

Instrumental Infrastructure. Instrumental Africa.





AFC can celebrate its 15th anniversary with pride for our instrumental and transformative impact in de-risking and financing African infrastructure that drives productivity and economic growth across Africa.

Our cumulative investments in 35 African countries have reached US\$9.9 billion across our focus areas of power, natural resources, heavy industry, transport and logistics, and telecommunications.

A handwritten signature in white ink, reading 'Samaila Zubairu'.

Mr. Samaila Zubairu

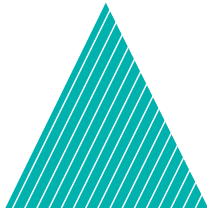
President & Chief Executive Officer
Africa Finance Corporation



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Financial Highlights



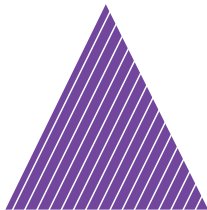
Increased profit by

26.6%

US\$209.7 million

(2020: US\$165.5 million)

Passing the US\$200 million mark for the first time in its history.



Total equity up

7.8%

US\$2.24 billion

(2020: US\$2.08 billion)



Increased total assets by

16.3%

US\$8.56 billion

(2020: US\$7.36 billion)



Net interest income up

32%

US\$220.7 million

(2020: US\$167.1 million)



Operating income

18%

US\$259.5 million

(2020: US\$219.3 million)



Total comprehensive income

20.2%

US\$188.2 million

in total comprehensive income
(2020: US\$156.5 million)



Liquidity coverage ratio

199%

(2020: 178%)



Capital adequacy ratio

33.2%

(2020: 34.1%; Internal
threshold: 30%)



Return on average equity

9.7%

(2020: 9.5%)



Cost-to-income ratio

22.9%

increased by 0.4%
(2020: 22.8%)



About Us

Who We Are

AFC is a multilateral financial institution created by Sovereign African states to provide pragmatic solutions to Africa's infrastructure deficit and challenging operating environment by developing, de-risking and financing infrastructure, natural resources and industrial assets and opportunities to enhance productivity and economic growth of African states.

Our Vision

To become Africa's leading infrastructure solutions provider.

Our Mission

To foster economic growth and industrial development of African countries, while delivering a competitive return on investment to our shareholders.

Our Positioning

We are the resilient and reliable bridge to a prosperous African future, turning infrastructure into an instrument for change.

Instrumental Infrastructure:

- Consistently delivering fast and sustainable solutions to close the infrastructure gap and unleash Africa's prosperity.
- Playing a developmental role to unlock the potential of Africa's key sectors by finding solutions to the challenges of infrastructure investing – both real and perceived.
- Advancing the economic growth and industrialisation of the continent, helping to transform lives.

Instrumental Africa:

Elevating Africa's instrumental role as an engine of growth in a changing world:

- as a supplier of beneficiated resources, goods and services
- as the primary source of metals and minerals for the global energy transition
- with the largest, youngest workforce and consumer class
- as a continent that delivers superior returns that often exceed other emerging markets
- as a continent that is taking its rightful place on the world stage.

"We are a leading investment grade Africa-focused, multilateral financial institution"

A3/P-2 Moody's rated multilateral financial institution focused on providing instrumental infrastructure for an instrumental Africa

Background

- Founded in 2007 by an agreement between African sovereign states as a multilateral financial institution
- Structured as a partnership between public and private investors to be consistent with the increasing role of public-private sector partnerships in infrastructure investments
- Private sector majority shareholders include leading African multilaterals and financial institutions
- Key Priority sectors include Power, Transport, Natural Resources (Mining, Oil & Gas), Heavy Industries, Telecommunications and Technology
- Leading equity, mezzanine and debt financing corporation combined with unrivalled leadership in public and private sector advisory and project development expertise in Africa
- Investment grade rating of A3 (long-term issuer) and P-2 (short-term issuer) with a stable outlook from Moody's Investors Service
- 138 experienced, multilingual and multicultural employees operating on a pan-African basis
- Broad investment footprint with a cumulative US\$9.9 billion disbursed across 35 African countries

Our Business

We are a leading African institution focused on providing instrumental infrastructure and demonstrating an instrumental Africa.

- Strong, sustained historical financial performance and robust growth pipeline
- Core ethical values and organisational principles
- One of the highest-rated institutions in the market
- One of the least-leveraged in the market – 2.8x
- Launched Africa's first Infrastructure Climate Resilient Fund (ICRF)
- Issued the first-ever Green Bond by an African supranational

33

**African
member
states**

35

**African
countries
invested in**



What We Offer

1

Unrivalled country access

Country membership provides AFC with the advantage of preferred creditor status, with real benefits for our sponsors and co-investors and unique partnerships with governments.

2

Pan-African portfolio and pipeline

Portfolio of projects in 35 African countries and a rich pipeline, which is a testament to our deep local knowledge and execution capacity across the continent.

3

Deploying multiple products across the capital structure

Provide technical, structuring, project development, co-investment services leveraging on a wide range of products across the capital structure to early stage, greenfield and brownfield projects and platforms, to unlock value and deliver solutions on the continent.

4

Unrivalled ability to raise capital

Capacity to mobilise capital to drive the development of infrastructure and industrial solutions.

5

Unique ecosystem investment approach

Focus on building integrated ecosystems around infrastructure across sectors and countries to develop end-to-end value chains to drive accelerated growth and development.

Our Investment Philosophy

Our investment philosophy prioritises projects with high developmental impact and competitive returns in selected sectors, while our investment capacity and talent allow us to provide end-to-end solutions to our clients.

Our Investment Approach

- Co-financing with proven and experienced developers and/or project sponsors
- Cultivating strategic relationships with strong partners to deliver value throughout the investment process
- Applying a unique solutions culture to participate and invest credibly across the entire project life cycle and capital structure
- Delivering high development impact in countries of execution to realise infrastructure that is resilient, sustainable and creates returns for our investors
- Increasing our focus on acquiring and developing assets to seed into build-and-list platforms for renewable energy, gold and transition metals, ports and logistics, and special economic zones
- Supporting our clients every step of the way, providing the right-fit solutions for investing on the continent
- Moving with agility to structure and deploy capital swiftly, as well as to unlock additional investments
- Innovating to open up new markets and countries, to attract Foreign Direct Investment
- Harnessing Project Development as a unique asset class

Investment Instruments

AFC provides technical, structuring, project development, co-investment services leveraging on a wide range of products across the capital structure to early stage, greenfield and brownfield projects and platforms. AFC deploys multiple products in the same transactions where such solutions accelerate closure on transactions, deliver superior returns and optimise the financing structure.

Advisory: Restructuring, capital raising, syndication and distribution

Project Development Equity and Loans

Principal Investing:

- Equity
- Mezzanine and Subordinated Debt
- Senior Debt
- Stream
- Royalty
- Product Solutions
 - Sovereign Lending
 - Guarantees
 - Trade Finance
 - Corporate Finance
 - A/B Bond

Treasury: Fixed income, money market, liquidity solutions

Credit enhancements: Derivatives, preferred creditor status, hedging products

Our Key Strengths

How we deliver on our promise to be the reliable and resilient bridge to a prosperous African future:

We are Purpose-Driven

Truly pan-African, we work to accelerate impact and turn investments into prosperity by constructing a leading-class portfolio of high-yield assets, often taking an early equity and project development financier role.

We are Innovative

Our solutions-driven culture is built on innovation and agility, applied through our holistic approach to developing projects from conception to close.

We are Collaborative

We work closely with project sponsors (in the public and private sector) to intervene early and to serve as an incubator for projects, preparing them to meet the tests of financiers early on and make them bankable.

We are Entrepreneurial

Our enhanced entrepreneurial mindset is underlined by our concept-to-execution view of projects. We always aim to participate through the entire project life cycle, from concept design to construction to operations.

We are Exponential

While never excluding opportunistic projects, we look to engage with an ecosystem investment philosophy – a holistic approach where we seek to invest in every step of the value chain of a project.

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Chairman's Statement

Turning the pan-African Purpose
into Accelerated Impact



Dear Stakeholders,

I am pleased to announce that 2021 was a successful year for the Africa Finance Corporation (AFC), despite the significant ongoing challenges posed by the COVID-19 pandemic that global society, businesses and economies have had to navigate for two years. During the year, AFC increased profits by 27 per cent to US\$209.73 million and total assets by 16 per cent to US\$8.57 billion, as we further strengthened our positioning in our journey to becoming the leading developer and financier of instrumental infrastructure for Africa.

AFC's total income in 2021 was US\$188.20 million and shareholder total equity now stands at US\$2.24 billion. We welcomed a record number of African sovereigns as new shareholders: Togo with an investment of US\$20 million, Sierra Leone US\$10 million, Guinea US\$2 million, the Seychelles US\$0.5 million through its national pension fund, and Ghana US\$20 million by increasing the amount of its existing equity subscription in AFC. The equity investment of African sovereign shareholders is of particular significance as it not only signals a

firm commitment to AFC's mandate by the very continent AFC was established to serve, but also a conviction in AFC as a key part of the solution to Africa's development.

As we look back and celebrate 15 years of existence, we can credibly lay claim to delivering on our pan-African purpose to address the continent's infrastructure investment gap in a lasting and meaningful way. We are a resilient and reliable bridge to a prosperous African future, turning infrastructure investment into an instrument for change. For African countries, we provide a gateway to solving their infrastructure challenges and unleashing their prosperity. For our investors and other funding partners, we provide de-risked solutions that enable us to structure projects pragmatically for accelerated development impact, whilst delivering profitable returns on investment. In an era of considerable global change and opportunity for our continent, the onus is on us to accelerate the impact we make to meet the needs of Africa and its communities.

Senior Management and the Board of Directors have adapted our corporate strategy to increase our impact in view of Africa's growing development needs in addition to helping to address the opportunities that will arise during this era of rapid changes in the global economy. Fundamentally, we are continuing in our stated objectives to invest in high-impact assets in targeted sectors across Africa and are working hard to mobilise the necessary finance to reduce Africa's infrastructure deficit. But we are also mindful of the numerous seismic shifts in the global economic and financial landscape and the need to remain agile in our ability to support African countries in navigating these complexities.

The ongoing events in Ukraine, with an escalating risk of a prolonged and possibly wider regional military conflict, could derail the global economic recovery and unleash broader consequences. Given Russia's role in global energy supply, the global economy is now faced with one of the largest energy supply shocks in recent history, which together with soaring food commodity prices and dislocations in global financial markets, risks triggering a global stagflationary shock. Relevant questions also pertain to what impact the conflict will have on the ongoing global energy transition. As Europe seeks urgently to reduce its reliance on gas imports from Russia, this could lead to a recalibration of the timelines for cutting fossil fuel use. In that case, Africa's hydrocarbon producers, who prior to this faced the immediate prospect of a transition they were not prepared for, will have bought some much-needed time to plan for the eventual decline in global oil demand.

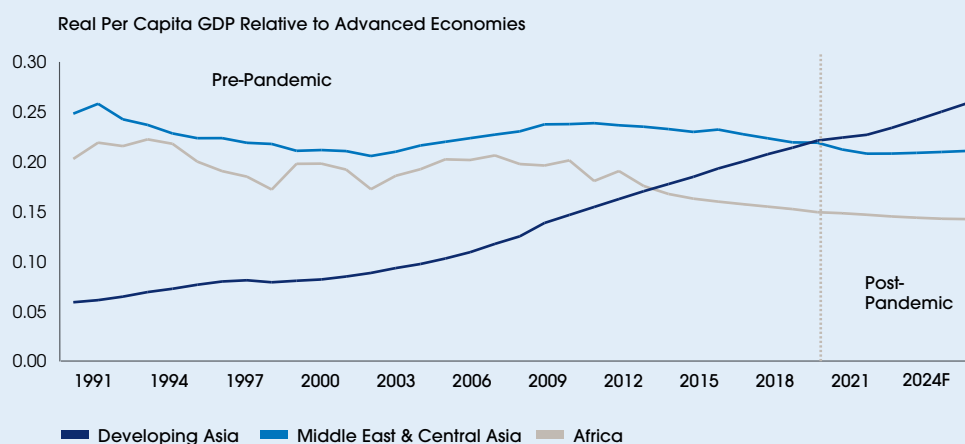
The Ukraine crisis follows an unprecedented two-year COVID-19 pandemic from which much of the global economy, including Africa, has yet to fully recover, while also now facing the imminent withdrawal of monetary and liquidity stimulus by major central banks. The immediate crisis heralds a return to high inflation and a reduced standard of living, as African economies grapple with rising fuel and food prices, capital outflows and currency depreciation vis-à-vis the US dollar.

The pandemic's legacy on Africa's development

2021 was another year of extraordinary global turbulence, with an erratic economic recovery across the globe. Fortunes diverged on account of differences in countries' access to COVID-19 vaccine rollouts and policy support, which were the twin drivers of the global recovery. Lacking sufficient access to both, African countries faced the risk of being left behind in the post-COVID recovery. Indeed, as richer countries recovered faster, Africa's income gap with other advanced and emerging market economies widened, continuing a divergence we have witnessed since the onset of the pandemic.

The pandemic has erased decades of gains in Africa's development. According to the UN's 2021 Sustainable Development Goals Report (2021), which tracks global efforts to achieve the SDGs, the COVID-19 pandemic has derailed Africa's progress towards achieving the SDGs. For example, the UN estimates that the pandemic has doubled the already deteriorating poverty rate and will push an additional 30 million people across the region into extreme poverty.

The pandemic has slowed the pace of Africa's income convergence

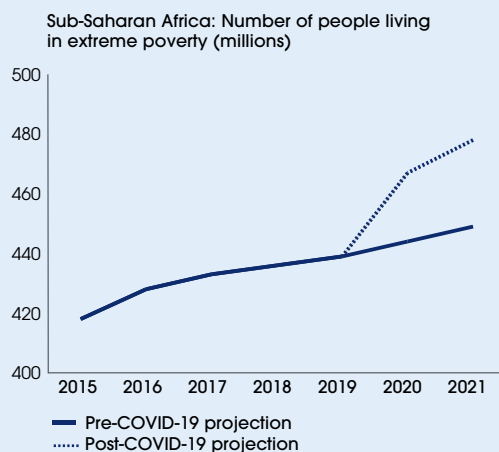


Source: IMF WEO, AFC Research

In the meantime, the pandemic is threatening Africa's progress in critical infrastructure development. The number of people without access to energy in Africa has increased for the first time, reversing the steady improvement since 2013. Four in five of the 750 million people globally without access to energy are now in Africa (a 4 per cent increase since 2019), an outcome accelerated by the pandemic.

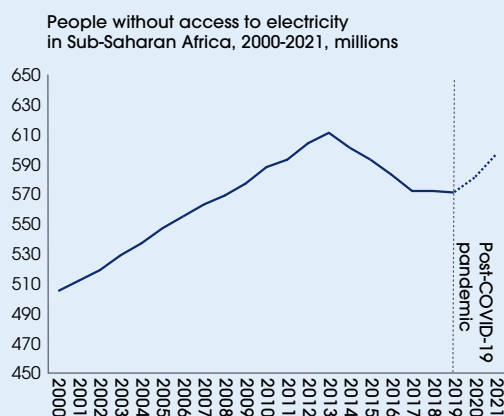
With a significant infrastructure funding gap even before COVID-19, the subsequent larger funding deficit during the last two years can only further delay Africa's development and growth. This is also worsened by the increase in African sovereign debt and the decrease in government revenue due to the pandemic, making AFC's mobilisation of infrastructure funding even more critical.

A sharp deterioration of livelihoods in Africa



Source: United Nations

A decline in access to the critical infrastructure for development



Source: IEA

Africa faces an uncertain recovery in foreign direct investment (FDI), which is vital for the continent's long-term development. FDI inflows fell by 16 per cent in 2020 to US\$40 billion, a level last seen a decade and a half ago (UNCTAD 2021). Greenfield project announcements, which are key to the region's industrialisation prospects, fell by 62 per cent. Commodity-exporting economies were the worst affected as the collapse in export demand caused by the pandemic and a significant drop in commodity prices weighed heavily on their investment prospects.

At the same time, the continent's hydrocarbon producers are grappling with a wave of divestments by international oil companies (IOCs). Such exits by the IOCs are part of a long-term trend that the current oil price spike – as a result of the Russia-Ukraine war – seems unlikely to reverse sustainably. The sector was adversely hit by the drop in oil prices alongside other commodity prices early in the COVID-19 pandemic. Oil prices have risen sharply in recent weeks to over US\$100 per barrel on the back of Russia's invasion of Ukraine. With Europe re-evaluating its dependence on Russian oil and gas, this presents an opportunity for African countries, which have some of the world's deepest gas reserves (estimated at 150-190 billion cubic metres) to work towards filling the gap if Europe seeks to replace supplies from Russia.

AFC's mandate is more critical than ever

Africa needs infrastructure. The continent's growth has been perpetually impeded by a lack of adequate infrastructure across power, water, transport and communication, constraining growth, productivity, trade and development. As annual population growth exceeds the pace of annual infrastructure investment, this is further straining existing infrastructure provision.

According to analysis by the World Bank, infrastructure was more impactful in driving pre-COVID growth than any other form of capital investment. The growth of African infrastructure was responsible for more than half of the continent's economic growth rate in the decade before COVID. It then goes without saying that addressing the continent's deficit can fundamentally transform Africa's future prospects. By urgently redoubling efforts to close the infrastructure deficit we can give Africa a chance to recover its pre-COVID growth trajectory.

Infrastructure is also a crucial precondition to Africa's ability to capitalise on current and future opportunities. Whether in natural gas or battery minerals, Africa's resources, and therefore Africa, is critical to the future of the world economy. But to realise its full potential, Africa will need to develop the necessary infrastructure ecosystem – power, roads, railways and ports – needed to support Africa in developing and delivering these resources. If Africa is to become a ready supplier of gas exports it will not only require investments to

extract the natural gas, but also the infrastructure to transport the gas within and beyond the continent's shores.

In the 15 years of our existence, AFC has proven and refined our approach to infrastructure development across Africa by developing and investing in commercially viable projects that will deliver meaningful development impact. The Corporation's many innovations include building integrated ecosystems and industrial platforms as a model for developing Africa's manufacturing capacity, as well as investing across the project cycle using the right instruments across the capital structure. Therefore, scaling up the AFC model has the potential to generate exponential impact for Africa.

In 2021, the Corporation successfully preserved our investment grade credit rating, demonstrating our resilience in the face of an unprecedented global economic shock. Amidst the turbulence affecting global financial markets, the Corporation was able to tap these markets to boost our funding, whilst continuing to lower our borrowing costs. This reflects investors' ongoing confidence in our credit profile, not to mention our mandate and investment strategy.

Africa is a future growth engine for the world

Africa is a continent that is ready to take its rightful place on the global stage. The continent is a major supplier of the raw materials that will be needed to take the global economy into its next stage of development as a central player in the global energy transition. Africa's rapidly growing population, abundance of natural resources – which includes its 60 per cent stock of uncultivated arable land – and its potential to leverage technology to leapfrog into global competitiveness, are just some of the factors that position Africa as an emerging economic powerhouse. If properly leveraged, these factors have the potential to trigger a supercycle of economic growth for Africa.

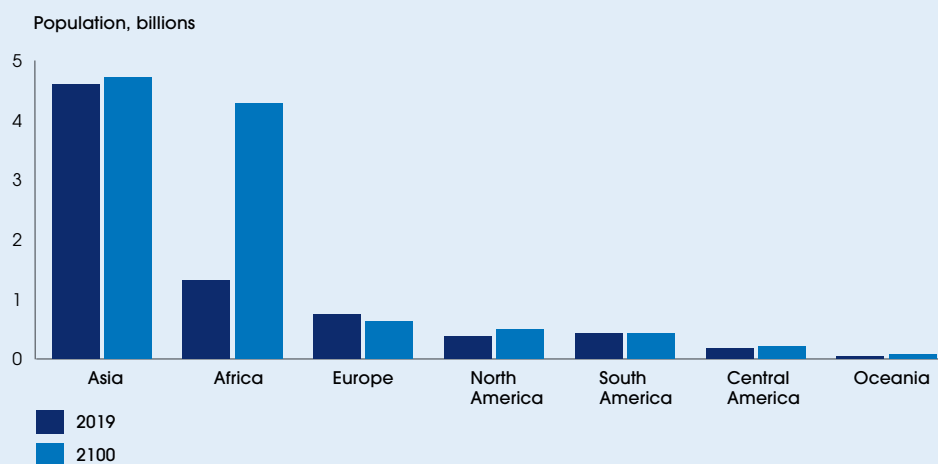
One of the many resources that sets Africa apart are its people, with the continent projected to be one of the few with a growing population over the next few decades. But turning its people resource into valuable human capital that can enhance the region's productivity and growth will require critical investments in health and education. It is, therefore, essential that Africa furthers its prospects by ensuring high-quality education for all its youth.

Africa's long-term prospects are inextricably linked to its demographics and the resultant growth in demand. This growth in inter-African demand will be further fuelled by the turbocharging effects of the African Continental Free Trade Area (AfCFTA) agreement on intra-African trade and investment, and the drive for modernisation, industrialisation, supply chain onshoring, beneficiation and diversification. Success in these areas will allow the African continent to retain the largest value from its resources, whilst creating millions of jobs for its youth. As an extension, such intra-African economic development will also naturally translate into greater global competitiveness.

Harnessing Africa's resources for sustainable growth portends huge opportunities for AFC to develop the facilitating infrastructure across each of our core sectors of power, natural resources, transport and logistics, telecommunications, and heavy industry.

This all delivers huge opportunities to AFC to mobilise the finance, as well as providing the advisory services, to develop and put in place the facilitating infrastructure – across each of the power, natural resources, transport and logistics, telecommunications, and heavy industry sectors upon which we concentrate – that will provide the rails for efficient African production, trade, and delivery to grow and prosper.

Population forecast by continent



Source: Statista

"In the 15 years of its existence, AFC has proven and refined its approach to infrastructure development across Africa by developing and investing in commercially viable projects that will deliver meaningful development impact."

Addressing climate change

Africa contributes less than four per cent of greenhouse gas emissions, but suffers a disproportionate climate burden. For example, the agriculture sector is Africa's most important economic sector in terms of GDP contribution and the share of the population it employs. Yet African agriculture is especially vulnerable to the impacts of climate change because it relies on rainfall, and climate change has destabilised rainfall patterns across the region. The result is growing food and water insecurity, and rising poverty. Moreover, a lack of adequate financing limits the capacity of countries to invest in climate-proofing existing infrastructure and taking other adaptation measures.

The Africa region plays a key role in global net zero with 14 per cent of the world's forest cover serving as carbon sinks and has the lowest coal usage of any region. At the same time, Africa must balance combatting climate change with a critical need to industrialise and develop its economies and achieve the sustainable development goals. SDG7 – affordable and clean energy – remains out of reach for half of Africa's people and is key to unlocking the other 16 goals. Development of transport, logistics and technology infrastructure is also vital.

At AFC we believe that Africa needs an equitable and sustainable path to reversing climate change. This starts with the recognition that while reducing emissions is a necessity for the more developed nations that are the biggest polluters, there is a more limited impact to be gained from reducing Africa's already far lower emissions. Instead, African countries will drive a far greater effect in combatting global warming and its impacts by focusing instead on three significant areas of change:

- African countries must build circular local economies, by ceasing the practice of

offshoring the value addition to their raw materials to other continents and localising manufacturing production. In so doing, this will offset one of the largest sources of greenhouse gas emissions, i.e. wasteful ocean journeys. Africa must also exploit its abundant reserves of natural gas as an essential transitional source of energy to support industrialisation. This viewpoint is backed by the European Commission's decision earlier this year to recognise the role of natural gas as a transition fuel in the move towards decarbonisation. Given that significant swathes of the continent are already at net zero, industrial development using natural gas can be accomplished without significant contributions to global carbon emissions. With resultant job creation and economic growth, African nations can invest further in renewable sources to make the final transition.

- In order to develop sustainable mining and the circular economies that will drive economic growth, Africa first needs the foundational building blocks: strong and resilient infrastructure in transport, construction, electricity grids and off-grid energy. Therefore, to combat the impacts of global warming, our second area of change is resilient building, to 're-build' African ocean and river defences, its agriculture and its infrastructure.
- Key to effecting immediate and significant change in the first two critical realms is ensuring that African institutions have access to essential climate funds through financial innovation. Investment is needed to mass-scale manufacturing and processing capacity to obviate the need for shipping raw materials to Asia. Resilient building ultimately saves on the costs of repair and replacement of infrastructure, but vastly inflates expenses at the outset.

Recognising its criticality, AFC is championing an African narrative on climate change, as well as taking operational steps through several key initiatives to support Africa's mitigation and adaptation capabilities. Building on our earlier successes in developing renewable energy projects, we aim to build Africa's first renewable energy platform, which will also serve to crowd-in additional private capital into the sector. Through AFC Capital and the Infrastructure Climate Resilience Fund (ICRF), we are committed to increasing the resilience of existing and prospective infrastructure across Africa.

Corporate strategy

The Board engaged McKinsey & Company to undertake a mid-point review of our five-year strategy, to assess our progress towards our objectives and the extent to which these should be realigned with the emerging needs of the African continent. The review will also determine how best to position AFC in view of the fast-changing global and regional operating environment.

Dividend

Because of AFC's need for fresh capital to maximise our investments in emerging opportunities in Africa, and our continuing intent to raise capital organically through profits, some shareholders took the decision to reinvest their dividend for 2021 into the Corporation. Therefore, following the declaration of profits, the Board of Directors is recommending a dividend of 4.82 US cents per share (cumulative US\$56,460,900). The Board of Directors is also proposing a payment of 4.82 US cents per share warrant. This translates to a dividend ratio of 30 per cent and a dividend yield of 2.4 per cent. The resolution on the payment of the dividend will be tabled before the Annual General Meeting scheduled for 1 April 2022 and, if approved, the dividend will be paid to all qualifying shareholders who are on the register of shareholders on 1 April 2022.

Membership

We are delighted that the number of our Member States continues to increase. During 2021, the number increased by five to 33, with the accession of Burkina Faso, the Democratic Republic of Congo, Morocco, Egypt and Niger as new Member States.

Board changes

In July, Ms. Kirstine Damkjaer, the former Chief Executive Officer of EKF, Denmark's Export Credit Agency, joined our Board of Directors as an Independent Non-Executive Director. Prior to EKF, Ms. Damkjaer worked for several years at the International Finance Corporation (IFC) and the World Bank in various senior capacities, including as Global Industry Head of Equity, Manager in the Department of Global Infrastructure and Natural Resources, Principal of the IFC Asset Management Company and Principal Portfolio Manager at the World Bank Treasury, Pension Plan and Endowments.

Outlook

I am confident that AFC's Board of Directors, management, staff, expertise, strategy, objectives and innate Africa focus and purpose ideally position the Corporation to deliver growth successfully and beneficial impact for our shareholders, stakeholders and Africa. We are committed to addressing Africa's infrastructure deficit with a focus on enabling the development of sustainable and maximum impact infrastructure that will facilitate the improved social, commercial and economic progress vital for Africa's growth and prosperity.

3

President & CEO's Statement

Delivering Solutions whilst Navigating a Changing World

It is my pleasure to report that 2021 was a year of significantly stronger performance and progress for the Africa Finance Corporation.

Despite an operating context as turbulent as the year before – with the emergence of new variants leading to an escalation of the COVID-19 pandemic and its impacts – AFC's resilience and agility once again played a crucial role in our ability to deliver strong performance. The strength of our performance would not have been possible without the commitment and dedication of our staff who have shown a great deal of flexibility in adapting to the new normal hybrid work setting.

We grew operating income, profit and total comprehensive income by 18 per cent, 27 per cent and 20 per cent respectively, to \$259.46 million, \$209.73 million and US\$188.20 million. Crucially, the Corporation achieved a milestone with its profits passing the US\$200 million mark for the first time in our history, a notable achievement considering the pandemic and commodity-driven headwinds impacting our operating environment. AFC also experienced reduced revenue volatility in line with our strategy to expand our annuity income base. This approach led to AFC benefitting from ongoing growth in our net interest income, despite the low interest rate environment in which we operated for most of the year.

The growth in operating income was driven by the

32 per cent increase in the Net Interest Margin to US\$220.74 million, compared to US\$167.11 million in 2020. Interest income increased by 13 per cent to US\$384.30 million, compared to US\$339.57 million in 2020, and at the same time interest expense declined by 5 per cent to US\$163.56 million, from US\$172.47 million in 2020. The Net Interest Margin was higher than in 2020, driven by the Corporation's strong credit profile, which helped to lower the cost of borrowing, offsetting the declining yield on interest earning assets on the back of lower Libor rates.

The Corporation continues to create value on its equity investments portfolio, with a net gain on financial instruments fair valued through profit or loss (FVTPL) of US\$62.82 million recorded in the year under review, 79 per cent higher than in 2020. The Corporation also continues to adopt strong risk management practices, a proactive risk-centric approach and the use of portfolio insurance as a risk mitigation tool in the management of our risk assets. This has seen our 2021 impairment charge increase by a marginal 2 per cent compared to 2020, to US\$39.48 million. These safeguards have been especially useful in protecting the Corporation's overall asset quality.

The Corporation saw a marked increase in the

"AFC's resilience and agility
once again played a crucial
role in our ability to deliver
strong performance."



Mr. Samaila Zubairu

President & Chief Executive Officer
Africa Finance Corporation

value of our equity investments portfolio, with a net gain on financial instruments FVTPL of US\$21.52 million in 2021. At the same time, maintaining tight control over our operating costs remained a key imperative for the Corporation, with a marginal increase of less than 1 per cent in our cost-to-income ratio (CIR) for the year of 22.9 per cent, which reflected one-off staff retirement costs.

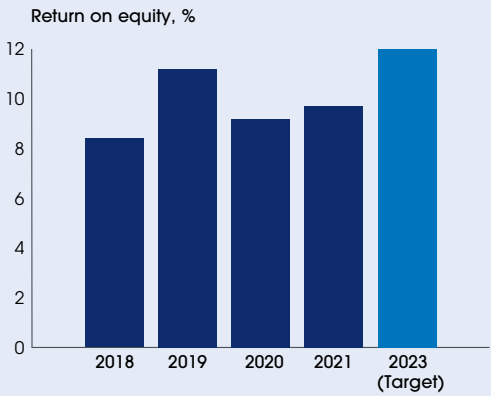
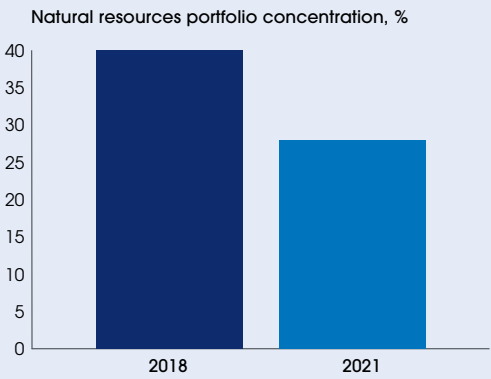
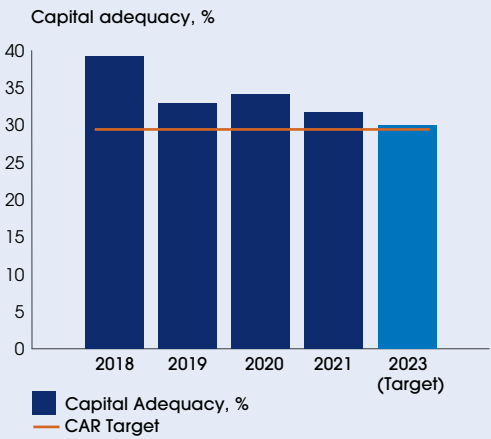
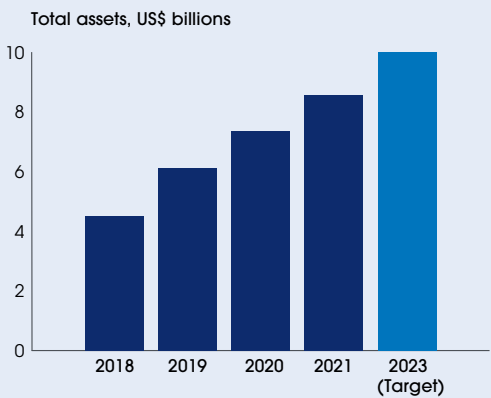
Our performance has been accompanied by an increase in the return on our average equity to 9.7 per cent in 2021 from 9.5 per cent, while our return on average assets increased to 2.6 per cent from 2.5 per cent.

The Corporation recorded a 16.32 per cent growth in total assets to US\$8.56 billion in 2021 from US\$7.3 billion in 2020. Although the growth in total assets is lower than in previous years, it is particularly noteworthy considering that the COVID-19 pandemic slowed asset creation and made it more challenging.

Progress with Our Five-Year Strategy

In 2021, AFC reached the midpoint of our five-year strategy and against the backdrop of major shifts in our operating landscape, this presented an ideal opportunity to take stock of our progress. I am pleased to say that the Corporation is on track to meet, and in some cases exceed, most of the targets set out in our strategy.

AFC’s 2018 strategy set out ambitious targets, to more than double the Corporation’s balance sheet over the next five years, more than triple revenues and to double the return on assets (ROA), which would require a fundamental transformation of the business. In particular, the Corporation set a target of expanding our balance sheet to US\$10 billion by 2023, recognising the need for AFC to play a bigger role in tackling Africa’s colossal infrastructure deficit.



I am pleased to say that strong annual growth in total assets since 2018 has put the Corporation on track to reach our total assets target ahead of the target date in 2023, which is the end of our current strategy period.

Today, the Corporation's balance sheet is significantly more diverse than it was in 2018, both geographically and from a sectoral perspective. We have expanded our investment footprint and pipeline, taking advantage of opportunities in more than 35 countries across Africa and a cross-section of sectors. Our strategy to reduce the natural resources sector concentration of our portfolio has served us well, helping to protect the balance sheet from the large negative oil price shocks in recent years.

Even with the expansion in our asset base, the Corporation has still managed to preserve our credit profile and in turn, our investment grade credit rating, partly through increased portfolio diversification as well as through strict adherence to our internal capital and liquidity prudential standards.

We have strengthened our project development capabilities with the aim of making this an origination engine for the Corporation. Over the next three to five years, as approved projects are developed and attain financial close, we expect to create additional investment opportunities of up to US\$2 billion for AFC. Project development, together with our Country Relations and Advisory functions have become key additional levers in the Corporation's deal origination process and are now enablers for investments teams in developing pipeline projects across all sectors.

The Corporation's portfolio has grown to include multiple projects supporting vertical industries and ecosystems. A key success in recent years, of which the Corporation is especially proud, is the co-development of our industrial platforms and economic zones through the ARISE partnership in Gabon. Through this project, AFC has demonstrated a scalable model for Africa's industrial development

that is focused on creating significant value and extracting higher returns from the continent's raw materials. The model is currently being rolled out to Benin and Togo, with a focus on the cotton and cashew sectors, respectively, in addition to an active pipeline in Cote d'Ivoire, Chad, Congo Brazzaville, Nigeria, Chad, Senegal and the Democratic Republic of Congo.

AFC has developed a robust ecosystem of strategic alliances that includes project development partner organisations, lenders, co-investment partners, deal originators and project sponsors. Crucially, both our shareholding and membership have grown substantially – member countries have expanded to 33 (more than 60 per cent of the African continent) from 21 at the end of 2018, including countries from every region of the continent – bringing AFC closer to its aspiration of being the leading pan-African infrastructure investor. I am also pleased to inform that last year we welcomed several African countries as AFC shareholders: Togo, Sierra Leone, Guinea and Seychelles (through the country's public pension fund), with Ghana also upsizing their existing equity investment. All in all, African countries contributed US\$53 million in equity capital, representing 100 per cent of all the capital raised by the Corporation in 2021.

Over the past year, AFC marked its entry into asset management with the establishment of its wholly owned subsidiary, AFC Capital Partners (ACP). The vision for ACP is to become Africa's leading infrastructure asset manager with a strategic focus on sustainable investment themes. ACP will leverage the scale and breadth of the AFC investment track record to mobilise equity capital from third-party investors through its unique access to AFC's infrastructure investment pipeline, while also expanding the access these pipelines have to long-term capital. ACP's inaugural offering is the Infrastructure Climate Resilient Fund (ICRF), which has the objective of driving investments in low carbon and climate resilient infrastructure across Africa.

AFC also launched its strategy to build pan-African platforms around transportation, logistics and renewable energy infrastructure assets. In recent years, AFC has invested capital and acquired interests in five operational port assets – two in Gabon and one in Côte d'Ivoire, Mauritania and Ghana, which serve as the foundational assets for this platform, Port Afrique. Similarly, AFC has begun building a 2GW African renewable energy platform, with a signature project signed in 2021. At least three other acquisition assets are currently in the pipeline and the development of an additional 1GW of solar projects is underway.



It goes without saying that the landscape on the African continent today is significantly different from that in 2018 when we set our strategy. As such, it is essential that we adapt to address and cater for the continent's and investors' current and future needs and intentions.

Economic Overview

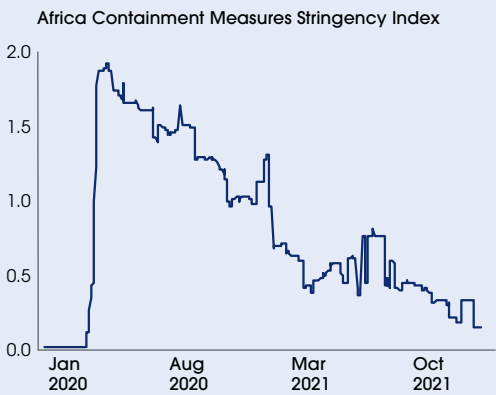
2021 Growth Performance

2021 was a recovery year for many African countries, despite the lingering cloud of uncertainty from the COVID-19 pandemic. A relaxation of COVID-19 mobility restrictions by governments saw an uptick in economic activity. At the same time, the broad-based strength of commodity markets boosted current accounts and lifted real GDP growth, especially given that import demand was recovering more slowly than exports.

That said, the African continent also experienced a slower and more uneven recovery compared to the rest of the world. Africa's persistent exclusion from the global roll-out of COVID-19 vaccines left it vulnerable to the emergence of variants and created significant uncertainty around the economic outlook. From May to July 2021, the lethal Delta variant became the dominant COVID-19 strain in many countries, leading to the reintroduction of lockdown measures for some. The result, as the International Monetary Fund points out, is divergence and widening disparities at three levels: between Africa and other regions, within Africa and within countries.

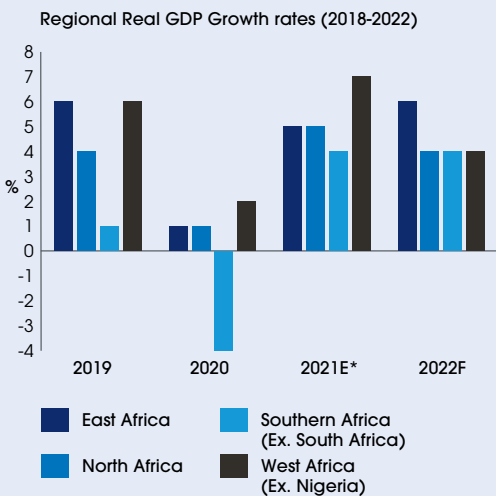
Africa has seen a strong rebound in economic activity. Preliminary growth data suggest the 2021 growth rebound was led by West African countries in the West African Economic and Monetary Union (WAEMU) economic zone, although economies in East, North and Southern Africa also delivered a strong performance. Foreign direct investment (FDI) into Africa increased by 147 per cent to US\$97 billion in 2021, from 2020's COVID-19 depressed level of US\$39 billion. However, this masked significant variance, with North Africa seeing a 13 per cent decline to US\$9 billion, while sub-Saharan Africa enjoyed a 200 per cent increase to US\$88 billion.

The stringency of containment measures across Africa has declined to almost pre-crisis levels



Source: Oxford COVID-19 Response Tracker; AFC Research
Notes—Africa average calculated as nominal-GDP weighted

2021 rebound across all regions of the African continent, with WAEMU countries leading the growth recovery

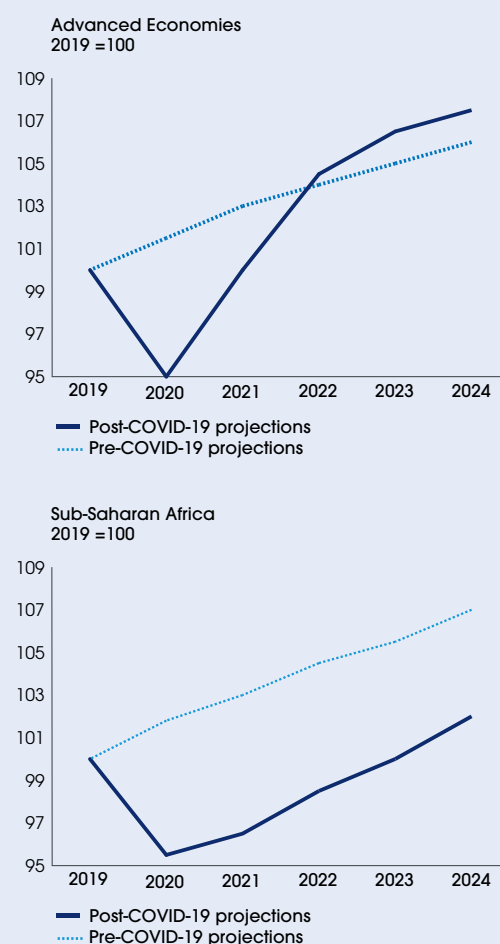


Source: Haver Analytics, AFC Research
Notes—Regional growth rates are Nominal GDP weighted. 2021 data are estimates based on availability
*Nigeria and South Africa excluded because their economic size outweighs the regional groupings

From a development perspective, the COVID-19 pandemic has left Africa worse off:

- Africa's post-pandemic growth path has adjusted to a lower trajectory, the only region globally where this is the case. Although the IMF projects advanced economies to return to their pre-crisis path by 2023, the pandemic has permanently lowered real GDP in sub-Saharan Africa, suggesting a loss of real per capita output of 5.9 per cent. The World Bank is forecasting real GDP growth of 4.4 per cent and 3.4 per cent in 2022 and 2023 for the Middle East and North Africa region, as disruptions from the pandemic and oil production cuts both wane and the policy environment remains supportive.
- Africa faces more acute development challenges, with setbacks in progress towards the attainment of many of the sustainable development goals. The World Bank and the IMF estimate that inequality has worsened in 39 out of 45 sub-Saharan African countries, with women, the youth and younger children disproportionately affected by the crisis.
- Africa faces a financing challenge. There are varying estimates of the size of Africa's financing needs, but what they all agree is that more financing is desperately needed. According to Chairperson of the African Union Commission, Africa needs US\$154 billion to be able to mount an effective response to the economic crisis caused by the COVID-19 pandemic. The IMF's estimate is almost three times larger, with US\$425 billion in additional external funding needed to respond to the COVID-19 pandemic, rebuild external buffers and accelerate convergence to advanced economies, including enhancing climate resilience and promoting digitalisation. For infrastructure alone, the pre-crisis financing gap has been significantly widened by the pandemic, as projected spending commitments have gone unfulfilled.
- Africa's policymakers are constrained in their ability to respond to the economic and health crises, owing to a starting weak level of buffers, the need to contain public debt and the difficulty they face in raising domestic taxes.
- COVID-19 and climate change have increased the risk of social and political instability. There is civil war in Ethiopia and rising terrorism risks are affecting the Sahel region and the Horn of Africa, as well as individual countries such as Mozambique. Also, 2020-21 witnessed more coups in Africa than at any time over the last 20 years, including military takeovers in Mali (August 2020 and May 2021), Guinea (September 2021), and post year-end in Burkina Faso (January 2022). February 2022 witnessed a failed coup in Guinea Bissau.

Africa risks being left behind – unlike other regions, the pandemic has permanently lowered the path of real GDP in sub-Saharan Africa.



Source: IMF World Economic Outlooks

Economic Outlook

Following a strong rebound in 2021, the International Monetary Fund now expects global growth to moderate from 5.9 per cent to 4.4 per cent in 2022, half a percentage point lower than in the IMF's October 2021 forecast. The weaker outlook is shaped by four main forces:

- **The Pandemic's Long Shadow:** The global economy entered 2022 on a weak footing, with the rapid spread of the new Omicron COVID-19 variant leading countries to reimpose mobility restrictions and threatening to stall the growth recovery.
- **Russia-Ukraine war:** Russia's invasion of Ukraine during the last week of February has created immense uncertainty for the global outlook. The sanctions imposed on Russia by Western governments are likely to cripple the Russian economy. However, they also involve blowback that will impact the global economy, particularly through the increase in energy and food costs. Having climbed to as high as US\$139 a barrel, crude oil prices look set to push persistently through \$100 a barrel, while wheat, corn and fertiliser prices are also rising sharply, which will add to inflationary pressures and trigger a supply side shock to the global economy and potentially food shortages. Further contagion channels include potential global trade disruptions and a likely increase in global shipping rates at a time that the global supply chain is still reeling from the pandemic. The war has heavily impacted traffic through the Black Sea, a key route for oil and bulk food exports and is exacerbating backlogs at European ports.
- **Rising Inflation:** Surging food and energy prices have made inflation more broad-based across developed economies, leading monetary authorities to accelerate the planned withdrawal of policy accommodation. In the US, the Federal Reserve has brought forward its taper of asset purchases, as well as signalling an aggressive interest rate hiking cycle starting in March 2022. Whilst the war in Ukraine is likely to turn the ECB more cautious – Europe is more directly affected by the crisis than other regions – the upside risks to global inflation from higher food and energy prices mean the Fed is unlikely to change course.
- **China Growth Slowdown:** In China, pandemic-induced disruptions owing to the government's zero-tolerance COVID-19 policy and protracted financial stress in the property market are weighing on the 2022 growth outlook.

African economies are not immune from these growth risks. The IMF expects slower growth in 2022 for sub-Saharan Africa (3.7 per cent versus 4.0 per cent), as well as in our two largest economies of Nigeria (2.7 per cent versus 3.0 per cent) and more markedly in South Africa (1.9 per cent versus 4.6 per cent). A renewed growth slowdown across Africa in 2022 is a concern for the Corporation's operating environment. On the other hand, the Middle East and North Africa region is expected to buck the trend with the World Bank's real GDP growth forecast increasing to 4.4 per cent from the 0.8 per cent it was forecasting in June 2021.

Tighter global monetary conditions and rising US policy rates have the potential to complicate the outlook for some African countries. As in past episodes of US Fed rate tightening, countries are likely to see their currencies weaken against the dollar leading to further inflationary pressures, with the likely capital outflows also putting downward pressure on international reserves. Particularly at risk are countries with significant foreign-currency denominated financing needs that typically rely on global capital markets. The January 2022 downgrade of Ghana's credit rating by Moody's crystallises this risk.

Nevertheless, the changing narrative for Africa's access to COVID-19 vaccines is cause for optimism. Despite their lack of universal availability, by January 2022 African countries had managed to increase the share of the population that is fully and partially vaccinated to 12 per cent and 17 per cent, respectively, up from just one per cent at the beginning of 2021. In February 2022, the World Health Organization announced an agreement to create vaccine production hubs in six African countries, which will allow the continent to start manufacturing its own COVID-19 vaccines.

Furthermore, Africa uniquely has the benefit of the huge and catalytic game-changer in the form of the African Continental Free Trade Area (AfCFTA) agreement, which will progressively drive immense opportunities and transformative African economic growth across the continent. Its creation of a single market of Africa's near 1.4 billion population will take time to bed in for full effect but will result in the rapid acceleration in intra-African trade and investment growth, leaving memories of intra-African trade accounting for only about 17 per cent of total trade volumes involving African countries far behind in the rear-view mirror. Make no mistake, AfCFTA is the vehicle and the enabler that will energise Africa's sustainable economic growth, development and global competitiveness. Over the years to come it will also lead to the creation of the millions of jobs necessary to create the opportunities for Africa's fast-growing youth population.



AFC's operating landscape

1. COVID-19's impact on Africa's investment landscape

Africa's infrastructure financing gap has widened over the past two years because of the COVID-19 pandemic. Data on official sector lending into infrastructure in Africa show a declining trend since 2014, with 2020 recording the lowest level in more than a decade. In 2020 alone, official investment fell by circa US\$25 billion, a 43 per cent drop from the previous year. At the same time, analysis by McKinsey & Co finds that even in a best case post-COVID recovery scenario Africa's infrastructure financing gap has widened by some 10-20 per cent from the pre-COVID baseline and will take years to recover.

The COVID-19 pandemic has squeezed the capacity of African sovereigns to finance infrastructure on the continent. Pre-COVID, African governments and state-owned enterprises carried out 95 per cent of infrastructure projects with the private sector's role remaining limited. But efforts to contain the COVID-19 pandemic have caused a fiscal deterioration in many countries and a rise in public debt. With governments sidetracked by their responses to the pandemic, as well as the need to repair their balance sheets and raise financing, the private sector must play a bigger role in driving Africa's post-

COVID development. African heads of state made this one of their central messages at the May 2021 Summit on 'Financing African Economies', in addition to calling for the international community to mobilise more external financing.

Additional shifts in Africa's infrastructure financing landscape stem from China's increasing reluctance to fund large scale infrastructure projects on the continent. According to analysis by the Center for Global Development, China's two main overseas development banks invested US\$23 billion in infrastructure projects in Africa, compared to the combined US\$15 billion invested by Africa's eight top multilateral lenders over the same period. Nevertheless, the China Africa Research Initiative which tracks Chinese investment flows in Africa has recorded a steady decline in Chinese lending to Africa in recent years. This Chinese retrenchment from infrastructure financing in Africa is expected to continue.

For AFC this creates significant opportunities to scale up our contribution in tackling not just the traditional infrastructure deficit that AFC was created to resolve, but also the emerging big questions for Africa's future. With our solutions-oriented culture, AFC can play a leading role in Africa's response to the impacts of climate change, the global energy transition, and how to harness the benefits of Africa's demographic shift.

2. The climate change impact on Africa

Africa has contributed the least of any continent to climate change, mostly on account of its poor access to energy and its lack of industrialization, emissions are closer to zero in Africa. But the continent is the most affected region in the world by the adverse impacts of climate change. Increasing temperatures and sea levels, changing precipitation patterns and more extreme weather are threatening Africa's human health and safety, food and water security and socio-economic development.

Moreover, frequent, and extreme weather events threaten what little physical infrastructure Africa has. For example, in early-2019 Beira, the second largest city in Mozambique was hit by two severe cyclones that made landfall only 40 days apart, completely destroying the city, with massive infrastructure and crop damage as well as human loss. According to The Global Climate Risk Index, in 2019, Mozambique took a 12.6 per cent GDP knock on its economy, suffered \$4.9 billion losses in monetary terms and 700 Mozambicans lost their lives from the impacts of climate change. Less than two years later, Beira was again hit by two successive tropical storms resulting in significant damage to the existing temporary infrastructure, destroying cropland, and leading to a loss of life. Unfortunately, Mozambique's experience is not unique in Africa.

Dealing with the impacts of climate change is already costing African countries billions of dollars annually. An analysis of African countries' national adaptation plans by Power Shift Africa highlights the deep injustice of the climate emergency, with the cost of adaptation for some of the poorest African countries ranging anywhere between circa US\$90 million a year in Sierra Leone to US\$6 billion in Ethiopia.

The depth of the climate crisis for Africa requires AFC to act. The global climate finance architecture remains undecided about when/ if they intend to fulfil financing pledges to poorer countries. Thus, the urgent need is for capital to help Africa adapt and build resilience to the impacts of climate change.

AFC's newly launched independent asset management business, AFC Capital Partners (ACP), has made its debut offering, the Infrastructure Climate Resilient Fund (ICRF). Launched in September 2021 and aiming to raise US\$2 billion over the next three years, we expect to raise \$500 million in the next year. As Africa's first infrastructure resilient fund, the ICRF will act as a direct investor, as well as a co-investment fund with AFC, to build up the climate resilience of infrastructure assets, such as African ports, roads, bridges, railways and telecommunications, as well as investing in projects that have a low carbon footprint. To head the ACP, we welcomed Ayaan Zeinab Adam who brings a wealth of experience in climate response and is a seasoned investment professional.

AFC is also looking to address Africa's dire shortage of renewable energy infrastructure with the launch of a 2-gigawatt clean energy strategy. By aggregating a series of 50- to 60-megawatt clean energy projects into a US\$2 billion 2-gigawatt platform over the next three to five years, AFC will help crowd in additional investment into this critical sector. AFC already has operating assets of 129.5MW – a 60MW wind farm in Djibouti, the 44MW Singrobo hydropower dam in Côte d'Ivoire and the 25.5MW Cabeolica wind farm in Cape Verde – with an additional 870.5MW of projects under construction and a project development pipeline of 1GW. The projects are a combination of pipeline and prospective



acquisitions, early-and late-stage development projects, partnerships, and privatisations, across the African continent.

3. Global energy transition

Africa is key to the global energy transition to a low-carbon economy. As such this is an inflection point for the continent. The sharply rising resource demands of the global energy transition mean Africa will be called on for its vast untapped reserves of many of the minerals and metals required for clean energy technologies. This time, the region must move away from the 'extract and export' 'shovel-to-port' models of the past and invest in low-carbon regional beneficiation hubs that increase the continent's value capture and creation of jobs.

AFC should play a significant role as a partner to African countries through: (i) geospatial mapping to help countries in mapping and then proofing their mineral resources as a critical first step in understanding the extent of their mineral resources and planning for them; (ii) supporting African countries in negotiating complex mining contracts; and (iii) investing in low-carbon regional hubs that can support mineral beneficiation and create jobs, which will also require investments in the associated power and transport infrastructure for these hubs.

The scale of projected growth in the electric vehicle market – an estimated global market of circa US\$7 trillion – creates huge opportunities for African countries, given Africa is abundant in many of the minerals and metals required, but also from the potential to onshore more of the manufacturing value chain.

A 2021 Bloomberg study, commissioned by AFC and other African DFIs, finds that African countries could play a major role in the lithium-ion battery supply chain. With annual lithium-battery demand set to top 4.5TWh annually by 2035, this also implies greater requirements for cobalt (1.5 times) and nickel (5 times), as well as copper and aluminium.

Not only is the cost of manufacturing battery precursors for assembly much lower in the Democratic Republic of Congo (DRC) than in China or Europe, it would also significantly reduce the life-cycle missions of cells (by 30 per cent and 9 per cent, when producing them in Poland and China, respectively). This advantage stems from the DRC's abundance of the three main cathode raw materials (nickel, cobalt and manganese). Moreover, Africa's proximity to Europe – which has emerged as the second-largest region for cell manufacturing – could provide a market opportunity as European companies seek to reduce supply chain dependency on Asia and reduce the associated supply chain emissions.

The 2020 oil price shock led to a further rebalancing of the Corporation's Natural Resources portfolio as we continued reducing our oil sector exposure in line with the Corporation's strategy. At the same time, we have pivoted our focus to the mining sector with the objective of building an African metals and mining stream platform company. The first two potential assets in the platform are the Thor Segilola Gold Project, which achieved a landmark listing on the London Stock Exchange in June 2021 and commercial production in Q3 2021, and the Baomahun Gold Project in Sierra Leone, which is one of the largest and most advanced large-scale commercial mines in West Africa. In addition to Baomahun, AFC also invested in another transformational mining project in 2021, the Karowe Diamond Mine in Botswana, which further diversified our natural resources portfolio.

Fossil fuels are still an important resource for many African countries. So, the growing trend towards international divestment from the hydrocarbons sector poses significant economic and developmental risks for Africa. We believe that AFC alongside other African DFIs, must pursue a balanced approach that supports Africa's energy-dependent economies in ensuring a just energy transition that also minimises the disruption to their economies. Equally critical is the need to close Africa's incapacitating energy deficit, which is a prerequisite for industrialisation. AFC's approach is to prioritise the development of gas projects, given Africa's abundant resources and its potential to power many African countries cheaply. As such, we welcome the European Union's recent decision to classify natural gas as a green energy source and look forward to building partnerships that unlock these opportunities.

Capital

To maximise the emerging opportunities for Africa, AFC will need a fresh capital injection. Like other multilateral development institutions, AFC needs a solid capital foundation, underpinned by the support of shareholders. Since its inception, the Corporation has been able to consistently raise capital organically through healthy profits. Despite a dividend payout ratio of 30 per cent, which the Corporation even paid to its shareholders at the height of the pandemic in 2020-21, retained earnings have formed the basis for the increase in equity capital through the years. Other DFI peers have been able to raise capital through periodic general capital increases, in which all existing shareholders increase their capital contributions. Recognising these factors, some shareholders have agreed to reinvest a share of their dividend this year.

Besides the ongoing equity raise programme, the Corporation is also pursuing other avenues to raise capital. Though slowed by the COVID-19 pandemic, the equity raise programme regained some momentum in 2021, resulting in US\$53 million in new equity. Crucially, these contributions came from African sovereigns, underscoring their much-needed support for AFC and our mandate to build the critical infrastructure needed for development in their countries.

We are also considering a possible expansion of our equity warrants program and Tier 2 capital instruments as additional sources of capital. This option is one that could interest institutional investors, such as sovereign wealth funds, pension funds and central banks. In January 2021, AFC secured a US\$250 million tier-2 capital loan from the U.S. International Development Finance Corporation (DFC). Apart from welcoming the relationship with a major international partner, the DFC investment has the potential to boost our equity capital once Moody's has completed their assessment of the instrument.

New Investments and Products in 2021

We highlight below selected transformational projects that the Corporation invested in during 2021:

- A US\$175 million investment in the Baomahun Gold Project will significantly contribute to the development of Sierra Leone's mining sector, while generating economic growth, creating jobs and increasing government revenue.
- A US\$200 million corporate facility for BUA Industries Limited for the construction of a backward integrated sugar refinery and ethanol plant in Lafiagi, Kwara State, Nigeria. The proceeds will be utilised for the development, construction, commissioning and operations of a 20,000 hectares plantation, 2,200,000 tons sugar milling plant and a 200,000 tons per annum sugar refinery that will process and refine white sugar. The facility will also have an ethanol plant that should produce 25 million litres of ethanol annually and a 35-megawatt power plant that will produce renewable energy from bagasse (sugarcane residue).
- We successfully launched two new products through our Syndications unit, namely: (i) the A/B Bond; and (ii) credit insured B Loans, both of which will significantly deepen our capacity to channel much needed capital from global investment markets to the African continent. With the A/B bond structure we are now able to repackage loans into note format through a

credit enhanced Special Purpose Vehicle (SPV) which transforms non-investment grade loans into investment grade notes, creating de-risked opportunities for large global institutional investors to deploy funds to high-impact projects and opportunities on the continent in the process. So far, we have utilised this structure to deploy a €187.5 million syndicated facility to the Government of Côte d'Ivoire. The proceeds of the financing were used to fund critical road infrastructure rehabilitation. The Credit insured B loan structure allows us to greatly minimise the risk taken on by investors in the event of a default by the obligor of the underlying asset. It allows investors to buy a B loan participation alongside AFC's A loan participation in loans provided mostly to sub-investment grade borrowers, by elevating the investment's credit profile closer to investment grade. We successfully deployed this structure in a US\$1.3 billion syndicated facility to the Government of Tanzania to finance multiple sector-wide infrastructure projects.

- AFC exited our 23 per cent stake in MainOne, a West African data centre and connectivity solutions provider, and one of AFC's longest held assets (since 2008), achieving a 2x return on an initial investment of US\$32 million. The exit freed up US\$52.7 million in equity headroom to make new investments.

Member States increased to 33

During 2021 AFC was delighted to increase our Member States from 28 to 33 as we welcomed Burkina Faso, the Democratic Republic of Congo, Morocco, Egypt and Niger as new Member States.

AFC Corporate Rebrand

In early-2021, AFC embarked on an initiative to align the AFC brand and its market positioning with its business strategy. The initial phase of the project involved extensive research to understand the perceptions and attitudes held towards the AFC brand in order to guide the identity refresh. Following months of work, it gives me great pleasure to unveil our new brand.

AFC's revitalised brand reinforces our role as the resilient reliable bridge to advance Africa's instrumental role as a global growth engine.

- **Our Partners:** We are a gateway through which countries can solve their infrastructure challenges and unleash prosperity. For our investors, we provide derisked solutions that enable us to structure projects pragmatically for accelerated development impact whilst delivering profitable returns.

- **Our People:** AFC's strength is in its people. We are a high-performance institution, committed to supporting the career aspirations of our talented staff, so that through their rewarding work they can express their passion to develop the continent they love.
- **Our Planet:** From our contribution to climate proofing and resilient infrastructure, our renewable energy platform, our work on energy transition metals and large forestry reserves, we are a credible solutions provider for Africa's urgent climate challenge.

Our mission, as encapsulated by the strapline 'Instrumental Infrastructure. Instrumental Africa' is to turn infrastructure into an instrument for change across Africa.

- We are champions for 'Instrumental Infrastructure', consistently delivering fast and sustainable solutions to close the infrastructure gap and unleash Africa's prosperity.
- We elevate 'Instrumental Africa' as an engine of growth in a changing world by investing in infrastructure that accelerates industrialisation and transforms economies.

People and organisation

Our people and culture remain our greatest asset and our main competitive advantage. Our mandate recognises that it is essential that we attract and retain the best talent. Therefore, we are committed to investing in our employees, supporting them through training and education, and helping them to develop new skills for a rapidly changing world. Above all, we are focused on empowering our staff with purpose, so that together, we can generate the solutions and innovation to address Africa's infrastructure deficit.

AFC closed the year with a staff strength of 138 employees up from 115 in the previous year, with the increase driven by the creation of new business units, the need to strengthen existing units and ensure the Corporation has the requisite skills and competencies across all business areas. We have a sustained commitment to diversity and inclusion on our team, and our staff body now represents 23 nationalities (up from 17) and a 63:37 male-female ratio.

Environmental, social and governance (ESG)

Environmental, social and governance (ESG) considerations are increasingly important to our various stakeholders – employees, communities, partners, and investors. At AFC, we are fully committed to ensuring that sustainability forms an integral part of not only our investment decisions and the individual projects which we finance, but also all the activities of the Corporation.

As we work towards closing Africa's infrastructure gap, we are equally committed to building infrastructure that is resilient to the impacts of climate change and will transform the lives of Africans for generations to come. This is reflected in the launch of the ICRF as a co-investment vehicle in climate resilient infrastructure.

Although mitigation and adaptation projects currently make up a small share of our portfolio, the latter includes high impact assets such as the 6.67km SOCOPRIM in Cote d'Ivoire which has led to reduced congestion and emissions; the 420MW Nachtigal hydropower project in Cameroon currently under construction; the 44MW Singrobo hydropower project in Cote d'Ivoire also under construction and the 60MW Ghoubet wind power project in Djibouti, which is expected to start operations in 2022.

In September 2021, AFC's portfolio company, Arise IIP, a pan-African developer and operator of industrial parks was awarded an ISO 14064-1 carbon neutral certification for the Gabon Special Economic Zone (GSEZ). The certification provides a transparent third-party assessment for GSEZ's carbon footprint and offsetting.

Outlook

Looking ahead, I am confident that AFC has what it takes to play an even greater role in Africa's post-COVID development. With our solutions mindset, our strong fundamentals, and our knowledge of Africa, we are uniquely positioned – in partnership with other continental organisations – to do more in helping Africa close its infrastructure gap. The widening infrastructure financing gap against a dwindling pool of resources calls for more innovation, to generate exponential impact from the investments by AFC and its peers. It also calls for size: to do more for Africa will require Africa-focused DFIs to scale up their operations.

For AFC, future growth will be focused on initiatives such as our platform strategy and asset management business. Pooling individual infrastructure assets such as energy, metals and minerals, transport and logistics, in a single platform can help create sizable African entities of scale that can be listed on recognised stock exchanges, thus creating additional avenues for crowding foreign investment into Africa.

I would also like to express my gratitude to our shareholders, Member States, colleagues, investors, clients, strategic partners and other stakeholders for their continued support to AFC during 2021.

4

Governance

The Governance report explains who we are as an organisation, our leadership, governance controls and the core areas of focus in 2021.

Who We Are

Africa Finance Corporation is a multilateral development financial institution, established in 2007 by an agreement amongst sovereign African States with the critical mission of fostering the economic growth and industrial development of African countries, while delivering a competitive return to its shareholders on their investment. Our vision is to be the leading developer and financier of African infrastructure, natural resources and industrial assets.

Over the last 15 years, we have been actively involved as an investor, lead developer and financier of various strategic infrastructure projects across Africa, with a range of tailor-made product offerings including debt, equity and mezzanine instruments within the project finance, trade and structured finance and equity investment space. In addition, we offer our valued clients and stakeholders, financial advisory, project development and technical advisory services across our five core focus sectors namely: Power, Natural Resources (Oil, Gas and Mining), Heavy Industries, Transport and Telecommunication Infrastructure. In furtherance of our mandate, AFC acts as a catalyst to create and foster

conditions that are conducive to the greater inflow of investment funds into the African continent for increased infrastructure development and export-oriented industrialisation. In the 15 years of our existence, the Corporation has gained recognition as the benchmark institution for financing the development of Infrastructure projects in Africa. As at 31 December 2021, the Corporation has invested circa US\$9.9 billion in various projects across 35 African countries.

AFC Equity Investments Limited (AFC Equity) is a wholly owned subsidiary of AFC, which was established in Mauritius in 2013, as an investment vehicle for the purpose of holding AFC's equity investments. The Board of AFC Equity comprises four foreign directors and two resident directors. The Board of AFC Equity is responsible for promoting the success of the entity by directing and supervising its affairs in accordance with the objectives approved by the sole shareholder and in compliance with applicable laws and regulations in Mauritius.

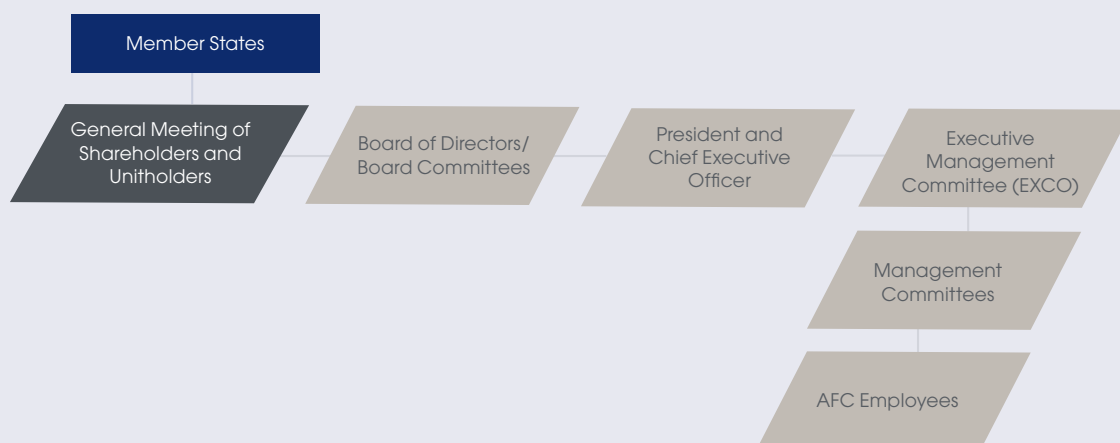
In executing their mandate, AFC and AFC Equity (collectively, the Group) operate within a corporate governance structure developed on

high standards and in line with international best practice. The Group's governance culture is pivotal in driving performance and ensuring ethical conduct in all the affairs of the Group. Hence corporate governance is a crucial enabler and the foundation of the successes achieved by the Group to date. As the Group transitions into its 15th year, we are increasingly conscious that adopting good governance practices in the way we always do business results in sustainability and good performance over the longer term.

Corporate and Governance Structure of AFC

AFC's corporate structure is comprised of AFC's Member States, Shareholders, Board of Directors, Board Committees, Executive Management, Management Committees and Employees.

Figure 1



The Corporation is headquartered in Lagos, Nigeria, by virtue of a Host Country Agreement entered into with the Federal Republic of Nigeria. AFC was established by twin constitutive documents: the Agreement for the Establishment of Africa Finance Corporation (the AFC Establishment Agreement) and the Charter of AFC (the AFC Charter). The AFC Establishment Agreement is the treaty concluded by and between Sovereign States (Member States). The AFC Charter is appended to the AFC Establishment Agreement and derives its legal force from the AFC Establishment Agreement. The AFC Charter is operative among the shareholders of the Corporation (Shareholders).

The AFC Establishment Agreement and the AFC Charter provide the basis for the corporate governance of the Corporation. The AFC Charter provides guidelines for the governance and management of the Corporation and defines the roles of the Shareholders, Board of Directors and Executive Management.

As a multilateral development financial institution, AFC enjoys supranational status and is not subject to the domestic legislation of its Member States, but to international law and conventions applicable to similar institutions generally. AFC is self-regulated and adheres to international best practice in respect of its operations.

AFC's Member States

We currently have 33 Member States as follows: Nigeria, Ghana, Guinea-Bissau, Guinea, Cape Verde, Rwanda, Uganda, Liberia, Sierra Leone, The Gambia, Gabon, Kenya, Côte d'Ivoire, Djibouti, Chad, Benin, Zimbabwe, Zambia, Malawi, Mauritania, Mauritius, Madagascar, Namibia, the Republic of Senegal, Eritrea, Mali, Togo, Congo, Egypt, Burkina Faso, the Kingdom of Morocco, the Democratic Republic of Congo and Niger. In 2021, our Membership increased with the joining of five additional African countries: Burkina Faso, the Democratic Republic of Congo, the Kingdom of Morocco, the Republic of Egypt and Niger.

AFC's Member States, by entering into the AFC Establishment Agreement, grant the Corporation the requisite diplomatic immunities, privileges and exemptions to facilitate its operations in their respective territories. These include AFC's immunity from every form of legal action except in respect of the Corporation's operations; the immunity of AFC's property and assets from search, requisition, expropriation, nationalisation and all forms of seizure by executive or legislative action; to the extent necessary to implement the purpose of the Corporation, to waive and refrain from imposing any administrative, financial or other regulatory restrictions that are likely to hinder in any manner, the smooth functioning of the Corporation or impair its performance of its obligations; Member States' agreement to also provide tax exemptions in respect of the Corporation's operations in their territories. AFC is conferred with Preferred Creditor Status in its Member States.

Shareholders

AFC's current authorised share capital is US\$2.0 billion with paid in capital of US\$1.2 billion, and as at 31 December 2021, total shareholder funds were US\$2.2 billion. AFC has 31 Shareholders, comprised mainly of some Member States, major financial institutions and development financial institutions. In 2021, the Banque Centrale de la République de Guinée, (the Central Bank of Guinea), the Government of Togo and the Seychelles Pension Fund acquired shares in AFC, thereby increasing and further diversifying the Corporation's shareholder base. Also, the Government of Ghana via its investment vehicle, the Ghana Infrastructure Investment Fund (GIIF), increased its shareholding in AFC.

At AFC, our Shareholders exercise their oversight responsibilities over the affairs of the Corporation, through the Annual General Meeting and any other General Meetings as provided under the Charter of AFC. Shareholders with shareholdings above a set threshold have the right to nominate representatives to the Board of Directors. Hence, members of the Board are mainly representatives of Shareholder institutions and Independent Directors and Executive Directors.

Changes to the AFC Charter

In order to strengthen and diversify the capital base of the Corporation, the Shareholders, upon the recommendation of the Board, approved the creation of Callable Capital (ordinary shares with a callable component) and financial instruments which are eligible to be treated as equity, such as equity warrants.

Equity warrants bestow upon the investor the right to acquire shares in AFC at a predetermined price at the end of the stipulated term. The Equity Warrant Structure has been used successfully to mitigate the sometimes unpredictable process of raising equity by providing a support structure from its existing shareholders. During the tenor of the warrants, AFC will have the option, but not the obligation, to redeem the warrants by returning the amount invested in the warrants to the investors at any time up to the end of the term. The holder of the share warrants will be entitled to a return on the warrants, similar to dividends, when declared by the Shareholders.

The Corporation's callable capital comprises of a minimum 20 per cent paid-in component and an up to 80 per cent callable component. The paid-in capital is payable upon subscription on terms to be agreed with the Corporation, and the callable component is paid upon a mandatory call made by the Board of Directors in accordance with the terms of the AFC Charter. Consistent with callable capital issued by other multilateral development banks, a call may be made in a situation where the Corporation finds itself in extreme difficulty and is unable to meet its financial obligations. The Corporation issued its first callable capital to the Republic of Togo in 2021.

Shareholder and Warrant-holder Returns

The Board has recommended a dividend payout of 4.821 US cents per share (US\$56,462,371 in aggregate) as payment to Shareholders, and a return on share warrants of US\$5,074,737 to warrant holders at 4.821 US cents per share warrant, subject to the approval of the 2022 Annual General Meeting.

Board of Directors

The Corporation's Board of Directors has the ultimate responsibility for policy formulation, strategy and decision making, with specific authority delegated to three subsidiary committees and Executive Management for the day-to-day operations.

Board Composition

The Board consists of 12 non-executive directors (Non-Executive Directors) including two independent directors (Independent Directors), and three executive directors (Executive Directors).

The Board of Directors comprises experienced professionals with in-depth finance, project finance, banking and industry knowledge. No individual or group dominates the Board's decision-making processes.

Board Director Changes

The Board through its Nominations and Corporate Governance Committee constantly evaluates the balance of skills, knowledge and experience on the Board. During 2021, the Board, on the recommendation of the Board Nominations and Governance Committee (BNGC), elected Ms. Kirstine Damkjaer as an Independent Non-Executive Director of the Corporation. Her appointment was ratified at the 2021 AGM. The Board appointed Sameh Shenouda, a seasoned investment professional, as the new Executive Director and Chief Investment Officer, at the end of 2020. He commenced work in January 2021.

Duties of the Board

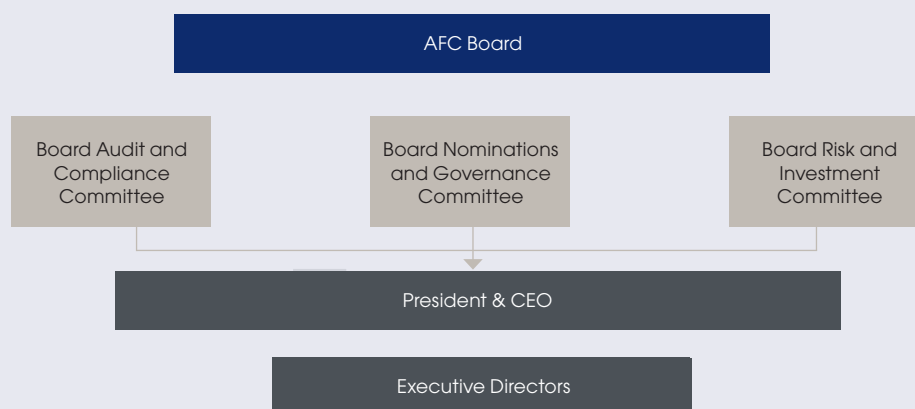
The AFC Board is responsible for providing overall leadership and setting strategic objectives and guidelines for the long-term sustainable development and success of the Group in meeting the Corporation's mandate.

Our Board subscribes to the principles of good governance and remains committed to setting and maintaining superior standards of corporate governance. To this end, the Corporation has in place, well defined corporate policies, business practices and internal controls to help safeguard the Corporation's interest whilst pursuing the Corporation's developmental mandate. The Board of Directors has three sub-committees: the Board Nominations and Governance Committee, the Board Risk and Investment Committee and the Board Audit and Compliance Committee.

The Board and its sub-committees are responsible for ensuring that the Group's operations, processes and activities are supported by a strong system of governance that is fully integrated into all aspects of its business, while empowering Executive Management to execute and deliver in accordance with the strategy. The Board remains accountable for the ongoing sustainability of the Group.

There is a clear separation of the roles of the Chairperson and the President and Chief Executive Officer. The Chairperson of the Board is responsible for the overarching management of the Board and Corporation in setting and monitoring the strategic direction, whilst the President and CEO is responsible for the day-to-day leadership and management of the business, as well as the implementation of the Corporation's mandate in accordance with the agreed strategic framework.

Figure 2



"As at 31 December 2021, the Corporation has invested circa US\$9.9 billion in various projects across 35 African countries."

Activities of the Board

The Board decides upon all strategic matters, which fall outside the day-to-day management of the Corporation, such as the business model, strategic targets, organisational structure, financial reporting, and it monitors performance of the Group throughout the year.

During Board meetings, Directors actively participate, discuss, deliberate and appraise matters requiring attention and decision. If required, the Directors go into closed sessions for discussions amongst themselves without the presence of the Executive Management, as is necessary to facilitate more effective oversight of the Executive Management. All Directors have access to the advice and services of the General Counsel, the Chief Risk Officer and the Head of Internal Audit, as well as the external auditors. Board members can seek independent professional advice at the Corporation's expense as part of the performance of their duties.

The Board has a schedule of matters reserved for its approval and all other items are delegated to Board Committees or Executive Management. The Chairperson of each Board Committee and the Chief Executive Officer present a report of their activities for the quarter at each Board meeting for consideration and ratification of decisions, as appropriate.

The Board meets at least once every quarter, or as the business of the Corporation may require. In 2021, the Board met every quarter and held an intensive two-day strategy session to evaluate and strategise on the Corporation's plans and aspirations, taking into account critical factors such as the impact of COVID-19. The Board considered and approved the budget and financing plan for the year. The Board considered investment proposals above specified thresholds, on the endorsement and recommendation of the Board Risk and Investment Committee, as well as investment proposals with related parties of the Corporation in accordance with the Corporation's Related Party and Associates

Policy. The Board extensively considered the country limits and methodology with a view to positioning the Corporation for the future, in order to adequately meet its mandate of addressing the infrastructure gap in countries with deficiencies and at the same time manage the risk of investment. Various other corporate policies reviewed and endorsed by the relevant Board Committees were approved by the Board. The Board also assessed the financial performance of the Group. The Board maintained its oversight of the Corporation's processes in order to evaluate the adequacy of internal controls, risk management, financial reporting and compliance.

Board Nominations and Corporate Governance Committee (BNGC)

The BNGC considers and reviews policies on the Corporation's governance structure and framework, shareholder matters, human resources matters and the appointment and re-appointment of Non-Executive Directors and Executive Directors. In 2021, the BNGC extensively reviewed the compensation package of Directors and staff of the Corporation. Following recommendations from an external consultant, Deloitte & Touche were engaged to conduct compensation surveys of comparable institutions. The Committee also reviewed the procedure for executive director recruitment. The Committee approved the inclusion of the following new senior members of staff to AFC's Executive Management Committee: (i) Ms. Ayaan Adam, Senior Director & CEO AFC Capital Partners; and (ii) Dr. Rita Babihuga-Nsanze, Director & Chief Economist.

As part of its mandate to ensure that gender diversity remains at the forefront of AFC's decision making, a gender pay parity analysis was conducted. The analysis was on an aggregate/average basis for each gender, whereby the aggregate salary of male employees at a level and the aggregate salary of female employees at the same level were considered and analysed, in addition to the total salaries across all levels. The result of the assessment showed that there was

no disparity in the salaries of male and female employees across all levels of the Corporation.

The BNGC reviewed the strategic direction in respect of the equity raise for the Corporation as well as bringing on board new Member Countries. The BNGC also considered and approved the new shareholders of AFC: the Government of Togo, the Seychelles Pension Fund, and the Banque Centrale de la République de Guinée.

The BNGC is made up of nine members and met three times in the year and sub-committees of the BNGC, set up for an in-depth review of compensation and board performance, met on a further two occasions.

Board Risk & Investment Committee (BRIC)

The BRIC reviews and approves the Corporation's investment decisions. The BRIC sets guidelines and policies on the adequacy of the Corporation's capital, exposure limits, risk profile, liquidity and funding. In addition, the BRIC approves the various borrowings embarked on by the Corporation under its delegated authority from the Board of Directors and monitors the Corporation's financial performance through periodic reports from the Chief Executive Officer. The BRIC meets as often as the business of the Corporation may require or at least eight times a year.

The BRIC approved the 2021 Investment Strategy, which was focused on (a) the Platform Strategy including ports, renewable energy, royalties and streaming, special economic zones and storage platforms; (b) Transformational Projects; (c) Geographic diversification of investments; (d) High profile exits from investments; and (e) Enhanced Portfolio Management and Optimisation.

In 2021, the BRIC considered 37 investment proposals spanning its five focus sectors. At each meeting of the BRIC, the Committee rigorously reviewed the risk profile of the Corporation's portfolio of assets, while also taking account of the impact of the COVID-19 pandemic, monitored the various sector limits and reviewed and approved the Corporation's investment decisions. The Committee also periodically assessed the Corporation's investment strategy and the activities of the newly constituted AFC Capital Partners. All geographic regions in Africa were covered, with the countries including Cameroon, Côte d'Ivoire, Botswana, Democratic Republic of Congo, Egypt, Eritrea, Gabon, Ghana, Kenya, Mauritania, Morocco, Nigeria, South Africa, Republic of Guinea, Senegal, Sierra Leone, Tanzania, Togo, Tunisia and Uganda.

In terms of the Corporation's capital raising, during 2021 the BRIC approved the Corporation's sixth Eurobond issuance, a USD/ZAR cross-currency swap, the Corporation's first facility from Exim India and a 10-year loan facility from KfW – IPEX, as well as various other treasury transactions.

The BRIC also approved the revisions to the various policies on: Liquidity Policy and Contingency Funding, Hedging and Derivatives, Operational Risk Management, Credit Risk Management, Environmental and Social Risk Management and Market Risk Management. These policies were aligned with market realities, as well as international best practice.

During the year, BRIC endorsed the incorporation of AFC Capital Partners (ACP). ACP is the Corporation's wholly owned asset management subsidiary, formed in Mauritius as a separate limited liability company to further AFC's mission by mobilising capital scale and managing capital from third-party investors for co-investing with AFC through the various sustainable and climate focused investment vehicles. AFC Capital Partners forms a core part of the Corporation's five-year strategy, as set out in 2018 to expand its suite of pragmatic and innovative funding solutions by mobilising capital to drive the development of infrastructure that is resilient to the impact of climate change. The ACP's inaugural fund is the Infrastructure Climate Resilient Fund (ICRF), which will act as a direct investor and a co-investment fund to enhance the quality of African ports, roads, bridges, rail, telecommunications, clean energy, and logistics in the face of rising temperatures and sea levels due to climate change. The fund will look to combine concessional and commercial capital to deliver attractive returns for institutional investors.

The BRIC was made up of eight members during the year and met nine times.

Board Audit & Compliance Committee (BACC)

The BACC derives its authority from Article 28 of the AFC Charter. The BACC members possess relevant business knowledge, skills and familiarity with banking and accounting practices. The Committee meets with the external auditors and the management of the Corporation in joint sessions to review the audited financial statements of the Corporation. The Committee also reviews the Corporation's financial performance and policies relating to financial matters. The Corporation's budget is reviewed and endorsed by the Committee and recommended to the Board for approval. The BACC also reviews Internal Audit's reports and recommendations.

In 2021, in line with its oversight responsibility and compliance monitoring, the BACC met the external auditors to review and approve the External Audit Plan & Strategy, as well as the Audited Financial Statements for the year ending 31 December 2021. The BACC reviewed the Internal Audit reports on the Corporation's operations including the activities of all departments of the Corporation during the year. The BACC also approved the implementation of the Internal Audit Plan as proposed by the Head of Internal Audit.

The BACC assessed the Corporation's Performance and Business Planning, compliance with prudential requirements as well as compliance management in line with its compliance function. Certain procurements made by the Corporation above a specified threshold were also approved by the BACC. The Committee considered and made recommendations to the Board on the external auditor's fees. The Committee also considered the transition from London Interbank Offer Rate benchmark to a new reference point.

During the year, the BACC was made up of five members and met four times.

Board and Climate Change

The Board extensively considered the impact of energy emissions on the continent and its attendant effect on the Corporation's mandate and business. Based on the outcome of the discussions from the various strategy sessions held by Board and Management, the Corporation plans to continue its move to a new level of leadership in development impact by reducing emissions and achieving better sustainability, in respect of the projects which the Corporation develops and finances. The Corporation will continue to facilitate the development of greener economies with visible landmark projects that provide solutions as well as champions for Africa's sustainable development across renewables, energy transition, import substitution and value-accretive beneficiation projects that enhance job creation. The Board approved the establishment of the Infrastructure Climate Resilient Fund (ICRF) to facilitate the implementation of the Corporation's Strategy on climate change.

The Board also approved the incorporation of the Corporation's wholly owned subsidiary, AFC Capital Partners (ACP), to implement the Corporation's funds management strategy, which includes the creation of the ICRF.

AFC participated at the 2021 United Nations Climate Change Conference (COP26), where it engaged in thought leadership sessions on the impact of the energy emissions on the climate, as well as its effect on the African continent. The Board noted that ICRF will be featured to the G7 Institutional Task Force as an example for mobilising institutional capital at scale for SDGs and climate projects.

Remuneration

The remuneration of the Board was last determined by the Shareholders at the 2016 Annual General Meeting in line with the Corporation's vision to attract experienced professionals with vast experience across the

Corporation's sectors. An objective compensation survey was conducted by Deloitte and recommendations were made on a revised compensation package. The revised fee package will be considered at the 2022 AGM.

Board Performance Evaluation

The evaluation of the performance of the Board is conducted every two years. In 2020 the Board engaged the Sirdar Global Group (SIRDAR) to conduct the performance assessment of Directors, individually and collectively. SIRDAR also assessed the corporate governance practices, procedures and policies of the Board. SIRDAR presented its report in 2021. The results from the evaluation process indicate that board performance, governance and compliance are in good health, with no major areas of concern. The report was extensively considered at the 2021 Board Strategy Session. The Corporation is in the process of implementing the recommendations of the Consultant. The Board also had the benefit of the expertise of governance experts from McKinsey & Company, who were invited to discuss with the Board on the post-COVID-19 Board focus.

Responsibilities of Directors (Financial Statements and Annual Report)

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year. These responsibilities include instituting adequate internal control procedures to safeguard assets, prevent and detect fraud or other irregularities; maintenance of proper accounting records; adherence to applicable accounting standards (IFRS in our instance); ensuring relevant accounting policies are used and consistently applied; and the financial statements are prepared on a going concern basis.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Corporation's financial performance, business model and strategy.

Independence

The Board considers all its Non-Executive Directors to be independent in character, and judgment and free from any relationship which could materially interfere with the exercise of their judgment. All Board Members exercise their responsibilities on the basis that they owe their fiduciary duties to the Corporation.

Attendance at Board and Board Committee Meetings					
	Board of Directors	BACC	BNGC	BRIC	Apologies
Number of meetings in 2021	4	4	3	9	
Non-Executive Directors					
Kingsley Obiora	3		3		
Adesola Adeduntan	4		3	7	
Ahmad Abdullahi	4	4	3	7	
Batchi Baldeh	4				
Emeka Emuwa	4		3	9	
Henry Oroh	4	4		9	
Kevin Amugo	4	4	3		
Patrick Akinwuntan	4	4	3		
Kirstine Damkjaer	3	2		6	Appointed in 2021
Roosevelt Ogbonna	4		3	9	
Soula Proxenos	4		3	9	
Victor Osadolor	4		3	9	
Executive Directors					
Samaila Zubairu*	4	✓	✓	✓	
Sameh Shenouda*	4	✓	✓	✓	
Sanjeev Gupta*	4	✓	✓	✓	

* In attendance at all Board committee meetings

Executive Management

As President and Chief Executive Officer (CEO), Samaila D. Zubairu has the responsibility of implementing the strategy agreed by the Board and is responsible for the day-to-day management and running of the Group. He is supported in this role by the other members of the Executive Management Committee.

In accordance with the AFC Charter, Executive Management, led by the CEO, oversaw the day-to-day management of the Group during the year. Executive Management ensured compliance with all Board and Board Committee policies, monitored the financial performance of the Corporation, maintained compliance with the Corporation's financial ratios, drove the investment proposals made to BRIC for approval and engaged with various stakeholders to ensure an increase in partnerships and membership of the Corporation.

As part of Executive Management's commitment to enhance the performance of the Corporation, the Management Performance Review Committee meetings were held regularly, in which members of Executive Management in conjunction with business and sector heads, strategise on the Corporation's investment objectives, monitor the performance of the Corporation against targets, as well as the

execution of approved investments and the performance of the Corporation's portfolio of assets.

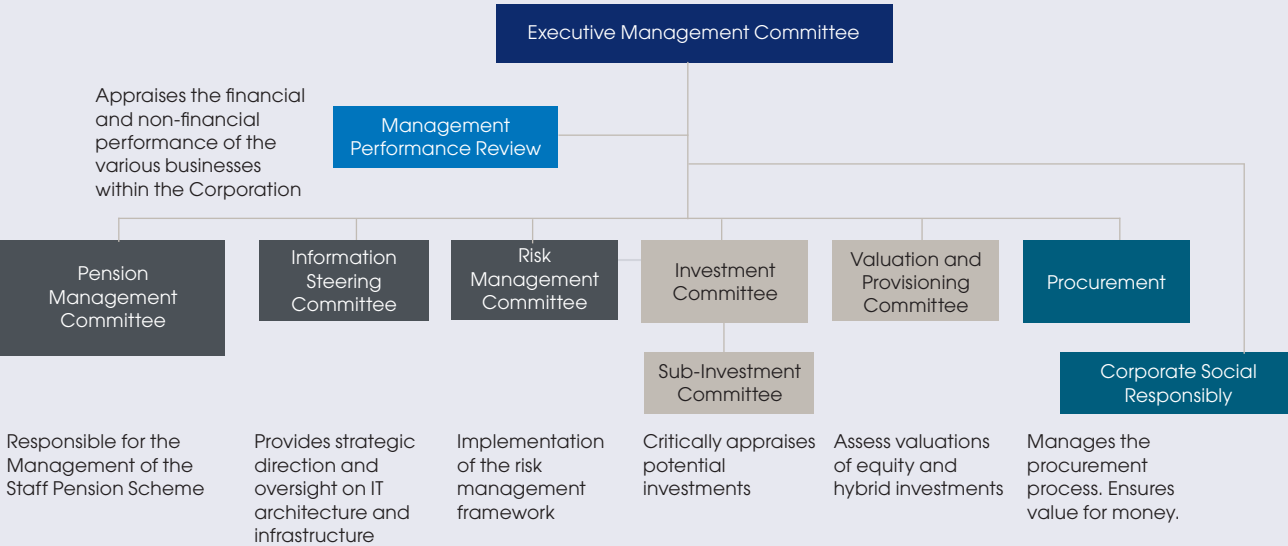
In line with best practices and in furtherance of the Corporation's Five-Year Strategy, the Transformation Office led by the Chief Transformation Officer continues to develop and improve processes and expand the Corporation's product offerings.

With the appointment of Ms. Ayaan Adam, Senior Director & CEO, AFC Capital Partners, and Dr. Rita Babihuga-Nsanze, Director & Chief Economist, the gender diversity of the Executive Management was greatly enhanced.

Management Committees

Executive Management is supported by various Management Committees.

Figure 3



People

The AFC core values lie at the heart of our business operations and remain the basis of how we interact and do business. The work and impact of AFC staff continues to be recognised both in Africa and globally. The Corporation currently has 138 staff comprising 23 different nationalities with a gender split of 63:37 (male: female). Management continues to embed diversity in the recruitment and selection processes. There is no gender pay disparity at AFC.

In order to promote employee voice and strengthen employee engagement, the Peoples’ Consultative Forum, an employee-managed forum continues to assist Management with the means of identifying and managing staff-related matters.

Code of Ethics

Our Code of Ethics, which is attested to by all employees, clearly states the expectations for staff in the way AFC’s business is conducted and managed. The Code of Ethics is applied to all business relationships, contractual agreements and internal operations. Acting consistently and with a strong ethical compass is of great importance to the Board and Management across all of the jurisdictions and markets in which AFC operates. The Directors, Management and staff adhere to the highest standards of ethics.

Whistleblower Policy

Whistleblower Policy is an important part of promoting our culture to encourage staff of the Corporation to speak up and constructively

provide guidance on ways to improve our processes. The policy articulates how the Corporation will respond to and investigate reports of misconduct including the protections available to any whistleblower. The Corporation maintained ethics hotlines with Deloitte & Touche. This independent, confidential, toll-free hotline operates to enable employees to report issues anonymously, including any breach of the Code of Business Conduct. The BACC also receives reports on any material incidents reported under the Internal Audit report.

There was no reported incident of unethical conduct in 2021. The Corporation continues to hold annual Anti-Harassment, Discrimination and Intimidation Workshops, and continues to train staff on whistleblowing and reporting. The Corporation constituted a Peoples’ Consultative Council comprised of representatives of various departments and grade levels. The Council provides an additional platform for staff to report any matter of concern. The Chairman of the Council reports directly to the Chairman of the Executive Management Committee.

Anti-Money Laundering

In 2021, Management ensured that all staff underwent training on detecting and combatting money laundering transactions. Such training and testing of knowledge is carried out regularly each year.

The Corporation continues to maintain a gift register. The Board-approved gift policy requires that all employees declare to their line managers

with a copy to Human Resources and the Chief Risk Officer in his capacity as the Chief Compliance Officer, all gifts above a threshold amount, received in connection with the business of the Corporation.

Independent External Auditors

The Board, on the confirmation of the General Meeting of Shareholders approved KPMG Professional Services (KPMG), as the Corporation's external auditors.

Governance & Technology

The rapid spread of COVID-19 across the world in 2020 and 2021 led to lockdowns across the globe resulting in travel restrictions. The need to social distance at the workplace to reduce the risk of exposure and spread of COVID-19 necessitated a re-evaluation of how the Corporation's governance structures could be adapted to ensure that the Corporation continues to execute its mandate and maintain effective governance over its operations, processes and activities.

In view of this, the Corporation switched to alternative solutions to having face-to-face meetings, through the use of technology. The AFC Charter was amended to allow for virtual meetings of Shareholders, the Board and Management. The 2021 Annual General Meeting was held with a few representatives of the Shareholders at the AFC Headquarters with most shareholders and staff participating remotely. Staff continued to work effectively from their homes in 2021 and all meetings were held virtually, facilitated by technology solutions.

The COVID-19 pandemic did not affect the ability of the various governance functions to execute their respective mandates, as the Corporation ensured that innovative solutions were effectively utilised to minimise disruptions to our governance systems.

Annual General Meeting

Pursuant to the provisions of the AFC Charter, an Annual General Meeting will be held in April 2022. A copy of the Notice is available on our website.

Leadership Profiles

A summary of the skills and experience of the Board of Directors and Executive Management are set out below:



Dr. Kingsley Obiora

Chairman of the Board of Directors

Dr. Obiora is an economist and a central banker. He attended University of Benin for his Bachelors and the University of Ibadan for his Postgraduate degrees, graduating at the top of his class in both Universities.

Since graduation, Dr. Obiora has attended several macroeconomics, finance and executive management programs in George Washington University, IMF Institute, Washington D.C and Federal Reserve Bank of New York, USA, amongst others.

In March 2020, he was appointed as the Deputy Governor in charge of Economic Policy at The Central Bank of Nigeria.

From August 2018 until February 2020, Dr. Obiora served as Alternate Executive Director on the Board of the International Monetary Fund where he represented Nigeria and 23 other African countries in Africa Constituency 1 of the IMF, Washington DC. Dr. Obiora first joined the IMF's European Department as an Economist in September 2007 and did extensive work on exchange rate assessment, debt sustainability analyses, decoupling and spillovers, real sector analyses, as well as several reviews of financial sector assessments in several countries.

Prior to joining the IMF, he worked at the West African Monetary Institute in Accra, Ghana. Between October 2011 and May 2014, Dr. Obiora served as Technical Adviser to the Nigeria's National Economic Management Team, as well as Special Assistant to President Jonathan's Chief Economic Adviser.

From June 2014 until July 2018, Dr. Obiora also served as Special Adviser on Economic Matters to the Governor of the Central Bank of Nigeria (CBN). In this capacity, he contributed significantly to the overall analytical and policy work of the CBN and led the team of several Technical Aides attached to the Governor's Office.

Dr. Obiora contributed to the preparation of several Presidential Speeches, economic updates, reviews and talking points. He also led different teams to author several books on the reforms in the Nigerian economy. In view of these accomplishments, he received a personal Letter of Commendation from President Jonathan in May 2014.

He has authored several books and has over 30 published articles. Dr. Obiora has served on the Board of many public organisations and belongs to several professional societies.



Emeka Emuwa

Emeka Emuwa is currently the Chairman of the Board Risk and Investment Committee and a Non-Executive Director of the Corporation. He was the Group Managing Director and Chief Executive Officer of Union Bank of Nigeria (Union Bank) and retired from the Bank at the end of his tenure on 31st March 2021. He joined Union Bank in 2012 to lead its transformation following the bank's recapitalisation by Union Global Partners Limited – an international consortium of private equity investors.

An accomplished banker with 30 years of experience across Africa, Mr. Emuwa joined Union Bank after a distinguished 25-year career with Citibank. Following several senior roles in Cameroon, Gabon, Congo, Tanzania, Ghana, Niger and the Democratic Republic of Congo, Mr. Emuwa became the first Nigerian to be appointed Country Officer and Managing Director of Citibank in Nigeria, a position he held until he was appointed the Chief Executive Officer of Union Bank.

Mr. Emuwa is the Chairman of the Financial Literacy and Public Enlightenment (FLPE) sub-committee of the Nigerian Bankers' Committee. He is the Chairman of the Nigeria Portugal Friendship and Business Association and a former Chairman of Junior Achievement Nigeria. He is a former Director of Accion Microfinance Bank and the American Business Council.

Mr. Emuwa graduated from the University of Lagos with a degree in Finance and holds an MSc. in Management from Purdue University's Krannert School of Management.

Outside of his professional career, he is deeply committed to causes affecting the underprivileged and children with disabilities.



Ahmad Abdullahi

Ahmad Abdullahi is the Interim Chairman of the Board Audit and Compliance Committee. He is also the Chairman of First Bank Holdings PLC. He was the Director and Head of the Banking Supervision Department at the Central Bank of Nigeria. He retired from the Central Bank of Nigeria in February 2020. Mr. Abdullahi joined the services of the Central Bank of Nigeria in 1990 as a manager and rose to the position of Director. He was Manager in charge of Retail Banking Services in the Central Bank of Nigeria branches of the Ibadan, Kano and Katsina States of Nigeria before serving as a Relationship Manager, Team Lead and Group Head in off-site supervision of some pan-African banks in the Banking Supervision Department of the Central Bank of Nigeria. He was promoted to the position of Director Governor's Department in 2012 and thereafter moved to Other Financial Institutions Supervision Department as Director in 2014. Mr. Abdullahi oversaw the on-site and off-site supervision of commercial banks, merchant banks, specialised institutions and discount houses to ensure the safety and soundness of the financial system.

Before joining the services of the Central Bank of Nigeria in 1990, Mr. Ahmad Abdullahi was a Lecturer with Usman Danfodiyo University, Sokoto, Nigeria, between 1985 and 1990. During his career, Mr. Abdullahi developed competencies in the areas of Financial Regulation, Banking Services, Business Reengineering and Performance Improvement, Teaching and Research, Corporate Governance, as well as Ethics and Compliance.

He is a Member of the Society of Corporate Compliance and Ethics and a certified Compliance and Ethics Professional. He holds a Bachelor of Science in Agricultural Economics from the Ahmadu Bello University, Zaria, Nigeria, a Masters in Agricultural Economics from the University of Ibadan, Nigeria, and a Masters in Banking & Finance from Bayero University, Kano, Nigeria.

He is also a member of other professional bodies including the Nigerian Institute of Management, the Chartered Institute of Bankers of Nigeria and the Institute of Directors.



Dr. Adesola Kazeem Adeduntan, FCIB, FCA

Dr. Adesola Adeduntan has domestic and international experience in commercial and investment banking, development finance, audit and consulting; a philanthropist and leader with a keen interest in providing platforms for the development of other young leaders.

Dr. Adeduntan is the Chief Executive Officer of FirstBank Group, the commercial banking arm of FBN Holdings Plc which comprises FirstBank Nigeria and its subsidiaries. He is currently on the Boards of the Africa Finance Corporation (AFC), FBN Holdings Plc, FBNBank UK Ltd, Shared Agent Network Expansion Facilities Ltd (SANE), and Nigeria Interbank Settlement System (NIBSS). Prior to FirstBank, he was a director and pioneer CFO/Business Manager of Africa Finance Corporation (AFC), where he led the team that designed and executed the Corporation's International Credit Rating Strategy, assigned an A3 international credit rating by Moody's, making it the second highest rated lending entity in Africa. He also served as a Senior Vice-President & CFO at Citibank Nigeria Limited, a Senior Manager in the Financial Services Group of KPMG Professional Services and a Manager at Arthur Andersen.

His career in banking and finance spanning almost three decades has earned him various recognitions and awards including Forbes Best of Africa – Outstanding Leader in Africa; African Banking Personality of the Year; African Banker of the Year Award and induction into the African Leadership Magazine (ALM) Hall of Fame; Honorary Citizenship of the State of Georgia and Congressional Commendation Award from the Georgia Senate – USA; Bank CEO of the Year by the AES Excellence Club and several other awards.

He holds an MBA from Cranfield University Business School, UK, and has attended various executive and leadership programmes across the USA, Europe and China including at Harvard Business School and the Universities of Oxford and Cambridge. He is a fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Bankers of Nigeria (CIBN).

Dr. Adesola is a member of the Bretton Woods Committee, Sigma Educational Foundation – focused on enhancing the quality of tertiary education system in Nigeria; the Steering Committee of the Private Sector Coalition Against COVID-19 (CACOVID) in Nigeria; the Governing Council of CIBN; and the Board of Lagos State Security Trust Fund. He also holds the traditional title of Apesinola of Ibadanland.



Patrick Akinwuntan

Patrick Akinwuntan was the Managing Director and Regional Executive at Ecobank Nigeria and retired from the Bank at the end of December 2021. Until his appointment in July 2018, Patrick was Group Executive, Consumer Bank, at the Ecobank Group, leading the business across 33 countries in Africa. The Consumer Bank covers retail, microfinance, cards and e-banking and remittances businesses.

Under his leadership, Ecobank launched several digital innovations that revolutionised banking, created an unrivalled payments ecosystem such as Ecobank's unified Mobile app, *326#, EcobankPay Merchant QR, Ecobank Xpress Account, Ecobank Xpress Cash (cardless ATM withdrawal), Ecobank Rapidtransfer remittances and the Ecobank Pan-African Card across 33 African countries in 18 currencies.

Prior to his role as Group Executive, Consumer Bank, he held various group responsibilities, including Group Executive Director, Domestic Bank, Group Executive Director, Operations, Technology, Transaction and Retail Banking and Managing Director of eProcess International.

Mr. Akinwuntan is an Honorary Fellow of the Chartered Institute of Bankers of Nigeria. He also holds an MBA in Finance, is a Fellow of the Institute of Chartered Accountants of Nigeria, an Associate of the Chartered Institute of Taxation of Nigeria and is an alumnus of the Harvard Business School executive program.



Roosevelt Ogbonna

Roosevelt Ogbonna is the Group Deputy Managing Director of Access Bank PLC. He has over 20 years of experience in banking cutting across treasury, commercial, corporate and investment banking. Prior to his appointment, he was the Executive Director, Wholesale Banking Division, Access Bank PLC.

He is a Fellow of the Institute of Chartered Accountants of Nigeria, a Senior Executive Fellow of Harvard Kennedy School, an alumnus of Harvard Business School and a CFA charter holder. He holds a Master's degree in Business Administration from IMD Business School, Switzerland; a Master's degree (LL.M) in International Corporate & Commercial Law from King's College, London; an Executive Master's degree in Business Administration from Cheung Kong Graduate School of Business; and a Bachelor's degree in Banking and Finance from University of Nigeria, Nsukka. In 2015, he was selected as one of the Institute of International Finance (IIF) Future Global Leaders.

Mr. Ogbonna sits on the board of several institutions including Access Bank UK Limited, Access Bank (South Africa) Ltd and Central Securities Clearing System PLC.



Victor Osadolor

Victor Osadolor is the Chairman of Abuja Electricity Distribution Company (AEDC) plc, the Chairman of UBA Pensions Custodian Limited and a Director on the Boards of AFC and Cenpower Holdings Limited, Ghana.

Up until 2020, Mr. Osadolor was the Deputy Group Managing Director of UBA PLC. In this capacity and at different times, he oversaw the banks operations in 19 African countries (excluding Nigeria), London, NY and Paris, Group Treasury, Wholesale Banking and correspondent banking operations. Prior to this, he was the Managing Director, UBA Capital; Executive Director, Risk & Finance, UBA; Group Chief Finance Officer, UBA; Executive Director, Risk & Compliance.

Mr. Osadolor also worked in several other organisations. He was a Group Director, Heirs Holdings (HH) Limited between 2014 and 2015. He was at different times between 2012 and 2014, the Chief Operating Officer for Corporate and Investment Banking, as well as the Chief Strategist for Ecobank Transnational Incorporated (ETI). Executive Director, Standard Trust Bank; Deputy Managing Director, CTB; Chief Finance Officer, Ecobank Nigeria; Chief Finance Officer, Guaranty Trust Bank; and Auditor, Coopers & Lybrand (now PriceWaterhouseCoopers).

Mr. Osadolor holds a Bachelor of Science degree with Second Class, Upper Division Honors in Accounting from the University of Benin. He is a Fellow Chartered Accountant (FCA) from the Institute of Chartered Accountants of Nigeria (ICAN), an alumnus of Harvard Business School, Advanced Management Program (AMP) and an honorary life member of the Chartered Institute of Bankers of Nigeria (CIBN). He is currently in the process of concluding an M.Sc Finance (Economic Policy) program from the University of London.

Mr. Osadolor's illustrious career in banking spans over 30 years.



Anastasia (Soula) Proxenos

Soula Proxenos has more than 30 years of financial services experience. She has a deep understanding of capital markets, fundraising, brand building and real estate. She is an adjunct Professor at Johns Hopkins Carey School of Business and School for Advanced International Studies (SAIS). She is an independent non-executive director, consultant and advisor of several organisations. She has extensive experience as board chair, committee chair (nominations, and compensation committees), committee member (audit and credit) of not-for-profit, as well as commercial, boards.

Ms. Proxenos was formerly Managing Director of International Housing Solutions (January 2017). Prior to this, she was Managing Director of Fannie Mae's International Housing Financial Services for seven years. She had responsibility for the P+L of Fannie Mae's international consulting services and training programmes, assisting in the development of market-based housing finance systems in over 35 countries.

Ms. Proxenos holds a Bachelor of Arts from Wits University and an MBA from the University of Stellenbosch.



Henry Paul Batchi Baldeh

Henry Paul Batchi Baldeh is an investment banker, infrastructure developer and utility management specialist, with over 33 years of professional experience across the power value chain and financing capital structure. He is currently the Director, Power Systems Development, under the Vice-Presidency for Power, Energy, Climate and Green Growth at the African Development Bank (AfDB), which he joined in May 2017.

Prior to joining AfDB, Mr. Baldeh was the Director, Power Business, Investments Division, at the Africa Finance Corporation. He has also been a consultant to the World Bank, European Union/BizClim and Government of Lesotho; and was the pioneer Managing Director of Gambia's National Water and Electricity Company, from 1995 – 1999.

He is currently a Non-executive Director of the Development Bank of Nigeria; and served as the Chairman of the Board of Directors of Cabeolica S.A. and Cenpower Operations and Services Limited. He was an Alternate Director and Technical Committee member of the Benin Electricity Distribution Company.

Mr. Baldeh holds an MBA from Boston University (USA) and BSc. Honours in Electrical & Electronic Engineering from Newcastle-upon-Tyne University (UK).



Henry Oroh

Henry Oroh is an Executive Director at Zenith Bank International Plc. Prior to his current appointment, he was the Managing Director and CEO of Zenith Bank Ghana. Mr. Oroh has almost two decades of experience in the banking industry. He is a Chartered Accountant and an honorary member of the Chartered Institute of Bankers, Nigeria. He also holds an LLB from the University of London, a Bachelor's degree in Accounting from the University of Benin, Edo State, and an MBA from Lagos State University, as well as an LLB Degree from the University of Lagos.

Mr. Oroh is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN). He began his banking career in 1992 at Citibank where he served for seven years in Operations, Treasury and Marketing. His expertise spans operations, information technology, treasury, marketing, including manufacturing, food and beverages, pharmaceuticals, oil and gas, public sector, consumer, as well as corporate banking and business development.



Dr. Kevin Amugo

Kevin Amugo holds a PhD in Management from Nasarawa State University, Keffi, an MSc Finance, University of Calabar, and a BSc. Accountancy, University of Nigeria, Nsukka. He passed the Professional Examination of the Institute of Chartered Accountants of Nigeria (ICAN) and has risen to the Fellowship of the Institute (FCA).

Dr. Amugo joined the Central Bank of Nigeria as a Senior Supervisor in 1990. He excelled across various departments including the Accounts, Banking and Treasury Offices of Enugu Branch; Banking Supervision Department; and the Financial Policy and Regulation Department.

An inspirational leader with an exceptional track record, he has delivered outstanding results in all his work experiences. He joined the Banking Supervision Department in 1995 as an Assistant Manager and rose to the position of Assistant Director. With ease, he formulated and reviewed the Banking Supervision Policy. Working in the Surveillance Division for over eight years imbued him with extensive knowledge in bank restructuring and management of distressed financial institutions. His deft knowledge in banking policy formulation, combined with the overall supervision of the Nigerian Banking System were evident in his services on the Committee of Bank Supervisors of West and Central Africa's Technical Committee on the Harmonisation of Prudential Standards. He was a member of the Banking Sector Consolidation Committee that oversaw the seamless restructuring of the banking sector in 2005 and supported the expansion of Nigerian banks into international frontiers between 2006 and 2009. He was involved in several other strategic assignments.

He moved to the Financial Policy and Regulation Department and was promoted to Deputy Director in August 2010. He was the Project Manager that meticulously coordinated the implementation of IFRS/Basel II in the Nigerian Banking systems in 2012. He was appointed Director on 18 July 2013. Many Guidelines, Circulars and Frameworks that facilitate the orderly supervision of the banking system in Nigeria have been issued under his guidance. Dr Amugo is passionate about his work and strives to provide outstanding results which are accentuated through the structured financial policy and regulation plans he facilitated. Dr. Amugo retired from the Central Bank of Nigeria in July 2021.

From his studies and work experiences over the years, Dr Amugo has developed robust analytical and effective communication skills and progressively moved up the corporate ladder through sheer diligence and perseverance.

He has attended many national and international courses in Leadership, Corporate Governance, Banking Supervision and Regulation, Accounting, Finance and Risk Management.



Kirstine Damkjaer

Kirstine Damkjaer was appointed as an Independent Director of the Corporation during 2021.

She is a non-executive director at several companies in Africa, Denmark and the UK. She has 25 years of international investment and asset management experience from positions as non-executive director, CEO of EKF the Danish Export Credit Agency, Chief Investment Officer and Global Head of Equity at the International Finance Corporation, and Principal with the World Bank Pension Plan and Endowment.

Ms. Damkjaer has worked across multiple sectors with a strong focus on the sustainability and climate investment agendas.

She is a graduate of the University of Aarhus, Denmark, a Chartered Financial Analyst (CFA) and has attended training courses at IMD, INSEAD and Copenhagen Business School.

Executive Directors



Samaila Zubairu, President and Chief Executive Officer

Samaila Zubairu is Africa Finance Corporation's President and Chief Executive Officer. Under Mr. Zubairu's entrepreneurial leadership an ecosystem strategy is being deployed to address the urgent mandate of developing and financing infrastructure, natural resource and industrial assets across Africa.

In 2019, AFC issued a series of firsts in its diversification of funding sources: two Eurobonds; the largest debut Samurai loan by an African issuer; and closed the inaugural US\$140 million Kimchi term loan facility.

Prior to his appointment, Mr. Zubairu was the CEO of Africapital Management Limited, where he established a joint venture with Old Mutual's African Infrastructure Investment Managers to develop the Nigerian Infrastructure Investment Fund for infrastructure private equity across West Africa.

As Chief Financial Officer for Dangote Cement Plc, he launched Africa's largest syndicated project finance facility for the Obajana Cement project and managed the unbundling of Dangote Industries Limited to listed subsidiaries on the Nigerian Stock Exchange. Prior to that, he was the Treasurer for the Dangote Group during its transformation from a trading company to an industrial conglomerate.

Mr. Zubairu sits on the Eisenhower Fellowship's Global Network Council and the President's Advisory Council. He holds several non-executive board positions. He is a Fellow of the Institute of Chartered Accountants, Nigeria (FCA) and holds a BSc. in Accounting from Ahmadu Bello University, Nigeria.



Sanjeev Gupta, Executive Director and Head of Financial Services

Sanjeev Gupta is AFC's Executive Director and Head of the Financial Services Division. He is responsible for Treasury, Trade finance and Syndications, Country Relations and the Corporate Advisory lines of business within AFC. Mr. Gupta has over 25 years' experience in Investment Management, Private Equity and Corporate Advisory Services. Sanjeev's forte has been to blend together global and indigenous corporates, financial investors and governments to develop commercially viable business and development models that leave a sustainable impact on emerging market economies.

Prior to joining AFC, Mr. Gupta was the Managing Partner of Emerging Markets M&A Center of Excellence at Ernst Young (EY). He was also the Chief Executive Officer of Sanlam Investment Management Emerging Markets operations and a Founder and erstwhile Managing Partner of Emerging Opportunity Consulting, a boutique advisory firm specialising in SME financing. He holds a Bachelor's degree from the University of Calcutta, India, and is also an alumnus of the Said Business School, University of Oxford, England. He is also a Fellow of the Institute of Chartered Accountants of India (FCA).

Executive Director



Sameh Shenouda, Executive Director and Chief Investment Officer

Sameh Shenouda brings over 27 years' experience in fundraising and investments in international capital markets, with a focus on the development of infrastructure projects, setting up new platforms and has backed strong management teams. Until his current appointment, he was the former CEO of Zarou, a developer, owner, builder and operator of infrastructure projects in Africa, the Middle East and South Asia. During his time at Zarou, Mr. Shenouda raised US\$1 billion of funding for Zarou from Blackstone Group, one of the world's leading private equity investors. Prior to Zarou, he served as Head of Infrastructure (Equity Investments) at CDC Group Plc, the UK's development finance institution, where he built CDC's direct infrastructure equity business which, under his leadership, invested in excess of US\$2 billion in Africa and South Asia. He has also acted as Natural Gas Industries Director at Orascom Construction Industries and Investment Principal in Actis, a leading US\$4.8 billion emerging markets private equity fund management business.

Mr. Shenouda is a graduate of INSEAD and also holds a Master of Business Administration (MBA) degree in Financial Management from the University of Exeter, UK, a Master of Arts degree in Development Studies and a BA honours degree in Economics, the last two qualifications from the American University in Cairo, Egypt.

Other members of the Executive Management Team



Ayotunde Anjorin, Senior Director and Chief Financial Officer

Ayotunde Anjorin is a Senior Director and the Chief Financial Officer of the Corporation. Prior to this, he was AFC's Senior Vice President and Head of Finance & Operations with strategic leadership responsibilities for all finance related activities comprising banking operations, financial reporting and control, product control and settlement. Mr. Anjorin joined the Corporation as the Vice President and Financial Controller. Prior to AFC, he worked at Standard Chartered Bank Nigeria, where he held a number of positions within the Finance group and Internal Audit at national and regional levels. He was the regional Head of Wholesale Banking Finance at Standard Chartered Bank, responsible for managing wholesale banking finance activities across West Africa. He has also worked as a consultant for KPMG.

Mr. Anjorin holds a Bachelor of Science degree in Accounting from Obafemi Awolowo University, Ile-Ife. He is a chartered accountant with more than 15 years post qualification experience encompassing financial accounting, reporting and control, management accounting, financial risk management, process re-engineering and reviews. He has also attended Harvard Business School, IMD & Wharton School of the University of Pennsylvania Executive Management programmes.



Ayaan Adam, Senior Director and CEO of AFC Capital Partners

Ayaan Adam brings to AFC 27 years of visionary leadership and a strong track record in emerging markets investment, asset management, private equity, infrastructure and climate change related financing products, with a particular focus on African and Asian markets.

Most recently, Ms. Adam headed the private sector arm of the Green Climate Fund (GCF), established within the United Nations Framework Convention on Climate Change (UNFCCC). Based in South Korea, she played a key role in building the mandate of the GCF Private Sector Facility and rapidly scaled its portfolio to US\$2.1 billion in three years across Africa, Asia Pacific, Latin America and the Caribbean. She was previously CDC Group's Managing Director of Africa Funds and had a 17-year career with the International Finance Corporation, serving as a Chief Investment Officer among other roles. US born and raised in Somalia and Tanzania, Ms. Adam holds a Master of Business Administration (MBA) from Massachusetts Institute of Technology (MIT) Sloan School of Management, and a Bachelor of Arts in Mathematics, Summa cum laude from Clark University.



Nana Eshun, Director and General Counsel

Nana Eshun is the General Counsel and Corporate Secretary of the Corporation. Ms. Eshun is a finance and infrastructure lawyer with several years' experience. While at AFC she has led the Legal Department on investments and borrowings. Prior to joining AFC in 2008, Ms. Eshun worked for the African Development Bank where she led on the legal aspects of financing a number of projects including infrastructure (power, roads, heavy industries etc.) and other projects for economic development. She also represented the Ministry of Finance/Government of Ghana as lead finance lawyer primarily on the West African Gas Pipeline Project. Before that, she worked as a solicitor with City commercial law firms in the United Kingdom, Denton Wilde Sapte Solicitors and Eversheds Solicitors on Private Finance Initiative Projects.

Ms. Eshun is a Barrister at Law, admitted to the Ghana Bar in 1987 and a Solicitor of the Supreme Court of England and Wales, admitted in 1994. She holds a BA (Law & Sociology) from the University of Ghana, BL (Barristers Law Practicing Certificate) from the Ghana School of Law, Law Society Finals (UK Solicitors Qualifying Course) from the College of Law, Guildford, United Kingdom, and an LLM in International Business Law from the University of London.



David Johnson, Director and Chief Risk Officer

David Johnson became the Chief Risk Officer of AFC in 2016, after being employed at AFC as Vice President in charge of Market Risk Management for the previous five years, during which time he led a comprehensive review of all the major risk management policies. Prior to joining AFC, he spent 15 years working as a Risk Manager, Trader and Structurer at various international banks including Stanbic IBTC Bank, where he was Regional Head of Market Risk for West Africa and trained local risk managers to a level deemed competent by the head office in South Africa; a Fund Derivatives Structurer at Rabobank where he provided structured finance solutions to investors including CPPI and total return swaps and WestLB AG, where he structured and traded structured finance transactions and managed market risks using Value at Risk methodology.

Mr. Johnson holds an MSc. in Business Systems Analysis and Design from the City University as well as in Mathematical Trading and Finance from the Cass Business School, both in London, and a BSc. (Hons) in Mechanical Engineering from the University of Lagos.

Other members of the Executive Management Team



Anthony Arabome, Director Corporate Services

Anthony Arabome is the Director, Corporate Services, with oversight responsibility for Human Resources, Administration, Information Technology and Procurement. He has over 35 years' experience, at both technical and managerial levels in Human Resources Management across the Oil and Gas and Financial Services sectors, having worked for leading global and multilateral institutions throughout his career. Prior to joining the Corporation in 2009, he was Human Resources Executive and Board Director of Royal Dutch Shell Nigeria's Deepwater Exploration & Production business (SNEPCo), and the Talent, Resourcing and Development Manager for Royal Dutch Shell Africa Exploration & Production regional business.

He holds an BSc. (Hons) degree in Economics from the University of Ife, Nigeria (1982) and a Master of Science degree in Human Resource Management from Birkbeck College, University of London, UK (2018), in addition to postgraduate diplomas (PGDs) in Human Resource Management from the Kingston Regional Management Centre, UK (1988) and Theology and Leadership, RILA, Lagos (2009). He is also a certified occupational testing and psychometrics professional (SHL, UK, 1993).

Mr. Arabome is an alumnus of several executive education programmes in HR leadership, strategy and business management with the University of Michigan, USA (2002), IMD, Switzerland (2004), Cornell University, USA (2008), INSEAD (2008) and London Business School (2014, 2015 and 2017). He is a distinguished Fellow of the Chartered Institute of Personnel Management of Nigeria and is the Institute's immediate Past President. He is a member of the Society for Human Resource Management (SHRM), International Society for Performance Improvement (ISPI) and Association for Talent Development (ATD).



Dr Rita Babihuga-Nsanze, Director, Chief Economist and Head of Strategy

Rita Babihuga-Nsanze is a global macro-economist, sovereign credit research analyst and financial markets economist with 20 years of experience in the financial services industry, international development and policymaking institutions.

Dr. Babihuga-Nsanze holds a double honours degree (BSc. & BA) in Computer Science and Economics from Smith College, Massachusetts, USA. In addition, she holds MA and PhD degrees in Economics from Clark University, Massachusetts, USA. Her most recent role was Director and Head of Sub-Saharan Africa Macroeconomics at Barclays Investment Bank, London, UK (October 2017 – December 2019). Before that appointment, she was Vice President and Senior Analyst at Moody's Investors Service (September 2014 – September 2017), looking after credit ratings for sovereigns and MDBs across Africa and Europe. She was also previously Desk Economist & Senior Economist at the International Monetary Fund (April 2003 – November 2011) with a secondment at the Bank of England (November 2011 – April 2014), and Desk Economist at the World Bank Group (January 2002 – April 2003).

Risk Management

The aim of our risk management function is to design the policies, processes and procedures that will enable us to achieve an appropriate balance between risk and return.

During 2021 AFC's portfolio approach of maintaining strong liquidity buffers, and a portfolio diversified by sector and countries, optimised the portfolio for the fragile global economic recovery. Two other factors that were important in shaping AFC's portfolio in 2021 were:

- a reduction in AFC's risk appetite in countries where AFC membership is delayed or not yet ratified (membership confers diplomatic immunity and preferred creditor status in member countries), and
- assessing new and legacy exposures for climate risk drivers that may result in financial loss.

Financial Risk Management

AFC operates a multi-layered risk management governance structure, with the Board of Directors at its apex, exercising and assuming ultimate authority and responsibility for the Corporation's risk management. Other layers in the risk management governance structure are the:

- i. Board Risk and Investment Committee (BRIC), responsible for the oversight and approval of the risk policies and credit approvals above Management's authority levels
- ii. Executive Management Committee (EXCO), responsible for the review of investment proposals, and the exercise of Management's delegated authority for investment approvals
- iii. Management Risk Committee, responsible for the risk policy review and implementation
- iv. Asset and Liability Committee (ALCO), responsible for the risk policy monitoring and the evaluation of the Corporation's liquidity and interest rate risks
- v. Risk Management Department, responsible for risk policy development, management and monitoring; and
- vi. Business Units, responsible for the creation and management of risk assets.

AFC manages its risks through policies approved by the BRIC, and these are reviewed annually. The policies also provide the parameters and guidelines as to AFC's risk appetite, the approval process in respect of transactions, and how transactions are monitored and managed, in respect of any changes in the risk profile.

Credit Risk

The Corporation takes on exposures to credit risk, which is the risk of financial loss, due to failure of a client or counterparty to meet its contractual obligation to the Corporation.

The Corporation has two principal sources of credit risk:

- i. Credit risk on its loans and investments; and
- ii. Counterparty credit risk on its portfolio of treasury investments which include money market deals and other debt securities.

The Corporation's credit risks are managed within a framework of credit policies, guidelines and processes.

Market Risk

AFC takes on exposures to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, commodities, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, commodity prices, credit spreads, foreign currency exchange rates and equity prices.

The majority of the Corporation's portfolio comprises of non-trading portfolios. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cashflow of fair values of financial instruments, because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bonds. The Asset and Liability Committee (ALCO) is the monitoring body for compliance with these limits and is assisted by the Risk Management Unit in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Corporation's interest rate exposures, which include the impact of the Corporation's outstanding or forecast debt obligations.

Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is managed using the following tools:

- Risk and Control Self-Assessment
- Key Risk Indicators
- Loss database management
- Insurance
- Business Continuity Planning

The Basic Indicator Approach is used by AFC for operational risk capital charge.

Anti-Money Laundering/Know Your Customer (AML/KYC)

It is the policy and practice of the AFC that management, employees and all the corporation’s stakeholders adhere to international and local standards for anti-money laundering, anti-bribery and combating financing of terrorism.

Processes in place to adhere to this policy include but are not limited to these:

- Annual know -your-client training for all staff
- Reporting suspicious activities
- Enhanced KYC using specialist investigators

Political Risk

This is the risk that AFC’s investment return may be adversely affected because of changes to the governance or instability of governance in a country or region.

Notable political risk events were:

Country	Event	Date
Guinea Bissau	Attempted coup	1 February 2022
Burkina Faso	Coup	24 January 2022
Sudan	Coup	25 October 2021
Guinea	Coup	5 September 2021
Mali	Coup	24 May 2021

The long-term nature of AFC’s transaction necessitates that most transactions are structured with an expectation of possible regime change during the tenor of the transaction. AFC manages political risk by ensuring exposures are within approved country limits, and transactions are compliant with local and international laws.

Stress Tests

Stress testing is carried out on individual transactions, portfolios and firm-wide to ensure losses from adverse conditions do not exceed the risk appetite set by the Board.

AFC stress tests are designed to make an exposure, risk factors or the entire Corporation unviable and stimulate Executive Management decisions to mitigate or avoid the impact if the stress scenario materialises.



5

People & Organisation

2021 was the second consecutive year of the COVID-19 pandemic and its disruptive effect on businesses. Amidst the uncertain environment, the Africa Finance Corporation remained focused on our commitment to effective people management as the basis for our success in delivering on our mandate to be the leading infrastructure solutions provider on the African continent.

Executive management successfully steered the organisation through another year of hybrid working. Remote working protocols were introduced in Q1 2020 at the height of the pandemic. Backed by a solid technology infrastructure, in 2021, most AFC employees continued to work remotely in over 20 countries worldwide, maintaining a high level of connectedness, collaboration, productivity and efficiency within and across respective teams in the organisation. For business reasons, a few staff returned to the office occasionally, notably in the IT and Finance departments. Essential business travel and physical client engagement resumed, albeit on a limited and managed scale, while the safety and wellbeing of employees remained a key priority.

In that vein, AFC employees continued to receive best-in-class access to healthcare and wellness services required by those impacted by the pandemic. This was actively supported by an internal Crisis Management Committee (CMT), which continued to provide timely and data-driven advice to Management to bolster the efficacy of the pandemic containment measures put in place by the Corporation. The CMT also facilitated the administration of voluntary vaccination for employees in the host country, driving up vaccination rates and employee confidence levels ahead of a possibly phased return to the office.

At the heart of AFC's people management strategy is the need to support the execution of the five-year strategy and ensure that our People capability is an enduring source of competitive advantage. As such, AFC continues to attract and recruit top talent while building a motivated, engaged, and diverse workforce in an exciting, inclusive and enabling work environment. AFC closed the year with a staff strength of 138 employees characterised by substantial nationality diversity of 23 nationalities and a 63:37 male-female gender diversity profile. The growth in staff strength (we had

115 employers at year-end 2020) was driven by the creation of new business units, strengthening existing business units, and at the macro level, the need to ensure that the Corporation has the requisite skills and competencies across all areas of the business.

In furtherance of our commitment to creating a high-performance organisation (HPO), a quarterly performance-linked pay plan was introduced to incentivise and reward employees' contribution to the execution of the strategy. The FY 2021 business performance is an early indication that the programme is achieving the intended outcome of driving and rewarding exceptional performance.

As an enabler of sustained high performance, Management recognised the need to develop leadership competence across all levels of the organisation. To this end, McKinsey & Company and Common Purpose were engaged to provide bespoke leadership development learning interventions pitched at distinctly recognised job challenge levels and delivered by corresponding cohorts, from entry through to the senior leadership levels of the Corporation. AFC also partnered with AMT to facilitate a virtual technical training programme across the organisation.

The annual talent review programme continues to be very useful in identifying our high-performing, high-potential staff, providing Management with deep and clear insights on the quality and spread of its talent pools by business area and at an enterprise level. This, in turn, informs decisions on career progression, secondment of top talent to our investee companies, promotions, learning delivery and succession planning, which are all critical elements of a strong employee value proposition, as they are the pillars of a truly world-

class learning and high-performance organisation that we seek to create and embed. As employees demonstrate an unwavering commitment to executing AFC's mandate, Management recognised and rewarded their commitment by providing career progression opportunities to our employees. This notably included project and secondment opportunities, while 33 employees (circa 24 per cent of the AFC workforce) were promoted during the year. At AFC, every promotion increases the bench strength of the business unit and the division where the former is domiciled.

AFC made a giant stride in employee recognition and engagement when Management facilitated an inaugural Long Service Award Ceremony. As many as 51 employees at all job levels across the organisation received long service awards spanning multiple long service milestones (five, 10 and 15 years). The ceremony is the first of many more long service recognition initiatives the organisation is implementing.

The People's Consultative Forum continues to play a crucial role in employee engagement by partnering with the HR function and Executive Management in employee consultation and strengthening employee voice. In addition, the PCF continues to foster open, multi-channel communication and creates an open culture in which every employee has a say in an inclusive work environment.

While the future of work, post-COVID-19 pandemic, remains unclear, Management has proactively developed an operating plan, which includes a framework for hybrid working. It will be implemented appropriately when there is a post-pandemic return to onsite work.

"AFC continues to attract and recruit top talent while building a motivated, engaged and diverse workforce in an exciting, inclusive and enabling work environment."

6

Operating Review

The operating landscape in 2021 continued to be shaped by the COVID-19 pandemic and its economic aftershocks.

Although governments gradually reduced the stringency of restrictions needed to control the spread of the virus, they still tightened them periodically as new variants emerged. As a result, the region's economies experienced an erratic pattern in the recovery of domestic economic activity and an uncertain economic outlook. Lower, unpredictable growth rates further constrained governments' ability to raise domestic revenues. At the same time the impacts of the COVID-19 pandemic meant governments had to borrow more to finance critical spending, which drove African sovereign debt to unprecedented highs. Facing competing needs and limited financing, governments' spending on infrastructure declined to record lows, precisely at a time when such investment is needed to spur economic growth. On the other hand, the strong recovery in commodity prices, including crude oil, gold, bauxite and manganese which are relevant for the Corporation's Natural Resources investment activities was a positive development.





Power

6

Operating Review



"Innovative solutions are needed to crowd-in much-needed investments."



"Climate change is an increasing threat to Africa, bringing the region's sources of energy into greater focus. With its strong supply of wind, sunshine, hydropower and even geothermal resources, Africa offers great potential for renewable energy deployment and investment."

Power

US\$1 trillion will be needed over the next 20 years to meet Africa's growing energy demand.

Background

The COVID-19 pandemic has reversed progress with achieving universal energy access in Africa, according to the International Energy Association (IEA). As with other infrastructure sub sectors, 2021 government spending on electricity generation and transmission fell short of pre-pandemic and required levels. Additionally, national utilities, typically the off-takers for the electricity produced by AFC's generation clients, experienced significant declines in revenues and, in some cases, increases in costs on the back of rising crude oil prices over the past year.

Weak economic conditions lowered electricity affordability for the average consumer which constrained the ability of utilities to increase end-user tariffs. Kenya, Cape Verde, South Africa and Ghana are among the countries working on solutions to this challenge. In Kenya, the government is implementing an end-user tariff reduction of c.30 per cent in 2022 to address the high average cost of electricity to the end-user, while Ghana is working with several independent power producers to refinance their project debts with lower-priced loans as a means of reducing tariffs. These initiatives aim to achieve: (i) commercial and technical loss reduction; (ii) renegotiation of long-term generation tariffs; and (iii) more risk allocation to private electricity producers by insisting that utilities only pay for the power that they actually take.

Climate change is an increasing threat to Africa, bringing the region's sources of energy into greater focus. With its strong supply of wind, sunshine, hydropower and even geothermal resources, Africa offers great potential for renewable energy deployment and investment. Therefore, Africa has the opportunity to use its renewable energy potential to generate a greener energy mix than is the case in more developed countries that rely heavily on legacy coal-fired production plants. Egypt and South Africa are abundant in wind energy resources, while Nigeria, Tanzania, Angola and Mozambique are among several African countries with significant natural gas reserves¹. Together, these renewable energy sources will constitute an increasing share of Africa's energy mix.

But Africa also needs baseload power on a large scale to support development. Developing Africa's abundant natural gas reserves could provide the required baseload fuel, and for those countries where it is cheaper and more viable, solar, wind and hydro power could add further greening of the energy mix. And, instead of switching off existing energy sources, the sustainable way forward lies in adding alternative energy sources to take an increasing share of the power supply.

2021 Review

Over the course of the year, AFC supported the evolving needs of our clients, developing renewable and conventional power projects primarily in the generation space, whilst supporting continued strategic improvements in the distribution sector in Nigeria through our equity investment in the Benin Distribution Company.

The IEA estimates that US\$50 billion is needed annually to meet Sustainable Development Goal 7 in Africa: providing universal access to affordable, reliable and sustainable energy. Therefore, innovative solutions are needed to crowd-in

much-needed investments. The AFC's planned 2-Gigawatt Renewable Energy Platform over the next three to five years is one such innovation, by aggregating the Corporation's core existing, as well as prospective renewable, energy projects into a vehicle that can eventually be listed and that will attract institutional investors and generate equity headroom for AFC.

Besides wind, solar and hydro power projects, AFC's renewable energy platform will also include new technology such as batteries, hydrogen and large-scale desalination projects. To further this strategy, AFC would relinquish its existing renewable energy assets, which include the 60MW Djibouti Wind Farm, 44MW Singrobo Hydro, 25.5MW Cabeolica Wind Farm, and a 235MW operational solar and wind plant with up to 1GW development assets across the continent. AFC is also working with a rooftop solar developer on a 630MW portfolio of rooftop solar projects across West and Central Africa. Furthermore, the platform will acquire additional assets through acquisitions and co-development through partnerships with reputable renewable energy firms operating in the continent.

In terms of AFC's power portfolio, we were able to progress several key construction projects, achieve financial close for those yet to go into construction, and make significant commitments for others, notwithstanding the COVID-19-related travel restrictions. For example, AFC is working closely with project sponsors to complete the construction of the 80MW Hakan Peat-fired Project in Rwanda, the 44MW Singrobo Hydro Project in Côte d'Ivoire, the 65MW Kekeli project in Togo and the 420MW Nachtigal Hydro Project in Cameroon. Despite the COVID-19 mobility restrictions, good progress is being made towards completing these large electricity generation projects that will serve millions of customers across East, West and Central Africa.

44MW Singrobo Hydro Project, Côte d'Ivoire

Utilising the innovative bridge financing from AFC, the project issued the full Notice to Proceed (NTP) to the EPC Contractor. Physical construction of the project then made good progress despite the COVID-19 restrictions, with the plant now 50 per cent complete. There were no work stoppages over the past 16 months of construction, and the construction progress is largely on track with the schedule. Significant progress has been recorded regarding the long-term financing for the project and conditions precedent are in the process of being met. Financial close is expected in Q1 2022.

60MW Djibouti Wind Project

AFC achieved the first grid-scale IPP in Djibouti using an all-sponsor equity bridge financing to accelerate the project's development. In addition, AFC succeeded in attracting to the project as

¹ In February 2022, the European Union moved to declare natural gas a sustainable green energy source, alongside nuclear power.

co-investors: the Dutch Development Finance Corporation (FMO) and Climate Fund Managers (CFM), a climate investment fund manager. Such long-term strategic partnerships are key to ensuring the sustainable development of projects. The project is pivotal for Djibouti's development strategy, given the country aims to transition towards 100 per cent renewable energy-based electricity production and reduce its emissions by 40 per cent by 2030. The project will significantly reduce GHG emissions in the HFO-dominated (90 per cent) electricity sector of Djibouti. The project is on target for commissioning in December 2022 to deliver first power to the nearly one million population.

A.P. Moller Capital completed the acquisition of a 44 per cent stake in 25.5MW Cape Verdean wind energy producer Cabeolica from the AFC. The wind farms are operated by a highly experienced local management team with extensive knowledge of the Cape Verde energy market. The acquisition demonstrates the massive potential for private capital to be deployed commercially to provide essential and sustainable energy infrastructure in Africa. Cape Verde has an attractive investment environment, notwithstanding the relatively small size of its economy. As a result, AFC will continue to hold a 50 per cent stake in Cabeolica, alongside the Government of Cape Verde and Electra, who own the remaining 6 per cent stake.

The following projects were approved by AFC's Board:

Pan-African Solar Company 235MW

In 2021, AFC approved US\$75 million for the acquisition of a 49 per cent stake in a major renewable energy company that has majority stakes in several solar assets across the continent and strong operational expertise. The company also has a rich pipeline of 1GW wind and solar development assets across the continent. This will allow AFC to increase our gross megawatts by more than 100 per cent, further supporting the development of our ambitious renewable energy platform. The transaction is expected to achieve financial close in Q1 2022.

Senegal IPP

AFC approved funding of 130 million to support the design and construction of a 385MW combined cycle power project in Cap de Biches, Senegal. The plant will be a tri-fuel facility designed to ultimately use natural gas, which is expected to become available in Senegal in 2025. The project is part of the Government's strategy to reduce the cost of power to the end-user. It will produce electricity at a lower cost than existing heavy oil and other alternatives. In addition to its economic efficiency, the project will reduce high emissions by displacing oil-burning generating plants. The plant will be built in line with the Equator Principles and in compliance with Senegal's laws.

Outlook

With Africa's population set to double by 2050 from 2018 levels, the demand for electricity will only increase in the coming years. Improved prospects for Africa's post-COVID recovery in 2022 will also drive a more robust increase in demand for electricity. As economic activity continues to normalize, increased industrial and commercial activity, will contribute to the increase in electricity demand with the added benefit of improving the overall end-users' capacity to pay for electricity. An expansion of power generation, transmission and distribution will, in turn, provide a much-needed economic growth boost to Africa's economies and further spur development, employment and access to electricity.

Africa's vast potential in renewable energy needs to be developed. Solar, both on-grid and off-grid, will continue to see significant growth as South Africa completes its next round of renewable energy procurements, which will create demand for an additional 2,500MW. This is in addition to the over 2,000MW of renewable capacity South Africa awarded in 2021. Botswana, Namibia and several north and western African countries have announced plans for solar generation, which are to be driven primarily by private sector developers. Several assets either operational, under construction or under development exist, where relevant resources are in abundance and the regulatory and market conditions foster private sector investment, many of which are in AFC's renewable energy pipeline. AFC will continue to build the Renewable Energy Platform through quality assets. Consistent with AFC's Renewable Energy Strategy, the Corporation is undertaking due diligence on projects for acquisition and working with several developers to bring the development projects into existence.

In addition, conventional electricity projects utilising transition fuels such as natural gas are proceeding in many countries including Senegal, Côte d'Ivoire, Gabon, South Africa etc. For its part, AFC will remain an active financier of a number of these projects which are either in development or construction – for example, we are looking to reach financial close on the €30 million investment to design and construct a 385MW combined cycle power project in Cap de Biches, Senegal.

Natural Resources

With c.50 per cent of sub-Saharan Africa's export value composed of hydrocarbon exports, the shift to cleaner energy sources presents a delicate balance of priorities.

2021 was a year of rebound for the Natural Resources sector, consistent with the global economic recovery from the COVID-19 pandemic.

As economic activity increased, the supply of key inputs such as crude oil, natural gas and minerals experienced a corresponding increase in demand. However, this optimism was curtailed by the competing push for an accelerated global energy transition. The COP26 climate conference in Glasgow further heralded the need for governments and private sector to reduce the funding and promotion of fossil fuels in line with the global decarbonisation agenda and its objectives.

Background

In an African context, with c.50 per cent of sub-Saharan Africa's export value composed of hydrocarbon exports, the shift to cleaner energy sources presents a delicate balance of priorities. Africa's preparedness for the inevitable global energy transition remains questionable. At the same time, the continent is presented with opportunities to play an important role given its rich endowment with resources enabling the energy transition – copper, cobalt, nickel, graphite and rare earth minerals. Africa holds significant reserves of battery minerals, accounting for c.60 per cent of the world's cobalt production. Gas reserves are also significant and are currently estimated at over 800 trillion cubic feet.

AFC will continue to play a leading role in financing natural resource projects, in a sustainable manner that spurs development of the continent's vast resources. Our catalytic role in mobilising global capital for the development of this critical sector would not only transition the continent's reliance on fossil fuels to cleaner and more affordable resources, but more importantly lead to inclusive sustainable development.






Natural Resources

Natural Resources



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Oil & Gas Sector

Market Overview

The oil and gas industry rebounded strongly in 2021, with Brent oil prices ending at US\$78/barrel (b) at year end. While Brent oil price traded at US\$50/b at the start of the year, prices were volatile throughout 2021, resulting in a yearly average of US\$71/b. West Texas Intermediate (WTI) crude oil price traded at a similar pattern to Brent, averaging US\$68/b in 2021. Increased vaccination rates largely drove the sharp rise in crude oil price in 2021, weather-related disruptions in supply and a growing economy, spurring oil demand higher than supply.

OPEC and its partners (OPEC+) continued with production cuts throughout 2021, which further supported oil price increases. The lower crude oil supply led to consistent global petroleum and liquid fuels inventory withdrawals from February through to December, with the highest inventory withdrawal recorded in February 2021. This was driven by a 1.0 million b/d production cut in Saudi Arabia, and a 1.3 million b/d production decline in the US due to adverse weather conditions.

According to Wood Mackenzie, global utilisation of offshore marketed rig fleet reached 74 per cent in 2021, up from 61 per cent in 2020, representing the highest rig utilisation rate in the past five years. Rig fleet utilisation also improved in Africa, with the continent's total active rigs growing by 61 per cent from 2020 and accounted for circa 10 per cent of total active rigs in 2021. Operators' capex spends improved slightly by 5 per cent from 2020 lows to US\$360 billion in 2021.

For natural gas, recovering economic activity in most markets, along with a series of weather-

related events centred around the European gas market, shook up the market and led to record high global gas prices reaching US\$6.37/MMBtu in October 2021. Gas price increase was also attributable to a surge in demand for electricity generation, particularly in China and India. However, gas prices corrected in November due to China's increased coal production and easing seasonal demand.

In general, 2021 was a year of optimism for Africa, driven by the oil and gas sector rebound. According to Rystad Energy, investment in sub-Saharan Africa posted a recovery following last year's spending cuts. Investment increased by 20 per cent, from circa US\$23 billion in 2020, to about US\$27 billion in 2021. Final Investment Decision was taken on three key projects worth a combined US\$2.4 billion. Some of these projects included Eni's Agogo Phase 2 development in Angola's Block 15/06, Total's Tilenga and Kingfisher field developments, and Sasol's Moza gas project in Mozambique. In addition, Africa experienced a resurgence in exploration activities with about 1 billion barrels of oil equivalent (boe) discovered adding to the continent's growing reserves. Despite the optimism, the continent's recovery was limited by perennial production issues, including facility and infrastructure constraints. Oil production decreased by circa 40 per cent to 4.1 million b/d due to outages in Nigeria and Angola.

Sector Outlook

The war in Ukraine has driven energy prices to their highest level in more than 14 years. During an extraordinary meeting on 1 March 2022, IEA member countries agreed to release 62.7 million barrels of oil from their emergency reserves to



prevent a global shortfall in supplies. Following bans on Russian oil imports by the US and the UK, key to the medium-term outlook for oil prices will remain the ability for Russian flows of crude oil to be redirected to emerging markets consumers, with China ultimately playing a central role in remapping how commodity markets will rebalance. Nevertheless, uncertainty around its duration coupled with a growing risk that the conflict will spillover to include more countries point to additional upward pressure on energy prices. As such, most industry analysts predict energy prices will rally further in 2022 from current levels.

However, the uncertain outlook for higher energy prices could be disrupted by the persistence of low oil and gas reinvestment rates, energy transition risks, weakening of the fragile oil and gas services sector, weather conditions and geopolitical tensions. In 2021, Governments across the world developed climate action plans, aligning with net-zero ambitions. Following these new regulatory requirements there is a high chance of more legislation enacting carbon taxes and increased pressure on oil and gas companies to align with COP26 pledges. With an accelerated energy transition, oil and gas companies will be forced to devise innovative cost competitive strategies to maintain the viability of development projects and sustainable hydrocarbon production. 'Advantaged resources' will be the focus with an emphasis on less carbon, better returns and quicker paybacks.

Following the onset of the conflict in Ukraine and the imposition of sanctions against Russia, the outlook for economic growth and global oil consumption is highly uncertain. Oil consumption will depend on how economic activity and travel respond to recent and any potential future events and sanctions. Previously, Standard & Poor's (S&P) expected global crude oil demand to continue exceeding global oil production through the middle of 2022, with demand and supply eventually converging by year end. The H1 2022 outlook was expected to be driven by increased oil demand from Europe and Asia, as countries in the region were forced to meet their energy needs with oil. While market volatility is expected throughout 2022, the retreating COVID-19 pandemic and the gradual removal of global travel restrictions could provide demand support to oil markets.

2022 presents opportunities for increased participation of African independents in the oil and gas sector, with the International Oil Companies (IOC) and National Oil Company (NOC) divestment programmes, most notably in Nigeria (Exxon Mobil and Shell) and Angola (Sonangol). Energy transition considerations and increasing environmental

requirements from the international financial markets will be foremost in the minds of potential asset acquirers. Further, investments in natural gas distribution, process and storage become critical. Exploiting natural gas reserves is key as a cleaner transitional source of fuel. Natural gas can provide a more sustainable and lower cost alternative cooking fuel for millions of people, thereby supporting conservation of the continent's forest cover, which plays a vital carbon absorption role for global mitigation.

Although there is a general expectation of continued sector recovery in 2022, the limited spare capacity for oil and gas exposes the markets' vulnerability to potential disruptions. This is amplified by ongoing conflict and geopolitical risks related to oil producers, Russia and Iran. Any sizable disruption in the global supply chain will significantly impact prices. Indeed, it spiked as high as US\$139/barrel in early March 2022 due to the Russia/Ukraine situation. An important test of the stability and resilience of oil and gas prices occurs in the third quarter with higher summer energy demands.

Mining Sector

2021 Market Overview

The global mining industry reported a strong performance in 2021 which was driven by a combination of rebounding economic activity, stimulus packages and the strong drive towards energy transition. Mining companies benefitted from a surge in commodity prices, decreased overcapacity concerns and a burgeoning global electrification trend. An Electric Vehicle (EV) surge supported the demand for the three big battery metals: nickel, lithium and cobalt. Bloomberg reported that 6.6 million electric vehicles were sold in 2021, an increase of over 100 per cent from 2020. EV sales across Europe grew by 29 per cent in 2021, while sales in China – the world's biggest EV market – skyrocketed by 154 per cent in 2021, according to data from S&P Global Market Intelligence.

For EV metals, copper prices surged significantly higher than the pre-COVID-19 levels by about 30 per cent, reaching a new all-time high of US\$10,512 per metric ton in May 2021, on the back of higher demand expectations as the world gradually reopened. Cobalt prices recorded an upward trajectory in 2021, settling at US\$69,710/ton, while lithium prices surged by 413 per cent, to US\$32,600/ton, boosted by limited supply and strong demand. As the EV revolution in China and developed economies propelled the demand for battery metals, the clamour for a green energy transition has benefitted EV metal producers.

While precious metal prices generally trended lower in H1 2021, reflecting declining investor sentiment and softer physical demand, prices remained above pre-pandemic levels. Gold prices stayed above pre-pandemic levels throughout the year, closing at US\$1,828.60/oz. 2021 gold price performance was primarily driven by a rise in interest rate yields and the strengthening of the US dollar following the U.S. Federal Reserve signalling the tapering of its bond purchase programme. Further interest rate increases are expected in 2022 as the Federal Reserve accelerates the tapering of its bond purchase programme to control the inflation rate which is more than double the central bank's 2 per cent target.

In terms of bulk metals, iron ore started the year strongly, rising to a record of US\$200/ton in May 2021, but subsequently declined to US\$85/ton in November 2021, resulting in China pledging to reduce steel output due to restrictions on energy usage and concerns around the debt problems in the Chinese property sector. Bauxite prices recorded their highest price increase in September 2021 due to a spike in demand, as buyers grew increasingly uneasy about supply due to the coup in Guinea. Prices rose by 16 per cent, from US\$43.10/ton to c.US\$50.50/ton between January and September 2021. Similarly, aluminium prices recorded a 62 per cent spike, reaching US\$2,934/ton, driven by increasing demand against expected supply limitations.

Key Drivers, Trends & Outlook

Global mergers and acquisitions (M&A) activity rebounded in the mining industry in 2021, rising from US\$61.3 billion in 2020 to circa US\$111.2 billion, an 81 per cent increase. Gold M&A ended the year on a strong note and accounted for US\$21.3 billion (19 per cent of total deal value), with the bulk of M&A appetite mostly from Australian gold asset acquirers.

The global energy transition has sustained its momentum, with EV metal sales continuing to rise. However, the mining industry's role has evolved from simply providing EV metals as inputs to achieving carbon efficiency in mining operations. For example, Vale, one of the world's largest mining companies, has committed to achieving 100 per cent power production from renewable sources by 2025 in Brazil and 2030 globally.

As environmental, social and governance (ESG) factors become a more important focus for investors and industry stakeholders, miners are increasingly integrating ESG into their corporate strategies, decision-making and stakeholder reporting. As a result, miners are also under increasing pressure to take more leadership and responsibility for impacting communities and exceeding their contractual regulatory obligations.

There is a generally positive outlook for commodity and metals demand in the short to medium term. S&P predicts price growth across a range of metals. In particular, key transition metals, including copper, aluminium, nickel, lithium and cobalt, will be beneficiaries given the sustained investment in decarbonisation and the global roll-out of low-carbon infrastructure.

Natural Resources Transactions

Baomahun Gold Project – Sierra Leone

In 2021, AFC secured approval to provide a US\$175 million funding package consisting of senior debt, mezzanine debt and stream funding, to FG Gold Limited (FG Gold) towards the development and construction of the Baomahun Gold Project (Baomahun) in central Sierra Leone. The project is an open-pit gold mining operation with JORC-certified reserves of 4.5Moz at 1.4g/t, that will be developed using a carbon leach plant with a capacity of 2.5Mtpa. Baomahun is expected to produce an average of 129ktpa over an 18-year life of mine.

The Baomahun Gold Project marks AFC's entry into Sierra Leone's mining sector. The mine is expected to significantly contribute to Sierra Leone's development through the creation of opportunities for skills development and technology transfer to the host communities. This will be achieved through the implementation of on-the-job training schemes and mentorship programmes. A Corporate Social Investment Programme (CSIP), which consists of education and health-focused community projects, has also been incorporated into the project. Under the CSIP, construction of a community primary school has commenced, and an education foundation to administer a three-year tertiary scholarship for 10 students annually will be created, in conjunction with the host communities.

Karowe Diamond Project – Botswana

AFC acted as co-Mandated Lead Arranger, alongside Afreximbank, Société Générale, ING and Natixis, to provide a US\$220 million funding package which consists of Senior Debt and Working Capital funding to Lucara Botswana (Proprietary) Limited (Lucara), to fund the underground expansion of the producing Karowe Diamond Mine, in the Republic of Botswana. Karowe is an open-pit mining operations which currently operates a 2Mtpa processing facility and is the only mine in recorded history to have ever recovered two 1,000+ carat diamonds. Karowe is the first diamond mine to deploy the state-of-the-art XRT technology, which allows for the recovery of large diamond stones.

This landmark transaction marks AFC's entry into Botswana's mining sector, which is the most stable economic and political jurisdiction on the continent. Furthermore, diamonds continue to

be very important to Botswana's socio-economic development, accounting for over 95 per cent of mining proceeds, 40 per cent of GDP and 80 per cent of foreign earnings. The expansion of the life-of-mine by 17 years will thus create and sustain jobs and generate an additional circa US\$700 million in royalty and tax income to the Government of Botswana.

Cheiron Petroleum Corporation and Capricorn Energy UK Plc – Egypt

In 2021, AFC provided US\$35 million in subordinated debt to Cheiron Petroleum Corporation (Cheiron) and Capricorn Energy UK Plc (Capricorn), as part of a US\$330 million debt financing programme for the acquisition of a portfolio of onshore gas assets in the Egyptian Western Desert. Cheiron is Egypt's largest independent exploration and production company, focusing on revitalising and optimising production in mature oil and gas fields. Capricorn is an independent UK-listed exploration and production company which focuses its exploration and production activity in frontier and emerging markets.

Cheiron and Capricorn's acquisition of the asset portfolio is expected to enhance the evacuation infrastructure in the Western Desert Portfolio, thereby enhancing Egypt's gas consumption and export capacity. The increased gas consumption and export capacity are expected to accelerate the country's industrial activity and enhance foreign exchange (FX) revenue for the Egyptian Government.

Prime Oil and Gas B.V. – Nigeria

AFC acted as co-Mandated Lead Arranger alongside Shell Western Trading and Supply (SWST), to provide a US\$300 million subordinated pre-export finance facility to Prime Oil and Gas B.V. (POGBV), in order to support POGBV's capital structure optimisation objectives. POGBV owns interests in two international oil company (IOC) operated, low-cost deep-water offshore Oil Mining Licenses in Nigeria. OMLs 127 and 130 consist of three oil producing fields: Akpo, Agbami and Egina, in addition to further appraisal fields.

The fields are some of Nigeria's largest producing oil fields and jointly account for about 30 per cent of Nigeria's daily crude production. These strategic assets have operated without disruptions and are well positioned to provide the Nigerian government with the much-needed funding to support the government's efforts in enabling Nigeria's gas transition.

Natural Resources Business Model and 2022 Strategy

In 2022, AFC will consolidate on our financing pedigree and experience developed across various precious and bulk commodities in the mining sector over the years. AFC will play a catalytic role in unlocking capital flows into the African mining sector, primarily by providing alternative financing solutions relevant to African mining. In addition, AFC will seek to increase mobilisation of royalty and streaming financing alongside debt and equity investments, to precious and EV metal projects that have been de-risked and require additional capital to complete development projects and commence construction. In addition, AFC is increasingly leveraging on our in-house project development capabilities to partner with mining project sponsors and lead the de-risking of projects. This will serve as an important avenue for the origination of high-quality transactions for principal investment.

The Corporation is also taking a leading position in Africa's transition to clean energy and overall economic development, by providing the funding which supports the growth of mineral categories that support low-carbon energy, technology development, industrialisation and job creation. The focus metals include lithium, copper, cobalt, manganese and graphite.

The COVID-19 pandemic has notably slowed down momentum for the global shift to cleaner energy generation and consumption, as evidenced by the energy shortages seen in Europe mainly during Q4 2021. Noting that the energy transition is imminent, AFC sees this as an opportunity to play an active role in the African oil and gas industry's repositioning in preparation for the inevitable transition. AFC will continue to invest in the oil and gas sector selectively and strategically, with a narrower focus on opportunities for gas development and monetisation for power generation and industrial uses, as well as the utilisation of decarbonisation technology to reduce the emissions associated with hydrocarbon production.

Our natural resources business model and strategy will be underpinned by innovative structuring, information sharing via thought leadership, collaboration with sponsors during early project conceptualisation and strategic partnerships with financiers.

Transport

The African Continental Free Trade Agreement is expected to increase traffic flows significantly on all transport modes: road, rail, maritime and air, but such gains will only be optimised if the AfCFTA is accompanied by a significant scaling up in regional transport infrastructure investments.

2021: A Year Of Recovery

2021 marked a year of recovery in the transport sector, with companies focused on innovation and operational efficiencies in order to improve business and financial performance. For example, Ethiopian Airlines temporarily converted 25 passenger aircraft for cargo operations, transporting industrial products, IT equipment, PPE and other medical equipment. As a result of its agility, the company remained the most profitable airline in Africa. However, supply chain disruptions continued to persist, causing challenges in the implementation of infrastructure projects in terms of timeline and budget globally, including in the African continent. For a continent where most economies are still import-dependent, this also results in scarcity and inflation for essential goods and services.

Background

The African Continental Free Trade Area (AfCFTA) took off in January 2021. This trade pact agreement has created a single market for goods and services across all African countries and is expected to boost intra-Africa trade dramatically from its 15-20 per cent range over the last five years. The United Nations Conference on Trade and Development (UNCTAD) expects the AfCFTA to boost intra-African maritime trade by up to 33 per cent and cut the continent's trade deficit by 51 per cent, thereby increasing demand for transportation infrastructure, equipment and services. According to analysis by the UN Economic Commission for Africa, the AfCFTA is expected to significantly increase traffic flows on all transport modes: road, rail, maritime and air, but such gains will only be optimised if the AfCFTA is accompanied by implementation of regional infrastructure projects.



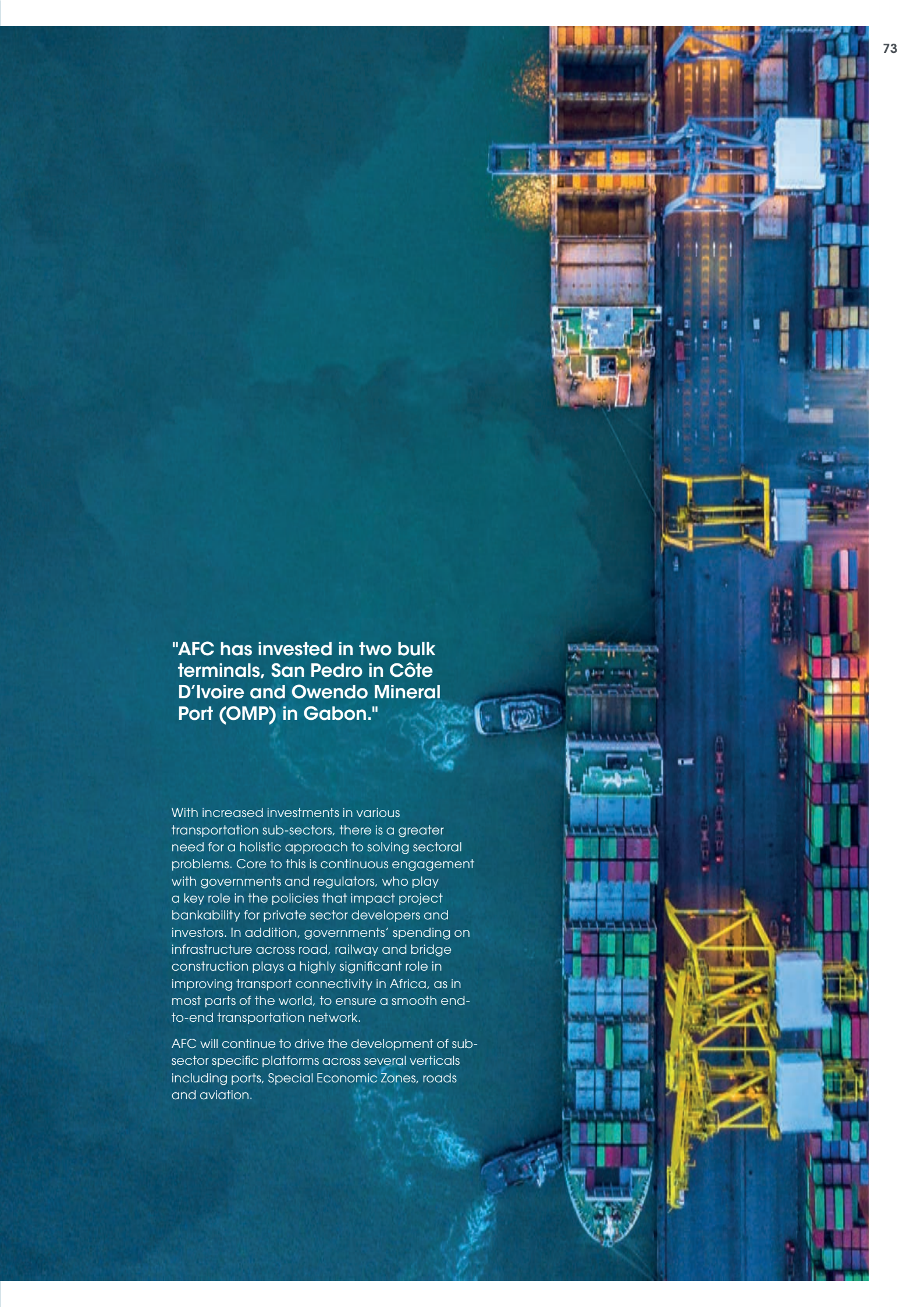


Transport

Transport



"AFC will continue to drive the development of sub-sector specific platforms across several verticals including ports, Special Economic Zones, roads and aviation."



"AFC has invested in two bulk terminals, San Pedro in Côte D'Ivoire and Owendo Mineral Port (OMP) in Gabon."

With increased investments in various transportation sub-sectors, there is a greater need for a holistic approach to solving sectoral problems. Core to this is continuous engagement with governments and regulators, who play a key role in the policies that impact project bankability for private sector developers and investors. In addition, governments' spending on infrastructure across road, railway and bridge construction plays a highly significant role in improving transport connectivity in Africa, as in most parts of the world, to ensure a smooth end-to-end transportation network.

AFC will continue to drive the development of sub-sector specific platforms across several verticals including ports, Special Economic Zones, roads and aviation.

Sub-Sector Highlights

Ports

The ports sub-sector has a special significance in Africa since more than 80 per cent of the continent's trade passes through ports. According to the World Bank PPI data, between 2005 and the first half of 2019, private investment in Africa's ports totalled US\$15 billion, as compared with US\$1.2 billion during the 1990-2004 period. Major infrastructure projects are ongoing in sub-Saharan Africa, including Abidjan, Lekki and Tema, and AFC financed projects in Nouakchott, Takoradi and San Pedro. Although container terminals garner significant attention on a global scale, the bulk terminals are critical to global trade.

To date AFC has invested in two bulk terminals, San Pedro in Cote D'Ivoire and Owendo Mineral Port (OMP) in Gabon. At OMP, the project provides export capacity for the Manganese project, in which AFC has also invested. One of AFC's strategies is to invest in cross-sector synergistic projects of this nature, where operations jointly work to unlock additional value for AFC. While also providing deep-water berths to attract the modern ships of up to 150,000 DWT that dominate international trade due to increased economies of scale, African ports must equip their facilities with the latest terminal operating systems and information technology infrastructure, equipment and other cargo handling equipment. AFC is also working on ensuring that all investments, including port and logistics, continue to make efforts to reduce their carbon footprint and improve environmental performance.

Roads

Even with increased infrastructure development in ports across Africa, African road networks are responsible for transporting 80 per cent of goods and 90 per cent of passengers. Good links between ports and their hinterlands are one of the key catalysts driving growth and opening up the different regions of Africa. The evacuation route and infrastructure from the ports to the hinterlands impact realisable volumes. Indeed 16 of the 44 landlocked countries globally are in Africa. Improvement, maintenance and upgrade of the road and rail networks will reduce cost and time for the imports and exports of goods.

Aviation

With little support from governments for the aviation industry, and the high cost of COVID-19 testing, the aviation industry continues to struggle. In 2021 cargo performed better than passenger travel, and demand for business jets globally, including in Africa, reached record numbers, according to the business aviation consultant

WINGX Advance. Amidst liquidity constraints, commercial aircraft leasing is expected to play a more significant role in airline funding in the coming years.

Special Economic Zones (SEZs)

COVID-19's economic consequences have the potential to act as a catalyst for the much-needed development of SEZs across Africa. In addition, achieving net-zero demands more than cleaner energy. It depends significantly on eliminating unnecessary shipping and localising manufacturing. African raw materials are typically shipped to Asian manufacturers and then sent on to European markets, where they are consumed as finished goods. One important solution lies in ramping up manufacturing capabilities, with production facilities in as close proximity as possible to raw materials.

As with the NKOK SEZ in Gabon, countries use SEZs as a tool for value-added manufacturing. NKOK SEZ has transformed Gabon's exports from raw timber to high value finished veneers and furniture by taking a joined-up approach to development, combining business incentives with a port, roads and other physical infrastructure. Core physical infrastructure is required to connect, feed and industrialise the continent so that Africans can capture a fairer share of the value of our resources.

Through our investment in and optimisation of the ARISE Integrated Industrial Platform (IIP), AFC continues to work with governments to promote resilient economic systems that will foster growth and create jobs while accelerating industrial development.

NKOK SEZ alone has contributed US\$842 million to Gabon's GDP and created over 30,000 jobs. In 2021, NKOK became the first carbon neutral industrial zone in Africa certified by Société Générale de Surveillance, the Swiss multinational certification company. The certification demonstrates how businesses can drive climate action, setting an example for the private sector worldwide. GSEZ shows that it is possible to enable low carbon industries with a bespoke decarbonisation strategy and investments in low-carbon technologies, further supporting the climate agenda.

AFC 2021 Overview

ARISE SEZ/IIP

The ARISE IIP holds AFC's investments in the SEZs, namely the operational NKOK SEZ in Gabon, and ongoing projects such as the Glo-Djibe Industrial Zone (GDIZ) in Benin, and the Plateforme Industrielle d'Adétikope (PIA) Zone in Togo. PIA

and GDIZ achieved significant milestones in 2021 as construction works commenced in GDIZ, while PIA completed the build of critical infrastructure such as an inland container depot and roads, enabling land sales to commence. Gabon added new projects, including the development of the Lambarene and Franceville SEZs and the acquisition of new forest/plantation sites, SNBG and Rimbunan Hijau. To accelerate its effort towards sustainable industrialisation and ensure that all its activities are carbon neutral and climate positive, ARISE invested in the Aera group (Aera), a leading environmental commodity trader in Africa with a focus on CO₂ emission reduction and renewable energy, biodiversity and water access. In addition, ARISE acquired a 35 per cent minority stake in Aera as part of a strategic move to be an active participant in the carbon trading business. Africa is home to 14 per cent of the world's forest cover serving as carbon sinks. The Congo Basin alone (the second largest forest in the world) soaks up 1.2 billion tons of CO₂ each year and stores one-third more carbon over the same land area as the Amazon rain forest. A core component of the ARISE business is the acquisition of complex forestry ecosystems to offset hydrocarbon emissions of AFC's portfolio and generate carbon credits from forestry concessions. Through ARISE, AFC has access to 2.3m HA of forestry concessions in Gabon. In addition, ARISE IIP continues to grow ownership and management of forests in Gabon and in the rest of the continent.

Port assets

AFC's port assets under construction, namely Terminal Industriel Polyvalent de San Pedro in Côte d'Ivoire, Nouakchott Container Terminal in Mauritania and Atlantic Terminal Services, Takoradi in Ghana, all attained significant milestones in terms of terminal construction. Whilst all three projects continue to make progress in establishing and executing on their various operational readiness plans; it is expected that they will all reach commercial operations in the first half of 2022. AFC will then have a portfolio of five operational port assets across various products – container, general cargo and bulk, and across four countries: Gabon, Côte d'Ivoire, Mauritania and Ghana. This supports our drive to generate scale in our portfolio of ports assets for continued growth and attract third-party capital for continuous expansion.

Conex acquisition financing

In December 2021, AFC provided a US\$55 million senior debt facility to Conex Oil and Gas, a proven partner, and an AFC portfolio company, towards the acquisition of Total's downstream businesses in Liberia and Sierra Leone, namely, Total Liberia and Total Sierra Leone, which are both market leaders in their respective markets.

This acquisition allows Conex to execute its full vertical integration with trading, storage and retail activities.

The acquired assets include 67 retail gas stations, depots, tank farms and fuel terminals across Sierra Leone and Liberia. This was AFC's first investment in Sierra Leone, which is an AFC member state.

Outlook

There will continue to be high demand for road, rail, air and ports transportation networks to reduce the cost of trade and unlock the continent's economic growth. Increased local manufacturing and intermodal transportation systems are critical to ensure efficiency of trade (international, intra-African and domestic) to create jobs, increase the quality of life and reduce the cost of products and services to the African consumer.

AFC will continue to implement our strategy of developing and expanding sub-sector platforms, such as the existing ports and logistics platform and SEZ platform, which holds diversified assets in various stages of development. AFC will also look to develop a liquid and cold storage platform and is in various stages of execution of seed assets in 2022. In priority countries, an ecosystem approach is being executed to increase the value proposition of projects by providing required infrastructure to existing industries and particularly to our special economic zone business. Digitisation, innovation, environmental sustainability, government engagement and intra-Africa collaboration are more important than ever before, and investors and operators of physical infrastructure, including AFC, will need to ensure that the full potential of the hard assets are being realised.

Heavy Industry

Africa's industrialisation has been impeded by a lack of critical infrastructure.

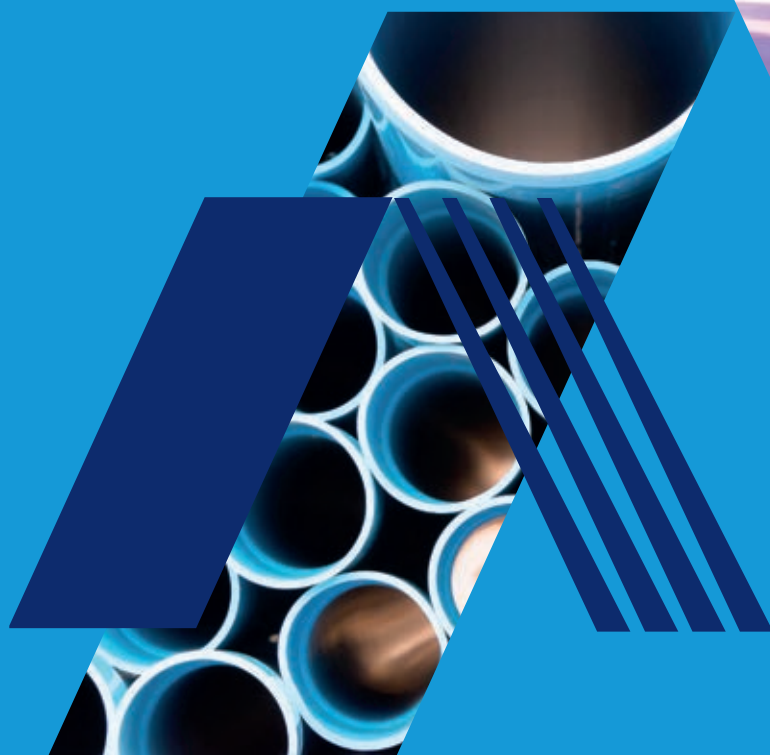
AFC is committed to investing in high-value industrial projects through debt and principal investments to industrialise Africa.

AFC's investments in the industrial sector are diverse. They consist of four sub-verticals, specifically chemicals (refineries, petrochemicals, fertiliser and natural gas conversion), building materials (cement, float glass), agri-processing (sugar mills, cocoa processing) and metals (base metals, mineral beneficiation).

Key Trends

African industrial growth must be grounded in global standards of sustainability. Recently, there has been a lot of emphasis placed on low-carbon industrialisation. AFC investments encourage sponsors to adopt lower carbon intensity alternatives when selecting the technologies being applied in the industrial projects it supports by reducing the heat energy required in cement production. Furthermore, in the cement industry, numerous greenfield plants are leading the way in sourcing cleaner fuel sources such as liquified natural gas and hydrogen whilst investing in carbon-capturing technology to deliver zero CO₂ emissions. Another sustainability imperative, particularly in the refineries sector, includes a focus on producing cleaner fuels based on advancing African and EURO emission standards. Finally, in keeping with the transport and logistics sector strategy, increased focus on beneficiation is key across phosphate, potash, bauxite, and several other mineral resources and exporting to industries.





Heavy Industry

Heavy Industry



"AFC has supported projects in crude refining, liquified natural gas, cement, ammonia/urea and phosphates in West Africa, East and Central Africa, and South Africa."



"AFC investments encourage sponsors to adopt lower carbon intensity alternatives when selecting the technologies being applied in the industrial projects it supports by reducing the heat energy required in cement production."

AFC's Heavy Industry Activity

AFC has supported projects in crude refining, liquified natural gas, cement, ammonia/urea and phosphates in West Africa, East and Central Africa, and South Africa. AFC's key investments in the industrial sector include the following:

BUA Industries Limited (BIL), Nigeria

AFC provided a US\$200 million corporate facility to BUA Industries Limited to part finance the development of a backward integrated sugar refinery and ethanol plant. Over its lifetime, the project is estimated to reduce Nigeria's sugar import bills by approximately US\$2 billion and to create 15,000 direct and indirect jobs.

Gemcorp Working Capital, Liberia

Through a US\$45 million revolving facility to Gemcorp Commodities Trading, AFC part finances the importation of crude oil for the Conex modular refinery in Liberia. The Conex refinery will help to ensure job creation and petroleum product sufficiency in Liberia.

Société Africaine De Raffinage (SAR), Senegal

AFC provided a €90 million term loan facility to SAR to expand its refining capacity, augment the refinery process to refining newly discovered Senegalese crude and construct additional storage facilities. The Facility will help SAR implement an expansion programme that will allow the national refinery to have the technical and financial capacity to use local oil production to meet domestic demand and to supply neighbouring countries with petroleum products.

Nigeria LNG (NLNG), Nigeria

AFC provided US\$100 million as part of a US\$3 billion senior secured corporate loan to part-finance the construction of NLNG's seventh liquefaction train and associated facilities. The project will increase NLNG's nameplate capacity by 35 per cent, from 22 mtpa to 29 mtpa, making Nigeria the fourth largest LNG exporter globally.

Dangote Group, Nigeria

AFC provided US\$300 million in senior debt to Dangote Industries to part-finance the construction of a 650,000 barrel per day crude oil refinery and a 2.8 million tonnes per annum urea fertiliser plant in Nigeria. The refinery will have the capability to double Nigeria's current refining capacity, making Nigeria self-sufficient in fuel. It is estimated that the refinery's operations will improve Nigeria's trade balance by US\$8.8 billion, boost GDP by US\$13 billion (2.3 per cent of the total) and increase government revenue by US\$3.3 billion when up and running.

Société Ivoirienne de Raffinage (SIR), Côte d'Ivoire

As sole Mandated Lead Arranger, AFC successfully raised a €77 million facility for SIR to repay historical obligations on crude supply, provide a long tenor facility and reduce the interest rate of SIR's stock debt. SIR is currently the largest and most sophisticated operational refinery in West Africa. The facility was integral to the conditionality of the International Monetary Fund's (IMF) financial programme, as the IMF considers SIR to be a strategic asset for the country.

Société De Raffinage Guinéenne (SRG), Guinea

AFC is also active in mobilising early works capital to develop a modular refinery in Guinea.

Outlook

Several large-scale industrial projects are currently being developed across Africa, especially in the fertiliser sector due to increased investments in the agriculture sector and most governments shifting policies towards local companies for food security. The improved global recovery has also affected global demand for commodities such as iron ore. This has led to an increase in the development of tailings and beneficiation projects, specifically in the southern African region. AFC will continue to focus on developing its pipeline of beneficiation projects across refineries, transition metals in partnership with the natural resources team, in addition to fertilisers amongst many others. The AFC is keen to reverse the current trend in the market where African countries export primary products, minerals and metals and import final goods at a significant premium.

We see the need to continue to support corporate businesses across various industries to back key sponsors that require liquidity for expansion, in the light of constrained limits with local financial institutions and/or operations in markets with underdeveloped banking sectors. AFC will continue to leverage on partnerships as a key strategic tool through platforms to aggregate, thereby achieving size and supporting plans to list in the near future.



Telecommunications

By investing in Africa's digital infrastructure, we are developing Africa's future economies which are geared around innovation, technology and the youth.

Over the years, the mobile industry has continued to drive economic growth and development across several economies.

According to GSMA data, mobile technologies and services generated more than US\$130 billion of economic value added (8 per cent of GDP) in sub-Saharan Africa (SSA) in 2020, and it is expected to reach US\$155 billion by 2025. In addition, the mobile ecosystem supported about three million jobs (formal and informal) and made a significant contribution to the funding of the public sector, with almost US\$15 billion raised through taxes. Through its expansive solutions, the mobile economy is expected to drive productivity in several sectors, including the fintech and manufacturing industries.

The mobile industry will offer significant opportunities in the coming years given its positive prospects. According to GSMA data, 495 million people were subscribed to mobile services in SSA by the end of 2020 (representing 46 per cent of the region's population and an increase of almost 20 million when compared with 2019), and it is forecast that there will be 120 million new subscribers by 2025.

Adoption of 3G/4G network services has been expanding gradually with significant unused capacity. At present, 4G connections account for only 15 per cent of all connections in SSA, compared to an average of 57 per cent globally. The coverage gap in SSA is one of the highest as 67 per cent of the population is not covered by a mobile network. Key issues surrounding the low adoption of the 4G network in Africa include the difficulty in accessing rural communities, the cost effectiveness of deploying the network in rural areas due to lower population density, the affordability of 4G enabled devices and inadequate infrastructure.

Hence, continued investments in connectivity and reducing costs need to be addressed to reduce the gap in 4G adoption. COVID-19 further highlighted the importance of connectivity as mobile operators continue to witness unprecedented levels of demand growth for data services to support remote working, video streaming and online conferences.





Telecommunications

Telecommunications



"AFC continues to support the telecommunication sector with a key focus on network connectivity."



AFC's Telecommunications Activity

AFC continues to support the telecommunication sector with a key focus on network connectivity. As a result of the ongoing COVID-19 pandemic, AFC supported MTN Nigeria and Airtel Nigeria to expand and modernise their network capacity to meet the rising demand for data services. Our fast-tracked loans to telecommunications operators, including MTN Nigeria (MTNN), to expand digital infrastructure supported 'work from home' initiatives to reduce the spread of COVID-19.

For instance, MTNN witnessed increased demand for data services with total data traffic growth of 130 per cent. Consequently, data revenues increased by c.59.2 per cent on a year-on-year basis, driven by increased usage of smartphones and broadband services. This growth was due to containment policies that have seen customers working remotely at unprecedented levels. These are primarily through video conferencing and streaming services, which are improving the demand for MTNN's services and, therefore, its revenue performance. In addition, improved network capacity enabled MTNN to capitalise on consumer demand and ensure that the company has adequate infrastructure to capture future potential growth.

Over the last year, sub-Saharan Africa has emerged as one of the fastest growing fintech regions, and several markets have taken steps to accelerate financial inclusion. For example, AFC part-funded the initial rollout of 9mobile's payment service platform in Nigeria, which will provide the foundations for a digital economy that can provide a range of innovative services.

In the portfolio, AFC and other shareholders entered into an agreement to sell a 100 per cent stake in MainOne Cable Co. Ltd to Equinix Inc. Equinix is the global leader in digital infrastructure with over 237 data centres. It chose to enter the African market through MainOne as a trusted partner to pursue the growing mobile broadband data adoption and greater connectivity opportunities. In addition, the transaction will provide MainOne access to capital to bolster its expansion plans and bridge the digital divide on the continent.

Outlook

Investments in digital infrastructure are expected to increase as Africa advances towards a more digitised economy fuelled by the demand for faster and cheaper internet connectivity. Reports already show that leading players such as Facebook and Google are investing in subsea cable projects that will deliver unprecedented bandwidth to the region. Investments in data centres and internet exchanges are also expected to rise as growth drivers such as Africa's mobile adoption, young population demographics, and data consumption are amongst the fastest growing globally.

Given the low level of 4G penetration on the continent and growing demand, mobile network operators are looking to drive further investment in the infrastructure that will increase 4G coverage and service quality. Furthermore, operators will diversify their product offerings and revenue sources by pushing out affordable internet-enabled devices and promoting digital start-ups to drive the demand for 4G services.

In addition, to be a globally competitive economy, Africa needs regional digital services champions. These companies have the potential to enable African economic development that leapfrogs hurdles slowing growth, for example by driving financial inclusion. The AFC continues to manage its expansions into digital infrastructure and digital services, technology, supporting technology and telecoms businesses.



Portfolio Management

The year 2021 brought about challenges, lessons learnt and an overall test of the resilience of AFC's investment portfolio.

In 2021, Management further strengthened the portfolio management function with the appointment of Taiwo Adeniji, a Senior Director with over 25 years of experience, to play a critical role in the central oversight, management and optimisation of AFC's large and growing portfolio of investment assets.

The Portfolio Management Unit was renamed the Portfolio Management and Optimisation (PMO) Unit, with an additional mandate to optimise the Corporation's portfolio. In addition, a new unit, Special Assets Management, was established to further strengthen the PMO Unit, with the primary responsibility to proactively manage and determine appropriate remedial measures for assets showing signs of distress.

The PMO Unit is primarily responsible for proactively managing and monitoring the Corporations' Investment assets and optimising and enhancing the value of the investments through efficient management and, among other things, preparing assets for exit through trade sales or liquidity events; valuing equity and quasi-equity investments; and restructuring or renegotiating activities including placing and monitoring of exposures on the watch list. The unit also acts as a single point of contact for other departments on the investment portfolio; providing support from deal structuring to closure for the Sector teams; and helps to develop the pipeline strategy, including identifying potential additional business from existing clients.






Portfolio Management

Portfolio Management





"In 2021, our customers continued to operate in complex, challenging and fast-moving environments. The PMO team took a proactive approach in liaising with customers to monitor trends, pre-empt and manage the risks."

In 2021, our customers continued to operate in complex, challenging and fast-moving environments. The PMO team took a proactive approach in liaising with customers to monitor trends, pre-empt and manage the risks.

Natural Resources Sector Portfolio

The Natural Resources (NR) portfolio comprises 21 oil and gas and mining sector assets spread across 11 countries: Angola (1), Botswana (1), Chad (1), Côte d'Ivoire (1), Egypt (2), Eritrea (1), Gabon (1), Ghana (1), Guinea (2), Nigeria (9) and Tunisia (1). The range of assets in the portfolio includes onshore and offshore oil-producing assets, oil and gas services, bauxite, diamond and manganese mine assets in production, and gold, potash and bauxite mining assets under development.

COVID-19 disrupted demand-supply balances as well as supply chains, presenting new challenges to the NR sector portfolio. The NR sector portfolio management team continued to work closely with clients and lending syndicate members, providing the necessary support and proffering workable solutions to resolve challenges faced by our clients. This approach yielded significant results in 2021 for AFC's NR portfolio, with the most notable being the regularisation of a major non-performing loan from a state-owned oil company.

Power Sector Portfolio

The portfolio consisted of 10 assets, four of which are under construction, spread across ten countries: Cameroon (1), Cape Verde (1), Côte d'Ivoire (1), Djibouti (1), Ghana (1), Kenya (1), Nigeria (1), Rwanda (1), Togo (1) and Zambia (1). The assets in the portfolio included hydroelectric power plants, a peat-fired power plant, combined-cycle plants, wind plants, transmission and distribution assets.

Transport Sector Portfolio

The Transport Sector portfolio was made of 16 assets operating in 9 countries: Benin (1), Gabon (5), Côte d'Ivoire (1), Ghana (2), Liberia (1), Mauritania (1), Senegal (1), Togo (1) and South Africa (3). The Transport Sector portfolio was largely comprised of three SEZs and three ports, all of which recovered strongly in 2021 from their pandemic lows. Other exposures were to the aviation sub-sector (3), petroleum logistics (1) and roads (4).

Heavy Industries and Telecoms Sector Portfolio

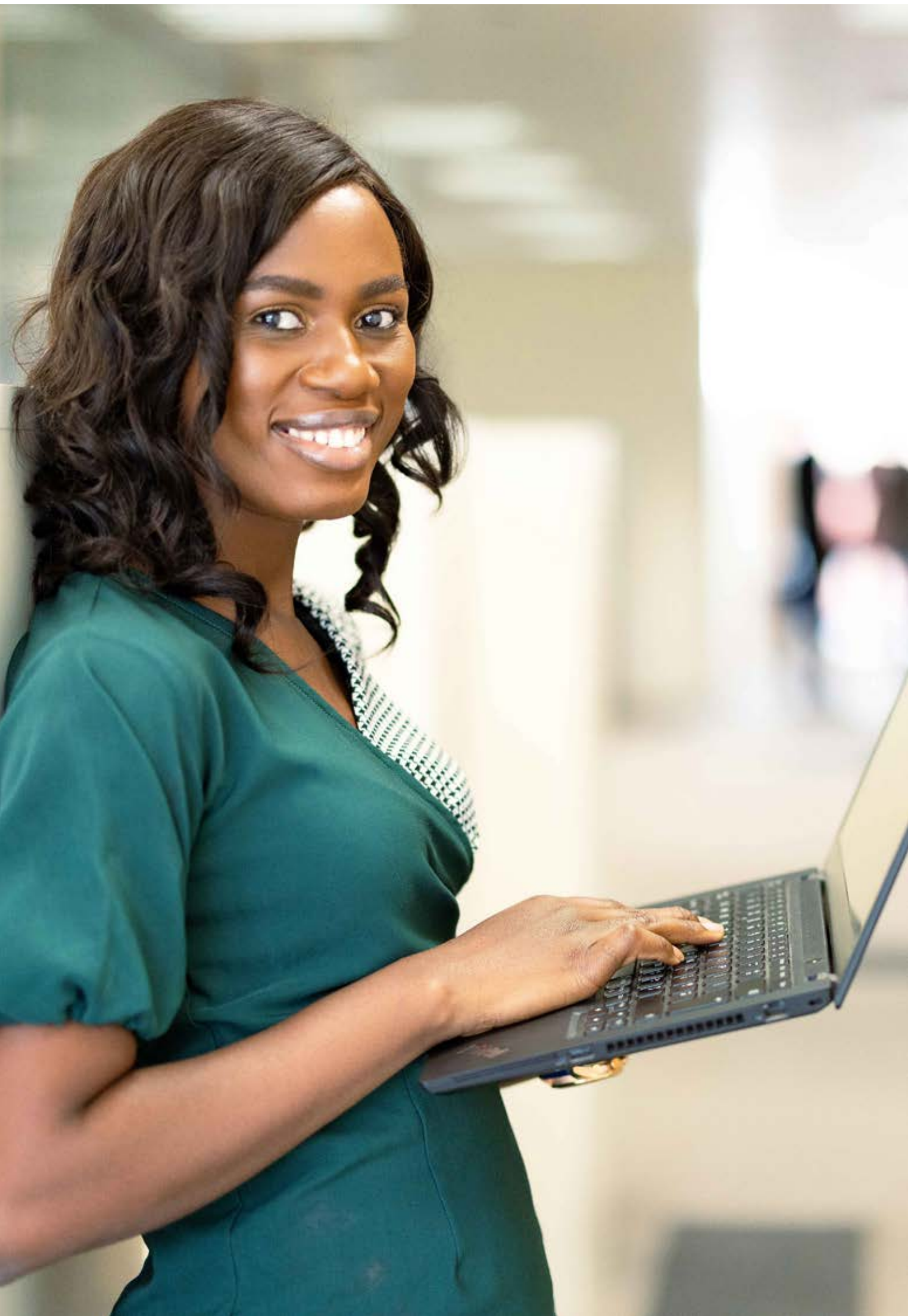
The Heavy Industries and Telecoms Sector portfolio comprises 14 assets made up of fertiliser blending companies (2), petrochemical industry (1), refineries (6), cement plants (2), and telecoms (3). The impact on the sector was largely due to the disruption of supply chains and lockdown of markets.

Overall, AFC was largely successful in our portfolio management and optimisation efforts and the Corporation's overall portfolio risk profile remains robust despite the complex and challenging markets caused by COVID-19.

Outlook

The year 2021 brought about challenges, lessons learnt and an overall test of the resilience of AFC's investment portfolio.

The key priorities for 2022 will be to continue to proactively monitor the portfolio, further refine early warning signals of portfolio deterioration and build robust data analytics to enhance portfolio reporting.



Project Development

Post-COVID, the need for greater project development capacity and financing on the African continent has never been greater to facilitate an infrastructure push and support the continent's economic recovery.

Through our world-class project development solutions, AFC leads projects and assists project sponsors in the journey towards achieving project bankability and unlocking the bottlenecks associated with infrastructure development on the continent.

The COVID-19 pandemic has indeed highlighted the need for greater project development capacity and financing on the continent. Even before, there was a shortage of bankable projects in Africa, meaning that project development is key. AFC takes a leadership position, demonstrating this in the power space through our many 'firsts': the 350MW Cenpower gas-to-power project, the 60MW wind project in Djibouti, and in the mining space, our 10 million mtpa bauxite mine in Guinea, as well as a gas pipeline in the oil and gas space and a refinery and storage terminal in West Africa in the heavy industry sector.

The Project Development (PD) team's focus in 2021 was on executing its Board Risk and Investment Committee (BRIC)-approved transactions, collaborating with the sector teams in drive projects to financial close. In addition, PD, in conjunction with the power team, is building AFC's Renewable Energy platform with PD's focus on greenfield projects under development and refurbishments of acquired operational projects.



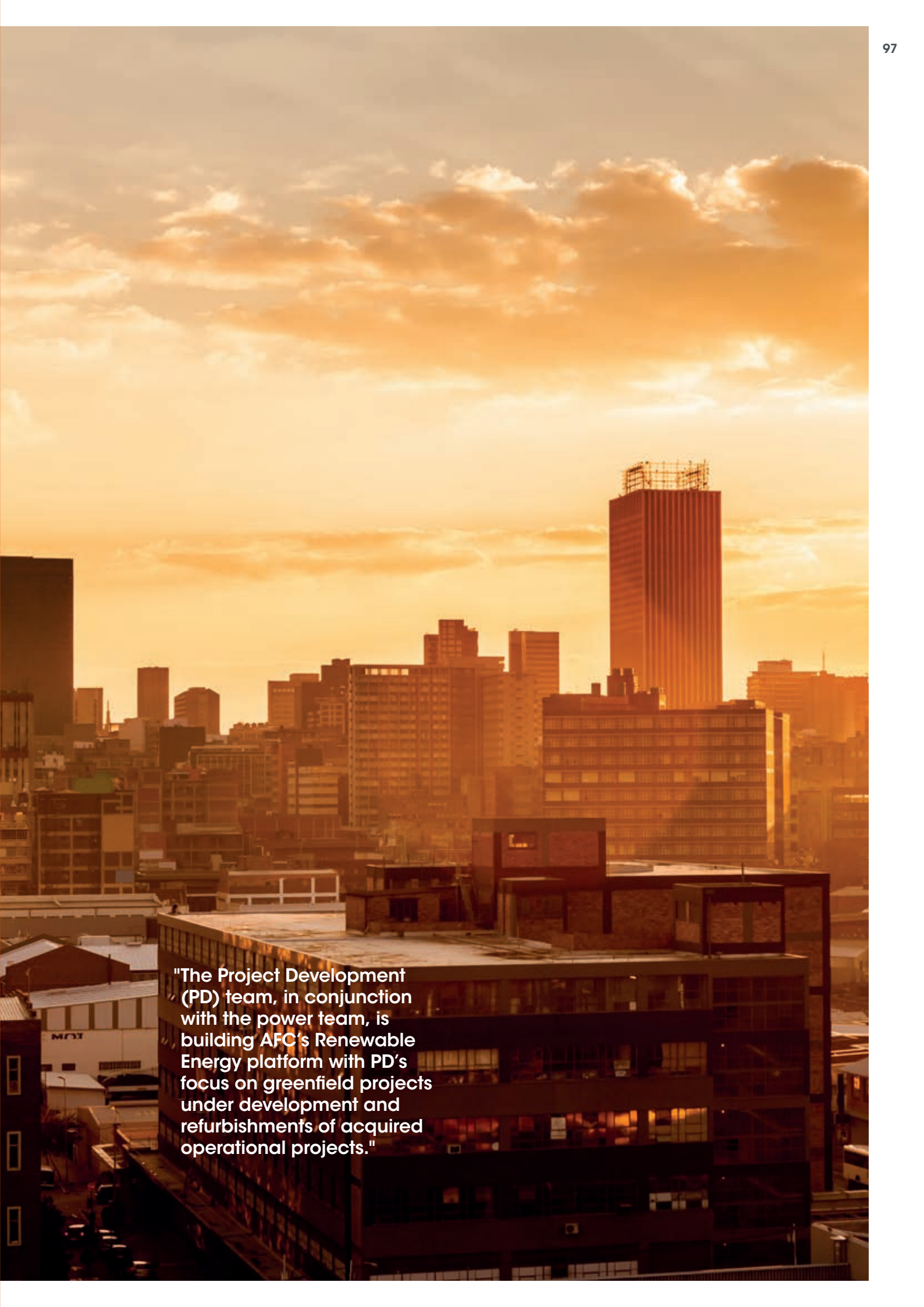


Project Development

Project Development



"AFC leads projects and assists project sponsors in the journey towards achieving project bankability and unlocking the bottlenecks associated with infrastructure development on the continent."

A photograph of a city skyline at sunset. The sky is filled with large, billowing clouds that are illuminated from below by the setting sun, creating a warm, orange glow. In the foreground, a multi-story building with a flat roof and several windows is visible. The building's windows reflect the orange light from the sky. In the background, a dense cluster of skyscrapers forms the city skyline. A prominent, tall, rectangular skyscraper with a grid-like facade stands out among the other buildings. The overall scene is bathed in the warm, golden light of the late afternoon or early evening.

"The Project Development (PD) team, in conjunction with the power team, is building AFC's Renewable Energy platform with PD's focus on greenfield projects under development and refurbishments of acquired operational projects."

2021 was fraught with political upheaval and resultant uncertainty in several West African countries: Guinea, Mali and Burkina Faso. Considerable effort was expended in developing two key projects in Guinea that were expected to reach financial close in 2021, but due to the political situation were forced to pause development and reassess the country's desire for the projects.

In response to this, we reallocated resources to focus on other projects in our portfolio of approved deals, resulting in the attainment of several key milestones and setting projects up to achieve financial close in 2022. Some examples of the approved projects we made progress on include:

1. **Uganda Refinery:** The project is a 60,000 barrel per day refinery, which seeks to monetise Uganda's crude oil reserves, eliminate the need for the importation of refined products into Uganda and to export refined products to countries in East Africa. The project made considerable progress in 2021, most notably with completing its Environmental and Social Impact Assessment and submitting the front-end engineering design (FEED) to the Government of Uganda.
2. **Kipushi Tailing Project:** This is a one million ton per annum copper and cobalt tailings project in the Democratic Republic of Congo that will reprocess the copper and cobalt tailing in the Kipushi tailings storage facility. It will help reduce the size of tailings in the Kipushi region and serve as AFC's first venture into battery minerals. In 2021, the Project commenced its definitive feasibility study, with completion scheduled for Q1 2022. The confirmatory drilling programme was also completed during the year.
3. **Senegal Independent Power Producer (IPP):** This involves the development of a 300MW gas power plant in Cap des Biches Senegal which will become the lowest price and largest IPP in the country upon completion. The Project completed all development activities in 2021 and is expected to reach financial close in 2022.

In addition to the development progress on several projects, the PD team also advanced the construction of the 60MW Djibouti Wind Farm (the first IPP in the country, which has set the stage for future projects using the public private partnership (PPP) model) with the erection of all turbines completed in 2021. Commercial operations date (COD) for the wind farm is scheduled for Q2 2022.

During 2021, in line with the Renewable Energy Strategy, the PD team added to the pipeline over 5,625 MW of capacity, consisting of 240 MW of operational capacity from the Pan-African solar transaction and 5,385MW of new pipeline deals such as 2 gigawatts (GW) of solar in the Democratic Republic of Congo, over 1GW wind in Egypt and 500MW of solar in Nigeria.

Furthermore, the Corporation participated in several public and private bids as well as direct negotiations to add these MWs. These processes were for a 1.1GW of hydro in Cameroon, 150MW of wind and 50MW of solar in Botswana and 50MW of solar in South Africa. The RE platform is also focused on a regionally diversified portfolio of projects and our activities in 2021 saw us add projects to the pipeline from North Africa, West Africa, East Africa, Central Africa and Southern Africa.

Outlook

PD is working closely with the Heavy Industry sector to expand the pipeline and portfolio of projects on the beneficiation sub-theme. For example, the Corporation is co-developing the Nyanza Titanium and Pigment Plant in South Africa, which will be the first and only project of its kind on the continent, and the RGS Pipeline in Senegal, which will support the valorisation of the country's gas resources and the transition of Senegal's energy mix from heavy fuel oil to cleaner gas.

In 2022, completion of the construction of the Djibouti Wind Farm and attainment of financial close on several projects in our pipeline will be achieved, including the 300MW Senegal IPP as well as our projects in Guinea (subject to an improved political climate in the country). In addition, we will continue developing other projects in our pipeline and expect to reach financial close on the Kipushi Tailing Project, the Nyanza Titanium Pigment Plant and the Uganda Refinery by 2023. This year will also see PD expanding its origination efforts in line with AFC's broader strategy of securing and developing assets to seed into platforms for renewable energy, ports and logistics, in addition to gold and transition metals. As we build these platforms out, we will continue to prioritise geographical diversification.



Product Solutions

Reducing Africa's infrastructure gap, whether by public and/or private actors, is fundamental to the fortunes and quality of life of all Africans and is, therefore, of the utmost importance to AFC.

According to the World Bank, in sub-Saharan Africa, the public sector is responsible for 95 per cent of all investment in infrastructure.

In other words, government and quasi-government entities remain the largest developer of infrastructure assets. The outsized role that the public sector plays in reducing the infrastructure gap is not surprising given that:

1. Many projects needed to accelerate Africa's development are not commercially viable on a stand-alone basis. An example is the Trans-Africa Highway, a network of nine highways covering over 60,000 kilometres and stretching between, amongst others, Cairo and Dakar, Cairo and Cape Town, Lagos and Mombasa, and Dakar and Lagos, which, once completed, will completely transform trade and investment, as well as further supporting initiatives like the African Continental Free Trade Area (AfCFTA). Unfortunately, it is virtually impossible to finance many stretches of this highway using the traditional project financing techniques favoured by the private sector. Many examples of this abound, particularly in the transportation, water, sanitation and housing segments.
2. Where projects appear to be commercially viable, the vast majority are at risk of remaining unbankable for extended periods of time due to a lack of funding for the development of bankable feasibility studies, under-investment in human capital, lack of political will, civil war and strife, inadequate regulatory frameworks, under-enforcement of laws and perceptions that the risk-return parameters are unacceptable.





Product Solutions

Product Solutions



" We launched our A/B Bond Strategy programme, closing with one of the sovereign lending assets as the seed. We aim to continue to ramp up with new quality sovereign assets."

A high-angle, low-perspective shot of a massive concrete dam. The dam's surface is composed of vertical concrete panels, showing signs of weathering and discoloration. A curved walkway with a metal railing runs along the top of the dam. Two small figures of people are visible on the walkway, emphasizing the scale of the structure. In the background, the turquoise water of a reservoir or lake is visible under a clear sky.

"We support the financing of key infrastructure projects across AFC's core sectors of natural resources, transportation, logistics, power, heavy industries and telecommunications, in addition to healthcare, and agro-processing."

Complementing AFC's investment activities which have historically been focused on supporting private sector-led projects and obligors, the Structured Debt Solutions team provides lending solutions, including budgetary support, to government and quasi-government entities. In addition, we support the financing of key infrastructure projects across AFC's core sectors of natural resources, transportation, logistics, power, heavy industries and telecommunications, in addition to healthcare, and agro-processing.

On the other hand, whilst the public sector plays an outsized role in developing infrastructure in Africa, the private sector plays an outsized role in driving economic growth. The African Union estimates that the private sector in Africa accounts for over 80 per cent of total production and two-thirds of total investment, as well as providing jobs to about 90 per cent of the employed working-age population. Yet the private sector, in particular companies that are not in tier one, continues to be constrained by a lack of access to appropriate financing from the banking and capital markets. This includes products across the full spectrum of trade finance, term debt, mezzanine, equity and venture capital or facilities that provide sufficient tenor and flexibility to deal with the complexities of nascent companies and start-ups.

Therefore AFC, via the Structured Debt Solutions team, has expanded its activities in the corporate arena and provides structured finance and trade finance solutions ranging from vanilla term loans, traditional credit enhancing and risk-mitigating structures such as guarantees and tenor elongation instruments to more complex and flexible lending solutions that crowd-in banks and financial institutions, as well as non-traditional, third-party funds. In addition, AFC's lending proposition takes full advantage of the Corporation's high credit rating and Preferred Creditor Status.

2021 Review

2021, not unlike 2020, was shaped by the COVID-19 pandemic. Of note, whether by virtue of the health toll, impact on societal norms, reduction in remittances, or the near-complete shut-down of the tourism, hospitality and food service sectors that Africa remains heavily reliant upon, the pandemic has pushed debt levels higher as governments attempt to mitigate the health and social impacts. Furthermore, in many countries this increase in health and social spending has been at the expense of the already dire state of Africa's infrastructure. Also, the expectation that the pandemic would lead to a substantial repositioning of African economies to enhance self-reliance is yet to materialise.

2021 saw the emergence of inflation with the expectation that interest rates, which have already started to rise, will continue to rise for the foreseeable future and that the US dollar will strengthen. Both these factors will have negative implications for balance of payments, debt servicing costs and access to credit. While it is true that even before the pandemic many African countries were facing steadily rising debt-to-GDP ratios, against the backdrop of lower growth and revenue mobilisation, the result is that African economies are at higher risk of default.

The IMF has stated that, "many countries face arrears or a reduction in priority expenditures. We may see economic collapse in some countries unless G20 creditors agree to accelerate debt restructurings and suspend debt service whilst the restructurings are being negotiated."² In response to this, there has been a push for the provision of debt relief and concessional funding by the international community and, of note, as at December 2021, approximately 33 African countries, including economic powerhouses such as Kenya, Côte d'Ivoire, Senegal and Kenya, have voluntarily opted to accept the Debt Service Suspension Initiative (DSSI)³, with bilateral official creditors repeatedly expressing their hope that private creditors will start providing relief on equal terms. Furthermore, Chad, Ethiopia and Zambia have voluntarily opted to accept the Common Framework⁴ for debt treatments beyond the DSSI, albeit with very limited success.

Whilst these efforts are commendable, it remains AFC's view, that this is a subject that should be treated cautiously. Deferring payments would probably provide temporary relief but do nothing to alleviate the even higher level of debt it creates and will likely be unattractive to those same investors expected to support Africa once the crisis passes. AFC remains of the view that African countries will need to retain and, in fact, have increasing access to various liquidity pools, outside the official creditors, because that is the only sustainable way to get access to the financing volumes anywhere close to the scale required for Africa's needs. This, in our view, is evidenced by the significant appetite that investors continue to show for Eurobonds issued by creditworthy African states. It may be true that the significant demand for this asset class reflects the hunt for yield by investors; however, it also demonstrates the willingness of investors to support and reward countries that have a proven track record of meeting their debt servicing obligations, and to penalise those countries that have failed to do so.

² The G20 Common Framework for Debt Treatments Must Be Stepped Up – IMF Blog

³ DSSI is a formal mechanism by which bilateral official creditors will suspend debt service payments for a specific period of time to qualifying countries from 73 low- and lower middle-income countries that request such suspension. The intention of the DSSI is to temporarily ease the debt repayment obligations for these countries in order to free up scarce money that they can instead use to mitigate the human and economic impact of the COVID-19 crisis

⁴ The Common Framework aims to help countries restructure their debt and deal with insolvency and protracted liquidity problems, along with the implementation of an IMF-supported reform programme. Of note, the Common Framework requires private creditors to participate on comparable terms to overcome collective action challenges and ensure fair burden sharing

Therefore, we remain of the view that it is incumbent on African governments to work with their partners, such as AFC, to find other solutions, besides debt rescheduling and debt forgiveness, to meet Africa's funding requirements. Solutions are needed that provide immediate access to new sources of liquidity to deal with the urgent requirements of the pandemic, provide access to long-term capital, reduce the cost of borrowing and debt servicing obligations, and, equally important, to be sufficiently attractive to commercially driven investors so that they can be scaled in order to meet Africa's huge funding needs.

In 2021, AFC contributed to arranging approximately US\$4 billion in sovereign facilities for the construction of roads, power, water and other infrastructure assets. These include power projects such as the 185MW Kinyerezi Natural Gas-fired Plant Extension, the Rufiji-Chalinze-Kinyerezi-Dodoma 400kV Transmission Line, the Same-Mwanga-Korogwe Water Project and various road projects in Tanzania. In Côte d'Ivoire, funding was provided for drainage and a selection of roads in Yamoussoukro, Bouafle, Thomasset-Agboville, Dimbokro, Bocanda and Ananda, as well as for the upgrading and asphaltting of the Mankono-Tieningboue road. In Senegal, the financing agreement has been signed for the 128MW Sambangalou Hydropower Project which, once completed, will reduce the power deficit in The Gambia, Guinea, Guinea-Bissau and Senegal. Likewise, in Nigeria, the financing agreement has been signed for the early works construction of the 284KM Kano-to-Maradi Standard Gauge Rail Line from Nigeria to Niger Republic and the 93km Kano-to-Dutse Branch Line. The project will stimulate economic development and support the manufacturing industries in the region and result in more robust regional integration and trade between neighbouring countries. Overall, AFC-supported sovereign programmes have, and continue to, contribute to the development of well over 9,000km of roads and infrastructure. In addition, AFC has setup a COVID-19 Sovereign Intervention Programme to support African governments' efforts to set-up healthcare facilities, purchase urgent medical equipment, protective gear, medicines and services as a response to COVID-19 efforts and, in parallel, to support efforts to finance infrastructure projects to facilitate their economic recoveries.

In the corporate space, the Structured Debt Solutions team, working in partnership with the Heavy Industries Team, closed the Corporation's first financing of an agro-processing facility, being the construction of a backward integrated sugar refinery and ethanol plant in Nigeria.

The project is in response to Nigeria's backward integration policy in the sugar industry and import substitution framework. It will significantly contribute to Nigeria's industrial base and support efforts to reduce the nation's foreign exchange deficit.

Outlook

Looking ahead to 2022, even though many economies have gradually reopened, and the economic trajectory appears to be improving, there is still, largely, no sense of normality and early indications are that, with the increasing debt challenges, 2022 will bring many hurdles as stimuli are removed and liquidity tightens. With this in mind, the Structured Debt Solutions team intends to follow a four-pronged approach:

1. We will continue rolling out the sovereign lending programme as an avenue to directly support governments in their ambitions to ramp up on infrastructure investments, which will in turn help AFC to build deeper relationships and partnerships with African governments.
2. For our member countries, we will seek to offer more favourable funding terms, via products such as guarantees and tenor elongation instruments that take advantage of AFC's high credit rating and Preferred Creditor Status, and crowd-in non-traditional, third-party funds that do not have the typical high base costs of banks and financial institutions. We expect that these funding structures, in particular the provision of longer tenor facilities, will better match the useful life of these infrastructure assets with cash flow profiles and contribute directly to efforts to improve debt sustainability.
3. We intend to support governments in areas such as securitising commodity flows and structuring and facilitating governments' meaningful participation in commodity, oil and gas and industrial beneficiation projects.
4. We will explore new ways of supporting and expanding trade and corporate finance activities in order to enhance value creation, which is a critical requirement for Africa and will, in turn, deliver new revenue streams to the Corporation over the next five years.
5. We launched our A/B Bond Strategy programme, closing with one of the sovereign lending assets as the seed. We aim to continue to ramp up with new quality sovereign assets.

Financial Services

A robust credit profile enabled investment grade institutions such as the AFC to benefit from the record-low interest rates globally.

In 2021, global central banks kept benchmark interest rates at record lows to encourage faster economic recovery.

In emerging markets, lower yields and surplus liquidity encouraged borrowers to raise cheaper financing, entrenching an 'issuer's market' regime across the region. Several African issuers took advantage of the depressed yields and renewed interest from investors.

Asset and Liability Management

In line with AFC's investment mandate in the African continent, Treasury supported several African issuers in the international debt capital markets by investing in Eurobonds issued by African issuers. This broad group of issuers accessed the global markets to finance their funding requirements for expansion, infrastructure development, working capital and refinancing. AFC's investments in these fixed income securities, which are originated either via primary market issuances or the secondary market, focus on Eurobonds issued by African sovereigns, financial institutions and corporates. AFC's sustained commitment to these transactions demonstrates the Corporation's strong appetite to supply the capital that will support the funding requirements of African entities for the development of the continent.

As part of our diversified funding programme, Treasury continued to maintain funding via repos in the global financial markets. These financing transactions leverage our fixed income portfolio and form part of the several avenues by which AFC generates the liquidity to support our balance sheet growth and investment mandate.





Financial Services

Financial Services



"Treasury supported several African issuers in the international debt capital markets by investing in Eurobonds issued by African issuers."



"Our TCS business continues to engage in dialogues with various African central banks to ramp up efforts to bring innovative funding solutions to more central banks and financial institutions."

Treasury Client Solutions

Our Treasury Client Solutions (TCS) business continues to apply AFC's investment-grade credit rating, its strong knowledge of the African operating environment and expertise in the global financial markets, to help African companies and projects to manage their financial risks by providing innovative risk management solutions to our clients. During the year, our TCS business supported an African crude oil producer to address its inherent price risk by providing a two-year crude oil put option on 1.24 million barrels as part of a commodity hedging programme for the project to mitigate those risks. These put option contracts limit the downside risk for the crude oil producer by providing protection below an agreed minimum crude oil price. The hedging structure allows the producer to mitigate its exposure to declining crude oil prices while retaining the ability to benefit from potentially higher prices. In addition to these commodity hedging solutions, our TCS business uses swaps and other derivatives to provide solutions to other clients in addition to also hedging the financial risks on the Corporation's own balance sheet.

As part of the Corporation's post COVID-19 pandemic support programme, our TCS business successfully provided several innovative funding solutions to some key African central banks, using cross-currency swaps to provide US Dollar funding to these institutions, and securing the funding with local securities. The cross-currency swaps allowed the central banks to raise hard currency funding to manage their foreign exchange reserves and stimulate their domestic financial markets. Our TCS business continues to engage in dialogues with various African central banks to ramp up efforts to bring innovative funding solutions to more central banks and financial institutions, as part of the Corporation's efforts to play a leading role in developing Africa's capital markets.

Funding

In 2021, AFC continued to play a critical role in supporting Africa's recovery from the effects of the pandemic, as the Corporation executed our funding strategy focused on building liquidity buffers, optimising opportunities to refinance maturing obligations, and providing the capital necessary to support our growth aspirations. AFC successfully accessed the global debt markets by issuing US\$1.8 billion in new loans and bonds during the year. This resulted in total borrowings of US\$6.2 billion as at 31 December 2021, representing a 22 per cent increase from US\$5.1 billion in the previous year.

The Corporation leveraged global banking relationships and partnerships with multilateral development institutions to access bilateral syndicated loans and other forms of financing during the year. In April, AFC issued its first transaction, a US\$750 million Reg S/144A seven-year Eurobond. The Notes due 2028 were priced at 175 bps over US Treasuries to yield 2.991 per cent, with 3.5 times oversubscription in the order book. The appetite and pricing reflected the Corporation's creditworthiness and established market presence in the global debt capital market. In addition, the geographic distribution for the bond was spread widely across the US, UK, continental Europe, Asia, the Middle East and Africa, demonstrating the broad appeal of AFC's creditworthiness.

The issuance was followed by three successive loan facilities, drawing on established and new partnerships to secure long-term funding from various international lenders. The first was a 100 million euro-denominated ten-year loan facility by KfW – Ipx, a subsidiary of the KfW Group, with whom AFC has enjoyed a successful partnership since 2012. The second was a US\$170 million 12-year syndicated multilateral loan facility led by Deutsche Investitions- und Entwicklungsgesellschaft (DEG). These transactions reflect the coordinated partnership between AFC and other global multilateral development finance institutions in helping Africa to recover from the effects of the COVID-19 pandemic.

The third resulted from a newly established partnership with the Export-Import Bank of India, leading to a US\$100 million ten-year loan facility. India's sovereign export credit agency has actively sought opportunities to co-finance projects in Africa through credit lines to support infrastructure development. The Bank counts on a network of alliances and institutional linkages with solid credit profiles, such as AFC, to expand its mutually beneficial partnerships towards the development and economic benefit of the continent.

Together, these strategic partnerships contributed to the mobilisation of the urgently needed capital to rebuild Africa's post-pandemic recovery with resilient and sustainable infrastructure across critical sectors, including renewable energy, transportation and telecommunications.

Furthermore, we leveraged our global banking relationships to diversify our funding sources during the year, resulting in a US\$400 million three-year club loan closed in December. The three-year facility was 2.5 times oversubscribed, with AFC increasing the offering to US\$400 million from the initial target of US\$300 million. The loan was funded by a club of 12 participating banks, three of which are new lenders to AFC. The geographic spread of the banks includes Europe, Asia, the Middle East and Africa. The loan proceeds will enable AFC to build our liquidity buffers for general corporate purposes.

Finally, leveraging our robust market access and track record of accessing optimally priced funding levels across various currencies and structures, the Corporation issued about US\$194 million equivalent in five privately placed medium-term notes under our US\$5 billion Global Medium-Term Note (GMTN) programme. In addition, three of the privately placed Notes were long-term euro-denominated Notes issued to large institutional investors in Europe, thereby enabling AFC to develop further our relationship with this critical investor base.

Overall, with global liquidity still at high levels during the year, emerging markets in general and Africa in particular, benefitted from significant capital inflows from investors seeking higher yields. AFC continues to benefit from a flight to quality and strong support from global investors that are attracted to our strong credit profile and investment-grade rating. As a result, our balance sheet remains healthy, with solid liquidity buffers to support our operations in 2022.

Syndications

At the core of AFC's mandate sits the mobilisation of private capital either through funded or unfunded participations

The AFC Syndications programme continues to play a pivotal role in the mobilisation of pent-up private capital into infrastructure projects in Africa, through our unparalleled partnerships with various providers of capital, such as commercial banks, investment banks, developmental financial institutions, institutional investors, pension funds, sovereign wealth funds, debt funds and insurance companies.

Acting as a Mandated Lead Arranger, in FY2021, AFC Syndications successfully arranged US\$984 million (US\$820million through funded participation and US\$164 million in unfunded participation) from 21 institutions and across six mobilisation structures.

To complement our existing mobilisation products (B-Loans Parallel Loans, Unfunded Risk Participations (URP), Partnership Loans (P-Loan) and Portfolio Insurance mobilisation efforts, significant focus was placed on developing strong relationships with institutional investors and structuring bespoke credit enhanced mobilisation products. By combining them with our preferred creditor status, these products allow AFC to diversify our mobilisation sources and crowd-in additional funding into critical infrastructure in Africa.

We successfully launched and deployed two inaugural products, the A/B Bond and credit insured B loans. Both are innovative structured solutions designed mainly to attract capital from institutional investors.

The A/B bond structure repacks loans into note format through a credit enhanced Special Purpose Vehicle (SPV), transforming non-investment grade loans into investment-grade notes. This was deployed using a US\$187.5 million syndicated facility to the Government of Côte d'Ivoire. The proceeds of the financing were used for road infrastructure rehabilitation. The inaugural transaction was done in partnership with Aegon Investment Management B.V. (Investor), Trade Asset Securitisation Company S.à r.l. (SPV/Issuer) and Texel Europe B.V (Insurance Broker).

The credit-insured B loan is structured to minimise the risk taken on by investors in the event of a default by the obligor of the underlying asset. It allows investors to buy a B loan participation alongside AFC's A loan participation in loans provided mostly to sub-investment grade borrowers by elevating the investment's credit profile closer to investment grade. This structure was deployed in a US\$1.3 billion syndicated facility to the Government of Tanzania, to finance multiple sector-wide infrastructure projects. The inaugural transaction was done in partnership with Allianz Global Investors.

From FY 2018 to date, AFC Syndications has mobilised a total of US\$2.3 billion (US\$1.2 billion through funded participation and US\$1.1 billion in unfunded participations) from 51 institutions and across seven mobilisation structures.

Trade

Amidst the challenging economic conditions in 2021, all AFC's revolving credit facilities available to African financial institutions remained open, with not a single facility cut back or withdrawn.

AFC's Financial Institutions & Trade Finance (AFC FIT) Unit offers support to African financial institutions with regards to their short-term (up to one year) and medium- to long-term (up to 10 years) trade financing and other liquidity requirements.

Through its funded support to African banks, AFC provides much-needed hard currency financing into Africa for the procurement of items essential for economic development, such as medicines, refined petroleum and capital equipment, as well as for the financing of local beneficiation and import substitution efforts. Such support is especially critical during periods of global financial market volatility – for example during the COVID-19 pandemic – when increased risk aversion leads to a retrenchment of hard currency liquidity from emerging markets, especially Africa, creating funding shortages.

Using its investment grade rating, AFC offers much-needed payment risk cover on behalf of African banks, thereby helping to raise the trade finance capacity available to African countries for their import financing requirements.

In providing both funded and unfunded support to African financial institutions, AFC plays a critical role in promoting intra-African trade and the objectives of the African Continental Free Trade Area (AfCFTA). AFC FIT's activities are a natural fit to the core business of AFC, which is infrastructure financing. Infrastructure provides the foundational layer for intra-African trade by enabling interconnectedness between African countries and markets. Above that foundational layer, the financing of trade activities (including risk mitigation solutions) is required to ensure growth in output/production together with matching effective demand.

As a catalyst for private sector-led investment (including local investors such as pension funds) into critical African infrastructure projects, AFC also promotes the development of local capital markets in Africa through strategic partnerships and/or equity investments in specialised entities set up specifically for such a purpose. An example is AFC's shareholding in Infrastructure Credit Guarantee Company Limited, a company which provides credit wraps to local currency debt issuances in Nigeria. The credit wrap improves the rating of the debt issues and, therefore, helps to increase investor participation in the local debt issuances. This is an effective solution to the challenge of governments crowding out the private sector in local capital markets, a challenge that is common across several African countries.

In 2021, despite a continued general negative outlook across the African continent, especially in the first and second quarters of 2021, AFC continued to offer support to our clients as we kept all our revolving FI facilities available, with not a single facility cut back or withdrawn. In fact, AFC approved the creation more than \$300 million in new short-term annual revolving lines for banks across the continent. In the year, AFC provided \$243 million in financing to African FIs and issued \$95 million in payment risk cover.

Outlook

In 2022, AFC will aim to play an even greater role in supporting the continued recovery of African economies by channeling financing through key strategic partners to relevant economic players (especially SMEs) considered to have significant development multipliers. AFC FIT will particularly focus its activities on widening our geographical reach to include Lusophone and Francophone African countries, while also continuing to grow our Line of Credit product. Such LOCs are aimed at providing medium term on-lending facilities to African financial institutions for trade finance, capex finance, and even general liquidity requirements.

Financial Advisory

In 2021, AFC's Financial Advisory Department further cemented our positioning as a market leading provider of financial and technical advice to public and private sector clients across Africa.

During the year under review, our operating strategy for Financial Advisory focused on closing deals within our portfolio, developing new mandates with our existing partners and selectively developing new clients, partners, and projects across Africa. Our areas of focus continue to be in large infrastructure project development, transaction management, project finance advisory, fund management services, general corporate finance, and specialised restructuring services.

Despite the continued impact of the COVID-19 pandemic globally, our Financial Advisory business successfully added 13 new client mandates to its portfolio during 2021, more than double the number added in 2020. These new mandates brought the total number of transactions under execution by our small team to 24 transactions, relating to infrastructure projects valued at more than US\$8 billion and situated across eight countries (Nigeria, Cameroon, Ghana, Sierra Leone, Guinea, South Sudan, Djibouti and Zambia), cutting across AFC's focus sectors.

AFC remained the leading infrastructure solutions provider focused on large transformational projects in our host country Nigeria. Our team provided corporate financial advice in relation to several important transactions in the Nigerian oil and gas sector. The scope of our advice ranged from upstream field development (including gas monetisation initiatives), to midstream (refinery and pipeline transportation) and downstream (inland storage and liquified petroleum gas distribution). In this regard, AFC assisted the state-owned Nigerian National Petroleum Corporation (NNPC) with corporate financial advice and transaction management support in relation to several key projects. For example, during 2021 we led several projects for this client, including a strategic restructuring of a major joint venture portfolio asset, aimed at greatly enhancing the effectiveness of the country's oil and gas production capacity, and thereby improving the fiscal stability of the government. We also assisted with securing more than US\$1 billion in capital for a transformational investment aimed at progressing Nigeria's domestic industrialisation goals in the midstream petroleum refining and associated Heavy Industry sector.

In other sectors, AFC assisted several other important clients and partners in Nigeria with transformational infrastructure financing objectives. Specifically, our team advised one of the leading diversified conglomerates, BUA Group, in securing a US\$200 million corporate finance facility to complete the construction of its vertically integrated sugar project in Lafiagi, Kwara State, Nigeria. The proceeds will be utilised for the development, construction, commissioning and operations of a 20,000 hectares plantation, 2,200,000 tons sugar milling plant and a 200,000 tons per annum sugar refinery that will process and refine white sugar. The project will also have an ethanol plant that should produce 25 million litres of ethanol annually and a 35-megawatt power plant that will produce renewable energy from bagasse (sugarcane residue). Upon completion, over its useful life, the project should reduce Nigeria's sugar import bills by approximately US\$2 billion and create about 15,000 direct and indirect jobs that will accelerate development impact in the economy.

In addition to this significant achievement, the team continued to work with the government of Nigeria and a leading global construction company, Mota Engil Africa, on the US\$2 billion development and financing of the 378km railway project linking Northern Nigeria with the neighbouring Niger Republic. In the renewable energy sector, our team also provided strategic advice to the International Finance Corporation and the Nigerian Sovereign Investment Authority on an important new initiative aimed at creating sustainable and climate-positive financing solutions for the challenges in Nigeria's electricity distribution sector.

In 2021, AFC commenced providing strategic financial advice to the Federal Government of Nigeria on a major power sector transmission and distribution infrastructure upgrade programme, in partnership with a leading European equipment supplier, supported by the German Government and a consortium of international banks. This programme aims to upgrade Nigeria's heavily dilapidated electricity transmission grid, which has suffered from severe under-investment and is prone to regular breakdown and enhance the operational capacity of several electricity distribution grids across the country.

Elsewhere in West Africa during 2021, AFC continued to provide advice to several developers working on high impact projects in the region. In Cameroon and Ghana, we are advising a leading client with innovative financing

solutions in the energy sector. In Sierra Leone, working closely with our partners in the national government, AFC is advising the private sponsors leading the development of the first large-scale commercial gold mining project in the country. This transformational US\$350 million 2.5MTPA gold production venture will greatly enhance the fiscal prospects of this AFC member state.

In Guinea, another AFC member state, despite recent political challenges, AFC continued providing project finance advice on the development of one of the largest industrial projects currently under consideration in the country, a US\$350 million integrated petroleum storage and refining complex. This project is designed to create new storage capacity as well as a first-of-its-kind local production capacity serving the industrial needs of one of the largest bauxite exporting nations in the world.

Elsewhere in Africa, AFC continued to provide advice to our key partner in Djibouti, the state-owned seaport operator which has been developing several new critical infrastructure projects in the country. These include the project financing of a US\$122 million greenfield world-class ship repair facility, aimed at localising this critical value-added industrial service. Our team is also advising a leading energy trading group with innovative financing solutions in the energy sectors of South Sudan and Zambia.

During 2021, AFC continued our multi-year strategy of supporting effective, long-term, local currency financing options for critical infrastructure. In this regard, our team continued to provide structuring and risk management advice to local currency funds within our portfolio. The scope of our services included delivery of best practice governance, oversight and risk management advice. Among these, the highly successful US\$2 billion Central Bank of Nigeria (CBN) Power and Airline Intervention Fund (PAIF) remained the most significant. Advised by our team, PAIF has successfully financed about 1,662MW of electricity generation capacity in the country, with over 1,214 MW of this being entirely new capacity to bridge

the country's severe deficit. Additionally, AFC has led the creation of the Infrastructure Corporation of Nigeria Limited, which has been designed to become a transformational vehicle for local currency financing of infrastructure projects in Nigeria. Our team also continues to work closely on structuring and blended financing opportunities with AFC's portfolio company, InfraCredit, which is the leading monoline credit insurer for infrastructure projects in Nigeria.

Outlook

Overall, despite the impacts of the severe global healthcare, economic and political challenges of 2021 in Africa, AFC was able to achieve significant milestones on the financial advisory mandates entrusted to us by clients, partners and member states. Going into 2022, our Financial Advisory team remains focused on AFC's strategic objective of creating viable and innovative solutions for Africa's infrastructure. Our goal remains the creation of projects with transformational impact on African economies and the lives of people across Africa.



Country Relations

In a milestone for its pan-African mission, AFC exceeded 30 member states, representing more than half the African continent, and secured several African sovereign equity subscriptions.

The advent of the COVID-19 pandemic, its resultant effects and its protracted impact on global economies reinforced the fact that business can no longer continue as usual.

The need to re-examine and re-strategise on how best to achieve our mandate was clear. We redirected our focus to providing much-needed support to African governments as they dealt with the continued and unprecedented human and economic crisis. The membership drive and shareholder diversification strategy became even more necessary to boost our ability to deliver for the continent.

Key Highlights

Positioning AFC as the partner of choice requires forming strategic partnerships across the region and globally. In 2021, AFC was accredited by the Organisation for Economic Co-operation and Development (OECD) as an Official Development Assistance (ODA)-eligible organisation, paving the way for OECD members to channel their development finance into Africa through the Corporation. AFC also joined the International Development Financial Club (IDFC), which is a platform comprising of some of the most significant development banks seeking to align their efforts in promoting and leveraging sustainable development investments worldwide.





Country Relations

Country Relations



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2021 also witnessed the operationalisation of our partnership with the United Nations Economic Commission for Africa (UNECA). AFC partnered with the Commission and other regional institutions to support the Government of DRC to host a multi-stakeholder Battery, Electric Vehicle (BEV) and Renewable Energy Value Chain Forum. Developing such a value chain would enable DRC, and Africa as a whole, to capture a larger share of the expanding BEV market, which is projected to be worth US\$8.8 trillion by 2025 and US\$46 trillion by 2050. Currently, DRC supplies about 70 per cent of the world's cobalt used to produce batteries, so it is an essential component to power Electric Vehicles (EVs) and store energy in solar and wind energy systems.

Supporting initiatives like this is in line with AFC's overarching beneficiation strategy, through which the Corporation supports resource-rich African countries to add more value to their endowments and profit from the global transition towards green energy, electrification of transport systems and rapid decarbonisation.

The Corporation also launched our first-ever Country and Stakeholder Symposium, which is a platform for engaging with and assessing the needs and priorities of our stakeholders in order to support their development plans and agenda continuously.

Country Membership

AFC has reached a 61 per cent membership rate of the 54 African countries in 14 years of existence. This is a significant milestone and a clear statement of African countries' faith in the Corporation's status as the leading infrastructure solution provider. Also worthy of note is that AFC has now onboarded all West African countries as members. The onboarding of DRC, Morocco and Egypt has paved the way for the Corporation to expand our activities in Central and North Africa, respectively, further solidifying our mandate on the continent.

As of December 2021, AFC Member States are Nigeria (host country), Benin, Burkina Faso, Cape Verde, Chad, Republic of the Congo, Côte d'Ivoire, Djibouti, DR Congo, Egypt, Eritrea, Gabon, Ghana, Guinea-Bissau, Guinea Conakry, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Rwanda, Senegal, Sierra Leone, The Gambia, Togo, Uganda, Zambia and Zimbabwe.

We are optimistic that Angola, Cameroon, Tanzania and Tunisia will become members in 2022. These countries are core to the overall country strategy of the Corporation and integral to the sustenance of the economy of the African continent.

Equity Mobilisation

The Corporation's capital raise programme, which launched in late 2019, is making gradual progress despite a second consecutive year marred by weak investor sentiments from the adverse effects of the economic fallout from the COVID-19 pandemic.

During the year under review, the Corporation mobilised US\$51.5 million in fresh equity from four new shareholders (Central Bank of Guinea, Republic of Togo, Republic of Sierra Leone and Seychelles Pension Fund) and an upsize of US\$20 million from the Government of Ghana via the Ghana Infrastructure Investment Fund.

Notable progress was made on shareholder diversification, as the Central Bank of Guinea became the second central bank, after the Central Bank of Nigeria, to join the shareholding of the Corporation. In addition, the Government of Togo was onboarded as the first Francophone sovereign state shareholder, while the Seychelles Pension Fund subscribed as the first shareholder from the Indian Ocean states.

Our expanded membership and shareholder base amplifies the increasing attractions of the Corporation as an ecosystem platform that provides an opportunity for African sovereign entities, regional and global institutional investors to have a significant development impact on the continent simultaneously, while also enjoying competitive returns on their investment. Notwithstanding the growing uncertainties, we are optimistic about the prospects of onboarding

new and diverse shareholders during 2022, by leveraging on AFC's attractive profit potential to further increase our impact in addressing Africa's pressing infrastructure, capacity and economic development needs.

Partnerships

Our focus on partnerships in 2021 was to forge alliances that are crucial to increasing the Corporation's inherent ability to deliver on our mandate by closing Africa's infrastructure gap.

To establish key relationships for seamless cooperation, investment and co-investment opportunities, Partnership Agreements were signed with the following:

- Fond Solidarite Africaine (FSA) Niger: to explore co-guarantee opportunities and support AFC's membership drive for countries that are members of the FSA.
- MiDA Advisor International LLC (MiDA Advisors) U.S: to attract institutional investors to co-invest in Africa's infrastructure and channel Africa Pension Funds into financing infrastructure in Africa.
- Angola Development Bank (BDA): to support AFC's effort to onboard Angola as a Member Country and to explore joint provision of direct lines of credit to strategic corporates in the country.
- National Investment Commission (NIC) Liberia: to cooperate on investment opportunities and facilitate investment promotions activities that are of mutual interest in Liberia.
- Caisse National de Prévoyance Sociale (CNPS) Cameroun: to attract long-term funding in equity debt finance in the country.
- Shelter Afrique (Kenya): to explore opportunities in treasury and funding-related activities.
- Turkish Exim Bank (Turkey): to facilitate and enhance the Turkey-Africa trade linkages through the provision of support to financial institutions on the continent.

Events

As part of the Corporation's broader strategy to deepen and reinforce our partnership and cooperation with Member Countries, prospective Member Countries, private sector actors and non-African institutional investors (collectively called Target Stakeholders), we launched our first-ever Country and Stakeholder Symposium on the sidelines of the 13th Annual General Meeting (AGM) of the Corporation on 6th April 2021.

The Symposium was a success as it brought together a diversified pool of our Target Stakeholders, including Ministers, representatives of government agencies from Ministries of Finance, Infrastructure, Foreign Affairs, central banks, as well

as senior officials from the private sector⁵. The crux was to engage with our stakeholders to understand how AFC can support them through the COVID-19 pandemic and beyond.

Additionally, AFC supported, hosted, and partnered with various institutions and governments on roundtables and conferences. These include:

- **PIAfrica (March):** The Pension Funds and Alternative Investments is a yearly event organised by AMETRADE. AFC's sponsorship and attendance at the event created an opportunity to engage with a wide range of pension and alternative asset managers, encouraging them to prioritise infrastructure as an assets class culminating in active conversations on equity investment in AFC.
- **Ministry of Natural Resources, (MNR), Sierra Leone (May):** AFC partnered with the Ministry of Mines and Mineral Resources (MMMR) and the National Minerals Agency (NMA) to launch the Sierra Leone's Geodata and Exhibition Event. It was an opportunity for investors, mining companies, banks and financial institutions to join other key stakeholders to share experiences and ideas on the investment opportunities and challenges in the mines and minerals sector in the country.
- **Tunisia Africa Business Council-TABC (June):** AFC participated in the 2021 edition 'Financing Investment and Trade in Africa'. It was an avenue to foster the Corporation's expansion into North Africa, particularly Tunisia, and created the opportunity for Management to meet with the President of Tunisia and other high-level Government officials as well as heads of private sector organisations.
- **Turkish Deik (June):** AFC organised a webinar with the Turkish Economic Relations Board (Deik) to introduce AFC to financial institutions in the country. The outcome culminated in various engagements with investors including the Turkish EPC Association and the Turkish Exim Bank (with whom AFC has signed a Memorandum of Understanding).
- **AU Dubai Expo 2020 (held in October 2021):** In a bid to advance the partnership and cooperation between the AFC and the African Union, AFC partnered with the AU to host the Spotlight on Africa – Africa Infrastructure Conference in Dubai. AFC, through the AU, had the opportunity to meet with the Commissioner-General of prospective member countries of AFC at the Expo.
- **DRC Africa Business Forum (November):** AFC,

working with the Economic Commission for Africa (ECA), alongside other regional organisations (the Arab Bank for Economic Development in Africa, the African Export-Import Bank, the African Development Bank and the The African Legal Support Facility (ALSF), as well as the UN Global Compact) partnered with the Government of DRC to host the Battery and Electrical Value Chain Forum under the theme 'Fostering the Development of a Battery, Electric Vehicle and Renewable Energy Value Chain and Market in Africa' in Kinshasa. The event attracted Heads of Governments, regional and non-regional agencies, and the private sector organisations. The outcome of the event is the commitment to support the aspiration of DRC, which is a member of AFC, to become a leading player in the BEV value chain and enable Africa to take ownership of its natural resources and strategic minerals value chain.

- **Non-African Ambassadorial and Heads of Agency Meetings:** As part of our mandate to engage with other international organisations and their representatives in Nigeria, AFC met with the Ambassador of France, the Consul General of the German Consulate, the Head of Cooperation of the European Union (EU), representatives of the Country Representative of Japan International Cooperation Agency (JICA), the Deputy High Commissioner of India and representatives of the British Deputy High Commissioner. The outcome of these meetings includes the establishment of bilateral relationships, which has paved the way for discussions on a robust investment pipeline and financing opportunities.

Outlook

Looking ahead, Country Relations will continue to re-position its engagements to serve our country stakeholders as the continent embarks on the road to economic recovery amidst the debilitating impact of the coronavirus pandemic. In line with our two-year departmental strategy (2022-2023) and AFC's rebrand roll-out, we will deepen our in-country visibility and broaden the global horizon of the Corporation, through instrumental initiatives. To reinforce the multilateral and pan-African status of AFC, we plan to increase our efforts to onboard the remaining non-member African states and expand our outreach to non-regional countries, and global multilateral institutions. Leveraging on the Corporation's value creation and superior returns, we will continue to proactively diversify our shareholder base to enhance our aptitude to deliver the Corporation's mandate.

⁵ Regional representation as follows: Africa (60.5 per cent), Europe (24 per cent), North America (14 per cent), Asia (1 per cent) and Middle East (0.5 per cent), while the sovereign/non-sovereign attendance ratio was 20:80.

AFC Capital Partners

During the past year, AFC marked our entry into Asset Management with the establishment of our wholly owned subsidiary, AFC Capital Partners (ACP).

The vision of ACP is to become Africa's leading Infrastructure Asset Manager with a strategic focus on sustainable investment themes. ACP will leverage the scale and breadth of AFC's investment track record to mobilise equity capital from third-party investors to co-invest alongside AFC in attractive infrastructure investments. ACP will provide institutional investors with unique access to AFC's infrastructure investment pipeline, while also expanding the supply of long-term capital to these pipelines. This bold and strategic move will not only enhance AFC's business model and diversify our earnings streams, but also compound AFC's climate and developmental impact on the continent.

In January 2021, Ayaan Adam was appointed as a Senior Director and CEO of AFC Capital Partners. As the former leader of the private sector arm of the Green Climate Fund under the UN Framework Convention on Climate Change, as well as a former CIO and Senior Manager of the World Bank Group's IFC, Ayaan brings more than 27 years' investment experience and leadership into her new role. In September 2021, ACP launched its inaugural fund, namely the Infrastructure Climate Resilient Fund (ICRF). The fund will drive investments in low carbon and climate-resilient infrastructure assets in Africa, focusing on AFC's core sectors, namely transport and logistics, clean energy, industrial parks and telecommunications. In addition, the ICRF will blend commercial and concessional equity capital to deliver attractive returns for institutional investors. Concessional capital will be mobilised from international and multilateral sources such as the Green Climate Fund (GCF).



The image features a large, dark purple triangle on the left side, which serves as a background for the company name. To the right of this triangle is a photograph of a cable-stayed bridge at night, with its tall pylon and stay cables illuminated in a vibrant red. In the lower-left portion of the bridge image, there is an inset photograph of an industrial facility, possibly a refinery or chemical plant, with its structures and towers brightly lit in green. The overall composition is modern and industrial, with a strong use of geometric shapes and contrasting colors.

AFC Capital Partners

AFC Capital Partners



"The vision of ACP is to become Africa's leading Infrastructure Asset Manager with a strategic focus on sustainable investment themes."



Despite being the least contributor with less than 4 per cent GHG of global emissions, Africa is the most vulnerable continent to climate change. The infrastructure assets on the continent are increasingly stressed by multiple drivers of climate change, including high temperatures, changing precipitation patterns, droughts, floods and rising sea levels. As a response, African economies have an unprecedented commitment to transition to low carbon and climate-resilient development pathways. This paradigm shift would require significant investments estimated at US\$2.3 trillion, as reflected in their Nationally Determined Contributions (NDC). ICRF is well positioned and uniquely designed to capture this opportunity and generate returns for institutional investors. We strongly believe that mainstreaming climate-related risks in infrastructure will maximise financial and environmental sustainability.

In terms of outreach, ACP has engaged with several institutional investors, such as sovereign wealth funds, pension funds, insurance companies, DFIs and others, to present the ICRF and its unique offering. We have garnered traction and received positive feedback from several investors. We have also engaged over 40 countries to discuss the ICRF and secure their support in order to mobilise funding from the Green Climate Fund (GCF). ACP also had extensive engagements at COP26 in Glasgow and participated in several high-level panels, demonstrating the growing leadership of AFC in Climate Finance and Sustainable Development.

The ACP's inaugural team has deep experience in both investments and climate change. With over 100+ years of combined investment experience in emerging markets and Africa, and a track record with more than US\$2 billion in climate investing and ESG, the team has the expertise to successfully manage the Fund.

Going forward, ACP will continue its institutional building efforts to achieve the highest standards of governance, policies, systems and human capital to build a world-class asset management business. Most importantly, ACP will continue to accelerate on-going investors engagements to achieve a first close for ICRF with an initial target of US\$500 million by December 2022.

7

Financial Report



Statement of directors' responsibilities


The Directors are responsible for the preparation of the financial statements for each financial year, that give a true and fair view of the state of financial affairs of the Corporation at the end of the year and of its profit or loss. The Directors are also responsible for ensuring that the Corporation keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards (IFRS). The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as for designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least twelve months from the date of this statement.

Approval of Annual Financial Statements

The annual financial statements, presented on pages 126 to 226, were approved by the Board of Directors on 25 February 2022 and were signed on its behalf by:



Chairman



President & CEO

Report of the Audit and Compliance Committee to the Board of Directors and general meeting of the Africa Finance Corporation

In compliance with the provisions of Article 28 of the Charter of the Africa Finance Corporation and pursuant to the terms of the Audit and Compliance Committee (the "Committee") statute concerning the establishment, membership, functions and powers of the Audit Committee of the Africa Finance Corporation, the Committee considered the audited financial statements for the year ended 31 December 2021, at its meeting held on 18 February 2022.

In our opinion, the scope and planning of the audit for the year ended 31 December 2021 were adequate.

The Committee reviewed and was satisfied with the auditor's submissions.

After due consideration, the Committee accepted the report of the auditors to the effect that the financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and gave a true and fair view of the state of affairs of the Corporation's financial condition as at 31 December 2021.

The Committee, therefore, recommended that the audited financial statements of the Corporation for the financial year ended 31 December 2021 and the auditor's report thereon be approved by the Board of Directors and presented for consideration by shareholders at the annual general meeting.

The Committee accepted the provision made in the financial statements for the remuneration of the auditors and recommended that the Board of Directors accept same. Furthermore, the Committee recommended to the shareholders, the reappointment of KPMG as the Corporation's external auditors for the 2022 financial year.



Mr. Ahmad Abdullahi
Chairman
Audit & Compliance Committee

Members of the Committee

Mr. Henry Oroh
Mr. Patrick Akinwuntan
Dr. Kevin Amugo
Ms Kirstine Damkjaer


KPMG Professional Services

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Africa Finance Corporation

Opinion

We have audited the consolidated financial statements of Africa Finance Corporation and its subsidiaries (together, "the Corporation"), which comprise:

- the consolidated statement of financial position as at 31 December, 2021;
- the consolidated statement of comprehensive income
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Corporation as at 31 December, 2021, and of its consolidated financial performance and its consolidated 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 Corporation in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

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Registered in Nigeria No BN 986925

Partners:

Adegoke A. Oyelami	Ayodele H. Othiwa	Joseph O. Tegbe	Olanike I. James	Tayo I. Ogungbenro
Adekunle A. Elebute	Bolanle S. Afolabi	Kabi O. Okunola	Olufemi A. Babem	Temilope A. Onitiri
Adesola P. Adeyemi	Chibuzor N. Anyanichi	Lawrence C. Amadi	Olumide O. Olayinka	Tolulope A. Odusale
Adeyemi K. Ajayi	Chineme B. Nwigbo	Martins I. Aroge	Olusegun A. Sowande	Uzodinma G. Nwankwo
Ayibola O. Oloriola	Elijah O. Oladunmoye	Mohammed M. Adams	Olutoyin I. Ogunlowo	Victor U. Onyenkpa
Akinyemi Ashade	Goodluck C. Oti	Nneka C. Eluma	Olufemi O. Awotoye	
Ayobami L. Salami	Ibomi M. Adepoju	Olaimpe S. Afolabi	Olufemi O. Awotoye	
Ayodele A. Soyinka	Ijeoma T. Emezio-Enigbo	Oladimeji I. Salaudeen	Ozeme J. Olatoye	



Expected Credit Loss on Loans and Advances to Customers

The determination of Expected Credit Loss (ECL) allowance requires the application of certain financial indices which are estimated from historical financial data obtained from within and outside the Corporation, as inputs, into complex financial models.

The approach used in estimating the ECL allowance on loans and advances to customers is based on whether there is a significant increase in credit risk on the loan portfolio. Where there is evidence of a significant increase in credit risk on loans and advances to customers, the ECL allowance is estimated from losses expected to result from default events over the life of the loans. Where there is no evidence of significant increase in credit risk for loans and advances to customers, the ECL allowance is recognized based on an estimate of the losses expected to result from default events within 12 months after the reporting date. The estimate of the expected credit losses is an output of the model, with the key judgements and assumptions such as the:

- Probability of a loan becoming past due and subsequently defaulting;
- Criteria for assessing significant increase in credit risk (SICR);
- Incorporation of forward-looking information, which includes consideration of the impact of changes in the economic environment; and
- Identification of impaired loans and advances and the estimation of the loss allowances.

The ECL allowance on loans and advances to customers is considered to be of most significance in the audit due to the high level of subjectivity, judgments and assumptions applied by management in determining the impairment allowance required.

How the matter was addressed in our audit

Our procedures included the following:

- We evaluated the design, implementation and operating effectiveness of the key controls over the impairment assessment process such as:
 - The Board Risk and Investment Committee's review and monitoring of the performance of loans and advances;
 - Management review of the model assumptions and inputs; and the resultant ECL allowance arising from the model
 - Management review and approval of the expected credit losses arising from the model.
- We examined the staging of loans and advances to customers by assessing whether the staging analysis used in the ECL allowance measurement are consistent with the Corporation's credit risk management policy. We assessed the appropriateness of the Corporation's determination of significant increase in credit risk and the resultant classification of loans into the various stages by examining the performance of loans and advances to customers as at 31 December 2021. For loans and advances to customers which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors such as available industry information about the obligors to determine whether the Corporation should make an estimate based on the losses expected to result from default events within a year or defined default events over the life of the facilities. We also agreed significant loans and advances to customers to relevant documentation such as loan agreements, repayment schedules and the bank statements.



- With the assistance of our financial risk management specialists, we tested the key data and assumptions for the data input into the ECL models used by the Corporation and the accuracy of the expected credit loss charged by:
 - Challenging the reasonableness of the Corporation's ECL methodology, considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonableness and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition;
 - Assessing the appropriateness of the Corporation's forward-looking assumptions comprising the Standard and Poor's Goldman Sach's Commodity Index (S&P GCSI), by corroborating management's assumptions with publicly available information from external sources;
 - Evaluating the appropriateness of the basis of determining Exposure at Default by considering the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;
 - Assessing the appropriateness of the approach and significant assumptions for determining the Probability of Default (PD) and Loss Given Default (LGD) used by the Corporation in its ECL calculation by ensuring the data applied from external sources are aligned with the generally available data and assessing whether the Corporation's methodology is in line with IFRS 9 requirements; and
 - Re-performing the calculations of impairment allowance for loans and advances as at 31 December 2021 using the Corporation's ECL allowance models on loans and advances to customers.

The Corporation's accounting policy on impairment and related disclosures on credit risk are shown in notes 2.8 and 3.1.6 of these financial statements.

Fair valuation of investments in unquoted equities

Owing to the nature of the unquoted equity investments, the assessment of fair value is generally based on methodologies that apply significant unobservable inputs, which entail a significant degree of estimation uncertainty and management judgement including valuation methods and methodology, estimation of future cashflows, use of market multiples and comparable companies. Inappropriate judgements made in the assessment of fair value could have a significant impact on the value of the unquoted investment portfolio, which makes the valuation of investments in unquoted equities a matter of most significance to the audit.

How the matter was addressed in our audit

Our audit procedures to assess the reasonableness of the valuation of unquoted equity instruments as at 31 December 2021 included the following:

- Involved our valuation specialists to assist in:
 - Reviewing the valuation methodology and supporting documentation used by management to assess the fair values of the investments;
 - Challenging the key assumptions underlying the operational forecasts by comparison with externally available information, investee company accounts and management information as applicable;
 - Assessing the reasonableness of key input in determining the cost of equity, Beta factor and weighted average cost of capital (WACC) and other discount factors applied in estimating the fair values of the unquoted equities
 - Reperforming management's calculations of the valuation for significant investments.



The Corporation's accounting policy on investment in unquoted equities instruments and relevant fair value disclosures are shown in notes 2.4 and 3.5 respectively.

Other Information

The Directors are responsible for the other information. The other information comprises the statement of Directors' responsibilities and Report of the Audit and Compliance Committee. Other information also includes the Corporate information, Chairman's statement, Chief Executive Officer's (CEO) Letter to Shareholders, Financial highlights, Corporate Governance Summary, Risk management Report, Environmental & Social Risk Management, People & Organisation and Operating Review (together "Outstanding reports") which we expect to obtain after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

When we read the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board Audit and Compliance Committee.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Corporation'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 the Directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' 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 Corporation'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 Corporation 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 Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with Board Audit and Compliance Committee 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.

We also provide the Board Audit and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

tchiboye

Oluwafemi O. Awotoye,
FCA FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
2 March 2022
Lagos, Nigeria



Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note*	2021 US\$'000	2020 US\$'000
Interest income	6	384,303	339,571
Interest expense	6	(163,561)	(172,466)
Net interest income		220,742	167,105
Credit risk insurance	12(b)	(19,200)	(15,687)
Dividend income	7	3,581	2,331
Fees, commissions and other income	8	54,337	65,557
Operating income		259,460	219,306
Net gain on financial instruments at fair value through profit or loss	9	62,820	35,012
Net impairment charge on financial assets	10	(39,475)	(38,631)
Gain on sale of financial assets	11	1,565	9,531
Operating expenses	12(a)	(74,196)	(60,128)
Profit for the year from continuing operations		210,174	165,090
(Loss)/profit for the year, from discontinued operations	25(a)	(448)	464
Profit for the year		209,726	165,554
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net loss on FVOCI financial assets (equity instruments)	33	(21,523)	(9,022)
Items that are or may be reclassified to profit or loss:			
Net loss on FVOCI financial assets (debt instruments)		-	-
Other comprehensive income		(21,523)	(9,022)
Total comprehensive income for the year		188,203	156,532
Profit for the year is attributable to:			
Parent		209,726	165,526
Non-controlling interests	25(a)	-	28
Profit for the year		209,726	165,554
Total comprehensive income for the year is attributable to:			
Parent		188,203	156,504
Non-controlling interests	25(a)	-	28
Total comprehensive income for the year		188,203	156,532
Earnings per share			
- Basic/diluted (United States cents)	14	18.09	14.37
Earnings per share - continuing operations	14	18.13	14.33
Earnings per share - discontinued operations		(0.04)	0.04

* The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financial Position for the Year Ended 31 December 2021

	Note*	2021 US\$'000	2020 US\$'000
ASSETS			
Cash and balances with banks	15	49,296	53,128
Loans and advances to banks	16	1,841,697	2,345,361
Derivative financial instruments	17	107,098	50,279
Loans and advances to other customers	18	2,980,856	2,310,884
Financial assets at fair value through profit or loss	19	1,488,564	1,274,801
Investment securities	20	1,607,923	781,808
Pledged assets	21	409,485	433,484
Other assets	22	70,761	38,947
Property and equipment	23	8,070	5,612
Intangible assets	24	1,135	1,582
		8,564,885	7,295,886
Non-current assets held for sale	25	-	67,273
Total assets		8,564,885	7,363,159
LIABILITIES			
Accrued expenses and other liabilities	26	126,303	102,077
Derivative financial instruments	17	13,799	66,060
Borrowings	27	6,186,020	5,091,854
		6,326,122	5,259,991
Liabilities directly associated with the assets held for sale	25	-	27,137
Total liabilities		6,326,122	5,287,128
EQUITY			
Share capital	29	1,171,176	1,157,386
Share premium	30	66,432	53,722
Share warrants	31	200,000	200,000
Retained earnings	32	824,808	666,345
Fair value reserves	33	(23,653)	(2,147)
		2,238,763	2,075,306
Non-controlling interests		-	725
Total equity		2,238,763	2,076,031
Total liabilities and equity		8,564,885	7,363,159

* The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Change in Equity for the Year Ended 31 December 2021

		Share Capital US\$'000	Share Premium US\$'000	Share Warrants US\$'000	Retained Earnings US\$'000	Fair Value Reserves US\$'000	Total	Non- Controlling Interests US\$'000	Total
	Note*	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2020		1,125,807	25,301	-	550,182	6,875	1,708,165	-	1,708,165
Profit for the year		-	-	-	165,526	-	165,526	28	165,554
Other comprehensive income	33	-	-	-	-	(9,022)	(9,022)	-	(9,022)
Total comprehensive income		-	-	-	165,526	(9,022)	156,504	28	156,532
Transactions with owners:									
Acquired during the year		-	-	-	-	-	-	697	697
Issued during the year	29-31	31,579	28,421	200,000	-	-	260,000	-	260,000
Dividends paid during the year	32	-	-	-	(49,363)	-	(49,363)	-	(49,363)
As at 31 December 2020		1,157,386	53,722	200,000	666,345	(2,147)	2,075,306	725	2,076,031
As at 1 January 2021		1,157,386	53,722	200,000	666,345	(2,147)	2,075,306	725	2,076,031
Profit for the year		-	-	-	209,726	-	209,726	-	209,726
Other comprehensive income	33	-	-	-	-	(21,523)	(21,523)	-	(21,523)
Transfer to retained earnings				(17)	17				
Total comprehensive income		-	-	-	209,709	(21,506)	188,203	-	188,203
Transactions with owners:									
Issued during the year	29-31	13,790	12,710	-	-	-	26,500	-	26,500
Disposed during the year		-	-	-	-	-	-	(725)	(725)
Dividends paid during the year	32	-	-	-	(46,975)	-	(46,975)	-	(46,975)
Return on share warrants		-	-	-	(4,271)	-	(4,271)	-	(4,271)
As at 31 December 2021		1,171,176	66,432	200,000	824,808	(23,653)	2,238,763	-	2,238,763

* The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	Note*	2021 US\$'000	2020 US\$'000
Cash flows from operating activities			
Interest and similar income received		407,167	351,712
Interest paid	27	(145,903)	(156,322)
Fee and commission receipts		61,027	71,222
Dividend received	7	4,029	2,331
Cash payments to employees and suppliers		(52,891)	(32,110)
Loans and advances disbursed to customers		(695,313)	(340,102)
Net cash used in operating activities		(421,884)	(103,269)
Cash flows from investing activities			
Purchase of debt securities		(1,533,139)	(617,123)
Capital repayments of debt securities		535,473	404,165
Purchase of financial assets at fair value through profit or loss (FVTPL)		(186,325)	(411,131)
Purchase of financial assets at fair value through other comprehensive income (FVOCI)		-	(21,750)
Proceeds from disposal/repayments of equity securities		21,463	50,000
Proceeds from disposal of property and equipment		167	71
Purchase of property and equipment	23	(766)	(1,450)
Purchase of software/Intangibles	24	(177)	(1,406)
Net cash used in investment activities		(1,163,304)	(598,624)
Cash flows from financing activities			
Proceeds from issued corporate bonds	27	936,617	957,280
Proceeds from other borrowings	27	872,287	764,620
Transaction costs related to borrowings	27	(11,016)	(7,777)
Repayment of borrowings	27	(696,549)	(955,788)
Proceeds from issue of share warrants	31	-	200,000
Payment of dividend	34	(46,975)	(49,363)
Return on share warrants	34	(4,271)	-
Proceeds from share issue	29,30	26,500	60,000
Deposit for shares	26	250	-
Net cash generated from financing activities		1,076,843	968,972
Net (decrease)/increase in cash and cash equivalents		(508,345)	267,079
Cash and cash equivalents, beginning of the year		2,402,307	2,135,228
Cash and cash equivalents, end of the year	35	1,893,962	2,402,307

* The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2021

1. General information

Africa Finance Corporation ("AFC" or the "Corporation") is a multilateral development finance institution established by an international agreement between sovereign states.

AFC was created by two constitutive legal instruments:

(i) the Agreement for the Establishment of the Africa Finance Corporation (the "AFC Agreement") and (ii) the Charter of the Africa Finance Corporation (the "AFC Charter"). AFC is headquartered in the Federal Republic of Nigeria, based on the Headquarters Agreement dated 28 May 2007 between the Federal Republic of Nigeria and the Africa Finance Corporation. AFC's headquarters is located at 3a Osborne Road, Ikoyi, Lagos, Nigeria.

The Corporation's shareholders principally comprise African States and corporate entities, such as major commercial banks, other financial institutions and other private sector commercial entities. There are thirty three (2020: twenty eight) member states comprising Benin, Burkina Faso, Cape Verde, Chad, Congo, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Gabon, Ghana, Guinea-Bissau, Guinea-Conakry, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra-Leone, The Gambia, Togo, Uganda, Zambia and Zimbabwe; and three multilateral financial institution members: the Africa Reinsurance Corporation, the African Development Bank Group and the Arab Bank for Economic Development in Africa (BADEA). Other prospective member states are going through the process of acceding to membership of the Corporation in accordance with their respective internal procedures.

Thirty-one (31) shareholders have subscribed and paid for shares in AFC in accordance with the terms of the AFC Charter. As at 31 December 2021, the list of shareholders holding more than 5% of the issued share capital of the Corporation is as follows:

Name of Shareholder	Shareholding (%)
Central Bank of Nigeria	41.9
United Bank for Africa Plc	10.0
Access Bank Plc	9.5
First Bank of Nigeria Plc	8.5
Zenith Bank Plc	8.5

The Corporation's primary objective is to finance infrastructure (power, transportation, telecommunications), heavy industry and natural resource (oil, gas, and mining) projects in Africa and to provide advisory, project development and other services related thereto. The Corporation also provides trade finance facilities to facilitate African trade.

The Corporation commenced operations on 1 November, 2007, after certain conditions prescribed in its constitutive instruments were fulfilled.

These consolidated financial statements comprise the financial statements of Africa Finance Corporation ("AFC"), and its wholly owned subsidiary; AFC Equity Investments Limited ("AFC Equity", together referred to as "the Corporation"). AFC Equity, which is domiciled in the Republic of Mauritius, was set up to hold equity investments on behalf of the Corporation as a Special Purpose Vehicle (SPV). The operations of AFC and AFC Equity are managed solely by AFC's management team as AFC Equity does not have a separate management team.

During the year, the Corporation incorporated AFC Capital Partners ("AFC Capital"), an investment management entity, which is also domiciled in the Republic of Mauritius. AFC Capital was not operational during the year.

As part of its strategic plan, the Corporation reduced its interest in Cabeolica S.A. to 50% during the year, from 94% in prior year. As a result of the divestment, the Corporation no longer controls and consolidates the results of the entity, the investment in Cabeolica S.A. is measured at fair value through profit or loss in accordance with the Corporation's accounting policies (see note 19).

The financial statements for the year ended 31 December, 2021 were authorised and approved by the Board of Directors on 25 February 2022.

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are presented in United States dollars (US\$) rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, which have been measured at fair value and defined benefit plan which has been measured at present value of the defined benefit obligation.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and explanatory notes.

The statement of cash flows shows the change in cash and cash equivalents during the year from operating, financing and investing activities. Cash and cash equivalents include highly liquid investments. Note 35 shows which items of the statement of financial position are included in cash and cash equivalents.

The cash flow from operating activities is determined using the direct method. The Corporation's assignment of cash flows to operating, financing and investing categories is determined based on the Corporation's business model (management approach).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Corporation's accounting policies. Changes in

assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The amounts that are expected to be recovered or settled within 12 months of the reporting period are disclosed as "current" and the amounts expected to be recovered or settled beyond 12 months are disclosed as "non-current" in the notes to the financial statements.

The outbreak of coronavirus pandemic Covid-19 and the measures adopted by several governments in countries around the world continue to have a significant impact on the global economy. However, the Corporation continues to have reasonable expectations about its adequate resources to continue operations in the next 12 months. Hence, the going concern basis of accounting remains appropriate.

2.1.1 Changes in accounting policy and disclosures

Except for the changes below, the Corporation has consistently applied the accounting policies as set out in note 2 to all periods presented in these consolidated financial statements.

Interest rate benchmark reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Corporation initially adopted the Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 from 1 January 2021.

In accordance with the transition provisions, the Corporation elected to apply the amendments retrospectively without restating the comparative period to reflect the application of these amendments, including not providing additional disclosures for the comparative period.

There was no impact on opening equity balances as a result of the IBOR reform.

Specific Policies applicable from 1 January 2021 for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate.

For financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost) and debt financial assets classified as FVOCI, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities (see below). These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain/loss recognised immediately in profit or loss where the instrument is not derecognised).

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including those changes required by IBOR reform.

Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

Covid-19 Related Rent Concessions- Amendments to IFRS 16 "Leases"

In May 2020 the IASB also issued amendments to IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with early application permitted (including financial statements not yet authorised for issue as at 28th of May 2020) and are also available for interim reports. The amendments will not have a material impact on the Corporation's accounting policies, results of financial position.

2.1.2 New standards, amendments and interpretations that are not yet effective and have not been adopted early by the Corporation.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and where earlier application is permitted; however, the Corporation has not early adopted them in preparing these consolidated financial statements. Those Standards and Interpretations which may be relevant to the Corporation are set out below:

(a) Amendments to IAS 37 Onerous Contracts – Cost of fulfilling a Contract

The amendment specifies which cost an entity includes in determining the cost of fulfilling a contract for the purposes of assessing whether the contract is onerous. The amendment applies for annual periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments were first applied. At the date of initial application, the cumulative effect of applying the amendment is recognised as the opening balance adjustment to retained earnings or other components of equity as appropriate. The comparatives are not restated.

Notes to the Financial Statements for the Year Ended 31 December 2021

(b) Amendments to IAS 1 Presentation of financial statements, on classification of liabilities:

The IASB clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. This classification is not affected by expectations of the entity or events after the reporting date. The amendment also seeks to clarify the term in IAS 1 "Settlement of a liability". This amendment is effective for periods beginning on or after 1 January 2023.

(c) Amendment to IAS 1 and IAS 8, Disclosure of Accounting Policies and Definitions of Accounting Estimates

The amendment aims to improve accounting policy disclosures and help users of financial statements to distinguish between changes in accounting estimates and changes in accounting policies. This amendment is effective for annual periods beginning on or after 1 January 2023.

(d) Amendments to IFRS 3 Business Combinations

Amendment updates a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for Business Combinations. The amendment is effective for annual periods beginning on or after 1 January 2022.

(e) Amendments to IAS 16 Property Plant and Equipment

The amendment prohibits an entity from deducting from the cost of property plant and equipment amounts received from selling items produced while the entity is preparing the asset for intended use. Entity is to recognise such sales proceeds and related costs in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2022.

(f) Annual Improvements of IFRS standards 2018-2020

The following improvements were finalised in 2020 and are effective for annual periods beginning from 1 January 2022 with early application permitted:

- IFRS 1 First time adoption of international Financial Reporting Standards: To ease the transition of IFRS standards for subsidiaries applying the optional exemptions.

- IFRS 9 Financial Instruments: Amendment clarifies fees to be included in the performance of the 10 percent test for the derecognition of financial liabilities
- IFRS 16 Leases: Amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The amendments listed above, are not expected to have a significant impact on the consolidated financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

2.2 Basis of consolidation

(i) Subsidiaries

Subsidiaries (including structured entities) are entities controlled by the Corporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable are taken into account. The Corporation also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de facto control. Subsidiaries are fully consolidated from the date in which control is transferred to the Corporation. They are deconsolidated from the date control ceases.

The accounting policies of subsidiaries have been designed, to align with the policies adopted by the Corporation. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Business combinations

The Corporation accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Corporation.

From 1 January 2021, in determining whether a particular set of activities and assets is a business, the

Corporation assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Corporation has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(iii) Loss of control

Upon the loss of control, the Corporation derecognises the assets and liabilities of the subsidiary, and non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Corporation retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost and subsequently accounted for in accordance with the Corporation's accounting policy for financial instruments depending on the level of interest retained.

(iv) Acquisitions under common control

Business combinations between entities that are under common control are accounted for at book values. The assets and liabilities acquired or transferred are recognised or derecognised at the carrying amounts previously recognised in the Corporation controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Corporation's equity and any gain/loss arising is recognised directly in equity.

(v) Transactions eliminated on consolidation

Intra-Group balances and any unrealised gains or losses or incomes and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Corporation's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Corporation's interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions.

Notes to the Financial Statements for the Year Ended 31 December 2021

(vii) Interests in associates and joint ventures

Associates are all entities over which the Corporation has significant influence but not control or joint control. This is generally the case where the Corporation holds between 20% and 50% of the voting rights of the entity. A joint venture is an arrangement in which the Corporation has joint control, whereby the Corporation has rights to the net assets of the arrangement, rather than rights to the assets and obligations for its liabilities.

Interests in associates and joint ventures are initially recognised at cost, which includes transaction cost. Subsequent to initial recognition, they are measured at fair value through profit or loss rather than using the equity method. This treatment is permitted under IAS 28 on Investment in Associates and Joint Ventures, which allows such investments held by Venture Capital Entities to be accounted for at fair value in accordance with IFRS 9 with changes in fair value recognised in the profit or loss in the period of the change.

2.3 Foreign currency

i) Functional and presentation currency

Items in the consolidated financial statements are presented in the Corporation's functional currency (United States Dollars) and amounts are stated in thousands of dollars, except otherwise stated.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the

year. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Changes in the fair value of monetary securities denominated in foreign currency measured at fair value, with fair value changes recognised in other comprehensive income, are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities measured at fair value, with fair value changes recognised in other comprehensive income, are included in the other comprehensive income.

iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Corporation disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control,

then the relevant proportion of the cumulative amount is reattributed to non controlling interests.

2.4 Financial assets and liabilities

All financial assets and liabilities, which include derivative financial instruments, have to be recognised in the statement of financial position and measured in accordance with their assigned category.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Corporation commits to purchase or sell the asset.

At initial recognition, the Corporation measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. After initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Corporation recognises the difference as follows:

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2.4.1 Financial assets

Classification and subsequent measurement

The Corporation applies IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, treasury bills and other receivables.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Corporation's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Corporation classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 2.8. Interest income from these financial assets is included in interest income using the effective interest rate method over the carrying amount of the financial assets.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are

Notes to the Financial Statements for the Year Ended 31 December 2021

taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Gain/Loss on Disposal of Financial Assets". Interest income from these financial assets is included in 'Interest income' using the effective interest rate method over the gross carrying amount of the financial assets.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net gain on financial instruments at fair value through profit or loss' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method over the amortised cost of the financial assets.

Business model

The business model reflects how the Corporation manages the assets in order to generate cash flows. That is, whether the Corporation'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 'other' business model and measured at FVTPL. Factors considered by the Corporation in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Corporation assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Corporation considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Reclassifications

The Corporation reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidences a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Corporation subsequently measures all equity instruments at fair value through profit or loss, except where management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend

income when the Corporation's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the net gain/(loss) on financial instruments at fair value through profit or loss line in the statement of comprehensive income.

Modification of loans

The Corporation sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Corporation assesses whether or not the new terms are substantially different to the original terms. The Corporation does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Corporation derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Corporation also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Corporation recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either;

- (a) the Corporation transfers substantially all the risks and rewards of ownership, or
- (b) the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and the Corporation has not retained control of the financial asset.

The Corporation may enter into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Corporation:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (such as ordinary shares or bonds) provided by the Corporation under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Corporation retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Corporation retains a subordinated residual interest.

Notes to the Financial Statements for the Year Ended 31 December 2021

2.4.2 Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. This classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Corporation and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability and a gain or loss is recognised in profit or loss accounts. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, significantly differs from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment,

any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, then the amortised cost of the liability is recalculated by discounting the modification cash flow at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure trade transactions

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 2.8); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Corporation are measured as the amount of the loss allowance. The Corporation has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Corporation cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit

losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Corporation assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives (for a host that is not a financial asset) are treated as separate derivatives when:

- (i) Their economic characteristics and risks are not closely related to those of the host contract;
- (ii) A separate instrument with the same terms would meet the definition of a derivative
- (iii) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Corporation chooses to designate the hybrid contracts at fair value through profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Determination of fair value

'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 in the principal or, in its absence,

the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Corporation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Corporation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Corporation measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Corporation, in circumstances whereby this is applicable, uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity. Inputs into models are generally market-observable for these financial instruments.

For more complex instruments, the Corporation uses internally developed models, which are usually based on valuation methods and standard industry techniques.

Notes to the Financial Statements for the Year Ended 31 December 2021

Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives), unlisted equity and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty. Valuation techniques employed may not fully reflect all factors relevant to the positions the Corporation holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of current market developments.

Nothing has changed in the Corporation's fair value determination policies in current year and prior year.

2.5 Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Corporation estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. However, for financial

assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset commencing from the subsequent annual reporting period. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised

cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI; and
- interest on debt instruments measured at FVTPL.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost;
- financial liabilities measured at FVTPL; and
- interest expense on lease liabilities.

2.6 Fees, commission and other income

Fees and commissions are generally recognised on an accrual basis when the service has been provided except for structuring fees (i.e. fees related to structuring, term sheet negotiation and coordination) which are recognised at the completion of work.

Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.7 Assets pledged as collateral

Financial assets transferred to external parties and which do not qualify for derecognition are reclassified in the statement of financial position from treasury bills and investment securities to assets pledged as collateral, if the transferee has received the right to sell

or re-pledge them in the event of default from agreed terms. Assets pledged as collateral are initially recognised at fair value, and are subsequently measured at amortised cost or fair value as appropriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

2.8 Impairment of financial assets

Impairment of financial assets

The Corporation assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantees. The Corporation recognises a loss allowance for such expected losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Notes to the Financial Statements for the Year Ended 31 December 2021

Measurement of Expected credit losses

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Corporation if the commitment is drawn down and the cash flows that the Corporation expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Corporation expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset. See "Modification of loans".

Credit-impaired financial assets

At each reporting date, the Corporation assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). 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.

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 a loan or advance by the Corporation on terms that the Corporation 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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Corporation considers the following factors;

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention,

reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.
- For FVOCI debt securities: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of comprehensive income.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedures for recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Corporation cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Corporation presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve in OCI.

2.9 Impairment of non-financial assets

Intangible assets not available for use and those that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant

Notes to the Financial Statements for the Year Ended 31 December 2021

risk of changes in fair value, and are used by the Corporation in the management of its short-term commitments.

2.11 Loans and advances to banks

Loans and advances to banks are deposits held with other banks to facilitate correspondent banking relationships as well as manage the Corporation's liquidity and interest rate risks. These financial assets measured at amortised cost using the effective interest rate method. At initial recognition they are recognised at fair value plus the incremental direct transaction costs.

2.12 Investment securities

Investment securities include the following:

- debt securities initially measured at fair value plus incremental direct transaction costs and subsequently at amortised cost using the effective interest rate method;
- debt and equity securities mandatorily measured at FVTPL or designated at FVTPL, fair value changes are recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity securities designated at FVOCI.

For the debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest rate
- ECL and reversals
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Corporation elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument by instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

2.13 Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation and impairment. 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 Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is calculated using the straight-line method to allocate cost to residual value over estimated useful lives, as follows:

Right of use assets	25 years or over the period of the lease.
Furniture and equipment	3 - 8 years
Motor vehicles	4 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2.14 Employee Benefits

Short-term employee benefits

Short-term employee benefits are expenses accrued as the related service is provided. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Corporation's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Post-employment employee benefits

Defined contribution plan

The Corporation established a defined contributory pension scheme in 2012. This is a pension plan under which the Corporation pays fixed contributions (7.5% of annual basic salary) and employees contribute a minimum of 5% of their annual basic salary into a separate entity. The Corporation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense in the statement of comprehensive income when they fall due.

Defined benefit plan

The Corporation commenced an End of Service scheme for its employees in 2021, the attainment of this benefit is conditional for employees that serve meritoriously until attainment of their contract term limit, normal retirement age, or resignation after a minimum service period. The Corporation's net obligation in respect of its defined benefit plans is calculated separately by estimating the amount of

future benefit that the employees have earned in the current period and prior periods, discounting that amount to present value.

The calculation of the defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Where the calculation results in a potential asset for the Corporation, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum applicable funding requirements.

Remeasurements of the net defined benefit liability which comprise the actuarial gains/losses and the returns on plan assets are recognised immediately in OCI. The Corporation determines the net interest expense (income) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changes or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Corporation recognises gains or losses on the settlement of the defined benefit plan when the settlement occurs.

2.15 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood

Notes to the Financial Statements for the Year Ended 31 December 2021

of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method. Where the Corporation designates certain borrowings upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently.

2.17 Share capital

a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

b) Share premium

Premiums from the issue of shares are reported in share premium that is where the price paid for acquiring shares of the Corporation is higher than the nominal amount of each share.

c) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the year in which they are approved by the Corporation's shareholders.

d) Treasury shares

Where the Corporation purchases its equity shares, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or re-issued, any consideration received is included in shareholders' equity.

e) Share warrants

Share warrants issued by the Corporation are only redeemable at the option of the issuer and bear an entitlement to returns at the discretion of the Corporation. Accordingly, they are presented within equity. Distributions thereon are recognised in equity.

2.18 Retained earnings

Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified reserves.

2.19 Fair value reserve

Comprises fair value movements on financial assets measured at fair value with fair value changes recognised in other comprehensive income.

2.20 Dividend payment

Dividend payments on ordinary shares are charged to equity in the period in which they are declared.

2.21 Contingent liabilities, guarantees and commitments

Contingent liabilities, guarantees and commitments comprise of equity and debt commitments and are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

Equity commitments are commitments made by the Corporation to provide equity financing to investee companies.

Debt commitments comprise:

- unfunded risk participation arrangements are used in international trade. They are transactions whereby the Corporation does not fund the participation amount unless such facility is in default; and
- loan commitments which are amounts yet to be disbursed to loan customers.

Guarantees are financial contracts that require the issuer to make specific payments to reimburse the holder for a loss incurred if the specified debtor fails to make a payment in accordance with the terms of the original or modified terms of the debt instrument.

They are measured at fair value initially and subsequently are recorded at higher of the loss allowance determined and the premium amount initially recognised less income recognised in accordance with IFRS 15.

2.22 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in "dividend income" in the statement of profit and loss.

2.23 Net (loss)/gain on financial instruments at fair value through profit or loss (FVTPL)

Net gain/(loss) from financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, foreign exchange differences and income earned from other transactions with investee entities.

2.24 Intangible assets

Intangible assets comprise separately identifiable items arising from computer software licences.

Software acquired by the Corporation is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Corporation is able to demonstrate: that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.25 Earnings per share (EPS)

The Corporation presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of the share warrants outstanding, during the period.

2.26 Leases

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Corporation acting as a lessee

The Corporation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the office premises.

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The Corporation determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Corporation acting as a lessor

At inception or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Corporation acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Corporation applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Corporation further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.27 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on disposal is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Corporation's other accounting policies.

Impairment losses on initial recognition are recognised in profit or loss. Once classified as held-for sale, intangible assets and property and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

When the Corporation acquires a subsidiary exclusively with a view to resell, it is accounted for as held for sale and consolidated using the short cut method under IFRS 5. Initially, the Corporation measures the identifiable liabilities and the acquired assets at fair value. At the reporting period, the Corporation measures the disposal group at the lower of its cost and fair value less cost to sell and the assets and liabilities are recognised separately in the statement of financial position. In the statement of comprehensive income, the Corporation discloses a separate line for the loss on discontinued operations. Further analysis of the assets and liabilities is not required and no further disclosures are made.

2.28 Discontinued operation

A discontinued operation is a component of the Corporation's business, the operations and cashflows of which can be clearly distinguished from the rest of the Corporation and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary exclusively acquired with a view to resell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

2.29 Asset under management

These are portfolio investments managed by a designated Asset Management Company on a fair value basis. Changes in fair value are recognised in profit or loss net of management fees of the portfolio manager

2.30 Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Corporation's components, whose operating results are regularly reviewed by the Corporation's President/CEO (Chief Operating Decision Maker CODM) to make decisions on resource allocation and performance and for which discrete financial information is available.

Segment results are reported to the Corporation's CODM, include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Notes to the Financial Statements for the Year Ended 31 December 2021

3. Financial Risk Management

The Corporation's business philosophy recognises that risks are an inevitable consequence of being in business. The Corporation's aim, therefore, is not to eliminate all risks, but to design policies, processes and procedures that will enable it achieve an appropriate balance between risk and return. The Corporation believes that a strong risk management function is key to its successful long-term operations.

The Corporation operates a multi-layered risk management governance structure, with the Board of Directors at its apex, exercising and assuming ultimate authority and responsibility for the Corporation's risk management. Other layers in the risk management governance structure are: (i) the Board Risk and Investment Committee (BRIC), responsible for oversight and approval of risk policies, and credit approvals above management's authority levels; (ii) Executive Management Committee (EXCO), responsible for review of investment proposals, and exercise of management's delegated authority for investment approvals; (iii) Management Risk Committee, responsible for the risk policy review and implementation; (iv) Asset and Liability Committee (ALCO), responsible for monitoring and management of the Corporation's liquidity and interest rate risks; (v) Risk Management Department, responsible for risk policy development, management and monitoring; and (vi) Business Units, responsible for the creation and management of risk assets.

The Corporation manages its financial risks through policies approved by the BRIC, and these are reviewed annually. The policies also provide parameters and guidelines as to the Corporation's risk appetite, the approval process in respect of transactions, and how transactions are monitored and managed, in respect of any changes in the risk profile.

In managing those risks, Risk Management's independence and accountability is sustained by the Chief Risk Officer's direct reporting line to both the President & CEO and to the Chairman of the Board Risk and Investment Committee and the Policy requires the Chief Risk Officer's affirmative vote before a transaction can be approved.

In order to regularly monitor the risks in the Corporation's portfolio, Risk Management generates a number of reports, including a Daily Risk Report for the Executive Management Committee (EXCO) and a Portfolio Risk Dashboard for each meeting of the BRIC. In addition to these reports, Risk Management also provides independent risk assessment to transaction monitoring reports, which are prepared by the Business Originators on a quarterly basis.

Although, in the case of treasury investments and corporate lending transactions, the Corporation can lend unsecured, almost all of the Corporation's loans, which are largely project and corporate financing and asset-backed structured trade are secured by collateral. Because many of the Corporation's project lending transactions are bespoke, the collateral package is tailored to the individual project. The requirement for collateral and the type to be taken at origination will be based upon the nature of the transaction and the credit quality, size and structure of the borrower. The Corporation will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a debenture over one or more of the assets of a company, personal guarantees from the directors of a company. However, some collateral requirements are generic, including domiciliation of contract proceeds and the proceeds of off-take agreements, assignment of all insurance and reinsurance proceeds, charge over the Collections Account and Debt Service Reserve Account and pledges or liens over physical assets. In the case of asset-backed trade related transactions, the collateral is a mix of product financed, cash or receivables.

The principal collateral types acceptable to the Corporation are: commercial properties; charges over business assets such as premises, inventory and plant and machinery; financial instruments such as debt securities, and guarantees received from third parties. The Corporation maintains appetite guidelines on the acceptability of specific classes of collateral. Collateral held as security for financial assets other than loans and advances is determined by the nature of the underlying exposure. Debt securities, including treasury, bonds and other bills are generally unsecured.

Collateral is generally not held against loans and advances to banks; however, securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement.

Derivative transactions with financial counterparties are typically collateralised under a Credit Support Annex (CSA), in conjunction with the International Swaps and Derivatives Association (ISDA) Master Agreement. Derivative transactions with non-financial customers are not usually supported by a CSA. The Corporation considers risk concentrations by collateral providers with a view to ensuring that any potential undue concentrations of risk are identified and suitably managed. Generally, the concentration of collateral follows a similar pattern as the geographical and sectoral split of the Corporation's portfolio of loans and advances to customers.

In order to manage the risk of portfolio concentration, the Corporation has limits approved by the Board Risk and Investment Committee in respect of Countries, Sectors (e.g. Power, Natural Resources, etc.), Single Obligor and Sector Single Obligor.

The most important types of risks faced by the Corporation are credit risk, market risk and liquidity risk. These individual sources of risk and how the Corporation manages them are described in more detail below.

3.1 Credit Risk

The Corporation takes on exposures to credit risk, which is the risk of financial loss as a result of a failure by a client or counterparty to meet its contractual obligation to the Corporation. The Corporation has two principal sources of credit risk: (i) credit risk on its loans and investments; and (ii) counterparty credit risk on its portfolio of treasury investments which include money market deals and other debt securities. The Corporation's credit risks are managed within a framework of credit policies, guidelines and processes, which are described in more detail below:

3.1.1 Project and Investment Credit Risk

The Corporation has developed a comprehensive Credit Risk Management Policy (CRMP) that details its risk philosophy and metrics. The CRMP defines the level and type of credit exposures that the Corporation is prepared to accept in order to achieve its business goals and objectives. It defines the Corporation's risk appetite along three key metrics: Capital Adequacy Framework, Exposure Limits Framework and Credit Risk Acceptance criteria.

The Corporation's Capital Adequacy Framework creates a quantifiable link between the risks assumed and the amount of risk capital required to support those risks. The capital adequacy framework ensures that the Corporation holds adequate levels of capital to support its investment operations.

The Corporation uses the Exposure Limits Framework to manage its exposures to individual and group credit risks. The objective is to ensure that the Corporation avoids excessive portfolio concentration either in single projects or groups of projects, or in particular sectors that could be simultaneously affected by similar exogenous events. The Exposure Limits Framework defines the limits of risk exposures in relation to a single borrower or groups of borrowers, to industry sectors and to individual countries. The limits are recommended by management and approved by the Board Risk and Investment Committee.

The Credit Risk Acceptance Criteria refers to the set of terms and conditions to be met before an investment is accepted into the Corporation's portfolio. These include specific industry, financial, managerial and competitive benchmarks that proposed investments must meet before they are considered for the Corporation's credit exposures. The risk appetite is determined by the Board of Directors, with delegated authority to the Board Risk and Investment Committee and Executive Management Committee. The Corporation has a policy that only the entity that sets a limit or condition may amend the limit. For example, EXCO may only decrease limits but not increase limits set by the higher authorities of BRIC and the Board due to evolving market conditions. While the Board, or BRIC may increase or decrease limits set by EXCO.

Notes to the Financial Statements for the Year Ended 31 December 2021

The Board specifies that risk appetite is consistent with the Corporation's rating, and eclipsed by the Corporation's capital.

The credit risk management includes a governance structure for the management of credit risk at the Corporation. This multi-layered structure has, at its apex, the Board of Directors, with other bodies being the Board Risk and Investment Committee (BRIC), the Executive Management Committee (EXCO), the Management Investment Committee (INVESTCO), the Management Risk Committee (RISKCO), and the Risk Management Unit (RMU). The Chief Risk Officer has the authority to terminate a transaction from proceeding in the investment approval process.

3.1.2 Counterparty Credit Risk

The Corporation invests its liquid assets in different financial instruments to generate income. These financial instruments involve, to some degree, the risk that the counterparty to the transaction may be unable to meet its obligation to the Corporation when it falls due. The Corporation manages this counterparty risk by executing transactions within a prudent framework of approved counterparties, counterparty credit rating standards and counterparty risk exposures limits. The risk exposure limit for each counterparty is a function of the counterparty's credit rating and its shareholders' funds (unimpaired by losses). The risk limits are proposed by the Risk Management Division and approved by the Executive Management Committee.

3.1.3 Assessing Credit Risk

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Corporation has developed models to support the quantification of credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Corporation considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Corporation derive the 'exposure at default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

3.1.4 Risk Limit Control and Mitigation Policies

The Corporation manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and corporations, and to industries and countries. The Corporation structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved by the Board Risk and Investment Committee.

3.1.5 Maximum exposure to credit risk

	Maximum Exposure	
	31 December	31 December
	2021	2020
	US\$'000	US\$'000
Balances with banks	49,263	53,107
Loan and advances to banks:		
- Placements with banks	1,841,697	2,345,361
Derivative financial assets	107,098	50,279
Loan and advances to other customers:		
- Project finance loans	2,499,311	1,870,673
- Trade finance loans	481,545	440,211
Financial assets at fair value through profit or loss:		
- Hybrid instruments (convertible debt)	542,751	408,044
- Asset under management (debt securities)	20,996	21,422
Investment Securities:		
- Corporate debt securities	420,399	316,273
- Government debt securities	1,133,948	390,409
Pledged Assets:		
- Corporate debt securities	128,397	151,731
- Government debt securities	281,088	281,753
Other assets:		
- Account receivable	6,159	9,539
- Fee receivable	8,680	15,461
- Advance for investment	51,179	-
Total	7,572,511	6,364,263
Off-balance sheet commitments		
Debt commitments	230,173	548,692
Financial guarantees	51,179	-

The above table represents a worst-case scenario of credit risk exposure faced by Corporation as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on net carrying amounts as reported in the statement of financial position.

3.1.6 Credit quality analysis

General Risk Rating Process

Investment risk rating and acceptance criteria represent a vital aspect of the Corporation's risk appetite definition process. Before credit risk can be managed, it must first be identified and measured. A 10-point credit

risk rating methodology with 23 notches, from "1" (excellent, very low risk) to "10" (expected loss, very high risk) is applied by the Corporation. The methodology encompasses the analysis of a client's fundamental financial strength, adjusted with obligor risk control factors, and further adjusted by facility risk control factors. The risk rating process measures the expected loss of a credit facility over its tenor and it integrates assessments of the probability of default, the exposure at default, and the loss given default of the facility. The 10-point risk rating scale is further collapsed into five generic risk classes, of "very low risk (excellent)", "low risk (strong)", "moderate risk (good)", "high risk (fair/marginal)", and "very high risk (special attention)".

Notes to the Financial Statements for the Year Ended 31 December 2021

Generally, transactions rated "5" (acceptable, high risk) or better would be considered for financing by the Corporation.

The risk ratings are a primary tool in the review and decision making in the credit process and ratings are reviewed quarterly for each obligor or when credit sensitive information is received. The integrity of the Corporation's portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. Ratings are also reviewed as a result of expectation of credit weaknesses. After disbursement, the monitoring phase of each investment commences. A quarterly monitoring report is prepared for each investment; this report is reviewed by Risk Management and presented to the Management Investment Committee. The monitoring report acts as an early warning signal for closer monitoring of credits with a higher probability of facing stress in the short to medium term.

In the event that an asset goes into default, an interdepartmental team comprising of Risk Management, Risk Assurance, Portfolio Management and Legal would collaborate with other lenders or sponsors to maximise recovery. This team will give a weekly update on recovery efforts to the Management. A default would also lead to prevention of further drawdown while steps are taken to recover the outstanding balance and/or realise collaterals.

Deterioration in credit risk is identified based on factors such as:

- ratings downgrade;
- missed payments;
- non-compliance with loan covenants; and
- deterioration of quality/value of collateral.

Credit Rating of Counterparty/Obligor

Counterparties are subject to the Corporation's internal rating process as part of its credit approval and review process. All risk rating processes are reviewed and validated periodically to ensure relevance to business realities, and relate to loans and advances to customers, loans and advances to banks, and investment securities. External ratings may also be obtained where such is available. There were no changes to the risk rating process in the financial year. The Corporation's risk rating buckets and definitions are as highlighted below.

The internal credit risk rating bucket has been calibrated to rating grades of international credit rating agencies. Our credit grades are not intended to replicate external credit grades (where these are available), and ratings assigned by external rating agencies are not used in determining our internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

Risk Buckets and Definition

Description	Rating bucket	Range of scores	Risk range description
Very Low Risk	AAA to A-	1.00 – 1.60	Excellent
Low Risk	BBB+ to BBB-	1.70 – 1.90	Strong
Low to Moderate Risk	BB+ to BB-	2.00 – 2.60	Good
Moderate Risk	BB to B-	2.90 – 4.00	Fair
High Risk	CCC+ to CCC	5.00 – 6.00	Marginal
Very High Risk	CCC- to D	7.00 – 10.00	Special attention

The credit quality of the Corporation's financial assets with exposure to credit risk that are neither past due nor impaired is detailed below:

	31 December 2021	31 December 2020
	US\$'000	US\$'000
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA to BBB-)	1,877,800	2,186,957
Others (BB+, BB, BB-, B+, B, B-)	2,556,780	1,473,668
	4,434,580	3,660,625
Counterparties without international credit ratings		
Group 1	241,526	3,750
Group 2	2,846,269	2,677,283
	3,087,795	2,681,033
Total unimpaired nor past due loans, advances and debt securities	7,488,991	6,341,658
Past due but not impaired	33,384	-
Total unimpaired nor past due financial assets	7,522,375	6,341,658

Group 1 – New customers/related parties (less than 6 months).

Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.

Using the Corporation's internal credit rating, the credit quality of financial assets measured at amortised cost exposed to credit risk is detailed below:

Balances with banks at amortised cost:

US\$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	13,277	-	-	13,277
- Strong	33,838	-	-	33,838
- Good	2,148	-	-	2,148
Gross carrying amount	49,263	-	-	49,263
Loss allowance	-	-	-	-
Carrying amount	49,263	-	-	49,263

US\$'000	2020			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	8,746	-	-	8,746
- Strong	15,400	-	-	15,400
- Good	28,961	-	-	28,961
Gross carrying amount	53,107	-	-	53,107
Loss allowance	-	-	-	-
Carrying amount	53,107	-	-	53,107

Notes to the Financial Statements for the Year Ended 31 December 2021

Loans and advances to banks at amortised cost:

US\$'000		2021		
	Stage 1	Stage 2	Stage 3	Total
- Excellent	1,133,988	-	-	1,133,988
- Strong	531,637	-	-	531,637
- Good	179,041	-	-	179,041
Gross carrying amount	1,844,666	-	-	1,844,666
Loss allowance	(2,969)	-	-	(2,969)
Carrying amount	1,841,697	-	-	1,841,697

US\$'000		2020		
	Stage 1	Stage 2	Stage 3	Total
- Excellent	1,574,959	-	-	1,574,959
- Strong	462,718	-	-	462,718
- Good	311,502	-	-	311,502
Gross carrying amount	2,349,179	-	-	2,349,179
Loss allowance	(3,818)	-	-	(3,818)
Carrying amount	2,345,361	-	-	2,345,361

Loans and advances to customers at amortised cost:

US\$'000		2021		
	Stage 1	Stage 2	Stage 3	Total
<i>Project finance</i>				
- Excellent	182,058	-	-	182,058
- Good	1,155,897	-	-	1,155,897
- Strong	146,944	-	-	146,944
- Fair	274,655	33,384	-	308,039
- Marginal	344,754	383,719	-	728,473
- Special attention	-	37,315	-	37,315
- Default	-	-	93,505	93,505
Gross carrying amount	2,104,308	454,418	93,505	2,652,231
Loss allowance	(62,154)	(47,397)	(43,369)	(152,920)
	2,042,154	407,021	50,136	2,499,311
<i>Trade finance</i>				
- Good	453,764	-	-	453,764
- Fair	-	-	-	-
- Marginal	-	42,960	-	42,960
	453,764	42,960	-	496,724
Loss allowance	(13,807)	(1,372)	-	(15,179)
	439,957	41,588	-	481,545
Gross loans to other customers	2,558,072	497,378	93,505	3,148,955
Carrying amount	2,482,111	448,609	50,136	2,980,856

US\$'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<i>Project finance</i>				
- Excellent	-	-	-	-
- Good	895,407	15,829	-	911,236
- Strong	158,181	-	-	158,181
- Fair	211,372	40,630	-	252,002
- Marginal	144,390	332,913	-	477,303
- Special attention	-	168,912	-	168,912
- Default	-	-	38,944	38,944
Gross carrying amount	1,409,350	558,284	38,944	2,006,578
Loss allowance	(33,826)	(85,740)	(16,339)	(135,905)
	1,375,524	472,544	22,605	1,870,673
<i>Trade finance</i>				
- Good	406,353	-	-	406,353
- Fair	3,998	-	-	3,998
- Marginal	-	46,045	-	46,045
	410,351	46,045	-	456,396
Loss allowance	(14,578)	(1,607)	-	(16,185)
	395,773	44,438	-	440,211
Gross loans to other customers	1,819,701	604,329	38,944	2,462,974
Carrying amount	1,771,297	516,982	22,605	2,310,884

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

Loans and advances to customers at amortised cost – gross carrying amount

US\$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Current	2,558,072	463,994	-	3,022,066
Overdue 30 - 90 days	-	33,384	-	33,384
Overdue 90 - 180 days	-	-	-	-
Overdue > 180 days	-	-	93,505	93,505
Total	2,558,072	497,378	93,505	3,148,955

US\$'000	2020			
	Stage 1	Stage 2	Stage 3	Total
Current	1,819,701	604,329	-	2,424,030
Overdue 30 - 90 days	-	-	-	-
Overdue 90 - 180 days	-	-	-	-
Overdue > 180 days	-	-	38,944	38,944
Total	1,819,701	604,329	38,944	2,462,974

Notes to the Financial Statements for the Year Ended 31 December 2021

Investment securities at amortised cost:

US\$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Corporate debt securities</i>				
- Excellent	-	-	-	-
- Strong	23,071	-	-	23,071
- Good	156,793	-	-	156,793
- Fair	181,663	-	-	181,663
- Marginal	71,798	-	-	71,798
- Special attention	-	-	-	-
	433,325	-	-	433,325
Loss allowance	(12,926)	-	-	(12,926)
	420,399	-	-	420,399
<i>Government debt securities</i>				
- Strong	-	-	-	-
- Good	1,148,839	-	-	1,148,839
	1,148,839	-	-	1,148,839
Loss allowance	(14,891)	-	-	(14,891)
	1,133,948	-	-	1,133,948
Carrying amount	1,554,347	-	-	1,554,347

US\$'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<i>Corporate debt securities</i>				
- Excellent	-	-	-	-
- Strong	23,052	-	-	23,052
- Good	80,609	-	-	80,609
- Fair	78,216	-	-	78,216
- Marginal	148,429	-	-	148,429
- Special attention	-	-	-	-
	330,306	-	-	330,306
Loss allowance	(14,033)	-	-	(14,033)
	316,273	-	-	316,273
<i>Government debt securities</i>				
- Strong	-	-	-	-
- Good	394,782	-	-	394,782
	394,782	-	-	394,782
Loss allowance	(4,373)	-	-	(4,373)
	390,409	-	-	390,409
Carrying amount	706,682	-	-	706,682

Pledged assets:

US\$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Corporate debt securities</i>				
- Strong	47,813	-	-	47,813
- Good	82,296	-	-	82,296
	130,109	-	-	130,109
Loss allowance	(1,712)	-	-	(1,712)
	128,397	-	-	128,397
<i>Government debt securities</i>				
- Strong	50,663	-	-	50,663
- Good	232,787	-	-	232,787
	283,450	-	-	283,450
Loss allowance	(2,362)	-	-	(2,362)
	281,088	-	-	281,088
Carrying amount	409,485	-	-	409,485

US\$'000	2020			
	Stage 1	Stage 2	Stage 3	Total
<i>Corporate debt securities</i>				
- Strong	47,802	-	-	47,802
- Good	106,337	-	-	106,337
	154,139	-	-	154,139
Loss allowance	(2,408)	-	-	(2,408)
	151,731	-	-	151,731
<i>Government debt securities</i>				
- Strong	50,696	-	-	50,696
- Good	233,480	-	-	233,480
	284,176	-	-	284,176
Loss allowance	(2,423)	-	-	(2,423)
	281,753	-	-	281,753
Carrying amount	433,484	-	-	433,484

Other assets:

US\$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
<i>Account receivable</i>				
- Good	6,159	-	-	6,159
<i>Fee receivable</i>				
- Good	8,680	-	-	8,680
<i>Advance for investment</i>				
- Good	51,179	-	-	51,179
	66,018	-	-	66,018
Loss allowance	-	-	-	-
Carrying amount	66,018	-	-	66,018

Notes to the Financial Statements for the Year Ended 31 December 2021

US\$'000

2020

	Stage 1	Stage 2	Stage 3	Total
<i>Account receivable</i>				
- Good	19,539	-	-	19,539
<i>Fee receivable</i>				
- Good	15,461	-	-	15,461
	35,000	-	-	35,000
Loss allowance	-	-	-	-
Carrying amount	35,000	-	-	35,000

Off-balance sheet commitments:

US\$'000

2021

	Stage 1	Stage 2	Stage 3	Total
<i>Debt and financial guarantees</i>				
- Good	106,279	-	-	106,279
- Fair	155,673	-	-	155,673
- Marginal	19,400	-	-	19,400
Carrying amount	281,352	-	-	281,352
Loss allowance on commitments	2,477			2,477

US\$'000

2020

	Stage 1	Stage 2	Stage 3	Total
<i>Debt</i>				
- Good	171,788	-	-	171,788
- Fair	210,579	-	-	210,579
- Marginal	166,325	-	-	166,325
Carrying amount	548,692	-	-	548,692
Loss allowance on commitments	6,959	-	-	6,959

Using the Corporation's internal credit rating, the credit quality of financial assets measured at fair value exposed to credit risk is detailed below:

	2021	2020
	US\$'000	US\$'000
Derivative financial assets:		
- Good	107,098	50,279
Financial assets at fair value		
<i>Hybrid instruments: convertible debt</i>		
- Good	5,000	38,533
- Fair	47,805	-
- Marginal	444,869	369,511
- Special attention	45,077	-
<i>Asset under management: debt securities</i>		
- Good	20,996	21,422
	563,747	429,466

Effects of collateral and other credit enhancements

The Corporation holds collateral and other credit enhancements against certain of its credit exposures. For loans and advances to other customers, the general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. Collateral values are assessed at the time of loan origination. The Corporation requires collateral to be realistically valued by an appropriately qualified source, independent of both the credit decision process and the customer, at the time of borrowing. However, collateral provides additional security and the Corporation generally requests that borrowers provide it. The extent to which collateral values are actively managed will depend on the credit quality and other circumstances of the obligor. Although lending decisions are predominantly based on expected cash flows, any collateral provided may impact the pricing and other terms of a loan or facility granted; this will have a financial impact on the amount of net interest income recognised and on internal loss-given-default estimates that contribute to the determination of asset quality.

For unimpaired secured lending, the Corporation reports assets gross of collateral and therefore discloses the maximum loss exposure. The Corporation believes that this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state.

Unimpaired secured lending is predominantly managed on a cash flow basis. On occasion, it may include an assessment of underlying collateral, although, for impaired lending, this will not always involve assessing it on a fair value basis. No aggregated collateral information for the entire unimpaired secured whole-sale lending portfolio is provided to key management personnel.

Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. No collateral is held for cash and balances with banks, loans and advances to banks and other assets.

Where collateral has been obtained in the event of default, the Corporation does not, as a rule, use such assets for its own operations and they would be sold on a timely basis. There were no assets held by the Corporation as at 31 December 2021, as a result of the enforcement of collateral (2020: Nil).

The types of collateral held includes fixed and floating charge on companies' assets and securities and a charge on the commodities financed for trade transactions. The Corporation also uses insurance by a counterparty which is more creditworthy than the original counterparty, as a means of credit enhancement. The Corporation has portfolio insurance cover over the loans and advances to other customers and investment securities portfolios.

Volume of exposure secured by collateral and other credit enhancements:

Type of credit exposure	2021	2020	Type of collateral held
	%	%	
Loans and advances to other customers			
- Project finance	93	91	charge on securities/ company assets
- Trade finance	76	60	charge on commodities financed
Hybrid instruments	67	33	charge on company assets/insurance
Investment debt securities	-	-	Portfolio insurance

Expected Credit Loss ('ECL')

The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. The Corporation's policies for determining if there has been a significant increase in credit risk are set out in note 2.8.

The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both life time ECL and 12 months ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Notes to the Financial Statements for the Year Ended 31 December 2021

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 2.8 for a description of how the Corporation determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is moved to 'Stage 3'. Please refer to note 2.8 for a description of how the Corporation defines credit-impaired and default.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to 'measurement of ECL' below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. An explanation of how forward-looking information is incorporated in the ECL model is included under 'incorporation of forward-looking information' below.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Impact of Covid-19 on Expected Credit Loss ('ECL')

In response to the Covid-19 coronavirus pandemic, the Corporation temporarily extended credit terms for specific customers, disaggregated groups when calculating expected credit losses (ECL) on a collective basis and increased scalar factors for individual customers.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Corporation 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 Corporation's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Corporation uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

The Corporation restructured some of its exposures due to the impact of the Covid-19 pandemic, by granting moratoriums and payment holidays on these exposures. This restructuring of the Corporation's assets could under normal circumstances be taken as a qualitative indicator of a Significant Increase in Credit Risk (SICR) and therefore trigger a stage migration on such facilities. As such, the Corporation also assessed the expected impact of Covid-19 on the future business operations of these obligors in the medium and long-term, and on the ability of these obligors to meet up with their loan obligations. The Corporation assessed whether their business operations and abilities to meet up with their loan obligations, were expected to be severely impacted in the medium to long-term, and therefore whether downgrades in their stage allocations were required. Staging was based on the Corporation's expectation of the recovery patterns of the exposures in the aftermath of the Covid-19 pandemic.

The Corporation will continue to monitor the performance of its exposures classified under our focus economic sectors, as these sectors are expected to recover from the effects of the pandemic at different times.

Credit risk grades

The Corporation allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the:

- Information obtained during periodic review of the obligor – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Data from credit reference agencies, press articles, changes in external credit ratings
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions.

The indicative mapping of how the Corporation's internal credit risk grades relate to PD to external credit ratings of is shown in note 3.1.6 above.

Generating the term structure of PD

Credit risk grades are primary inputs into the determination of the term structure of PD for exposures. The Corporation collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The Corporation employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Definition of default

The Corporation considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realising security (if any is held);

Notes to the Financial Statements for the Year Ended 31 December 2021

- the borrower is more than 90 days past due on any material credit obligation to the Corporation;
- or it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Corporation considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Corporation; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Corporation incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Based on advice from the Corporation's Risk Management and economic experts and consideration of a variety of external actual and forecast information, the Corporation formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Corporation invests, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Corporation for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Corporation

carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Corporation has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Impact of Covid-19 on Economic Scenarios

Following the onset of the Covid-19 pandemic, the economic environment continues to remain uncertain and future impairment charges may be subject to further volatility (including from changes to macroeconomic variable forecasts) depending on the longevity of the Covid-19 pandemic and related containment measures, as well as the longer-term effectiveness of support measures. The Corporation continues to assess the impact of Covid-19 on various economic scenarios based on latest economic forecasts available in the market.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and

assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on externally compiled data comprising both quantitative and qualitative factors published by International Rating Agencies. Where it is available, market data may also be used to derive the PD for counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. For the purpose of determining LGD, external benchmark information from rating agencies were used to supplement the internally available data. The Moody's Investors Service Default and Recovery rates study was an input into determining the LGD for the Corporation's portfolios.

EAD represents the expected exposure in the event of a default. The Corporation derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Corporation measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Corporation considers a longer period. The maximum contractual period extends to the date at which the Corporation has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- date of initial recognition;
- remaining term to maturity; sector or industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

The Corporation has limited historical data with no loss experience and external benchmark information is used to supplement the internally available data. This includes: Moody's Investors Service Default and Recovery Rates for the LGD models and Fitch Ratings' Transition and Default study for the PD models.

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;

Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange translation for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Notes to the Financial Statements for the Year Ended 31 December 2021

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Loans and advances to banks at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	3,818	-	-	-	3,818
Net remeasurement of loss allowance	(849)	-	-	-	(849)
Balance at 31 December	2,969	-	-	-	2,969

	2020				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Loans and advances to banks at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	2,355	-	-	-	2,355
Net remeasurement of loss allowance	1,463	-	-	-	1,463
Balance at 31 December	3,818	-	-	-	3,818

	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Loans and advances to customers at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	48,404	87,347	16,339	-	152,090
Transfer to Stage 1	5,788	(5,788)	-	-	-
Transfer to Stage 2	-	16,339	(16,339)	-	-
Transfer to Stage 3	-	(20,143)	20,143	-	-
Net remeasurement of loss allowance	26,695	(28,986)	43,369	-	41,078
Financial assets that have been derecognised	(4,926)	-	(20,143)	-	(25,069)
Balance at 31 December	75,961	48,769	43,369	-	168,099

	2020				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Loans and advances to customers at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	76,419	35,153	16,595	-	128,167
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(13,267)	13,267	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	22,759	38,927	(256)	-	61,430
Financial assets that have been derecognised	(37,507)	-	-	-	(37,507)
Balance at 31 December	48,404	87,347	16,339	-	152,090

	2021				
				Purchased credit-impaired	Total
Loans and advances to customers at amortised cost:	Stage 1	Stage 2	Stage 3		
<i>Project finance loans</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	33,826	85,740	16,339	-	135,905
Transfer to Stage 1	5,788	(5,788)	-	-	-
Transfer to Stage 2	-	16,339	(16,339)	-	-
Transfer to Stage 3	-	(20,143)	20,143	-	-
Net remeasurement of loss allowance	24,946	(28,751)	43,369	-	39,564
Financial assets that have been derecognised	(2,406)	-	(20,143)	-	(22,549)
Balance at 31 December	62,154	47,397	43,369	-	152,920

	2020				
				Purchased credit-impaired	Total
Loans and advances to customers at amortised cost:	Stage 1	Stage 2	Stage 3		
<i>Project finance loans</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	68,417	33,115	16,595	-	118,127
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(13,267)	13,267	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	13,045	39,358	(256)	-	52,147
Financial assets that have been derecognised	(34,369)	-	-	-	(34,369)
Balance at 31 December	33,826	85,740	16,339	-	135,905

	2021				
				Purchased credit-impaired	Total
Loans and advances to customers at amortised cost:	Stage 1	Stage 2	Stage 3		
<i>Trade finance loans</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	14,578	1,607	-	-	16,185
Transfer to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	1,749	(235)	-	-	1,514
Financial assets that have been derecognised	(2,520)	-	-	-	(2,520)
Balance at 31 December	13,807	1,372	-	-	15,179

	2020				
				Purchased credit-impaired	Total
Loans and advances to customers at amortised cost:	Stage 1	Stage 2	Stage 3		
<i>Trade finance loans</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	8,002	2,038	-	-	10,040
Transfer to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	9,714	(431)	-	-	9,283
Financial assets that have been derecognised	(3,138)	-	-	-	(3,138)
Balance at 31 December	14,578	1,607	-	-	16,185

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	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Investment securities at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	18,406	-	-	-	18,406
Transfer to Stage 1	-	-	-	-	-
Net remeasurement of loss allowance	9,411	-	-	-	9,411
Balance at 31 December	27,817	-	-	-	27,817

	2020				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Investment securities at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	11,292	1,709	-	-	13,001
Transfer to Stage 1	1,709	(1,709)	-	-	-
Net remeasurement of loss allowance	5,405	-	-	-	5,405
Balance at 31 December	18,406	-	-	-	18,406

	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Investment securities at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Corporate debt securities</i>					
Loss allowance as at 1 January	14,033	-	-	-	14,033
Transfer to Stage 1	-	-	-	-	-
Net remeasurement of loss allowance	(1,107)	-	-	-	(1,107)
Balance at 31 December	12,926	-	-	-	12,926

	2020				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Investment securities at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Corporate debt securities</i>					
Loss allowance as at 1 January	6,788	1,709	-	-	8,497
Transfer to Stage 1	1,709	(1,709)	-	-	-
Net remeasurement of loss allowance	5,536	-	-	-	5,536
Balance at 31 December	14,033	-	-	-	14,033

	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Investment securities at amortised cost:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>					
Loss allowance as at 1 January	4,373	-	-	-	4,373
Net remeasurement of loss allowance	10,518	-	-	-	10,518
Balance at 31 December	14,891	-	-	-	14,891

	2020				
				Purchased credit-impaired	Total
Investment securities at amortised cost:	Stage 1	Stage 2	Stage 3		
<i>Government debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	4,504	-	-	-	4,504
Net remeasurement of loss allowance	(131)	-	-	-	(131)
Balance at 31 December	4,373	-	-	-	4,373

	2021				
				Purchased credit-impaired	Total
Investment securities at FVOCI:	Stage 1	Stage 2	Stage 3		
<i>Corporate debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	-	-	-	-	-

	2020				
				Purchased credit-impaired	Total
Investment securities at FVOCI:	Stage 1	Stage 2	Stage 3		
<i>Corporate debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	-	-	-	-	-

	2021				
				Purchased credit-impaired	Total
Pledged assets:	Stage 1	Stage 2	Stage 3		
<i>Debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	4,831	-	-	-	4,831
Net remeasurement of loss allowance	(757)	-	-	-	(757)
Balance at 31 December	4,074	-	-	-	4,074

	2020				
				Purchased credit-impaired	Total
Pledged assets:	Stage 1	Stage 2	Stage 3		
<i>Debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	2,553	-	-	-	2,553
Net remeasurement of loss allowance	2,278	-	-	-	2,278
Balance at 31 December	4,831	-	-	-	4,831

	2021				
				Purchased credit-impaired	Total
Pledged assets:	Stage 1	Stage 2	Stage 3		
<i>Corporate debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	2,408	-	-	-	2,408
Net remeasurement of loss allowance	(696)	-	-	-	(696)
Balance at 31 December	1,712	-	-	-	1,712

Notes to the Financial Statements for the Year Ended 31 December 2021

	2020				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Pledged assets:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Corporate debt securities</i>					
Loss allowance as at 1 January	2,428	-	-	-	2,428
Net remeasurement of loss allowance	(20)	-	-	-	(20)
Balance at 31 December	2,408	-	-	-	2,408

	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Pledged assets:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>					
Loss allowance as at 1 January	2,423	-	-	-	2,423
Net remeasurement of loss allowance	(61)	-	-	-	(61)
Balance at 31 December	2,362	-	-	-	2,362

	2020				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Pledged assets:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>					
Loss allowance as at 1 January	125	-	-	-	125
Net remeasurement of loss allowance	2,298	-	-	-	2,298
Balance at 31 December	2,423	-	-	-	2,423

	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Commitments:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>					
Loss allowance as at 1 January	6,959	-	-	-	6,959
Net remeasurement of loss allowance	(4,482)	-	-	-	(4,482)
Balance at 31 December	2,477	-	-	-	2,477

	2020				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Commitments:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>					
Loss allowance as at 1 January	1,397	-	-	-	1,397
Net remeasurement of loss allowance	5,562	-	-	-	5,562
Balance at 31 December	6,959	-	-	-	6,959

Credit-impaired financial assets

See accounting policy in note 2.8. Credit-impaired loans and advances are graded 10 in the Corporation's internal credit risk grading system (see Note 3.1.6 above).

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired loans and advances to customers.

	2021	2020
	Total	Total
	US\$'000	US\$'000
Credit-impaired loans and advances to customers at 1 January	22,605	23,308
Classified as credit-impaired during the year	99,989	-
Derecognised during the year	-	-
Transferred to not credit-impaired during the year	(22,605)	-
Interest income	(4,580)	2,012
Net repayments	(1,904)	(2,459)
Change in allowance for impairment	(43,369)	(256)
Balance at 31 December	50,136	22,605

Modified financial assets

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

Financial assets modified during the period	2021	2020
	Total	Total
	US\$'000	US\$'000
Amortised cost before modification	49,274	-
Net modification gain/(loss)	406	-

Write-off policy

In the normal course of business, financial assets (including loans, debt securities and receivables) may become unrecoverable when the likelihood of repayment by a counterparty is non-existent and the financial asset cannot be realised. Circumstances which may lead to financial assets becoming unrecoverable include but not limited to:

- insolvency of the counterparty / guarantor;
- permanent diminution in the value of collateral;
- unenforceable debt recovery actions; and
- debts that are uneconomical to pursue for recovery.

Management must demonstrate that appropriate and sufficient effort has been made to recover the financial assets. Financial assets will be recommended for write-off only after recovery efforts have proved unsuccessful and further action is either not cost effective or highly unlikely to succeed.

The Chief Risk Officer, together with the responsible division head will recommend the write-off to the Board Risk and Investment Committee for approval.

Notes to the Financial Statements for the Year Ended 31 December 2021

3.1.7 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Corporation manages concentration risk using the Exposure Limits Framework (ELF) as part of its credit risk management policies. The ELF proposes a portfolio diversification strategy for the Corporation in order to avoid excessive portfolio concentration either in single projects or groups of projects, or in particular sectors that could be simultaneously affected by similar exogenous events. The ELF defines sector exposure limits, single obligor exposure limits and single country

exposure limits. In line with best practices, the exposure limits are linked to the Corporation's total investable fund, that is the shareholders' funds plus retained earnings plus borrowings with a remaining maturity exceeding one year, and the pace at which these Board approved limits are consumed is dependent on the Corporation's risk appetite. The following table analyses the Corporation's main credit exposures at their carrying amounts, categorised by geographical region, as at 31 December 2021. The Corporation has allocated exposures to regions based on the country of domicile of its counterparties.

31 December 2021	West Africa	Rest of Africa	Outside Africa	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks:				
Balances with banks	2,148	33,838	13,277	49,263
Loans and advances to banks:				
- Placements with banks	177,255	261,282	1,403,160	1,841,697
Derivative financial assets	71,590	9,004	26,504	107,098
Loans and advances to other customers:				
- Project finance	1,878,381	620,930	-	2,499,311
- Trade finance	310,174	171,371	-	481,545
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	366,357	176,394	-	542,751
- Asset under management (debt securities)	-	-	20,996	20,996
Investment securities:				
- Corporate debt securities	331,795	88,604	-	420,399
- Government debt securities	1,122,028	11,920	-	1,133,948
Pledged assets:				
- Corporate debt securities	80,692	47,705	-	128,397
- Government debt securities	63,786	217,302	-	281,088
Other assets:				
- Account receivable	6,159	-	-	6,159
- Fee receivable	8,680	-	-	8,680
- Advance for investments	51,179	-	-	51,179
	4,470,224	1,638,350	1,463,937	7,572,511
Off-balance sheet commitments	109,014	172,338	-	281,352

31 December 2020	West Africa US\$'000	Rest of Africa US\$'000	Outside Africa US\$'000	Total US\$'000
Cash and balances with banks:				
Balances with banks	28,961	15,400	8,746	53,107
Loans and advances to banks:				
- Placements with banks	308,676	206,519	1,830,166	2,345,361
Derivative financial assets	14,324	10,883	25,072	50,279
Loans and advances to other customers:				
- Project finance	1,281,518	589,155	-	1,870,673
- Trade finance	245,400	194,811	-	440,211
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	221,426	186,618	-	408,044
- Asset under management (debt securities)	-	-	21,422	21,422
Investment securities:				
- Corporate debt securities	266,002	50,271	-	316,273
- Government debt securities	368,558	21,851	-	390,409
Pledged assets:				
- Corporate debt securities	104,046	47,685	-	151,731
- Government debt securities	63,953	217,800	-	281,753
Other assets:				
- Account receivable	19,539	-	-	19,539
- Fee receivable	15,461	-	-	15,461
	2,937,864	1,540,993	1,885,406	6,364,263
Off-balance sheet commitments	396,789	151,903	-	548,692

Credit Concentration by Industry

31 December 2021	Natural Resources US\$'000	Heavy Industry & Telecoms US\$'000	Power US\$'000	Transport US\$'000	Financial Services & Others US\$'000	Total US\$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	49,263	49,263
Loans and advances to banks:						
- Placements with banks					1,841,697	1,841,697
Derivative financial assets	-	-	7,785	-	99,313	107,098
Loans and advances to other customers:						
- Project finance	494,649	789,225	353,379	552,733	309,325	2,499,311
- Trade finance	84,599	65,901	-	-	331,045	481,545
Financial assets at fair value through profit or loss:						
- Hybrid instruments (convertible debt)	355,095	7,900	11,562	168,194	-	542,751
- Asset under management (debt securities)	-	-	-	-	20,996	20,996
Investment securities:						
- Corporate debt securities	412	38,652	150,018	55,487	175,830	420,399
- Government debt securities	-	-	-	-	1,133,948	1,133,948
Pledged assets:						
- Corporate debt securities	-	-	-	-	128,397	128,397
- Government debt securities	-	-	-	-	281,088	281,088
Other assets:						
- Account receivable	-	-	-	-	6,159	6,159
- Fee receivable	3,247	-	1,284	-	4,149	8,680
- Advance for investment	-	-	-	51,179	-	51,179
	938,002	901,678	524,028	827,593	4,381,210	7,572,511
Off-balance sheet commitments	29,000	-	114,967	87,385	50,000	281,352

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31 December 2020	Natural Resources US\$'000	Heavy Industry & Telecoms US\$'000	Power US\$'000	Transport US\$'000	Financial Services & Others US\$'000	Total US\$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	53,107	53,107
Loans and advances to banks:						
- Placements with banks					2,345,361	2,345,361
Derivative financial assets	-	484	12,619	-	37,176	50,279
Loans and advances to other customers:						
- Project finance	377,304	593,352	287,396	448,320	164,301	1,870,673
- Trade finance	81,986	44,437	-	-	313,788	440,211
Financial assets at fair value through profit or loss:						
- Hybrid instruments (convertible debt)	208,888	4,000	10,537	184,619	-	408,044
- Asset under management (debt securities)	-	-	-	-	21,422	21,422
Investment securities:						
- Corporate debt securities	-	39,160	116,772	35,149	125,192	316,273
- Government debt securities	-	-	-	-	390,409	390,409
Pledged assets:						
- Corporate debt securities	-	-	-	-	151,731	151,731
- Government debt securities	-	-	-	-	281,753	281,753
Other assets:						
- Account receivable	-	16,436	388	-	2,715	19,539
- Fee receivable	5,545	-	-	7,525	2,391	15,461
	673,723	697,869	427,712	675,613	3,889,346	6,364,263
Off-balance sheet commitments	52,500	30,000	211,278	124,914	130,000	548,692

3.2 Market Risk

The Corporation takes on exposures to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, commodities, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, commodity prices, credit spreads, foreign exchange rates and equity prices.

The Corporation's portfolio comprises majority of non-trading portfolios. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is

assisted by the Risk Management Unit in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Corporation's interest rate exposures, which include the impact of the Corporation's outstanding or forecast debt obligations.

Impact of Covid-19 on Market risk

The Corporation's risk management policies to manage market risk have not changed significantly due to the Covid-19 pandemic. We have continued to manage market risk prudently in the year and sensitivity exposures remain within our risk appetite. Market risk continues to be managed using a complementary set of exposure measures and limits, including stress and scenario analysis. The overall risk profile remained relatively stable in the year.

The evolution of the crisis and the related risk metrics development is under strict monitoring by both risk and business functions.

3.2.1 Foreign exchange risk

In the normal course of business, the Corporation is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Corporation has exposure to currencies other than the United States Dollars, its functional currency, which include the Nigerian Naira (NGN), Euros, South African Rand (ZAR), Japanese Yen (JPY), Swiss Francs (CHF) and the Ghanaian Cedi (GH¢). These exposures are hedged in accordance with the Corporation's hedging policy.

The highest single currency exposure did not exceed 14% (2020: 10%) of total assets and 6% (2020: 8%) of total liabilities while in aggregate they amount to 28% (2020: 21%) of financial assets and 14% (2020: 12%) of financial liabilities. The Board sets limits on the level of exposure by currency, which are monitored. The table below summarises the Corporation's exposure to foreign exchange rate risk at 31 December 2021. Included in the table are the Corporation's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk – financial instruments

31 December 2021

	US dollars	Others	Total
	US\$'000	US\$'000	US\$'000
Assets			
Cash and balances with banks	45,099	4,197	49,296
Loans and advances to banks	1,661,947	179,750	1,841,697
Derivative financial assets	78,258	28,840	107,098
Loans and advances to other customers	2,157,466	823,390	2,980,856
Financial assets at fair value through profit or loss	1,395,573	92,991	1,488,564
Investment securities	385,927	1,221,996	1,607,923
Pledged assets	409,485	-	409,485
Other assets	16,286	54,475	70,761
Total financial assets	6,150,041	2,405,639	8,555,680
Borrowings	5,398,280	787,740	6,186,020
Derivative financial liabilities	-	13,799	13,799
Accrued expenses and other liabilities	77,104	49,199	126,303
Total financial liabilities	5,475,384	850,738	6,326,122
Net financial position	674,657	1,554,901	2,229,558
Off-balance sheet commitments	40,485	240,867	281,352

The following analysis shows the Corporation's sensitivity to increases or decreases in exchange rates. The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity of profit or loss to changes in the exchange rates arises mainly from monetary financial instruments and investments in equity securities carried at fair value through profit or loss and the impact on other components of equity arises from investments classified as fair value through OCI.

31 December 2021

	US dollars	Others	Total
	US\$'000	US\$'000	US\$'000
Impact on Profit or loss			
Sensitivity at 200bp depreciation	-	12,296	12,296
Sensitivity at 400bp appreciation	-	(80,042)	(80,042)
Impact on Equity			
Sensitivity at 200bp depreciation	-	638	638
Sensitivity at 400bp appreciation	-	(1,203)	(1,203)

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31 December 2020

	US dollars	Others	Total
	US\$'000	US\$'000	US\$'000
Assets			
Cash and balances with banks	18,499	34,629	53,128
Loans and advances to banks	2,163,071	182,290	2,345,361
Derivative financial instruments	50,279	-	50,279
Loans and advances to other customers	1,624,691	686,193	2,310,884
Financial assets at fair value through profit or loss	1,097,270	177,531	1,274,801
Investment securities	341,337	440,471	781,808
Pledged assets	433,484	-	433,484
Other assets	8,651	26,349	35,000
Total financial assets	5,737,282	1,547,463	7,284,745
Borrowings	4,493,099	598,755	5,091,854
Derivative financial instruments	65,574	486	66,060
Accrued expenses and other liabilities	52,365	42,053	94,418
Total financial liabilities	4,611,038	641,294	5,252,332
Net financial position	1,126,244	906,169	2,032,413
Off-balance sheet commitments	391,722	156,970	548,692

The following analysis shows the Corporation's sensitivity to increases or decreases in exchange rates.

31 December 2020

	US dollars	Others	Total
	US\$'000	US\$'000	US\$'000
Impact on Profit or loss			
Sensitivity at 200bp US depreciation	-	15,237	15,237
Sensitivity at 400bp US appreciation	-	(28,717)	(28,717)
Impact on Equity			
Sensitivity at 200bp US depreciation	-	254	254
Sensitivity at 400bp US appreciation	-	(479)	(479)

Currency exposures emanating from the investment portfolio are hedged in line with the Corporation's policy on hedging. As at 31 December 2021, the net open FX position was US\$84.3 million (2020: US\$104.8 million) representing 3.8% (2020: 5%) of shareholders' funds as of that date.

3.2.2 Interest rate risk

Interest rate benchmark reform

Overview

A reform of major interest rate benchmarks ('IBOR reform') is being undertaken globally, which involves the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Corporation has significant exposure to the London Interbank Offered Rate (LIBOR) that have been reformed as part of these market-wide initiatives.

The Corporation is exposed to the USD LIBOR and JPY LIBOR (collectively 'IBORs') which are referenced in derivatives and non-derivative financial assets and liabilities with various counterparties. The alternative reference rate of the USD LIBOR is the Secured Overnight Financing Rate (SOFR) while the alternative reference rate for the JPY LIBOR is the Tokyo Overnight Average Rate (TONAR).

Risks arising from the interest rate benchmark reform

The nature and extent of risks to which the Corporation is exposed as a result of IBOR reform is predominantly limited to interest rate basis risk.

a. Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Corporation has developed an appropriate strategy to ensure same-time transition of related instruments. The Corporation will also continue to monitor this risk against its interest rate risk management policy and transact additional basis interest rate swaps if required.

Interest rate basis risk may also arise if the bilateral negotiations with counterparties are not successfully concluded before the cessation of IBORs. This may create uncertainties relating to which interest rate would apply to the contract(s) and additional interest rate risk that was not anticipated when the contracts were entered into. For example, in some cases the fallback clauses in IBOR loan contracts may result in the interest rate becoming fixed for the remaining term at the last IBOR quote.

The Corporation is working closely with all counterparties to ensure that bilateral negotiations are completed on a timely basis. The Corporation's interest rate risk management policy will also be applied to maintain the mix of floating rate and fixed rate assets/liabilities.

Progress on the transition to alternative benchmark interest rates

The Corporation has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by IBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition from IBOR. The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to IBOR.

In response to these announcements, the Corporation established a cross-functional IBOR Transition Working Group (the "Working Group") to manage its transition to the alternative reference rates. As at 31 December 2021, the Working Group has evaluated and quantified the Corporation's financial assets and liabilities that reference LIBOR cashflows. The Working Group has also developed and finalised a structured plan and roadmap for the transition and how to manage communication about the LIBOR reform with clients and counterparties. The Working Group reports periodically to the Board and ALCO to support the management of interest rate risk and provide relevant information for key decisions relating to the LIBOR reform. They also collaborate with other business functions as needed.

Over the course of the transition, the IBOR reform has had operational, risk management, legal and accounting impacts across all of our business lines. This includes the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform.

The Corporation is in the process of upgrading its internal treasury, loan and risk management systems to support the transition to SOFR. The Corporation is working closely with its system provider to ensure the relevant updates are made in good time with plans in

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place for alternative manual procedures with relevant controls to address any potential delay.

No newly originated floating-rate loan or instrument will reference IBOR from 1 January 2022. The Working Group is working closely with the business teams to establish pricing for new lending products to be indexed to alternative nearly risk-free rates.

For existing contracts that are indexed to an IBOR and mature after the expected cessation of the IBOR rate, the Working Group has established policies to transition the affected contracts either by amending the contractual terms to replace the IBOR rate and/or including appropriate fallback clauses specifying the alternative benchmark rate, spread adjustment and the trigger event on which the clauses are activated.

Non-derivative financial assets

The Corporation's IBOR exposures on floating-rate loans to customers is predominantly USD LIBOR. For these assets, the Corporation selected the Secured Overnight Financing Rate ('SOFR') as the replacement reference rate. This also consisted of a change to the underlying calculation methodology. SOFR is a broad measure of the cost of borrowing cash overnight collateralised by U.S. Treasury securities in the repurchase agreement (repo) market. This rate is robust, is not at risk of cessation, and it meets international standards. It is produced by the New York Fed in cooperation with the Office of Financial Research.

The publication of the one week and two-month USD LIBOR ceased on December 31, 2021 and all other USD LIBOR tenors (e.g., overnight, one month, three-month, six-month and twelve-month) will cease after June 30, 2023 (applicable to legacy contracts only).

As at 31 December 2021, the Corporation was still in the process of transitioning derivatives and/or negotiating fallback clauses for its LIBOR-linked non-derivative financial assets.

The Working Group monitored the progress of transition from USD LIBOR to SOFR by reviewing the total amounts of impacted contracts and the amounts of such contracts that include an appropriate fallback clause. The Corporation considers that a contract is not yet

transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The Corporation has commenced negotiations on fallback clauses on legacy contracts that will be impacted by the IBOR reform.

The following tables show the total amounts of unreformed non-derivative financial assets at 1 January 2021 and at 31 December 2021. The amounts of these assets are shown at their gross carrying amounts.

Amounts in thousands of dollars	31 Dec 2021 USD LIBOR	1 Jan 2021 USD LIBOR
Loans and advances to customers		
Trade Finance Loans	232,117	285,654
Project Finance Loans	1,457,266	1,107,978
	1,689,383	1,393,632

b. Non-derivative financial liabilities

The Corporation has floating-rate liabilities indexed to USD LIBOR and JPY LIBOR. The Working Group and the Corporation's treasury team have had several discussions with the counterparties of our financial liabilities to amend the contractual terms in response to IBOR reform. Based on the outcome of negotiations and industry working group recommendations, the counterparties have selected SOFR as the replacement for USD LIBOR and the Tokyo Overnight Average rate (TONA) for the exposures in JPY LIBOR.

The transition strategy for the JPY LIBOR exposure is to terminate the contract at the next reset date in the first quarter of the 2022 financial year.

The Corporation has commenced negotiations on fallback clauses on other legacy contracts that will be impacted by the IBOR reform.

The following tables show the total amounts of unreformed non-derivative financial liabilities as at 1 January 2021 and at 31 December 2021. The amounts shown in the table are the carrying amounts.

	31 Dec 2021 USD LIBOR	31 Dec 2021 JPY LIBOR	1 Jan 2021 USD LIBOR	1 Jan 2021 JPY LIBOR
Amounts in thousands of dollars				
Floating rate Notes	25,014	-	25,010	-
Other Borrowings	1,767,019	8,704	1,675,417	9,721
	1,792,033	8,704	1,700,428	9,721

c. Derivatives

The Corporation holds derivatives for trading and risk management purposes (see Note 17). None of the derivatives held for risk management purposes are designated in hedging relationships. The exposures to IBORs are in interest rate caps and cross-currency swaps with floating legs that are indexed to IBORs. The Corporation's derivative instruments are governed by ISDA's 2006 definitions.

The following tables show the total amounts of unreformed derivative instruments and amounts that include appropriate fallback language at 1 January 2021 and at 31 December 2021.

ISDA has reviewed its definitions in light of IBOR reform and issued an IBOR fallbacks supplement on 23 October 2020. This sets out how the amendments to new alternative benchmark rates (e.g. SOFR) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in

derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR.

The Corporation has adhered to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement. Where derivative counterparties also adhered to the protocol, then new fallbacks were implemented in existing derivative contracts. During the course of transition, the Corporation monitored whether its counterparties also adhered to the protocol and, where counterparties did not, then the Corporation negotiated with them bilaterally about inclusion of new fallback clauses.

a. For cross currency swaps, the Corporation used the notional amount of the receive leg of the swap. The Corporation expects both legs of cross-currency swaps to be reformed simultaneously.

	31 Dec 2021 USD LIBOR	31 Dec 2021 JPY LIBOR	1 Jan 2021 USD LIBOR	1 Jan 2021 JPY LIBOR
Amounts in thousands of dollars				
Derivatives held for risk management				
Interest rate swaps	258,786	-	198,807	-
Cross-currency swaps	28,533	9,342	13,903	9,342
	287,319	9,342	212,710	9,342

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Cashflow Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Corporation takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both the fair value of its financial instruments

and cash flows. Interest margins may increase as a result of such changes but may produce losses in the event that adverse movements arise. The Board sets applicable limits on the level of interest rate mismatch that may be undertaken.

The table below summarises the Corporation's exposure to interest rate risks. It includes the Corporation's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31 December 2021

Repricing dates	Up to 3 months	Above 3 months	Non-Interest Bearing	Total
Assets	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	-	-	49,296	49,296
Loans and advances to banks	1,841,697	-	-	1,841,697
Derivative financial instruments	-	-	107,098	107,098
Loans and advances to customers	1,434,314	1,546,542	-	2,980,856
Financial assets at fair value through profit or loss	-	508,152	980,412	1,488,564
Investment securities	169,393	1,384,954	53,576	1,607,923
Pledged assets	-	409,485	-	409,485
Other assets	-	-	66,018	66,018
Total financial assets	3,445,404	3,849,133	1,256,400	8,550,937
Liabilities				
Borrowings	1,818,171	4,367,849	-	6,186,020
Derivative financial instruments	-	-	13,799	13,799
Other liabilities	-	-	126,303	126,303
Total financial liabilities	1,818,171	4,367,849	140,102	6,326,122
Total interest repricing gap	1,627,233	(518,716)	1,116,298	2,224,815

31 December 2020

Repricing dates	Up to 3 months	Above 3 months	Non-Interest Bearing	Total
Assets	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	-	-	53,128	53,128
Loans and advances to banks	2,345,361	-	-	2,345,361
Derivative financial instruments	-	-	50,279	50,279
Loans and advances to customers	1,902,604	408,280	-	2,310,884
Financial assets at fair value through profit or loss	-	380,796	894,005	1,274,801
Investment securities	145,665	561,017	75,126	781,808
Pledged assets	-	433,484	-	433,484
Other assets	-	-	35,000	35,000
Total financial assets	4,393,630	1,783,577	1,107,538	7,284,745
Liabilities				
Borrowings	1,739,839	3,352,015	-	5,091,854
Derivative financial instruments	-	-	66,060	66,060
Other liabilities	-	-	94,418	94,418
Total financial liabilities	1,739,839	3,352,015	160,478	5,252,332
Total interest repricing gap	2,653,791	(1,568,438)	947,060	2,032,413

Interest rate sensitivities

The management of interest rate risk against interest rate gap limits is supplemented by the sensitivity of the Corporation's financial assets and liabilities to various standard interest rate scenarios. The table below shows an analysis of the sensitivity of the Corporation's Profit or Loss and Other Comprehensive Income to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant balance sheet position. However, for the purpose of sensitivity analysis, we have used a conservative assumption of 50 basis point (bp) parallel fall or rise in interest rates of the financial assets and liabilities.

In US\$'000	50 bp parallel increase	50 bp parallel decrease
Sensitivity of reported Profit or Loss for the year		
2020	997	(997)
2021	4,799	(4,799)
Sensitivity of reported Equity for the year		
2020	-	-
2021	-	-

There were no interest-bearing financial asset measured at FVOCI during the period (2020: Nil).

3.3 Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay lenders and fulfil commitments to lend.

The Corporation's liquidity management process includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- monitoring statement of financial position liquidity ratios against internal requirements; and
- managing the concentration and profile of debt maturities.

The Corporation holds a diversified portfolio of cash and High-Quality Liquid Assets ("HQLA") to support financial obligations and contingent funding in a stressed market environment. HQLA generally include cash, inter-bank placements and certain marketable securities backed by sovereigns and central banks. These assets are typically of the highest quality and the most liquid, and there is no limit on the extent to which these assets are held to meet the Liquidity Coverage Ratio ("LCR"). Other HQLA assets include government securities and corporate debt securities. The assets held for managing liquidity risk are comprise:

2021		
	Carrying Amount	Fair Value
	US\$'000	US\$'000
Cash and balances with banks	49,296	49,296
Loans and advances to banks	1,841,697	1,841,697
Investment securities	1,309,778	1,344,718
Total liquidity reserves	3,200,771	3,225,711
2020		
	Carrying Amount	Fair Value
	US\$'000	US\$'000
Cash and balances with banks	53,128	53,128
Loans and advances to banks	2,345,361	2,345,361
Investment securities	491,847	518,750
Total liquidity reserves	2,890,336	2,917,239

Monitoring and reporting take the form of daily cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Corporation has a Liquidity Policy and Contingency Funding Plan that defines extensively how liquidity risk would be managed within the Corporation. The policy requires that the Corporation keeps High Quality Liquid Assets ("HQLA") to cover its Minimum Liquidity Level ("MLL") at twelve and eighteen months under 'stress' and business as usual ("BAU") conditions respectively. MLL, for the purpose of the Corporation, is defined as the level of liquidity that is available to meet the Corporation's financial obligations (repayment of borrowing - principal plus interest accruals, operating

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expenses and other non-cancellable debt and equity commitments). Similar to the provisions of Basel III Capital Accord on Liquidity, the Corporation has defined its Liquidity Coverage Ratio ("LCR") as its stock of HQLA as a proportion of its MLL, as defined above. Under both stress and BAU conditions, the LCR is required to be greater than 100%.

As at 31 December 2021, the LCR was under stress scenario 156% (December 2020: 178%) and under normal circumstances 199% (December 2020: 178%).

Impact of Covid-19 on Liquidity risk

The Corporation's liquidity management and contingency plan has always been robust and designed to ensure the Corporation anticipated, monitored and responded to the impacts such as the Covid-19 outbreak. The longer-term effects of the outbreak on businesses are uncertain however, the Corporation's financial position remains strong, allowing us to continue to support the African economy.

Proactive liquidity management in line with the Corporation's liquidity standards ensured that, despite volatile and constrained liquidity environments mainly attributable to the Covid-19 pandemic, adequate liquidity was maintained to fully support balance sheet strategies. This has been achieved through frequent engagements between Treasury, Risk Management and Finance teams in which the liquidity risk with respect to on- and off-balance sheet positions was carefully monitored. At the same time consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands.

We conducted a range of internal stress tests during the year. These included stress tests to assess the potential future impacts of the Covid-19 crisis and assess the resilience of key balance sheet metrics including our capital adequacy. To date, we have conducted stress tests covering several potential Covid-19-related outcomes. We are regularly reviewing the economic impacts for key economies and markets to understand potential vulnerabilities in our balance sheet and to identify appropriate mitigating actions. We continue to monitor emerging geopolitical, economic and environmental risks impacting the Corporation's capital adequacy and liquidity. Our balance sheet and capital adequacy remain resilient based on internal stress test outcomes.

The table below analyses the Corporation's financial instruments into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which include estimated interest, payments, non-derivative financial liabilities and financial assets. Commitments are disclosed on the basis of the earliest possible contractual maturity while the contractual undiscounted cash flows are disclosed for derivative assets and liabilities. That is the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

As at 31 December 2021

All figures in US\$'000	Carrying Amount	Within 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	2 -5 Years	Above 5 Years	Gross Nominal Amount
Cash and balances with banks	49,296	49,296	-	-	-	-	-	-	49,296
Loans and advances to banks	1,841,697	1,469,108	375,558	-	-	-	-	-	1,844,666
Derivative assets:									
- Forward contracts	18,961	1,156	1,351	4,044	126,067	-	-	-	132,618
- Interest Rate Options	3,338	-	-	-	0	4.47	742	2,551	3,298
- Interest Rate Swaps									
Inflows -	8,024	-	-	490	529	1,208	3,694	5,771	11,693
Outflows -	-	-	-	(30)	(31)	(203)	(869)	(2,531)	(3,663)
- Cross currency swaps									
Inflows	76,775	-	40	430,350	684,723	140,266	251,230	-	1,506,610
Outflows	-	-	(388)	(414,643)	(673,626)	(136,142)	(250,007)	-	(1,474,805)
Financial assets at fair value through profit or loss	1,488,564	2,925	24,496	12,007	63,998	311,026	517,426	948,296	1,880,174
Loans and advances to other customers	2,980,856	25,840	77,736	137,156	469,251	618,832	1,115,937	1,273,295	3,718,049
Investment securities	1,607,923	20,251	20,931	444,620	760,336	(92,988)	509,642	778,263	2,441,055
Pledged assets	409,485	1,020	3,942	49,534	30,925	156,183	169,649	76,256	487,509
Other assets	66,018	66,018	-	-	-	-	-	-	66,018
Total financial assets	8,550,937	1,635,615	503,666	663,528	1,462,173	998,187	2,317,445	3,081,902	10,662,517
Other liabilities	122,946	122,946	-	-	-	-	-	-	122,946
Borrowings	6,186,020	3,636	47,217	133,050	617,755	924,884	2,985,581	2,323,817	7,035,940
Derivative liabilities:									
- Forward contracts	5,095	-	2,809	1,377	-	-	-	-	4,186
- Interest Rate Options	3,338	-	-	-	(0)	(4)	(742)	(2,551)	(3,298)
- Interest Rate Swaps									
Inflows -	-	-	-	-	(1)	(102)	(336)	(1,526)	(1,964)
Outflows -	4,646	-	-	293	322	725	2,079	3,186	6,605
- Cross currency swaps									
Inflows -	-	(7)	-	(8)	(13,908)	-	-	-	(13,923)
Outflows -	720	288	-	282	13,739	-	-	-	14,309
Total financial liabilities	6,322,765	126,863	50,026	134,993	617,907	925,503	2,986,582	2,322,927	7,164,801
Commitments	338,968	78,179	-	-	120,883	7,206	54,354	78,346	338,968
Funding gap		1,430,574	453,640	528,535	723,383	65,478	(723,491)	680,629	3,158,748
Cumulative funding gap		1,430,574	1,884,213	2,412,748	3,136,132	3,201,610	2,478,119	3,158,748	-

Notes to the Financial Statements for the Year Ended 31 December 2021

As at 31 December 2020

All figures in US\$'000	Carrying Amount	Within 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	2 -5 Years	Above 5 Years	Gross Nominal Amount
Cash and balances with banks	53,128	53,128	-	-	-	-	-	-	53,128
Loans and advances to banks	2,345,361	2,348,989	19,507	-	575	614	10,588	-	2,380,273
Derivative assets:									
- Forward contracts	1,346	-	1,326	-	-	-	-	-	1,326
- Interest Rate Options	2,961	-	-	67	76	171	645	1,656	2,615
- Interest Rate Swaps									
Inflows -	10,883	-	-	276	312	723	2,541	4,503	8,355
Outflows -	-	-	-	(80)	(93)	(210)	(610)	-	(993)
- Cross currency swaps									
Inflows -	35,089	-	34	-	271,091	13,897	462,238	-	747,260
Outflows -	-	-	(81)	-	(266,403)	(20,784)	(445,889)	-	(733,157)
Financial assets at fair value through profit or loss	1,274,801	1,375	22,797	2,750	28,888	177,510	263,544	845,335	1,342,199
Loans and advances to other customers	2,310,884	24,707	125,663	156,123	280,498	478,888	950,288	1,237,930	3,254,097
Investment securities	781,808	45,861	65,369	15,189	300,758	107,061	191,888	459,688	1,185,814
Pledged assets	433,484	1,020	4,479	9,777	38,960	105,958	270,075	132,013	562,282
Other assets	35,000	35,000	-	-	-	-	-	-	35,000
Total financial assets	7,284,745	2,510,080	239,094	184,102	654,662	863,828	1,705,308	2,681,125	8,838,199
Other liabilities	94,418	94,418	-	-	-	-	-	-	94,418
Borrowings	5,091,854	205,227	78,960	69,499	449,335	727,804	2,441,238	1,842,274	5,814,337
Derivative liabilities:									
- Forward contracts	56,195	398	55,019	8,250	-	-	-	-	63,667
- Interest Rate Options	9,464	-	-	(20)	(23)	(26)	(316)	(1,108)	(1,493)
- Interest Rate Swaps									
Inflows -	-	-	-	-	-	-	(49)	(364)	(413)
Outflows -	334	-	-	20	23	26	247	365	681
- Cross currency swaps									
Inflows -	-	(7)	-	(8)	(13,908)	-	-	-	(13,923)
Outflows -	67	288	-	282	13,739	-	-	-	14,309
Total financial liabilities	5,252,332	300,324	133,979	78,023	449,166	727,804	2,441,120	1,841,167	5,971,583
Commitments	633,169	125,418	-	-	300,595	47,018	93,701	66,436	633,168
Funding gap	-	2,084,338	105,115	106,079	(95,099)	89,006	(829,513)	773,522	2,233,448
Cumulative funding gap	-	2,084,338	2,189,453	2,295,532	2,200,433	2,289,439	1,459,926	2,233,448	-

Financial assets available to support future funding

The following table sets out the availability of the Corporation's financial assets (excluding equity securities) to support future funding.

31 December 2021

	Note	Encumbered US\$'000	Unencumbered US\$'000	Total US\$'000
Cash and balances with banks	15	-	49,296	49,296
Loans and advances to banks	16	-	1,841,697	1,841,697
Loans and advances to customers	18	-	2,980,856	2,980,856
Financial assets at fair value through profit or loss		-	563,747	563,747
Investment securities		-	1,554,347	1,554,347
Pledged assets	21	409,485	-	409,485
Other assets	22	-	66,018	66,018
Total assets		409,485	7,055,961	7,465,446

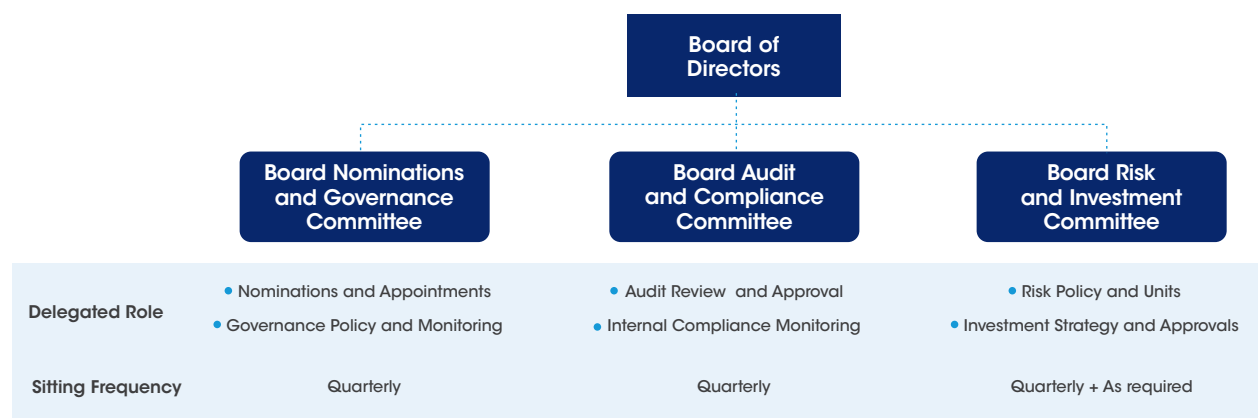
31 December 2020

	Note	Encumbered US\$'000	Unencumbered US\$'000	Total US\$'000
Cash and balances with banks	15	-	53,128	53,128
Loans and advances to banks	16	-	2,345,361	2,345,361
Loans and advances to customers	18	-	2,310,884	2,310,884
Financial assets at fair value through profit or loss		-	429,466	429,466
Investment securities		-	706,682	706,682
Pledged assets	21	433,484	-	433,484
Other assets	22	-	35,000	35,000
Total assets		433,484	5,880,521	6,314,005

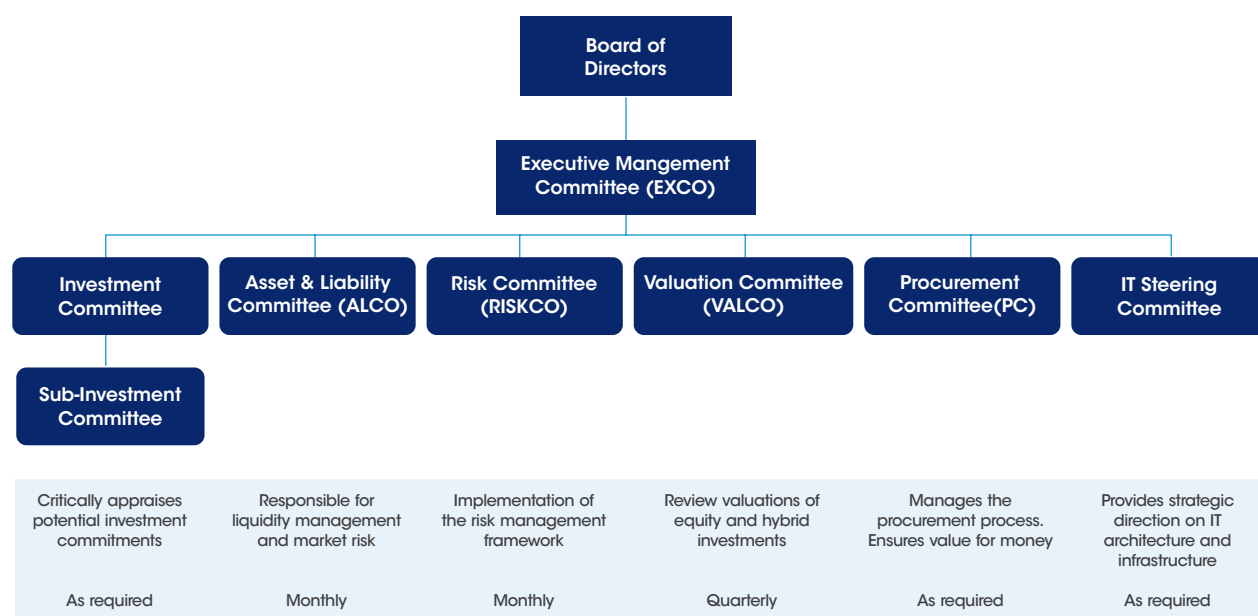
Notes to the Financial Statements for the Year Ended 31 December 2021

3.4 Capital Management & Governance structure

The Board of Directors has ultimate responsibility for policy formulation, strategy and decision making, with specific authority delegated to three subsidiary committees and Executive Management for day-to-day operations. The diagram below represent the reporting structures of the various Board committees within the Corporation.



In carrying out its oversight functions, EXCO through various committees, manages the day to day operations of the Corporation. Below is a chart of the various sub committees of EXCO and their mandates.



The Corporation's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- to comply with the capital requirements set by the Board of Directors of the Corporation;
- to safeguard the Corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy is monitored regularly by the Corporation's management, employing techniques derived from the guidelines developed by the Basel Committee. The Corporation's Capital Adequacy Framework requires the business to maintain a ratio of total risk capital to the risk-weighted asset (the Basel ratio) at a minimum of 30%. To allow for a proactive management of any issue with its capital position, the Corporation has further defined an internal trigger at 40% that would necessitate the activation of a remedial action.

The Corporation raised additional Tier 1 capital of US\$26.5 million during the year from new and existing shareholders. As part of the long-term process to continually strengthen our capital base, callable capital was introduced into the capital structure of the Corporation. At 31 December 2021, the outstanding callable capital amounted to US\$15 million. The callable capital was credit enhanced using insurance cover from investment grade rated insurance companies.

At the end of the financial year, the capital adequacy ratio stood at 33.2% (2020: 34.1%) and 30% (2020: 30.6%) excluding the Tier II capital borrowings. The Corporation's capital currently comprises of Tier 1 - 87% (2020: 86%) and Tier 2 - 13% (2020: 14%) capital as shown below:

Tier 1: Comprises of share capital, share warrants, retained earnings and reserves created by appropriations of retained earnings.

Tier 2: Comprises of unrealised gains arising from the fair valuation of equity instruments held at fair value through other comprehensive income, collective impairment allowance made on debt instruments and borrowings which meet the criteria for inclusion as tier 2 capital under Basel requirements.

The risk weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of (and reflecting an estimate of credit, market and other risks associated with) each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of capital and the ratios of the Corporation for the year ended 31 December 2021. The Corporation has no externally imposed capital requirements, but complied with its own internal capital adequacy requirements described above, during the year under review.

	31 December 2021 US\$'000	31 December 2020 US\$'000
Tier 1 capital		
Share capital	1,171,176	1,157,386
Share premium	66,432	53,722
Share warrants	200,000	200,000
Retained earnings	824,808	666,345
Total qualifying Tier 1 capital	2,262,416	2,077,453
Tier 2 capital		
Net fair valuation gain on		
FVOCI assets	(23,653)	(2,147)
Impairment allowance	96,185	88,413
Borrowings	250,000	250,000
Total qualifying capital	2,584,948	2,413,719
Risk-weighted assets:		
On-balance sheet	7,616,012	6,756,431
Off-balance sheet	169,484	316,584
Total risk-weighted assets	7,785,496	7,073,015
Basel ratio	33.2%	34.1%

Notes to the Financial Statements for the Year Ended 31 December 2021

3.5 Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Corporation determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Current year valuation and sensitivity methodologies are consistent with those described within note 3.5, fair value of financial instruments in the Corporation's 2020 annual report.

(a) Valuation models

The Corporation measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Corporation uses widely recognised valuation models for determining the fair value of common and plain vanilla financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex financial instruments, the Corporation uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include unquoted equity securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually

required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Corporation believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty where appropriate.

(b) Valuation framework

The Corporation has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of investment operations and all fair value measurements. Specific controls in the Corporation's valuation control framework include:

- an established procedure for the verification of observable market prices;
- an established procedure for the independent re-performance and validation of model-based valuations;
- a review and approval process for new models and changes to models analysis and investigation of significant daily valuation movements; and
- review of unobservable inputs, valuation adjustments and changes to the fair value measurement of Level 3 instruments compared with the previous period, by the valuation committee (a committee which includes the Chief Financial Officer and the Chief Risk Officer).

Level 2 and 3 categories, fair valuation adjustments are approved by the Board of Directors through two of its subsidiary committees: Audit and Compliance Committee and Risk and Investment Committee.

The following table analyses financial instruments measured at fair value as at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31 December 2021

	Level 1	Level 2	Level 3
	US\$'000	US\$'000	US\$'000
Assets			
Derivatives assets			
- Forward contracts	-	18,961	-
- Cross currency swaps	-	76,775	-
- Interest rate options	-	3,338	-
- Interest rate swaps	-	8,024	-
Financial assets at fair value through profit or loss:			
- Assets under management (debt securities)	20,996	-	-
- Hybrid instrument (convertible debt)			542,751
- Equity securities	16,362	-	908,455
Investment securities:			
- Equity securities (FVOCI)	19,714	-	33,862
Total	57,072	107,098	1,485,068
Liabilities			
Derivatives liabilities:			
- Forward contracts	-	5,095	-
- Interest rate options	-	3,338	-
- Cross currency swaps	-	720	-
- Interest rate swaps	-	4,646	-
Total	-	13,799	-

Notes to the Financial Statements for the Year Ended 31 December 2021

31 December 2020

	Level 1	Level 2	Level 3
	US\$'000	US\$'000	US\$'000
Assets			
Derivatives assets			
- Forward contracts	-	1,346	-
- Cross currency swaps	-	35,089	-
- Interest rate options	-	2,961	-
- Interest rate swaps	-	10,883	-
Financial assets at fair value through profit or loss:			
- Assets under management (debt)	21,422	-	-
- Hybrid instrument (convertible debt)	44,784	222,052	141,208
- Equity securities	12,903	-	832,432
Investment securities:			
- Equity securities (FVOCI)	15,051	-	60,075
Total	94,160	272,331	1,033,715
Liabilities			
Derivatives liabilities:			
- Forward contracts	-	56,195	-
- Interest rate options	-	9,464	-
- Cross currency swaps	-	67	-
- Interest rate swaps	-	334	-
Total	-	66,060	-

The Corporation's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 2 fair value measurements

The foreign exchange forward contracts and interest rate swaps were valued using widely recognised valuation models that use only observable market data and require little management judgement and estimation. The option contracts were valued using the Black Scholes option pricing model. Assumptions and inputs used include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, foreign currency exchange rates, and expected price volatilities and correlations.

The hybrid instruments were valued using the binomial tree model. The zero rate curve used in the model was obtained from an observable financial market (2020: the zero rate curve obtained from an observable financial market was used to value the hybrid instruments).

Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Reconciliation of Level 3 items

	31 December 2021	31 December 2020
	US\$'000	US\$'000
At beginning of year	1,033,715	1,012,186
Unrealised (losses)/gains:		
- in OCI	(26,214)	(13,073)
- in Profit or loss	43,669	26,629
Repayment/disposal	(5,218)	(57,255)
Additions	158,785	246,143
Exchange gain/(loss)	-	(2,899)
Reclassifications	13,495	(149,738)
Transferred to level 3	266,836	(28,278)
At end of year	1,485,068	1,033,715

Transfer to level 3

The Corporation held debt instruments of five entities, three of which were categorised at level 2 and two at level 1 in year 2020. Subsequent to this all debt instruments at FVTPL have been transferred to level 3 based on the level of significant unobservable inputs used in the valuation of these entities.

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

31 December 2021

Type of financial instrument	Fair value as at 31 Dec 2021 (US\$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	942,317	Discounted cashflow	Cost of equity	10.5% - 16.5%	Significant increases in the cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
			Terminal growth rate	1% - 3.3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
Hybrid instruments	542,751	Option Pricing Model	Credit Spread	3% - 5%	Significant increases in credit spread, in isolation, would result in lower fair values. Significant reduction would result in higher fair values.
Total	1,485,068				

31 December 2020

Type of financial instrument	Fair value as at 31 Dec 2020 (US\$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	892,507	Discounted cashflow	Cost of equity	11.4% - 21.7%	Significant increases in the cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values.
			Terminal growth rate	1.0% - 2.3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values.
Hybrid instruments	141,208	Option Pricing Model	Credit Spread	5% - 7%	Significant increases in credit spread, in isolation, would result in lower fair values. Significant reduction would result in higher fair values.
Total	1,033,715				

Notes to the Financial Statements for the Year Ended 31 December 2021

The valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as level 3 are consistent with note 3.5, fair value of financial instruments in the Corporation's 2020 annual report.

Significant unobservable inputs in the discounted cash flow technique applied are developed as follows:

- The Corporation applied the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.
- The risk-free rate was determined using the yield on the US Government bond and Germany Government bond (for Euro-denominated assets) of the appropriate tenor and this was adjusted for country risk premium (for unquoted securities denominated in US Dollars and Euros).
- Equity risk premium was determined based on data obtained from Damodaran Online and expert judgment.
- Beta estimates were obtained from Damodaran Online and illiquidity and minority discounts applied in line with valuation best practices.

The effect of unobservable inputs on fair value measurement

The Corporation believes that its estimates of fair values are appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the cost of equity or terminal growth rate by a reasonable possible value, in isolation, would have the following effects on Other Comprehensive Income and profit or loss for the year as follows:

US\$'000 - 2021	Other Comprehensive Income	
	1%	1%
Key Assumption	Increase	Decrease
Cost of equity	(691)	759
Terminal growth rate	-	-

US\$'000 - 2021	Profit or loss	
	1%	1%
Key Assumption	Increase	Decrease
Cost of equity	(8,941)	9,652
Terminal growth rate	753	(649)

US\$'000 - 2020	Other Comprehensive Income	
	1%	1%
Key Assumption	Increase	Decrease
Cost of equity	(1,933)	2,113
Terminal growth rate	-	-

US\$'000 - 2020	Profit or loss	
	1%	1%
Key Assumption	Increase	Decrease
Cost of equity	(34,094)	77,704
Terminal growth rate	4,438	(8,830)

For the Corporation's hybrid instruments, the following highlights the sensitivity of the fair value of these instruments to key input factors as at reporting date:

Effect on Profit or Loss (US\$'000)		
Key Assumption	2021	2020
2% increase in Credit Spread	(35,400)	(8,238)
2% decrease in Credit Spread	40,055	8,860

Derivative credit (CVA) and debit valuation adjustments (DVA)

The effect of CVA/DVA adjustments is insignificant on the Corporation's portfolio.

Financial instruments not measured at fair value

Due to the short-term nature of certain financial assets and financial liabilities, the fair values are not significantly different from their carrying amounts. These financial assets and liabilities are as follows:

- Cash and bank balances: The carrying amount of cash and bank balances is a reasonable approximation of the fair value. Cash and bank balances are disclosed in note 35.
- Loans and advances to bank: Loans to banks are short-term money market placements, therefore the fair values are not significantly different from the carrying amount.
- Treasury bills are short-term securities, therefore the fair values are not significantly different from the carrying amount.
- Other assets and other liabilities: The carrying amounts of other assets and other liabilities are considered to be the same as their fair values due to their short-term nature.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2021

	Level 1	Level 2	Level 3	Total fair values	Total carrying values
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Assets					
Loans and advances to other customers:					
- Project finance	-	-	2,499,311	2,499,311	2,499,311
- Trade finance	-	-	481,545	481,545	481,545
Investment securities:					
- Corporate debt securities	184,002	-	253,461	437,463	420,399
- Government debt securities	1,183,027	-	-	1,183,027	1,133,948
Pledged assets:					
- Corporate debt securities	136,077	-	-	136,077	128,397
- Government debt securities	296,699	-	-	296,699	281,088
Other assets					
- Account receivable	6,159	-	-	-	6,159
- Fee receivable	8,680	-	-	-	8,680
- Advance for investments	51,179	-	-	-	51,179
Total	1,799,805	-	3,234,317	5,034,122	4,944,688
Liabilities					
Borrowings	2,417,370	3,911,922	-	6,329,292	6,186,020
Other liabilities	126,303	-	-	126,303	126,303
Total	2,417,370	3,911,922	-	6,329,292	6,186,020

31 December 2020

	Level 1	Level 2	Level 3	Total fair values	Total carrying values
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Assets					
Loans and advances to other customers:					
- Project finance	-	-	1,870,673	1,870,673	1,870,673
- Trade finance	-	-	440,211	440,211	440,211
Investment securities:					
- Corporate debt securities	108,330	-	187,887	296,217	316,273
- Government debt securities	410,420	-	-	410,420	390,409
Pledged assets:					
- Corporate debt securities	163,925	-	-	163,925	151,731
- Government debt securities	309,653	-	-	309,653	281,753
Other assets					
- Account receivable	19,539	-	-	-	19,539
- Fee receivable	15,461	-	-	-	15,461
- Advance for investments	-	-	-	-	-
Total	1,027,328	-	2,498,771	3,491,099	3,486,050
Liabilities					
Borrowings	2,758,298	2,420,961	-	5,179,259	5,091,854
Other liabilities	102,077	-	-	-	102,077
Total	2,758,298	2,420,961	-	5,179,259	5,091,854

Notes to the Financial Statements for the Year Ended 31 December 2021

Where available, the fair value of investment securities (corporate and government debt securities), loans and advances are based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques.

The fair value of borrowing from counterparty is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.

3.6 Financial instruments by category

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2021

Assets as per Statement of Financial Position

	Mandatorily FVTPL	Designated at FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortised Cost	Carrying Amount
Assets	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks					49,296	49,296
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,841,697	1,841,697
Derivatives	107,098	-	-	-	-	107,098
Loan and advances to other Customers:						
- Project finance	-	-	-	-	2,499,311	2,499,311
- Trade finance	-	-	-	-	481,545	481,545
Financial assets at fair value through profit or loss:						
- Hybrid instruments	542,751	-	-	-	-	542,751
- Equity securities	924,817	-	-	-	-	924,817
- Assets under management	-	20,996	-	-	-	20,996
Investment securities:						
- Debt securities	-	-	-	-	1,554,347	1,554,347
- Equity securities	-	-	-	53,576	-	53,576
Pledged assets:						
- Debt securities	-	-	-	-	409,485	409,485
Other assets:						
- Account receivable	-	-	-	-	6,159	6,159
- Fee receivable	-	-	-	-	8,680	8,680
- Advance for investment	-	-	-	-	51,179	51,179
Total financial assets	1,574,666	20,996	-	53,576	6,901,699	8,550,937

	Mandatorily FVTPL	Designated at FVTPL	Amortised Cost	Carrying Amount
Liabilities	US\$'000	US\$'000	US\$'000	US\$'000
Other liabilities	-	-	122,946	122,946
Derivatives	13,799	-	-	13,799
Borrowings	-	-	6,186,020	6,186,020
Total financial liabilities	13,799	-	6,308,966	6,322,765

31 December 2020

	Mandatorily FVTPL	Designated at FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortised Cost	Carrying Amount
Assets	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks					53,128	53,128
Loans and advances to banks:						
- Placements with banks	-	-	-	-	2,345,361	2,345,361
Derivatives	50,279	-	-	-	-	50,279
Loan and advances to other Customers:						
- Project finance	-	-	-	-	1,870,673	1,870,673
- Trade finance	-	-	-	-	440,211	440,211
Financial assets at fair value through profit or loss:						
- Hybrid instruments	408,044	-	-	-	-	408,044
- Equity securities	845,335	-	-	-	-	845,335
- Assets under management	-	21,422	-	-	-	21,422
Investment securities:						
- Debt securities	-	-	-	-	706,682	706,682
- Equity securities	-	-	-	75,126	-	75,126
Pledged assets:						
- Debt securities	-	-	-	-	433,484	433,484
Other assets:						
- Account receivable	-	-	-	-	19,539	19,539
- Fee receivable	-	-	-	-	15,461	15,461
Total financial assets	1,303,658	21,422	-	75,126	5,884,539	7,284,745

	Mandatorily FVTPL	Designated at FVTPL	Amortised Cost	Carrying Amount
Liabilities	US\$'000	US\$'000	US\$'000	US\$'000
Other liabilities	-	-	94,418	94,418
Derivatives	66,060	-	-	66,060
Borrowings	-	-	5,091,854	5,091,854
Total financial liabilities	66,060	-	5,186,272	5,252,332

Notes to the Financial Statements for the Year Ended 31 December 2021

4. Critical accounting estimates and judgements in applying accounting policies

The Corporation's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1. Assumption and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 is set out in note 3.5 (fair value of financial assets and liabilities) in relation to the fair value of financial instruments, and in the following notes in relation to other areas.

(a) Impairment losses on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL which also sets out key sensitivities of the ECL to changes in these elements.

(b) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for

example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To a practicable extent, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Exemption under IAS 28 – Investment in Associates and Joint Ventures

Equity investments that result in the Corporation having a significant influence, but not control, over the financial and operating policies of the investee companies are carried in the statement of financial position at fair value through profit or loss rather than accounted for as associates using the equity method of accounting.

This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by venture capital organisations and similar financial institutions to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9, with changes in fair value recognised in the income statement in the period of the change. The Corporation's operational activities typically entail provision of equity finance to unquoted companies and taking an active role in helping to build and develop such companies by having a representation on the Board of the investee companies. The equity business of the Corporation is managed and appraised with the objective of earning capital return on its venture capital investments upon exit in the medium term. The Corporation is also a member of the Africa Private Equity & Venture Capital Association (AVCA).

2. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements are set out below.

(a) Measurement of ECL

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Assumptions used in estimating recoverable cashflows.

In measuring credit risk of loans and advances to various counterparties, the Corporation considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default – PD), the portion of the loan expected to be irrecoverable at the time of loan default (loss given default – LGD) and carrying amount of the loan that is outstanding as at reporting date (exposure at default – EAD). The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD, across the Corporation's risk asset portfolio.

	31 December 2021	
	Probability of Default	Loss given Default
	US\$'000	US\$'000
Increase/(decrease)		
Effect of a 1% increase:	1,552	2,054
Effect of a 1% decrease:	(1,553)	(2,054)

	31 December 2020	
	Probability of Default	Loss given Default
	US\$'000	US\$'000
Increase/(decrease)		
Effect of a 1% increase:	1,148	1,861
Effect of a 1% decrease:	(1,149)	(1,861)

(b) Classification of financial assets

Information about assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are

SPPI on the principal amount outstanding are set out in note 2.4.

(c) Consolidation: whether the Corporation has control over an investee

The Corporation has exercised judgement in determining whether it has control over investee entities where the Corporation holds over 50% of the issued ordinary equity of the investee.

Arise Special Economic Zone

Although the Corporation holds 50.5% of the issued ordinary equity in Arise Special Economic Zone, management has determined that the Corporation does not have control over the entity. The entity has two (2) shareholders, but based on the terms of agreements under which the entity was established, each shareholder has equal voting rights. This implies that both shareholders have substantive rights in the entity. Therefore, the entity has been carried at fair value through profit or loss (FVTPL) in accordance with the requirements of IAS 28.

Djibouti Wind Company Limited

Djibouti Wind Company Limited ("DWCL") is the general partner of the Djibouti Wind Limited Partnership ("DWLP"), a special purpose vehicle set up by the limited partners to hold a 90% interest in Red Sea Power Limited SAS. The Corporation has 56.67% interest in DWCL and DWLP. The partners have similar interests in DWCL and DWLP. Management has determined that the Corporation does not control DWCL because under the terms of agreements establishing the entity, the Corporation has 33.3% of the voting rights in the entity. Therefore, the entity has been carried at fair value through profit or loss (FVTPL) in accordance with the requirements of IAS 28.

Ivoire Hydro Energie S.A

Although, the Corporation holds a 51% interest in the ordinary equity of the Ivoire Hydro Energie S.A, management has determined that the Corporation does not control the entity. The entity has three (3) shareholders but based on the terms of agreements under which the entity was established, the Corporation's has voting rights of 50%. The Corporation is represented by three (3) directors on the board of the entity while the other shareholders are also represented by three (3) directors,

Notes to the Financial Statements for the Year Ended 31 December 2021

giving a board with six (6) directors. Board decisions are based on a majority of votes. Therefore, management has concluded that the Corporation has significant influence over entity. The investment has been carried at fair value through profit or loss (FVTPL) in accordance with the requirements of IAS 28.

5. Reporting Segments

The Corporation's primary objective is to finance infrastructure projects across Africa and to provide advisory, project development and other services related thereto.

Operating units are reported in a manner consistent with the internal reporting provided to the Executive Management Committee (EXCO) and Board of Directors. The EXCO is responsible for assessing the financial performance and position of the Corporation and makes strategic decisions. The EXCO, which has been identified as being the Chief Operating Decision Maker, consists of the (a) President and Chief Executive Officer, (b) Executive Director and Chief Investment Officer, (c) Executive Director, Financial Services, (d) Senior Director & Chief Financial Officer, (e) Senior Director and CEO, AFC Capital Partners (f) Director & Chief Risk Officer, (g) Director & General Counsel, (h) Director & Head of Corporate Services and (i) Director & Head, Economics, Research and Strategy. The information is provided on the basis of business units as the Corporation manages its affairs and business through these areas. The business units presented reflect the management structure of the Corporation and the way in which the Corporation's management reviews performance.

The Corporation evaluates the performance of its operating units primarily based on unit operating profit, as defined below:

1) Investment Division

The Corporation's Investment division is responsible for the end-to-end project development, origination, structuring and execution of investments. This division is further divided into groups based on sector classifications, with each group responsible for customer relationship management and investments within its sector.

The Investment division also works closely with Risk Management to perform portfolio management functions for the Corporation's investment portfolio. The Investment division offers a diverse range of financing products, such as loans, quasi-equity financing, equity and arranging services to infrastructure projects in Africa. It also provides technical and economic advisory services to projects that are in the early stage of project development.

2) Financial Services Division

The Corporation's Financial Services division is divided into three groups, (i) treasury and funding, (ii) financial institutions and syndication, and (iii) financial advisory. The treasury and funding group is responsible for the Corporation's capital raising and covers both debt and equity. Its function is to seek to ensure that the Corporation has adequate capital and the appropriate capital structure.

The treasury and funding group interfaces with the Corporation's shareholders, bankers, potential lenders, rating agencies and other providers of capital. It is also responsible for the management of the liquidity of the Corporation, ensuring that all liquidity risk management indices are met and that the Corporation is able to meet its contractual obligations under normal as well as stressed environments. It is also responsible for designing and executing hedging activities to manage the Corporation's exposures to market risk. The financial institutions and syndication team is responsible for leading syndications of the Corporation's transactions and participations in external syndications, as well as seeking and executing asset buy and sell down opportunities. It is also responsible for trade finance transactions that do not fall under one of the sectors in the Investment division and those that involve financial institutions. The financial advisory group is responsible for providing advisory services to clients and generating fee-based income for the Corporation.

The information provided to the Corporation's Board for the reportable units for the year ended 31 December 2021 is as follows:

31 December 2021

	Investment	Financial Services	Total
	US\$'000	US\$'000	US\$'000
Interest income	212,700	171,603	384,303
Dividend income	3,581	-	3,581
Fee commission and other income	46,395	7,942	54,337
Gain or loss on sale of financial assets	-	1,565	1,565
Net gain on financial instruments at fair value through profit or loss	46,022	16,350	62,372
Net impairment charge on financial assets	(31,670)	(7,805)	(39,475)
Interest & administrative expenses	(229,362)	(27,595)	(256,957)
Operating profit	47,666	162,060	209,726
Total assets	4,277,493	4,287,392	8,564,885
Total liabilities	72,595	6,253,527	6,326,122
Expenditure on reportable segment:			
Non-current assets	3,691	1,987	5,678
Depreciation and amortisation	2,334	1,257	3,590

31 December 2020

	Investment	Financial Services	Total
	US\$'000	US\$'000	US\$'000
Interest income	214,632	124,939	339,571
Dividend income	2,331	-	2,331
Fee commission and other income	50,627	14,930	65,557
Gain or loss on sale of financial assets	-	9,531	9,531
Net gain/(loss) on financial instruments at fair value through profit or loss	50,419	(14,943)	35,476
Impairment charge	(34,611)	(4,020)	(38,631)
Interest & administrative expenses	(225,208)	(23,073)	(248,281)
Operating profit	58,190	107,364	165,554
Total assets	3,921,252	3,441,907	7,363,159
Total liabilities	27,137	5,259,991	5,287,128
Expenditure on reportable segment:			
Non-current assets	1,856	1,000	2,856
Depreciation and amortisation	2,191	1,180	3,370

Notes to the Financial Statements for the Year Ended 31 December 2021

Geographic information: The geographic information analyses the Corporation's revenue and non-current assets by the Corporation's country of domicile and other countries. In presenting the geographic information below, segment revenue is based on the geographic location of customers and segment assets are based on the geographic location of the assets.

31 December 2021

	West Africa	Rest of Africa	Others	Total
	S\$'000	US\$'000	US\$'000	US\$'000
Interest income	64,386	87,825	32,092	384,303
Dividend income	7	3,574	-	3,581
Fee commission and other income	31,383	22,727	227	54,337
Gain or loss on sale of financial assets	1,565	-	-	1,565
Net gain/(loss) on financial instruments at fair value through profit or loss	85,372	(22,324)	(228)	62,820
Credit risk insurance	(7,481)	(4,534)	(7,185)	(19,200)
Interest expenses	(1,205)	(2,264)	(160,092)	(163,561)
External revenue	382,713	91,802	32,091	506,606
Total assets	4,682,047	2,363,822	1,519,016	8,564,885

31 December 2020

Interest income	197,608	94,488	47,475	339,571
Dividend income	763	1,568	-	2,331
Fee commission and other income	51,863	13,100	594	65,557
Gain or loss on sale of financial assets	-	-	9,531	9,531
Net (loss)/gain on financial instruments at fair value through profit or loss	32,861	17,094	(14,943)	35,012
Credit risk insurance	-	-	(15,687)	(15,687)
Interest expenses	(33,986)	(3,888)	(134,592)	(172,466)
External revenue	283,095	126,250	33,126	442,471
Total assets	3,157,827	2,319,783	1,885,550	7,363,159

6. Interest income and interest expense

	2021 US\$'000	2020 US\$'000
Interest income		
Loans and advances to other customers	200,748	215,558
Loans and advances to banks	31,206	47,088
Financial assets at FVTPL	27,857	14,231
Investment securities:		
- Financial assets at amortised cost	124,492	62,694
	384,303	339,571
Interest expense		
Borrowings from financial institutions	50,186	81,515
Corporate bonds	113,375	90,879
Interest expense on borrowings	163,561	172,394
Lease liability (see note 26 (a))	-	72
	163,561	172,466
Net interest income	220,742	167,105

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities:

	2021 US\$'000	2020 US\$'000
Financial assets measured at:		
- Amortised cost	356,446	325,340
- FVTPL	27,857	14,231
Total interest income	384,303	339,571
Financial liabilities measured at amortised cost	163,561	172,466
Total interest expense	163,561	172,466

7. Dividend income

	2021 US\$'000	2020 US\$'000
Equity securities at;		
- FVOCI	1,503	1,082
- FVTPL	2,078	1,249
	3,581	2,331

8. Fees, commissions and other income

	2021 US\$'000	2020 US\$'000
Risk participation and commitment fees	9,511	10,646
Advisory and structuring fees	27,020	37,944
Facility and other fees	17,345	11,544
Development fees	461	5,423
	54,337	65,557

a) Disaggregation of fees, commission and other income

In the following table, fees, commissions and other income from contracts with customers in the scope of IFRS15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fees, commissions and other income with the Corporation's reporting segments (see Note 5).

b) The fees and commission presented in this note include income of US\$17.1 million (2020: US\$20.4 million) relating to financial assets not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets.

US\$'000

Major service lines	Investment		Financial Services		Total	
	2021	2020	2021	2020	2021	2020
- Risk participation and commitment fees	7,949	9,941	1,562	705	9,511	10,646
- Advisory fees	30	295	4,666	4,583	4,696	4,878
- Structuring fees	21,641	31,416	683	1,650	22,324	33,066
- Facility and other fees	16,314	3,552	1,031	7,992	17,345	11,544
- Development fees	461	5,423	-	-	461	5,423
Fees, commission and other income (Note 5)	46,395	50,627	7,942	14,930	54,337	65,557

Notes to the Financial Statements for the Year Ended 31 December 2021

c) *Performance obligations and revenue recognition policies*

- i. Risk participation and commitment fees: Risk participation fee are earned on various unfunded risk participation programmes with financial institutions, to facilitate trade transactions. Commitment fees are fees earned on commitments to provide debt or equity financing to counterparties and are recognised over the commitment period.
- ii. Advisory fees: these are fees earned on mandates in which the Corporation acts in advisory capacities. Revenue related to advisory mandates are recognised on a milestone basis, and success fees are recognised once the service under a given mandate is rendered.
- iii. Structuring fees: these are fees earned on project finance transactions in which the Corporation plays a mandated lead arranger role, in a loan syndication finance arrangement. These fees are recognised at a point in time when the loan syndication is finalised.
- iv. Facility and other fees: these are fees earned on agency services rendered by the Corporation. Revenue from facility and other fees is recognised as the services are provided.
- v. Development fees: these are fees earned for developing a project and it is often a multiple of the amount spent on development costs as agreed with project sponsors. The fees are recognised when the development phase of the project is completed.

9. Net gain on financial instruments at fair value through profit or loss

	2021 US\$'000	2020 US\$'000
Mandatorily measured at FVTPL:		
Derivatives held for risk management purposes:		
- Interest rate	(94)	1,410
- Cross currency swap	44,626	26,542
- Foreign exchange	(30,060)	(43,419)
Equity investments	41,316	12,208
Hybrid instruments	7,290	37,747
Designated at FVTPL:		
Asset under management	(258)	524
	62,820	35,012

10. Net impairment charge on financial assets

	2021 US\$'000	2020 US\$'000
Loans and advances to customers (Note 18(a))	36,152	23,923
Loans and advances to banks (Note 16(a))	(849)	1,463
Investment securities at amortised cost (Note 20(b))	9,411	5,405
Pledged assets at amortised cost (Note 21(a))	(757)	2,278
Off-balance sheet commitments (Note 28(d))	(4,482)	5,562
	39,475	38,631

11. Gain on sale of financial assets

- Equity securities	-	-
- Debt securities	1,565	9,531
	1,565	9,531

Amounts represent income realised from the sale of the investments in certain securities during the year, in line with the Corporation's strategy.

12. Operating expenses

	2021 US\$'000	2020 US\$'000
(a) Operating expenses		
Staff cost:		
Wages and salaries	44,179	39,903
Post-employment benefits (see note (i) below)	8,564	1,424
Other employee benefits	5,022	2,096
Other operating expenses:		
- Rent, rates and utilities	180	169
- Insurance	88	94
- Advertising and business promotion	1,504	1,336
- Auditor's remuneration	260	220
- Communication	1,469	1,252
- Travel	659	213
- Board expenses, including Directors' fees	2,176	1,313
- Training, seminars and conferences	683	633
- Repairs and maintenance	71	74
- Project and other transaction expenses	1,049	2,285
- Consultancy fees	1,617	1,713
- Other expenses	3,085	4,033
- Depreciation and amortisation	3,590	3,370
	74,196	60,128

	2021 US\$'000	2020 US\$'000
(b) Credit risk insurance		
- Credit risk insurance premium	19,200	15,687

The Corporation uses credit risk insurance as a risk mitigation tool for the protection of the Corporation against borrower defaults.

(i) Included in Post employment benefits for the year is a provision for the Corporation's recently implemented end of service benefit plan. See details in note 26b.

13. Taxation

Under the Headquarters Agreement between AFC and the Government of the Federal Republic of Nigeria signed in May 2007, AFC is exempt from tax on all its income arising from operations in the host country.

14. Earnings per share

(i) Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Corporation by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share are the same as the Corporation has no potentially dilutive ordinary shares.

	2021	2020
Profit attributable to equity holders of the Corporation		
Profit attributable to equity holders of the Corporation from continuing operations (US\$'000)	210,174	165,090
Profit attributable to equity holders of the Corporation from discontinued operations (US\$'000) - see note 25(a)	(448)	436
	209,726	165,526
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares at 1 January ('000)	1,151,778	1,101,633
Effect of shares issued during the year ('000)	7,627	50,145
Weighted-average number of ordinary shares at 31 December ('000)	1,159,405	1,151,778

	2021	2020
Earnings per share		
Basic/diluted earnings per share from continuing operations (expressed in US cents per share)	18.13	14.33
Basic/diluted earnings per share from discontinued operations (expressed in US cents per share)	(0.04)	0.04
Total for the year	18.09	14.37

15. Cash and balances with banks

	2021 US\$'000	2020 US\$'000
Cash in hand	33	21
Balances with banks	49,263	53,107
	49,296	53,128

All cash and balances with commercial banks are current.

16. Loans and advances to banks

	2021 US\$'000	2020 US\$'000
Placements with banks	1,844,666	2,349,179
Less: Allowance for impairment (See (a) below)	(2,969)	(3,818)
	1,841,697	2,345,361

All loans and advances to banks are current.

a) The movement in impairment allowance is shown below:

	2021 US\$'000	2020 US\$'000
Opening	3,818	2,355
Net remeasurement of ECL allowance (Note 10)	(849)	1,463
	2,969	3,818

Notes to the Financial Statements for the Year Ended 31 December 2021

17. Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	Assets	Liabilities	Notional
31 December 2021	US\$'000	US\$'000	US\$'000
Forward contracts	18,961	5,095	764,328
Cross currency swaps	76,775	720	1,417,814
Interest rate options	3,338	3,338	546,706
Interest rate swaps	8,024	4,646	127,832
	107,098	13,799	2,856,680
Current	25,060	7,162	
Non-current	82,038	6,637	

	Assets	Liabilities	Notional
31 December 2020	US\$'000	US\$'000	US\$'000
Forward contracts	1,346	56,195	725,258
Cross currency swaps	35,089	67	663,985
Interest rate options	2,961	9,464	483,733
Interest rate swaps	10,883	334	54,704
	50,279	66,060	1,927,680
Current	13,934	56,262	
Non-current	36,345	9,798	

The Corporation uses derivatives to manage its exposure to market risks.

18. Loans and advances to other customers

	2021	2020
	US\$'000	US\$'000
Project finance loans	2,652,231	2,006,578
Advances under trade finance	496,724	456,396
	3,148,955	2,462,974
Impairment allowance (see note (a) below):		
- Project finance	(152,920)	(135,905)
- Trade finance	(15,179)	(16,185)
	(168,099)	(152,090)
	2,980,856	2,310,884
Current	381,322	283,162
Non-current	2,599,534	2,027,722

a) The movement in impairment allowance is shown below:

	2021	2020
	US\$'000	US\$'000
Balance as at 1 January	152,090	128,167
Assets derecognised	(20,143)	-
Net measurement of impairment allowance (Note 10)	36,152	23,923
Closing balance	168,099	152,090

See Note 3.1.6 for a detailed analysis.

19. Financial assets at fair value through profit or loss

	2021	2020
	US\$'000	US\$'000
Hybrid instruments: convertible debt (see note (a) below)	542,751	408,044
Equity securities (see note (b) below)	924,817	845,335
Assets under management: debt securities (see note (c) below)	20,996	21,422
	1,488,564	1,274,801
Current	75,134	21,422
Non-current	1,413,430	1,253,379

a) The hybrid instruments include a conversion option which results in no closely related risks inherent in the host contract. The Corporation therefore designated the instrument as financial asset at fair value through profit or loss.

b) Equity securities at fair value through profit or loss include:

	2021	2020	2021	2020
	US\$'000	US\$'000	% Shareholding	
Arise PPC. (i)	1,549	1,549	21%	21%
Arise Infrastructure Services (ii)	16,628	22,583	34%	34%
Arise Ports and Logistics Limited (iii)	144,149	141,442	26%	26%
Arise Special Economic Zone (iv)	230,719	209,450	51%	51%
Bakwena Platinum Concession Limited (v)	23,610	44,228	22%	22%
Cabeolica S.A. (vi)	16,171	-	50%	94%
Cenpower Generation Company (vii)	67,109	63,761	32%	32%
Cenpower Operations Company (vii)	74	74	25%	25%
Danakali Limited (viii)	16,362	12,903	17%	17%
Djibouti Wind Company Limited (ix)	63	63	57%	57%
Djibouti Wind Limited Partnership (ix)	6,237	6,237	57%	57%
Infrastructure Credit Guarantee Company Limited (x)	29,572	5,431	32%	32%
International Gulf Mining Limited (xi)	223	223	43%	43%
MainOne Cable Company (xii)	24,048	12,438	23%	23%
Ncondezi (xiii)	10	10	23%	23%
Nouvelle Gabon Mining SA (xiv)	259,969	254,767	43%	43%
Ivoire Hydro Energie S.A (xv)	17,583	12,381	51%	49%
Société Concessionnaire du Pont Riviera-Marcory (xvi)	69,731	56,785	26%	26%
Vigeo Power Limited (xvii)	1,010	1,010	20%	20%
	924,817	845,335		

Details of the nature and operations of equity investments and the summarised financial information for those entities, which, in the opinion of the directors, are material to the Corporation are shown below.

(i) **Arise PPC.** is a special purpose vehicle created in 2019 to have and develop the Arise Mauritania S.A. project. Arise Mauritania S.A. is a 30-year concession by the Government of Mauritania to design, build, finance and operate a new container terminal with initial capacity of 250,000 Twenty-foot Equivalent Units (TEUs) and flexibility to expand capacity to 600,000 TEUs at a later stage; and an oil jetty able to accommodate oil & gas vessels with capacity of 50,000 DWT. The scope of the project comprises the construction of a new wharf with capacity for two 4,200 TEU vessels at the same time, a storage area for exports & imports, a container freight station, and an administrative area including a one-stop shop of 1,000m² for port authority and government entities.

(ii) **Arise Infrastructure Services** comprises of the Libreville Airport as well as the new airport which is under construction in Gabon. The summarised financial information for Arise Infrastructure Services is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	8,154	8,135
Non-current assets	85,318	89,367
Current liabilities	6,771	20,148
Non-current liabilities	289	303
Revenue	10,992	9,140
Profit/(loss) after tax	1,100	(1,452)

(iii) **Arise Ports and Logistics Limited** is a pan-African operator of integrated and multimodal ports & logistics ecosystems and infrastructures comprising: Gabon General Cargo Port, Gabon Mineral Port, which are both operational, and the San Pedro Port, Côte D'Ivoire which is under construction.

Notes to the Financial Statements for the Year Ended 31 December 2021

The summarised financial information for Arise Ports and Logistics Limited is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	113,987	75,045
Non-current assets	1,053,774	954,009
Current liabilities	182,083	110,634
Non-current liabilities	264,976	209,849
Revenue	190,720	152,446
Profit after tax	15,956	8,242

- (iv) **Arise Special Economic Zone** comprises of the Nkok Special Economic Zone in Gabon, the Port Gentil Special Economic Zone, Benin Special Economic Zone and Togo Special Economic Zone (collectively, the "SEZ Assets"). The summarised financial information for Arise Special Economic Zone is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	201,712	307,976
Non-current assets	360,729	392,652
Current liabilities	30,878	82,480
Non-current liabilities	89,517	243,160
Revenue	142,617	101,165
Profit after tax	35,359	24,187

- (v) **Bakwena Platinum Concession Company:**

Consists of a 95 km section of the N1 highway running from Pretoria northwards, and a 290 km section for the N4 highway running from Pretoria westwards to the Botswana border. Route designed as part of intercontinental axis to stimulate agriculture, manufacturing, mining and tourism traffic, with combined urban and intercity tolling. The project led to significant reductions in travel times and vehicle operating costs through improved road surfaces. The summarised financial information for Bakwena Platinum Concession Company is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	172	8,128
Non-current assets	109,847	146,350
Current liabilities	2,239	12,845
Non-current liabilities	-	3,756
Revenue	16,054	5,372
(Loss)/profit after tax	(4,487)	(31,909)

- (vi) **Cabeolica S.A.:** This is a power company domiciled in Cape Verde which was acquired as part of the Corporation's exit from the investment in Anergi Holdings Limited. The project entails the construction of 30 wind turbines on four of the nine inhabited islands of the mid-Atlantic Archipelago. The Corporation obtained a 94% interest in the entity in 2020. Upon acquisition, management commenced the process to reduce the Corporation's interest in the entity in line with the Corporation's strategy. This was concluded on the 1st of October 2021 and the Corporation's interest was reduced to 50%. See note 25 for details of disposal and see Note 4 for information about judgements made in assessing whether the Corporation controls the entity.

- (vii) **Cenpower Generation Company Limited**

(Cenpower or CGC) is a special purpose vehicle created to develop the Cenpower Kpone Independent Power Plant (KIPP) in the Tema industrial zone, close to Accra, Ghana's capital. The Kpone Independent Power Plant, which achieved commercial operations in June 2019, is amongst the largest IPPs in the country accounting for approximately 10% of Ghana's total installed capacity and approximately 15% of its available thermal generation capacity. The summarised financial information for Cenpower Generation Company Limited is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	285,938	206,429
Non-current assets	685,344	707,037
Current liabilities	36,140	25,730
Non-current liabilities	790,034	817,351
Revenue	235,322	157,021
Profit after tax	49,186	37,975

- (viii) **Danakali Limited** is a potash company focused on the development of the Colluli Sulphate of Potash Project (the Project). The Project is 100% owned by the Colluli Mining Share Company (CMSC), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (ENAMCO). The project is located in the Danakil Depression region of Eritrea, East Africa, and is approximately 75km from the Red Sea coast,

making it one of the most accessible potash deposits globally. Danakali Limited is listed on the Australian Securities Exchange and the London Stock Exchange.

- (ix) **Djibouti Wind Limited Partnership (DWLP)** is a special purpose vehicle, which was set up by the limited partners, to construct and operate a 60 megawatts windfarm in the Ghoubet area, near Lake Assal, Djibouti (the Project). Djibouti Wind Company Limited (DWCL) is the general partner of DWLP. DWLP and DWCL have the same partners and shareholding structure. The Corporation holds 56.67% interest in DWCL and DWLP. DWLP owns 90% of the project company which gives the Corporation an effective stake of about 51% in Red Sea Power Limited SAS (the project company). The project consists of a 60-megawatt (MW) wind farm in Ghoubet, along with interconnection facilities located in the Arta Region (between Lake Assal and Djibouti City). See Note 4 for information about judgements made in assessing whether the Corporation controls the entities.

(x) **Infrastructure Credit Guarantee Company Limited:**

This is a company established as a commercial institution with the specific objective of providing guarantees to enhance the credit quality of local currency debt instruments issued by creditworthy entities to finance eligible infrastructure projects in Nigeria, in order to attract a pool of long-term capital such as the pension funds and insurance companies. The summarised financial information for Infrastructure Credit Guarantee Company Limited is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	161,896	161,412
Non-current assets	12,745	1,402
Current liabilities	-	2,478
Non-current liabilities	88,090	80,220
Revenue	12,338	10,644
Profit after tax	6,240	6,897

- (xi) **International Gulf Mining Limited** is a mining and exploration company established in Boke district of north-western Guinea, approximately 150 km north-northwest of Conakry and 20 km south of the provincial town of Boke. The project has been designed for rapid construction, bringing the mine into production in less than 13 months.

- (xii) **MainOne Cable Company** is a telecommunications company incorporated in Nigeria and a leading provider of innovative telecom services and network solutions for businesses in West Africa. The summarised financial information for MainOne is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	48,025	71,439
Non-current assets	178,972	171,889
Current liabilities	44,719	55,042
Non-current liabilities	271,253	85,861
Revenue	67,171	61,352
Loss after tax	(1,501)	(88)
Total comprehensive loss	(6,653)	(225)

- (xiii) **Ncondezi** a power development company with an integrated thermal coal mine and power plant project located near Tete Province, Northern Mozambique.

- (xiv) **Nouvelle Gabon Mining SA** holds the rights to two producing manganese mine assets in Gabon ("Franceville" and "Okondja"). The two mines are expected to have a combined nameplate production capacity of 2.4 million tons per annum when fully implemented. The summarised financial information for Nouvelle Gabon Mining SA is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	66,159	44,626
Non-current assets	344,188	393,949
Current liabilities	66,908	53,270
Non-current liabilities	75,591	85,716
Revenue	123,346	121,393
Profit after tax	2,382	7,491

Notes to the Financial Statements for the Year Ended 31 December 2021

(xv) **Ivoire Hydro Energie S.A.**: a 44MW hydroelectric power plant development project in Côte d'Ivoire.

(xvi) **Société Concessionnaire du Pont Riviera-Marcory (Socoprime)** is a concessionaire company is responsible for the operation and management of the Henri Konan Bedie Bridge in Côte d'Ivoire. The Henri Konan Bedie Bridge consists of a 6.4km highway and 1.9km bridge with three lanes in each direction. The summarised financial information for Socoprime is presented below:

	2021	2020
	US\$'000	US\$'000
Current assets	38,040	10,075
Non-current assets	258,175	507,091
Current liabilities	895	115,250
Non-current liabilities	156,159	182,043
Revenue	31,741	352
Profit after tax	3,730	46,032

(xvii) **Vigeo Power Limited** is incorporated in Nigeria and is a power distribution company in the south-west part of the host country Nigeria.

The Corporation acquired stakes in these companies with the intention to exit at a future date. As of 31 December 2021, the Corporation had no commitments to these entities except as disclosed in Note 28. There are no restrictions on the ability of these entities to pay cash dividends and repay outstanding obligations to the Corporation.

c) Assets under management represent funds managed by a third-party investment company on a discretionary basis. The portfolio comprises of marketable debt securities with observable prices and is managed on a fair value basis.

20. Investment securities

	2021	2020
	US\$'000	US\$'000
At amortised cost:		
- Corporate debt securities	433,325	330,306
- Sovereign debt securities	1,148,839	394,782
	1,582,164	725,088
Less: Allowance for impairment (see note (b) below)	(27,817)	(18,406)
	1,554,347	706,682
At FVOCI:		
- Corporate debt securities	-	-
- Equity securities – (see note (c) below)	53,576	75,126
	1,607,923	781,808
Current	1,281,564	448,212
Non-current	326,359	333,596

a) As at 31 December 2021, the Corporation held no collateral, which it was permitted to sell or repledge in the event of default by the owner of the collateral (31 December 2020: Nil).

b) The movement in impairment allowance is shown below:

	2021	2020
	US\$'000	US\$'000
Opening	18,406	13,001
Net remeasurement of ECL allowance (Note 10)	9,411	5,405
Closing	27,817	18,406

c) Equity securities at FVOCI

	2021	2020
	US\$'000	US\$'000
Equity securities – (see note (i) below)	53,576	75,126

- (i) The movement in equity securities from the preceding financial year is as follows:

	2021	2020
	US\$'000	US\$'000
At beginning of the year	75,126	62,397
(Disposals)/additions	(27)	21,751
Net loss on fair valuation through other comprehensive income	(21,523)	(9,404)
Foreign exchange gain	-	382
At end of the year	53,576	75,126

21. Pledged assets

	2021	2020
	US\$'000	US\$'000
Corporate debt securities	130,109	154,139
Sovereign debt securities	283,450	284,176
	413,559	438,315
Less: Allowance for impairment (see note (a) below)	(4,074)	(4,831)
	409,485	433,484
Current	62,825	23,690
Non-current	346,660	409,794

- a) The movement in ECL allowance is shown below:

	2021	2020
	US\$'000	US\$'000
Opening	4,831	2,553
Net remeasurement of ECL allowance (Note 10)	(757)	2,278
Closing	4,074	4,831

- (b) Pledged assets comprise debt securities used to secure the Corporation's borrowings but were not derecognised in the consolidated financial statements. These are transactions in which the Corporation uses its investment securities to collateralise some of its bilateral borrowings. The Corporation continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The Corporation does not have the ability to use the transferred assets during the term of the arrangement.

These transactions were conducted under terms that are usual and customary to standard lending and repurchase activities. Details are as below:

	2021	2020
	US\$'000	US\$'000
Carrying amount of the assets	409,485	433,484
Carrying amount of the associated liabilities (see note 27(iii))	306,681	348,189
Fair value of the assets	432,776	473,578
Fair value of the liabilities	(306,681)	(348,189)
Net fair value	126,095	125,389

22. Other assets

Financial assets		
Account receivable	6,159	19,539
Fee receivable	8,680	15,461
Advance for investment (see note (i) below)	51,179	-
	66,018	35,000
Non-financial assets		
Prepayments	4,743	3,947
	70,761	38,947
Current	70,761	38,947
Non-current	-	-

- (i) Advance for investments represents a payment held in escrow, by the Corporation as part of an asset acquisition transaction which is expected to close during the next financial year.

Notes to the Financial Statements for the Year Ended 31 December 2021

23. Property and equipment

	Right- of-Use Asset	Motor Vehicles	Leasehold improvement	Furniture & Equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2020					
Cost	5,029	3,874	1,685	5,422	16,010
Accumulated depreciation	(1,303)	(2,004)	(1,614)	(3,866)	(8,787)
Net book amount	3,726	1,870	71	1,556	7,223
Year ended 31 December 2020					
Opening net book value	3,726	1,870	71	1,556	7,223
Additions	-	902	519	29	1,450
Disposals – cost	-	(899)	-	(69)	(968)
Disposals – accumulated depreciation	-	899	-	65	964
Depreciation charge	(1,615)	(910)	(121)	(411)	(3,057)
Closing net book amount	2,111	1,862	469	1,170	5,612
As at 1 January 2021					
Cost	5,029	3,877	2,204	5,382	16,492
Accumulated depreciation	(2,918)	(2,015)	(1,735)	(4,212)	(10,880)
Net book amount	2,111	1,862	469	1,170	5,612
Year ended 31 December 2021					
Opening net book value	2,111	1,862	469	1,170	5,612
Additions	4,735	578	16	172	5,501
Disposals – cost	-	(1,096)	-	(92)	(1,188)
Disposals – accumulated depreciation	-	1,025	-	86	1,111
Depreciation charge	(1,615)	(823)	(121)	(407)	(2,966)
Closing net book amount	5,231	1,546	364	929	8,070
As at 31 December 2021					
Cost	9,764	3,359	2,220	5,462	20,805
Accumulated depreciation	(4,533)	(1,813)	(1,856)	(4,533)	(12,735)
Net book amount	5,231	1,546	364	929	8,070

- (i) There were no impairment losses on any class of property and equipment during the year (2020: Nil).
- (ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2020: Nil).
- (iii) There were no restrictions to the title held by the Corporation, in respect of its property and equipment during the year (2020: Nil).
- (iv) The depreciation charge and interest on lease liabilities (included in interest expense) on right-of-use assets for the year was US\$1.6 million (2020: US\$1.6 million) to nil in 2021 (2020: US\$72,000) respectively.
- (v) All items of property and equipment are non-current.

24. Intangible assets

	2021	2020
	US\$'000	US\$'000
Software costs	1,135	1,582

Software costs are expenses incurred in the purchase and implementation of the Corporation's software. The movement in intangible assets from the preceding financial year is as follows:

	2021	2020
	US\$'000	US\$'000
At 1 January	1,582	489
Additions	177	1,406
Amortisation	(624)	(313)
At 31 December	1,135	1,582

- (i) There were no impairment losses on any class of intangible assets during the year (2020: Nil).
- (ii) There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2020: Nil).
- (iii) There were no restrictions to the title held by the Corporation, in respect of its intangible assets during the year (2020: Nil).
- (iv) All items of intangible assets are non-current.

25. Non-current assets held for sale and discontinued operation

In 2020, the Corporation acquired controlling interests in Cabeolica S.A., a wind power company based in Cape Verde supplying about 20% of installed electricity capacity of the country, as part of the exit from Anergi Holdings Limited with the intention to resell the investment. As of 31 December 2020, the Corporation held 94% of the entity's issued ordinary equity and the investment was classified as held-for-sale following the commitment of the Corporation to its sale, as part of an agreement with a strategic partner.

During the year, the partial disposal of the Corporation's interests in Cabeolica S.A. was completed thereby reducing the Corporation's interest to 50%. The financial result of the entity is reported in the current period as a discontinued operation and the residual interest in the entity has been reported at FVTPL in accordance with the Corporation's Accounting Policy (see note 19d).

Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

(a) Financial information of discontinued operation

	2021	2020
	US\$'000	US\$'000
Profit/(loss) for the year is attributable to:		
Parent	(448)	436
Non-controlling interests	-	28
Profit/(loss) for the year from discontinued operations	(448)	464
Assets classified as held for sale	-	67,273
Liabilities directly associated with the assets held for sale	-	27,137

(b) Details of disposal

	2021	2020
	US\$'000	US\$'000
Consideration received	10,960	-
Less: Carrying value of net assets transferred	(11,857)	-
Loss on disposal	(897)	-
Less dividend earned from Cabeolica	449	-
	(448)	-

26. Accrued expenses and other liabilities

	2021	2020
	US\$'000	US\$'000
Accrued expenses	43,133	35,891
Accounts payable	55,347	46,248
Lease liability (see note (a) below)	4,735	-
Defined benefit plan (see note (b) below)	6,731	-
Margin deposit	12,750	12,279
Deposit for shares (see note (c) below)	250	-
	122,946	94,418
Unearned fees	880	700
Allowance for debt commitments (See note (d) below)	2,477	6,959
	126,303	102,077
Current	113,993	102,077
Non-current	12,310	-

Notes to the Financial Statements for the Year Ended 31 December 2021

- a) The movement in lease liability during the year is as follows:

	2021	2020
	US\$'000	US\$'000
Balance as at 1 January	-	1,908
Payments	-	(1,980)
Interest on lease liabilities (see note 6)	-	72
Additions to lease liabilities	4,735	-
Closing balance	4,735	-

- b) **Employee Benefits - Defined Benefit Plan**

Defined benefit obligation	6,731	-
Fair value of plan assets	-	-
Net defined benefit liability	6,731	-
	-	-
Total employee benefit liability	6,731	-
Current	55	-
Non-current	6,676	-

During the year the Corporation commenced an unfunded end of service defined benefit plan where entitled employees receive a lump sum payment at completion of contract, attainment of retirement and or achievement of minimum service period of ten (10) years.

Employees are admitted into the scheme on respective dates of employment and benefits are determined based on number of meritorious years of service to the Corporation. The valuation of the defined benefit obligation was determined by Ernst & Young Actuaries.

The defined benefit plan exposes the Corporation to actuarial risks such as longevity risk, currency risk, interest rate risk and market risks. Employees are not required to contribute to the plan.

(i) Movement in net defined benefit (asset) liability

	2021	2020
	US\$'000	US\$'000
Balance as at 1 January	-	-
Included in profit or loss	-	-
Current service cost	6,731	-
Past service credit	-	-
Interest income	-	-
Benefits paid	-	-
Closing balance	6,731	-

(ii) Actuarial Assumptions

The following were the principal actuarial assumptions as at 31 December 2021

Assumptions	Rates
Discount rate	2%
Future salary growth rate	1%
Inflation rate	1%

Assumptions regarding the future longevity have been based on published statistics and mortality rates published in the A67/70 Ultimate tables, published jointly by the Institute and the Faculty of Actuaries in the UK.

Sample Age	Number of deaths in year of age out of 10,000 lives
25	7
30	7
35	9
40	14
45	26

(iii) Sensitivity analysis

Reasonably possible changes at the reporting dates to one of the relevant assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2021	
	US\$'000	US\$'000
	Increase	Decrease
Discount rate movement (1% movement)	(766)	925
Future salary growth rate (1% movement)	961	(808)
Mortality experience (age rated movement by 1 year)	(1)	1

	2020	
	US\$'000	US\$'000
	Increase	Decrease
Discount rate movement (1% movement)	-	-
Future salary growth rate (1% movement)	-	-
Mortality experience (age rated movement by 1 year)	-	-

Although this analysis does not take into account the full distribution of cashflows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

- c) During the year the Ministry of Finance of the Republic of Sierra Leone made a deposit towards the Country's investment in the equity capital of the Corporation.
- d) This is the amount set aside for expected credit losses on the Corporation's debt commitments (see note 28 (c))

The movement in allowance for debt commitments during the year is as follows:

	2021	2020
	US\$'000	US\$'000
Balance as at 1 January	6,959	1,397
Net measurement of impairment allowance (See note 10)	(4,482)	5,562
Closing balance	2,477	6,959

27. Borrowings

	2021	2020
	US\$'000	US\$'000
At amortised cost:		
Corporate bonds issued (note (i))	3,768,650	2,897,537
Other borrowings (note (ii))	2,417,370	2,194,317
	6,186,020	5,091,854
Current	645,317	597,462
Non-current	5,540,703	4,494,392

- (i) Amount represents outstanding balance on issuances made under the Corporation's Eurobond programme. The Corporation's US\$5 billion Global Medium-Term Note ("GMTN") programme, which was upsized from US\$3 billion in line with the Corporation's funding strategy. The terms and conditions of the notes issued under the Corporation's GMTN programme are as follows:

					2021	2020
Bond issued	Year Issued	Year of Maturity	Coupon (%)	Coupon Type	Amount US\$'000	Amount US\$'000
US\$45 million	2017	2021	1.9193	Floating	-	45,023
US\$25 million	2020	2022	1.1995	Floating	25,014	25,010
CHF200 million	2019	2023	0.5225	Fixed	219,164	226,644
US\$30 Million	2021	2023	0.8200	Fixed	30,052	-
US\$500 million	2017	2024	3.8750	Fixed	502,454	501,694
CHF150 Million	2020	2025	1.2050	Fixed	164,649	170,286
US\$700 Million	2020	2025	3.1250	Fixed	696,908	704,164
US\$650 million	2019	2026	4.3750	Fixed	651,500	650,491
US\$750 Million	2021	2028	2.9900	Fixed	748,843	-
US\$500 million	2019	2029	3.7500	Fixed	496,803	496,785
US\$50 Million	2021	2031	2.9000	Fixed	50,224	-
US\$50 Million	2021	2031	2.8700	Fixed	50,006	-
EUR40 Million	2021	2031	1.3500	Fixed	45,619	-
EUR15 Million	2021	2034	1.3000	Fixed	15,143	-
EUR15 million	2020	2038	1.6250	Fixed	16,548	17,808
EUR35 million	2020	2041	1.7500	Fixed	39,334	41,989
EUR15 million	2020	2047	1.6250	Fixed	16,389	17,643
					3,768,650	2,897,537

Notes to the Financial Statements for the Year Ended 31 December 2021

- (ii) Other borrowings comprise loans from commercial banks and development financial institutions within Africa, Europe and the United States. These are floating rate liabilities and repricing of these borrowings are between 3 months and 6 months.
- (iii) Included in other borrowings is an amount of US\$306.7 million (2020: US\$348.2 million) which has been secured using corporate and sovereign securities with a carrying value of US\$409.4 million (2020: US\$433.5 million). See note 21 (b).
- (iv) The Corporation has not defaulted on principal, interest or other covenant breaches with respect to its borrowings.
- (v) The maturity profile of borrowings are as follows:

	2021	2020
	US\$'000	US\$'000
Less than 1 year	645,317	597,462
1 – 3 years	1,835,340	959,687
Over 3 years	3,705,363	3,534,705
	6,186,020	5,091,854

- (vi) Reconciliation of movement in borrowings to cashflows from financing activities

	2021	2020
	US\$'000	US\$'000
At beginning of the year	5,091,854	4,347,342
Proceeds from corporate bonds (issued)	936,617	957,280
Proceeds from other borrowings	872,287	764,620
Transaction costs related to borrowings	(11,016)	(7,777)
Interest expense (see note 6)	163,561	172,394
Interest paid	(145,903)	(156,322)
Repayment of borrowings	(696,549)	(955,788)
Reclassifications	-	(29,419)
Effects of changes in foreign exchange rates	(24,831)	(476)
At end of the year	6,186,020	5,091,854

Currency exposures arising from borrowing transactions are hedged in line with the Corporation's policy on hedging (see Note 3.2.1 Foreign exchange risk).

28. Contingent liabilities and commitments

a) Legal proceedings

As at 31 December 2021, there was one legal proceeding against the Corporation. The Directors believe that, based on currently available information and advice of the Corporation's legal counsel, the outcome from the proceeding will not have a material adverse effect on the financial position of the Corporation. No provision has been made in respect of this legal proceeding, for the year ended 31 December 2021 (2020: Nil).

b) Equity commitments

These commitments relate to equity financing commitments to third parties.

c) Debt commitments

These commitments relate to unfunded risk participation arrangements and loan commitments on transactions.

d) Guarantees

These are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

	2021	2020
	US\$'000	US\$'000
Equity commitments	57,616	84,477
Debt commitments (note (i) below)	230,173	548,692
Guarantees	51,179	-
	338,968	633,169

(i) Debt commitments

	2021	2020
	US\$'000	US\$'000
Unfunded risk participation arrangements	51,339	154,192
Loan commitments	178,834	394,500
	230,173	548,692

In line with the provisions of International Financial Reporting Standards (IFRS 9), the Corporation has set aside an amount for expected credit losses on its debt commitments (see note 26(d)).

29. Share capital

The total authorised number of ordinary shares is 2 billion units with a par value of US\$1.00 per share.

Issued and fully paid capital

	2021	2020
	No. of shares in thousands	No. of shares in thousands
At 1 January	1,157,386	1,125,807
Addition during the year (note 30(i) below)	13,790	31,579
At 31 December	1,171,176	1,157,386

	2021	2020
	US\$'000	US\$'000
At 1 January	1,157,386	1,125,807
Addition during the year (note 30(i) below)	13,790	31,579
At 31 December	1,171,176	1,157,386

30. Share premium

	2021	2020
	US\$'000	US\$'000
At 1 January	53,722	25,301
Addition during the year (note (i) below)	12,710	28,421
At 31 December	66,432	53,722

- (i) During the year, the Republic of Togo invested US\$20 million (US\$5 million paid-in and US\$15 million callable), the Central Bank of Guinea (on behalf of the Government of the Republic of Guinea) invested US\$1 million, the Ghana Infrastructure Investment Fund (on behalf of the Government of the Republic of Ghana) invested US\$20 million and the Seychelles Pension Fund invested US\$500,000, in the equity capital of the Corporation.

31. Share warrants

	2021	2020
	No. of warrants in thousands	No. of warrants in thousands
At 1 January	105,263	-
Addition during the year (note 31(i) below)	-	105,263
At 31 December	105,263	105,263

	2021	2020
	US\$'000	US\$'000
At 1 January	200,000	-
Addition during the year (note 31(i) below)	-	200,000
At 31 December	200,000	200,000

- (i) In 2020, the Corporation issued 105,263,158 warrants for an aggregate amount of US\$200 million and credited the proceeds to the share warrant account. Share warrants are convertible into ordinary shares of the Corporation, if the warrants are not redeemed before maturity at the option of the Corporation. Returns on warrants are at the sole discretion of the Corporation. No additional share warrants were issued in 2021.

32. Retained earnings

	2021	2020
	US\$'000	US\$'000
At beginning of the year	666,345	550,182
Dividend paid during the year	(46,975)	(49,363)
Return on warrants	(4,271)	-
Profit for the year	209,726	165,526
Transfer from OCI reserve	(17)	-
At end of the year	824,808	666,345

33. Fair value reserves

	2021	2020
	US\$'000	US\$'000
At 1 January	(2,147)	6,875
Net loss on FVOCI financial assets:		
- Foreign exchange loss	-	382
- Fair value loss - equity securities	(21,523)	(9,404)
- Fair value loss - debt securities	(21,523)	(9,022)
	(21,523)	(9,022)
Transfer to retained earnings	17	-
At end of the year	(23,653)	(2,147)

The fair value reserves comprise:

The fair value reserves comprise the cumulative net change in the fair value of equity securities measured at FVOCI.

Notes to the Financial Statements for the Year Ended 31 December 2021

34. Dividends

The Board of Directors is proposing a dividend of 4.821 US cents per share (2020: 4.057 US cents per share), amounting to approximately US\$56,462,371 (2020: US\$46,975,436). The resolution on payment of dividend will be tabled before the annual general meeting scheduled for 1 April 2022 and if approved, the dividend will be paid to all qualifying shareholders who are on the register of members as of the date the financial statements were approved and the Directors recommended the payment of dividend. The Board of Directors is also proposing a payment of 4.821 US cents per share warrant (2020: 4.057 US cents per share). The resolution on payment of dividend to share warrant holders will be tabled before the annual general meeting.

35. Cash and cash equivalents

	US\$'000	US\$'000
Cash in hand and balances with banks (Note 15)	49,296	53,128
Placements with other banks (Note 16)	1,844,666	2,349,179
At end of the year	1,893,962	2,402,307

36. Group entities and related party transactions

Group entities

The Group consists of the Africa Finance Corporation as the Parent. Other group entities are:

Subsidiaries

AFC Equity Investments Limited: a wholly owned entity incorporated in Mauritius, which was set up to hold equity investments on behalf of the Corporation (2020: 100%).

AFC Capital Partners: A wholly owned entity incorporated in Mauritius in 2021, set up as an investment management entity during the year with a global business License.

Associates and joint venture operations

Associated entities comprise of equity investments that result in the Corporation having significant influence by being able to participate in the financial and operating policy decisions of the investee companies. These investments are carried in the statement of financial position at fair value through profit or loss rather than accounted for using the equity method. See Note 19 for details of these investments.

See Note 4 for information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements in relation to group entities.

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint venture entities, significant shareholders and their companies as well as key management personnel.

a) Balances with related parties:

	2021 US\$'000	2020 US\$'000
i. Loans:		
Shareholders	92,632	24,895
ii. Placements/investments in debt securities:		
Shareholders	285,209	331,723
Associate companies	194,791	240,270
iii. Cash and bank balances:		
Operating account balances	1,709	4,346
b) Interest income earned:		
Shareholders	30,247	50,159
Associated companies	18,099	15,881

These loans were issued in the normal course of business, under commercial terms. The terms and conditions of loans to related parties are as follows:

	Average Tenor	Coupon/ Rate	Rate Type
Loans and advances	4 Months	2% - 10%	Fixed/ floating
Corporate debt securities	4 Years	4% - 15%	Fixed/ floating

c) Cross currency swap

Notional amount	1,000,000	250,000
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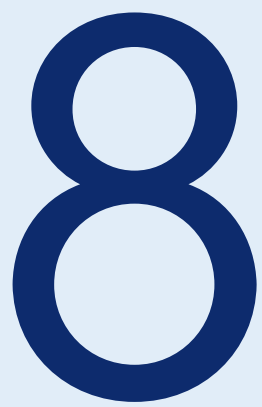
d) Key management compensation

Salaries and other short-term benefits	5,764	4,680
Post-employment benefits	530	483

Key management staff refers to members of the Executive Management Committee, which are: (a) President and Chief Executive Officer; (b) Executive Director and Chief Investment Officer; (c) Executive Director; Financial Services; (d) Senior Director and Chief Financial Officer; (e) Senior Director and CEO, AFC Capital Partners; (f) Director and Chief Risk Officer; (g) Director and General Counsel; (h) Director and Head of Corporate Services; and (i) Director and Head, Economics, Research and Strategy.

37. Events after the statement of financial position date

There were no events after the statement of financial position date which materially affect these financial statements.



**Corporate
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Notes

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