



# INVESTMENTS :

## CREATING STRATEGIC PARTNERSHIPS

In 2015, the APICORP equity investments team focussed on optimising the value we derive from our existing asset portfolio and on creating long-term strategic partnerships with internationally-renowned investors to unlock mutually beneficial opportunities.

We took a proactive approach to the board level management of the companies in which we are invested, we worked closely with best-in-class private equity operators and we reviewed internal reporting protocols to gain an enhanced picture of the performance of every equity asset we hold.

Additionally, we formulated a strategy that will enable us to diversify our equity investments portfolio over the coming years to include assets that are not directly involved in the extraction or refinement of hydrocarbons.

Our strategy, which will increasingly see us take stakes in well managed, non-greenfield opportunities, will ensure we better serve the Arab energy industries, and deliver long-term, sustainable profitability to our stakeholders.

At the end of 2015, our portfolio of sixteen equity investments was valued at \$923m, an increase of \$57m on 2014.

In 2015, uncertainty over the direction of the global economy presented a significant challenge, but depressed asset prices also provided opportunities to organisations with access to liquidity.

Over the course of the year, our team identified several investment opportunities in high quality growth businesses with strong management teams and outstanding track records of profitability, in energy and related industries.

This work will underpin our investment activities in 2016.

## 2015 ACHIEVEMENTS

**S M I**

In line with our diversification strategy and our mandated role of facilitating the development of Arab hydrocarbons industries, we acquired a fifteen percent stake in Saudi Mechanical Industries (SMI).

**I F C**

We committed to a sizeable investment in the International Finance Corporation's (IFC) MENA private equity fund, an investment we expect to pay long-term dividends and to enable us to work increasingly closely with IFC on further co-investment opportunities.

**P O R T F O L I O  
M A N A G E M E N T  
C O N C E P T**

We reviewed our approach to the governance of portfolio companies and implemented a proactive portfolio management concept – in line with international private equity best practice – to ensure optimal reporting of all equity investments.

**I N V E S T M E N T  
G U I D E L I N E S  
R E V I E W**

We reviewed our investment guidelines with the aim of increasing the minority equity stakes we are able to take in investee companies and also to enable us to work in a more coordinated manner with likeminded investment partners to affect strong governance and oversight of companies in which we hold a share.

**R E C R U I T M E N T**

We continued to build our investment team, recruiting mainly young Arab investment professionals in line with our long-term strategy to invest in Arab talent and to develop APICORP's human capital.

As a result, we are better positioned than ever before to optimise the value we derive from equity investments.





ابيكورب  
APICORP



Misr Oil Processing Company  
(MOPCO)  
3.03% APICORP share



Arab Drilling and  
Workover Company  
(ADWOC)  
20% APICORP share



Saudi Mechanical Industries  
(SMI)  
15% APICORP share



Egyptian Bahraini Gas  
Derivative Company  
(EBGDCO)  
20% APICORP share



Yanbu National  
Petrochemical  
Company  
(YANSAB)  
1.32%  
APICORP share



Tankage Mediterranee  
(TANKMED)  
20% APICORP share

ابن زهر  
ibn zahr

Saudi European  
Petrochemical Company  
(IBN ZAHR)  
10% APICORP share



Egyptian Methanex  
Methanol Company  
(EMethanex)  
17% APICORP share



National Petroleum  
Services  
(NPS)  
28.33% APICORP share



The Industrialization  
& Energy Services  
Company  
(TAQA)  
5.86% APICORP share

# APICORP INVESTMENTS PORTFOLIO

( A S O F 3 1 D E C E M B E R 2 0 1 5 )



الشركة العربية لخدمات الاستكشاف الجيوفيزيائي

Arab Geophysical  
Exploration Services  
Company  
(AGESCO)  
16.67% APICORP share

ابن رشتد  
ibn rushd

The Arabian Industrial  
Fibers Company  
(IBN RUSHD)  
3.45% APICORP share



Alexandria Fiber Company  
(AFCO)  
10% APICORP share



Arab Company for  
Detergent Chemicals  
(ARADET)  
32% APICORP share



# C O R P O R A T E F I N A N C E : E N A B L I N G G R O W T H

In 2015, despite challenges to the energy industry caused by sharply declining oil prices, the corporate finance team was able not only to maintain the \$3bn value of our portfolio of funded and unfunded loan assets, but also to increase the net income generated by the portfolio from \$58.7m in 2014 to \$65.5m.

Trade financing projects were adversely affected by weakening oil prices as appetite across the industry for credit decreased. Several large-scale hydrocarbons projects were cancelled in the first half of the year. Nevertheless, in 2015 APICORP executed eleven trade finance deals worth \$536m.

In 2015 we diversified our portfolio, focussing in particular on the energy-related utilities sector. We began relationships with seven new clients.

Additionally, in 2015 we continued to diversify our product portfolio with the launch of three Shari'a compliant trade-financing products designed specifically to meet the needs of commodity traders. We also grew the Islamic finance component of our loan asset portfolio to 32.73 percent, compared to 27.08 percent in 2014.

However, due to regional instability in North Africa and the Levant region, APICORP corporate financing activity in 2015 remained largely concentrated on GCC markets.

Tightening liquidity flows in the region during 2015 helped us to improve the yields on our transactions, in line with the strategic goal set out in our five-year plan to enhance our commercial focus while continuing to execute our mandated role as a development bank for the Arab energy industry.

## 2 0 1 5 A C H I E V E M E N T S

### A L G E R I A

We completed an innovative, Sharia-compliant \$10m transaction with Paris-based oil and gas private equity firm 4D, the main shareholder of ORSSAL, which provides services to Algeria's national oil company Sonatrach.

The deal showcased our corporate financing capabilities and enabled us to penetrate the hard to reach Algerian market, allowing us to meet our development bank mandate goals in the country.

### U A E

We completed a \$100m transaction in conjunction with First Gulf Bank to finance the Al Wajeez cooling plant in Abu Dhabi, the first time we have financed a cooling project. The deal was structured in two parts: Sharia-compliant and conventional. We executed the Islamic side of the deal.

### C O M M O D I T Y F I N A N C E

We supported PUMA, a mid and downstream oil company majority-owned by Trafigura and Sonangol Group, on two landmark transactions: a revolving credit facility in which we acted as mandated lead arranger (MLA) and book runner, and a bilateral medium-term guarantee for storage facilities under construction in Angola.

### M O R O C C O

We provided a five-year \$75m equity bridge facility for a renewable ACWA Power desalination and power plant.

### U A E

We committed \$250m in a \$4.9bn facility raised by Mubadala and Investment Corporation of Dubai (ICD)-owned Emirates Global Aluminium to facilitate its development and growth.





# TREASURY & CAPITAL MARKETS: SAFEGUARDING OUR FUTURE

In 2015, the Treasury maintained funding for all APICORP balance sheet operations in a timely manner at competitive prices, and we contributed significantly to the organisation's profitability.

Despite global capital market uncertainty caused by depressed oil prices and a manufacturing slowdown in China, APICORP's balance sheet remained robust.

All indicators of our financial vitality were strong in 2015: our liquidity position was sound, our ownership structure was solid, our capitalisation levels were high, our leverage levels were low and the quality of our assets and liabilities was good.

At the close of the year, APICORP's net worth was close to \$2bn and the loan book was valued at \$2.6bn – a level of low leverage and high capital adequacy unparalleled amongst Middle East banking organisations.

Our assets were of a high quality: the loan book was AA rated, the Treasury book was A rated, our direct equity investments were A rated. The overall rating of our balance sheet was AA.

In 2015, we exceeded targets for income generated by Treasury assets, achieving \$41.3m, compared to \$36.9m in 2014. Treasury assets were valued at \$2.04m, down from \$2.16m in 2014.

We secured funding from a wide range of sources, both within and outside the region. Sources of funding included: debt capital markets, debt financing markets, wholesale institutional and corporate markets.

Our relationships with local and international banks and government bodies were good in 2015, thanks to our strong track record of issuing medium and long-term financing through loans or through our debut Debt Capital Market (DCM) \$500m Sukuk.

In 2015, the Treasury sought to innovate and work in new capital markets in order to acquire new skills and to achieve improved margins.

## A C H I E V E M E N T S

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### O U T S O U R C I N G

For the first time since the 2008 global financial crisis, we commenced outsourcing the management of a portion of our Treasury investment book to high-calibre external fund managers. Outsourcing partners included Goldman Sachs, BlackRock and J.P. Morgan.

In addition to diversifying and strengthening the risk profile of the Treasury book, the relationships we will develop with these internationally renowned fund managers will enable us to progress as an organisation, through knowledge-sharing and global networking.

### S U K U K

The Treasury highlight of 2015 was the successful issuance of APICORP's first DCM five-year Sukuk, raising \$500m. Participation by investors across the Middle East, Europe and Asia was enthusiastic.

Our Sukuk programme is a key part of our long-term strategy for securing new forms of medium and long-term funding, in line with the goals of our five-year business plan.

### I S L A M I C M A R K E T S

We significantly increased our asset and liability exposure to Islamic markets. The move was part of a long-term strategy to capitalise on the future growth of Shari'a-compliant markets.







# G O V E R N A N C E :

## R A I S I N G S T A N D A R D S

In 2015, in order to maintain and optimise APICORP's long-term stability, we focussed on improving our governance structures and on implementing strategies that conformed to the highest standards of international best practice to manage and mitigate organisational risk.

Highlights of the year included the formulation of policies to manage liquidity risk and to manage operational risk, and the implementation of guidelines relating to our overall risk appetite.

Additionally, we enhanced our risk-based pricing methodology for corporate finance transactions and we established an enterprise-wide authority matrix to streamline our internal decision-making processes.

We also reviewed and reformed board-level and senior management-level committee governance structures.

As a result of our work in 2015, our risk management processes and our governance structures will underpin APICORP's long-term growth and development for decades to come.

## 2 0 1 5 A C H I E V E M E N T S

### LIQUIDITY RISK POLICY

We created and implemented a liquidity risk policy that conformed to the highest standards of international best practice. The policy significantly strengthened APICORP's liquidity and funding profile.

### RISK APPETITE FRAMEWORK

We developed a risk appetite framework for implementation in 2016, subject to Board approval. The framework detailed APICORP's optimal risk/return profile, set organisational risk limits and ensured the Board and senior management would always be able to quickly gain a detailed picture of overall organisational economic health.

### OPERATIONAL RISK POLICY

We created an online web portal to enable and encourage APICORP staff to report operational risk incidents – system issues, human issues or process issues – in order that every incident be quickly analysed and resolved.

### COMMITTEE MEMBERSHIP

At Board level, we reviewed the charter and membership of: the Board Audit & Risk committee, and the Board Remuneration & Nomination Committee. At senior management level, we reviewed the charter and membership of: the Executive Management committee, the Credit & Investment Committee, the Risk & ALCO committee, and the Tenders & Bid committee. As a result of our work in 2015, the APICORP Board and senior management-level committee structure and governance processes conformed to the highest standards of international best practice.

### AUTHORITY MATRIX

We created and implemented an organisation-wide authority matrix to give a detailed overview of the optimal processes for decision making at all levels of APICORP enterprise. The matrix significantly improved operational efficiency.

### CORPORATE GOVERNANCE

We reviewed and enhanced the process by which all APICORP representatives on boards of investee companies are selected and also the framework under which they report.



# INVESTING IN OUR PEOPLE

APICORP's greatest asset is our people.

We are set apart in the market by the value we are able to create through the quality and expertise of our staff. Put simply: our people, comprising seventeen nationalities, are our competitive advantage.

In 2015, we focussed on enhancing the processes whereby we bring about organisational development through human development, both personal and professional.

Our strategy to achieve sustained organisational excellence was predicated on maximising the potential of every APICORP employee and on ensuring every team member had access to the training and tools necessary to excel.

In order to create a working environment defined by a culture of innovation and ambition, in 2015 we launched several initiatives to optimally harness the dynamism of our people.

Additionally, we made major strides toward achieving our goal of ensuring APICORP is recognised as a leading Gulf employer, where performance and talent are cultivated and rewarded.

APICORP articulated and maintained a compelling Employee Value Proposition (EVP) in 2015. We strove to align shareholder perspectives with those of management and employees, creating a sense of unity and common purpose.

In line with our over-arching five-year business plan, APICORP's Human Resources team was committed to driving the organisation's long-term success through the proactive recruitment and retention of the industry's leading talent.

## 2 0 1 5 A C H I E V E M E N T S

### MEASURING ENGAGEMENT

We surveyed staff to measure employee engagement. The research provided invaluable feedback with which to shape our strategy and priorities for 2016 and beyond.

### REMUNERATION

In order to ensure we remained market competitive and able to attract industry-leading talent, in 2015 we reviewed remuneration structures, benchmarking APICORP against leading Gulf employers in terms of salary, allowances and benefits.

### MEASURING PERFORMANCE

We implemented the first phase of a performance management system across the organisation to facilitate the creation of an employee development culture based upon coaching and feedback, thereby enhancing employee contribution to the achievement of APICORP's mandated goals.

### RECRUITING TALENT

In 2015, twenty members of staff with an average age of 53 departed the company. We recruited twelve new joiners, with an average age of 32. All new recruits held postgraduate degrees.

### REALIGNING STRUCTURE

We reviewed and streamlined our organisational structure to better reflect our priorities and to facilitate forward momentum and departmental cohesion.

### ENHANCED HR CLIENT-SERVICING

We improved employee enquiry average response times and pro-actively shared HR information, utilising upgraded information systems.





# RESEARCH :

## PROVIDING INSIGHT

The provision of world-class research and advisory services is a core function of APICORP's mandated role as a development bank for the Arab energy industry.

To this end, in 2015 our Research team undertook much work to enhance the quality of market commentary we disseminate and to position APICORP as an authoritative voice of leadership within our industry.

Throughout the year, we sought to unlock and leverage the brand awareness-raising opportunities regular distribution of high-quality research makes possible. Additionally, we strove to ensure our research was compelling and consistently relevant to the specific needs of our clients and industry professionals.

The feedback we received in 2015 was positive: our monthly reports on the state of the Arab energy industry were regularly quoted in international media and our clients frequently praised the quality of our work.

Over the coming years, in line with the APICORP five-year strategic plan, we will continue to enhance the quality and frequency of our industry research in order to both speed the development of the Arab energy industry and to position APICORP as an industry thought-leader.

Our work in 2015 – a year of global economic uncertainty – saw us build upon our reputation as a reliable resource for industry analysis and insight.

## 2 0 1 5 A C H I E V E M E N T S

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### ENERGY RESEARCH

We commenced monthly publication of our Energy Research bulletin, distributing it globally. Feedback was excellent.

### RESEARCH TEAM

We recruited two energy research specialists to provide clients with detailed analysis and commentary on energy markets and regional investment trends.



