ANNUAL REPORT & ACCOUNTS 2023

مؤسسة الخليج للاستثمار
Gulf Investment Corporation

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MISSION STATEMENT

GIC's mission is to foster the economic growth, the economic diversity, and the capital markets development of the GCC.

FINANCIAL HIGHLIGHTS

(US$ million) For the year	2021	2022	2023
Gross Operating and Other Income	183	169	277
Operating Expenses	47	47	53
Net Profit	130	131	203
At year end			
Total Assets	3,189	3,331	3,690
Interest Bearing Securities and Funds	539	355	507
Equities and Managed Funds	437	608	744
Projects and Equity Participations	1,711	1,926	2,070
Deposits	314	431	792
Shareholders' Equity	2,608	2,688	2,802
Selected Ratios (%)			
Profitability			
Return on Paid-up Capital	6.2	6.2	9.7
Return on Adjusted Shareholders' Equity	4.8	4.6	7.0
Capital			
BIS Ratios			
- Total	41.3	30.7	33.4
- Tier 1	41.3	30.7	33.4
Shareholders' Equity as a % of Total Assets	81.8	80.7	75.9
Asset Quality			
Marketable Securities as a % of Total Assets	22.8	19.6	23.8
GCC Country Risk as a % of Total Assets	77.9	71.5	68.1
Liquidity			
Liquid Assets Ratio	42.6	39.6	42.4
Productivity			
Operating Income as Multiple of Operating Expenses	3.9	3.6	5.2

BOARD OF DIRECTORS

Kingdom of Bahrain

H.E. Mr. Mazen Ibrahim Abdulkarim * ****

Chairman of the Board

Businessman

H.E. Mr. Hesham Abdulghaffar Khonji ** ***

Senior Director - Global Asset Management

Mumtalakat Holding Co. B.S.C

Kingdom of Saudi Arabia

H.E. Mr. Waleed Hamad AlRashed AlHumaid ** ***

Chief Executive Officer - Al Rajhi Capital

H.E. Mr. Turki Ibrahim Almalik * ****

Deputy Chairman of the Board

Chairman of the Executive Committee

Deputy CEO - Sanabil Investments

Sultanate of Oman

H.E. Mr. Abdulsalam Mohammed Al Murshidi * ***

President - Oman Investment Authority

H.E. Mrs. Thuriya Ahmed AlBalushi ** ****

Chairwoman of the Audit Committee

Manager - Economic Diversification Investments

Oman Investment Authority

State of Qatar

H.E. Shaikh Fahad Faisal Al-Thani * ****

Minister of State

H.E. Dr. Hussain Ali Al-Abdullah ** ***

Chairman of the Risk Management Committee

Minister of State

State of Kuwait

H.E. Mr. Waleed Abdullah Al Roudan * **** ***

Chairman of the Remuneration and Human Resources Committee

Businessman

United Arab Emirates

H.E. Mr. Saeed Rashid Al-Yateem * ***

Assistant Undersecretary of Budget and Revenue

Ministry of Finance

H.E. Mr. Younis Haji Alkhoori ** ****

Undersecretary

Ministry of Finance

* Member of the Executive Committee

** Member of the Audit Committee

*** Member of the Risk Management Committee

**** Member of the Remuneration and Human Resources Committee

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Gulf Investment Corporation (GIC), it is my privilege to present the Annual Report on the Corporation's activities and its financial results for the year ended 31 December 2023.

The Corporation managed to realize record profits amounting to $203 million in 2023 compared to $131 million in 2022, while increasing its balance sheet by $359 million to reach $3.7 billion compared to $3.3 billion at the end of 2022.

These distinguished results coincided with the Corporation's celebration of its 40th anniversary since its establishment based on the agreement of incorporation signed by the Gulf Cooperation Council (GCC) governments, with the aim of promoting economic development and enhancing cooperation among member states, as well as developing their human capital and economic resources. During its 40 years journey, the Corporation achieved total sum of $3.8 billion in net profits, which is more than one and a half times the paid-up capital, and distributed cash dividends amounting to $2.5 billion. Furthermore, the Corporation supported, directly and indirectly, the GCC economies through promoting many infrastructure and industrial projects, enhancing the performance of the financial markets within the region, and creating many job opportunities for GCC human talents.

Since inception, GIC has established its leading regional position and demonstrated its ability to face various economic conditions along with its flexibility in adapting to economic challenges, thanks to its strong financial position and outstanding human resources, in addition to the continuous endeavor to improve operational efficiency and increase the value of its investments.

The global and regional markets encountered several economic and political challenges, as major central banks continued to maintain contractionary policies to tame inflation. In addition, the global economies continued to face high uncertainties as well as rising geopolitical disruptions, which in turn contributed to higher levels of market volatility. Yet, the Corporation was able to face these challenges due to its strong capital adequacy, good asset quality standards and investment diversification along with operating within prudent risk parameters coupled with ample levels of liquidity aiming to enhance rates of profitability.

In order to achieve the Corporation's goal of becoming a world-class financial institution and to diversify risks and sources of income, the Corporation has continued to focus on principal investment activity being the core business line in the Corporation in order to achieve its objectives. In doing so, the Corporation participated in infrastructure projects in the Gulf region either through new projects or through existing projects in partnership with both local and international investors, such as Pipecare and AlephYa Education in United Arab Emirates. In addition, GIC exited from some of its investments such as Bitumat and Jeddah Cables in Saudi Arabia, and Gulf International Pipe Industry in Oman. Moreover, the Global Markets Group continued to diversify its activity through investing in different investment portfolios and funds while allocating capital wisely among different assets classes in order to achieve the highest possible returns within the risk appetite of the Corporation, while striving to outperform market benchmarks.

During the year, and to confirm the extent of confidence in the Corporation's performance and the strength of its financial position, the credit rating agency Moody's reaffirmed its long-term rating for the Corporation at A2 level, and its short-term rating at P1 with a stable outlook. Likewise, Fitch Ratings affirmed its long-term rating at BBB+, and a short-term rating of F1 with a stable outlook. Also, the Malaysian credit rating agency RAM reaffirmed the Corporation's credit rating at AAA with a stable outlook.

On behalf of the esteemed Board of Directors, I wish to take this opportunity to extend my appreciation to the Royal Highnesses, Kings and Amirs, Rulers of the GCC countries for their continuous support. Special thanks to the State of Kuwait for hosting GIC's headquarters, and for providing all necessary forms of facilitation. I would also like to extend my appreciation to the Ministers of Finance of the Gulf Cooperation Council for their uninterrupted support.

Finally, I would like to express my gratitude and appreciation to the Board of Directors, the Executive Management and Staff for their commitments and valuable efforts during the year in achieving the Corporation's goals.

Mazen Ibrahim Abdulkarim

Chairman of the Board

CEO'S STATEMENT

In the commemoration of its 40th anniversary, Gulf Investment Corporation achieved its record high net profit in the past fifteen years amounting $203 million in 2023, equivalent to 55% increase over the $131 million profits achieved in 2022.

This milestone achievement comes in a year characterized by many economic challenges; the most prominent of which was the continuation of tight monetary policies by central banks to tame inflation. In turn, this along with rising geopolitical tensions has raised expectations of a near term global slowdown, and increased volatility in global financial markets. This noteworthy performance of the Corporation during the year was the result of pursuing a prudent investment policy, holding investment portfolios of good quality, and having an efficient management.

By the end of 2023, total assets increased by $359 million to reach $3.7 billion. Meantime the balance of shareholders' equity increased from $2.6 billion in last year to $2.8 million. The change in shareholders' equity includes both the profits achieved during the year of $203 million, and $16 million increase in the revaluation reserve.

The operational performance improvement of many companies within the Principal Investment portfolio was largely due to the strong economic growth across the GCC. The most notable is Foulath Holding which operates one of the largest fully integrated single-site steel complexes in the world, where it achieved record-high profits for the second year in a row, thanks to its efficient management, strong steel demand in the region, and stable supply of raw materials. Furthermore, infrastructure projects continued to achieve stable profits due to the nature of operations and the agreements signed between the Corporation and government entities.

During the year, the Corporation made a new investment in Pipecare Group Company in the UAE, which operates in the oil services sector and specializes in inspecting oil and gas pipelines. The Corporation increased its investment in the education sector by injecting additional capital into AlephYa. In addition, the Corporation is at the final stages of completing two other investments in the oil services and health sectors, which are set to be completed in 2024.

The Corporation continues to focus on the GCC infrastructure sector, a high value-added sector, where the Corporation has an extensive experience.

The implementation of two new projects has been completed. The first is the fifth phase of the solar energy project from Dubai Electricity and Water Authority's, through the operation of the final phase of the project with a total capacity of 990 mw. The second is the completion of the Jubail 3A desalination project with a production capacity of up to 600 thousand cubic meters per day. Moreover, the Corporation and its alliances also signed agreements for the first Independent Strategic Water Reservoirs Project in Saudi Arabia.

The Corporation continued to implement its strategy of exiting non-core investment, so as to reduce concentration risks in some portfolios and attract foreign investment to the region. The Corporation completed a full exit from Gulf International Pipe Industry in Oman and Jeddah Cables Company in Kingdom of Saudi Arabia. This is in addition to signing an agreement to sell the Corporation's entire shares in Bitumat Company to Italian MAPEI Group, which is one of the world's largest building materials companies.

On the other hand, the performance of the Global Markets Group portfolios contributed to the outstanding performance this year, as it achieved returns of 10.53% compared to a loss of 9.11% in 2022. These portfolios include the bond portfolio, hedge funds portfolio, and the global equity portfolio, all of which achieved returns of 6.22%, 6.42%, and 20.33% respectively. This comes despite the high levels of uncertainty surrounding the financial markets, especially with regard to interest rates and the ambiguity of central banks' policies around them.

The international credit rating agencies maintained their long-term ratings for GIC at their previous levels, which reflects the confidence in the strength of the Corporation's financial position and the quality of its assets. The agencies stressed that the key factors behind maintaining their credit rating of GIC include GIC's strategic policy of deleveraging, strong capital adequacy, strong and comfortable liquidity position, high quality of assets, and adequacy of provisions.

In conclusion, I would like to extend my sincere gratitude and thanks to GIC's shareholders and its Board of Directors as well as its sub-committees, for their continued support and valuable guidance. In addition, I extend my appreciation for the efforts and commitment of the staff members to continue the journey and accomplish the Corporation's mission.

Ibrahim Ali AlQadhi

Chief Executive Officer

INTRODUCTION

Global growth eased in 2023, reflecting the lagged effects of tight monetary policies, restrictive financial conditions, and weak global trade and investment growth. In the meantime, global headline inflation fell faster than expected from its 2022 peaks, with a smaller than expected effect on employment and activity, due to favorable supply side developments and tightening by central banks, which kept inflation expectations anchored. This was consistent with a soft landing scenario in the US where the increase in unemployment was very modest to 3.7% in December 2023 from 3.5% in December 2022. However, important divergences were appearing. Economic growth was stronger than expected in the second half of 2023 in the US and several major emerging market and developing economies, largely driven by government and private spending. In contrast, the euro area experienced subdued growth, reflecting weak consumer sentiment, the persistent effects of high energy prices, and weakness in interest rate sensitive manufacturing and business investment. Likewise, China faced growth headwinds from its real estate crisis and weakening confidence. World trade growth was virtually stagnant in 2023, largely due to rising trade restrictions and geo-economic fragmentation[1].

In addition, the year witnessed rising oil price fluctuations especially in the second half of the year due to increasing geopolitical tensions, concerns around global oil demand outlook, as well as growing expectations that the Federal Reserve will keep rates higher for longer. In the GCC economies, the pace of growth decelerated in 2023 from its high level in 2022 as the contribution of oil sector to the overall GDP slightly diminished while the non-oil GDP growth improved though it remained below its level during the past two years. However, inflation rates in the GCC remained relatively modest and under control.

1. Global Review

1.1. Economic Growth

In 2023, global growth eased to 3.1%, from 3.5% in 2022, reflecting the lagged effects of tight monetary policies, restrictive financial conditions, and weak global trade and investment growth. In the meantime, global headline inflation fell faster than expected from its 2022 peaks, with a smaller than expected effect on employment and activity, reflecting favorable supply side developments and tightening by central banks, which kept inflation expectations anchored. This was consistent with a soft landing scenario in the US where the increase in unemployment was very modest to 3.7% in December 2023 from 3.5% in December 2022.

However, important divergences were appearing. Economic growth was stronger than expected in the second half of 2023 in the US and several major emerging market and developing economies, largely driven by government and private spending. In contrast, the euro area experienced subdued growth, reflecting weak consumer sentiment, the persistent effects of high-energy prices, and weakness in interest rate sensitive manufacturing and business investment. Likewise, China faced growth headwinds from its real estate crisis and weakening confidence. Meantime, world trade growth was virtually stagnant in 2023, largely due to rising trade restrictions and geo-economic fragmentation[2].

Table 1: Real GDP and Trade Growth (%)

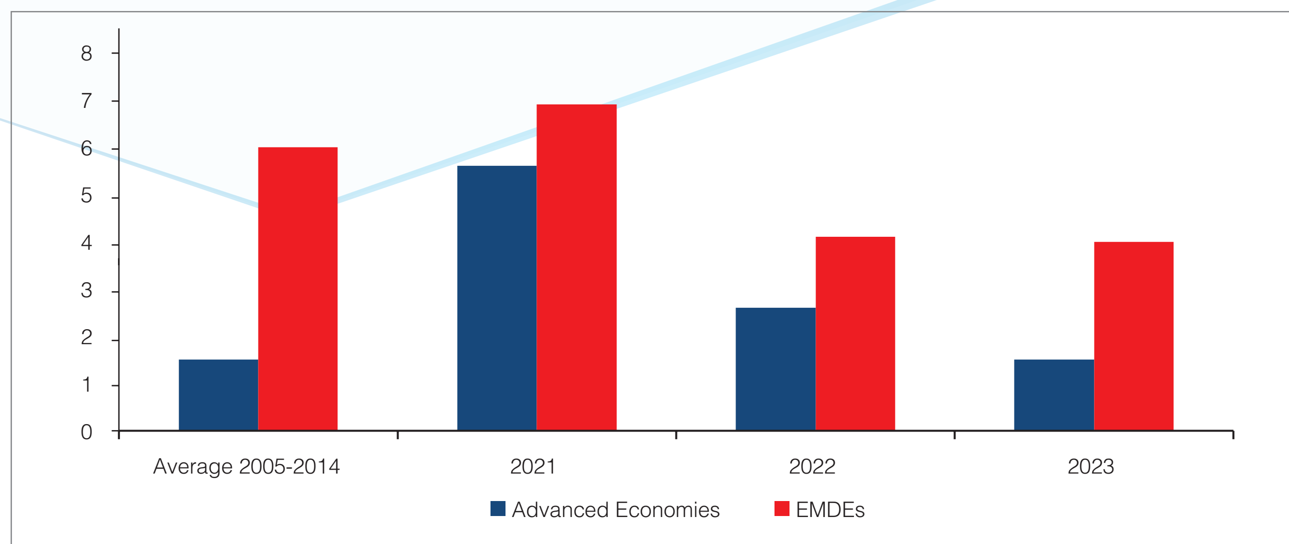
Real GDP growth	Average 2013-2019	2021	2022	2023
World	**3.4**	**5.9**	**3.3**	**2.9**
OECD	2.3	5.6	2.9	1.7
United States	2.5	5.9	1.9	2.4
Euro area	1.9	5.3	3.4	0.6
Japan	0.8	1.6	0.9	1.7
Non-OECD	4.4	6.2	3.6	4.0
China	6.8	8.1	3.0	5.2
India	6.8	8.7	7.2	6.3
Brazil	-0.4	4.9	3.0	3.0
World Real Trade Growth	**3.4**	**10.0**	**5.2**	**1.1**

Source: GIC Research based on OECD Economic Outlook, Volume 2023 Issue 2.

Growth in advanced economies was resilient for most of the year, however, it eased in 2023 to 1.6% from 2.6% in 2022. It largely reflected developments in the US where consumer spending remained robust and fiscal policy was expansionary. In the meantime, domestic demand in advanced economies decelerated while private consumption growth softened. In addition, investment growth remained subdued as sustained high real interest rates and restrictive credit conditions reduced business investment[3].

1. IMF, "World Economic Outlook Update". January 2024.
2. IMF, "World Economic Outlook Update". January 2024.
3. IMF, "World Economic Outlook", October 2023.

Figure 1: GDP Growth in Advanced Economies and EMDEs (%)



Source: GIC Research based on IMF.

In the US, growth was resilient in 2023, picking up to 2.5% from 1.9% in 2022, despite rising borrowing costs and tightening credit conditions. Consumer spending remained solid, supported by accumulated household savings, tight labor markets, and a boost to disposable incomes from tax cuts. The activity was also supported by an expansionary impulse from fiscal policy. However, growth appeared to have softened in the fourth quarter, as the lagged effects of tight monetary policy weighed on household spending and credit growth. In addition, the real value of household savings and net worth have been eroded by sharp rises in consumer prices and interest rates[4].

In the euro area, growth slowed sharply in 2023, to 0.5% from 3.4% in 2022, as high energy prices weighed on household spending and manufacturing. The unexpected resilience in the first half of the year was offset by weaker than expected activity in the second half particularly in the services sector. This was partially attributed to the ongoing decline in exports amid deteriorating export price competitiveness and weak external demand[5].

In Japan, growth bounced back to 1.9% in 2023 from 1% in 2022, driven by strong domestic demand in the first half of the year and a rebound in auto exports and tourism. High uncertainty and inflation weighed on private consumption despite rising wages whereas high corporate profits and government subsidies helped boost business investment. Despite above-target inflation for over a year, the Bank of Japan continued to maintain accommodative monetary policy in 2023, but it gradually relaxed its policy of yield curve control and allowed longer-term rates to rise[6].

In the UK, GDP growth eased to 0.5% in 2023 following a 4.3% expansion in 2022 due to weaker than expected activity. The economy grew stronger than previously anticipated during the first half of 2023, reflecting the recovery from the supply shocks, and in particular the fall in energy prices together with falling goods and food price inflation. However, subdued activity was partially offset by softening employment growth over the second half of the year, which contributed positively to labor income growth and greater consumer confidence. In addition, demand growth has proved relatively resilient despite the restrictive monetary policy and the consequent higher interest rates[7].

Growth in EMDEs remained at 4.1% in 2023 but excluding China, decelerated to 3.2%, as growth slowed markedly in the second half of the year. Weak global trade weighed on growth in commodity exporters as subdued demand for goods in advanced economies weighed on exports, while elevated interest rates dampened domestic demand. Slowing activity in China was offset by firming aggregate growth elsewhere, with improving domestic demand in many countries and a pickup in international trade[8].

Growth in China picked up to 5.2% in 2023 from 3% in 2022, as economic activity rebounded moderately with consumption growth constrained by relatively high unemployment while weak external demand in some key export markets weighed on export growth. Infrastructure investment grew at a low but steady rate due to financing constraints. In contrast, both property and manufacturing investments were declining and weighing on growth. The authorities implemented several stimulus measures, including lowering interest rates and deposit requirements for property purchases, while government debt issuance was expanded to support spending[9].

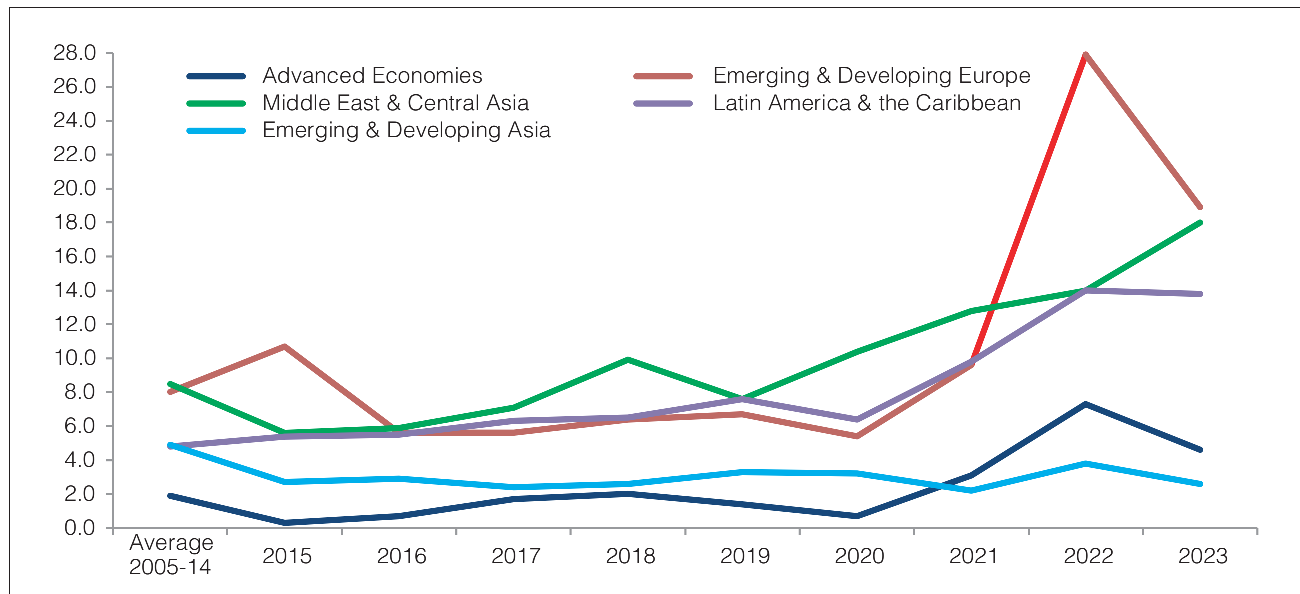
4. World Bank. “Global Economic Prospects”, January 2024.
5. World Bank. “Global Economic Prospects”, January 2024.
6. Bank of Japan. “Outlook for Economic Activity and Prices”. January 2024.
7. Bank of England. “Monetary Policy Report”. November 2023.
8. World Bank. “Global Economic Prospects”. January 2024.
9. OECD Economic Outlook, Volume 2023 Issue 2.

1.2. Global Inflation Eased

Global headline and core inflation continued to decline in 2023 from their 2022 peaks. The decline was obvious in goods inflation due to moderating energy and food price inflation, slowing consumer demand for goods, and the recovery of global supply chains. However, inflation remained above target in most advanced economies and about half of EMDEs, which adopt inflation targeting regime. In the major advanced economies, a notable fall in goods inflation amid easing import prices was partly offset by persistent services inflation tied to tight domestic labor markets. In the US, disinflation has occurred together with resilient activity and low unemployment, due to increasing labor supply, improving supply chains, and falling oil prices. The decline in the euro area inflation reflected the negative supply shocks from earlier sharp energy price increases. In most EMDEs, headline and core inflation receded in 2023 as growth weakened. However, in countries facing financial pressure, inflation remained very high, in association with currency depreciations[10].

Inflation rate declined in Advanced Economies from 7.3% in 2022 to 4.6% in 2023 and from 9.8% in 2022 to 8.4% in EMDEs. The decline in inflation was broad based, with yearly growth of consumer price inflation ranging between 5.6% in euro area, 4.1% in the US, 3.2% in Japan, and 0.7% in China. Regionally, it ranged from 18.9% in emerging and developing Europe in 2023, 18% in the Middle East and Central Asia, 13.8% in Latin America and the Caribbean, to 2.6% in emerging and developing Asia[11].

Figure 2: Consumer Prices (% change, y-o-y)



Source: GIC Research based on IMF data.

1.3. Global Financial Developments

A slower than expected decline in core inflation in major economies triggered a rise in interest rate expectations and a fall in asset prices in early 2023. In turn, financial stability risks have increased and global financial conditions have tightened. This has triggered flight to safety capital flows and a strong US dollar, all of which negatively impacted trade and growth. In advanced economies, government bond yields reached their highest levels in October since the late 2000s, reflecting better than expected growth in the US, the outlook for policy rates, and volatile term premium in the Euro area. However, risk appetite was resilient during the year, which mitigated the tightening effect of higher interest rates on broad financial conditions while equity volatility was subdued in the second half of 2023. In EMDE, financial conditions remained restrictive, with less creditworthy sovereigns facing greater financial pressures, as reflected in sharp currency depreciations and capital outflows. However, many EMDEs showed few signs of financial stress, despite higher interest rates, due to better-than-expected growth, limited current account vulnerabilities, and declining inflation, all of which have helped contain currency depreciation. Private sector debt-service ratios remained manageable but have been trending up, particularly in China, which experienced a period of notable financial pressure[12].

As inflation slowly moderated but remained above the 2% target rate, monetary policy in advanced economies remained tight in 2023. The world's three major central banks kept interest rates as high as needed in response to high inflation. By the fourth quarter, the US Federal Reserve increased its policy rate by 100bps to bring the rate up to 5.5%. Likewise, the ECB hiked by 200bps, bringing rates up to 4.5%. Also, the Bank of England hiked interest rates by 175bps to 5.25%[13].

10. World Bank. "Global Economic Prospects", January 2024.
11. IMF. "World Economic Outlook Update". January 2024 & October 2023.
12. World Bank. "Global Economic Prospects". January 2024.
13. GIC Research based on Bloomberg Database.

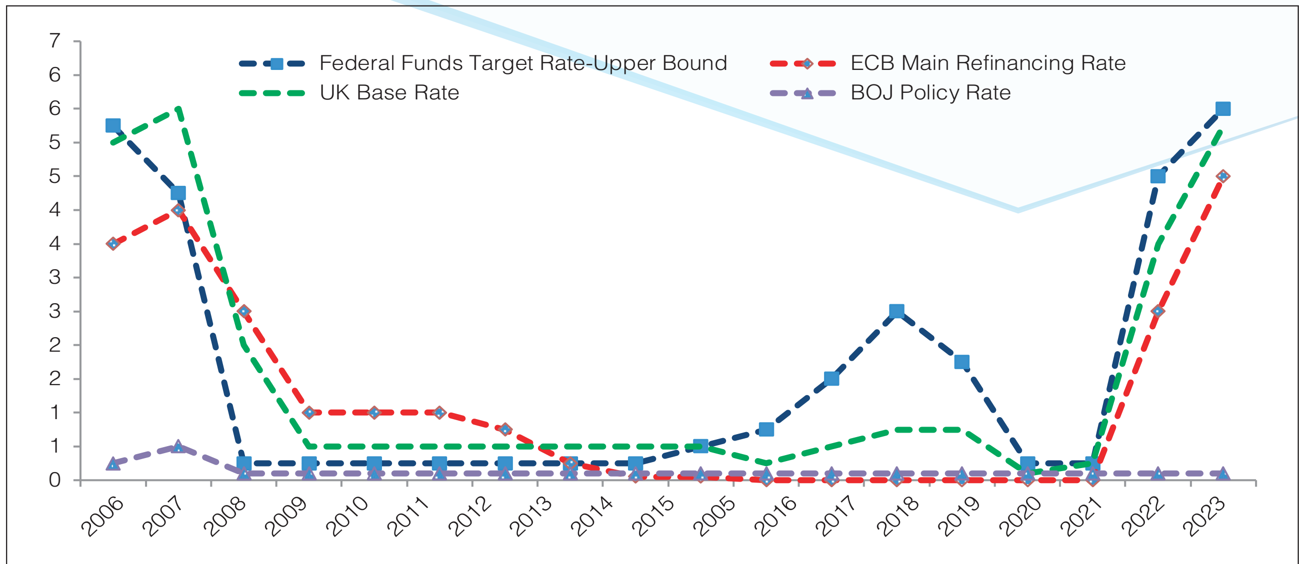
Table 2: Short-Term Policy Rates (%)

Date	USA	Canada	Euro Area	UK	Japan	China*	India*
Q1 2018	1.75	1.25	0.00	0.50	0.10	2.55	5.75
Q2 2018	2.00	1.25	0.00	0.50	0.10	2.55	6.00
Q3 2018	2.25	1.50	0.00	0.75	0.10	2.55	6.25
Q4 2018	2.50	1.75	0.00	0.75	0.10	2.55	6.25
Q1 2019	2.50	1.75	0.00	0.75	0.10	2.55	6.00
Q2 2019	2.50	1.75	0.00	0.75	0.10	2.55	5.50
Q3 2019	2.00	1.75	0.00	0.75	0.10	2.55	5.15
Q4 2019	1.75	1.75	0.00	0.75	0.10	2.50	4.90
Q1 2020	0.25	0.25	0.00	0.10	0.10	2.20	4.00
Q2 2020	0.25	0.25	0.00	0.10	0.10	2.20	3.35
Q3 2020	0.25	0.25	0.00	0.10	0.10	2.20	3.35
Q4 2020	0.25	0.25	0.00	0.10	0.10	2.20	3.35
Q1 2021	0.25	0.25	0.00	0.10	0.10	2.20	3.35
Q2 2021	0.25	0.25	0.00	0.10	0.10	2.20	3.35
Q3 2021	0.25	0.25	0.00	0.10	0.10	2.20	3.35
Q4 2021	0.25	0.25	0.00	0.25	0.10	2.20	3.35
Q1 2022	0.50	0.50	0.00	0.75	0.10	2.10	3.35
Q2 2022	1.75	1.50	0.00	1.25	0.10	2.10	3.35
Q3 2022	3.25	3.25	1.25	2.25	0.10	2.00	3.35
Q4 2022	4.50	4.25	2.50	3.50	0.10	2.00	3.35
Q1 2023	5.00	4.50	3.50	4.25	0.10	2.00	3.35
Q2 2023	5.25	4.75	4.00	5.00	0.10	1.90	3.35
Q3 2023	5.50	5.00	4.50	5.25	0.10	1.80	3.35
Q4 2023	5.50	5.00	4.50	5.25	0.10	1.80	3.35

Note: Bank of China's 7-day Reverse Repurchase rate & Reserve Bank of India Reverse Repo Rate.

Source: GIC Research based on Bloomberg.

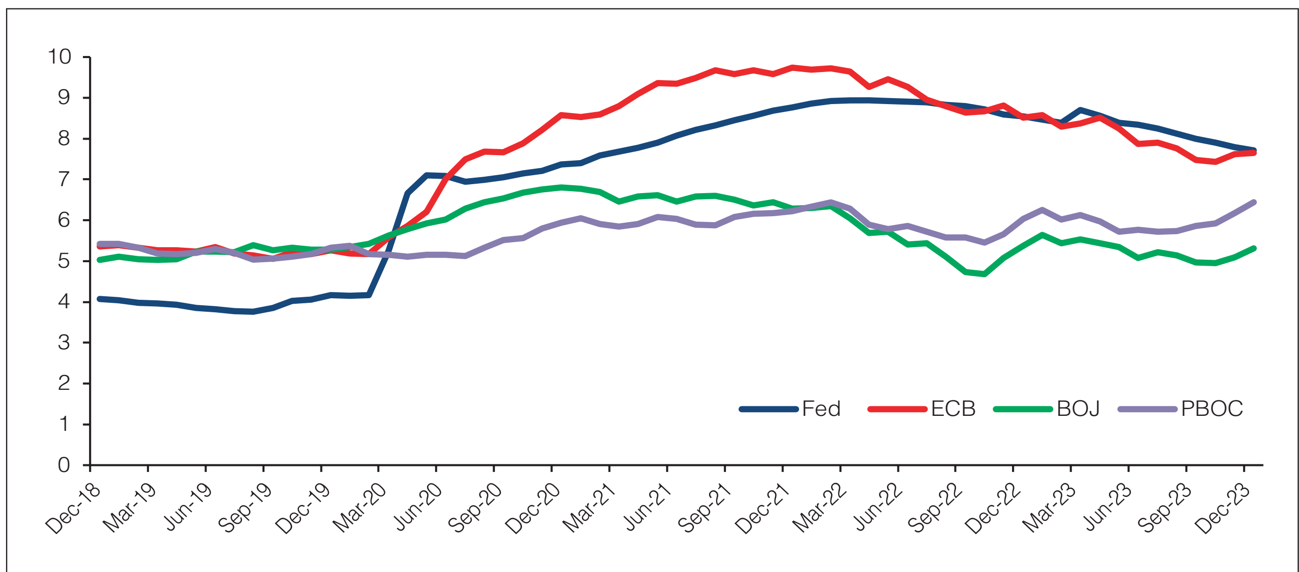
Figure 3: Major Central Banks Benchmark Rates (%)



Source: GIC Research based on Bloomberg.

The reduction of central banks' balance sheets in 2023 continued with total assets of major central banks declining by 4.8% y-o-y, to reach $27.1 trillion in December 2023, down from $28.5 trillion in December 2022. The Fed's total assets decreased by 9.8% to reach $7.7 trillion, while the ECB's total assets decreased by 10.1% to reach $7.7 trillion. In contrast, the total assets of the People's Bank of China increased by 6.5% to reach $6.4 trillion while the total assets of the Bank of Japan decreased slightly by 1.0% to reach $5.3 trillion[14].

Figure 4: Major Central Banks Total Assets (Trillion USD)



Source: GIC Research based on Bloomberg.

14. GIC Research based on Bloomberg.

1.4. Exchange Rates and Capital Flows

1.4.1. Exchange Rates

The US Dollar's value to a basket of other global currencies dropped less than 118 in July 2023, down from an all-time high of 128.32 in late September 2022, before reaching a 2023 peak of more than 124 in late October 2023 then retreating in November to the 120 range. By early 2023, the dollar weakened against the euro as it became obvious the Fed would slow the pace of interest rate increases and the ECB would implement more dramatic rate hikes. By July 2023, it cost more than $1.12 to obtain one euro, compared to approximately $1.07 at the start of the year. The dollar rebounded against the euro and other major currencies between August and October, a time when US bond yields headed higher. In November, the situation reversed, yields declined and the dollar retreated as a result[15].

1.4.2. Total Portfolio Flows to Emerging Markets

Emerging market securities attracted total portfolio flows of $177.4 billion for 2023 as a whole, of which $137 billion debt flows and $40.4 billion equity flows, far higher than its 2022 level of 40.1 billion. Regionally, equity and debt inflows across EM Asia came at $93.3 billion followed by EM Europe at $43.24 billion, then Latin America with $41.87 billion whereas Africa-Middle East saw portfolio outflows worth $0.94 billion. Portfolio flows to EM stood at $29 billion in December of which $11.1 billion equity flows and $18 billion debt flows. Chinese equities posted $3.4 billion in outflows and a marginal $0.2 billion in inflows for debt. In contrast, EM ex-China saw inflows, totaling around $32.3 billion during December of which $10.9 billion debt flows and $21.4 billion equity flows. EM debt inflow was driven by a positive investment environment supported by a dovish perspective of the Fed, the embrace of a soft landing in the US, and positive performance of local currency debt[16].

Table 3: Net Non-Resident Portfolio Flows to Emerging Markets ($bn)

Year / Total	Emerging Asia	Latin America	Emerging Europe	ME & Africa	Total
Portfolio Debt Flows					
2020	134.76	78.09	52.13	98.62	363.61
2021	160.16	73.81	38.80	66.28	339.05
2022	-4.88	17.65	6.89	0.42	20.07
2023	75.28	37.34	24.72	-0.33	137.00
Total	**365.32**	**206.89**	**122.54**	**164.99**	**859.73**
Portfolio Equity Flows					
2020	-55.50	10.99	40.55	23.14	19.19
2021	-57.37	27.71	58.60	28.32	57.27
2022	-32.96	34.14	12.08	6.81	20.06
2023	17.97	4.53	18.52	-0.60	40.42
Total	**-127.86**	**77.37**	**129.76**	**57.67**	**136.94**
Total Portfolio Flows (Equity and Debt)					
2020	79.26	89.08	92.68	121.77	382.80
2021	102.79	101.52	97.41	94.60	396.33
2022	-37.84	51.79	18.96	7.23	40.14
2023	93.25	41.87	43.24	-0.94	177.42
Total	**237.46**	**284.26**	**252.29**	**222.66**	**996.68**

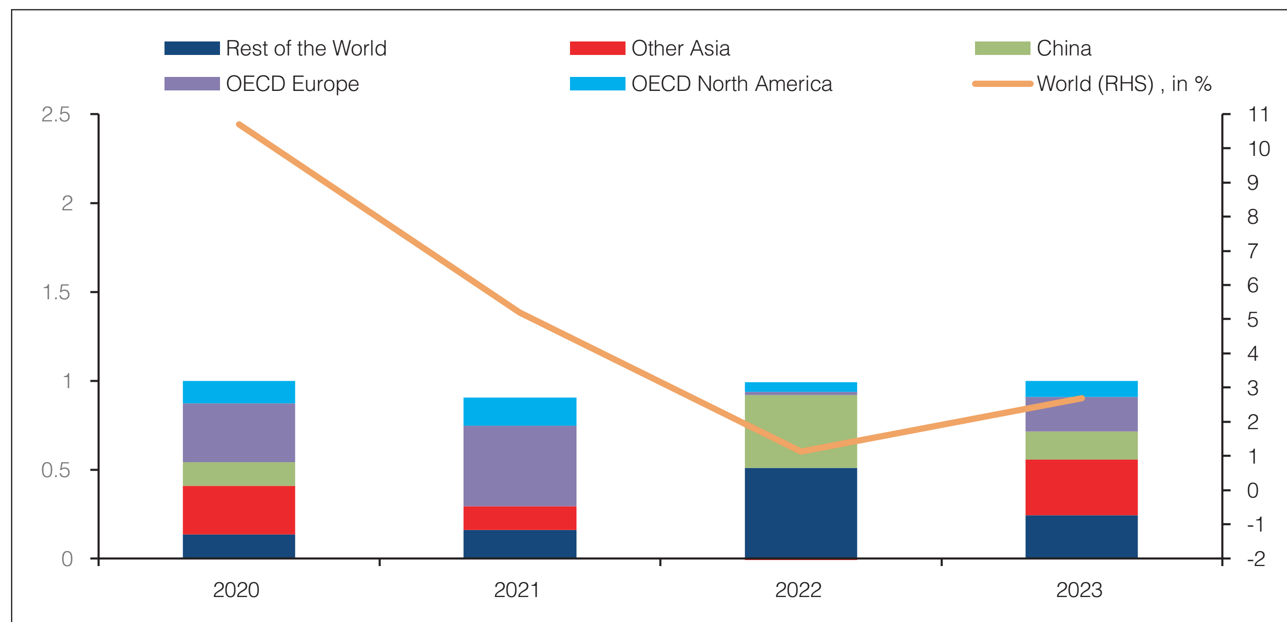
Source: GIC Research based on IIF.

15. www.usbank.com, December 6, 2023.
16. IIF. "Capital Flows Tracker". January 2024.

1.5. Global Trade

Global trade growth has been exceptionally weak as a result of subdued global demand, the continued rotation of consumption from goods toward services, and more restrictive trade policies. Goods trade contracted in 2023, reflecting declines in key advanced economies and deceleration in EMDEs, and mirroring the sharp slowdown in the growth of global industrial production. Shifts in the composition of global demand have led to divergent trade outcomes across countries. Weak global goods trade has weighed on EMDEs commodity exporters. Exports held up better among services exporters, which benefited from resilient, albeit slowing growth of global services activity, including tourism[17].

Figure 5: Contribution to Global Trade Growth



Source: GIC Research based on OECD, Economic Outlook, November 2023.

Overall, the volume of world trade was virtually flat in 2023, growing by 0.4%, far below its 5.2% growth in 2022 and its long-term average growth rate of 2.8%. Volume of trade in advanced economies and EMDEs grew at 0.3% and 0.6% respectively in 2023, compared to 6.1% and 3.7% in 2022. Volume of exports in advanced economies expanded 1.8% in 2023, after 5.3% expansion in 2022 and lower than its long-term average of 2.6%. In contrast, the volume of exports in EMDEs contracted by 0.1% in 2023, following a 4.1% expansion in 2022. Likewise, the volume of imports grew by 0.1% in advanced economies, following a 6.7% expansion in 2022, and by 1.7% in EMDEs, following 3.2% expansion in 2022[18].

Table 4: World Volume of Trade (Goods and Services)

Annual % change	Average 2015-2024		2022		2023	
	EXP	IMP	EXP	IMP	EXP	IMP
Advanced Economies	2.6	2.9	5.3	6.7	1.8	0.1
EM & Developing Economies	3.1	2.4	4.1	3.2	-0.1	1.7
World Trade Volume	**2.8**		**5.2**		**0.4**	

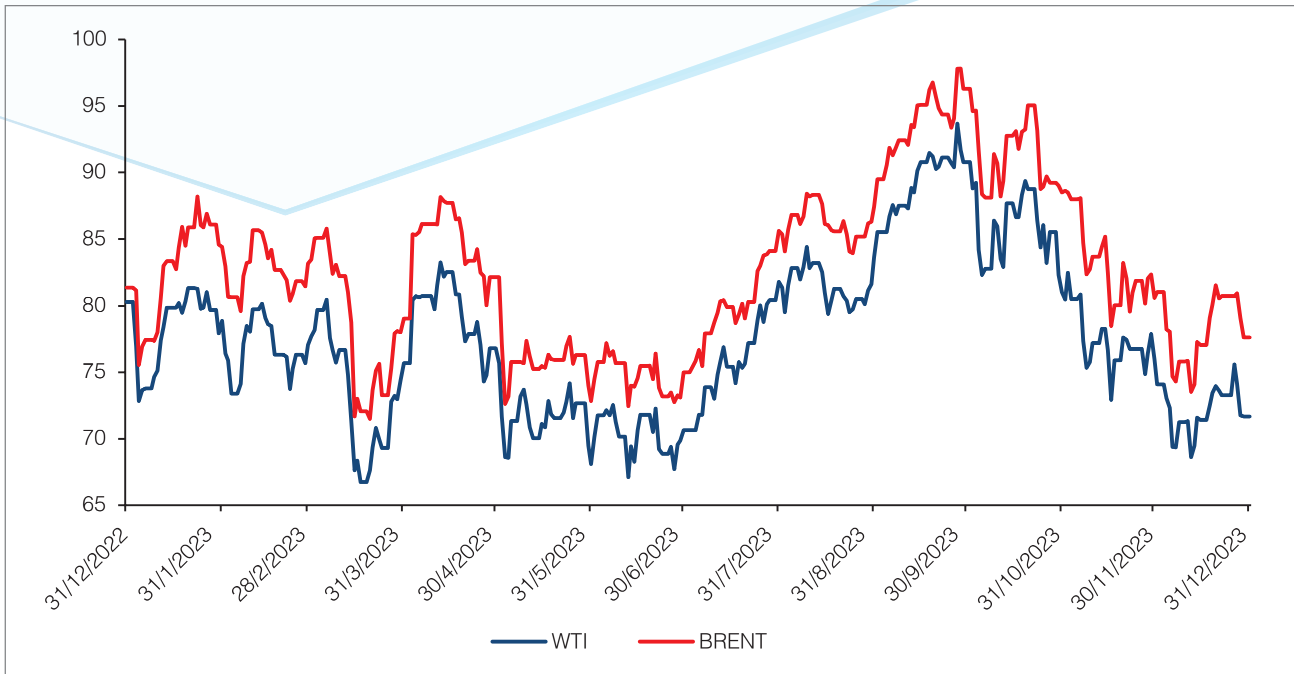
Source: GIC Research based on IMF & World Bank.

2. Oil Dynamics

Crude oil has made a weak start to the year on the back of concerns over China's economic recovery, weak global oil demand, and tight monetary policy across major central banks, as well as fears of a global slowdown.

17. World Bank. "Global Economic Prospects". January 2024 & OECD, Economic Outlook, November 2023.
18. IMF. "World Economic Outlook" Update. January 2024 and IMF October 2023 Issue.

Figure 6: WTI and BRENT Daily Prices in 2023 vs. 2022 ($/b)

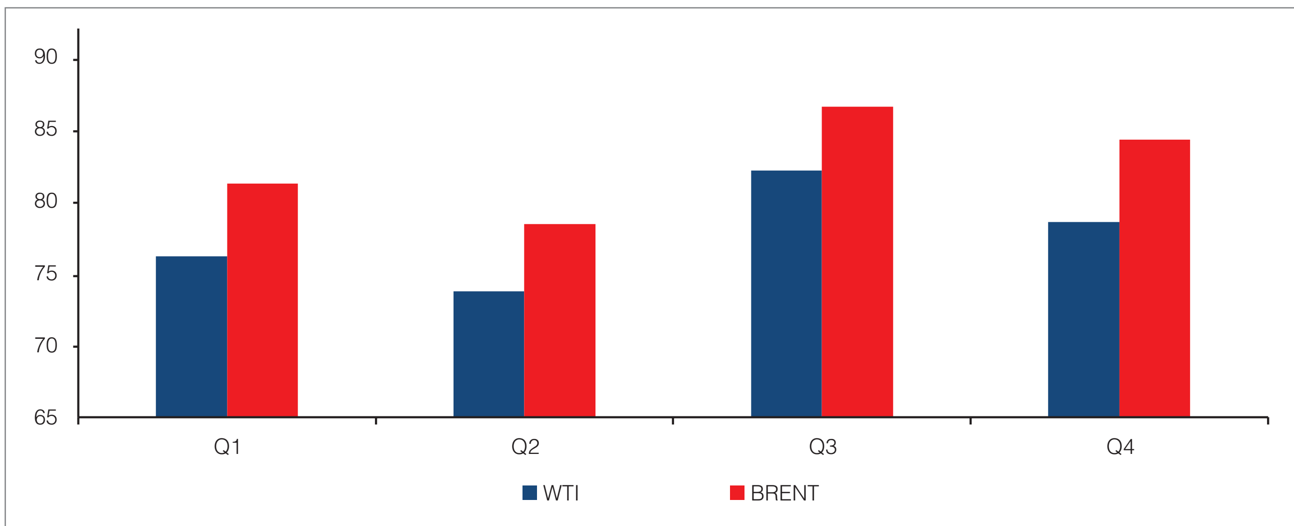


Source: Bloomberg, GIC Research.

Oil prices averaged $77.6/b for WTI and $82.6/b for BRENT in 2023, down from $94.5/b and $101.1/b for WTI and BRENT respectively. In addition, WTI started the year at $80.2/b and ended at $71.65/b, while Brent started the year at $81.35/b and fell to $77.6/b by yearend.

WTI fell to $66.7/b on March 17; its lowest for the year while BRENT dropped to year-low of $71.4/b on March 20. On the other hand, by the end of September, both crudes ticked up to their year-high of $93.6/b for WTI and $97.8/b for BRENT.

Figure 7: WTI and BRENT Average Quarterly Prices in 2023 ($/b)



Source: Bloomberg, GIC Research.

During the first quarter, oil prices have been impacted by several factors such as the potential recovery in China, concerns of tighter monetary policy in the US, the possibility of global recession, and weaker US dollar.

In April, OPEC+ unexpectedly agreed to voluntary production cuts of more than 1 mb/d, with their inherent upside risk to inflation and downside risk to global growth. Yet, as the banking turmoil in the US started to stabilize, oil prices recovered from their year-to-date lows. Still, the price rally was short lived as it lasted only for the first two weeks of April before it started to ease amid rising concerns of weaker Chinese recovery and possible recession in the US, along with threats of another wave of banking crises in the US.

By the end of the first half of the year, oil prices lost around 12% and 8% for WTI and BRENT respectively, due to the weak recovery in China and tighter monetary policy in the US and across Europe. However, towards the end of July, prices started to show signs of recovery as Chinese authorities signaled their intention to introduce several stimulus measures to support the economy.

In September, crude prices started to recover supported by further OPEC+ production cuts; higher crude consumption; and further stimulus in China. By the end of the month, oil prices reached their highest level for the year before losing momentum in October amid expectations that the US Fed will keep rates higher for longer, stronger US dollar, and growing signs of sluggish crude demand and modest global growth. By the end of October, prices lost almost 50% of gains arising from the short spick in prices following the onset of the Middle East war on October 7. Oil prices continued to ease further in November amid fading war risk premium, weakening global demand outlook, and the failure of OPEC+ to agree on a wider production cut. By the end of the year, crude prices were shaped by threats arising from non-OPEC+ oversupply of one side and insufficient production cuts by OPEC+ on the other, in addition to intensified geopolitical tensions in the Middle East, especially with escalated Red Sea attacks.

In addition, WTI averaged $74.9/b in the first half of 2023 and $80.3/b in the second half, compared to $101.7/b in the first half of 2022 and $87.4/b in the second half of 2022.

This came slightly lower than BRENT, which averaged $79.7/b in the first half of 2023 and $85.3/b in the second half, compared to $107.3/b in the first half of 2022 and $94.9/b in the second half of 2022.

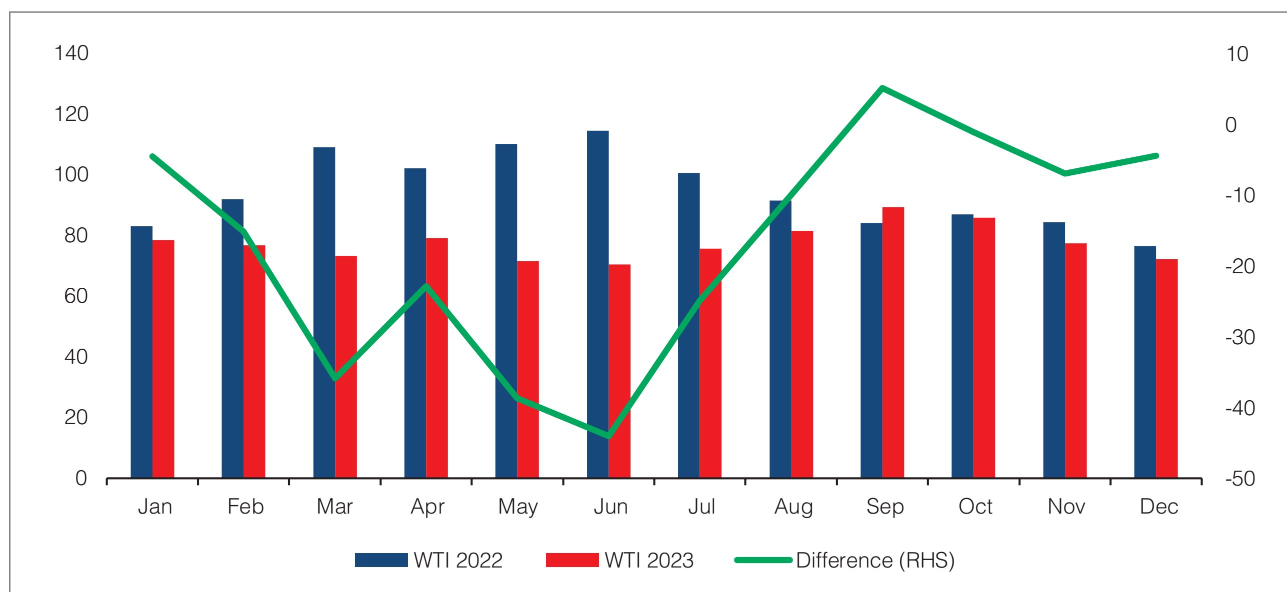
Table 5: WTI and BRENT Average Quarterly Prices 2023 vs. 2022

	WTI ($/b)			BRENT ($/b)		
	2022	2023	% change	2022	2023	% change
Q1	94.58	76.13	-19.50%	100.96	81.22	-19.56%
Q2	108.94	73.71	-32.34%	113.80	78.38	-31.12%
Q3	92.18	82.10	-10.93%	101.17	86.53	-14.47%
Q4	82.65	78.52	-4.99%	88.70	84.26	-5.00%

Source: Bloomberg, GIC Research.

When compared to the first half of the year, oil prices gained 7% in the second half of 2023. Meanwhile, the average volatility coefficients for WTI fell from 47.6% in 2022 to 33.7% in 2023 while it moderated for BRENT to 31.6% in 2023, down from 46.5% in 2022.

Figure 8: WTI Average Monthly Prices in 2022 and 2023 ($/b)



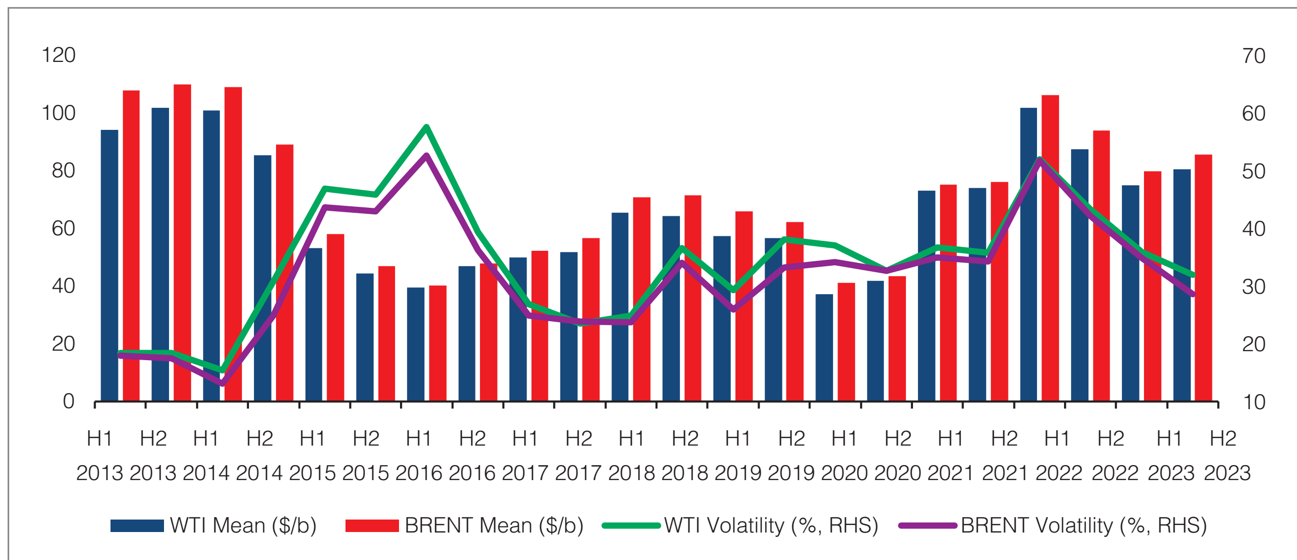
Source: Bloomberg, GIC Research.

Table 6: WTI and Brent Mean and Volatility ($/b)

	WTI		BRENT	
	Mean	**Volatility (%)**	**Mean**	**Volatility (%)**
H1 2013	94.23	18.41	107.84	17.99
H2 2013	101.73	18.44	109.82	17.51
H1 2014	100.91	15.40	108.90	13.09
H2 2014	85.36	30.75	89.08	24.93
H1 2015	53.23	46.93	58.11	43.67
H2 2015	44.34	45.90	46.82	42.93
H1 2016	39.48	57.58	40.23	52.64
H2 2016	47.02	39.39	47.92	36.30
H1 2017	50.06	26.81	52.20	24.92
H2 2017	51.77	23.55	56.60	23.84
H1 2018	65.44	24.91	70.79	23.77
H2 2018	64.28	36.59	71.46	34.05
H1 2019	57.36	29.35	65.88	25.97
H2 2019	56.66	38.11	62.27	33.21
H1 2020	37.28	486.84	41.15	103.59
H2 2020	41.74	32.68	43.57	32.68
H1 2021	73.11	36.66	75.28	35.02
H2 2021	73.97	35.8	76.12	34.26
H1 2022	101.90	51.94	106.15	51.78
H2 2022	87.41	43.27	93.93	42.15
H1 2023	74.91	35.92	79.79	34.84
H2 2023	80.47	31.94	85.56	28.59

Source: Bloomberg, GIC Research.

Figure 9: WTI and BRENT Mean and Volatility ($/b, %)



Source: Bloomberg, GIC Research.

2.1. Oil Fundamentals and Prices

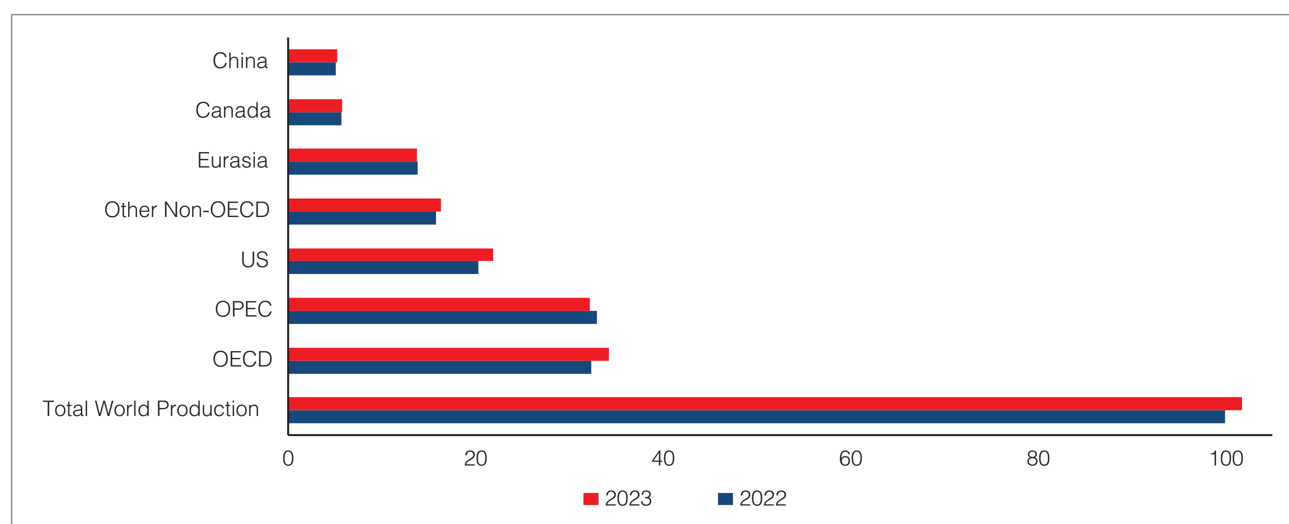
The overall global crude oil production increased by 1.7% to 101.7 mb/d in 2023, up from 99.9 mb/d in 2022. The US crude oil production rose by 7.8%, from 20.3 mb/d in 2022 to 21.88 mb/d in 2023. In addition, the overall oil production by OECD members ticked higher by 5.7% to 34.2 mb/d, up from 32.3 mb/d in 2022. On the other hand, OPEC oil production fell by 2.2%, from 32.93 mb/d in 2022 to 32.19 mb/d in 2023 while it fell across Eurasia from 13.84 mb/d in 2022 to 13.72 mb/d[19].

Table 7: International Petroleum Production (mb/d, 2023)

	Q1	Q2	Q3	Q4	2023
OECD	33.48	33.76	34.51	35.07	**34.21**
US	21.05	21.69	22.27	22.5	**21.88**
Canada	5.79	5.44	5.79	5.95	**5.74**
OPEC	32.77	32.46	31.63	31.91	**32.19**
Eurasia	14.11	13.67	13.45	13.68	**13.72**
China	5.32	5.32	5.19	5.27	**5.27**
Other Non-OECD	15.43	16.31	16.97	16.59	**16.33**
Total World	101.11	101.52	101.76	102.51	**101.73**

Source: EIA. "Short-Term Energy Outlook". January 9, 2024.

Figure 10: International Petroleum Production: 2023 vs. 2022 (mb/d)



Source: EIA. "Short-Term Energy Outlook". January 9, 2024, GIC Research.

Furthermore, the overall global crude oil consumption increased by 1.9%, up from 99.15 mb/d in 2022 to 101.07 mb/d in 2023. Crude consumption in China expanded strongly by 5.2% to 15.94 mb/d, up from 15.1 mb/d in 2022 while it grew in other Asian countries by 3.1%, from 13.6 mb/d in 2022 to 14.09 mb/d in 2023. However, oil consumption in the US and the OECD increased marginally by 0.6% and 0.9% respectively[20].

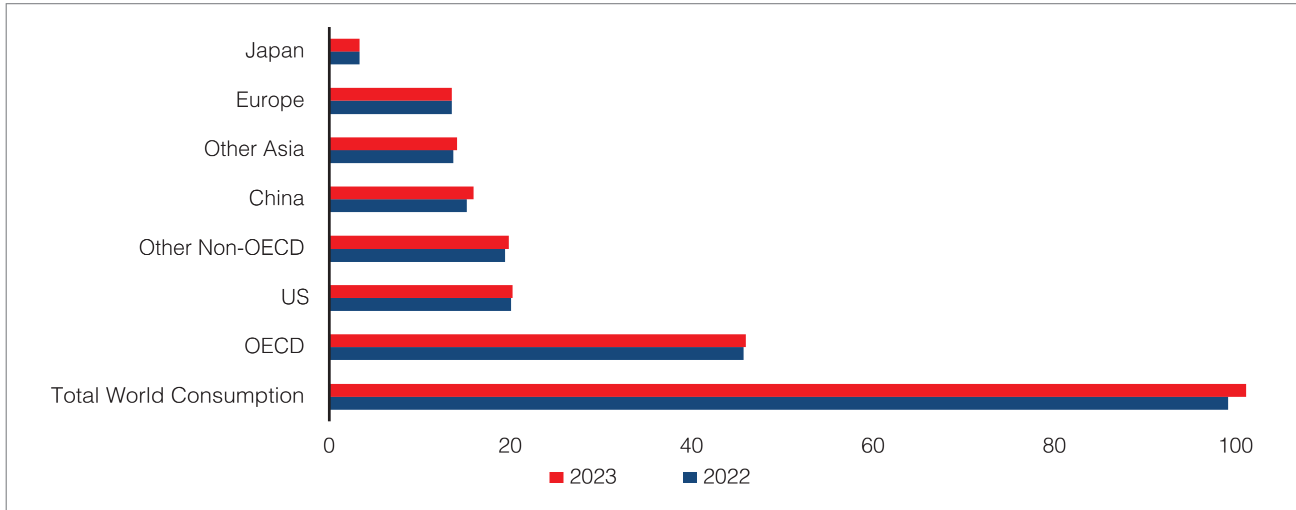
19. *EIA. "Short-Term Energy Outlook". January 9, 2024.*
20. *EIA. "Short-Term Energy Outlook". January 9, 2024.*

Table 8: International Petroleum Consumption (mb/d, 2023)

	Q1	Q2	Q3	Q4	2023
OECD	45.28	45.71	46.23	46.48	**45.93**
US	19.66	20.38	20.37	20.29	**20.18**
Europe	13.1	13.54	13.72	13.66	**13.51**
Japan	3.73	3.1	3.12	3.49	**3.36**
China	15.9	16.09	15.78	15.99	**15.94**
Other Asia	14.36	14.24	13.71	14.07	**14.09**
Other Non-OECD	19.37	19.64	20.24	19.78	**19.76**
Total World	99.99	100.93	101.54	101.81	**101.07**

Source: EIA. "Short-Term Energy Outlook". January 9, 2024.

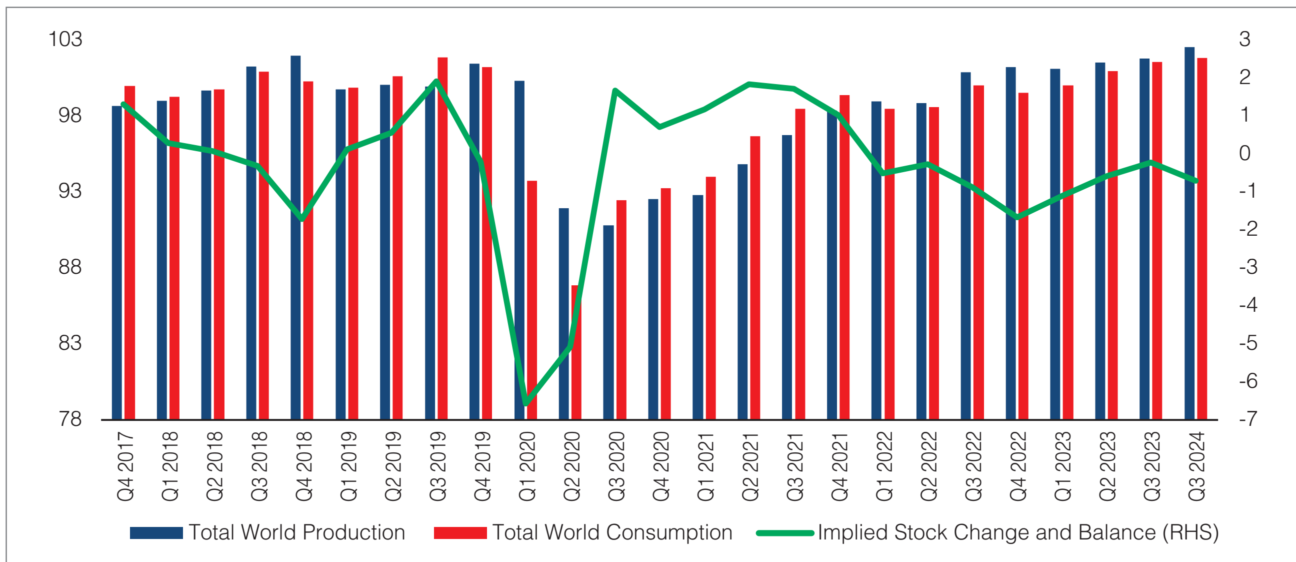
Figure 11: International Petroleum Consumption: 2023 vs. 2022 (mb/d)



Source: EIA. "Short-Term Energy Outlook". January 2023, GIC Research.

EIA estimate that total global crude oil and other liquid inventories fell on average by 0.65 mb/d in 2023 compared with an inventory loss of 0.84 mb/d in 2022.

Figure 12: World Liquid Fuels Production and Consumption Balance (mb/d)

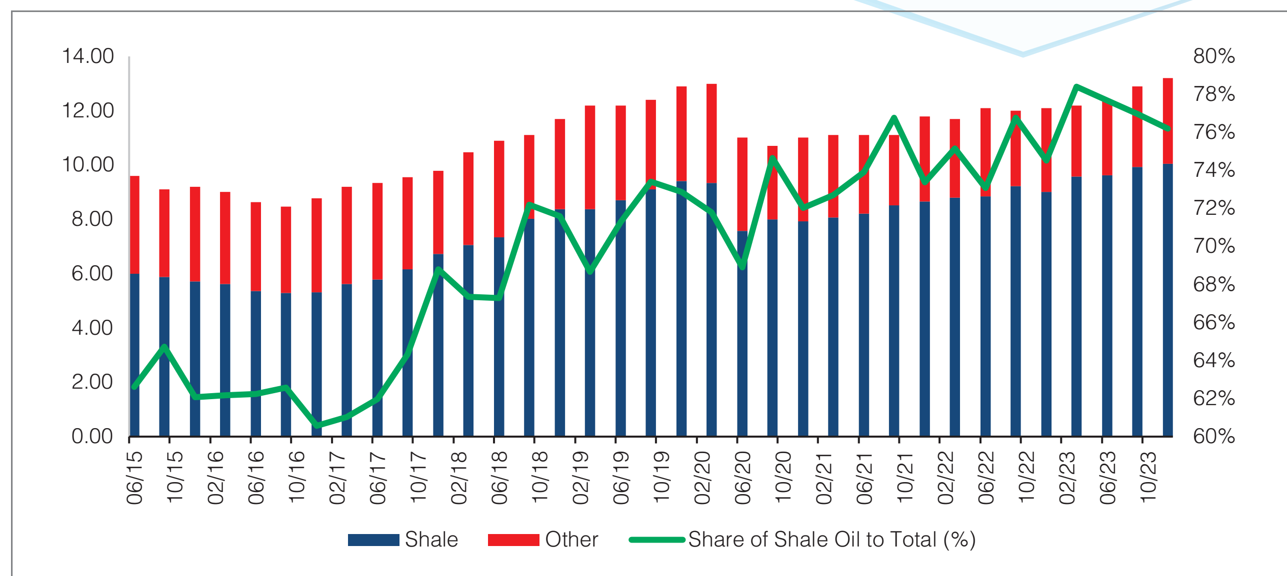


Source: EIA. "Short Term Energy Outlook". January 9, 2024, and GIC Research.

2.2. US Crude Oil Production

US crude oil production averaged 12.6 mb/d in 2023, up from 11.97 mb/d in 2022. Shale production ticked higher on average from 8.97 mb/d in 2022 to 9.8 mb/d in 2023 while the production from other oil sources rose on average from 2.88 mb/d in 2022 to 3.01 mb/d in 2023. On an annual basis, US shale oil production rose from 9.02 mb/d in December 2022 to 10.06 mb/d in December 2023.

Figure 13: US Crude Oil Production: Share of Shale Oil to Total Oil Production (mb/d, %)



Source: EIA, Bloomberg, and GIC Research.

3. GCC Economies Review

The growth pace of economic activity in the GCC region has decelerated in 2023 compared to its outstanding performance in 2022. The region has managed to grow by just 1.4% y-o-y in 2023, after achieving 6.5% the year before.

The UAE has outperformed in terms of real GDP with a growth of 3.8%, followed by Bahrain and Oman achieving increases of 2.1% and 1.9%, respectively. Moreover, GDP growth of Qatar and KSA was just around 0.5%, whereas Kuwait lagged behind with a marginal growth of 0.1%.

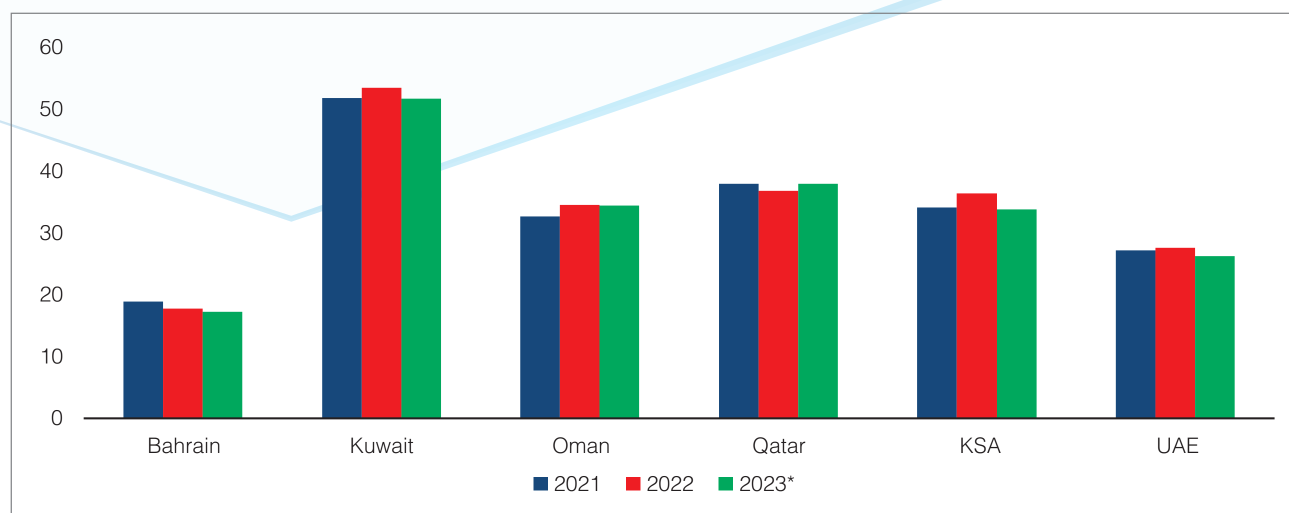
Table 9: Real GDP Growth (% change)

	2020	2021	2022	2023*
Bahrain	-4.6	2.7	4.9	2.1
Kuwait	-8.9	1.8	8.4	0.1
Oman	-3.4	3.1	4.3	1.9
Qatar	-3.6	1.5	4.9	0.6
Saudi Arabia	-4.3	3.9	8.7	0.4
UAE	-5.0	4.4	7.9	3.8
GCC (Average)	-5.0	2.9	6.5	1.4

** IIF Forecast.*
Source: IIF. Respective Country's Database.

On the same track, the contribution of hydrocarbons to GDP has slightly diminished compared to its levels in the past couple of years in most member economies. Qatar was the only economy to increase its hydrocarbon contribution to GDP in the year 2023 to reach 38%. At the time that Kuwait and Saudi Arabia have both reduced their contributions to 52% and 34%, respectively. Bahrain's hydrocarbon contribution continued to contract from 18% in 2022 to 17% in 2023. Oman's hydrocarbon contribution has diminished slightly in 2023 whereas in the UAE, it fell from 28% in 2022 to 26% in 2023. Noteworthy, the hydrocarbon sector represents more than 50% of Kuwait's real GDP and it is still the highest relatively in the area.

Figure 14: Hydrocarbon's Contribution to Real GDP in GCC (%)



** IIF Forecast.*
Source: IIF. Respective Country's Database.

Non-hydrocarbon GDP also improved during the year with an average growth of 3% with all six economies logging positive y-o-y changes, except for Qatar. Qatar's non-hydrocarbon GDP shrank in 2023 by 1.2% after registering a significant increase of almost 7% in 2022. The UAE has outperformed the region in terms of non-hydrocarbon GDP growth with an increase of 5.73%, which came after realizing an increase above 6% in 2022. Meanwhile, Saudi Arabia and Kuwait managed to grow by more than 4%, while Bahrain grew by 2.72%, and Oman by 2.1%.

Table 10: Non-Hydrocarbon Real GDP Growth (% change)

	2020	2021	2022	2023*
Bahrain	-5.62	3.34	6.23	2.72
Kuwait	-8.85	4.10	4.62	4.01
Oman	-4.03	2.75	3.66	2.10
Qatar	-4.73	2.66	6.87	-1.20
Saudi Arabia	-2.63	4.84	4.95	4.50
UAE	-5.43	6.53	6.10	5.73
GCC (Average)	-5.22	4.04	5.40	2.98

** IIF Forecast.*
Source: IIF. Respective Country's Database.

The fiscal balances for the year 2023 were mixed. Kuwait has achieved the highest positive fiscal balance in the region at 14.62% of GDP. Qatar and UAE also managed to conclude the year with positive balances slightly below 7% of their GDP. On the contrary; Bahrain, Oman and Saudi Arabia have all encountered negative fiscal balances in 2023. Moreover, it is worth mentioning that Bahrain has been struggling with the negative balance consecutively for a quite few years.

Table 11: GCC Overall Fiscal Balance (% GDP)

	2020	2021	2022	2023*
Bahrain	-12.83	-6.44	-0.85	-3.61
Kuwait	-15.19	3.18	22.77	14.62
Oman	-15.15	-3.61	2.90	-2.78
Qatar	-1.99	0.24	11.00	6.92
Saudi Arabia	-10.67	-2.25	2.50	-1.67
UAE	-2.57	4.16	10.57	6.66

** IIF Forecast.*
Source: IIF. Respective Country's Database.

From another angle, all GCC members experienced an increase in their fiscal breakeven oil prices with the exception of Qatar, where breakeven oil price fell from $51/b to $46/b. Bahrain's breakeven oil price remained the highest in the area at $106/b. On the other hand, the UAE managed to hold its breakeven oil price lower than its peers at $38/b.

Table 12: GCC Fiscal Breakeven Prices ($/b)

	2021	2022	2023*
Bahrain	111	105	106
Kuwait	59	72	75
Oman	75	79	83
Qatar	67	51	46
Saudi Arabia	80	86	89
UAE	46	33	38

** IMF Forecast.*

Source: IIF. "Hydrocarbon Exporters: Breakeven Oil prices are Set to Increase" July 14, 2023.

3.1. Inflation

Inflation rates in the GCC region were all positive in 2023. Kuwait has witnessed the largest increase in consumer prices during the year at 3.63%, followed by the UAE with 3.07%. In addition, the increase in prices in Qatar, Oman and Saudi Arabia ranged between 2% and 3%. Bahrain, on the other hand, consumer prices inched up slightly by 0.5%.

Table 13: Average Consumer Prices (annual % Change)

	2020	2021	2022	2023*
Bahrain	-2.32	-0.61	3.63	0.50
Kuwait	2.10	3.42	3.98	3.63
Oman	-0.90	1.55	2.81	2.50
Qatar	-2.58	2.30	5.00	2.81
Saudi Arabia	3.45	3.06	2.47	2.28
UAE	-2.08	-0.11	4.83	3.07

** IIF Forecast.*

Source: IIF. Respective Country's Database.

3.2. GCC Trade

The GCC has exported a total of $950 billion while the total imports accounted for $595 billion in 2023. The hydrocarbon exports in 2023 were lower than the year before by an average of 24%. Saudi Arabia exported around $238 billion of hydrocarbon products in 2023, followed by the UAE with $92 billion, Qatar with $80 billion, and Kuwait with $75 billion.

In terms of non-hydrocarbon exports, Oman has increased its exports by 10% followed by Kuwait with 5% increase while other members have all reduced their non-hydrocarbon exports. Noteworthy, the non-hydrocarbon products comprises 75% of total exports in the UAE and around 55% of Bahrain's exports, whereas it does not reach the 40% level for the rest of the members.

Furthermore, GCC's imports remained mostly at the same levels of the previous year and some have marked slight increases, except for Qatar. Qatar's imports have declined from $34 billion to $28 billion. Bahrain, Oman, and the UAE have all maintained the same level of imports of the previous year. Kuwait have increased its imports by $2 billion and Saudi Arabia by $3 billion. Noteworthy, the amount of imports of the UAE exceeded the overall imports of all other members combined.

Table 14: GCC's Trade ($ bn)

	2020	2021	2022	2023*
Hydrocarbon Exports				
Bahrain	6	10	15	12
Kuwait	36	63	94	75
Oman	23	26	43	33
Qatar	45	79	117	80
KSA	120	203	336	238
UAE	45	70	114	92
Non-Hydrocarbon Exports				
Bahrain	8	12	15	15
Kuwait	4	5	6	7
Oman	11	18	19	21
Qatar	7	8	12	11
KSA	54	73	75	72
UAE	227	253	295	294
Total Imports				
Bahrain	14	17	22	22
Kuwait	24	28	28	30
Oman	25	28	32	32
Qatar	24	27	34	28
KSA	126	140	176	179
UAE	212	244	304	305

** IIF Forecast.*
Source: IIF. Respective Country's Database.

4. Equity Markets Review

4.1. Global Equity Markets Overview

The year 2023 started with rising concerns about a recession associated with low and diminishing prospects for global growth. However, Global economic growth was stabilized by China's reopening after the pandemic along with significant fiscal stimulus plans in the United States and Europe. This all occurred amid regional banking crisis in the US, a recession in some parts of the Euro zone, geopolitical tension in the Middle East, as well as the continued crises between Russia and Ukraine, the biggest increase in interest rates in decades, and volatile energy prices. While there was a "higher-for-longer" mindset in the second half of the year, as several central banks neared the end of their tightening cycles, the attention shifted in the fourth quarter to when the first rate cuts would occur.

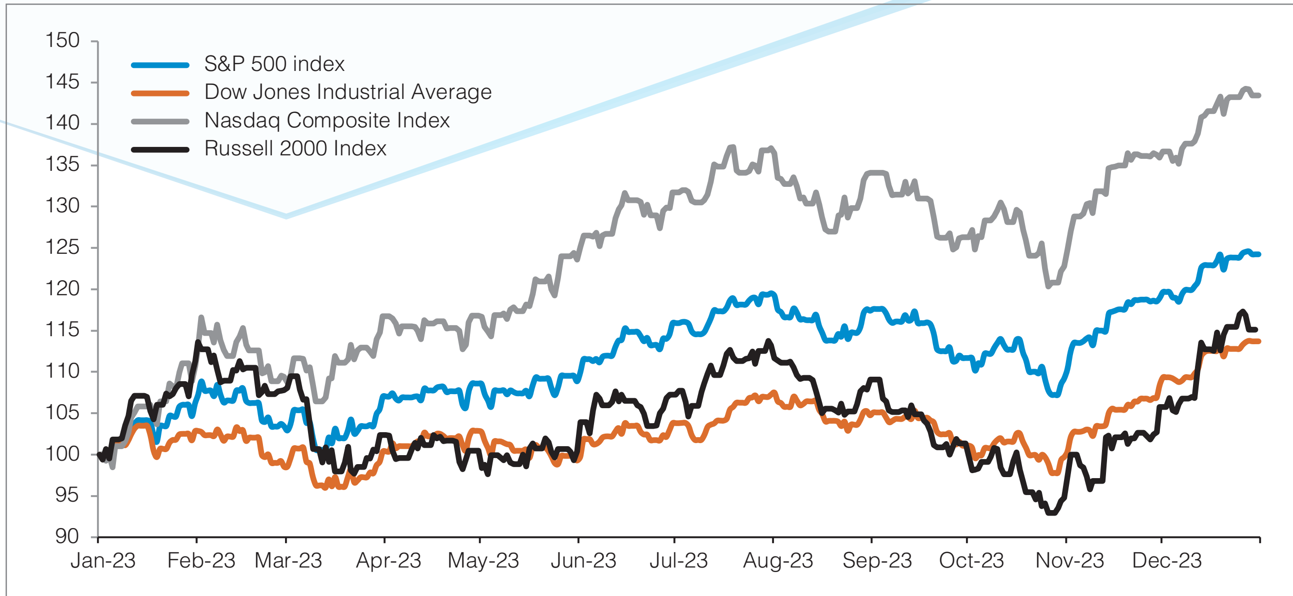
Figure 15: Rebased Performance of Global Equity Benchmarks, 2023

Source: Bloomberg, GIC Research.

US stocks concluded the year 2023 on a positive note with most of the gains occurring during the last quarter. Most of the gains were encouraged by the slowdown in inflation and indications that the US economy remains robust despite higher interest rates. In May, the Federal Reserve raised interest rates by 25 basis points. However, there was no rate hike afterward, with the Fed taking a “hawkish pause”. There were some investor concerns about the US debt ceiling at the beginning of the second quarter; however, the Congress passed legislation in early June to suspend the debt ceiling, with the deal including spending concessions expected to have minimal impact on economic growth.

US shares rallied strongly on rising expectations for rate cuts, and the top performing sectors were those most sensitive to interest rates. The technology sector led the stock market rally, driven by excitement surrounding artificial intelligence (AI) and the potential for growth in related technologies, particularly among chipmakers. The benchmark S&P 500 index ended the year with a gain of more than 24%, and nearing its all-time high set in early 2022. Moreover, the technology-focused NASDAQ composite index registered a significant gain of 43% over the year, while the small-cap focused Russel 2000 index accumulated 15% for the year. In the meantime, the Dow Jones Industrial Average rose more than 13% and marked a new all-time high during 2023, though it closed the year slightly short of that record.

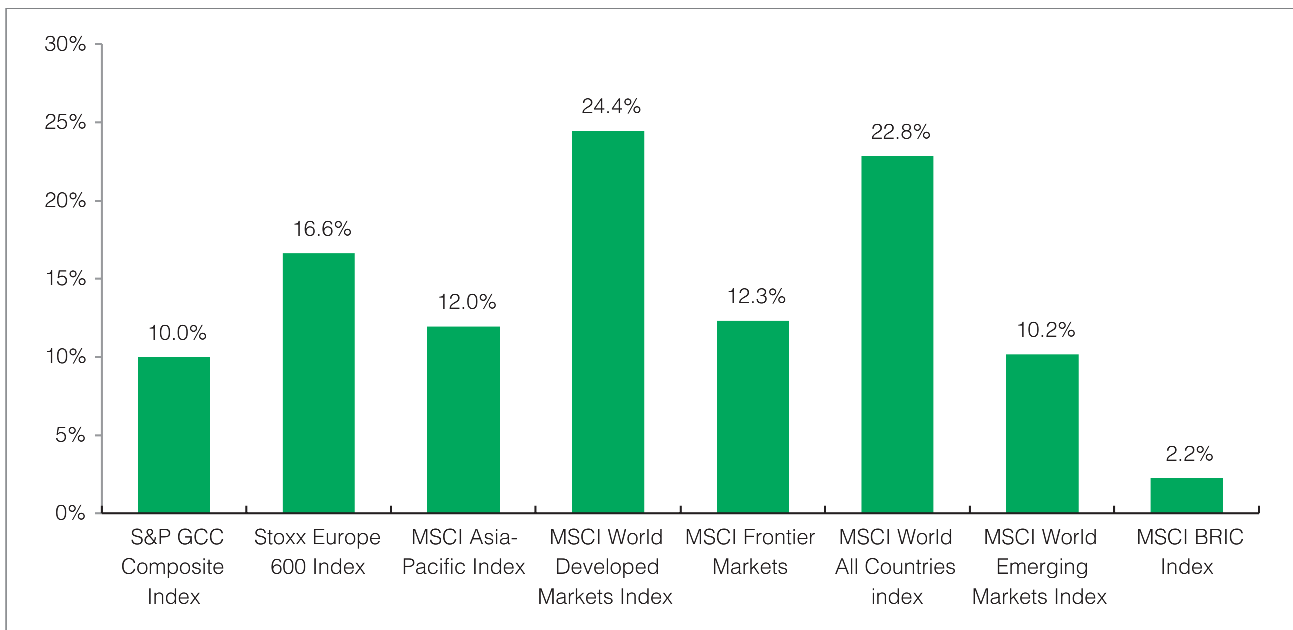
Figure 16: Rebased Performance of US Indices, 2023



Source: Bloomberg, GIC Research.

Global equities saw a fair increase during the fourth quarter due to falling inflation, which buoyed a soft landing. The increases in the final two months of the year were largely due to the reduction in the US 10-year Treasury yield. The index managed to register a gain of more than 22% during the year. The MSCI World for developed markets Index outperformed most indexes with a tremendous increase of 24.4% during the year. However, the MSCI World emerging markets index added a most 10% just as the S&P composite index did. The European benchmark Stoxx Europe 600 index also rallied 16.6% and both of MSCI Asia-Pacific index and MSCI frontier Markets added gains of 12%, while the MSCI BRIC index lagged behind logging gains of 2.2%.

Figure 17: Performance of Major Global Equity Benchmarks, 2023

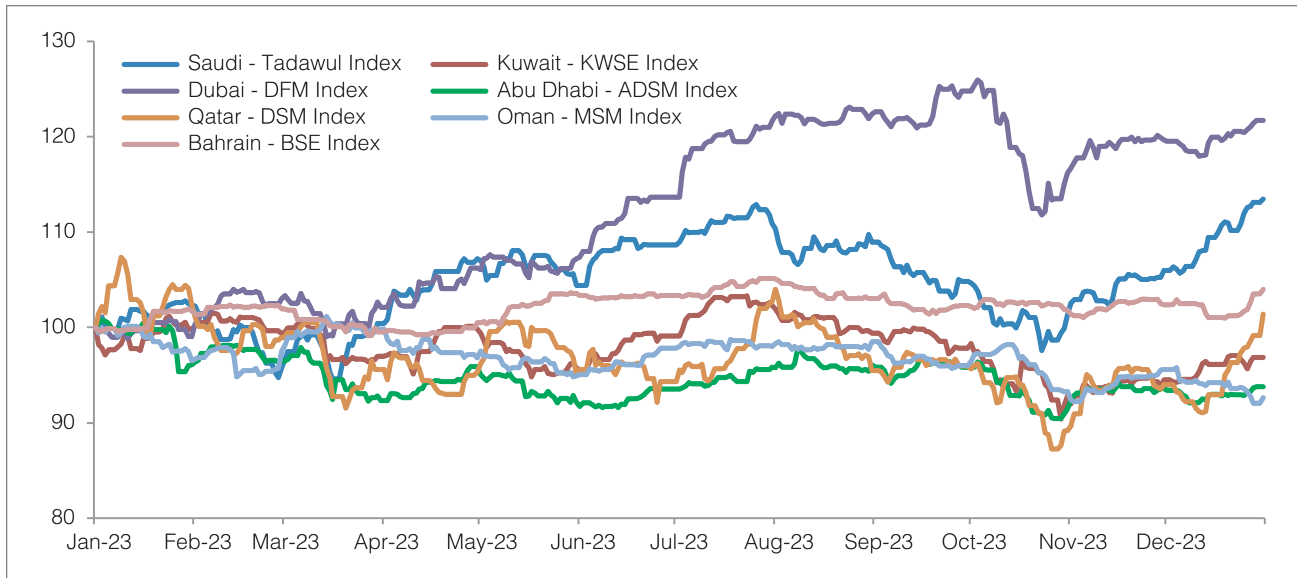


Source: Bloomberg, GIC Research.

4.2. GCC Equity Markets Overview

GCC equity markets concluded 2023 with positive overall returns, but underperformed other global benchmarks. Despite a robust rally towards the year's end, selling pressure persisted throughout the latter half of the third quarter and early part of the fourth quarter, limiting the market's recovery. The S&P GCC composite index yielded a net return of 9.98% for the year, significantly trailing major developed market indices and narrowly lagging behind the bellwether emerging market index. Elevated volatility characterized the regional markets as they reacted to cues from global equity indices and fluctuations in oil prices.

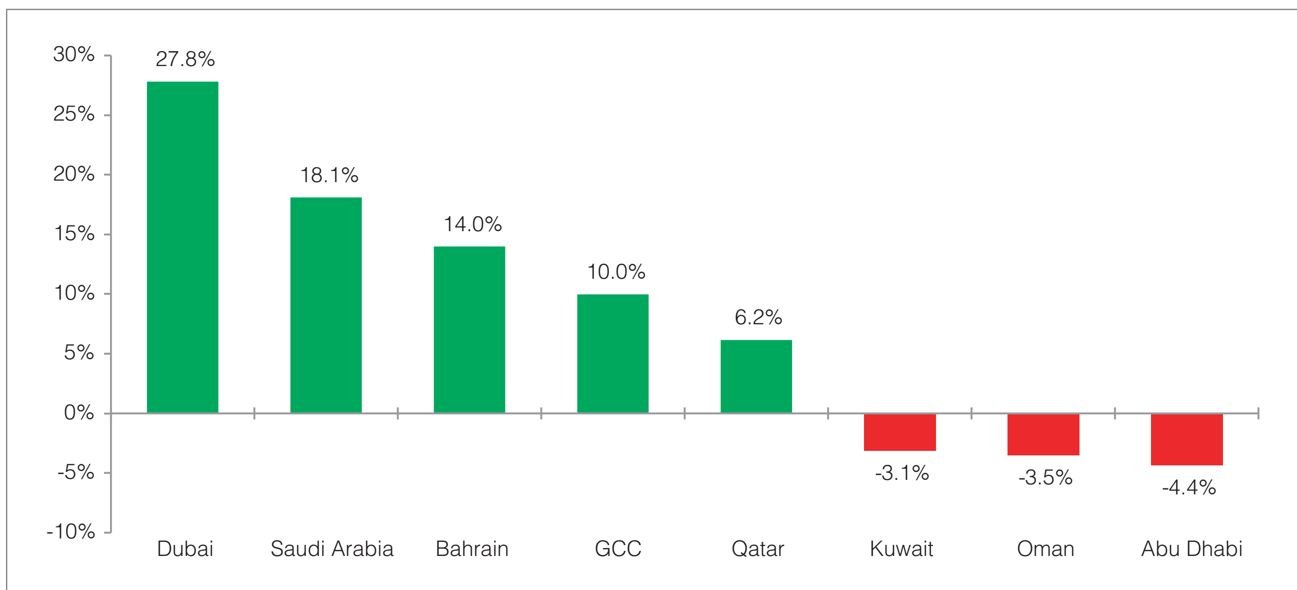
Figure 18: Rebased Performance of GCC Market Indices, 2023



Source: Bloomberg, GIC Research.

Though the year 2023 got off to a good start, continuing the momentum seen at the end of the previous year as well as mirroring the strength in oil prices, the markets changed course very early in the year, shifting to a profit-taking mode that lasted through most of the first quarter. This proved to be an inflection point for GCC markets, as global indices continued to march ahead, before their bull-run was cut short by rising recession worries and a banking crisis in the US and Europe in the latter part of the first quarter. However, the pause in global markets was very brief and the disconnect between the GCC and their developed markets peers continued through the rest of the year. Though changes in direction were reflected at various points during the year, the magnitude of returns could not be matched, resulting in the GCC consistently lagging behind major developed market indices throughout the entire year.

Figure 19: Performance of Major GCC Equity Benchmarks, 2023



Source: Bloomberg, GIC Research.

Looking at individual sectors within the S&P GCC composite index, all sectors ended the year with positive gains. Healthcare stood out as the top performer, with net gain of 36.8% for the year, followed by the Real Estate sector with a solid increase of 21.7%, and the Utilities sector with a respectable gain of 20.4%. On the other side, the Materials sector showed the weakest performance, adding a marginal 1.6%, while the Telecom and Financials sectors demonstrated slightly better performance, each recording gains of 7.1%.

The DFM General Index in Dubai emerged as the top-performing GCC benchmark for the year, achieving a notable net gain of 27.8%. This impressive performance was driven by the strength of the Consumer Discretionary and Real Estate sectors, which benefited from a resurgence in tourist flows and real estate activity, elevating various metrics to pre-Covid levels, which in turn led to an accelerated flow of capital. In contrast, Abu Dhabi's ADSM index did not mirror this positive sentiment, closing the year as the worst-performing index in the GCC, with a net loss of 4.4%. This decline was primarily attributed to losses in the large-cap Financials and Telecom sectors.

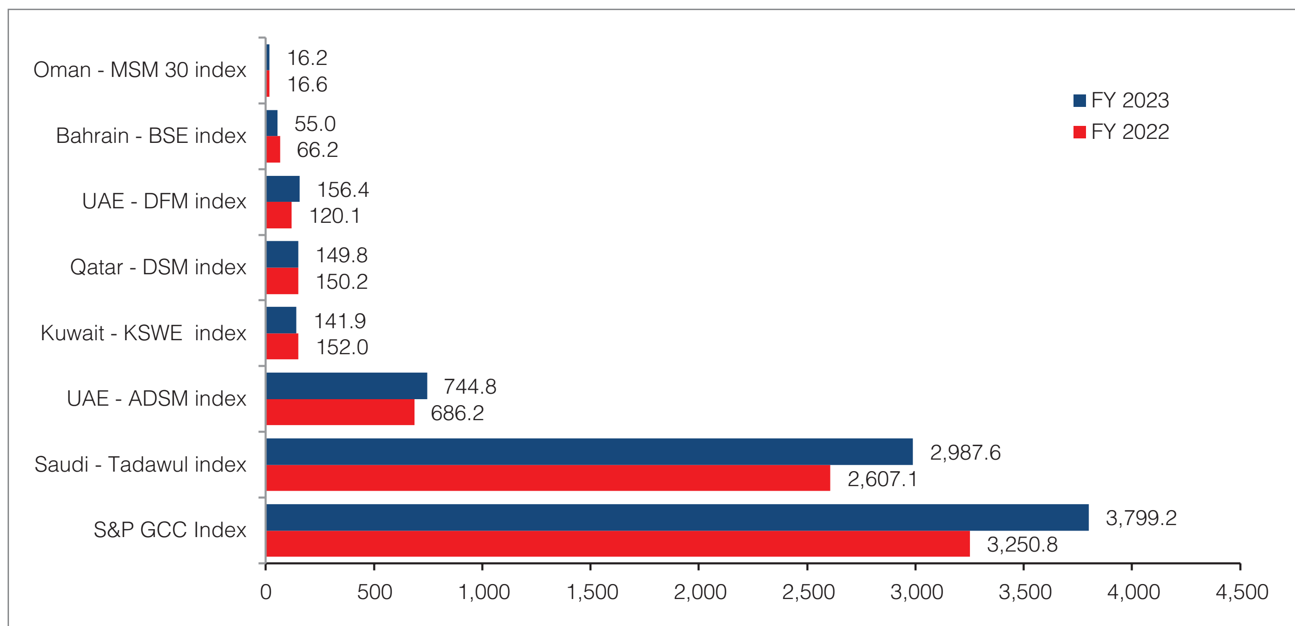
Saudi Arabia concluded the year as the second-best performing market, with the Tadawul index gaining a net 18.1%. This growth was fueled by an active IPO market, contributing to further market diversification and depth. Robust growth was observed across most sectors, spanning both small-cap and large-cap stocks. The Bahrain bourse extended its streak of gains for the third consecutive year, as the BHSE All Share index increased by a net 14.0% over the year. Five out of seven sector indices saw gains, with notable leadership from the Consumer Discretionary and Materials sectors. Qatar occupied the bottom position among gainers, with the DSM index adding a net 6.2% for the year, a notable improvement from its position as the least performing market in the GCC the previous year. While the Telecom and Insurance sectors led with positive returns, the Consumer Goods and Services sectors emerged as the laggards for the year.

4.3. GCC Market Capitalization and Trading Activity

The total market capitalization of the S&P GCC composite index jumped by 16.9% during FY 2023, mainly lifted by the Emirati and Saudi markets. The index soared from $3.25 trillion at the end of 2022 to $3.78 trillion in 2023. The primary factors for such a boost is government incentives, heightened interest from foreign investors, and ongoing diversification efforts.

The DFM index in Dubai outperformed the region as it rallied 30.2% to conclude the year at a value of $156 billion, while Abu Dhabi's ADSM index finished at $745 billion marking a modest year-on-year increase of 8.5%. Saudi Tadawul concluded the year registering the highest value of capitalization in the region at $ 2,988 billion, which also accounts for a 14.6% increase year-on-year. On the other hand, the rest of the markets have not exhibited any increases during the year. Qatar's DSM index capitalization remained at the same level, while Kuwait's KSWE Index and Oman's MSM 30 Index contracted by 6.6% and 2.1%, respectively. The capitalization in Bahrain's BSE index lagged behind its peers as logged a compression of 16.8% to $55 billion.

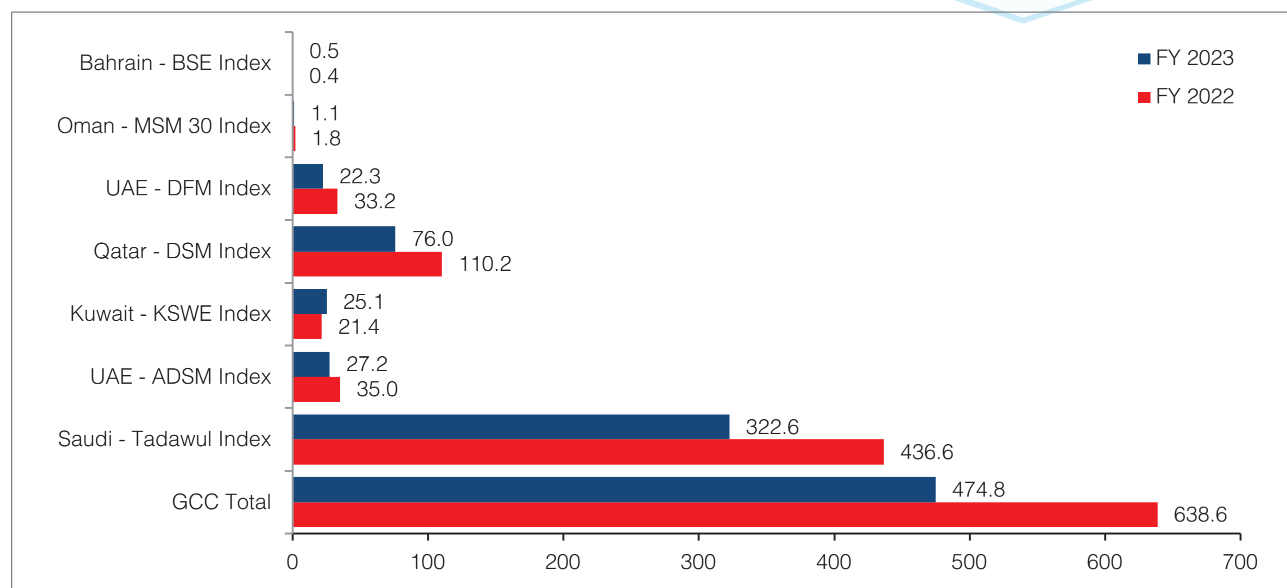
Figure 20: Market Capitalization for Individual GCC Markets in 2022 and 2023 ($ billion)



Source: Bloomberg, GIC Research.

From another angle, the trading activity in the GCC markets registered a sharp drop in trading activity for the year. The total value traded contracted from $638.6 billion in 2022 to $474.8 billion, accounting for a yearly contraction of 26% in 2023. However, Bahrain's BSE index and Kuwait's KSWE index managed to register yearly gains in terms of value traded throughout the year accounting for 25% and 17%, respectively. Oman's MSM 30 index witnessed the slowest pace of activity among the markets' region with a drop of 40% y-o-y, followed by Dubai's DFM index and Qatar's DSM index with a sluggish trading activity pace marking a slowdown by more than 30% compared to the previous year. The Saudi Tadawul index also slowed down by 26% while Abu Dhabi's ADSM Index slowed down by 22%.

Figure 21: Trading Activity on Individual GCC Indices for 2022 and 2023 ($ billion)



Source: Bloomberg, GIC Research.

The GCC region registered a sharp drop in trading activity for the year, with total value traded dropping from $761.4 billion in 2021 to $651.9 billion in 2022, largely due to a sharp decline in Saudi Arabia, which along with Bahrain were the only two markets that registered a drop in trading activity for the year. Trading on the Saudi bourse remained subdued during the year, largely due to lackluster investor sentiment and poor foreign flows, causing value traded to decline 25% to $436.6 billion. The biggest gain was recorded in Qatar where traded value climbed 78% for the year to $38.7 billion, benefitting from large-ticket trades on banks and other financial institutions. Oman registered the next biggest growth in activity, as volumes were boosted by activity on large-cap stocks including banks, causing trading activity for the year to rise 54% to $1.8 billion.

4.4. GCC Markets Volatility

Table 15: Volatility of Indices across the GCC Markets, 2023

	Year Opening	Year Closing	Year High	Year Low	Index Volatility
S&P GCC Composite Index	258.92	284.76	285.04	246.47	8.7%
Qatar - DSM index	3415.70	3629.57	11466.70	9319.30	15.1%
Saudi - Tadawul index	10478.46	11967.39	11967.39	9976.65	10.6%
UAE - DFM index	3336.07	4059.80	4201.84	3297.68	10.3%
Kuwait - KSWE index	9234.91	8944.66	9540.78	8347.93	9.6%
UAE - ADSM index	10211.09	9577.85	10287.82	9236.85	8.2%
Bahrain - BSE index	4857.44	4514.07	4928.86	4485.48	7.3%
Oman - MSM 30 index	1895.27	1971.49	1992.41	1878.41	4.3%

Source: Bloomberg, GIC Research.

Volatility levels in the GCC market remained moderately high throughout 2023, although they were more subdued compared to 2022, with the number of days where the S&P GCC composite index recorded a net daily change exceeding 1%, decreasing from 53 days in 2022 to 21 days in 2023. Despite this decrease, volatility remained elevated for much of the year, both in absolute terms and relative to previous periods.

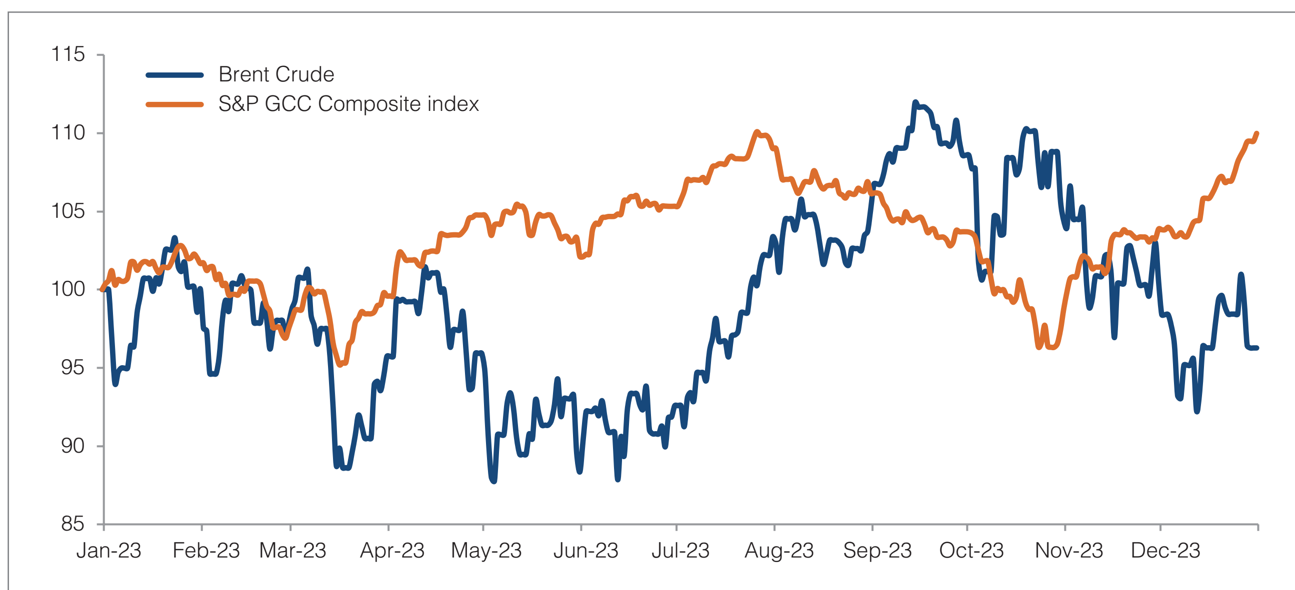
Qatar, Saudi Arabia, and the UAE exhibited the highest levels of volatility within the GCC peer group. The close correlation between GCC markets and global market movements, as well as fluctuations in oil prices, contributed to this volatility. Furthermore, sharp shifts in response to geopolitical developments, changes in central bank policies, and concerns regarding recessions in major global economies further amplified market fluctuations.

4.5. Relative Performance of market indices to Oil Prices

Throughout the year, there was a noticeable decoupling between the GCC equity markets and oil prices, with regional market direction being more influenced by global market trends rather than oil price movements. Consequently, the correlation between the two benchmarks slightly drifted into negative territory.

Particularly interesting was the amplification of this decoupling during the last quarter, when equity markets experienced a sustained upward trend, even as oil prices continued to decline. This divergence occurred as equity markets responded to improving sentiment, marked by a growing consensus towards a soft landing for the global economy by year-end, while oil markets remained under pressure due to weaker demand expectations.

Figure 22: Rebased changes in S&P GCC Composite index relative to Oil Prices, 2023



Source: Bloomberg, GIC Research.

5. Selected Measures

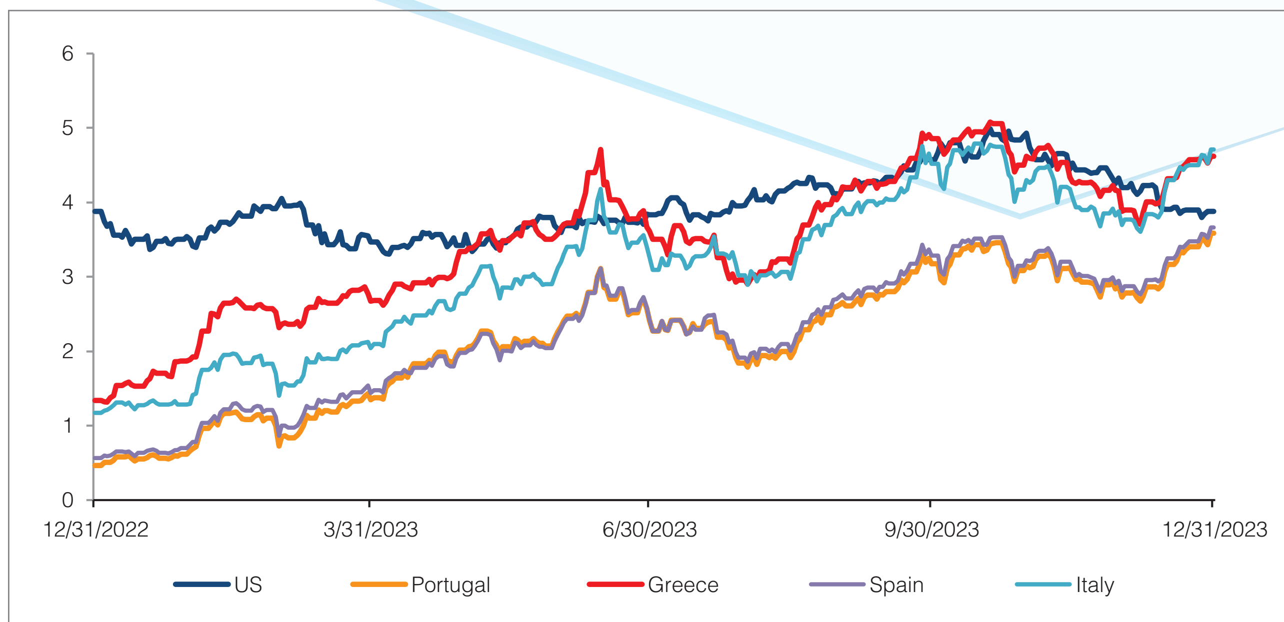
5.1. Treasuries

Throughout 2023, the Treasury markets across the US and the EU underwent prominent transformations influenced by central bank policies, economic concerns, and geopolitical events. Rate hikes had an apparent impact on 10-year yields, shaping investor sentiment and market dynamics in both regions.

The US Federal Reserve implemented a series of rate hikes during the year, in an effort to curb inflation without falling into recession. Simultaneously, rate hikes exerted upward pressure on 10-year Treasury yields as investor's expectations played in for future interest rates and inflation.

In addition, the European Central Bank navigated a complex economic environment characterized by inflationary pressures and varying levels of economic recovery across member states. Policy adjustments were made cautiously to support growth while addressing inflation concerns. Rate hikes by the ECB had a more tempered effect on 10-year EU Treasury yields compared to the US. The steady nature of policy adjustments, along with differing economic conditions, contributed to relatively stable yields.

Figure 23: Euro Area and US 10-year Government Bond Yields during 2023



Source: Bloomberg, January 2024.

Table 16: Volatility of Spreads, 2023

	US	Portugal	Greece	Spain	Italy
Opening Value	3.875	0.465	1.338	0.565	1.172
Closing Value	3.879	3.586	4.624	3.663	4.715
Average	3.954	2.165	3.490	2.227	3.121
Standard Deviation	0.424	0.867	0.940	0.865	1.044
Minimum Value	3.305	0.465	1.316	0.565	1.172
Maximum Value	4.990	3.586	5.079	3.663	4.790

Source: Bloomberg, January 2024.

Table 17: Government Bond Yields (%), 2023

	US	Portugal	Greece	Spain	Italy
Q1	3.468	1.352	2.673	1.436	2.039
Q2	3.837	2.415	3.616	2.423	3.264
Q3	4.571	3.175	4.861	3.289	4.519
Q4	3.875	0.465	1.338	0.565	1.172

Source: Bloomberg, January 2024.

5.2. Credit Default Swaps (CDS)

In the EU, concerns over sovereign debt levels among certain members led to increased volatility and reflected in a noteworthy uptick in CDS spreads for vulnerable economies such as Greece and Italy. In the US on the contrary, the CDS market maintained stability amid robust economic growth. In the GCC countries, however, CDS activity remained relatively subdued, with periodic fluctuations in spreads influenced by geopolitical tensions, though without significant overall changes in market dynamics.

Table 18: CDS Performance, 2023

	Portugal	Ireland	Greece	Spain	Italy	US	Bahrain	Abu Dhabi	Dubai
Opening	54.73	27.22	138.00	54.91	132.76	24.97	*232.25	45.76	84.04
Closing	42.37	24.12	67.46	44.64	76.70	45.41	205.24	41.62	63.23
Average	47.51	25.00	91.83	49.37	98.85	44.11	241.21	40.91	74.98
Low	42.00	21.35	66.38	41.99	76.59	24.97	204.06	33.34	60.33
High	54.73	28.34	138.00	56.60	133.07	74.43	271.99	56.98	90.60

**As of February 3, 2023.*
Source: Bloomberg, January 2024.

5.3. GCC Monetary Policy

In 2023, private sector credit growth in the GCC displayed a mixed route as a result of diverse economic factors such as government initiatives aimed at promoting investment and diversifying economies, in addition to global economic circumstances and geopolitical disturbances.

Table 19: Private Sector Credit Growth (% Change)

	2019	2020	2021	2022	2023
Bahrain	1.10	6.80	4.40	3.80	3.40
Kuwait	4.38	3.56	5.26	7.95	4.95
Oman	2.70	2.40	4.10	4.60	5.40
Qatar	19.50	8.30	9.50	7.40	2.00
KSA	7.60	14.80	15.50	14.10	8.40
UAE	0.60	-2.60	1.50	4.30	3.20

Source: IIF, January 2024.

The GCC policy rates remained mostly stable during the year in order to promote financial stability and economic recovery, as well as maintaining economic growth amid inflationary pressures.

Table 20: Policy Rate (EOP)

	2019	2020	2021	2022	2023
Bahrain	2.25	1.00	1.00	5.25	5.50
Kuwait	2.75	1.50	1.50	3.75	4.50
Oman	2.24	0.50	0.50	4.77	4.90
Qatar*	2.60	1.20	1.00	4.00	5.00
KSA	1.75	0.50	0.50	4.50	5.50
UAE	3.03	1.49	1.25	4.50	4.70

** Interbank rate*

Source: IIF, January 2024.

Amid efforts to navigate economic diversification and fiscal reforms, the GCC witnessed modest growth in money supply, reflecting cautious monetary policies aimed at balancing liquidity provision, inflationary pressures, and external risks.

Table 21: M3 % Change

	2019	2020	2021	2022	2023
Bahrain*	8.30	3.50	5.20	1.70	5.30
Kuwait*	-1.50	3.90	3.80	6.00	6.70
Oman	2.00	8.90	4.60	0.60	18.80
Qatar	2.50	3.80	1.40	17.40	8.00
KSA*	7.10	8.40	7.50	8.20	8.60
UAE	8.00	4.60	5.70	9.00	9.20

** Broad Money (M3).*
Source: IIF, January 2024.

Net income analysis

Gulf Investment Corporation (GIC) posted net profit of US$203 million, compared to US$131 million for the previous year. During the year, Global Markets portfolio witnessed positive returns as a result of the good performance witnessed by GCC and global financial markets, which led to achieving a net gain from investments amounting to US$94 million due to the outstanding performance of the equity and bond portfolios. In addition to the good performance of direct investment in projects, as the corporation's share of results of associate companies amounted to US$184 million attributable to continued high levels of profitability of associate companies operating in the metals and electricity and water companies sectors.

Impairment losses of US$21 million, which related to investment in associates, have been provided against a reversal of impairment of US$9 million in 2022. Other comprehensive income for the year is US$16 million (2022: US$54 million) taking the consolidated total comprehensive income to US$219 million (2022: US$185 million).

Interest income

Interest income is generated from both debt securities portfolio and placement with banks.

Interest income for the year US$27 million is US$10 million up from previous year. 52% of the interest income is contributed by debt securities. The interest income from placement with banks increased due to the rise in interest rates during the year 2023.

Net gain / (loss) from investments

Net gain from investments represent the realised gain on sale of financial assets at fair value through statement of income, investment in associate, in addition to unrealised change in fair values of financial assets at fair value through statement of income.

GIC recorded net gain of US$94 million during 2023 (2022: net loss of US$112 million) comprise of realised gain on financial assets at fair value through income statement of US$35 million (2022: realised loss of US$40 million) and unrealised gain of US$56 million (2022: unrealised loss of US$72 million) from financial assets at fair value through statement of income. GIC also recorded a realised gain on sale of an associate company amounting to US$3 million.

Dividend income

Dividend income of US$5 million (2022: US$7 million) comprises of receipts from equity participations, equities and managed funds. Dividends from principal investment portfolio amounted to US$3 million. The remaining balance contribution is from equities and managed funds portfolio amounted to US$2 million.

Share of results of associates

Share of results of associates during the year amounted to profit of US184 million compared to prior year share of results of US$254 million. The major factor contributing the decline in share of results in comparison to previous year is mainly due to the decrease in the performance of associate companies that operate in cyclical activities.

Other operating income

Other operating income represents the income from consolidated subsidiaries amounting to US$2 million (2022: US$9 million) (note 16).

Interest expense

The interest rate increased significantly due to the US Federal Reserve decisions to raise interest rates to curb the rise in inflation, which contributed to an increase in interest expense to reach US$34 million, compared to US$12 million in the previous year.

Operating expenses

The Corporation continued its efforts to achieve efficiency in operations and increase productivity through strict control of operating expenses, as expenses amounted to US$53 million (2022: US$47 million).

(Provision for) / reversal of impairment losses and expected credit losses

Provisions for impairment losses for the year amounted to US$21 million compared to a reversal of impairment losses of US$9 million recorded in 2022. Provision for impairment losses for the year 2023 relates to impairment losses on investment in associates amounting to US$21 million. While the net reversal of impairment losses during 2022 mainly relates to reversal of net impairment losses on investment in associates amounting to US$7 million and a reversal of net provision for Expected Credit Losses on other assets of US$2 million.

A detailed breakdown is provided in Note 17 to the Financial Statements.

Balance sheet analysis

GIC is committing to an investment policy targeting lower leverage and rebalanced investment portfolios to achieve higher returns at reduced level of risk. Total assets increased by US$359 million compared to previous year balance to reach US$3,690 million. Equity at US$2,802 million increased by US$114 million compared to last year.

The Corporation's strategic focus continues to be on the GCC region. Note 20 to the Financial Statements presents the geographic distribution of the Corporation's credit risk exposure.

The following sections provide details on the key components of the balance sheet:

Financial assets at fair value through statement of income

As at 31 December 2023, financial assets at fair value through statement of income amounted to US$1,346 million, increased by US$277 million from the prior year balance. Debt and other interest bearing securities, represent 38% of the financial assets at fair value through statement of income, was increased by US$152 million compared to last year balance.

The debt portfolio is mainly made up of plain floating rate notes and fixed rate securities. This portfolio is monitored against stringent internal guidelines, ensuring that high quality of investments is maintained. Major portion of the portfolio is comprised of investment grade issuers and high quality GCC sovereign credits. A credit risk analysis of the investment securities portfolio is provided in the risk management section of this report.

Financial assets at fair value through statement of income also include investments in equities and managed funds of US$744 million, equity participation amounting to US$42 million and international & GCC private equity fund exposures of US$53 million. Investment in equities and managed funds increased by US$136 million by increasing emerging and global quoted equity investments by US$73 million and increase in investments in hedge and other alternative funds by US$63 million. Decrease in equity participations is mainly due to sale of some projects of US$3 million and fair value loss on unquoted investment of US$5 million.

The private equity funds invest their money in investments with diverse strategies and are managed by qualified fund managers who are selected within the framework of Corporation's investment policy.

Financial assets at fair value through other comprehensive income

As at 31 December 2023, financial assets at fair value through other comprehensive income amounted to US$228 million increased by US$37 million from the prior year balance due to the additional contribution to Shuqaiq International Water and Electricity Company Limited, amounting to US$56 million, compared to a net fair value losses from some investments, amounting to US$20 million.

Investment in associates

An associate is a company over which the Group has significant influence. The Corporation's investments in associates are accounted for using the equity method of accounting. Under the equity method, investment in associate is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Corporation's share of net assets of the investee company.

Principal investments in viable business ventures in the GCC region is the core activity of GIC. The focus has been on niche sectors like Metal, Logistics, Power & Utilities, Education and Building materials, where a sustainable competitive advantage has been built.

Investment in associates at US$1,800 million increased by US$115 million which is mainly due to the share of results of associates amounted to US$184 million. Other changes are related to investment in new associate companies, additional contributions to the existing companies, dividend received and share of net change in revaluation reserves of associates.

Other assets

Other assets amounted to US$26 million at 31 December 2023. Of this US$15 million related to accrued income receivable. The remaining amount comprised of trade & accounts receivables, positive fair value of derivative instruments, prepaid expenses and other miscellaneous assets net of expected credit loss on applicable assets. Details are set out in Note 7 to the Financial Statements.

Liquidity and funding

Total borrowings at US$826 million comprise of deposits from central banks and other financial institutions of US$792 million and term finance US$34 million. Term finance decreased by US$92 million compared to previous year end mainly due to the repayment of an outstanding tranche of term finance during the year

The annual report includes more detailed discussion on liquidity and funding, the various risks associated with our business activities, and the capital strength is included in the Risk Management section that follows.

Other liabilities

At US$47 million other liabilities comprise of trade payables of subsidiaries, accrued interest, accrued expenses, margin money for derivative products and negative fair value of derivative instruments.

Equity

Equity at US$2,802 million increased by US$114 million due to net profit US$203 million and other comprehensive income of US$16 million compared to the payment of dividends to shareholders during the year of $105 million.

RISK MANAGEMENT

Unequivocally, GIC remains a significantly resilient, measurably strong and stable financial institution. Risk management will continue to be an important aspect of corporate strategy and every effort will be made to ensure it is adaptive, effective and value adding.

The financial goal of the Corporation is to consistently earn competitive returns while maintaining risks within acceptable levels- defined risk appetite. Recognizing the relationship between risk and return, the management of risk forms an integral part of the corporate strategic objective. The continuous and rapidly changing business environment has increased the complexity and diversity of risks. The goal of risk management is to understand, analyze and manage these risks. Besides its vital role as the business protector, the risk function of the Corporation strives to contribute as a business enabler as well.

GIC's resilience during 2023, a challenging year in many respects, is testimony to strong business capabilities and a robust enterprise risk framework. Unequivocally, GIC remains a significantly resilient, measurably strong and stable financial institution. Risk management will continue to be an important aspect of corporate strategy and every effort will be made to ensure it is adaptive, effective and value adding.

During 2023, many challenges impacted financial markets and institutions all around the world. The year was highlighted by volatile interest rates stipulated by the ambiguity of central banks policies. Equity and fixed income markets experienced volatile returns. Geopolitical risks remained high with the Russia-Ukraine conflict continued to its second year and the escalations in the Middle East. Commodity prices remain uncertain especially with the increased geopolitical tensions. However, despite these challenges, GIC continued its strong performance and the Risk Management Division made sure that all appropriate risk mitigants and controls were available to the decision makers before making any market moves.

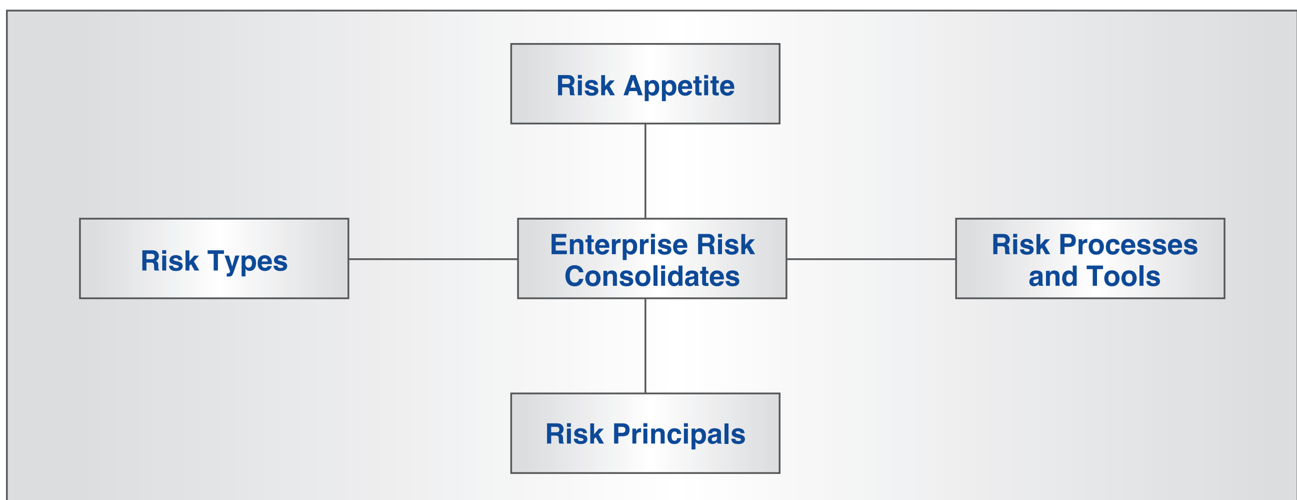
Looking forward to 2024, certain challenges might increase uncertainty during the year. Continued uncertain certain banks policies, volatile commodity prices, swings in equity markets and the continuation of geopolitical tensions might bring pressure to GIC's earnings. The Risk Management Division at GIC will keep monitoring all risk limits according to the risk appetites of GIC and make sure that they are communicated effectively with all business units to manage those risks.

The goal of risk management is not to avoid risks, but to comprehend and manage them.

The various business activities of the Corporation expose GIC to a wide spectrum of risks. The primary goal of the risk management is to ensure that an appropriate balance is maintained between risk taking activities, the expected return and GIC's risk appetite.

An Independent Risk Management Division (RMD) formalizes the Enterprise Risk Management (ERM) framework. The ERM framework encompasses all facets of prudent risk management via strong enterprise-wide policies, procedures and limits.

With these tools Risk Management is able to identify strategic opportunities and reduce uncertainty from both operational and strategic perspectives. It also enhances GIC's ability to manage risks, evaluate performance and allocate capital.



The ERM framework identifies and defines a broad spectrum of risks to which GIC's business and operations may be exposed. These risks are: Credit, Market, Funding and Liquidity, and Operational risks.

Management of these risks through investment in knowledge and systems has been a priority at GIC. A successful blend of talent, experienced staff working with quantitative-based analytical tools, and utilizing continuously-upgraded technological infrastructure are critical resources that GIC applies in order to manage risks effectively. The qualitative and quantitative techniques utilized to optimize the risk return profile incorporate information from the past with emerging trends in the current business environment along with futuristic scenarios and expectations.

Structurally, risk management begins with the Risk Management Committee (RMC),composed of members from GIC's Board of Directors and senior management, which defines and recommends the Corporation's risk appetite to the Board of Directors'. Sequentially, this is followed by a three step process:

a) Identifying and measuring the various risks generated,

b) Monitoring, reporting and controlling them, and finally,

c) Optimizing in relation to the return.

The Risk Management team of GIC acts as a critical link between management and risk taking divisions by first assisting management to define / quantify risk appetite. The team then effectively communicates these risk appetite parameters to concerned risk takers in the Corporation in order to ensure that the risk taking activity is within the management's acceptable levels.

Within the Corporation, responsibility for the management of risk is not restricted to a single division. The philosophy has been to encourage a culture of prudent risk management across all business and support areas.

From an "Internal Control" perspective, the process of risk management is facilitated by a set of independent functions in addition to RMD. These units reporting directly to senior management include Finance, Internal Audit, Legal and Compliance. This multi faceted approach enables the effective management of risks by identifying and monitoring them from a variety of perspectives.

The process of managing the risk categories identified above is discussed in more detail in the following sections.

CREDIT RISK

Credit risk refers to the risk of an economic loss that might arise from the failure of counterparty to fulfill its contractual obligations.

The world credit markets during 2023 was highlighted by increased volatility in interest rates coupled with central bankers ambiguity about their policies. Volatility in credit markets increased because of these factors. During the previous year, central bankers increased rates in unprecedented speed to fight inflation. However, economic indicators led economists to predict a recession even though it did not materialize. Looking forward to 2024, uncertainty is expected to remain high as rate cuts are not imminent and inflation expectations remain above targeted rates. The net effects on markets remain unclear, which might draw market participants to defensive positions. GIC with its active portfolio management registered an impressive performance on the credit portfolios. GIC remained relatively unscathed during the year, registering nil credit losses, thanks to prudent proactive measures, stringent control frameworks and continuous monitoring. While the Corporation's credit portfolio, mainly made up of debt securities, constitutes a material portion of the overall asset base, strong internal risk guidelines and proactive portfolio management ensure that high quality is maintained at all times. Notwithstanding the Corporation's rigorous and prudent policies for provisioning, no material write-downs were required during 2023. This is a reflection of the good quality of the portfolio.

GIC continued to focus on regional credit markets where the team has a better understanding of inherent risks. This has resulted in an enhanced risk return profile.

The Corporation continued to be flexible and ready to adapt rapidly to unforeseen events supported by the efficient utilization of conventional risk management tools, including mathematical and statistical models.

The primary tool used in the management of credit risk is a set of well-defined credit policies and procedures. In addition to communicating management's risk appetite in the form of country, product, Industry and obligor limits, these policies also detail the process of measurement, monitoring and reporting. The stringent credit approval framework mandates a rigorous and thorough evaluation of creditworthiness of each obligor, after which limits are approved by management. Additionally, Limits for product and industry are also defined to ensure broad diversification of credit risk. Credit policies and procedures are designed to identify, at an early stage, exposures which require more detailed monitoring and review.

The credit risk management process applies pertinent statistical methods as well, to estimate expected and unexpected loss amounts

for the various business activities. The system, based on the Creditmetrics methodology, enables accurate credit risk measurement on an individual exposure as well as a portfolio basis. Expected and Unexpected loss estimates are computed based on Probabilities of Default (PD) and Loss Given Default (LGD) data published by leading rating agencies.

The Debt Capital Markets (DCM) portfolio constitutes approximately 14% of the balance sheet is monitored against a Credit Value at Risk (Credit VaR) limit, approved by the board. The US$ 130 million VaR limit (99.96% confidence, 1 year), which supplements the existing notional limits for this portfolio, is based on the Creditmetrics methodology and is measured using Monte Carlo Simulation techniques.

The table below provides the Credit VaR figures for the DCM Portfolios. On 31st December 2023 the market value of this portfolio was US$ 507 million, compared to US$ 355 million in the previous year. The year-end Credit VaR is slightly lower compared to previous year. The maximum point was in December, while the minimum was in March.

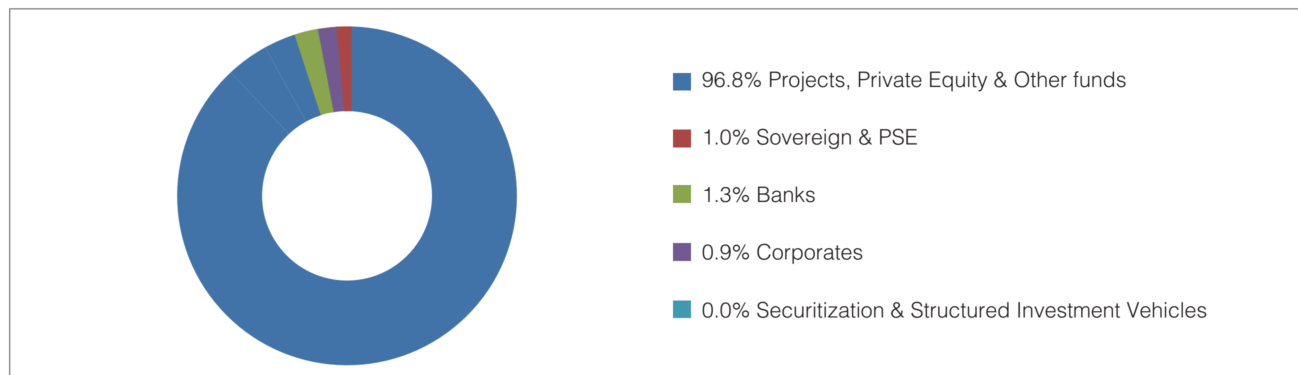
Table 1: 2023 Credit Value at Risk - 99.96% confidence level, 1 year holding period

US$ 000's	Average	Minimum	Maximum	31 Dec 2023
Debt Portfolios	47,730	40,912	57,139	57,139

Although, business units are responsible for maintaining exposures within limits, actual exposures are continuously monitored by Independent control functions including Risk Management, Finance, Compliance and Internal Audit. Technology is a key element in the monitoring process. To illustrate, cutting edge systems that are capable of approaching "real time" monitoring and control of risk taking activities, are effectively utilized.

An activity-wise break down of the principal sources of credit risk is illustrated in the pie chart below. The proportions reflect Credit Risk Weighted Exposure, computed based on BIS capital Adequacy Guidelines. Additional details, including credit exposures by rating, sector, geography and maturity are provided in the comprehensive Basel III Disclosure section.

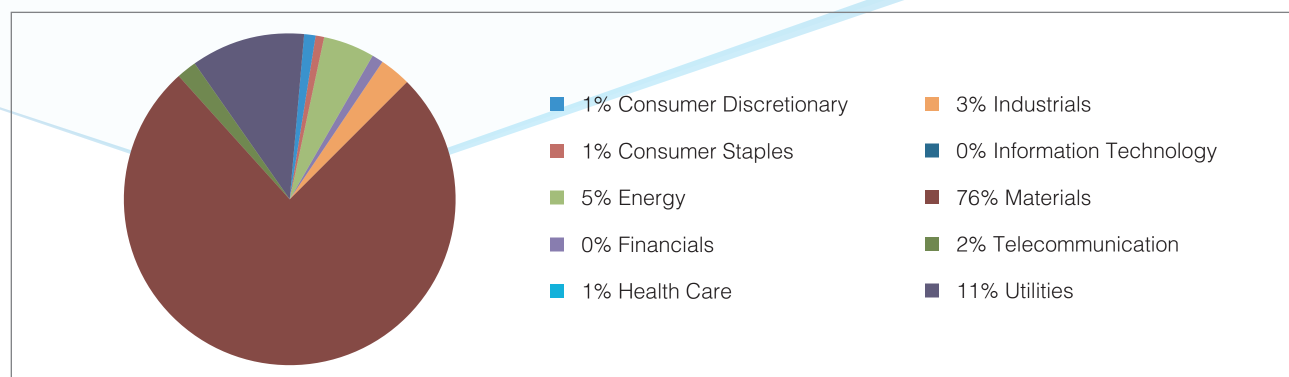
Chart 1: Sources of Credit Risk (Weighted Credit Risk Exposure)



The credit risk weighted exposure for Banks decreased from 1.5% in 2022 to 1.3% by the end of 2023, and for Corporates, it also decreased from 1.6% in 2022 to 0.9% by the end of 2023. On the other hand, the credit risk weighted exposure for Projects, Private Equity, and other funds slightly increased from 96.0% in 2022 to 96.8% by the end of 2023. The credit risk weighted exposure for Sovereign and Supranational entities showed a minor increase from 0.9% in 2022 to 1.0% in 2023.

The projects activity mainly focuses on the GCC countries, a region whose thriving dynamics we comprehend well and where we have a better understanding of the inherent risk. Investments are made after rigorous qualitative and quantitative analysis, and where the desired risk-return Objectives are met. As highlighted in the graph below, a healthy diversification across industry sectors is maintained within this portfolio. Private Equity and other Equity Funds represent investments made with third party fund managers typically in the United States and Europe who are selected after careful assessment of their records and extensive due diligence.

Chart 2: Principal Investing (Projects) by Industry



Off-balance Sheet Financial Instruments

In the normal course of its business, the Corporation utilizes derivatives and foreign exchange instruments to meet its financial needs, to generate trading revenues and to manage its exposure to market risk.

In the case of derivatives and foreign exchange transactions, procedures similar to on balance sheet products are used for measuring and monitoring credit risk. Credit risk weighted exposure to off balance sheet products amounted to nearly 2% of total credit risk weighted exposure.

At the year-end 2023, there were no outstanding derivatives held for trading. Off balance sheet transactions also include credit related contingent items designed to meet the financial requirement of the Corporation. A detailed credit risk analysis of credit- related contingent items, derivatives and foreign exchange products is set in Notes 19, 20 & 21 to the Consolidated Financial Statements.

In an uncertain and volatile global credit market, the Corporation will continue to adhere to strong internal risk controls.

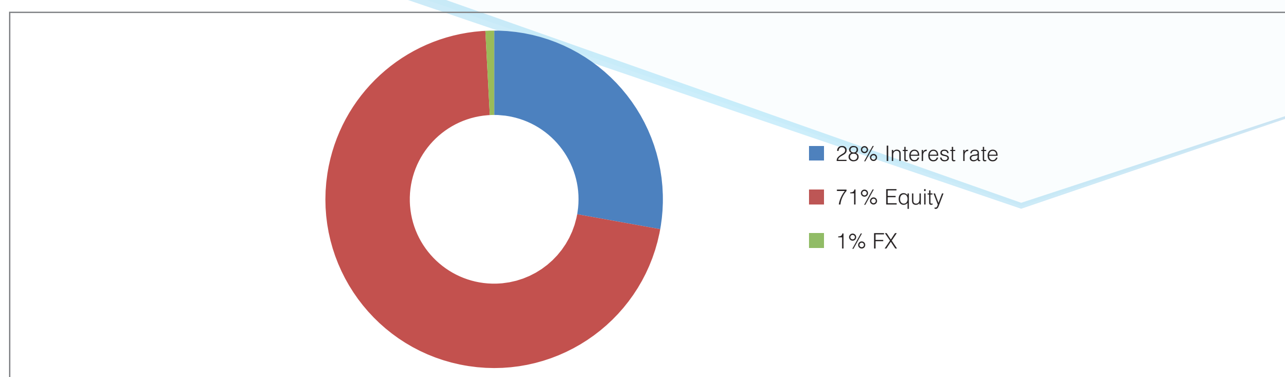
While the mechanism of risk monitoring and control has been fostered further, the risk management function is now more engaged with the business units, having been brought forward within the investment process. In addition to incorporating additional credit information, including Credit Default Swap (CDS) prices, equity prices and market Implied ratings within the credit analyses framework, the monitoring and reporting frequency has also been increased.

MARKET RISK

Market risk is the possibility of loss from changes in value of financial instruments, resulting from an adverse change in market factors.

Within the Corporation, market risk is made up of three key risk constituents - interest rate risk, equity risk and foreign exchange risk. A breakdown, based on risk constituents, is provided below for the combined mark-to-market and Investment activities, within the Global Markets Group alone (strategic equity positions within the Principal Investment business are not included). The percentages shown on the pie chart reflect average VaR amounts, considered independently, and ignore the effects of diversification across risk classes.

Chart 3: Market Risk Constituents - Overall



Market risk is measured, monitored and managed, both on a notional basis, and using a Market Value- at-Risk (Market VaR) concept. A blend of quantitative statistical methods combined with expert judgments and experienced talent is used to effectively manage market risk. A system of limits and guidelines restrain the risk taking activity with regard to individual transactions, net positions, volumes, maturities, concentrations, maximum allowable losses and other parameters. It ensures that risks are within the acceptable levels in terms of notional amounts. The VaR based system provides a more dynamic measure of market risk, capturing in a timely manner the impact of changes in the business environment on the value of the portfolio of financial instruments.

Market VaR is calculated and reported to senior management on a daily basis at various levels of consolidation including portfolio, business unit and Corporation.

The following table provides Total Value-at-Risk statistics for Global Markets Group by risk factor (please note: Total Global Markets Group VaR excludes Strategic Equity Investments within Principal Investing). These VaR measures are based on a 95% confidence level, 25 day holding period and use historical data sets.

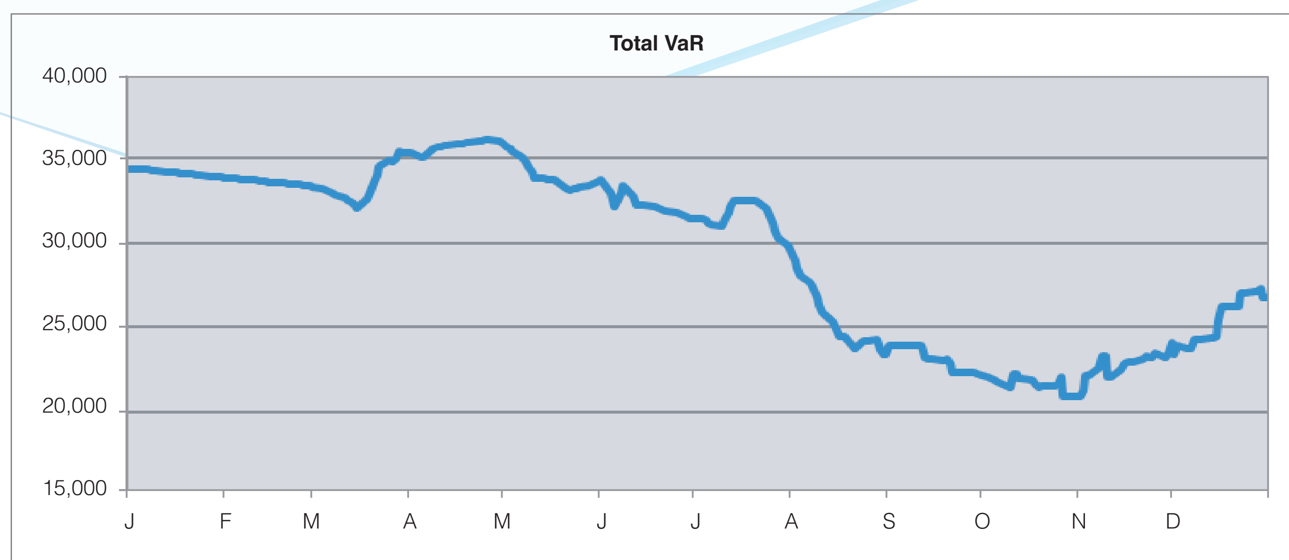
Table 2: Market Value at Risk for Global Markets Group alone - 25 day holding period, 95% confidence level

2023				
US$ 000's	**Average**	**Minimum**	**Maximum**	**31-Dec-23**
Interest rate	9,951	8,215	12,939	12,835
Equity	25,509	17,707	30,898	22,891
Foreign Exchange	296	127	918	145
Total*	29,438	20,907	36,162	26,719
2022				
US$ 000's	**Average**	**Minimum**	**Maximum**	**31-Dec-22**
Interest rate	5,601	4,424	8,642	5,768
Equity	25,740	14,064	31,202	28,067
Foreign Exchange	574	300	1,105	500
Total*	25,795	15,635	32,238	29,277

** Total VaR incorporates benefits of diversification*

On an average basis, VaR pertaining to market risk is higher as compared to the previous year. As at 31st December 2023, total market risk VaR reached US$ 26.7 million. Total market risk VaR remained within limits as approved by the Risk Management Committee and the Board of Directors. The Corporation will closely monitor the operating environment and seek to take on appropriate market risk at opportune times.

Chart 4: Profile of daily VaR- 25 day holding period, 95% confidence level, VaR (US$ OOO's):



It should be noted that certain portfolios and positions are not included in the Market VaR analysis, where VaR is not the most suitable measure of risk. These include the principal project investments in the GCC and the portfolio of International private equity funds. The market risk relating to these investments are measured in terms of a 10% sensitivity measure an estimated decline in asset values. The fair values of the underlying positions may be sensitive to changes in a number of factors, Including but not limited to: the financial performance of the companies, projected timing and amount of future cash flows, discount rates, trends within sectors and underlying business models. The table below provides the sensitivity measure for 2023 and 2022. The principal investment and private equity portfolio are categorized as financial assets at fair value through statement of income, investments in subsidiaries and associates.

Table 3: Sensitivity Measure: for assets not included in market VaR (US$ OOOs)

Asset Categories	10% sensitivity measure	10% sensitivity measure	
		31-Dec-23	31-Dec-22
Principal Investments	Underlying asset value	210,438	196,006
Private Equity Funds	Underlying asset value	5,242	5,604

Likewise, scenario analysis is an essential component of the market risk management framework. The assumption of normality on which the statistical models are based may become invalid due to the occurrence of certain events. Future scenarios that result in a breakdown of the historical behavior and relationships between risk constituents are projected, and potential loss amounts are determined. Most of these scenarios are derived from historical macroeconomic trends adjusted for fermenting and unfolding developments and expectations about futuristic events.

Liquidity Risk Management

Liquidity risk is the failure to meet all present and future financial obligations in a timely manner and without undue effort, whether it is a decrease in liabilities or increase in assets. This risk may be further compounded by the inability of the Corporation to raise funds at an acceptable cost to meet its obligations in due time.

There are two sources of liquidity risk that GIC takes into account, which are:

a) Cash flow Illiquidity, arising from the inability to honor financial commitments or to procure funds at reasonable rates and required maturities; and

b) Asset illiquidity, relating to the lack of market depth during times when assets are to be liquidated on a forced basis.

The Corporation believes that capital plays a special role in liquidity planning in as much as liquidity problems could arise in the short run if the market believes that capital has been so impaired that in the long run the Corporation may not be able to pay-off its liabilities.

GIC's management of liquidity considers an overall balance sheet approach that brings together all sources and uses of liquidity. More specifically, liquidity requirements cover various needs that are addressed by the Corporation's senior management. Among these needs are:

a) Meeting day-to-day cash outflows;

b) Providing for seasonal fluctuation of sources of funds;

c) Providing for cyclical fluctuations in economic conditions that may impact availability of funds;

d) Minimizing the adverse impact of potential future changes in market conditions affecting GIC's ability to fund itself; and

e) Surviving the consequences of loss of confidence that might induce fund providers to withdraw funding to GIC.

Liquidity Limits

As part of the funding and liquidity plan, liquidity limits, liquidity ratios, market triggers, and assumptions for periodic stress tests are established and approved. The size of the limit depends on the size of the balance sheet, depth of the market, the stability of the liabilities, and liquidity of the assets. Generally, limits are established such that in stressed scenarios, GIC could be self-funded.

The liquidity limits that are regularly monitored include the following:

a) Maximum dally cash outflow limit for major currencies;

b) Maximum cumulative cash outflow which should include likely outflows as a result of draw-down of commitments, etc.; and

c) Net liquid asset ratio - this ratio is calculated by taking a conservative view of marketability of liquid assets, with a discount to cover price volatility and any drop in price in the event of a forced sale. The ratio is the proportion of such liquid assets to volatile liabilities.

The net liquid asset ratio as of 31st December 2023 was 207%. This figure was determined taking into account the following basic criteria:

a) A 3-month remaining maturity is used to establish the time threshold by which balance sheet items are determined to be liquid or illiquid, stable or volatile;

b) Appropriate "haircuts" are applied on liquid assets to reflect potential market discounts; and

c) A "business as usual" posture is maintained in ascertaining the level of assets to be liquidated or pledged to avoid sending a wrong signal to the market.

The Corporation's Investment portfolio is managed so that the holdings of un-pledged, marketable securities that are comprised of strategic reserves are equivalent to approximately 30% of the projected maximum 30 day cumulative cash outflow. By the end of December 2023, investments in marketable securities tallied at approximately US$ 1.25 billion, and are primarily made up of investment grade securities.

The quantities of pledged securities are reviewed periodically in order to ensure that the quantity of pledged securities does not exceed the amounts actually required to secure funding or for other purposes. Additionally, to the greatest extent possible, the selection of securities to be pledged is made in a manner whereby the longest term and/or least marketable securities are utilized.

Market Access for Liquidity

Effective liquidity management Includes assessing market access and determining various funding options. That said, GIC deems it critical to maintain market confidence to attain the flexibility necessary to capitalize on opportunities for business expansion, and to protect the Corporation's capital base.

Proactive and prudent liquidity management requires a stable and diversified funding structure. To this end, GIC always maintains a well-balanced portfolio of liabilities in order to generate a stable flow of financing and to provide protection against sudden market disruptions. To the extent practical and consistent with other GIC objectives, the Corporation emphasizes both minimal reliance on short-term borrowed funds as well as the use of Intermediate and long-term borrowings in place of short-term funding.

A diversity of funding sources, currencies, and maturities are used in order to gain a broad access to the investor base. The proactive steps GIC undertook during the previous years, particularly in terms of raising medium term financing, enabled the Corporation

to secure a sound asset-liability maturity profile. As of 31 December 2023, the Corporation's term financing stood at US$ 34 million.

Further, the Corporation was successful in enhancing the diversity of its depositor base, a reflection of increased market confidence. At year-end 2023 the Corporation's deposit base stood at about US$792million, 90% of which is due to GCC depositors. GCC deposits have proven to be a stable source of funds over the years.

The table below provides the breakdown of the Corporation's funding source for the comparative years 2022 to 2023.

US$ Millions	2023 (US$)	2023 (%)	2022 (US$)	2022 (%)
GCC Deposits	717	19.8%	391	12.1%
International Deposits	75	2.1%	40	1.2%
Repo Financing	0	0.0%	0	0.0%
Term Financing	34	0.9%	126	4.0%
Shareholder's funds and others	2,802	77.2%	2,668	82.7%
Total	3,628	100.0%	3,225	100.0%

Contingency Funding Plan

Within GIC, liquidity is managed through a well-defined process to ensure that all funding requirements are met properly. This process includes establishment of an appropriate contingency funding plan (CFP).

GIC's CFP prepares the Corporation for the unlikely event of a liquidity crisis caused by material changes in the financial market conditions, including credit rating downgrades. CFP procedures are articulated clearly in the Corporation's Liquidity Policy Document.

These procedures include:

a) A suite of measures to be undertaken in the absence of liquidity crisis to enhance GIC's available liquidity in the event of a crisis;

b) Careful identification of specific triggers that would prompt activation of CFP; and;

c) Specification of exact guidelines for adequate management of liquidity crisis.

Throughout the challenging year, our liquidity position remained adequate to carry on with our strategy.

Interest Rate Gapping Risk

GIC actively manages its interest rate exposure to enhance net interest income and limit potential losses arising from the mismatches between placements, Investments and borrowings. It is one of the primary responsibilities of the Treasury management group. The Interest Rate Gap is measured in Eurodollar futures contract equivalents. It is widely accepted that the rate calculated from short dated (up to two years) Eurodollar futures contract is effectively the forward interest rate of the underlying. Any funding, placements or borrowing that has a maturity or re-pricing of over two (2) years are either matched or hedged.

Since GIC also runs gapping positions in other major currencies apart from the USD, the gaps on these currency positions are translated to USD equivalents in order to estimate the equivalent number of Eurodollar futures contract.

The Eurodollar futures contract, given its liquidity, is a reasonable proxy to gauge interest rate risk on the short-term funding gap. The rationale behind this type of measurement is, if necessary, positive (negative) gaps within a given time bucket could be covered by selling (buying) Eurodollar futures contracts equivalent to the notional amount of the gaps. Potential contracts from individual time buckets are accumulated for each currency and then subsequently aggregated for all major currencies. The maximum number of notional contract is currently set at 3,000.

Treasury is responsible for monitoring and ensuring that potential short-term interest rate risk exposure remains within the authorized limits. However, proper escalation procedures are in place to address temporary and permanent excesses.

The Eurodollar futures contract position value as at December 31, 2023 was 120 contracts, with an estimated VaR of US$ 142,776. The number of contracts has decreased compared to the year before. In addition, the estimated VaR is lower than the levels of the previous year (31st December 2022: 1,023 contracts, estimated VaR US$ 1,184,288). This is excluding the impact of the fixed rate EMTN Issuance.

Maturity profile of assets and liabilities

A detailed breakdown of the maturity profile by individual asset and liability category is provided in Note 20.2 to financial statements. At December 31st 2023, roughly 32% of total assets within 3-months, based on internal assessment of the Corporation's right and ability to liquidate these instruments. Comparatively, on the same basis, approximately 50% of total liabilities were in the same bucket. The sizable portfolio of high quality marketable securities contributed to the relatively high ratio of liquid assets. The Corporation' s GCC retention record shows that short maturity deposits from GCC governments, central banks and other regional financial Institutions have been regularly renewed over the past several years. With the success achieved in raising medium term finance, the Corporation was able to optimize the asset liability maturity gap, especially within the medium and long term buckets.

CREDIT RATING

GIC's strong financial indicators were acknowledged in the rating reports, by all the credit rating agencies. As of end 2023, GIC's long term deposits were rated A2 by Moody's and BBB+ by Fitch.

All ratings carry a stable outlook. GIC continues to be rated AAA by Rating Agency Malaysia (RAM).

	Moody's	Fitch	RAM
Long-term Deposits	A2	BBB+	AAA
Short-term Deposits	P1	F1	P1

CAPITAL STRENGTH

Capital represents the shareholder's investment and is a key strategic resource which supports the Corporation's risk taking business activities. In line with the Corporation's financial Objective, management strives to deploy this resource in an efficient and disciplined manner to earn competitive returns. Capital also reflects financial strength and security to the Corporation's creditors and depositors. Capital management is fundamental to GIC's risk management philosophy, and takes into account economic and regulatory requirements.

The Corporation's capital base stood at US$ 2,742.9 billion at 2023 year end. GIC continues to be one of the best capitalized financial Institutions in the region.

OPERATIONAL RISK

Operational Risk is the risk of loss resulting from inadequate or failed processes, people, or systems, either internally or externally, and unexpected significant and unusual one-time events.

- Other risks to which GIC is exposed to include Regulatory, Strategic, and Reputational;
- Regulatory risk is controlled through a framework of Compliance policies and procedures;
- Strategic risk is managed through the close monitoring of reviews, targets and goals, by senior management; and
- Reputational risk is controlled through clear and transparent guidelines and the GIC Code of Conduct.

KEY AIMS:

The management of Operational Risk has the following key objectives:

- to identify, assess, control and mitigate operational risk and the effective reporting of risk and emerging risk issues; and
- to embed operational risk awareness in all our activities, including the practices and controls used to manage other types of risks.

OVERVIEW:

GIC's Operational Risk Framework is composed of four key components: -

a) Risk and Control Self-Assessment framework;

b) Loss Event framework;

c) Corrective Action Plans framework; and

d) Operational Risk Reporting framework.

By providing a basis for the institutional understanding of Operational Risk, the framework supports a culture in which employees are aware of the risk inherent in the daily operations, and are encouraged to proactively identify existing, emerging and/or other potential problems.

a) Risk and Control Self-Assessment (RCSA) Framework.

The RCSA procedures establish a consistent framework for describing the key business activities, risks and controls. The controls are then assessed on a regular frequency. It is a process which transparently assesses the business's risks and analyzes the strength or weakness of controls that are put in place to in order to manage the identified risks.

The assessment of fraud detection controls have also been integrated within the RCSA process.

b) Loss Event Framework

Operational loss events are reported in a central database. Comprehensive Information about these events is collected, and includes information regarding the amount, occurrence, discovery date, business area and product involved, and detailed root cause analysis.

In keeping with our broad definition of Operational Risk, we began to include data on events with non-monetary impacts and near- miss events in our collection and analysis activities.

c) Corrective Action Plans (CAPs) Framework

The CAPs framework is a key component of management practice to identify, document and resolve control issues or any high risk exposures. This includes issues identified through our integrated RCSA and monitoring program, internal audits, Compliance reviews, or Operational Risk loss event reporting.

It will enable management to demonstrate to audit (internal and external) and regulators, that management is aware and is actively addressing issues as well as monitoring the timely resolution of these issues.

The Risk Management Committee will be kept abreast of all material Operational Risk issues that have been identified.

d) Operational Risk Reporting Framework

The Reporting framework is used to ensure that all Operational Risk types and events are categorized and reported consistently following the Basel II ratings methodology. This will help to:

- establish a common language regarding Operational Risk, throughout the Corporation; and
- facilitate the correlation of similar events and to identify causes (rather than symptoms) of risk within departments.

OPERATION RISK WEIGHTED EXPOSURE:

The Operational Risk Weighted Exposure sets out the risk measurement framework, i.e. the quantitative criteria for calculating the capital charge for operational risk that follows the Standardized Approach developed by the Basel Committee on Banking Supervision.

The Corporation's business activities are categorized within the identified business lines to be used i.e. Principal Investment, Debt Capital Market, Equities Investments, Alternative Investments, Treasury, and Head Quarters.

INSURANCE:

As part of the Enterprise Risk Management solution, the Corporation uses a comprehensive suite of insurance policies to mitigate the impact of operational risks and to ensure adequate coverage. These policies are closely aligned to the operational risk profile and are cost beneficial to GIC.

BUSINESS CONTINUITY AND DISASTER RECOVERY PLANNING:

The Business Continuity Plan Team, led by Operational Risk and Information Technology, are responsible for creating, managing and continuously improving GIC's disaster recovery planning. Currently there are three active and fully tested disaster recovery sites:-

- Kuwait (Local)
- Luxembourg (Outer-Regional)
- Bahrain (Regional)

LEGAL RISK MANAGEMENT:

GIC has a dedicated General Counsel, for the effective management of legal risks by the provision of legal advice and litigation management.

INFORMATION SECURITY FRAMEWORK:

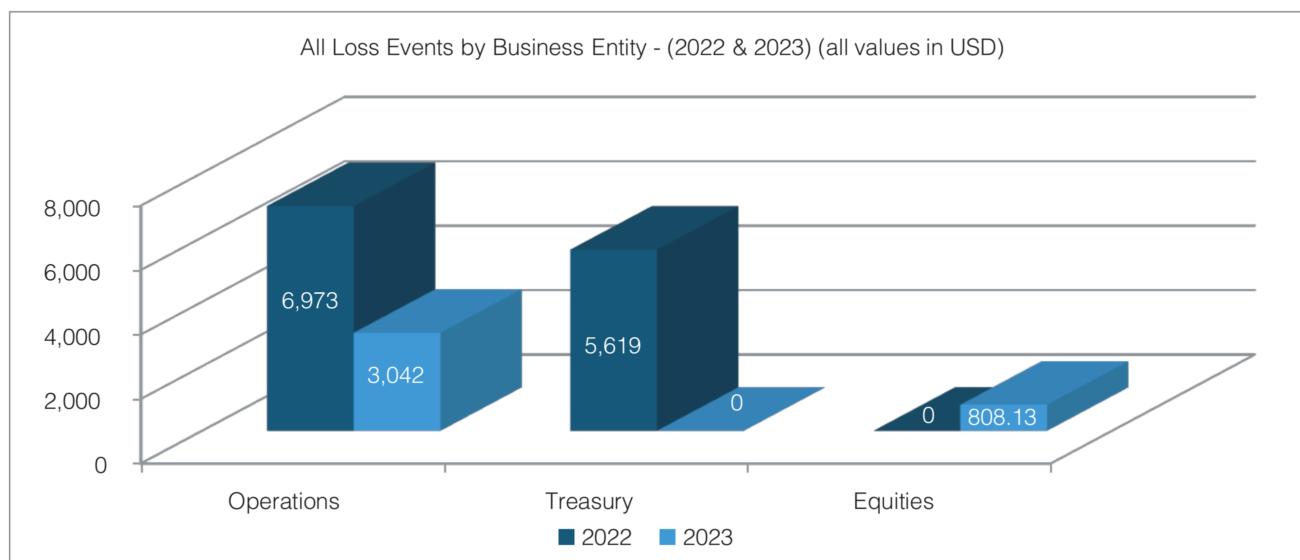
A secure Information security framework is in place to identify the responsibilities at every level of Information handling, i.e. from data ownership (encoding) to data access. Periodic audits are conducted to ensure compliance with the policies and standards set, by Internal Audit, information Security Risk Officer and the Risk and Control Self-Assessment review. Since 2015, the Corporation's Information Security Management obtained the ISO 27001:2013 certification.

OPERATIONAL LOSS EVENT PROFILE FOR 2023:

The Corporation monitors the loss events by the Basel III loss event categories.

There are no threshold limits - all events whether a loss or gain are captured, including near misses.

During 2023, all events occurred under the stage 1 loss event categories: "Execution, delivery and process management" category.



Basel III Rationale:

Aligning banking risk management with Capital Requirements

In response to the lessons learnt from the global financial and economic crisis in 2008, and to address the market failures across the banking sector revealed by the same, the Basel Committee issued the Basel III framework. Basel III regulations aim to strengthen the quality of capital and increase the regulatory capital requirements to help absorb losses. In addition, the introduction of capital buffers as part of prudential policies is applied by regulatory authorities to prevent global risks and enhance financial stability.

With Basel Ill, the Basel Committee is raising the resilience of the banking sector by strengthening the regulatory capital framework, building on the three pillars of the Basel II framework. The reforms raise both the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework. They are underpinned by a leverage ratio that serves as a backstop to the risk- based capital measures, is intended to constrain excess leverage in the banking system and provide an extra layer of protection against model risk and measurement error. Finally, the Committee is introducing a number of macro prudential elements into the capital framework to help contain systemic risks arising from procyclicality and from the interconnectedness of financial institutions.

Also, the Basel Committee is introducing internationally harmonized global liquidity standards. As with the global capital standards, the liquidity standards will establish minimum requirements and will promote an International level playing field to help prevent a competitive race to the bottom.

The Architecture of Basel III- Capital and Liquidity

With Basel Ill, the Basel Committee continues with the three-pillar that seeks to align regulatory requirements with economic principles of risk management. Principles of sound liquidity risk management and supervision have been incorporated into the standard on account of lessons learned during the crisis and is based on a fundamental review of sound practices for managing liquidity risk in banking organizations.

The Three Pillars Defined

Pillar 1 · Minimum Capital Requirements

Pillar 1 sets out minimum regulatory capital requirements -meaning the amount of capital banks must hold against risks. Greater focus under the new accord is on quality and level of capital, capital loss absorption at the point of non-viability, capital conservation buffer and countercyclical buffer. The new framework provides for higher risk coverage for certain complex securitizations, significantly higher capital for trading and derivatives activities, substantial strengthening of the counterparty credit risk framework and risk coverage for bank exposure to central counterparties. A key measure introduced under the new accord is a non-risk based leverage ratio to serve as a backstop to the risk-based capital requirement and to help contain system wide buildup of leverage. The new accord provides for a continuum of approaches from basic to advanced methodologies for the measurement of both credit and operational risks. It provides a flexible structure in which banks, subject to supervisory review, will adopt approaches that best fit their level of sophistication and their risk profile. The framework also deliberately builds in rewards for stronger and more accurate risk measurement.

Pillar 2 ·Risk Management and Supervision

Pillar 2 defines the process for supervisory review of a bank's governance and risk management framework and ultimately, its capital adequacy. It sets out specific oversight responsibilities for the board and senior management, thus reinforcing principles of internal controls and corporate governance practices. Financial supervisors would be responsible for evaluating how well banks are assessing their capital adequacy needs relative to their risks. Intervention would be exercised, where appropriate.

Pillar 3 · Market Discipline

Pillar 3 aims to bolster market discipline through enhanced disclosure by banks. It sets out disclosure requirements and recommendations. In several areas, including the way a bank calculates its capital adequacy and its risks assessment methods. The intended result is enhanced transparency and comparability with other banks.

Gulf Investment Corporation G.S.C. (GIC or ‘the Corporation’) ·

Market Disclosure

The following sections set out the Corporation’s disclosure details prepared in line with the new accord’s requirements via its publication dated December 2010- Basel III: A global regulatory framework for more resilient banks and banking systems and revisions to the same and Liquidity coverage ratio disclosure standards dated January 2014 and revisions to the same.

1. Capital Structure

GIC is an investment company incorporated in the State of Kuwait on November 15, 1983 as a Gulf Shareholding Company. It is equally owned by the governments of the six member states of the Gulf Cooperation Council (GCC), i.e., Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The Corporation has no subsidiaries or significant Investments in banking, insurance, securities, and other financial entities.

Table 1 presents the Corporation’s regulatory capital resources for the years ending December 2023 and December 2022. Basel III permits recognition of general provision (albeit subject to a maximum of 1.25% of credit risk weighted assets) as part of Tier 2 capital. Meanwhile, the exposures to ‘securitization’ that fall below a cut-off risk grade are deducted 50% from Tier 1 and 50% from Tier 2 capital, respectively. For 2023, full deduction is made from Tier 1 capital due to negative fair value adjustment. Total eligible regulatory capital was US$ 2,742.9 million by year-end December 2023 compared to US$ 2,657.8 million recorded in December 2022. The Corporation has adopted a conservative policy for the treatment of net fair value reserve, wherein, if negative - the total amount is deducted from eligible capital, and if positive - only 45% of fair value reserve is included within eligible capital.

Table 1: Regulatory Capital Resources

In US$ millions	**31 December 2023**	**31 December 2022**
Paid-up capital	2,100.0	2,100.0
Disclosed reserves	579.3	566.1
Retained earnings	229.4	145.2
Less: Goodwill	62.5	30.4
Less: Deductions	0.4	0.4
Less: Adjustment for Fair value reserve	106.2	122.7
Total Tier 1 Capital	2,742.9	2,657.8
Total Tier 2 Capital	-	-
Total eligible regulatory capital	2,742.9	2,657.8
In US$ millions	**31 December 2023**	**31 December 2022**
Common Equity Tier 1 (CET1)	2,742.9	2,657.8
Additional Tier 1 (AET 1)	-	-
Total Tier 1 Capital	2,742.9	2,657.8
Total Tier 2 Capital	-	-
Total eligible regulatory capital	2,742.9	2,657.8

2. Capital Adequacy Management

The Corporation's primary guiding principle to its capital adequacy management is to maintain a strong capital base that could support current as well as future growth in business activities, and at the same time, with the objective of maintaining satisfactory capital ratios and high credit ratings.

GIC's process of assessing the capital requirements commences with the compilation of the annual business plan by individual business units which are then consolidated into the annual budget plan of the Corporation. The annual budget plan provides the estimated overall growth in assets, its impact on capital and targeted profitability for the forthcoming fiscal year. Utilizing the financial projections generated from the budget plan, capital is allocated to the various business units in such a way that the allocations remain consistent with the risk profile of the business activity. These capital allocations as well as corresponding Return On Risk Adjusted Capital (RORAC) are reviewed on an ongoing basis during the budget year in order to optimally deploy capital to achieve targeted returns. Whilst the Corporation acknowledges the benefits of higher leverage to Return on Equity (ROE), it also believes in the advantage and benefit of keeping a strong capital position. As such, GIC maintains a prudent balance among the major components of its capital. Current internal policy aims to maintain a floor of 16% total capital adequacy ratio.

The annual dividend payout, meanwhile, is prudently determined and proposed by the Board of Directors, endeavoring to meet shareholder expectations while ensuring adequate retention of capital to support organic growth. Finally, the Corporation targets a credit risk rating of single 'A' or better. This would allow easy access to capital from the market at competitive pricing in the event additional funding needs to be appropriated. GIC is among a select few financial institutions in the region to maintain high ratings by both major International agencies (Moody's & Fitch). Details of the Corporation's ratings are provided on page 49 of this annual report.

Table 2: Capital Adequacy Ratios

In US$ millions	Risk-weighted assets	Capital requirement
Credit Risk	6013.0	481.0
Market Risk	1774.3	141.9
Operational Risk	419.8	33.6
Total	8207.2	656.6
Capital Adequacy Ratios		
Total CAR	33.4%	
Common Equity Tier 1 (CET1)	33.4%	
Tier 1 Ratio	33.4%	
Leverage Ratio (Non risk based)	22.5%	

Table 2 details the risk-weighted assets together with their corresponding regulatory capital requirements as at 31 December 2023. Total capital adequacy ratio and Tier 1 capital ratio are likewise calculated. The numbers were generated by applying the Standardized' approach for credit and operational risks, while the 'Internal Model' approach was utilized to yield market risk positions. Total risk-weighted exposures of US$ 8207.2 million, as at 31 December 2023, requires regulatory capital of US$ 656.6 million to meet the minimum Basel III CAR of 8%. Should the minimum CAR threshold be raised to GIC's internal target of 16%, the required regulatory capital increases to about US$ 1,313 million. The reported eligible regulatory capital of US$ 2,742.9 million still provides sufficient cushion to support business expansions.

Table 3: Risk Exposure Break-down

In US$ millions	31 December 2023
Credit Risk (RWA)	
Claims on sovereigns	45.6
Claims on Public Sector Entities	14.2
Claims on Banks	79.3
Claims on Corporates	52.1
Securitization and Structured Investment Vehicle	0.1
Venture Capital and Private Equity	64.3
Investments in Commercial Entities	5,333.1
Investments in Other Funds and Quoted Equities	373.4
Other Assets	50.8
Total	6,013.0
Market Risk (VaR)	
Interest rate risk position	0.0
Foreign exchange risk position	0.0
Equity risk position	37.4
(Total VaR +Stress VaR) x 3	112.3
Specific risk position	29.7
Total capital requirement	141.9
Total RWA (capital requirement x 12.5)	1,774.3
Operational Risk (RWA):	
Operational risk capital charge	33.6
Total RWA (capital charge x 12.5)	419.8

3. Risk Management Structure

To address the continuously changing and complex business environment, the Corporation adapts an agile and effective risk management process. Management realizes that not all risks needs to be eliminated; however, they need to be systematically identified and measured in order to be properly managed. To this end, the Corporation established an effective Enterprise Risk Management framework to enable a process of achieving an appropriate balance between risk and reward, by optimizing profits and ensuring that GIC is protected from unwarranted exposures that are likely to threaten the viability of the Corporation.

The Corporation's risk management process is an integral part of the organization's culture, and is embedded into the organization's practices as well as in all those involved in the risk management process.

The Risk Management Committee (RMC) is established by the Board of Directors. The RMC focuses on the effectiveness and appropriateness of the Internal risk management strategy, risk management framework and risk controls (collectively the Enterprise Risk Management).

The RMC comprises members of the Board of Directors and senior management. Its key aims, with the Risk Management Division (RMD), are to:

a) Review and assess the Enterprise Risk Management governance structure;

b) Review the Risk Management framework (encompassing risk assessment guidelines and policies regarding Credit, Market, Liquidity, Interest Rate, and Operational risk management);

c) Oversee policies and guidelines for determining the macro Enterprise Risk Limit levels, and review the utilization of these limits;

d) Review the adequacy of GICs' capital allocations including economic and regulatory, incorporating the risk adjusted return on capital;

e) Review and assess the integrity and adequacy of the Risk Management Division of the Corporation; and

f) Receive and review reports on selected risk topics as management deems appropriate from time to time.

The RMC, senior management, risk officers, and line managers contribute to effective Enterprise-wide Risk Management. The RMC defines its expectations, and through its oversight determines its accomplishment. The Board of Directors has ultimate responsibility for risk management as they set the tone and other components of an enterprise risk management.

Risk officers have the responsibility for monitoring progress and for assisting line managers in reporting relevant risk Information and the line managers are directly responsible for all business risk generated in their respective domains. The effective relationship between these parties significantly contributes to the improvement in the Corporation's overall risk management practices as this leads to the timely identification of risk and facilitation of appropriate response.

The RMD structure has a distinct identity and independence from business units. The RMD ensures that risk exposures remain within tolerable levels relative to the Corporation's capital and financial position. The RMD reports directly to the Chief Executive Officer, and is manned by dedicated risk specialists in all disciplines to address the pertinent business risks exposure of the Corporation. Its main responsibilities are to:

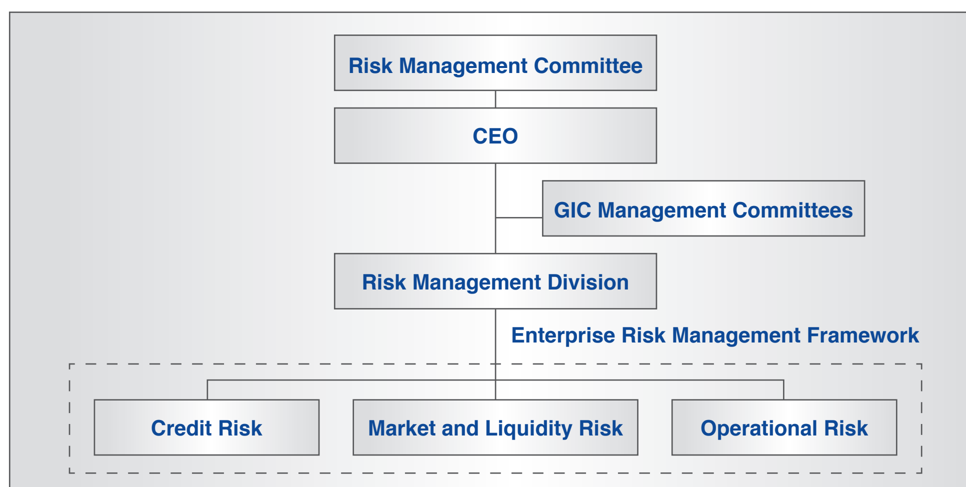
a) Evaluate and analyze the enterprise wide risk profile by developing risk monitoring techniques;

b) Set up and develop criteria for defining the Corporation's risk threshold in terms of various risks;

c) Develop and establish tools for the measurement of the Corporation's various risk types; and

d) Recommend appropriate strategies/actions for mitigating risk and ensuring a sound risk asset structure for the Corporation.

The abridged organizational structure of GIC's risk management structure is shown below:



The following management committees have the responsibility and authority for the day-to-day risk management activities of the Corporation, and where by such authorities are being exercised within the objectives and policies approved by the RMC:

a) Management Committee covers mainly general management issues including performance review vis-a- vis budget, and assessment of status quo against strategic business plan;

b) Global Markets Group Investment Committee translates Investment strategy directions into asset allocation guidelines, recommends investment proposals, and reviews investment portfolios. The committee also functions as a surrogate Asset Liability Committee;

c) Principle Investing Investment Committee evaluates proposals for Investments and divestiture of assets and ensures compliance to Investment criteria as well as investment procedures at each phase of the Investment process;

d) Human Resource Committee which reviews strategic HR issues;

e) Systems Steering Committee provides the forum to review the IT architecture and its condition to meet current and future business requirements; and

f) Provisioning Committee ensures that all provisioning activity (making or writing back provisions), covering all of GIC's on and off balance sheet items.

The objectives and policies for measurement and reporting of the major risk areas, i.e., Credit, Market, Liquidity and Operational, are detailed in the Risk Management section. The same section includes the approach adopted by the Corporation towards management and mitigation of these risks.

4. Credit Risk Exposure

The Corporation follows both qualitative and quantitative approaches to credit risk management. These approaches are clearly articulated in the Corporation's Credit Policy document which aims to promote a strong credit risk management architecture that includes credit procedures and processes. The policy defines the areas and scope of Investment activities undertaken by the Corporation and its main goal is not simply to avoid losses, but to ensure achievement of targeted financial results with a high degree of reliability. The Corporation's credit risk management focuses on the dynamic and interactive relationship between three credit process phases: portfolio strategy and planning, Investment origination and maintenance, and performance assessment and reporting. Each of these phases is discussed briefly below.

Portfolio Strategy and Planning

The overall desired financial results, the portfolio strategy of each business unit, and the credit standards required to achieve the targets are defined during the planning phase. The business strategies are developed in such a way that they integrate risk and that they meet the defined hurdles in terms of RORAC. Portfolio management establishes composition targets, monitors the results of these di verse business strategies on a continual basis, and allows the Corporation to manage concentrations that can result from seemingly unrelated activities. Specifically, portfolio management involves setting concentration limits by standard dimensions so that no one category of assets or dimension of risk can materially harm the overall performance of the Corporation. The Board has set specific limits for individual borrowers and groups of borrowers and for geographical and industry segments. These limits consider the individual credit of the various counterparties as well as the overall portfolio risk.

The Investment Committees

The Committees monitor and approve investment proposals and review portfolio concentrations in terms of economic sectors and asset class. These limits are reviewed annually to ensure that there are no undue concentrations in one sector or asset class, and that the limits are within those set out by the Corporation. For counter-party limits, such as limits for banks and financial institutions, credit line approval follows a strict process of credit review, with proper authority levels delegated to senior credit officers. Foreign exchange trading and interest rate gap limits, together with ancillary limits (e.g., daylight, overnight, stop loss, etc.) are recommended by Treasury for the review of risk management, and eventual approval by the RMC. The RMD quantifies the Corporation's credit risk appetite in line with the overall strategy. The RMD employs a process of allocating capital on a portfolio level for the total credit exposure assumed by each business unit. The business units' actual capital consumption is assessed against the budget, and variances are appropriately reported to senior management.

Investment Origination and Maintenance

The business units solicit, evaluate, and manage credit exposure according to the strategies and portfolio parameters established during the portfolio strategy and planning phase. Investments are generated within well-defined criteria, product structure, and are approved on the basis of risk and return assessment. The processes involved under credit maintenance include documentation review and disbursement, and review of the status of exposures. Within this phase, origination and underwriting for distribution to investors takes place. The business units remain the sponsor and main risk managers of their proposals. While the risk management team independently reviews Investment/product proposals prior to granting approvals to ensure that the proposals are within the tolerable risk appetite of the Corporation and are consistent with its policy, prior to disbursement of funds.

Performance Assessment and Reporting

The performance assessment and reporting phase allow both the senior management and business units to monitor results and improve performance continually. Both portfolio and process trends are monitored in order to make appropriate and timely adjustments to business strategies, portfolio parameters, credit policies and investment origination and maintenance practices. This phase of the credit process draws on information within the Corporation and external benchmarks to help evaluate performance. The goal of performance assessment is to achieve a balanced portfolio of assets, well diversified, and generating returns consistent with targets. Credit performance is assessed through analysis of:

a) Portfolio concentrations by obligor, industry, risk rating, maturity, asset class, as well as other dimensions;

b) Generated Return on Capital Employed (ROCE);

c) Additional economic value created by individual projects;

d) Exceptions to risk acceptance criteria; and

e) Other policy exceptions.

Inherent in the Corporation's business activity is the presence of' portfolio risk', which arises whenever there is high positive correlation between individual credit portfolios. To address this particular risk, the Corporation employs the 'Credit Manager' system promoted by the Risk Metrics Inc. (part of MSCI). The system is a quantitative based program where overall portfolio 'Credit Value at Risk (Credit VaR) is measured and controlled. This model calculates Credit VaR based on credit ratings of the names. default probabilities, loss given default, current market prices of the credits, while considering the impact of correlation of the various credits in the portfolio. In order to institute a common language for understanding and dimensioning credit risk across GIC's range of investments in projects, RMD is in the process of developing an Internal Credit Risk Rating (ICRR) model that would assist management in determining level of capital allocation and other strategic schemes applicable to the Investment credit rating. Naturally, the model will also be used to benchmark the required return given a particular level of risk. Additionally, the rating results will subsequently be used as valuable inputs into the 'Credit Manager' system mentioned above.

Credit Risk as per Basel III Standardized Approach

Under the credit risk 'Standardized' approach, credit exposures are categorized to standard portfolios that are subject to a distinctive risk-weighting scale based on standard characteristics of the nature of borrower as well as the external credit assessments of International rating agencies where available. GIC uses the credit ratings assigned by Moody's and Fitch for this purpose. When more than one counter-party rating is available, Basel III's multiple assessment guidelines are invoked. In order to provide a common platform into which different notations used by the aforementioned rating agencies can be mapped, a scale of uniform Credit Quality Grades (COG) represented by the numerals 1 to 5 or 6 are used to represent the relevant risk weights of each standard portfolio. Separate scales are prepared for risk-weighting both long and short-term issues.

Table 4: CQG Mapping

Corporates Credit Quality Grades	Moody's	Fitch
1	Aaa	AAA
	Aa1	AA+
	Aa2	AA
	Aa3	AA-
2	A1	A+
	A2	A
	A3	A-
3	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-
4	Ba1	BB+
	Ba2	BB
	Ba3	BB-
5	B1	B+
	B2	B
	B3	B-
6	Caa1	CCC+
	Caa2	CCC
	Caa3	CCC-
	Ca	CC
	C	C
		D

Table 4: serves as a sample of mapping notations of rating agencies into COGs for claims on Corporates. At 31 December 2023, rated credit exposures accounted for about 2.5% of total credit exposures. Note that the numbers are after applying the equivalent risk- weights (credit conversion) as provided under the Basel III accord. Meanwhile, gross credit exposure to rated assets was recorded at approximately 11% of total gross credit exposure. Assets that are rated single A or better comprised 88.3% of rated gross credit exposure.

Tables 5 and 6 present the breakdown of credit exposures pre and post-credit conversion.

Table 5: Credit Exposure (post-credit conversion)

	31 December 2023		
In US$ millions	**Rated**	**Unrated**	**Total**
Claims on Sovereigns	32.0	13.6	45.6
Claims on Public Sector Entities	6.5	7.8	14.2
Claims on Banks	79.3	0.0	79.3
Claims on Corporate	33.0	19.1	52.1
Securitization and SIVs	0.1	0.4	0.5
Venture Capital and Private Equity		64.3	64.3
Investments in Commercial Entities		5,333.1	5,333.1
Other Funds and Quoted Equities		373.4	373.4
Other Assets		50.8	50.8
Total	150.9	5,862.5	6,013.4
In Percent	2.5%	97.5%	100.0%

Table 6: Gross Credit Exposure (pre-credit conversion)

	31 December 2023		
In US$ millions	**Rated**	**Unrated**	**Total**
Claims on Sovereigns	383.2	13.6	396.8
Claims on Public Sector Entities	8.6	7.8	16.4
Claims on Banks	296.7	0.0	296.8
Claims on Corporate	35.2	19.1	54.3
Securitization and SIVs	0.3	0.4	0.6
Venture Capital and Private Equity		64.3	64.3
Investments in Commercial Entities		5,333.1	5,333.1
Other Funds and Quoted Equities		373.4	373.4
Other Assets		50.8	50.8
Total	724.0	5,862.5	6,586.5
In Percent	11.0%	89.0%	100.0%

Table 7: Gross Credit Exposure before Credit Risk Mitigation (CRM)

	31 December 2023		
In US$ millions	**Funded**	**Unfunded**	**Total**
Claims on Sovereigns	396.8	0.0	396.8
Claims on Public Sector Entities	16.4	0.0	16.4
Claims on Banks	280.0	16.8	296.8
Claims on Corporate	54.3	0.0	54.3
Securitization and SIVs	0.6	0.0	0.6
Venture Capital and Private Equity	52.3	12.0	64.3
Investments in Commercial Entities	5,232.1	101.0	5,333.1
Other Funds and Quoted Equities	373.4	0.0	373.4
Other Assets	50.8	0.0	50.8
Total	6,456.7	129.8	6,586.5
In Percent	98%	2%	100%

In terms of facility type (Table 7), US$ 6,456.7 million or approximately 98% is funded. The balance is ascribed to guarantees issued and Commitments made by the Corporation, as well as credit exposures on outstanding forward and swap transactions with banks.

Table 8: Gross Credit Exposure by Geographic Distribution

	31 December 2023				
In US$ millions	**GCC**	**Europe**	**Americas**	**Others**	**Total**
Claims on Sovereigns	46.1		327.0	23.7	396.8
Claims on Public Sector Entities	16.4				16.4
Claims on Banks	203.8	.2	51.2	24.8	280.0
Claims on Corporate	15.3		22.0	17.1	54.3
Securitization and SIVs			.6		.6
Venture Capital and Private Equity	13.6	11.8	23.0	3.8	52.3
Investments in Commercial Entities	5,148.5		1.5	82.1	5,232.1
Other Funds and Quoted Equities	34.9	272.2	66.4		373.4
Other Assets	50.8				50.8
Total	5,529.3	284.2	491.8	151.4	6,456.7
In Percent	85.6%	4.4%	7.6%	2.3%	100.0%

The geographical distribution (Table 8) is based on either the primary purpose of the exposure or the place of incorporation of the debt security Issuer, or incorporation of the fund manager. A Sizable portion of credit exposure is in the GCC region tallying at US$5,529 million or 85.6% of the total. Following suit are exposures to Americas at 7.6%. These exposures are due in great part to Investments in global securities and funds with varying investment themes.

Table 9: Gross Credit Exposure by Industry Sector

	31 December 2023					
In US$ millions	**Banks & Financial Institutions**	**Trading & Manufacturing**	**Energy & Utilities**	**Government Agencies**	**Others**	**Total**
Claims on Sovereigns	18.6			378.2		396.8
Claims on Public Sector Entities			16.4			16.4
Claims on Banks	280.0					280.0
Claims on Corporate	41.7		12.6			54.3
Securitization and SIV	0.6					0.6
Venture Capital and Private Equity		8.8	13.5		30.0	52.3
Investments in Commercial Entities	80.5	4,027.6	1,124.0			5,232.1
Other Funds and Quoted Equities	359.8	4.3	5.9		3.5	373.4
Other Assets					50.8	50.8
Total	781.2	4,040.7	1,172.4	378.2	84.2	6,456.7
In Percent	12.1%	62.6%	18.2%	5.9%	1.3%	100.0%

The table on industry distribution (Table 9) of the gross credit exposure reveals a concentration on Trading & Manufacturing sector and Energy & Utilities, amounting to 80.7% of total exposure which, is in line with GIC's commitment to support the industrial growth within the GCC region.

The residual maturity of gross credit exposure broken down by standard credit risk exposure is shown in Table 10. Approximately 92% of gross credit exposure falls within the longest time bucket of over five years.

Table 10: Credit Exposure by Residual Contractual Maturity

	31 December 2023				
In US$ millions	**Within3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Claims on Sovereigns	4.9	59.5	60.3	272.1	396.8
Claims on Public Sector Entities		4.2	12.1		16.4
Claims on Banks	246.0		24.3	9.7	280.0
Claims on Corporate			54.3		54.3
Securitization and SIVs				0.6	0.6
Venture Capital and Private Equity				52.3	52.3
Investments in Commercial Entities				5,232.1	5,232.1
Other Funds and Quoted Equities				373.4	373.4
Other Assets	50.8				50.8
Total	301.7	63.8	151.0	5,940.2	6,456.7
In Percent	4.7%	1.0%	%2.3	92.0%	100.0%

Recognition of Impairment of Assets

The Corporation assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. Investments are treated as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other Objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires considerable judgment. In addition, the Corporation evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for projects and unquoted equities. The Corporation reviews its problem loans and advances, and investment in debt instruments at each reporting date to assess whether a provision for impairment should be recorded in the statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions. Noteworthy, the Corporation has taken a strategic decision to wind down its lending activities. An insignificant amount of impaired assets stemming from project loan provided to a manufacturing company based in the GCC has been fully provided for.

5. Securitization Activities

The Corporation’s securitization exposure comes by way of its investments in structured products, which can be generally classified under synthetic securitization. Capital cover treatment of securitization exposures follows the ‘Ratings Based’ approach as recommended in the Basel III capital adequacy guide lines. As such, the external credit assessments provided by Moody’s is considered when determining credit risk weights for securitization exposures.

Table 11 provides the credit rating breakdown of the Corporation's investment in securitization and structured investment vehicles (SIVs): Exposures that are rated COG 5 and lower are deducted directly from regulatory capital.

Table 11: Credit Exposure on Securitization and SIVs

	31 December 2023	
In US$ millions	**Gross Exposure**	**Post-credit Conversion**
COG 1	-	-
COG2	0.28	0.14
COG3	-	-
COG4	-	-
COG5	-	
COG 6		(deduction from capital)
Unrated	0.35	
Total	0.63	0.14

6. Market Risk

This section focuses regulatory capital adequacy computations based on the VaR measurement for the Trading' book. More details on VaR and Market Risk monitoring are provided in the Risk Management section of the annual report. The regulatory capital adequacy ratios are computed under Basel III. GIC follows the Internal Models Approach (IMA) to quantify the capital charge associated with market risk within the trading portfolio.

The Corporation uses the 'Risk Manager' system, developed by MSCI Risk Metrics, and utilizes a parametric computational method based on the variance- covariance concept. In line with the capital accord, the parameters used in determining the VaR are a 10 day holding period and 99% confidence level. The computation utilizes an equally weighted historical data set going back one year. The computation ignores the correlation benefit amongst the three risk types (Interest rate. equity and foreign exchange), with Total Market Risk VaR being equal to the arithmetic sum of the three components. The capital charge relating to market risk is determined for all portfolios categorized as trading (the trading book), which includes the following (Ref Notes 4 of 2023 consolidated financial statements):

(US$ million)	**2023**	**2022**
Quoted debt instruments	-	-
Hedge and Other unquoted alternative funds	371	308
	371	308

Policies relating to recognition, classification, fair value measurement and gain/loss computation are detailed in Note 2.4 of consolidated financial statements. GIC believes that it is prudent to provide an explicit capital cushion for price risks to which it is exposed. Such risk of loss arising from the adverse changes in market variables is predominantly within the trading book. Within the Corporation, capital charge for market risk comprises three main categories: interest rate risk and equity risk (within the trading book) and foreign exchange risk for the entire Corporation.

The Value-at-Risk concept is a sound basis for the quantification of market risk , and the variance-co-variance methodology adequately suits the Corporation' s asset types. Most of the exposures within the trading book entail very little optionality and are mostly linear in nature. The VaR based system provides a dynamic measure of market risk capturing, in a timely manner, the impact of changes in environment on the value of the portfolio of financial instruments. The VaR model is a statistical tool, based on simplifying assumptions, and as such has certain limitations (examples: occurrence of 'fat tails'. non-normal distributions and event risks; the past not being a good approximation of future, etc.). To a large extent, these limitations are addressed by the back testing exercise and related multiplication factor used. For all the portfolios within the trading book, the same variance - co-variance methodology is used to compute VaR, which is computed on a daily basis as per the parameters described above.

Scenario analysis and stress testing is an essential component of the market risk management framework. The assumption of normality on which the statistical models are based may become invalid due to the occurrence of certain events.

Future scenarios, which result in a breakdown of the historical behavior and relationships between risk constituents, are projected, and potential loss amounts are determined. Most of these scenarios are derived from macroeconomic events of the past, modified with the expectations for the future.

Back-testing

The objective of 'Back-testing' is to measure/validate the accuracy of the internal VaR model. Back-testing essentially deals with the process of comparing actual trading results with the model generated risk measures (estimates). Back testing is conducted in line with the 'Supervisory Framework Document' issued by the Basel Committee. The parameters for back-testing are a one-day holding period and 99% confidence level. To the extent that the back-testing program is viewed purely as a statistical test of the integrity of the calculation of Value- at Risk (VaR) measure, the Corporation felt it appropriate to utilize the 'hypothetical portfolio' approach. In this approach, a static hypothetical model portfolio, with similar characteristics of the actual portfolio, is created and daily change in market value is computed based on actual price observations. VaR is also computed for this static portfolio using the model and comparisons are made between actual results and model estimates. The advantage of this method is that the value change outcomes are not 'contaminated' by changes in the portfolio (which could happen if the actual portfolio were used).

The multiplication factor of 3 is used for capital calculation, in line with the Basel guidelines. Capital charge for market risk is determined based on the following formula:

Capital Charge (market risk) = (Max {Vavg,Vend}) + Max (SVavg,SVend))X Mf

Where, Vavg equals: Average Total VaR for the trading book over the previous 60 business days

Vend equals: End of period Total VaR for the trading book

SVavg equals: Average Stressed VaR for the trading book over the previous 60 business days

SVend equals: End of period Stressed VaR for the trading book

Mf equals: Multiplication factor (a factor of three issued based on the results of back-testing)

Table 12: Trading Book VaR (US$ 000's) - 10 day holding period, 99% confidence level. For the last 60 business days in 2023

In US$ millions	Interest Rate	Equity	FX	Total
Max	12.9	19.1	0.1	23.5
Min	7.9	14.3	0.0	17.5
Average	9.7	16.1	0.0	19.9
31-Dec-2023	11.7	19.0	0.0	23.4
Stress VaR	10.2	23.3	0.0	27.0

7. Operational Risk

The Corporation currently adopts the' Standardized' approach in the estimation of regulatory capital to support potential operational risk exposure.

In keeping with the accord's guidelines, gross income for each business line is determined using the transfer pricing methodology being employed by the Corporation. The identified business lines as well as its major business segments are presented in Table 13.

Table 13: Business Lines for Operational Risk

Business lines	Major business segments	Activity Groups
Principal Investments	Investment and Equity Participation	Venture Capital, Greenfield Investments, Mergers and Acquisitions, Privatizations, Equity Participation, IPOs, Secondary Private Placements
Debt Capital Markets	Investments of debt securities	International Corporate Securities, Sovereign Debts, GCC Issues/Bonds, Convertible Bonds, Islamic Bonds, ABSs, FRNs, SIVs, Structured Finance, Credit Funds, Emerging Market Debts, High Yield Debt, Trading Bonds & Derivatives
Equity Investments	Portfolio of Investments in equity funds and proprietary funds	Gulf Equities, Equity Portfolios
Alternative Investments	Portfolio of Investments in an array of different asset classes and managed funds	Hedge Funds, Real Estate, Managed Funds, MBSs, Private Equity, Global Equity
Treasury	Sales	Fixed Income, Equity, Foreign Exchanges, Commodities, Credit, Funding, Own Position Securities, Lending and Repos, Derivatives
	Market Making	
	Proprietary Positions	
	Advisory Services	
Head- quarters	Income classified for Head-quarters as per internal FTP (Fund Transfer Pricing) method, and other income that cannot be classified in any other business line	Income from Free Capital, Rental Income, Other Income, etc. _

Capital risk charge for each business line is computed and reported on a quarterly basis. The capital requirement for each business line and the corresponding capital charge are in Table 14.

Table 14: Operational Risk Capital Charge

	31 December 2023		
In US$ millions	**3 year Average Gross Income**	**Beta Factor**	**Capital Charge**
Principal Investment	171.2	18%	30.8
Debt Capital Market	-7.4	18%	-1.3
Equities Investments	2.4	18%	0.4
Alternative Investments	10.0	18%	1.8
Treasury	6.7	18%	1.2
Head-quarters	3.7	18%	0.7
Total	186.6		33.6
Risk-weighted exposure			419.8

The highest beta factor of 18% is applied on all business lines as suggested in the capital accord.

The Corporation realizes that the accord offers a continuum of approaches from the simplest basic indicator approach to the more advanced measurement approaches. In its endeavor to adopt a more risk- sensitive approach to operational risk capital management, the Corporation plans to implement a more disciplined 'bottom-up' method whereby the approach is anchored on Objective loss data. To implement such an approach, a four -stage progression will be followed:

(1) Risk and Control Self-Assessment Framework;

(2) Loss Event Framework;

(3) Corrective Action Plans Framework; and

(4) Operational Risk Reporting Framework.

8. Equity Risk in the Banking Book

Equity investments in the banking book are classified at the time of acquisition into those acquired for realizing capital gain and to those purchased for strategic investments. The decision where to classify investments has arrived at after considering significant factors that include business and strategic advantages to the Corporation, and the amount of planned investments. All investment decisions require the approval of the Investment Committees, or the Executive Committee, depending on the amount of exposure. Investments acquired with a view to generating income and profits from capital appreciation are reviewed periodically and disposed of at opportune Instances. Meanwhile, the strategic investment portfolios are reviewed based on the industry, market and economic developments, and the Corporation decides whether to liquidate or further consolidate its holdings in these investments. Accounting treatment of equity investments can be found under 'Significant accounting judgments and estimates' in the notes to the consolidated financial statements.

Publicly traded Investments represent quoted equities traded in the local and international stock exchanges. Privately held investments represent investments in unquoted entities and projects. The total value of equity Investments in the banking book at the end of December 2023 is US$ 43 million, net of provision (refer to Table 15 below). The total un-realized loss recorded in equity is US$ 9 million.

Table 15: Equity Holdings in Banking Book

	31 December 2023		
In US$ millions	**Publicly Traded**	**Privately Held**	**Total**
Fair Value of Equity Investments	0	43	43
Unrealized (loss)/gain recorded in equity	0	(9)	(9)
Unrealized (loss)/gain in Tier 2 Capital	0	(9)	(9)

9. Interest Rate Risk in the Banking Book

Treasury manages short term interest rate gapping by means of monitoring over all interest rate exposure in the next 24 months as measured in Eurodollar futures contract equivalents. Treasury is not allowed to mismatch positions over two years unless appropriate management approval has been obtained. Any funding, placements or borrowing that has a maturity or re-pricing profile of more than two years are either matched or hedged. The rate calculated from short dated (up to two years) Eurodollar futures contract is effectively the forward interest rate of the underlying, i.e. Eurodollar deposits. Total USD placements and borrowings transacted by Treasury are profiled in time buckets from one week and then monthly thereafter until 24 months. The same procedure is applied to other currencies; the gaps on these currency positions are translated to USD equivalents in order to ascertain the equivalent number of Eurodollar futures contracts for the individual major currencies.

A maximum limit of 3,000 Eurodollar contracts is currently set, with the maximum VaR at US$ 2.7 million. The calculation of VaR equivalent is derived from the 30 day average price volatility of 3 month Eurodollar futures. The current yield is adjusted by the average volatility before it is applied on the position value. The resulting number is then scaled up to a 95% level of confidence.

The Eurodollar futures contract position value as at December 31, 2023 was 120 contracts, with an estimated VaR of US$ 142,776. The number of contracts has decreased compared to the year before. In addition, the estimated VaR is lower than the levels of the previous year (31st December 2022: 1,023 contracts, estimated VaR US$ 1,184,288). This is excluding the impact of the fixed rate EMTN Issuance..

10. Funding Liquidity Assessment

The Basel committee as a foundation of its liquidity framework in 2008 published Principles for Sound Liquidity Risk Management and Supervision (“Sound Principles”). The Sound Principles provide detailed guidance on the risk management and supervision of funding liquidity risk and should help promote better risk management in this critical area, but only if there is full Implementation by banks and supervisors. A key reform in developing a more resilient banking sector was the Introduction of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Liquidity Coverage Ratio (LCR)

The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario.

Against a prescribed minimum of 100%, GIC’s LCR as of 31 December 2023 was 128%.

Table 16: Liquidity Coverage Ratio

In US$ millions	31 December 2023
Value of stock of High quality liquid assets (HQLA)	617.2
Total Net Cash outflow over the next 30 calendar days	484.1
Liquidity Coverage Ratio (LCR)	128%

Net Stable Funding Ratio (NSFR)

The objective of the NSFR is to limit quick balance sheet expansion by relying on relatively cheap and abundant short-term wholesale funding and maintenance of stable funding structure.

Table 17: Net stable Funding Ratio

In US$ millions	31 December 2023
Total Available Stable Funding (ASF)	2,947.0
Total Required Stable Funding (RSF)	1,862.9
Net Stable Funding Ratio (NSFR)	158.2%

CONSOLIDATED
FINANCIAL STATEMENTS
31 December 2023

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The Shareholders
Gulf Investment Corporation G.S.C.
State of Kuwait

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Gulf Investment Corporation G.S.C. (the "corporation") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing "ISAs". Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the Group's 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2023 Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We further report that we have obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements include the information required by the Corporations' Agreement of Incorporations and Articles of Association. In our opinion, proper books of account have been kept by the Corporation, and an inventory count was duly carried out in accordance with recognized procedures, and the accounting information given in the Board of Directors report agrees with the books of accounts of the Corporation. We have not become aware of any violations of the provisions of the Corporations' Agreement of Incorporation and Articles of Association during the year ended 31 December 2023 that might have had a material impact on the business of the Corporation or on its financial position.

SHEIKHA AL-FULAIJ
LICENCE NO. 289 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

Kuwait: 18 April 2024

Consolidated Statement of Financial Position

as at 31 December 2023

(All amounts in US$ millions)

	Notes	**31 December 2023**	31 December 2022
ASSETS			
Cash and cash equivalents		**48**	49
Placements with banks	3	**194**	242
Financial assets at fair value through statement of income	4	**1,346**	1,069
Financial assets at fair value through other comprehensive income	5	**228**	191
Investments in associates	6	**1,800**	1,685
Other assets	7	**26**	95
Assets held for sale	16	**48**	-
TOTAL ASSETS		**3,690**	3,331
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions	8	**792**	431
Term finance	9	**34**	126
Other liabilities	10	**47**	86
Liabilities directly associated with the assets held for sale	16	**15**	-
TOTAL LIABILITIES		**888**	643
EQUITY			
Share capital	11	**2,100**	2,100
Revaluation reserves		**(106)**	(122)
Other reserves	11	**598**	578
Retained earnings		**210**	132
TOTAL EQUITY		**2,802**	2,688
TOTAL LIABILITIES AND EQUITY		**3,690**	3,331

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Mazen Ibrahim Abdulkarim
Chairman

Ibrahim Ali AlQadhi
Chief Executive Officer

Consolidated Statement of Income

for the year ended 31 December 2023

(All amounts in US$ millions)

	Notes	**2023**	2022
Interest income	12	**27**	17
Net gain / (loss) from investments	13	**94**	(112)
Dividend income	14	**5**	7
Share of results of associates	6	**184**	254
Fees and other (loss) / income		**(1)**	6
TOTAL INCOME		**309**	172
Interest expense	15	**(34)**	(12)
Other operating income from assets held for sale	16	**2**	9
NET OPERATING INCOME		**277**	169
Staff costs		**(39)**	(35)
Premises costs		**(1)**	(1)
Other operating expenses		**(13)**	(11)
(Provision for) / reversal of impairment losses and expected credit losses	17	**(21)**	9
PROFIT FOR THE YEAR		**203**	131

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of other Comprehensive Income

for the year ended 31 December 2023

(All amounts in US$ millions)

	2023	2022
Profit for the year	**203**	131
Other comprehensive income:		
Items that are or may be subsequently reclassified to consolidated statement of income		
Share of other comprehensive income of associates	**35**	112
Items that will not be subsequently reclassified to consolidated statement of income		
Fair value changes on financial assets at fair value through other comprehensive income	**(19)**	(58)
Other comprehensive income for the year	**16**	54
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**219**	185

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

(All amounts in US$ millions)

		Revaluation reserves			Other reserves			
	Share capital	**Investment revaluation reserve**	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Compulsory reserve**	**Voluntary reserve**	**Retained earnings**	**Total equity**
Balance as at 1 January 2023	**2,100**	**(82)**	**39**	**(79)**	**462**	**116**	**132**	**2,688**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**203**	**203**
Other comprehensive (loss) / income for the year	**-**	**(16)**	**14**	**18**	**-**	**-**	**-**	**16**
Total comprehensive (loss) / income for the year	**-**	**(16)**	**14**	**18**	**-**	**-**	**203**	**219**
Transfer to reserves (Note 11)	**-**	**-**	**-**	**-**	**20**	**-**	**(20)**	**-**
Dividend paid (Note 11)	**-**	**-**	**-**	**-**	**-**	**-**	**(105)**	**(105)**
Balance as at 31 December 2023	**2,100**	**(98)**	**53**	**(61)**	**482**	**116**	**210**	**2,802**
At 1 January 2022	2,100	(24)	(71)	(81)	449	125	110	2,608
Profit for the year	-	-	-	-	-	-	131	131
Other comprehensive (loss) / income for the year	-	(58)	110	2	-	-	-	54
Total comprehensive (loss) / income for the year	-	(58)	110	2	-	-	131	185
Transfer to reserves (Note 11)	-	-	-	-	13	-	(13)	-
Dividend paid (Note 11)	-	-	-	-	-	(9)	(96)	(105)
Balance as at 31 December 2022	2,100	(82)	39	(79)	462	116	132	2,688

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

(All amounts in US$ millions)

	Notes	**2023**	2022
OPERATING ACTIVITIES			
Profit for the year		**203**	131
Adjustments for:			
Provision for / (Reversal of) impairment losses and expected credit losses	17	**21**	(9)
Realised gain on sale of an associate	13	**(3)**	-
Unrealised (gain) / loss from financial assets at fair value through statement of income	13	**(56)**	72
Share of results of associates	6	**(184)**	(254)
		(19)	(60)
Changes in operating assets and liabilities:			
Placements with banks		**48**	48
Financial assets at fair value through statement of income		**(221)**	(34)
Financial assets at fair value through other comprehensive income		**(56)**	-
Deposits from banks and other financial institutions		**361**	117
Movement in other assets and other liabilities		**2**	(16)
Net cash flows from operating activities		**115**	55
INVESTING ACTIVITIES			
Proceeds from sale of an associate		**7**	-
Dividends from associates		**269**	87
Additional investments in associates		**(193)**	(1)
Net cash flows from investing activities		**83**	86
FINANCING ACTIVITIES			
Term finance repaid		**(94)**	(39)
Dividend paid	11	**(105)**	(105)
Net cash flows used in financing activities		**(199)**	(144)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1)**	(3)
Cash and cash equivalents at 1 January		**49**	52
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**48**	49

The accompanying notes 1 to 26 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2023

(All amounts in US$ millions)

1 CORPORATE INFORMATION AND ACTIVITIES

Gulf Investment Corporation G.S.C. ("the Corporation") is an investment company incorporated in the State of Kuwait on 15 November 1983 as a Gulf shareholding company. It is equally owned by the governments of the six member states of the Gulf Co-operation Council ("GCC") – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The Corporation is engaged in various investing and financing activities.

The Corporation is domiciled in the State of Kuwait and its registered office is at Jaber Al Mubarak Street, Al Sharq, State of Kuwait.

The consolidated financial statements of the Corporation and its subsidiaries (collectively "the Group") for the year ended 31 December 2023 were approved by the Board of Directors of the Corporation on 21 March 2024. The Annual General Assembly of shareholders has the power to amend these consolidated financial statements after issuance.

The Corporation's Agreement of Incorporation and Articles of Association gives it a special, supranational status. In particular, Article 8 of GIC's Agreement of Incorporation provides that local laws in each GCC state complement the provisions of GIC's Agreement of Incorporation and Articles of Association provided that such laws do not conflict with GIC's Agreement of Incorporation or Articles of Association. To the extent there is such a conflict, GIC's Agreement of Incorporation and Articles of Association prevail over local laws, including the Kuwait Companies Law No. 1 of 2016, as amended and its Executive Regulations.

2.1 BASIS OF PREPARATION

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Committee of the IASB. In addition, the consolidated financial statements have been prepared in accordance with the Corporation's Agreement of Incorporation and Articles of Association.

The consolidated financial statements are presented in United States Dollars, rounded to the nearest million, which is the functional and presentation currency of the Group.

The consolidated financial statements are prepared on a historical cost convention, except for the measurement at fair value of financial assets at fair value through statement of income, financial assets at fair value through other comprehensive income and derivative financial instruments.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries including special purpose entities. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated financial statements from the date the Group gains control till the date the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2023

(All amounts in US$ millions)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in consolidated statement of income; and
- Reclassifies its share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except as mentioned below:

New and amended standards and interpretations

The nature and the impact of each new standard and amendment is described below:

Several other amendments and interpretations apply for the first time in 2023, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IAS 8: *Definition of Accounting Estimates*

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued. The Group intends to adopt those standards and interpretations, if applicable when they become effective.

Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

Amendments to IAS 1: *Classification of liabilities as current or non-current*

In January 2020 and October 2022, the IASB issued amendments to paragraph 69 to 76 of IAS 1 to specify the requirements for classifying as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments to the classification of liabilities is not expected to have a significant impact on the Group's consolidated financial statements.

2.4 MATERIAL ACCOUNTING POLICIES INFORMATION

Business combination and goodwill

Business combinations are accounted for using the acquisition accounting method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income.

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2023

(All amounts in US$ millions)

2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generation unit retained.

Financial instruments

Financial assets

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost; or
- Financial assets carried at fair value through other comprehensive income ("FVOCI") (with and without recycling of gains or losses to profit or loss on de-recognition of debt and equity securities, respectively); or
- Financial assets carried at fair value through statement of income ("FVTPL").

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the consolidated statement of income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Business model assessment (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Cash and cash equivalents, placements with banks and other assets are classified as financial assets carried at amortised cost.

Cash and cash equivalents comprise of cash and balances with banks and financial institutions, balances with central banks and placements with banks and other financial institutions maturing within seven days.

Financial assets carried at FVOCI

a) *Equity instruments*

Upon initial recognition, the Group makes an irrevocable election to classify its equity investments as equity investments at FVOCI if they meet the definition of equity under IAS 32, Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in consolidated statement of other comprehensive income ("OCI") and presented in the investment revaluation reserve as part of equity. Cumulative gains and losses previously recognised in OCI are transferred to retained earnings on de-recognition and are not recycled in the consolidated statement of income.

b) *Debt instruments*

The Group designates debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value are recognised in OCI. Interest income and foreign exchange gains and losses and impairment losses are recognised in consolidated statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified to consolidated statement of income.

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as at and for the year ended 31 December 2023

(All amounts in US$ millions)

2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets carried at FVOCI (continued)

The Group does not have debt instrument at FVOCI category as at the reporting date.

Financial assets carried at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, interest income and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Impairment of financial assets

The Group applies three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: *12 months ECL*

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: *Lifetime ECL – not credit impaired*

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: *Lifetime ECL – credit impaired*

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Lifetime ECL is recorded on financial assets that are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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(All amounts in US$ millions)

2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of the instruments by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group evaluates the probability of default considering the period of past due receivables. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Presentation of allowance for ECL in the consolidated statement of financial position

ECL for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in consolidated statement of income. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in consolidated statement of income. Any gain or loss on derecognition is also recognised in consolidated statement of income.

The measurement of financial liabilities depends on their classification as follows:

Deposits from banks and financial institutions

Deposits from banks and financial institutions are stated at amortised cost using the effective interest rate method.

Term finance

Term finance is initially recognised at fair value of consideration received less directly attributable transaction costs. After initial recognition, term finance are subsequently measured at amortised cost using the effective interest rate method.

Other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial instruments (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in consolidated statement of income.

Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The Group measures financial instruments, such as, financial assets at fair value through profit or loss, and non-financial assets such as investment properties, at fair value at each financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Consolidated Financial Statements

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(All amounts in US$ millions)

2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Fair value of financial instruments (continued)

The management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets available-for-sale, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, current fair value of another instrument that is substantially the same, an earnings multiple, an industry specific price to book multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

The fair value of profit bearing financial instruments is estimated based on discounted cash flows using profit rates for items with similar terms and risks characteristics.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 22.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Investments in associates

An associate is an entity over which the Group exerts significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee company but is not control or joint control over those policies, which is usually evidenced by a holding of 20% to 50% of the voting power of the investee company. The Group's investment in associates is accounted for using the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for sale under IFRS 5.

Notes to the Consolidated Financial Statements

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2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Investments in associates (continued)

Under the equity method, investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The Group recognises in the consolidated statement of income its share of the results of the associate from the date that influence effectively commenced until the date that it effectively ceases. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of other comprehensive income.

Distributions received from an associate reduce the carrying amount of the investment.

Unrealised gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The reporting dates of the associates and the Group are identical and in case of different reporting date of an associate, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Gain or loss on this transaction is computed by comparing the carrying amount of the associate at the time of loss of significant influence with the fair value of retained investment as on that date. This resulting gain or loss is recorded in the consolidated statement of income

Associates of the Group are listed in Note 25.

Other provisions

Other provisions are recognised in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, from which it is both probable and measurable that an outflow of economic benefits will be required to settle the obligation.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

The carrying amounts are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Depreciation is calculated on a straight-line basis over 3-20 years which the estimated useful lives of the assets.

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2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Property, plant and equipment (continued)

An item of Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in to the consolidated statement of income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in consolidated statement of income.

Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument is recognised immediately in the consolidated statement of income. The hedged items are also adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the consolidated statement of income.

For hedges that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of the hedging instrument are taken directly to the consolidated statement of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to consolidated statement of income in the same period or periods as the hedged expected future cash flows affect consolidated statement of income.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to consolidated statement of income.

Recognition of income and expenses

The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

Interest income and expense are recognised in the consolidated statement of income for all interest bearing financial assets and liabilities using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability or a shorter period, where appropriate to the net carrying amount of the financial asset or liability.

Fees and commission income

Fees earned for providing of services over a period of time are accrued over that period. Fee income for providing transaction services are recognised on completion of the underlying transaction. Performance fees are recognised when earned, being the time the risk of realisation of such fees no longer exists.

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2.4 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Recognition of income and expenses (continued)

Net gains from investments

Investment income represents results arising from investment trading activities, including all gains and losses from changes in fair value for financial assets measured at FVTPL.

Dividend income

Dividend income is recognised when the right to receive the payment is established.

Employees end of service benefits

Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability represents the amount payable to each employee as a result of involuntary termination on the reporting date. The obligations are paid into a plan which is administrated by an independent trustee.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Foreign currency

The consolidated financial statements are presented in US Dollars, which is also the Corporation's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated to US Dollars at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at market rates of exchange prevailing on the reporting date. Realised and unrealised foreign exchange gains and losses are included in the consolidated statement of income.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items at fair value through statement of income are recognised in the consolidated statement of income within the net change in fair value. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate of exchange at the reporting date.

As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying amount of foreign associates, are translated into the Group's presentation currency at the rate of exchange ruling at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation adjustments within equity. On disposal of a foreign entity, the cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect in the amounts recognised in the consolidated financial statements.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest.

Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model reference to recent market transactions, market comparable approach etc. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates, as well as, the use of different, but equally reasonable estimates may have an impact on their carrying amounts.

Considerable judgement by management is required in the estimation of the fair value of the assets acquired and liabilities assumed as a result of business combination including intangibles and contingent liabilities.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of investment in associates

The Group calculates the amount of impairment as the difference between the recoverable amount and its carrying value if there is any objective evidence that the investment in associates are impaired. The estimation of recoverable amount requires the Group to make an estimate of the expected future cash flows and selection of appropriate inputs for valuation.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one or a combination of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- discounted cash flows; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

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3 PLACEMENTS WITH BANKS

	2023	2022
Local banks	**51**	1
Other GCC and International banks	**143**	241
	194	242

Placements with banks carry an effective average interest rate of 5.58% per annum (2022: 1.82% per annum).

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2023	2022
Debt instruments		
International bonds	**358**	200
GCC and Islamic bonds	**148**	154
Structured debt instruments	**1**	1
	507	355
Equities and managed funds		
Quoted equity investments	**373**	300
Hedge and other unquoted alternative funds	**371**	308
	744	608
Equity participations		
Unquoted equity investments	**42**	50
Private equity funds		
Managed funds portfolio	**51**	52
Real estate funds portfolio	**2**	4
	53	56
	1,346	1,069

The debt instruments carry effective interest rate ranging from 1.37% to 8.37% per annum (2022: 1.37% to 8.50% per annum).

The classification of financial assets at fair value through statement of income by levels of the fair value hierarchy has been disclosed in Note 22.

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
Equity participation		
Unquoted equity investment	**228**	191

The classification of financial assets at fair value through other comprehensive income by levels of the fair value hierarchy has been disclosed in Note 22.

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6 INVESTMENTS IN ASSOCIATES

The Group's investments in associates that are listed on a stock exchange have a carrying value of US$ 100 million (2022: US$ 118 million) and a market value of US$ 99 million (2022: US$ 108 million).

The following table illustrates the summarised financial information of the Group's investments in associates:

	2023	2022
Share of assets	**4,655**	4,767
Share of liabilities	**(2,789)**	(3,001)
Share of net assets	**1,866**	1,766
Goodwill	**99**	68
Accumulated impairment losses	**(165)**	(149)
Carrying amount	**1,800**	1,685
Share of revenue	**2,394**	2,551
Share of results for the year	**184**	254

Associates of the Group are set out in Note 25.

Summarised financial information of material associates of the Group is as follows:

2023	**Foulath Holding B.S.C. (C)**	**Tristar Holding Ltd.**	**Wataniya Telecom Algerie S.P.A.**	**Aviation Lease and Finance Company K.S.C.P.**	**Al Dur Holding Company Limited**
Assets	**2,590**	**1,644**	**1,127**	**2,658**	**1,725**
Liabilities	**(893)**	**(893)**	**(647)**	**(1,851)**	**(995)**
Non-controlling interests	**(330)**	**(219)**	**-**	**-**	**-**
Net assets	**1,367**	**532**	**480**	**807**	**730**
Revenue	**2,822**	**1,126**	**676**	**122**	**352**
Results for the year	**307**	**66**	**61**	**(19)**	**49**
Other comprehensive (loss) / income for the year	**-**	**(5)**	**89**	**1**	**(1)**

2022	Foulath Holding B.S.C. (C)	Tristar Holding Ltd.	Wataniya Telecom Algerie S.P.A.	Aviation Lease and Finance Company K.S.C.P.	Al Dur Holding Company Limited
Assets	2,798	1,583	1,010	1,220	1,823
Liabilities	(997)	(917)	(535)	(967)	(1,094)
Non-controlling interests	(280)	(184)	-	-	-
Net assets	1,521	482	475	253	729
Revenue	3,102	854	610	261	361
Results for the year	468	66	23	(94)	27
Other comprehensive (loss) / income for the year	(7)	(1)	3	10	129

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6 INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information of individually immaterial associates of the Group before any elimination is as follows:

	2023	2022
Assets	**6,784**	6,214
Liabilities	**(4,565)**	(4,516)
Net assets	**2,219**	1,698
Revenue	**1,872**	2,178
Results for the year	**35**	21
Other comprehensive income for the year	**98**	230

The management has carried out an assessment of impairment indicators on the Group's investments in associates considering the significant adverse changes in economy, market factors, legal environment, industry or the political factors affecting the investees business including the consideration for the changes in investees' financial condition.

The management has estimated the recoverable amount of the Group's investments in associates through determining the value-in-use and as a result, an impairment of US$21 million (2022: a reversal of impairment of US$7 million) has been recorded in the consolidated statement of income (Note 17).

7 OTHER ASSETS

	2023	2022
Others, including trade receivable of subsidiaries	**13**	35
Less: expected credit losses	**(8)**	(8)
	5	27
Accrued interest, fees, commissions and dividends	**15**	5
Positive fair value of derivative financial instruments	**2**	8
Prepayments	**1**	2
Property, plant and equipment	**1**	18
Margin money paid on derivative financial instruments	**2**	35
	26	95

8 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023	2022
Deposits from GCC central banks	**180**	150
Deposits from other GCC financial institutions	**537**	241
Deposits from other international financial institutions	**75**	40
	792	431

Deposits from central banks and other financial institutions carry an effective average interest rate of 5.18% per annum (2022: 1.77% per annum).

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9 TERM FINANCE

Medium Term Note Issues (EMTN)	**Interest rate %**	**2023**	2022
MYR medium term fixed rate note due in 2023	4.52% per annum (semi-annual)	**-**	91
MYR medium term fixed rate note due in 2027	5.30% per annum (semi-annual)	**34**	35
		34	126

10 OTHER LIABILITIES

	2023	2022
Accrued interest	**6**	6
Negative fair value of derivative financial instruments	**16**	48
Others, including trade payable of subsidiaries and accrued expenses	**25**	32
	47	86

11 EQUITY

11.1 The authorised, issued and fully paid capital comprises of 2.1 million shares of US$ 1,000 each (2022: 2.1 million shares of US$ 1,000 each).

11.2 In accordance with the Corporation's Articles of Association, 10% of the profit for the year is required to be transferred to a non-distributable compulsory reserve until the reserve reaches a minimum of 50% of the share capital

During the year, the Corporation has transferred 10% of the profit for the year to the compulsory reserve.

11.3 In accordance with the Corporation's Articles of Association, 10% of the profit for the year is required to be transferred to the voluntary reserve. The transfer to this reserve may be discontinued by a resolution adopted in the general assembly meeting of the shareholders. This reserve is available for distribution to shareholders in accordance with the Corporation's Articles of Association.

As set out in Note 26, the Board of Directors have recommended not to transfer the 10% of the profit for the years 2023 and 2022 to the voluntary reserve.

11.4 The Board of Directors meeting which was held on 19 March 2023 proposed distributing cash dividend of US$ 50 per share amounting to US$ 105 million for the year ended 31 December 2022. The shareholders in the Annual General Assembly meeting held on 16 April 2023 approved the cash dividend.

11.5 The Board of Directors meeting which was held on 17 March 2022 proposed distributing cash dividend of US$ 50 per share amounting to US$ 105 million for the year ended 31 December 2021. The shareholders in the Annual General Assembly meeting held on 17 April 2022 approved the cash dividend and approved to utilise US$ 9 million from voluntary reserve and US$ 96 million from retained earnings for the distribution of dividends which was paid subsequently.

12 Interest income

	2023	2022
Placements with banks	**13**	6
Financial assets at fair value through statement of income	**14**	11
	27	17

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13 NET GAIN / (LOSS) FROM INVESTMENTS

	2023	2022
Realised gain on sale of an associate	**3**	-
Realised gain / (loss) from financial assets at fair value through statement of income	**35**	(40)
Unrealised gain / (loss) from financial assets at fair value through statement of income	**56**	(72)
	94	(112)

14 DIVIDEND INCOME

	2023	2022
Equities and managed funds	**2**	1
Equity participations	**3**	6
	5	7

15 INTEREST EXPENSE

	2023	2022
Deposits from banks and other financial institutions	**(29)**	(6)
Term finance	**(5)**	(6)
	(34)	(12)

16 DISPOSAL GROUP HELD FOR SALE

On 19 March 2023, the Group announced the decision of its Board of Directors to sell Bituminous Products Company Limited “Bitumat”, a wholly owned subsidiary. The sale of Bitumat is expected to be completed within a year from the reporting date. At 31 March 2023, Bitumat was classified as held for sale. The results of Bitumat for the year are presented below:

	2023	2022
Sales	**19**	58
Cost of sales	**(14)**	(49)
Gross profit	**5**	9
Other (loss) / income	**(1)**	5
Selling and distribution expenses	**(1)**	(2)
Administrative expenses	**(1)**	(3)
	2	9

The major classes of assets and liabilities of Bitumat classified as held for sale as at 31 December 2023 are as follows:

16 DISPOSAL GROUP HELD FOR SALE (continued)

	2023
Assets held for sale	
Investment in an associate	**5**
Other assets	**40**
Cash and cash equivalents	**3**
Total assets held for sale	**48**
Liabilities directly associated with the assets held for sale	
Accruals and other liabilities	**(15)**
Net assets directly associated with disposal group	**33**

Subsequent to the reporting period, the Group has sold its ownership of 100% in Bituminous Products Company Limited (Bitumat) "the subsidiary".

17 (PROVISION FOR) / REVERSAL OF IMPAIRMENT LOSSES AND EXPECTED CREDIT LOSSES

	2023	2022
(Provision for) / reversal of impairment of investment in associates (Note 6)	**(21)**	7
Reversal of expected credit losses for other assets	**-**	2
	(21)	9

18 RETIREMENT AND OTHER TERMINAL BENEFITS

The Corporation has defined voluntary contribution and end of service indemnity plans which cover all its employees. Contribution to the voluntary plan is based on a percentage of pensionable salary and consists of contribution by employees and a matched contribution, up to a certain limit, by the Corporation. Contribution to the end of service indemnity plan is based on a percentage of pensionable salary and number of years of service by the employees. The amounts to be paid at the end of service benefits are determined by reference to the amounts of the contributions and investment earnings thereon.

The Corporation also pays contributions to government defined contribution pension plan for certain employees in accordance with the legal requirements in the State of Kuwait, as well as, contribution in line with the labour law in the countries where its subsidiaries operate.

The total cost of retirement and other end of service benefits included in staff costs for the year ended 31 December 2023 amounted to US$ 7 million (2022: US$ 7 million).

19 COMMITMENTS AND CONTINGENT LIABILITIES

In the usual course of meeting the requirements of its operations of Group, the Group has commitments to extend credit and provide financial guarantees and letters of credit to guarantee the performance of group companies to third parties. The credit risk on these transactions is generally less than the contractual amount.

The table below sets out the notional principal amounts of guarantees and outstanding commitments as at the reporting date:

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19 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

	2023	2022
Credit risk amounts		
Transaction-related contingent items:		
Letter of guarantees	**208**	353

Certain letters of guarantees are issued by the Corporation on behalf of its related parties (Note 23).

Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

The Group had the following non-credit commitments as at the reporting date:

	2023	2022
Undrawn commitments for investments in private equity funds	**14**	16

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

This note presents information on the Group's exposure to risks arising from the use of financial instruments. Risk is an inherent part of the Group's business activities. It is managed through a process of ongoing identification, assessment, measurement and monitoring of the business activities, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is exposed to liquidity risk, market risk and credit risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk.

Risk management begins with the Risk Management Committee which is composed of members from the Corporation's Board of Directors and senior management, which defines and recommends the Group's risk appetite to the Board of Directors. The Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

20.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's Board of Directors has set limits for individual borrower and groups of borrowers and for geographical and industry segments. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Group obtains security where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

As at 31 December 2023 and 2022, the Group has not obtained any collateral on any of the financial assets.

ECL on financial assets recognised in consolidated statement of income were as follows.

	2023	2022
Reversal of ECL on other assets	**-**	2

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

20.1.1 Maximum exposure to credit risk

The maximum credit exposure of the Group is as follows:

	2023	2022
Cash and cash equivalents	**48**	49
Placements with banks	**194**	242
Debt securities at fair value through statement of income	**507**	355
Other assets	**24**	75
	773	721
Credit commitments	**208**	353
Total credit exposure	**981**	1,074

Credit risk with respect to derivative financial instruments is limited to those with positive fair values, which are included under other assets.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The maximum credit exposure to a single counterparty is US$ 231 million (2022: US$ 105 million).

The Group's concentration of credit risk exposure by geographic region is as follows:

	GCC	**Europe**	**America**	**Asia / Africa**	**Total**
At 31 December 2023					
Cash and cash equivalents	**7**	**-**	**41**	**-**	**48**
Placements with banks	**194**	**-**	**-**	**-**	**194**
Debt securities at fair value through statement of income	**148**	**-**	**359**	**-**	**507**
Other assets	**18**	**-**	**4**	**2**	**24**
	367	**-**	**404**	**2**	**773**
Credit commitments	**208**	**-**	**-**	**-**	**208**
Total credit exposure	**575**	**-**	**404**	**2**	**981**

	GCC	Europe	America	Asia / Africa	Total
At 31 December 2022					
Cash and cash equivalents	40	6	3	-	49
Placements with banks	212	30	-	-	242
Debt securities at fair value through statement of income	154	2	199	-	355
Other assets	33	3	2	37	75
	439	41	204	37	721
Credit commitments	353	-	-	-	353
Total credit exposure	792	41	204	37	1,074

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

20.1.1 Maximum exposure to credit risk (continued)

The Group's concentration of credit risk exposure by industry sector is as follows:

	Banks & FIs	**Trading & Mftg**	**Energy & Utilities**	**Govt. agencies**	**Other**	**Total**
At 31 December 2023						
Cash and cash equivalents	**48**	**-**	**-**	**-**	**-**	**48**
Placements with banks	**194**	**-**	**-**	**-**	**-**	**194**
Debt securities at fair value through statement of income	**67**	**-**	**22**	**279**	**139**	**507**
Other assets	**6**	**-**	**16**	**2**	**-**	**24**
Credit exposure on assets	**315**	**-**	**38**	**281**	**139**	**773**
Credit commitments	**-**	**-**	**208**	**-**	**-**	**208**
Total credit exposure	**315**	**-**	**246**	**281**	**139**	**981**

	Banks & FIs	Trading & Mftg	Energy & Utilities	Govt. agencies	Other	Total
At 31 December 2022						
Cash and cash equivalents	49	-	-	-	-	49
Placements with banks	242	-	-	-	-	242
Debt securities at fair value through statement of income	75	3	36	138	103	355
Other assets	47	21	6	1	-	75
Credit exposure on assets	413	24	42	139	103	721
Credit commitments	-	-	353	-	-	353
Total credit exposure	413	24	395	139	103	1,074

20.1.2 Credit quality of financial assets

In managing its portfolio, the Group utilises external ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as 'Investment grade' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include exposure to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. All investment grade securities are rated by well-known rating agencies. Credit exposures classified as 'Unrated' quality comprise all other exposures whose payment performance is fully compliant with contractual conditions and which are not 'impaired', but are not assigned any published ratings.

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

20.1.2 Credit quality of financial assets (continued)

The table below shows the credit quality by class of assets:

	Neither past due nor impaired		
At 31 December 2023	**Investment grade**	**Unrated**	**Total**
Cash and cash equivalents	**48**	**-**	**48**
Placements with banks	**194**	**-**	**194**
Debt securities at fair value through statement of income	**507**	**-**	**507**
Other assets	**9**	**15**	**24**
Credit exposure on assets	**758**	**15**	**773**
Credit commitments	**208**	**-**	**208**
Total credit exposure	**966**	**15**	**981**

	Neither past due nor impaired		
At 31 December 2022	Investment grade	Unrated	Total
Cash and cash equivalents	49	-	49
Placements with banks	242	-	242
Debt securities at fair value through statement of income	355	-	355
Other assets	47	28	75
Credit exposure on assets	693	28	721
Credit commitments	353	-	353
Total credit exposure	1,046	28	1,074

The table below shows the credit exposure of financial assets carried at amortised cost on year-end stage allocation.

2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	**45**	**3**	**-**	**48**
Placements with banks	**194**	**-**	**-**	**194**
Other assets	**4**	**20**	**-**	**24**
Total	**243**	**23**	**-**	**266**

2022	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	49	-	-	49
Placements with banks	242	-	-	242
Other assets	61	6	8	75
Total	352	6	8	366

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The liquidity profile of financial liabilities reflects the projected cash flows, based on contractual repayment obligations which include future interest payments over the life of these financial liabilities. The liquidity profile of undiscounted financial liabilities at 31 December 2023 and 2022 was as follows:

31 December 2023	**Within 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Deposits from banks and other financial institutions	**410**	**397**	**-**	**-**	**807**
Term finance	**-**	**2**	**38**	**-**	**40**
Gross settled derivative instruments:					
- Contractual amount payable	**650**	**16**	**49**	**-**	**715**
- Contractual amount receivable	**(651)**	**(16)**	**(34)**	**-**	**(701)**
Other liabilities	**21**	**5**	**17**	**4**	**47**
Total undiscounted financial liabilities	**430**	**404**	**70**	**4**	**908**
Commitments	**-**	**-**	**14**	**-**	**14**
Contingent liabilities	**10**	**28**	**90**	**80**	**208**

31 December 2022	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Deposits from banks and other financial institutions	325	107	-	-	432
Term finance	91	2	42	-	135
Gross settled derivative instruments:					
- Contractual amount payable	328	65	49	-	442
- Contractual amount receivable	(296)	(71)	(35)	-	(402)
Other liabilities	42	14	24	6	86
Total undiscounted financial liabilities	490	117	80	6	693
Commitments	-	-	16	-	16
Contingent liabilities	3	105	224	21	353

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Liquidity risk (continued)

The asset and liability maturity profile shown in the table below is based on management's assessment of the Group's right and ability (and not necessarily the intent) to liquidate these instruments based on their underlying liquidity characteristics.

	Within 3 months	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
At 31 December 2023					
Assets					
Cash and cash equivalents	**48**	**-**	**-**	**-**	**48**
Placements with banks	**194**	**-**	**-**	**-**	**194**
Financial assets at fair value through statement of income	**880**	**375**	**13**	**78**	**1,346**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**228**	**228**
Investment in associates	**-**	**-**	**-**	**1,800**	**1,800**
Other assets	**17**	**3**	**5**	**1**	**26**
Assets held for sale	**48**	**-**	**-**	**-**	**48**
Total assets	**1,187**	**378**	**18**	**2,107**	**3,690**
Liabilities					
Deposits from banks and other financial institutions	**408**	**384**	**-**	**-**	**792**
Term finance	**-**	**-**	**34**	**-**	**34**
Other liabilities	**21**	**5**	**17**	**4**	**47**
Liabilities directly associated with the assets held for sale	**15**	**-**	**-**	**-**	**15**
Total liabilities	**444**	**389**	**51**	**4**	**888**
Net gap	**743**	**(11)**	**(33)**	**2,103**	

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2022					
Assets					
Cash and cash equivalents	49	-	-	-	49
Placements with banks	242	-	-	-	242
Financial assets at fair value through statement of income	654	315	17	83	1,069
Financial assets at fair value through other comprehensive income	-	-	-	191	191
Investment in associates	-	-	-	1,685	1,685
Other assets	44	15	16	20	95
Total assets	989	330	33	1,979	3,331
Liabilities					
Deposits from banks and other financial institutions	324	107	-	-	431
Term finance	91	-	35	-	126
Other liabilities	42	14	24	6	86
Total liabilities	457	121	59	6	643
Net gap	532	209	(26)	1,973	

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Market risk

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices. The nature of these risks is as follows:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. The related sensitivity of changes in interest rates is not material to the consolidated statement of income.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate of the Arab Emirates Dirham and Saudi Riyal against US Dollars, with all other variables held constant, on the Group's profit and other comprehensive income.

	2023			2022		
Currencies	***Change in currency rate %***	***Effect on profit***	***Effect on other comprehensive income***	*Change in currency rate %*	*Effect on profit*	*Effect on other comprehensive income*
Arab Emirates Dirham	**+ 5%**	**5**	**-**	+ 5%	6	-
Saudi Riyal	**+ 5%**	**(8)**	**9**	+ 5%	5	6

The Group's exposure to foreign currency changes for all other currencies is not material.

Equity price risk

Equity price risk arises from the change in fair values of equity investments.

Market risk pertaining to investments by the Debt Capital Market, Equity and Alternative Investments and Treasury divisions are measured, monitored and managed both on a notional basis and using the Market Value at Risk (Market VaR) concept.

The table below shows Total Value at Risk (Total VaR) by risk factor. These VaR measures are based on a 95% confidence level, 25 day holding period and use historical market data.

2023	***Average***	***Minimum***	***Maximum***	***31 December***
Interest rate	**10**	**8**	**13**	**13**
Equity price	**26**	**18**	**31**	**23**
Foreign exchange	**-**	**-**	**1**	**-**
Total*	**29**	**21**	**36**	**27**

2022	*Average*	*Minimum*	*Maximum*	*31 December*
Interest rate	6	4	9	6
Equity price	26	14	31	28
Foreign exchange	1	-	1	1
Total*	26	16	32	29

** Total VaR incorporates benefits of diversification.*

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21 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilised by the Group as part of its asset and liability management activity to hedge its own exposure to market, interest rate and currency risk.

In the case of derivative transactions, the notional principal typically does not change hands. It is simply a quantity, which is used to calculate payments. While notional principal is a volume measure used in the derivatives and foreign exchange markets, it is neither a measure of market nor credit risk. The Group's measure of credit exposure is the cost of replacing contracts at current market rates should the counterparty default prior to the settlement date. Credit risk amounts represent the gross unrealised gains on transactions before taking account of any collateral held or any master netting agreements in place.

Cross currency swaps are used to hedge non US$ term finance issued in fixed rate coupon. As at the reporting date, the notional amount of cross currency swaps amounted to US$ 49 million (2022: US$ 172 million) and its net fair value was a swap loss of US$ 15 million (2022: US$ 46 million).

Forward foreign exchange contracts are contractual agreements to buy, sell or exchange a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted on the over the counter market and are settled on a gross basis. As at the reporting date, the notional amount of forward foreign exchange contracts amounted to US$ 715 million (2022: US$ 442 million) and its net fair value was a swap gain of US$ 1 million (2022: US$ 6 million).

The table below summarises the aggregate notional amounts and net fair value of derivative financial instruments.

	2023			2022		
	Positive fair value	**Negative fair value**	**Notional amount**	Positive fair value	Negative fair value	Notional amount
Derivatives held for hedging						
- Cross currency swaps	**-**	**(15)**	**49**	-	(46)	172
- Forward foreign exchange contracts	**2**	**(1)**	**715**	8	(2)	442
	2	**(16)**	**764**	8	(48)	614

Maturity analysis

	Within 1 year	**Year 1 to 5**	**Above 5 years**	**Total**
At 31 December 2023				
Notional amounts				
Cross currency swaps	**-**	**49**	**-**	**49**
Forward foreign exchange contracts	**666**	**49**	**-**	**715**
	666	**98**	**-**	**764**

	Within 1 year	Year 1 to 5	Above 5 years	Total
At 31 December 2022				
Notional amounts				
Cross currency swaps	123	49	-	172
Forward foreign exchange contracts	393	49	-	442
	516	98	-	614

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22 FAIR VALUE INFORMATION

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

For other financial asset and liabilities carried at cost less impairment or amortised cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or re-priced immediately based on market movement in interest rates.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted prices in active market for the same instrument;

Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data including the net asset value of private equity funds where the underlying investments are unquoted private companies / real estate assets.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2023	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through statement of income				
Debt instruments	**506**	**-**	**1**	**507**
Quoted equity investments	**373**	**-**	**-**	**373**
Hedge and other unquoted alternative funds	**-**	**371**	**-**	**371**
Equity participations	**-**	**-**	**42**	**42**
Private equity funds	**-**	**-**	**53**	**53**
Financial assets at fair value through other comprehensive income				
Equity participation	**-**	**-**	**228**	**228**
Other assets- fair value of derivative financial instruments				
Forward foreign exchange contracts	**-**	**2**	**-**	**2**
	879	**373**	**324**	**1,576**
Other liabilities - fair value of derivative financial instruments				
Cross currency swaps	**-**	**15**	**-**	**15**
Forward foreign exchange contracts	**-**	**1**	**-**	**1**
	-	**16**	**-**	**16**

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22 FAIR VALUE INFORMATION (continued)

2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through statement of income				
Debt instruments	354	-	1	355
Quoted equity investments	300	-	-	300
Hedge and other unquoted alternative funds	-	308	-	308
Equity participations	-	-	50	50
Private equity funds	-	-	56	56
Financial assets at fair value through other comprehensive income				
Equity participation	-	-	191	191
Other assets - fair value of derivative financial instruments				
Forward foreign exchange contracts	-	8	-	8
	654	316	298	1,268
Other liabilities - fair value of derivative financial instruments				
Cross currency swaps	-	46	-	46
Forward foreign exchange contracts	-	2	-	2
	-	48	-	48

The following table shows a reconciliation of the beginning and closing balances of the financial instruments classified in Level 3 of the fair value hierarchy:

	At 1 January 2023	***Loss recorded in the consolidated statement of income***	***Loss recorded in equity***	***Net purchases, sales, transfers and settlements***	***At 31 December 2023***
Assets measured at fair value					
Financial assets at fair value through statement of income					
Debt instruments	**1**	**-**	**-**	**-**	**1**
Equity participations	**50**	**(5)**	**-**	**(3)**	**42**
Private equity funds	**56**	**(1)**	**-**	**(2)**	**53**
Financial assets at fair value through other comprehensive income					
Equity participation	**191**	**-**	**(19)**	**56**	**228**
	298	**(6)**	**(19)**	**51**	**324**

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22 FAIR VALUE INFORMATION (continued)

	At 1 January 2022	*Loss recorded in the consolidated statement of income*	*Loss recorded in equity*	*Net purchases, sales, transfers and settlements*	*At 31 December 2022*
Assets measured at fair value					
Financial assets at fair value through statement of income					
Debt instruments	8	-	-	(7)	1
Equity participations	64	(4)	-	(10)	50
Private equity funds	67	(2)	-	(9)	56
Financial assets at fair value through other comprehensive income					
Equity participation	249	-	(58)	-	191
	388	(6)	(58)	(26)	298

The fair value of Group's investments in private equity funds classified under Level 3 of the fair value hierarchy is determined based on the net asset values reported by the fund managers considering the nature of underlying assets, geographic location and expected economic conditions pertaining to the underlying assets.

With respect to the equity participations carried at fair value through other comprehensive income classified under Level 3 of the fair value hierarchy, the fair values are estimated using appropriate valuation techniques such as discounted cash flows, market multiples of comparable companies, recent arm's length transactions, reference to current fair value of similar assets and other valuation techniques.

Significant unobservable inputs used by the management in determining the fair value of the equity participations represent the discount rates used in determining the present value of future cash flows. The quantitative sensitivity analysis as at 31 December is as below:

Significant unobservable inputs	***Range***	***Sensitivity of the input to fair value***
Discount rates used for determining the present value of future cash flows	6.5% to 8.1% (2022: 5.5% to 14%)	A 5% (2022: 5%) increase in the discount rate would decrease the fair value by US$ 3 million (2022: US$ 3 million)

Measurement of other financial instruments under Level 3

Debt instruments: The fair values are based on broker quotes, prices quoted on Bloomberg and Reuters.

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2023

(All amounts in US$ millions)

23 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, Directors and key management personnel of the Corporation, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Corporation's management.

Outstanding balances with associates during the year are as follows:

	2023	2022
Letter of guarantees (Note 19)	**208**	353
Receivables from associates	**16**	4

Compensation of key management personnel

The remuneration of key management personnel during the year is as follows:

	2023	2022
Salaries and short-term employee benefits	**11**	10
Post-employment benefits	**3**	2
	14	12

24 CAPITAL MANAGEMENT

The Corporation's capital represents shareholders' investment and is a key strategic resource which supports the Corporation's risk taking business activities.

The objective of the Group is to deploy this resource in an efficient and profitable manner to earn competitive returns.

The Corporation manages its capital taking into account both regulatory and economic requirements. No changes were made in the objectives, policies or processes from the previous year. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity as follows:

	2023	2022
Interest-bearing deposits, term finance and other borrowings	**826**	557
Other liabilities	**47**	86
Less: Cash and cash equivalents and placements with banks	**(242)**	(291)
Net debt	**631**	352
Equity attributable to equity holders of the Corporation	**2,802**	2,688
Gearing ratio (net debt / equity)	**0.2**	0.1

Notes to the Consolidated Financial Statements

as at and for the year ended 31 December 2023

(All amounts in US$ millions)

25 PRINCIPAL SUBSIDIARIES AND ASSOCIATES

The principal subsidiaries and associates of the Corporation are set out below:

Subsidiaries	Country of incorporation	% of shareholding		Financial statements reporting date	Principal business activity
		2023	2022		
Bituminous Products Company Limited (Bitumat) (Note 16)	Saudi Arabia	**100**	100	31 December 2023	Building material manufacturing

Associates	Country of incorporation	% of shareholding		Financial statements reporting date	Principal business activity
		2023	2022		
Gulf Re Holdings Limited	Channel Islands	**50.0**	50.0	31 December 2023	Re-insurance
Foulath Holding B.S.C (c)	Bahrain	**50.0**	50.0	31 December 2023	Holding company
Al Ezzel Power Company B.S.C. (c)	Bahrain	**45.0**	45.0	31 December 2023	Power & Water Utility project
Water Consortium Holding Co.	Saudi Arabia	**40.1**	40.1	31 December 2023	Power & Water Utility project
Shams Ad-Dhahira Generating Company SAOC	Oman	**40.0**	40.0	31 December 2023	Power & Water Utility project
Horizon (ED) Investment Ltd.	Cayman Islands	**35.0**	35.0	31 August 2023	Education
SGA Mafariq Holdings W.L.L.	Bahrain	**33.3**	33.3	31 December 2023	Power & Water Utility project
Technical Supplies & Services Co. Ltd.	UAE	**30.7**	30.7	31 December 2023	Refrigeration & Cooling Services
Osool Poultry Company S.A.O.C.	Oman	**26.7**	26.7	31 December 2023	Poultry & Dairy Products
Al Dur Holding Company Limited	UAE	**25.0**	25.0	31 December 2023	Power & Water Utility project
Jeddah Cables Company Ltd.	Saudi Arabia	**25.0**	25.0	31 December 2023	Manufacturing Cables
Moon Iron and Steel Company SAOC	Oman	**25.0**	25.0	31 December 2023	Iron and steel
Bahrain LNG Ltd.	Bahrain	**24.0**	24.0	31 December 2023	Oil and Gas
Interplast Company Ltd.	UAE	**23.5**	23.5	31 December 2023	Plastic
Rawabi Emirates (PJSC)	UAE	**22.5**	22.5	31 December 2023	Dairy Products
Pipecare Group Holding Limited	UAE	**22.2**	-	31 December 2023	Oil and Gas pipeline service
The Dubai Wellness Center Ltd.	UAE	**-**	21.6	31 December 2023	Medical services
Wataniya Telecom Algerie S.P.A.	Algeria	**20.0**	20.0	31 December 2023	Telecom service provider
Gulf Stone Company SAOG	Oman	**-**	20.0	31 December 2023	Building Materials
A'Saffa Foods Company SAOG	Oman	**20.0**	20.0	31 December 2023	Poultry & Dairy Products
Tristar Holdings Ltd.	UAE	**19.6**	19.6	31 December 2023	Logistics
Aviation Lease and Finance Company K.S.C.P.	Kuwait	**14.0**	14.0	30 September 2023	Aviation Leasing

26 SUBSEQUENT EVENT

The Board of Directors meeting held on 21 March 2024, proposed cash dividend of US$ 71.43 per share amounting to US$ 150 million for the year ended 31 December 2023. The proposed dividend is subject to approval of the shareholders in their Annual General Assembly. The Board of Directors further recommended not to transfer the 10% of the profit for the year ended 31 December 2023 to the voluntary reserve.

Gulf Investment Corporation G.S.C.

Stand-alone Statement of Financial Position

as at 31 December 2023

(All amounts in US$ millions)

The following appendix represents the statement of financial position of Gulf Investment Corporation excluding the assets and liabilities of its subsidiaries do not form part of the consolidated financial statements of the Corporation.

	2023	2022
Assets		
Cash and cash equivalents	46	41
Placements with banks	193	238
Financial assets at fair value through statement of income	1,346	1,069
Financial asset at fair value through other comprehensive income	228	191
Investments in associates	1,800	1,680
Investment in subsidiaries	34	40
Other assets	28	57
Total assets	**3,675**	3,316
Liabilities and equity		
Liabilities		
Deposits from banks and other financial institutions	792	431
Term finance	34	126
Other liabilities	47	71
Total liabilities	**873**	628
Equity		
Share capital	2,100	2,100
Revaluation reserves	(106)	(122)
Other reserves	598	578
Retained earnings	210	132
Total equity	**2,802**	2,688
Total liabilities and equity	**3,675**	3,316

PRINCIPAL INVESTING

Major Projects and Equity Participations

As of 31 December 2023

	Name of the Project	Location	GIC Effective holding %	GIC holding type
	Subsidiaries and Associates of GIC			
1	Bituminous Products Company Ltd. (Bitumat)	Saudi Arabia	100.00%	Direct
2	Foulath Holding B.S.C (c)	Bahrain	50.00%	Direct
3	Al Ezzel Power Company B.S.C. (c)	Bahrain	45.00%	Direct
4	Jazlah Water Desalination Company J.S.C.	Saudi Arabia	40.00%	Indirect
5	Shams Ad-Dhahira Generating Company SAOC	Oman	40.00%	Direct
6	Horizon (ED) Investment Ltd.	Cayman Islands	35.00%	Direct
7	Technical Supplies & Services Co. Ltd.	UAE	30.67%	Direct
8	Osool Poultry SAOC	Oman	26.68%	Direct
9	Jeddah Cables Company Ltd.	Saudi Arabia	25.00%	Direct
10	Al Dur Power & Water Co. B.S.C. (c)	Bahrain	25.00%	Indirect
11	Al Wakra STP	Qatar	25.00%	Direct
12	Bahrain LNG Ltd.	Bahrain	24.00%	Direct
13	Interplast Company Ltd.	UAE	23.50%	Direct
14	Rawabi Emirates PJSC	UAE	22.54%	Direct
15	Pipecare Group Holding Limited	UAE	22.22%	Direct
16	A'Saffa Foods Company SAOG	Oman	20.01%	Direct
17	Wataniya Telecom Algerie S.P.A.	Algeria	20.00%	Indirect
18	Jubail Water & Power Company J.S.C.	Saudi Arabia	20.00%	Indirect
19	Tristar Holdings Ltd.	UAE	19.61%	Direct
20	Aviation Lease & Finance Company K.S.C. (p) (ALAFCO)	Kuwait	14.00%	Direct

	Name of the Project	Location	GIC Effective holding %	GIC holding type
	Equity Participations			
1	The National Titanium Dioxide Company Ltd. (CRISTAL)	Saudi Arabia	20.00%	Direct
2	Shuqaiq Water & Electricity Company J.S.C.	Saudi Arabia	20.00%	Indirect
3	Shuaa Energy 3 P.S.C.	UAE	16.00%	Indirect
4	Ras Laffan Power Company Limited Q.S.C.	Qatar	10.00%	Direct

CORPORATE DIRECTORY 2023

Senior Management Team

Mr. Ibrahim Ali AlQadhi
Chief Executive Officer

Mr. Meshary Al-Judaimi
Group Head of Principal Investment

Mr. Talal Al-Tawari
Group Head of Global Markets

Mr. Hani Al-Shakhs
Group Head of Support

Global Markets Group

Mr. Osama Al-Musallam
Head of Treasury Div.

Mr. Raffaele Bertoni
Head of Debt Capital Markets Div.

Mr. Abdulla Al-Derbass
Head of Equities Div.

Dr. Mohammad Al-Omar
Head of Research Div.

Principal Investment Group

Mr. Faisal Al-Roomi
Head of Manufacturing Projects Div.

Mr. Mohammad Al-Fares
Head of Diversified Projects Div.

Mr. Meshari Al-Bader
Head of Principal Investment Analytics Div.

Mr. Fahad Al-Nusef
Head of Financial Services & Utilities Div.

Mr. Fadi Twainy
Head of Light Industry Projects Div.

Support Group

Mr. Hazem El-Rafie
Head of Finance Div.

Mr. Talal Al-Zamami
Head of Operations Div.

Mr. Mohammed Al-Jallal
Head of Human Resources Div.

Mr. Amer Al-Dakhail
Head of Information Technology Div.

Mr. Khaled Al-Suraye
Head of Public Relations Dept.

Corporate Office

Dr. Faisal Al-Fahad
Head of Legal & Compliance Div.

Dr. Yaqoub Alabdullah
Head of Risk Management Div.

Mr. Mohammad Al-Rashed
Head of Internal Audit Div.

Ms. Maryam AlKooheji
Secretary to the BOD

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