S.\$52.8 million <sup>(5)</sup>	100.00%	—	Energy related

<sup>(1)</sup> Fully impaired investment.

<sup>(2)</sup> Total committed capital. IFC Middle East and North Africa Fund, LLP (IFC Fund) is classified as an investment at FVTPL.

<sup>(3)</sup> Consolidated as a subsidiary.

<sup>(4)</sup> Equity accounted associate.

<sup>(5)</sup> Capital contributed by APICORP as at 31 December 2018. This account is managed by Goldman, Sachs & Co. The two investments held by this vehicle as at 31 December 2018 are Lucid Energy Group II LLC, and, BJ Services, LLC, which are designated at fair value through profit and loss. The APICORP Managed Account Investment Vehicle, North America (MAIV) is consolidated as a subsidiary of APICORP.

The table below summarises the geographical spread of the Group's direct equity investment portfolio at 31 December 2018.

Country	Number of investments	Fair value at 31 December 2018 (U.S.\$ million)	Percentage of portfolio (per cent.)
Saudi Arabia .....	6	729.4	72.8
Egypt .....	4	161.6	16.1
Libya .....	2	-	-
Tunisia .....	1	6.2	0.6
Iraq .....	1	-	-
MENA <sup>(1)</sup> .....	1	3.3	0.3
Bahrain .....	1	27.8	2.8
United Kingdom .....	1	16.6	1.7
North America <sup>(2)</sup> .....	2	57.1	5.7
<b>Total</b> .....	<b>19<sup>(3)</sup></b>	<b>1,002.0</b>	<b>100.0</b>

<sup>(1)</sup> Comprises the investment in the IFC MENA Fund

<sup>(2)</sup> Comprises the investments made through the managed account investment partnership with Goldman Sachs & Co.

<sup>(3)</sup> Excludes the investment in APSF, which is a consolidated subsidiary.

Each company in the Group'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**

Investments 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 the Group's approved authority matrix. In addition, Investments is responsible for the effective execution of exit mandates in line with the Group's investment guidelines.

Given its development mandate, the Group'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 over 30 years and the average holding period in the direct equity investment portfolio is approximately 15 years.

The Group's only exit in relation to a direct equity investment since 1 January 2015 is the sale of its 29.12 per cent. interest in NPS Holding Limited, which completed in June 2018.

## **Treasury and capital markets (T&CM)**

### **Introduction**

T&CM'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*"; and
- manage an investment portfolio with the aim of providing enhanced earnings not correlated to the Group's other two main cyclical business lines.

As at 31 December 2018, T&CM had assets of U.S.\$2,262.0 million. The total market value of the investments in T&CM's fixed income securities portfolio at 31 December 2018 was U.S.\$1,304 million, and was principally invested in issuers with ratings between AAA and A. The average rating of the portfolio as at 31 December 2018 was A. During 2018, the T&CM fixed income portfolio represented by interest income from available for sale securities (net) generated U.S.\$64.0 million of interest income, equal to 26.1 per cent. of the Group's total interest 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.

The Group'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 Investments business lines. T&CM's investment policy permits investments in three major asset classes, fixed income securities (including treasury bills), 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 the Group's liquidity while remaining within defined risk parameters. The majority of the T&CM investment portfolio comprises fixed income securities which can either be sold or used to raise finance through sale and repurchase 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 the Group to 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 invested in fixed income securities.

### ***T&CM investment portfolio***

T&CM's investment portfolio is discussed further under "*Investments*" below.

## ***FUNDING AND LIQUIDITY***

### ***Funding***

The Group actively manages a net funding requirement of approximately between U.S.\$4 billion to U.S.\$4.5 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 each of 2018, 2017 and 2016.

APICORP's funding strategy relies on a mixture of shorter-term deposits and medium to longer-term borrowings and shorter-term deposits together with a small amount of funding raised from repo-transactions using securities in its investments portfolio. At 31 December 2018, deposits comprised 18.0 per cent. of APICORP's funding and borrowings comprised 82.0 per cent. The table below shows the Group's sources of funding by amount and proportion of the total as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(U.S.\$ million)		
Borrowings.....	3,743.7	2,519.2	2,375.3
Deposits.....	668.6	1,337.7	1,529.3
Securities sold under agreements to repurchase.....	150.8	153.1	157.7
<b>Total funding .....</b>	<b>4,563.1</b>	<b>4,010.0</b>	<b>4,062.4</b>
	(per cent.)		
Borrowings.....	82.0	62.8	58.5
Deposits.....	14.7	33.4	37.6
Securities sold under agreements to repurchase.....	3.3	3.8	3.9
<b>Total funding .....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

In 2018, APICORP borrowed two medium term loans of U.S.\$150.0 million each from Mizuho Bank, Ltd. and First Abu Dhabi Bank PJSC, respectively.

## Deposits

The Group is one of only a few multilateral development banks which accepts wholesale deposits.

Most of the Group's deposits are contractually short-term in nature and comprise a mix of conventional and Islamic bank deposits, deposits from corporates and deposits from APICORP's shareholders. As at 31 December 2018, these deposits together totalled U.S.\$819.4 million, of which 50.6 per cent. were demand deposits or deposits with maturities of up to three months and 18.8 per cent. had maturities of more than three months but less than one year. Notwithstanding the contractual maturities of the deposit portfolio, the Group's experience is that a significant portion of the portfolio is sticky in nature, with government, corporate and bank depositors holding an average year end balance of approximately U.S.\$1.5 billion in aggregate over the period from 31 December 2016 to 31 December 2018. Nevertheless, the fact that the Group's direct and syndicated lending has a more diversified maturity profile means that the Group typically has a significant short-term maturity gap as shown in note 29 to the 2018 Financial Statements and note 28 to the 2017 Financial Statements. See *"Risk Factors—Factors that may affect APICORP's ability to fulfil its obligations under the Notes—The Group is subject to the risk that liquidity may not always be readily available"*.

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

The table below shows the Group's deposits by amount and proportion of the total as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(U.S.\$ million)		
Deposits from banks .....	139.5	175.6	286.9
Deposits from corporates .....	415.2	1,051.3	1,133.6
Deposits from shareholders .....	113.9	110.8	108.8
<b>Total deposits.....</b>	<b>668.6</b>	<b>1,337.7</b>	<b>1,529.3</b>
	(per cent.)		
Deposits from banks .....	20.9	13.1	18.8
Deposits from corporates .....	62.1	78.6	74.1
Deposits from shareholders .....	17.0	8.3	7.1
<b>Total deposits.....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The Group accepts deposits in a range of currencies. As at 31 December 2018, 72.6 per cent. of its deposits were denominated in U.S. dollars, 0.4 per cent. were denominated in pounds sterling and the balance was denominated in other currencies.

The table below shows the weighted average effective interest rates of the Group's deposits as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(per cent.)		
Deposits from banks .....	3.18	2.87	1.55
Deposits from corporates .....	2.98	1.48	1.24
Deposits from shareholders .....	3.27	2.32	1.52

### ***Maturity profile of the Group's funding***

Of the Group's U.S.\$4,563.1 million funding outstanding as at 31 December 2018, 37.2 per cent. was scheduled to mature within 12 months. The table below summarises the maturity profile of the Group's funding (including short-term funding) as at 31 December 2018.

	<b>As at 31 December 2018</b>	
	<i>(U.S.\$ million)</i>	<i>(per cent.)</i>
Repayable within 12 months .....	1,696.2	37.2
Repayable between 1 and 3 years.....	599.8	13.1
Repayable between 3 and 5 years.....	2,267.1	49.7
Repayable after 5 years.....	-	-
<b>Total funding</b> .....	<b>4,563.1</b>	<b>100</b>

### **Borrowings**

As at 31 December 2018, the Group had five fully drawn bank term loans outstanding. These term loans have margins between 0.55 per cent. and 0.6 per cent. over the Saudi riyal interbank or the London interbank offered rate, depending on the facility currency. The lenders under these facilities are leading regional and international banks.

The table below provides details of each of the Group's outstanding bank term loans as at 31 December 2018.

	<b>As at 31 December 2018</b>
	<i>(U.S.\$ million)</i>
SAR1,000 million loan 2014 – 2019 (fully drawn) .....	266.7
SAR3,000 million loan 2014 – 2019 (fully drawn) .....	800.0
US\$150 million loan 2018 – 2021 (fully drawn) .....	150.0
US\$150 million loan 2018 – 2021 (fully drawn) .....	150.0
US\$ 75 Million loan 2018 - 2021 (fully drawn) .....	75.0
Unamortised front-end fees .....	(3.1)
<b>Total bank term loans</b> .....	<b>1,438.6</b>

The Group'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.

The Group's total shareholders' funds amounted to U.S.\$2.3 billion as at 31 December 2018 and the ratio of total shareholders' funds to total assets as at that date was 32.6 per cent.

As at 31 December 2018, the Group also had three series of sukuk and four series of bonds outstanding.

The table below provides details of each of the Group's outstanding series of sukuk and bonds as at 31 December 2018.

	<b>As at 31 December 2018</b>
	<i>(U.S.\$ million)</i>
<b>Sukuk</b>	
U.S.\$500 million 2.383 per cent. sukuk due 2020 .....	488.5
U.S.\$500 million 3.141 per cent. sukuk due 2022 .....	492.1
SAR250 million 3.50 per cent. sukuk due 2019.....	66.6
<b>Bonds</b>	
U.S.\$300 million floating rate bonds due 2021.....	300.0
U.S.\$105 million floating rate bond due 2022 .....	105.0
CNY630 million bond due 2021 .....	94.8
U.S.\$750 million 4.125 per cent. bonds due 2022 .....	762.3
Unamortised front-end fee.....	(4.2)
<b>Total sukuk and bonds.....</b>	<b>2,305.1</b>

All of the Group's bonds and sukuk issued are listed. The Group has entered into interest rate swaps in relation to each series of fixed rate sukuk with a view to hedging its exposure to changes in fair value as a result of changes in market interest rates.

### **Liquidity**

The Group's liquidity comprises its treasury investment portfolio, placements with banks and cash. The table below shows the Group's liquidity as at 31 December in each of 2018, 2017 and 2016.

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(U.S.\$ million)</i>		
Treasury investment portfolio .....	1,458.1	1,479.4	1,203.5
Placements with banks.....	777.9	459.7	816.8
Cash and cash equivalents .....	26.0	65.4	21.8
<b>Total liquidity.....</b>	<b>2,262.0</b>	<b>2,004.5</b>	<b>2,042.1</b>

As at 31 December 2018, 62.6 per cent. of the Group's bank placements were with institutions that were rated AAA to A and 37.4 per cent. were with institutions that were rated BBB to BB.

### **INVESTMENTS**

The Group, through its T&CM business line, manages a treasury investment portfolio with the aim of providing enhanced earnings not correlated to its other two main cyclical business lines, which are direct and syndicated lending to, and direct equity investments in, companies and other entities engaged in the oil and gas and energy industries. The treasury investment portfolio principally comprises fixed and floating rate bonds, which comprised approximately 57.4 per cent. of the portfolio as at 31 December 2018. Treasury bills, managed funds and other equities make up the balance of the portfolio and classified as investments at FVTOCI (debt), investments at FVTPL and investments at FVTOCI (equity), respectively, as at 31 December 2018.

#### *Portfolio breakdown by security type*

The table below shows a breakdown of the Group's treasury investment portfolio by amount and proportion of the total as at 31 December in each of 2018, 2017 and 2016.

As at 31 December			
	2018	2017	2016
<i>(U.S.\$ million)</i>			
Treasury bills .....	225.0	200.0	—
Fixed rate bonds .....	989.4	980.4	924.2
Floating rate bonds .....	90.0	154.9	192.9
Managed funds .....	56.3	109.6	86.4
Other equities.....	102.7	34.5	—
Expected credit loss .....	(5.3)	—	—
<b>Total securities</b> .....	<b>1,458.1</b>	<b>1,479.4</b>	<b>1,203.5</b>
<i>(per cent.)</i>			
Treasury bills .....	15.4	13.5	—
Fixed rate bonds .....	67.9	66.3	76.8
Floating rate bonds .....	6.2	10.5	16.0
Managed funds .....	3.9	7.4	7.2
Other equities.....	7.0	2.3	—
Expected credit loss .....	(0.4)	—	—
<b>Total securities</b> .....	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

All of the Group's treasury investments are fair valued using quoted prices on active markets, except for managed funds which are valued based on significant observable inputs either directly or indirectly, at the end of each reporting period. The Group uses a portion of the securities within the portfolio as collateral for repo-based financing transactions. As at 31 December 2018, securities with a fair value of U.S.\$179.6 million had been pledged as collateral for these transactions, compared to U.S.\$189.2 million as at 31 December 2017 and U.S.\$189.4 million as at 31 December 2016.

#### *Portfolio maturity breakdown*

The table below shows a maturity profile of the Group's treasury investments, which are classified both under FVTOCI and FVTPL as at 31 December 2018.

	Up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	Total
FVTOCI and FVTPL securities <i>(U.S.\$ million)</i> .....	235.8	132.5	700.3	389.8	1,458.1
FVTOCI and FVTPL securities <i>(per cent.)</i> .....	16.2	9.1	48.0	26.7	100.0

#### **Fixed income portfolio**

The Group's treasury investments comprise fixed and floating rate securities (its "**fixed income portfolio**"), and a small portfolio of treasury bills, managed funds and other equities. As at 31 December 2018, the Group's fixed income portfolio had a weighted average credit rating of 'A'.

The Group'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 sectors.

#### *Ratings classification of fixed income portfolio*

The table below shows the ratings classification by issuer type of the Group's fixed income portfolio by amount as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(U.S.\$ million)		
Rated AAA to A.....	690.1	726.8	717.9
of which:			
Financial institutions .....	134.4	238.8	298.6
Governments and public sector.....	291.7	263.5	140.0
Other.....	264.0	224.5	279.3
Rated BBB to B.....	388.0	361.3	352.6
of which:			
Financial institutions .....	89.5	139.0	159.8
Governments and public sector.....	83.2	109.1	109.2
Other.....	215.3	113.2	83.6
Rated C.....	1.3	—	—
of which:			
Financial institutions .....	—	—	—
Governments and public sector.....	—	—	—
Other.....	1.3	—	—
Unrated .....	—	47.2	46.6
<b>Total fixed income portfolio .....</b>	<b>1,079.4</b>	<b>1,135.3</b>	<b>1,117.1</b>

The table below shows the ratings classification by issuer type of the Group's fixed income portfolio by proportion of the total as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(per cent.)		
Rated AAA to A.....	63.9	64.0	64.3
of which:			
Financial institutions .....	12.5	21.0	26.7
Governments and public sector.....	27.0	23.2	12.6
Other.....	24.5	19.8	25.0
Rated BBB to B.....	35.9	31.8	31.6
of which:			
Financial institutions .....	8.3	12.2	14.3
Governments and public sector.....	7.7	9.6	9.8
Other.....	19.9	10.0	7.5
Rated C.....	0.1	—	—
of which:			
Financial institutions .....	—	—	—
Governments and public sector.....	—	—	—
Other.....	0.1	—	—
Unrated .....	—	4.2	4.2
<b>Total fixed income portfolio .....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### *Sectoral breakdown of fixed income portfolio*

The table below shows the sectoral breakdown of the Group's fixed income portfolio by amount as at 31 December in each of 2018, 2017 and 2016.



	As at 31 December		
	2018	2017	2016
	(U.S.\$ million)		
Oilfield production development services.....	5.0	5.0	22.3
Liquefied natural gas plants.....	3.8	1.7	—
Petroleum and petrochemicals.....	61.0	43.5	—
Maritime transportation .....	58.1	58.0	60.1
Refineries .....	2.0	1.2	—
Power generation .....	74.8	53.1	6.8
Other petroleum .....	44.8	67.9	57.0
Banks and financial institutions.....	304.7	392.9	469.1
Governments and public sector .....	147.9	372.6	302.8
Other industries.....	377.4	139.4	199.0
<b>Total fixed income portfolio.....</b>	<b>1,079.4</b>	<b>1,135.3</b>	<b>1,117.1</b>

The table below shows the sectoral breakdown of the Group's fixed income portfolio by proportion of the total as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(per cent.)		
Oilfield production development services.....	0.5	0.4	2.0
Liquefied natural gas plants.....	0.3	0.2	0.1
Petroleum and petrochemicals.....	5.6	3.8	—
Maritime transportation .....	5.3	5.1	5.4
Refineries .....	0.2	0.1	—
Power generation .....	6.9	4.7	0.6
Other petroleum .....	4.2	6.0	5.1
Banks and financial institutions.....	28.2	34.6	42.0
Governments and public sector .....	13.7	32.8	27.1
Other industries.....	35.0	12.4	17.8
<b>Total fixed income portfolio.....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### *Geographical concentration of fixed income portfolio*

The Group's fixed income portfolio principally comprises debt securities issued by Arab world issuers. The table below shows the geographical classification of the Group's fixed income portfolio by amount as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(U.S.\$ million)		
Saudi Arabia .....	233.8	251.4	212.5
Qatar.....	135.3	102.9	106.2
Other GCC states .....	372.2	460.8	524.2
<b>Total Arab world .....</b>	<b>741.3</b>	<b>815.1</b>	<b>842.9</b>
Europe .....	66.7	63.0	64.9
Asia Pacific .....	17.8	14.9	7.8
United States.....	253.7	242.3	201.5
<b>Total fixed income portfolio.....</b>	<b>1,079.5</b>	<b>1,135.3</b>	<b>1,117.1</b>

The table below shows the geographical classification of the Group's fixed income portfolio by proportion of the total as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(per cent.)		
Saudi Arabia .....	21.7	22.1	19.0
Qatar.....	12.5	9.1	9.5
Other GCC states .....	34.5	40.6	46.9
<b>Total Arab world .....</b>	<b>68.7</b>	<b>71.8</b>	<b>75.4</b>
Europe .....	6.2	5.5	5.8
Asia Pacific .....	1.6	1.3	0.8
United States .....	23.5	21.4	18.0
<b>Total fixed income portfolio.....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

The table below shows the weighted average effective interest rates of the Group's fixed income portfolio as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(per cent.)		
Fixed rate bonds.....	4.67	4.50	4.60
Floating rate bonds .....	3.63	3.06	3.10

### **CAPITAL ADEQUACY**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Group 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. Although the Group is not subject to regulatory-imposed capital requirements, it monitors and manages its capital based on the capital adequacy ratios prescribed by the Basel Committee (Basel II) and also voluntarily complies with Basel III liquidity risk management guidelines. The Group's capital adequacy as at 31 December 2018 based on qualifying capital to total risk weighted exposure was 28.88 per cent.

The table below shows the Group's capital adequacy as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(U.S.\$ million, except ratios)		
<b>Risk weighted exposures</b>			
On balance sheet assets.....	7,111.0	7,006.3	5,274.8
Off balance sheet exposures .....	884.4	823.9	960.3
<b>Total risk weighted exposures .....</b>	<b>7,995.4</b>	<b>7,830.2</b>	<b>6,235.1</b>
<b>Capital adequacy</b>			
Tier 1 capital <sup>(1)</sup> .....	2,265.9	2,147.7	1,473.3
Tier 2 capital <sup>(2)</sup> .....	43.2	25.8	249.2
<b>Qualifying capital.....</b>	<b>2,309.1</b>	<b>2,173.5</b>	<b>1,722.5</b>
Total capital adequacy ratio (Basel II) .....	28.88%	27.76%	27.63%
Tier 1 capital ratio (Basel II) .....	28.34%	27.43%	23.63%

<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 PARTY TRANSACTIONS**

The Group's principal related parties are its shareholders. Although the Group does not transact any commercial business directly with the shareholders themselves, it is engaged in financing activities with companies which are either controlled by the shareholder governments or over which they have significant influence. Loans made by the Group 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 2016, 2017 or, save following the settlement agreement with Government of Iraq, in 2018.

The table below summarises the Group's related party loans, direct equity investments in related parties and deposits from related parties as at, and for the years ended, 31 December 2018, 31 December 2017 and 31 December 2016.

	As at/year ended 31 December		
	2018	2017	2016
	(U.S.\$ million)		
<b>Loans to related parties</b>			
Gross loans outstanding .....	2,382.3	2,130.4	2,265.2
Allowance for specific impairment .....	(12.5)	(18.8)	(18.8)
Dividends due to the Government of Iraq, offset against defaulted loans .....	—	(45.5)	(45.5)
Commitments to underwrite and fund loans .....	539.3	469.7	524.6
Interest from loans during the period .....	92.7	62.0	43.6
Loan fees received during the period .....	12.5	3.9	6.1
Allowance for specific impairments during the period .....	—	—	(5.5)
<b>Investments in related parties</b>			
Investments .....	1,044.3	954.3	987.2
Investments held for sale .....	—	110.6	—
Commitments to invest .....	488.0	514.7	73.5
Guarantees as shareholder .....	8.8	10.7	11.0
Dividends received during the period .....	56.4	35.4	57.7
<b>Deposits</b>			
Deposits from corporates .....	415.2	1,051.3	1,133.6
Deposits from shareholders .....	114.0	110.8	108.8
Dividend payable to shareholders .....	13.7	2.6	2.6
Interest expense on deposits from corporates during the period .....	17.8	17.5	15.8
Interest expense on deposits from shareholders during the period .....	3.1	2.0	1.4

As at 31 December 2018, the Group's gross loans outstanding to related parties were 65.8 per cent. of its total gross loans outstanding, compared to 68.6 per cent. as at 31 December 2017 and 73.2 per cent. as at 31 December 2016.

As at 31 December 2018, the Group's investments in related parties were 42.4 per cent. of its total investments, compared to 38.6 per cent. as at 31 December 2017 and 45.1 per cent. as at 31 December 2016.

As at 31 December 2018, the Group's deposits from related party corporates were 100 per cent. of its total deposits from corporates, compared to 100 per cent. as at 31 December 2017 and 31 December 2016.

	Year ended 31 December		
	2018	2017	2016
	(U.S.\$ million)		
<b>Loans to related parties</b>			
Interest received .....	93	62	44
Loan fees received .....	13	4	6
Allowance for specific impairment .....	-	-	(1)
<b>Direct equity investments in related parties</b>			
Dividends received .....	56	35	58
<b>Deposits</b>			
Interest expense .....	(21)	(20)	(16)

## COMPETITION

The Group's primary competition is from regional, international and development banks which have recognised expertise in project finance, ship finance and 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. The Group 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 Group's ability 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 the Group considers appropriate in light of the risks involved.

With regard to direct equity investments, the Group'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—The Group faces significant and increasing competition"*.

## COMPLIANCE

The Group is committed to building and maintaining a culture of ethical behaviour, corporate governance and regulatory compliance. The Group's compliance function is independent from its business activities. Among other things, 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;
- 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 the Group's internal control process;
- assisting management in ensuring that all activities are conducted in conformity with all applicable requirements; and
- assessing the appropriateness of the Group's compliance-related guidelines and, where necessary, proposing amendments.

The Group's Compliance and Anti-money Laundering ("**AML**") Policy sets out minimum standards which must be complied with across the Group. These include:

- the appointment and approval of the Compliance Officer, who is responsible for overseeing compliance with relevant regulations, rules and best practices;
- the appointment and approval of the Money Laundering Reporting Officer (the "**MLRO**"), who is responsible for overseeing all AML activity within the Group;
- establishing and maintaining thorough customer due diligence, identification, verification and know your customer ("**KYC**") procedures, including enhanced due diligence for high risk counterparties (such as certain correspondent banks and politically exposed persons);
- in accordance with Central Bank of Bahrain regulations and Financial Action Task Force ("**FATF**") recommendations, the Group does not deal with banks that have no physical presence;
- ongoing monitoring of counterparty activities and frequent counterparty reviews;
- procedures for identifying and reporting suspicious transactions internally and/or to regulatory bodies (such as the Central Bank of Bahrain);
- the retention of records for minimum prescribed periods in accordance with applicable regulations; and
- appropriate reporting on compliance/AML matters to senior management and the Board (where material).

The Group is committed to preventing the use of its operations for money laundering, terrorist financing and other criminal purposes. In its approach to combat money laundering and terrorist financing, the Group is committed to adhering to all laws and regulations that are applicable in Saudi Arabia, Bahrain and other

countries in which it operates. It is also committed to complying with international best practices, especially those endorsed by the FATF, the Basel Committee on Banking Supervision and the Wolfsberg Group.

The Group seeks to ensure that it maintains full compliance with all applicable laws and regulations in all jurisdictions in which it does business (including those promulgated by the U.S. Office of Foreign Assets Control, the European Union and the United Nations). APICORP complies with all applicable laws and regulations on sanctioned countries or entities regardless of its shareholding status, be it Syria or Libya, including blocking transactions where appropriate, including with respect to shareholders, investments and lending activity. The Group's Sanctions Compliance Policy covers:

- screening customers/clients and transactions globally against the sanctions lists issued by the United Kingdom's HM Treasury, the European Union, the United Nations and the United States of America Department of the Treasury – Office of Foreign Assets Control;
- prohibiting business activity, including prohibitions on commencing or continuing customer relationships or providing products or services or facilitating transactions that the Group believes may violate applicable sanctions laws or its Sanctions Compliance Policy, including dealing with individuals or entities named on a sanctions list or conducting business, directly or indirectly, involving countries or territories subject to comprehensive sanctions;
- restricting business activity involving, directly or indirectly, countries or persons subject to more selective or targeted sanctions programmes, which impacts not only the types of products or services that the Group may make available but also the types of transactions the Group may process;
- investigating all customer/client alerts or transactions that are flagged in the Group's screening systems; and
- reporting breaches of sanctions laws to the relevant regulatory authority.

Effective AML and KYC procedures form a fundamental part of the Group's internal control regime. Ongoing KYC, AML and sanctions training is provided to all of the Group's employees on a regular basis.

## **INTERNAL AUDIT**

The Group has engaged Price Waterhouse Coopers ("**PwC**") to conduct the internal audit of all of its activities. PwC reports its findings to the Board Audit and Risk Committee.

## **INFORMATION TECHNOLOGY**

The Group operates in industries that are highly dependent on information and technologies and it is heavily reliant on its IT systems to process its transactions on an accurate and timely basis and to store and process substantially all of the Group's business and operating data. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its offices and main data processing centres, are critical to its business and its ability to compete effectively. The Group's business would be materially adversely affected if there were a partial or complete failure of any of these IT systems or communications networks. Such failures can be caused by a variety of reasons some of which are outside of the Group's control, including natural disasters, extended power outages, and computer viruses and other external electronic attacks as discussed under. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system inputs, which are subject to internal human errors. Any failure or delay in recording or processing transaction data could subject the Group to claims for losses and regulatory fines and penalties. In addition to the above, the Group's IT support is crucial to the delivery of its business strategy.

The Group seeks to mitigate such failures and further its business strategy by using market leading software solutions and enterprise resource planning to provide services to its business and to respond to new trends in business strategies as they arise. In addition, the Group works 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.

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

As a financial institution, the Group is exposed to the very real and growing threat of security breaches and cyber-attacks. Activists, rogue states and cyber criminals are among those targeting IT systems such as those employed by the Group. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. The Group seeks to protect itself by employing cyber-security procedures aimed at ensuring the maximum information and network protection from cyber threats and these operate at four main levels:

- network security, which aims to ensure the security of APICORP's network from threats originating both inside and outside APICORP;
- application security, which is designed to ensure that any application developed or acquired meets stringent standards of security;
- information system security, which comprises the processes and methodologies involved in keeping information confidential and available and assuring its integrity; and
- end-users security, which seeks to protect APICORP from end-users' activity and end-users from threats emanating from both within and outside APICORP.

## **RISK MANAGEMENT**

### **INTRODUCTION**

The role of risk management is to understand, measure and manage risk in all aspects of the Group's business. The Group 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, the Group 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.

The Group'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. The Group 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.

The Group'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. The Group's risk management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and the products and services offered. The Group, 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 the Group's risk management framework. The Board has established a Board Audit and Risk committee, which is responsible for developing and monitoring the Group's risk management policies. In addition, the same committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Audit and Risk committee is assisted in its oversight role by the internal audit function (which is outsourced to PwC), 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 the Group'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 the Group; set appropriate risk limits and controls; and monitor risks and adherence to limits. The Group's risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group is focusing on integrating risk management functions within 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 the Group's Board and management committees, see "*Management and employees—Management*".

The Group's Risk Management Department is responsible for ensuring and maintaining effective enterprise-wide risk management, as contained in the Group'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 the Group, causing a financial loss to the Group. Credit risk principally arises from the Group's direct and syndicated lending, treasury and other activities undertaken by the Group. The Group has established policies and procedures to control and monitor such risks and monitors concentration of credit risk by sector and by geographic location.

Proposed loans and direct equity investments are subject to systematic investigation, analysis and appraisal as set forth below. Once approved, all loan commitments, whether drawn or undrawn, are subject to systematic monitoring so that potential problems may be detected early and remedial action taken.

The Group'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. Investing 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 approval process**

All of the Group'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 the Group, 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, the Group 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 Corporate Finance 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 the 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 management level Credit and Investment Committee for review and approval.

Where the Group is participating in a syndicated loan, the Group typically receives and reviews the standard credit package submitted to all potential syndicate participants. The Group'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, which makes an appropriate recommendation to the Board. The Board has the ultimate authority to sanction commitments.

### **Credit rating and measurement**

The Group'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.

The Group'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.

The Group 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.

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



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

Internal rating	Asset classification	Default indicator	Provision category
AAA to AA .....	Standard	No past due payments	Collective provision
A.....	Standard	No past due payments	Collective provision
BBB.....	Standard	No past due payments	Collective provision
BB to B .....	Standard	No past due payments	Collective provision
NR.....	NR	No past due payments	Collective provision
C.....	Watch list	Past due payments of 90 days or less	Collective provision
DDD.....	Sub Standard	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

The Group has 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. The Group's loans are priced to derive an acceptable return on capital which means that higher pricing is applied to riskier loans.

### Credit monitoring

The Group 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. The Group'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 team and the 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

The Group 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.

The Group 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.

The Group 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.

The Group also purchases comprehensive non-payment insurance cover for certain exposures in non-investment grade countries based on transaction credit assessments.

## LIQUIDITY RISK

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

The Group's liquidity management policies are designed to ensure that even under adverse conditions, the Group 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 the need to bid aggressively for deposits. The Group 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. The Group's liquidity risk policy is in compliance with Basel III guidelines.

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

The Group'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 the Group'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.

The table below summarises the Group's asset and liability maturity profile, based on management's estimates of repayment, as at 31 December in each of 2018, 2017 and 2016. A more detailed table showing individual statement of financial position line items is set out in note 29 to the 2018 Financial Statements and note 28 to the 2017 Financial Statements.

	<u>Up to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>5 years and over</u>	<u>Total</u>
	(U.S.\$ million)				
31 December 2018					
Total assets.....	1,127.9	820.4	2,508.9	2,495.5	6,952.7
Total liabilities and equity.....	<u>(788.2)</u>	<u>(1,029.7)</u>	<u>(2,866.9)</u>	<u>(2,267.9)</u>	<u>(6,952.7)</u>
Maturity gap.....	339.7	(209.3)	(358.0)	227.6	—
Cumulative maturity gap.....	339.7	130.5	(227.6)	—	—
31 December 2017					
Total assets.....	823.1	849.4	2,548.1	2,016.2	6,236.8
Total liabilities and equity.....	<u>(751.2)</u>	<u>(514.9)</u>	<u>(2,820.3)</u>	<u>(2,150.4)</u>	<u>6,236.8</u>
Maturity gap.....	71.9	334.5	(272.3)	(134.2)	—
Cumulative maturity gap.....	71.9	406.4	134.2	—	—
31 December 2016					
Total assets.....	1,092.0	438.6	2,056.4	2,554.7	6,141.7
Total liabilities and equity.....	<u>(1,521.2)</u>	<u>(468.3)</u>	<u>(2,128.5)</u>	<u>(2,023.7)</u>	<u>(6,141.7)</u>
Maturity gap.....	(429.2)	(29.7)	(72.1)	531.0	—
Cumulative maturity gap.....	(429.2)	(458.9)	(531.0)	—	—

The Group's funding profile has been strengthened by increasing the amount of its medium- and long-term funding. As a result, the Group's liquidity mismatch position has improved as evidenced by the trend in maturity gaps shown in the table above.

## MARKET RISK MANAGEMENT

Market risk is the risk that changes in market factors, such as interest rates, equity prices and foreign exchange rates, will affect the Group'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 the Group's investments (which are not actively traded) are fixed income debt securities. The Group also has a small amount of equity-related funds and equity securities. 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 the Group'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

The Group'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, giving the Group a significant degree of natural hedge. The Group's exposure to interest rate fluctuations on certain financial assets and liabilities is also contractually hedged through interest rate swap agreements.

The Group'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 table below summarises the Group's interest rate sensitivity gap by repricing period and its cumulative gap as at 31 December in each of 2018, 2017 and 2016. A more detailed table showing individual statement of financial position line items is set out in note 30 to the 2018 Financial Statements and note 29 to the 2017 Financial Statements.

	<u>Up to 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>5 years and over</u>	<u>Total</u>
	<i>(U.S.\$ million)</i>				
31 December 2018					
Interest rate sensitivity gap .....	647.7	(705.4)	—	48.3	(9.3)
Cumulative gap .....	647.7	(57.7)	(57.7)	(9.3)	
31 December 2017					
Interest rate sensitivity gap .....	220.3	582.6	(40.0)	44.2	807.1
Cumulative gap .....	220.3	802.9	762.9	807.1	
31 December 2016					
Interest rate sensitivity gap .....	355.6	138.5	—	44.2	538.3
Cumulative gap .....	355.6	494.1	494.1	538.3	

A positive figure in the table above indicates that the Group has a higher volume of assets than liabilities which re-priced in the relevant period. As the Group's gaps are generally positive, this means that the Group typically benefits in an increasing interest rate environment but is adversely affected in a falling interest rate environment.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group'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.

The table shows an analysis of the sensitivity of the Group's statement of income and equity as at 31 December in each of 2018, 2017 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).

	100 basis point parallel increase		100 basis point parallel decrease	
	Profit/loss	Equity	Profit/loss	Equity
	<i>(U.S.\$ million)</i>			
As at 31 December 2018 .....	1.2	0.3	(1.2)	(0.3)
As at 31 December 2017 .....	1.0	0.1	(1.0)	(0.1)
As at 31 December 2016 .....	1.0	0.1	(1.0)	(0.1)

### 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 the Group to undue risks. The Group does not trade in foreign exchange. The Group's exposures in currencies other than the U.S. dollar are also partially hedged by entering into forward contracts.

The table below shows an analysis of the sensitivity of the Group's statement of income to a 5 per cent. strengthening or a 5 per cent. weakening of the U.S. dollar against major un-pegged foreign currencies as at 31 December in each of 2018, 2017 and 2016. The analysis assumes that all other variables, in particular interest rates, remain the same.

	5 per cent. strengthening of the dollar	5 per cent. weakening of the dollar
	<i>(U.S.\$ million)</i>	
As at 31 December 2018		
GBP .....	0.1	(0.1)
CNH .....	(0.5)	0.5
As at 31 December 2017		
Euro .....	0.9	(0.9)
As at 31 December 2016		
Euro .....	0.8	(0.8)
Japanese yen .....	0.4	(0.4)

The Group also has minor sensitivities in other currencies. For further information see note 26 to the 2018 Financial Statements and note 25 to the 2017 Financial Statements. In addition, note 31 to the 2018 Financial Statements and note 30 to the 2017 Financial Statements contain information on the Group's exposures by currency. The Group's only significant exposures are in U.S. dollars and currencies linked to the U.S. dollar.

### Equity price risk

Equity price risk is the risk that the Group'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. The Group believes 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. This includes risks such as deliberate employee misconduct or other frauds perpetrated against the Group and actual or alleged non-compliance with applicable regulations, which may lead to investigations and proceedings resulting in substantial penalties, civil lawsuits for damages or

damage to its reputation which could have material adverse effects on the Group. A framework and methodology has been developed to identify and control the Group'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. The Group'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 the Group's 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 Group.

## 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 Officer. The Chief Executive Officer, appointed by the Board, is responsible for all the activities of the Group under the supervision of the Board. The Chief Executive Officer is assisted by the senior management team.

#### The Board

The 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 <sup>(1)</sup>
Dr. Aabed bin Abdulla Al-Saadoun	Chairman	Deputy Minister for Companies Affairs, Ministry of Petroleum & Minerals	Saudi Arabia
Mr. Salem Mohamed Hnesh	Deputy Chairman	General Manager, Libyan Arab Foreign Investment Company	Libya
Eng. Mohamed Hassan Saafan	Member	First Undersecretary, Ministry of Petroleum and Mineral Resources	Egypt
Dr. Matar Hamed Al-Neyadi	Member	Undersecretary, Ministry of Energy	UAE
Dr. Sheikh. Nimr Fahad Al-Sabah	Member	Undersecretary, Ministry of Oil	Kuwait
Mr. Alaa Kidher Kadhum Yasri	Member	General Manager of Marketing Oil Company	Iraq
Mr. Ebrahim Ahmad Al-Mannai	Member	Manager, Project Finance and Financial Controls, 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

<sup>(1)</sup> 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 actual or potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Group.

#### Board committees

The Board has established two committees: the Audit and Risk Committee and the Board Remuneration and Governance Committee.

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

The Audit and Risk Committee oversees the Group's financial activities, internal control, corporate governance and risk governance. The Committee is responsible for oversight of the Group'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 Dr. Sheikh. Nimr Fahad Al-Sabah (as Chairman), Dr. Matar Hamed Al-Neyadi (as Deputy Chairman), Mr. Farid Baka, Mr. Ebrahim Ahmad Al-Mannai and Mr. Alaa Kidher Kadhum Yasri (as members).

#### *The Board Remuneration and Governance Committee*

The Board Remuneration and Governance Committee oversees overall corporate governance frameworks and employee compensation and benefits. The Committee is responsible for:

- recommending appropriate remuneration and reward policies to the Board;
- ensuring that human resources policies and practices are in line with applicable laws and regulations;
- developing and recommending to the Board APICORP's corporate governance framework, including the production of guidelines, and the reviewing and reassessing of the adequacy of those guidelines; and
- monitoring and benchmarking local and international developments in relevant regulations against APICORP's corporate governance framework.

The Governance and Remuneration Committee comprises Dr. Aabed bin Abdulla Al-Saadoun (as Chairman), Mr. Salem Mohamed Hnesh (as Deputy Chairman), Dr. Sheikh. Nimr Fahad Al-Sabah, Mr. Mahmood Hashim Al-Kooheji, Mr. Ebrahim Ahmad Al-Mannai and Eng. Mohamed Hassan Saafan (as members).

#### *Senior management*

The members of the Group's senior management team are:

<b>Name</b>	<b>Title</b>
Dr. Ahmed Ali Attiga.....	Chief Executive Officer
Mr. Bennie Burger.....	Managing Director, Investments
Mr. Nicolas Thévenot.....	Managing Director, Corporate Finance
Mr. Hesham Farid .....	Managing Director, Treasury & Capital Markets
Mr. Ali Hassan Fadel .....	Director, Legal
Mr. Ajay Kumar Jha.....	Director, Risk and Compliance
Mr. Hamdi Bata.....	Director, Human Resources & Corporate Services
Ms. Basema Al Mahroos .....	Director, Portfolio Management
Dr. Sherif Ayoub .....	Chief Financial Officer, Finance & Financial Operations
Dr. Leila Benali .....	Director, Energy Research
Ms. Dina Kasrawi.....	Director, Corporate Communications & Outreach
Mr. Mohammad Khatib.....	Director, Information Technology

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 the Group.

#### *Dr. Ahmed Ali Attiga* (Chief Executive Officer)

Dr. Attiga's career and experience span over 26 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 Saudi Arabia's Public Investment Fund 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 the Group 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 privatisation programme. He is a trustee of the Al-Amman Fund for the Future of Orphans, chaired by Her Majesty Queen Rania Al-Abdullah, and a member of the Arab Thought Forum among 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 Economics. He obtained his B.A. in Economics (*Summa cum laude*) from Kuwait University.

**Mr. Bennie Burger** (Managing Director, Investments)

Mr. Burger has over 26 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 the Group in 2014.

Mr. Burger has a Bachelor's degree in Agricultural and Business Economics, a Bachelor's degree with Honours in Business Administration and a Master's degree in Business Administration from the University of Stellenbosch.

**Mr. Nicolas Thévenot** (Managing Director, Corporate Finance)

Mr. Thévenot has 25 years' experience in the financial services industry. He has previously worked at Crédit 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 the Group in 2000 as head of the business group for North Africa and the Mediterranean basin in the department that handles the Group's project finance, financial advisory and trade finance activities (**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** (Managing Director, Treasury & Capital Markets)

Mr. Farid has 32 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 the Group 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. Ali Hassan Fadel** (Director, Legal)

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 the Group 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** (Director, Risk and Compliance)

Mr. Jha has around 22 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 Rajhi Capital (2009 to 2014). He joined the Group in 2014.

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

**Mr. Hamdi Bata** (Director, Human Resources & Corporate Services)

Mr. Bata has around 15 years' experience in human resources. He previously worked at La Roche College, Pittsburgh, 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 the Group 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 the USA.

**Ms. Basema Al Mahroos** (Director of Portfolio Management)

Ms. Al Mahroos has 23 years' experience in the oil and gas sector. She previously worked at BAPCO in a range of roles, including as Manager (Planning & Development), Senior Coordinator (Planning & Economics), Senior Coordinator (Supply and Marine Operations) and Senior Process Engineer. She joined the Group in 2010.

Ms. Al Mahroos has a Bachelor's degree in Chemical Engineering (University of Bahrain) and a Master's degree in Finance from DePaul University, Charles H. Kellstadt Graduate School of Business, USA.

**Dr. Sherif Ayoub** (Chief Financial Officer)

Dr. Ayoub has over 20 years' experience in the financial sector. He has previously held several senior roles at the Islamic Development Bank (IsDB) at the Africa Department and the Islamic Corporation for the Development of the Private Sector, the Islamic Financial Services Department. While with the Islamic Corporation for the Development of the Private Sector, he was seconded to the Islamic Financial Services Board (IFSB) in Kuala Lumpur, Malaysia where he served as Assistant Secretary General. Mr Ayoub has also previously worked at A.T. Kearney, the US Government, the United Nations, and the World Bank. He joined the Group in February 2019.

Dr. Ayoub has a PhD in Finance from Edinburgh University, a Master's degree from Columbia University and Bachelor's degree from Baldwin Wallace University. Dr Ayoub is also a CFA Charter holder and a Certified Public Accountant (CPA).

**Dr. Leila Benali** (Chief Economist, Energy Economics, Strategy and Sustainability)

Dr. Benali has over 20 years' experience in strategy and sustainability. She previously worked at Saudi Aramco where she handled energy policy and gas strategy. Dr. Benali also served as a Director at HIS CERA (Cambridge Energy Research Associates), now IHSMarkit, and has also worked for Schlumberger. She has taught energy courses in various universities and is an active member of several leading energy associations. She joined the Group in December 2018.

Dr. Benali holds a Master of Science degree in Political Science and a PhD in Energy Economics from the Institute d'Etudes Politiques, France.

**Ms. Dina Kasrawi** (Director of Corporate Communications)

Ms. Kasrawi has over 24 years' experience in strategic communications in financial services, government communications and fintech. Previously, she was Global Head of Marketing and Communications at PineBridge Investments, and Vice President of Communications at Bahrain's sovereign wealth fund, Bahrain Mumtalakat Holding Company. She has also worked with the World Bank on government economic communications on behalf of the governments of Kuwait, Bahrain, Malawi, Yemen, Qatar and Ras Al Khaimah. She has also led communications at the Bahrain Economic Development Board and advised the Abu Dhabi General Secretariat of the Executive Council. She joined the Group in November 2018.

Ms. Kasrawi has an MBA from Columbia Business School, an MA in International Public Communications from American University, Washington, D.C. and a BA in English Linguistics from the University of Kuwait.

***Mr. Mohammad Khatib*** (Director of Information Technology)

Mr. Khatib has over 24 years' experience in IT. Previously, he was a senior consultant with Market Management Improvement Services (MMIS). He served as the Chief Information Officer at the Amman Stock Exchange, and prior to that as Chief Information Officer at Bank Al Etihad. In his most recent role, he was a director at the Global Business Bureau in Dubai. He joined the Group in January 2019.

Mr. Khatib has a Master's degree in Analysis, Design and Management of Information Systems (ADMIS) at the London School of Economics.

***Management committees***

The Group has four management level committees.

***Executive Management Committee***

The Executive Management Committee's responsibilities include:

- reviewing and recommending the Group's corporate strategy, annual budget, business plan, human resource policy and corporate governance policy;
- periodically reviewing the Group'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 Officer (as Chairman), the Deputy Chief Executive Officer and the heads of T&CM, Investments, Corporate Finance, Finance, Corporate Strategy, Risk Management & Compliance, Legal, IT, Operations, Energy Research and Human Resources & Corporate Services.

The committee generally meets monthly.

***Credit and Investment Committee***

The Credit and Investment Committee's responsibilities include:

- reviewing and recommending to the Board new debt-related transactions, equity investment proposals, and direct investment and exit guidelines;
- 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 Officer (as Chairman), the Deputy Chief Executive Officer and the heads of Finance, T&CM, Corporate Finance, Investments, Corporate Strategy, Risk Management & Compliance and Energy Research.

The committee met more than 20 times in 2018 and more than 18 times in 2017.

#### *The Risk and ALCO Committee*

The Risk and ALCO Committee's responsibilities include:

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

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

The committee met 6 times in 2018 and four times in 2017.

#### *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 Managing Director, T&CM (as Chairman) and the heads of Finance and Risk and Compliance and Head of Investments.

The committee met 49 times in 2018 and 14 times in 2017.

### **COMPENSATION**

The aggregate remuneration (comprising benefits, fees and charges) of the members of APICORP's Board and its key management amounted to U.S.\$4.7 million in 2018, U.S.\$5.2 million in 2017 and U.S.\$4.2 million in 2016.

### **EMPLOYEES**

As at 31 December 2018, APICORP had 118 full-time employees, compared to 110 at 31 December 2017 and 111 at 31 December 2016. APICORP embraces diversity and there were 18 different nationalities among its employees as at 31 December 2018.

APICORP is a performance-driven organisation and this is reflected in its reward philosophy which links performance to rewards. It aims to pay competitive rates of remuneration and seeks to match best pay

practices in the GCC markets. It 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. It also provides a comprehensive training and development programme for all its employees.

APICORP believes that its employees are its most important asset and focuses on ensuring optimal working conditions for its employees.

## 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.*

*Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.*

### **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 ceased to 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, 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 may be 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 the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes 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. However, if additional notes (as described under "*Terms and Conditions—Further Issuances*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all

Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

## **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 (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) 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 interests or deemed interests 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 interests or deemed interests 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 ROC Basic Income Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include any interest or deemed interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 20 per cent. (unless the total taxable income for a fiscal year is under NT\$500,000), 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

Crédit Agricole Corporate and Investment Bank, Taipei Branch, Fubon Securities Co., Ltd., HSBC Bank (Taiwan) Limited, KGI Securities Co. Ltd., Mega International Commercial Bank Co., Ltd., SinoPac Securities Corporation, Standard Chartered Bank (Taiwan) Limited, Taishin International Bank Co., Ltd. and Yuanta Securities Co., Ltd. (collectively, the "**Managers**"), have, in a subscription agreement dated 25 November 2019 (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 for 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 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 and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

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

In relation to each Member State of the European Economic Area (each, a "**Relevant Member State**"), each Manager has represented and agreed that it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may 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 Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), as permitted under the Prospectus Regulation subject to obtaining the prior consent of each of Crédit Agricole Corporate and Investment Bank, Taipei Branch, HSBC Bank (Taiwan) Limited and Standard Chartered Bank (Taiwan) Limited; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

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 the Notes and the expression Prospectus Regulation means Regulation (EU) 2017/1129.

### **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.

### **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 (excluding that person's principal place of residence);
- (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:

- (d) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (e) 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 has not, directly or indirectly, offered or sold Notes, and that it will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and

otherwise in compliance with, the FIEA and any 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 any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) 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 (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision 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 or securities-based derivatives contracts (each term as defined in Section 2(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, 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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## 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: (a) to "**professional investors**" as defined in the SFO and any rules made under the SFO; or (b) 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 "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); 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"** as defined in 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 **"CMSA"**); 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 CMSA, 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 none of 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 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the Capital Market Authority resolution number 3-45-2018 dated 23 April 2018 (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 Article 11 of 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 9 of the KSA Regulations or by way of a limited offer under Article 10 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 Article 11 and either Article 9 or Article 10 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

## **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 reviewed or approved by the Qatar Central Bank, the Qatar 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.

#### **Sultanate of Oman**

Each of the Managers has represented and agreed that:

- (a) this Prospectus has not been filed with or registered as a prospectus with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Authority Law SD 80/98 (Article 3), will not be offered or sold as an offer of securities in Oman (as contemplated by the Commercial Companies Law) or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and
- (b) the Notes will not be offered, sold or delivered, and no invitation to subscribe for or to 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 Oman to any person in Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

#### **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: (i) overseas or domestic 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) overseas or domestic fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Future Trading Act or the ROC 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 meeting all of the following three criteria and having applied in writing to the securities firms for the status of a professional investor:
  - (i) its total assets exceeding NT\$50,000,000 according to its most recent CPA-audited or reviewed financial report;
  - (ii) its authorized person doing the transaction has sufficient professional knowledge and trading experience in bonds; and
  - (iii) it fully understands that the securities firm is exempted from certain responsibilities towards professional investors in connection with bond trading activities and agrees to sign up as a professional investor.
- (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

The Issuer has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation ("**TDCC**") and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Notes through the account of TDCC with Euroclear System Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream**") if it applies to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective 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. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, 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 actually receive such distributions may vary depending upon the daily operations of the Taiwanese 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 12 October 2019.

### **Listing of Notes**

2. Application has been made to the Euronext Dublin for the Notes to be admitted to the official list and trading on its regulated market. Application will also 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 material adverse change in the prospects of the Issuer since 31 December 2018 nor any significant change in the financial position or financial performance of the Group since 30 June 2019.

### **Auditors**

5. The Interim Financial Statements have been reviewed by KPMG, who have issued an unqualified report on the Interim Financial Statements. The Annual Financial Statements have been audited without qualification by Deloitte Middle East.
6. KPMG has conducted its review of the Interim Financial Statements in accordance with 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 Annual 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 Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by IASB and interpretations issued by IFRS. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".
8. The business address of KPMG is 12<sup>th</sup> Floor, Fakhro Tower, P.O. Box 710, Manama, Kingdom of Bahrain. KPMG 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.
9. The business address of Deloitte Middle East is United Tower, Bahrain Bay, P.O. Box 421, Manama, Kingdom of Bahrain. Deloitte 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.

### **Validity of the Prospectus and Prospectus Supplements**

10. This Prospectus is valid for 12 months. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply once the Notes are admitted to the official list and trading on the regulated market of the Euronext Dublin.

## **Documents on Display**

11. Copies of the following documents may be inspected during normal business hours at the offices of each of the Agents or at <http://www.apicorp.org/investor-relations/pcm-issuances>:
- (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 2017 and 31 December 2018 and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 (if any); and
  - (e) this Prospectus.

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

In addition, this Prospectus will be available, in electronic format, on the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)).

## **Issuer's Website**

12. The Issuer's website is <http://www.apicorp.org/>. Unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

## **ISIN and Common Code**

13. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2082322822 and the common code is 208232282.
14. 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**

15. Certain of the Managers 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. Certain of the Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Certain of the Managers of their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.



**Expenses**

16. The total expenses related to (i) the admission of the Notes to the official list and trading on the regulated market of the Euronext Dublin are expected to amount to approximately €5,000 and (ii) the listing of the Notes on the TPEx are expected to amount to approximately NT\$100,000.

**Listing Agent**

17. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the official list of the Euronext Dublin or to trading on its regulated market for the purposes of the Prospectus Regulation.

**The Legal Entity Identifier**

18. The Legal Entity Identifier (LEI) code of the Issuer is 213800A54KIUYH5YD185.

## **THE ISSUER**

### **Arab Petroleum Investments Corporation**

Head Office Building  
Dammam Coastal Road  
Al Rakkah  
PO Box 9599  
31423 Dammam  
Kingdom of Saudi Arabia

## **REGISTRAR**

### **The Bank of New York Mellon SA/NV, Luxembourg Branch**

Vertigo Building – Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg

## **FISCAL AGENT, TRANSFER AGENT, AGENT BANK AND PAYING AGENT**

### **The Bank of New York Mellon, London Branch**

One Canada Square  
London E14 5AL  
England

## **MANAGERS**

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

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

16F, Hung Kuo Building  
No. 167, Tun Hua North Road  
Taipei 10549, Taiwan

### **Fubon Securities Co., Ltd.**

15F, No.169, Sec. 4, Ren Ai Road  
Taipei 106  
Taiwan

### **HSBC Bank (Taiwan) Limited**

13F, International Trade Building  
333 Keelung Road, Sec. 1  
Taipei 110, Taiwan

### **KGI Securities Co. Ltd.**

No. 700, Mingshui Road  
Zhongshan Dist. Taipei 10462,  
Taiwan

### **Mega International Commercial Bank Co., Ltd.**

2F 100 Chi Lin Road  
Taipei 10424  
Taiwan

### **SinoPac Securities Corporation**

5F, No. 306, Sec. 2, Bade Road  
Taipei 104  
Taiwan

### **Standard Chartered Bank (Taiwan) Limited**

1F, No. 168, Tun Hwa North Road  
Taipei 105  
Taiwan

### **Taishin International Bank Co., Ltd.**

22F, No.118, Sec. 4, Ren Ai Road  
Da-an District, Taipei 106  
Taiwan

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

13, 14F., No. 225, Sec. 3, Nanjing E. Road  
Taipei 104  
Taiwan

## LEGAL ADVISERS

*To the Managers as to English law:*

**Clifford Chance LLP**  
Level 15, Burj Daman  
Dubai International Financial Centre  
P.O. Box 9380  
Dubai  
United Arab Emirates

*To the Issuer as to ROC law:*

**Lee and Li, Attorneys-at-Law**  
8<sup>th</sup> floor  
No. 555, Sec. 4, Zhongxiao E. Rd.,  
Taipei 11072, Taiwan, ROC

## IRISH LISTING AGENT

**Arthur Cox Listing Services Limited**  
Ten Earlsfort Terrace  
Dublin 2  
Ireland

## AUDITORS TO THE ISSUER

**Deloitte & Touche – Middle East**  
United Tower  
Bahrain Bay  
P.O. Box 421  
Manama  
Kingdom of Bahrain

**KPMG Fakhro**  
12th Floor  
Fakhro Tower  
P.O. Box 710  
Manama  
Kingdom of Bahrain