

Impact for Africa

Solutions for
sustainable
development

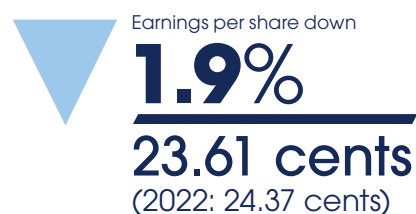
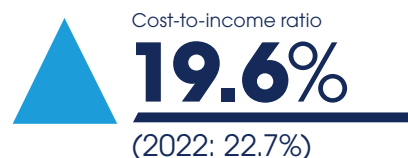
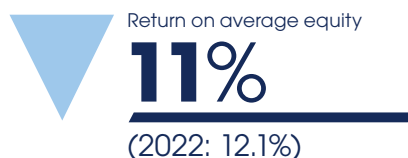
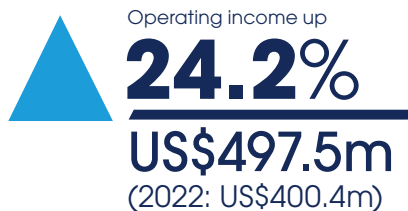
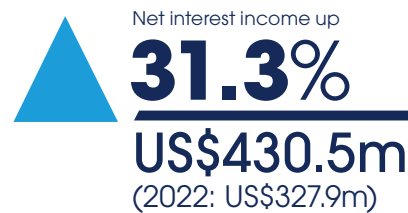
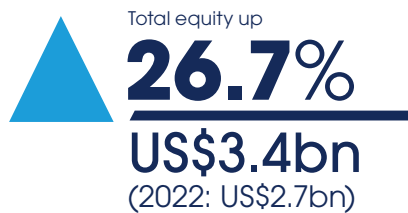
Annual Report
2023



Instrumental Infrastructure.
Instrumental Africa.

Africafc.org

Financial Highlights



Impact for Africa

Solutions for
sustainable
development

Annual Report 2023

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Front cover image: Aisha Musa from Momina village, near the Red Sea Power Wind Farm in Djibouti.

Photo credit: Thought Leader Global

About Us

The Africa Finance Corporation (AFC) is a multilateral development finance institution, which was created through collaboration between sovereign African states and the African private sector, to provide pragmatic solutions to Africa's infrastructure deficit and challenging operating environment. We develop, de-risk and finance infrastructure, natural resources, industrial assets and opportunities to enhance the productivity and economic growth of African states.



Our Vision

To become Africa's leading infrastructure solutions provider.

Our Mission

To foster economic growth and the 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

- 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 to help transform lives.

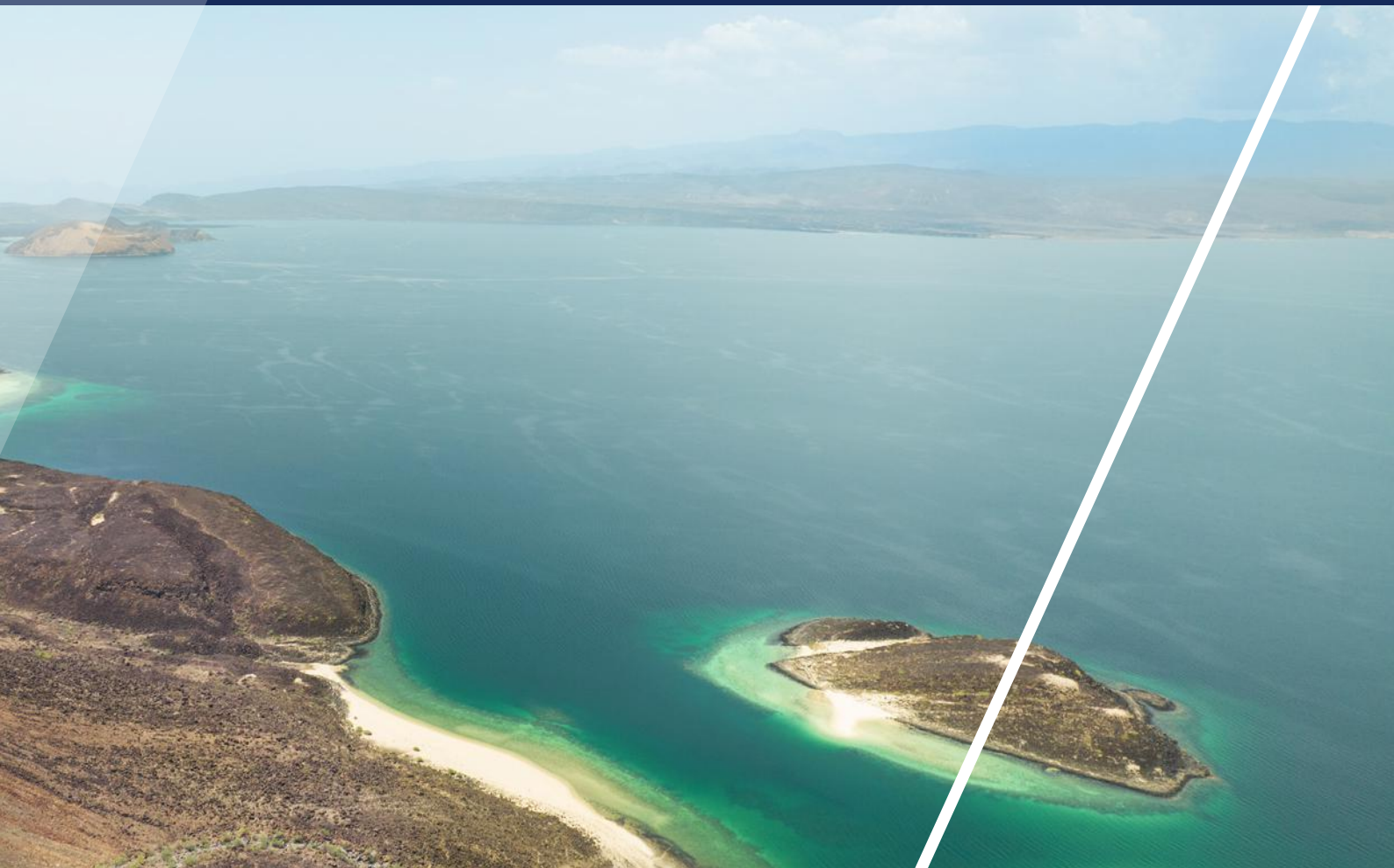
Instrumental Africa

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 those available in other emerging markets.
- As a continent that is taking its rightful place on the world stage.



Lake Ghoubet, near the Red Sea Power Wind Farm in Djibouti. Photo credit: Thought Leader Global



Background

- Founded in 2007 as a multilateral development finance institution by an agreement among African sovereign states.
- Structured as a partnership between public and private investors to consistently increase the role of public-private sector partnerships in infrastructure investment.
- AFC's private sector majority shareholders include leading African multilaterals, sovereign wealth funds, central banks, pension funds and financial institutions.
- Specialist knowledge in key priority sectors which include power, transport and logistics, natural resources (mining, oil and gas), heavy industries, telecommunications and technology.

- A leading equity, mezzanine and debt financing corporation, combined with unrivalled leadership in public and private sector advisory and project development expertise in Africa.
- Synergies with a unique network of global and regional investment advisory partners, which include lenders, project sponsors, co-investors and consultants.
- Strong partnerships with governments and a strong infrastructure-focused sovereign lending business.
- Investment grade rating of A3 (long-term issuer) / P-2 (short-term issuer) from Moody's Ratings.
- Over 150 experienced, multilingual and multicultural employees operating on a pan-African basis.

- Broad investment footprint with a cumulative US\$13.2 billion disbursed across 36 countries.

Moody's Credit Rating

	Rating	Outlook
Long-term issuer	A3	Negative
Short-term issuer	P-2	--

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 financial institutions in the African market.
- Launched Africa's first infrastructure Climate Resilience Fund through our asset management subsidiary, AFC Capital Partners, which has raised US\$320 million in secured commitments.
- Issued the first-ever Green Bond by an African supranational.



What we offer

1. Unrivalled country access

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

2. Pan-African portfolio and pipeline

Portfolio of projects in 36 African countries and a rich pipeline, demonstrating our deep local knowledge and execution capacity across the continent.

3. Deploying multiple products across the capital structure

Providing transaction advisory, deal structuring, project development and principal investment services. We leverage on our wide range of products across the capital structure, from early stage to greenfield and brownfield projects and platforms, all designed to unlock maximum value and deliver pragmatic solutions across 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 infrastructure to integrate ecosystems across multiple sectors in order to develop end-to-end value chains that will promote value addition and drive accelerated growth and development across the continent.

- 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 the countries of execution to realise infrastructure that is resilient, sustainable and creates attractive 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, 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.

Our Investment Philosophy

Our investment philosophy prioritises projects which strike the delicate balance between meaningful developmental impact and competitive returns. Our strong on the ground presence, solutions-oriented approach and deep pool of African talent are our key strengths which allow us to achieve this balance while providing end-to-end solutions to our clients and stakeholders.

Our Investment Approach

- Co-financing with proven and experienced developers and/or project sponsors.



Investment Instruments

AFC provides transaction advisory, deal structuring, project development and principal investment services by leveraging on a wide range of products across the capital structure from early stage to greenfield and brownfield projects and platforms.

Our agile processes and solutions-oriented approach enable us to deploy multiple products in order to accelerate closure on transactions, deliver superior returns and achieve an optimal capital structure for the projects in which we invest.

Advisory:

- Restructuring
- Capital raising
- Syndication and distribution

Project Development, Equity and Loans:

- Equity
- Mezzanine and Subordinated Debt
- Senior Debt Stream
- Royalty

Structured Product Solutions:

- Sovereign Lending
- Guarantees
- Trade Finance and Working Capital
- Corporate Finance
- Structured Products for Institutional Investors

Treasury:

- Liquidity Solutions
- Bespoke Derivatives Solutions

Credit Enhancements:

- Derivatives
- Preferred Creditor Status
- Hedging Products



Delivering high development impact in the countries of execution to realise infrastructure that is resilient, sustainable and creates attractive returns for our investors.



Chairman's Statement

Mr. Emeka Emuwa

Chairman of the Board of Directors, Africa Finance Corporation

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Dear Stakeholders,

I am delighted to present the Chairman's Statement for the 2023 Annual Report of the Africa Finance Corporation (AFC). During the year, AFC increased profits by 15.3% to US\$329.7 million and total assets by 17.3% to US\$12.3 billion, surpassing the target set out in its five-year strategy by US\$2.3 billion. Operating income in 2023 was US\$497.5 million and shareholders total equity ended the year at US\$3.4 billion, reflecting increases of 24.2% and 26.7%, respectively. This robust performance further solidifies AFC's position as Africa's leading provider of pragmatic infrastructure investment solutions.

AFC's robust performance was realised despite the substantial global macroeconomic and financial market turbulence. In 2023, the world continued to face a surge in inflation, driven by

interrelated yet regionally varied factors. Notably, the recovery from the COVID-19 pandemic spurred demand, outpacing supply and igniting price increases. Supply chain disruptions persisted, impacting goods availability. The war in Ukraine elevated energy prices, raising worldwide costs, and the July 2023 collapse in the Black Sea Grain Initiative which had allowed Ukraine to export commercial food and fertilisers to the global market, lifted the input costs of food producers, driving food prices higher in many countries.

Additionally, expansionary monetary policies introduced during the COVID-19 pandemic contributed to inflationary pressures, while labour market tightness led to wage-driven price hikes. Currency depreciation and rising inflation expectations further fuelled the situation, with impacts differing significantly across regions. A growth



deceleration in China led to reduced demand for industrial commodities, weighing on international commodity prices, whilst signs of economic slowdown in several key economies, notably in the Euro Area, contributed to a decrease in global freight rates. These global factors reverberated across African economies, further adding complexity to AFC's operating environment.

Africa is navigating a particularly challenging landscape amid intensifying great-power competition and increasing geopolitical tensions. Competition for influence on the African continent is an undeniable geopolitical reality, leading African nations and regional bodies to balance the varying agendas of external powers. In this intricate geopolitical environment, it is crucial for African countries to unite and work together, leveraging their collective

bargaining power in the international arena to prioritise what matters for Africa. Furthermore, it is important that Africa cooperates with all international partners to achieve common objectives such as unlocking the continent's growth potential, accelerating development impact and boosting regional prosperity. A fundamental issue at the core of Africa's underdevelopment is its significantly lower physical capital stock compared to other regions. According to the International Monetary Fund, Africa's total physical capital stock amounts to just 7.4% of that in advanced economies, 16% of China's, and 46.4% of South America's, even though Africa is 70% larger than South America. Therefore, to bridge this infrastructure gap, it is vital for African countries to collaborate with all stakeholders interested in the continent's progress.

“ It is crucial for African countries to unite and work together, leveraging their collective bargaining power in the international arena to prioritise what matters for Africa. ”



Chairman's Statement

In line with the theme for this year's report, "Impact for Africa – Solutions for Sustainable Development", I am proud to highlight AFC's pivotal role in fostering sustainable development across Africa. Our journey this year featured transformative projects and partnerships that have significantly impacted local communities and contributed to economic progress across the African continent. From renewable energy projects that bring us closer to environmental sustainability, to infrastructure and industrial developments that boost economic growth, AFC's initiatives continue to shape a more prosperous future for Africa. These efforts are a testament to our commitment to delivering real, positive change across the continent, and illustrate the power of collaborative investment in Africa's future.

The year 2023 marks the end of our strategic period from 2018 to 2023. Reflecting on these past five years, I am filled with immense pride at the remarkable growth and impact that AFC has achieved across the African continent. Since its founding in 2007, AFC has grown into a formidable entity driving infrastructure and industrial development across the African continent. In the past year alone, AFC's achievements have

been acknowledged through several prestigious awards:

- In June 2023, the Africa CEO Forum Awards named AFC the 'Local Impact Champion.' This accolade acknowledged our dedication to sustainable growth and empowering local communities. Our commitment to bolstering local economies and implementing circular economies to reduce carbon emissions was key to our recognition.
- The 'DFI of the Year 2022 – Europe & Africa' title was awarded to AFC at the 2023 IJGlobal Project Finance and Infrastructure Journal Awards. This honour was a testament to our influential role in advancing infrastructure across the continent. It highlighted AFC's investments in pivotal projects and our unique model of ecosystem investment, which have been instrumental in fostering economic diversification and generating employment.
- At the African Banker Awards, AFC's financing package for Lekela Power was distinguished as the 'Equity Deal of the Year', affirming our leadership as Africa's foremost renewable energy investor. This award emphasises our extensive efforts and commitment in advancing renewable energy investments across the continent.



Reflecting on these past five years, I am filled with immense pride at the remarkable growth and impact that AFC has achieved across the African continent.



At the African Banker Awards, AFC's financing package for Lekela Power was distinguished as the 'Equity Deal of the Year', affirming our leadership as Africa's foremost renewable energy investor. This award emphasises our extensive efforts and commitment in advancing renewable energy investments across the continent.







Through strategic investments and partnerships, AFC is actively driving the transition to clean and sustainable energy sources, thereby bolstering Africa's energy security, and advancing its environmental sustainability objectives.



Throughout the recently completed strategy period, AFC has remained steadfast in its commitment to advancing development and driving transformative change across Africa. We have embraced our role as a catalyst for progress, leveraging our expertise, financial resources and strategic partnerships to address the African continent's most pressing challenges.

A significant achievement during this period is the establishment, through our acquisition of Lekela Power, of the largest renewable energy platform on the continent. Furthermore, AFC, alongside its partners, inaugurated the Djibouti Wind Farm, which is a groundbreaking green energy initiative that represents a significant stride towards that country's goal of achieving complete reliance on renewable energy by 2035. Through strategic investments and partnerships, AFC is actively driving the transition to clean and sustainable energy sources, thereby bolstering Africa's energy security, and advancing its environmental sustainability objectives.

Additionally, our subsidiary, ARISE, has been instrumental in driving industrialisation and value addition initiatives across the continent. By supporting key sectors such as manufacturing, agribusiness and infrastructure development, we are empowering African economies to diversify, innovate and create sustainable wealth and employment for their citizens.

2023 proved to be AFC's most successful year to date in terms of capital raising, with six new shareholders joining and 11 existing shareholders increasing their equity contributions, with a total equity injection in excess of:

\$500m

In 2023, AFC achieved an important milestone by welcoming its first non-regional shareholder, Türkiye, through the Turk Export Import Bank. This event underscores AFC's commitment to becoming the preferred partner for global entities in executing their investment strategies for Africa. Furthermore, 2023 proved to be AFC's most successful year to date in terms of capital raising, with six new shareholders joining and 11 existing shareholders increasing their equity contributions, resulting in a total equity injection in excess of US\$500 million. This substantial increase in AFC's share capital enhances the Corporation's capacity to expand its infrastructure investments across Africa, thereby accelerating development impact.

Furthermore, our asset management division, AFC Capital Partners (ACP), has made significant strides in advancing climate solutions tailored to Africa's unique challenges. This effort culminated in securing the largest-ever investment for Africa by the Green Climate Fund into ACP's Infrastructure Climate Resilience Fund. From raising funds to driving investments in climate-resilient infrastructure to championing local value addition and industrial development as strategies for bolstering economic resilience, AFC is at the forefront of implementing innovative solutions that mitigate the impacts of climate change and foster a more resilient future for Africa.

Dividend

Thanks to the AFC's strong performance in 2023, I am delighted to announce to shareholders that the Board of Directors is proposing a dividend payout of 5.3158 US cents per share (2022: 6.6315 US cents per share), amounting to approximately US\$81,742,093 (2022: US\$85,581,299). This translates to a dividend payout ratio of 25% at a weighted share price of US\$2.3 per share, and a dividend yield of 2.3%. The resolution on the payment of a dividend will be tabled before the Annual General Meeting on 4 April 2024 and, if approved, the dividend will be paid to all qualifying shareholders on the register of shareholders as of 31 December 2023. The Board of Directors is also proposing a payment of 5.3158 US cents per share warrant (2022: 6.6315 US cents per share).

Membership

During 2023, our membership expanded by three, to reach a total of 42 Member States, as we proudly welcomed the Federal Democratic Republic of Ethiopia, the Republic of Burundi and the Democratic Republic of São Tomé and Príncipe. This brings AFC's membership to 78% of the African continent's countries. With the inclusion of São Tomé and Príncipe, we have

not only broadened AFC's presence in Lusophone nations but have also extended our reach deeper into Central Africa. The addition of Ethiopia and Burundi sets the stage for expanded coverage in East Africa.

Board Updates

In 2023, we bid farewell to Dr. Kingsley Obiora as he stepped down from his role as Chairman and Director of the AFC Board. I am deeply grateful for his outstanding leadership and significant contributions to the Corporation. It is with a sense of duty and optimism that I have assumed the role of Chairman. My extensive experience and dedication to Africa's progress are at the service of AFC's mission as we embark on a period of significant expansion and forge new international partnerships.

Furthermore, AFC welcomed Mr. Kabelo Rikhotso, a nominee of the Public Investment Corporation of South Africa, to the Board as a Non-Executive Director. Mr. Rikhotso's appointment enhances diversity and brings complementary experience and skills critical for addressing the interests of AFC and its stakeholders, following his nomination's approval by the AFC Board.

Outlook

As we look ahead to the next phase of our journey, AFC remains committed to delivering on our mandate and social contract to foster economic growth and industrial development across Africa. We will continue to harness our collective expertise, resources and partnerships to unlock new opportunities, address emerging challenges and drive sustainable development across the continent.

I would like to express my sincere gratitude to our shareholders, partners and the dedicated team at AFC for their unwavering support, commitment and hard work. Together, we have achieved remarkable milestones, and I am confident that with our continued collaboration and determination, we will overcome any obstacles and continue to make a meaningful impact on the lives of millions of people across Africa.



Khobab Wind Farm, South Africa

President & CEO's Statement

Mr. Samaila Zubairu

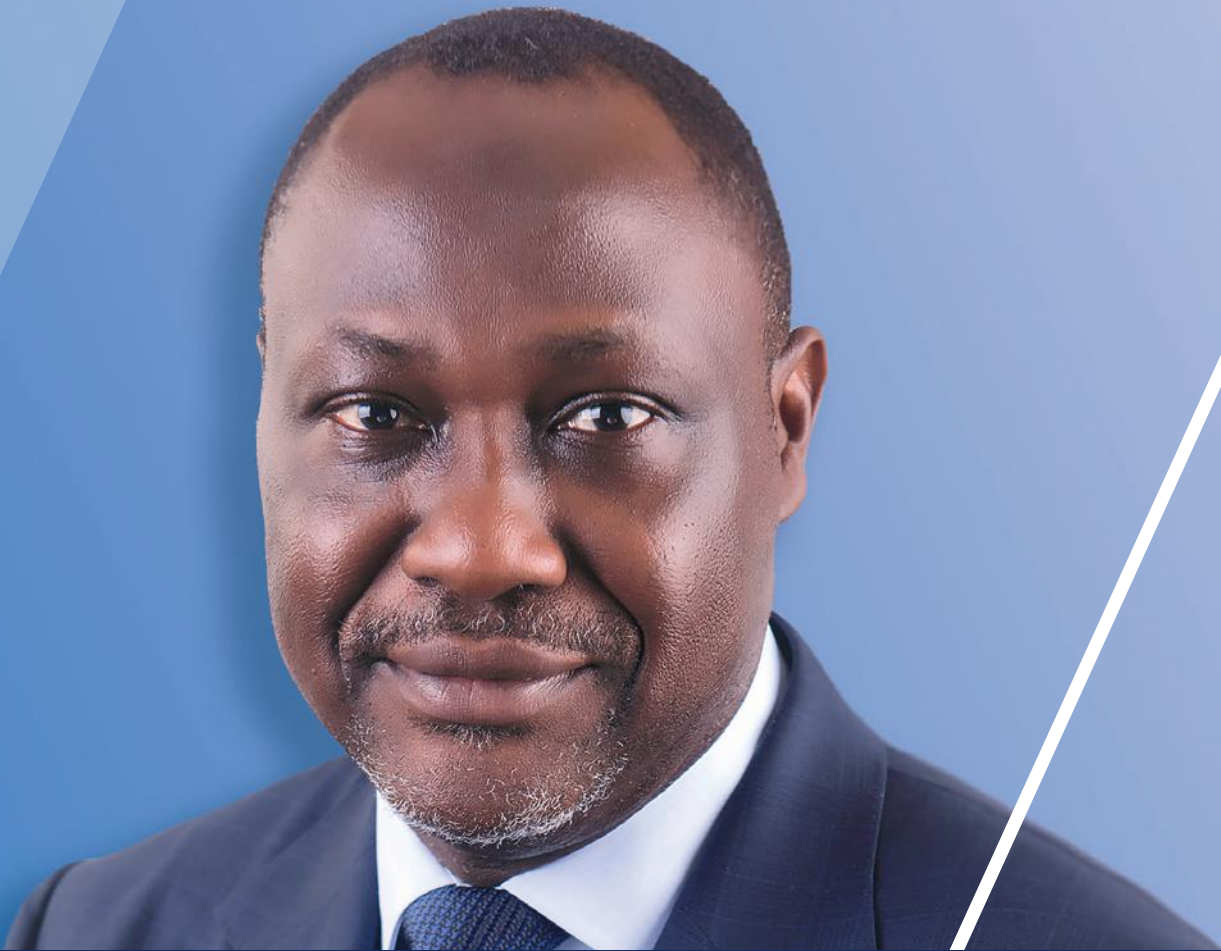
President & Chief Executive Officer, Africa Finance Corporation

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Dear Shareholders,

I am pleased to present the Annual Report of the Africa Finance Corporation (AFC) for the year 2023. In a year marked by challenging global macroeconomic and financial conditions, AFC sustained a robust financial performance, successfully implementing vital infrastructure projects across various sectors that are critical to Africa's economic and structural transformation, and the region's sustainable development. Moreover, our strong performance has consistently delivered value to all our stakeholders, reinforcing our collective commitment to AFC's mandate and social contract aimed at fostering economic growth and the industrial development of African countries.

The global context in 2023 was defined by the historical cycle of monetary policy tightening as major central banks synchronised the fastest interest rate hikes for at least two decades in response to surging inflation, initially caused by higher food and energy prices, as well as bottlenecks in supply chains. Major economies struggled for growth but managed to avert recession. Tightening financial conditions, the strengthening US dollar, challenges with foreign currency availability for some, and the reduced debt affordability of many African sovereigns meant AFC's operating environment was especially challenging.



Notably, for the first time in our 17-year history, AFC successfully navigated a substantially elevated interest rate environment, underscoring the need for enhanced diligence in managing our funding programmes and ensuring the resilience of our borrowers against higher interest rates. AFC's agility, fortified by strong partnerships with a diverse array of debt investors, and our solutions-oriented approach were pivotal in successfully steering us through this period. Our ability to adapt and respond to dynamic market conditions highlights our core strengths in establishing a flexible yet resilient institution capable

of navigating crises while steadfastly pursuing our mission to accelerate developmental impact across Africa.

I extend my heartfelt gratitude to all AFC employees for their unwavering dedication and tireless efforts throughout the year. Their commitment and focus were pivotal in AFC delivering impactful investments in Africa's infrastructure and achieving impressive results for the Corporation.

“ AFC sustained a robust financial performance, successfully implementing vital infrastructure projects across various sectors that are critical to Africa's economic and structural transformation. ”

President's Statement



Village of Taiba N'Diaye, Senegal

Financial Results

The Corporation sustained its track record of a robust financial performance in 2023.

- Profit for the year rose to US\$329.7 million, a 15.3% increase from US\$285.9 million in 2022. Total assets grew by 17.3% from US\$10.5 billion to US\$12.3 billion, surpassing the Corporation's strategic target (US\$10 billion in total assets by end-2023) by US\$2.3 billion. Key prudential ratios closed the year as follows: Return on Equity at 11%, down from 12% in 2022; Capital Adequacy Ratio increased to 34.5% from 34.3% in 2022; Cost-to-Income Ratio improved to 19.6%, from 22.7% in 2022; and the leverage ratio was better at 2.4x, down from 2.8x in 2022. As at 31 December 2023, the Corporation recorded Liquidity Coverage Ratios (LCR) of 161% and 143% under normal circumstances and a stress scenario, respectively. The LCR ratios under both scenarios declined from their 31 December 2022 values of 202% and 157%, respectively, but remained significantly higher than the Corporation's LCR requirement of greater than 100% in both scenarios.
- This strong financial performance was underpinned by robust annuity revenues, with net operating income growing by 24.2% to US\$497.5 million from US\$400.4 million in 2022. It also resulted from tactical balance sheet positioning going into the current rising yield environment which led to an increase in the net interest margin.
- In 2022, we reevaluated our liability generation strategy in response to the significantly rising costs associated with Eurobond issuance. This strategic shift resulted in a favourable balance between the Corporation's cost of borrowing and interest earnings, especially as yields were on the rise. However, the continued high-yield environment has led to a narrower spread due to adjustments in the mix of the Corporation's liabilities. Specifically, maturing fixed-rate liabilities have been replaced with floating-rate liabilities.
- All in all, Net Interest Income (NII) was up by 31.3% from 2022 and ahead of the budget by 8.3%, reflecting a higher yield on interest earning assets (8.3% compared to 6.6% recorded in 2022). This exceeded the increase in funding costs, as rising global interest rates continued to affect both sides of the balance sheet. Interest income for the period grew by 45.9% for the 2023 financial year, while interest expenses grew by 69%.
- This shift in the liability structure has significantly influenced the Corporation's net interest income performance. Interest expenses have increased at a quicker pace than interest income, primarily due to the higher borrowing costs incurred in 2023 as a result of the rebalancing of liabilities. Looking ahead to 2024, we anticipate moderation in this dynamic. This expectation is based on the forecast that global interest rate rises will stabilise, driven by a global reduction in inflationary pressures. Consequently, this should result in a more balanced cost-income scenario for the Corporation in the upcoming year.
- Despite the successful completion of major transactions, including those with Infinity Energy, BUA Cement, Cabinda and Dangote Refineries and Prime Energy, income from fees and commissions for the full year decreased by 13.6% from 2022, largely due to the one-off deals closed during 2022.
- The strong performance showing on annuity revenues was however offset with a reduction in the gain on financial assets FVTPL, which dropped from US\$33.2 million in 2022 to US\$2.4 million in the current year. This was due to the heightened risks in geographies where AFC has investments in addition to the increase in the cost of funding on the back of global interest rate hikes. The increase in total assets also led to the 28% increase in the impairment charge to US\$64.8 million, from US\$50.7 million in 2022.
- On the expense front, the Corporation faced increased costs due to higher credit insurance premiums. In terms of operating expenses, the Corporation has managed to maintain effective control. Thanks to the implementation of cost control measures throughout the year, operating expenses saw conservative growth of just 3.9%. This moderate increase in operational costs reflects the Corporation's successful efforts in managing and containing expenditure in a challenging economic environment.



This environment has notably impacted the cost of living and business operations globally, with Africa feeling the pinch acutely due to its import-dependent economies.



Operating Environment

The post-COVID era has illuminated a new reality: overlapping crises are now the norm rather than the exception, with uncertainty and volatility becoming increasingly prevalent. 2023 marked the fourth consecutive year since the onset of the COVID-19 pandemic, in which we faced multiple serious crises in our operating environment both globally and locally.

Inflation: The year 2023 saw persistent challenges on the global inflation front, with prices surging across a wide range of commodities and services. This inflationary wave was further exacerbated by rising interest rates and tightening financial conditions, as central banks around the world adopted a more hawkish monetary stance in an attempt to curb price rises. This environment has notably impacted the cost of living and business operations globally, with Africa feeling the pinch acutely due to its import-dependent economies. Rising inflationary pressures were particularly noticeable in the context of currency devaluations across many African nations, further complicating the economic landscape.

Global Financial Landscape: The strengthening of the US dollar against other currencies posed additional challenges, making debt servicing more expensive for countries with dollar-denominated debt and squeezing liquidity in emerging markets. Concurrently, the weakening economic performance of China, which is a key partner for Africa's commodity-driven economies, alongside a softer outlook for some industrial commodities, have dented trade revenues and investment inflows into the continent.

Geopolitical Threats and Political Instability: In addition to the continued geopolitical tensions stemming from the Russia-Ukraine conflict and the eruption of war in the Middle East, 2023 was also marked by an alarming frequency of coups and political instability within Africa itself. Countries including Niger, Gabon and Sudan experienced significant political upheavals, which undermined regional stability and deterred foreign investment. These events, combined with existing social challenges, have exacerbated the risks for businesses and governments alike, creating an atmosphere of uncertainty that hinders economic development and social progress.





2023 saw an acute increase in debt distress in Africa, exemplified by the sovereign defaults in Ghana and Ethiopia. These developments reflect rising fiscal challenges, including elevated debt burdens which were exacerbated by rising borrowing costs and depreciating currencies.



The political unrest in Gabon raised concerns given AFC's substantial investments, including stakes in the NKOK Special Economic Zone, Leon MBA International Airport, Owendo Mineral Ports and Nouvelle Gabon Mining. Despite the turmoil, AFC's operations remained uninterrupted, underscoring their strategic importance to the country. This stability in our operations was also supported by Gabon's membership in AFC which confers vital immunities and privileges to the Corporation, along with the country's shareholder stake in AFC.

Banking Sector Stress: In 2023, the banking sector in advanced economies experienced significant stress, marked by the failure of US regional banks like Signature Bank and Silicon Valley Bank, due to rapid deposit outflows and losses from bond sell-offs amid rising interest rates. This turmoil extended to Europe with the crisis at Credit Suisse, leading to its government-brokered merger with UBS. These events prompted a global 'risk-off' sentiment, causing investors to shy away from riskier assets and leading to tightened credit conditions. The banking failures underscored systemic vulnerabilities and ignited debates on banking resolution frameworks and financial stability. These reflect the interconnected nature of global financial systems and the delicate balance that central banks face between controlling inflation and ensuring market stability.

Economic Slowdown and Rising Inflationary Pressures: Amid these challenges, Africa has grappled with slower growth and mounting inflationary pressures. These developments have strained public budgets, increased the cost of living and escalated

socio-economic disparities. The impact is felt acutely by the most vulnerable populations, undermining efforts towards inclusive growth and sustainable development.

Rising Debt Distress in Africa: The year 2023 saw an acute increase in debt distress in Africa, exemplified by the sovereign defaults in Ghana and Ethiopia. These developments reflect rising fiscal challenges, including elevated debt burdens which were exacerbated by rising borrowing costs and depreciating currencies. Ghana's fiscal difficulties, combined with Ethiopia's internal conflicts and external economic stressors, have necessitated substantial international intervention and debt restructuring initiatives.

In this environment, where amidst financing constraints national governments are prioritising debt servicing and recurrent expenditures such as public sector wages, the ability to allocate budgetary resources to vital infrastructure projects is severely compromised. This fiscal reality underscores the heightened need for organisations like the AFC and other African Multilateral Development Banks (MDBs) to assume an increasingly significant role. Their involvement becomes essential in financing infrastructure projects that are beyond the current fiscal reach of national governments. This shift not only highlights the expanding mandate of these institutions but also positions them as pivotal players in bridging the infrastructure financing divide, ensuring that development momentum is maintained despite the prevailing fiscal constraints faced by many African governments.

The prevailing uncertainty in our operating context highlights the critical importance of maintaining a robust balance sheet and cultivating organisational agility to effectively respond to the dynamic global and regional landscapes. AFC has distinct intrinsic strengths that have underpinned the institution's resilience through the years, including but not limited to: (i) our preferred creditor status, which affords us immunities and privileges within member countries; (ii) robust prudential ratios as reflected in our substantial capital and liquidity buffers; (iii) strong asset quality, underpinned by robust risk and portfolio management systems; (iv) the strategic utilisation of portfolio insurance, which represents 13% of our portfolio; and (v) our Special Economic Zones which mitigate operating and country risks by providing enclaves of predictability and enhancing supply chain resilience for the value chains we champion.

In summary, 2023 has confronted us with an extensive range of challenges, both globally and at the local level, significantly influencing our strategic planning and operational resilience. In navigating these challenging times, our commitment is focused on adapting to these shifts, ensuring the sustainability of our operations, and identifying growth opportunities within the African market.

The Djibouti Wind Farm represents a significant transformation for the country helping to avert CO₂ output by:

252k tons

Delivering Sustainable Impact for Africa

At the heart of AFC's mission is a commitment to delivering impactful solutions for Africa, guiding every investment we undertake. Our impact goes beyond the mere financing of infrastructure solutions in our core sectors of power, natural resources, transport and logistics, heavy industry, and technology, as we aim to activate transformative change throughout Africa. Indeed, AFC's impact is also evident in our solutions-oriented approach and unwavering commitment to realising transformative projects across Africa—infrastructure projects like the Red Sea Power Wind Farm in Djibouti, the Arise IIP industrial zones and the Lobito transport corridor that are reshaping the landscape, fostering sustainable development for local communities, and altering the economic trajectory of countries.

Commissioned in 2023, the 60MW Djibouti Wind Farm represents a significant transformation for that country—not only does it help in averting 252,000 tons of CO₂, which is approximately 66% of Djibouti's annual CO₂ emissions, but it also propels Djibouti closer to its goal of becoming Africa's first 100% green energy reliant country. Nevertheless, the project was only made possible by an innovative financial solution through the all-sponsor equity financing structure, enabling AFC and its partners to expedite and mitigate the risks involved in the project's development, thus initiating construction within two years—a notable reduction from the typical three to five-year cycle.

Here are some further noteworthy highlights from our transformative projects and partnerships in 2023, delivering substantial impact for Africa.

Strategic Partnerships for Sustainable Development:

- In a landmark initiative demonstrating the strength of our international collaboration, AFC has partnered with key global and regional entities—the United States Government, the European Union, the African Development Bank, and the governments of Angola, the Democratic Republic of the Congo, and Zambia to develop the Lobito II Corridor. This economic corridor, extending from Chingola in northwest Zambia, connecting to Angola's Benguela railway line in Luacano and further to the port of Lobito, aims to boost regional connectivity and economic growth in Africa. Endorsed by the U.S. State Department's Partnership for Global Infrastructure and Investment (PGI) and promoted by European Commission President Ursula von der Leyen for its trade-enhancement potential, the project is poised to open up mineral supply chains, increase trade, create jobs, and drive economic advancement on the continent. As the lead developer on the project, AFC commits to leveraging its expertise for the successful implementation of this transformative project.
- AFC partnered with Xcalibur Multiphysics to advance the mapping and responsible utilisation of Africa's natural mineral resources. This initiative underscores our commitment to promoting mineral beneficiation, diversifying economies, and supporting the clean energy transition. Key outcomes include improved geological data, local job creation, and significant strides towards a just energy transition in targeted African countries.

President's Statement

Urban Infrastructure and Mass Transit

Innovations: A landmark project this year was our collaboration with Trans Connexion Congo to overhaul Kinshasa's mass transit system. This demonstrates our commitment to sustainable urban development, as the project aims to transform public transportation in the Democratic Republic of the Congo's (DRC) capital, while enhancing mobility and reducing environmental impacts. This initiative marks a significant step towards improving daily commutes and fostering economic productivity in Kinshasa.

Advancing Climate Resilience: A historic commitment of US\$253 million from the Green Climate Fund to the AFC Capital Partners' Infrastructure Climate Resilient Fund (ICRF) marked a significant step toward developing sustainable, climate-resilient infrastructure in Africa. This initiative is set to revolutionise infrastructure development across Africa, bringing us closer to first-close of the ICRF, which has a focus on developing climate-resilient transport, energy and telecommunications projects, and highlighting our proactive approach to climate adaptation and resilience.

Promoting Economic Zones and

Industrial Development: Through our partnership with Arise IIP, we launched a Special Economic Zone in Sierra Leone, a significant step towards the country's economic diversification and growth. This project reflects our broader commitment to drive industrialisation, enhance value creation, and boost employment throughout Africa, mirroring the goals of our other Special Economic Zones. While the impact generated by our ARISE platforms is detailed in the 'Achieving Sustainable Impact' section of the report, it is worth noting some significant developments in 2023:

- In 2023, Arise IIP experienced significant growth, expanding its operations to 10 West and Central African countries, and diversifying into five key business segments: Industrial Zones, Operations and Maintenance, Logistics, Raw Materials and Processing, Brand and Distribution. These initiatives, focusing on essential sectors like food security, textiles and minerals, signify our strategic approach to sustainable economic development.
- Arise IIP's industrial zones in Chad, Togo and Benin are now fully operational, with construction underway in Nigeria, Republic of the Congo, Democratic Republic of the Congo, Côte d'Ivoire and Rwanda. This year, we celebrated the launch of the Viand'or meat processing brand, and, the successful export of garments to global brands such as The Children's Place in the US, further solidifying our entry into the global export market.
- Financially, Arise IIP grew revenue by 93% to EUR 453 million with Profit after tax of EUR 30 million, up 48% from the previous year. The company expanded its land bank to 17,000 hectares, with significant portions developed and leased for industrial use, and over 1.1 million metric tons of raw materials procured and sold.
- Commitment to sustainability is at the heart of Arise IIP, underscored by awards from Reuters amongst others and certifications for its eco-friendly initiatives, partnerships with CarbonCure Technologies for carbon removal in concrete production, and investment in blockchain technology for enhanced transparency in its value chain.
- Looking forward, we are poised for further growth, leveraging our industrial assets and embracing new market opportunities, aligned with our commitment to the African Continental Free Trade Area and sustainable development.

Fostering Renewable Energy Initiatives:

The launch of Djibouti's inaugural wind farm, a project where AFC played a pivotal role, showcases our commitment to renewable energy solutions and environmental conservation in Africa. The project marked a significant advancement towards the country's goal of achieving renewable energy reliance. AFC led the development of the project, developing it from concept to bankability, securing a 25-year take or pay power purchase agreement with Électricité de Djibouti as the off-taker, an implementation agreement with the Government of Djibouti backed by a Government Guarantee. The project exemplifies AFC's commitment to investing in early-stage projects that require de-risking, while showcasing the commercial viability of transformative projects in Africa, thereby crowding-in diverse capital sources. Consequently, this approach paves the way for replication of similar projects at reduced financing costs.

Strategic Exits: AFC successfully sold its 35% equity in Atlantic Terminal Services Limited, the concessionaire for the expansion of Ghana's Takoradi Port, to Yilport Holding, a global port operator aiming to strengthen its African presence for critical minerals. This move exemplifies AFC's approach of developing, de-risking and divesting to suitable investors, underlining its pivotal role as an instrumental catalyst in fostering infrastructure development across Africa.



A historic commitment of US\$253 million from the Green Climate Fund to the AFC Capital Partners' Infrastructure Climate Resilient Fund (ICRF) marked a significant step toward developing sustainable, climate-resilient infrastructure in Africa.





In the face of uncertainty in the global financial landscape, AFC successfully maintained access to the global capital markets



Supporting Strategic African Initiatives with Innovative Financing:

- We worked with the Egyptian Government in issuing a Samurai Bond, demonstrating our commitment to innovative financial solutions that support our Member States' access to international capital markets and contribute to their infrastructure development and economic resilience.
- AFC, in collaboration with Access Bank, played a pivotal role by providing US\$400 million in working capital to the Dangote Refinery, which processes 650,000 barrels per day, facilitating its commissioning. Leading the transaction, AFC ensured that the refinery's operations could begin in January 2024, averting further delays and avoiding significant technical disruptions. The Dangote refinery holds strategic importance as it is poised to double Nigeria's crude oil refining capacity, not only fulfilling 100% of Nigeria's refined product demand but also boosting exports of refined petroleum products to neighbouring countries. The refinery and fertiliser complex are anticipated to create 100,000 direct and indirect jobs, as well as generating an initial estimated US\$10 billion in annual foreign currency revenues while operating at 50% capacity.

Championing Africa's Interests Globally:

Our advocacy for Africa's leadership in the carbon credits market at COP28 reflects our commitment to leveraging the continent's resources for sustainable growth and ensuring that Africa is rightfully compensated for its role in global climate solutions. AFC's report '[How Africa Can Unlock World's Most Promising Net Zero Solution](#)' launched at COP28, proposes a new direction for the carbon market centred on Africa, with a focus on removals-based carbon credits of high quality and integrity. It advocates for appropriate valuation of Africa's carbon resource and greater African involvement in the entire carbon credits value chain, focusing on conserving natural capital to foster local benefits and combat global climate change effectively.

Maintaining Market Access: In the face of uncertainty in the global financial landscape, AFC successfully maintained access to the global capital markets, which is a testament to the confidence that investors place in our robust credit risk profile and our growing global appeal. We strategically navigated through these times by leveraging bilateral and syndicated liquidity sources.



President's Statement

Throughout the year, we completed several pivotal funding transactions:

- A US\$300 million agreement with the China Export and Import Bank to enhance trade finance and back private sector initiatives.
- A US\$625 million syndicated loan that witnessed a 62% oversubscription, broadening our investor base with significant global financial entities.
- A €50 million facility from Cassa Depositi e Prestiti (CDP), reinforcing our ties with the Italian government and CDP.
- A new US\$350 million line of credit from the African Development Bank, aimed at extending the maturity profile of our borrowings.

Additionally, we raised over US\$500 million from new and existing shareholders, marking significant trust and commitment to our mandate. This included welcoming new sovereign investors and our first non-regional investor, showcasing our growing appeal and strategic importance in fostering development across Africa.

Expanding our Shareholder Base: 2023 saw Egypt become AFC's first North African shareholder, broadening our shareholder base and enhancing our pan-African presence. This strategic partnership is set to catalyse substantial infrastructure and industrial projects, driving forward both Egypt's and Africa's broader development agendas in alignment with our sustainable investment philosophy. We also welcomed Turk Eximbank as our first non-African shareholder, which represents a significant stride in our mission to bridge global and African markets, fostering international collaboration for Africa's development.

Expanding our Membership: Our membership grew significantly with the addition of new members, including Ethiopia, the Republic of Burundi, and the Democratic Republic of São Tomé and Príncipe, reaffirming our collective commitment to bridging Africa's infrastructure gap and fostering sustainable economic growth across the continent.

Expanding Partnerships: Our expansion continued as we welcomed new members and converted existing ones into shareholders, enhancing our reach and impact. Strategic partnership agreements signed this year with entities like the Kingdom of Morocco and the Saudi Fund for Development, among others, are set to accelerate our collaborative efforts in infrastructure development and economic progress across Africa.

In summary, 2023 was a year in which AFC achieved notable progress, reinforcing our role as a pivotal force in Africa's infrastructure and financial landscape. Our wide-ranging initiatives significantly promoted sustainable development and spurred economic growth across the continent. Our successful fundraising, expansion of our membership and establishment of new partnerships, highlighted our adaptability and innovative approach. These developments affirm AFC's unwavering commitment to Africa's economic evolution and underscore our critical contribution to the continent's infrastructural enhancement and industrial growth.



Strategic Focus

As AFC transitions into our next growth phase, the organisation stands at a pivotal juncture, poised to elevate our impact significantly. Now embracing a broader pan-African approach, with membership spanning 42 out of the 54 African countries, we have solidified our position as a key player in the continent's development. The shift from our 2018-2023 strategic framework to a refreshed, forward-looking agenda underscores our commitment to redoubling our efforts in shaping a robust future for African infrastructure and development.

Reflecting on our recently concluded five-year plan, it becomes clear that we significantly surpassed our targeted goals, thus demonstrating the remarkable commitment and resilience of our teams. This success sets the stage for our upcoming strategy, which is focused not just on growth but also on building a more robust, mature and resilient organisation as AFC evolves.

Our new strategy which charts the course for the next decade, emphasises enhancing AFC's influence and operational capacity. It is structured around the following five core pillars: achieving a balanced portfolio, identifying new capital sources, leveraging platforms for strategic reach, cultivating a mature organisational framework, and harnessing digital efficiency for speed and innovation.

These elements are designed to bolster AFC's impact while adapting to the dynamic needs of an expanding organisation.

Our commitment to developing a mature and robust organisation is particularly crucial as it forms the backbone of our strategy. This involves refining internal processes, nurturing talent, and enhancing operational frameworks, to ensure that AFC remains agile, efficient and impactful.

I am profoundly grateful to all our stakeholders — shareholders, Member States, colleagues, investors and partners — for their unwavering support and faith in our mission. I want to reiterate my deep gratitude to our staff, AFC's true driving force. Your passion for Africa's development underpins our culture of execution for consequential outcomes. This dedication enables us to deliver a high level of performance together with impactful outcomes across the continent consistently. Your efforts directly contribute to our success and the transformative impact we strive for in Africa. Thank you for your unwavering commitment and for being at the heart of our mission.

As we step into this new strategic era, I am confident that AFC will continue to be an indispensable ally in bridging Africa's infrastructure gap and fostering sustainable development across the continent.



Key Highlights

4

AFC wins DFI of the Year for Europe and Africa at the IJGlobal Awards

AFC was recognized as 'DFI of the Year 2022 for Europe and Africa' at the 2023 IJGlobal Awards ceremony, underscoring AFC's transformative role in project finance and infrastructure development across the African continent over 16 years.





AFC Designated Lead Developer of US-backed Lobito – Zambia Rail Project

AFC Designated Lead Developer of US-backed Lobito II Rail Project

AFC was designated the lead developer for the Lobito – Zambia Rail project following the execution of a Memorandum of Understanding between AFC and the Governments of the United States, the Republic of Zambia, the Democratic Republic of the Congo and the Republic of Angola, the European Commission, and the African Development Bank. As the signature initiative of the G7’s Partnership for Global Infrastructure and Investment (PGI), the trade corridor will facilitate the efficient movement of goods from the Atlantic Ocean to the Indian Ocean, and promote investments in agriculture, health, digital infrastructure, mining and electricity access once completed.

AFC Exits Stake in Ghana's Takoradi Port to Yilport Holding

AFC successfully divested its 35% equity stake in Takoradi Port to global ports operator, Yilport Holding, facilitating Yilport's expansion into Africa. The transaction is a testament to AFC's differentiated ability to conceptualise, build and de-risk projects at an early stage and crowd in other strategic investors at a later stage, thereby recycling capital for other projects.



Turk Eximbank Joins AFC as Inaugural Non-African Shareholder

The Republic of Türkiye, through Turk Eximbank, made its first investment in an African entity, becoming AFC's first non-African shareholder. Our strategic partnership with Türkiye not only enhances the Corporation's capital base by diversifying our pool of equity investors, but also solidifies AFC's reputation as the partner of choice for delivering transformational infrastructure financing solutions on the continent and supporting global partners in implementing their investment strategies for Africa.



AFC Develops Djibouti's Debut Wind Farm, a Milestone in Quest to be First African Country Fully Reliant on Green Energy

AFC successfully developed Djibouti's first-ever wind farm and independent power producer, in furtherance of the nation's objective to be the first in Africa to rely entirely on renewable energy sources for electricity. The 60MW project was inaugurated by President Ismail Omar Guelleh and reached commercial operations in 2023, setting a template for future private investments in the country's energy sector.



AFC Launches Carbon Markets Positioning Paper at COP28

At COP28, AFC released a paper urging African leadership to reclaim control over its carbon resources and resist exploitative arrangements with external entities, highlighting the undervaluation of Africa's natural assets due to wholesale land leases and sales. Despite Africa's significant contribution to mitigating climate change through its extensive carbon sinks, the continent remains underrepresented in global carbon markets. AFC advocated for a strategic shift towards conservation and reforestation, led by local

actors, to realise the true value of Africa's natural assets and ensure lasting benefits for local communities. AFC committed to prioritising the protection and regeneration of Africa's carbon repositories through project development, knowledge dissemination, and advocacy, aiming to reshape Africa's engagement with global carbon markets for mutual benefit.



AFC Launches Carbon Markets Positioning Paper at COP28

Africa Finance Corporation

Green Climate Fund commits record US\$253 million to AFC Capital Partners' Infrastructure Climate Resilience Fund

AFC Capital Partners successfully secured a US\$253 million commitment of junior equity concessional investment from the Green Climate Fund (GCF) for its inaugural offering, the Infrastructure Climate Resilience Fund (ICRF). This marked GCF's largest ever equity investment in Africa and its biggest commitment to an Africa-wide multi-country programme. The GCF's investment will de-risk the participation of institutional investors, mobilising funding to support climate adaptation on the continent.

[For more highlights, please visit the AFC website.](#)



AFC is named 'Local Impact Champion' at Africa CEO Forum

AFC was named 'Local Impact Champion' at the 2023 Africa CEO Forum Awards for its commitment to sustainable development and community empowerment, boosting local industries and reducing carbon emissions through circular economies. AFC investee company, Arise Integrated Industrial Platforms was also honoured as 'African Champion' for its role in driving economic growth and industrialisation across multiple markets on the continent.





Achieving Sustainable Impact

5

In the past year, the Africa Finance Corporation (AFC) has continued to champion sustainable economic growth across Africa, embedding sustainability into the heart of our operations. Our focus on environmental stewardship, social inclusion and economic empowerment aligns us with the global drive towards a more sustainable future, particularly in the face of significant challenges such as climate change, infrastructure needs and energy accessibility.

Our commitment has propelled significant investments into renewable energy, natural resource optimisation, sustainable transportation and energy efficient industries, showcasing our dedication to Africa's climate and developmental needs. Our projects offer more than just financial gains: they pave the way for increased climate resilience, adaptation and the development of environmentally sustainable economies across Africa.

This



Water Desillation Plant
Djibouti (Credit Thought
Leader Africa.)

narrative of progress is underpinned by our adherence to a stringent Environmental, Social and Governance (ESG) framework, ensuring that our efforts remain grounded in responsible and impactful investing. Our projects continue to make a substantial difference in the lives of local communities, the integrity of natural ecosystems, and the broader economic landscape of the continent.

By leveraging our resources and expertise, the AFC is not just a financier but a pivotal player in shaping a sustainable, inclusive and prosperous African future.



Our projects offer more than just financial gains: they pave the way for increased climate resilience, adaptation and the development of environmentally sustainable economies across Africa.

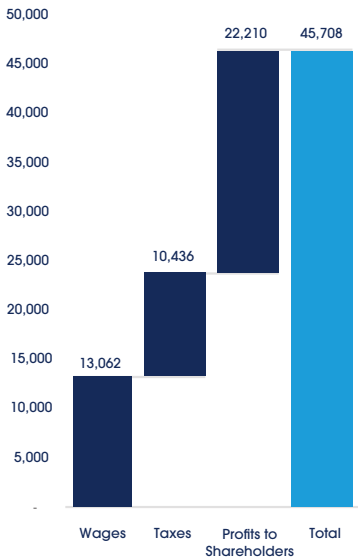


Achieving Sustainable Impact

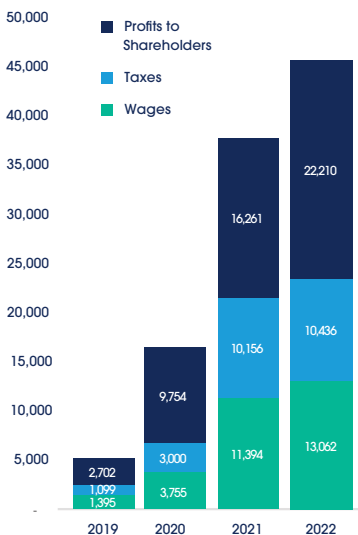
Key Development Impact Highlights¹

Economy

Total Direct & Indirect Value Added Supported by AFC Portfolio Companies (USD Mn)



Total Direct & Indirect Value Added supported by AFC Portfolio Companies (USD Mn)



AFC’s Core Investment thesis aims to foster structural transformation in African economies by supporting projects and programmes that increase the value capture of the continent’s abundant resources, promote local manufacturing, and develop essential technological, transportation and power infrastructure. These efforts are crucial for bolstering the competitiveness of African industries and supply chains, thereby facilitating intra-African trade growth, and contributing to increased gross domestic product output, tax revenues and foreign exchange earnings.

This work is conducted with a strong emphasis on Environmental, Social and Governance (ESG) compliance, aligning with the goals of the Paris Agreement on emission mitigation and reduction, while also prioritising the climate resilience and adaptation of physical assets. This holistic approach is distinctive and leads to significant impacts in the countries where AFC is engaged. Consequently, nearly all of AFC’s initiatives undergo sustainability impact assessments, focusing on fostering development and supporting robust climate mitigation and adaptation efforts at the national level.

The contribution of borrowers and investee companies in AFC’s portfolio to Gross Domestic Product (the “Value Add”) was US\$46 billion, an increase of 21% from the prior year. The Value Add of US\$45.7 billion was made up of US\$13.1 billion of salaries and supply chain value transfer, US\$10.4 billion in taxes to African governments and US\$22.2 billion in net profit to investors. This implies that for each US\$1 in profit made by AFC portfolio borrowers and sponsors, they pay US\$0.32 in taxes.

Borrowers and investee companies in AFC’s portfolio supported 5,368,168 jobs, comprising 1,394,990 direct² jobs, 3,740,942 supply chain and induced³ jobs, and 232,236 power-enabled⁴ jobs, such that each direct job supported the creation of an additional 2.68 jobs in the supply chain. This represented a 4% increase in comparison to the 5,148,430 jobs supported the prior year.



This holistic approach is distinctive and leads to significant impacts in the countries where AFC is engaged. Consequently, nearly all of AFC’s initiatives undergo sustainability impact assessments, focusing on fostering development and supporting robust climate mitigation and adaptation efforts at the national level.



¹ AFC uses the Joint Impact Model (JIM) as one of its tools for measuring development impact. The JIM input-output economic model was jointly developed by Steward Redqueen, CDC (Commonwealth Development Corporation), FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.), BIO (Belgium Investment Company for Developing Countries), Proparco (Société de Promotion et de Participation pour la Coopération Economique), AfDB (African Development Bank), and FinDev Canada (Development Finance Institute Canada). The development impact output from the JIM is a combination of direct results (which requires no economic modelling, and gives the highest confidence level of 5), and modelled results. Accuracy (confidence level) of modelled results is on a scale that ranges from 1 to 5.

² Direct jobs are actual figures reported by borrowers / sponsors in AFC’s portfolio.

³ Supply chain and induced jobs are due to AFC portfolio companies and their staff purchasing goods and services.

⁴ Power-enabled jobs are the jobs created across African economies by the generation of electricity.

Climate and ESG Approach

We are dedicated to fostering development and increasing climate mitigation, resilience and adaptation in Africa through our investments. Additionally, our commitment extends to using our thought leadership and advocacy to drive meaningful actions in addressing climate change, which is the continent's most pressing challenge.

Given Africa's vulnerability to the climate crisis, AFC prioritises integrating robust climate action plans at every project and platform level. This ensures that climate risks are systematically addressed throughout the investment process, from inception to completion, with a focus on fostering low-carbon pathways. This commitment is underscored by our proactive engagement in shaping structural changes and advocating for sustainable practices.

In 2023, our portfolio emissions fell and our renewable energy investments generated power to improve access to electricity, thereby catalysing socioeconomic development. In addition, all major new projects start with the assessment of physical climate risks and promote best practice resilience measures to ensure that the assets are sustainable in the long run by being able to withstand climate shocks.

Approach to ESG at AFC

AFC's environmental and social management system (ESMS) is guided by a comprehensive approach to integrate sustainability principles into its business strategies. AFC integrates environmental and social considerations and objectives in its business strategies and actively manages environmental and social risks in its business engagements. The Environmental and Social Risk Management (ESRM) Policy, grounded in AFC's values and commitment to human rights and environmental stewardship, serves as a guiding framework. This policy encompasses client screenings during onboarding to ensure alignment with AFC's values and exclusion list, which prohibits involvement in certain activities. Additionally, AFC has developed an ESRM framework manual to identify and manage risks and impacts associated with vulnerable sectors. The involvement of various departments, including investment, risk management and legal, ensures the effective implementation of the ESRM Policy.

AFC's approach is aligned with global ESG frameworks, emphasising compliance with international standards and best practices. Transactions undergo categorisation based on risk levels, with thorough ESRM assessments conducted accordingly.

AFC actively engages with clients to optimise their operations and support sustainable practices, often facilitating partnerships with ESG consulting firms. AFC has developed automation tools like ACCESS, which is an internal tool designed for ESRM with a focus on compliance features such as Know Your Client (KYC), to streamline the ESMS processes.

AFC's participation in the International Development Finance Club underscores its commitment to aligning climate finance objectives with its ESMS Policy. Continuous training and capacity building initiatives ensure that all employees are equipped to uphold AFC's environmental and social standards. Reporting mechanisms ensure transparency and accountability to partners and lenders, reinforcing AFC's dedication to responsible environmental and social management.

Sustainable Finance

We leverage our proven investment track-record and innovative de-risking tools to mobilise global sustainable finance at the Group level and at each project level. This means that we embed our sustainability frameworks, and understanding of the impact of climate change in each and every project that we undertake.

Achieving Sustainable Impact

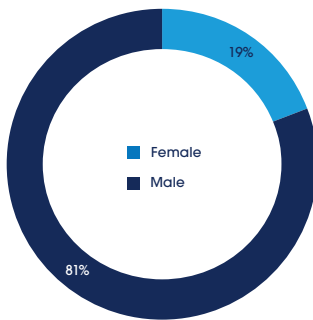
Society

We foster equitable economic growth through high-quality employment, increased access to services and the opportunity for higher incomes for all, particularly women and the youth.

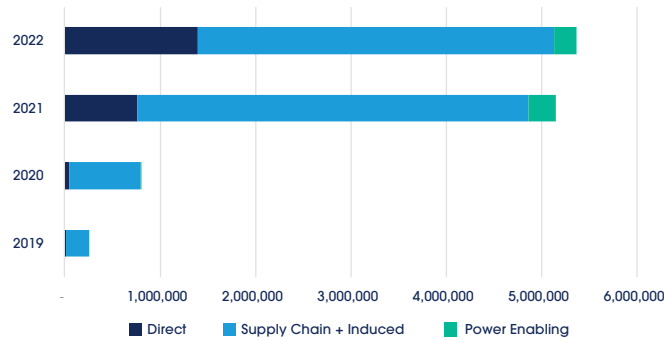
We track gender, poverty reduction and other social indicators across our projects.

AFC portfolio companies reported that 19% (271,031 direct jobs) of their work force were women.

Share of Direct Jobs by Gender Supported By Companies In AFC's Portfolio



Direct & Indirect Jobs Supported By The Companies In AFC's Portfolio (headcount)



Economy	Sustainable Finance	Climate	Society
<p>Total Value Add⁵/ GDP contribution of AFC portfolio across Africa: US\$46 billion</p> <p>Income made by supply chain value transfers⁶ + wages earned by staff of AFC customers or counterparties (direct): US\$13.1 billion</p> <p>Tax paid to African Governments by AFC customers / counterparties (direct): US\$10.4 billion</p> <p>AFC's portfolio supported 5,368,168 jobs, comprising 1,394,990 direct jobs, 3,740,942 supply chain and induced jobs, and 232,236 power-enabled jobs across Africa</p> <p>2023 Africa CEO Forum Award for Local Impact Champion</p>	<p>US\$253 million in concessional financing committed by the Green Climate Fund (GCF) to our Infrastructure Climate Resilience Fund (ICRF)</p>	<p>150,000 metric tonnes of emissions reduced or avoided through AFC project portfolio</p> <p>2023 African Banker Award for Equity Deal of the Year: Infinity Energy Africa</p> <p>2023 Infrastructure Journal Investor Award for Renewables Acquisition (Africa): Infinity Energy Africa</p> <p>Carbon markets positioning paper launched at COP28 in December 2023, affirming AFC's commitment to the conservation and regeneration of Africa's carbon sinks</p>	<p>2023 Mining Indaba Labor Award: Thor Exploration Limited</p> <p>2023 Mining Indaba Community Engagement Award: Dynamic Mining Limited</p> <p>271,031 women employed by AFC portfolio companies</p>

⁵ Value Add (VA) is the contribution of borrowers and investee companies in AFC's portfolio to Gross Domestic Product (GDP). The VA is the sum of (i) salaries and supply chain value transfer, (ii) taxes to African governments and (iii) profit to investors.
⁶ The size of the supply chain is assessed by tracing how much each company spends on suppliers and consultants. Subsequently, it traces how much these suppliers and consultants spend on their own suppliers and consultants.

AFC Portfolio Companies' Impact

ARISE Integrated Industrial Platforms (ARISE IIP)

Sierra Leone

In 2023, our 72% owned subsidiary, ARISE IIP, broke ground on a Special Economic Zone in Sierra Leone in a ceremony attended by President Julius Maada Bio. The zone will stimulate

economic growth, create skilled jobs and increase export revenue by attracting investors through simplified permits and approvals. Initially focusing on import substitution in manufacturing tiles, processing iron-ore and producing pharmaceuticals, the zone will also promote value capture in agriculture by processing forestry, cotton, soya and cashew products.

ARISE IIP Impact Dashboard for Operational Zones (Gabon, Benin and Togo)



Achieving Sustainable Impact

Infinity Power

In 2023, AFC successfully acquired Lekela Power, Africa's largest wind platform, via our investment in Infinity Capital. This strategic move is pivotal in addressing the transition to sustainable energy, particularly in high-emitting countries like South Africa and Egypt, which collectively contribute over 60% of current emissions on the continent.

By supporting these major economies, we are advancing alignment with the goals of the Paris Agreement. Our future pipeline includes ventures in Nigeria, South Africa, Egypt and Kenya, amongst others, as well as initiatives aimed at promoting low-carbon pathways in industrial parks, emphasising our commitment to making significant strides in carbon reduction where it matters most.



This strategic move is pivotal in addressing the transition to sustainable energy, particularly in high-emitting countries like South Africa and Egypt, which collectively contribute over 60% of current emissions on the continent



Infinity Power Impact Dashboard:

Generated 4,257GWh of clean energy, powering **1.2 million homes**

Avoided approximately **3.4 million** tons of CO₂ emissions

In 2021, Lekela was rated 1st out of **672 global utilities** on ESG by Sustainalytics

Community Impact:

In 2022, carried out 127 investment initiatives across six communities investing **US\$3.8 million**, including:

- Building a business incubator and ICT centre for entrepreneurs
- Training women community members as teachers and carers
- Funding maths and science programmes in 10 schools
- Building a rehabilitation centre for children with autism

Gender Balance: Over 95% of its workers are project country nationals, with **37% of the workforce being female**

Our Approach to Impact

AFC's commitment to delivering impactful change is woven into the very fabric of our organisation. At our core, we are driven by a clear purpose: to expedite African industrialisation by bridging Africa's critical infrastructure gap, thereby unlocking the continent's vast potential, maximising value from its natural resources, and establishing the foundation for a prosperous, climate-resilient future. We operate with a mindset geared towards generating profound impact, ensuring that our interventions lead to tangible shifts from the initial status quo. It is imperative for us to witness positive outcomes following our investments, characterised by structural changes within economies and the establishment of critical infrastructure in the transportation, power, natural resources, heavy industries, telecommunications and technology sectors. These efforts are instrumental in materialising enduring change and driving progress across the continent.

Throughout our journey, AFC has consistently showcased its pivotal role in mobilising capital and fostering partnerships with a diverse array of stakeholders, developing to derisk infrastructure projects across Africa. These efforts have yielded transformative outcomes, contributing significantly to the development of African countries, by providing essential infrastructure solutions that not only facilitate rapid industrialisation but also enhance the quality of life and livelihoods of its people.

However, our impact extends beyond our investments as it is also deeply embedded in our approach. The agility with which we approach transactions and our willingness to provide early-stage, risk-tolerant capital ensures that projects get done on the continent notwithstanding the challenging operating environment. This solutions-focused model for deal structuring and execution accelerates project bankability, crowds in diverse global capital, and establishes market precedents that can be replicated across the continent at a reduced cost.

Looking ahead to 2024 and beyond, AFC is committed to formalising and transparently reporting on the scale of our impact. Furthermore, we aim to provide insights into our distinctive approach, offering a pragmatic blueprint for generating systemic change. Through these efforts, we reaffirm our unwavering dedication to driving sustainable development across Africa.

Our Framework for Making Sustainable Investments

In 2023, we began developing a Corporation-level impact framework for homogenous use by our Investment divisions, Financial Services and AFC Capital Partners (ACP).

This framework will integrate and build upon existing models used within AFC, including the Corporation's existing Development Impact policy, which codifies AFC's initial approach to

development impact, as well as our Sustainable Investing Principles (SIPs), which articulate our commitment to developing infrastructure solutions that robustly consider the Sustainable Development Goals (SDGs), climate mitigation and adaptation challenges in Africa. Our SIPs cut across seven key areas: gender equality; access to clean water and sanitation; access to affordable and clean energy; availability of decent work and the facilitation of economic growth; facilitation of industrial innovation and infrastructure; development of sustainable cities and communities; and climate action.

Our reinvigorated impact strategy will implement a holistic set of impact goals, core SDGs, and aligned Key Performance Indicators (KPIs), capturing a Corporation-level Theory of Change (TOC), and 'sub-TOCs' for our Financial Services division, each of our Investment sectors, and for ACP. While ACP will retain its own impact strategy and investment policy, the strategic connection between Fund-level and Corporation-level impact will be codified.



Water Desalination Plant, Djibouti

AFC Impact: Demonstrated in Four Critical Milestones

Green Climate Fund (GCF) Equity Commitment

In March 2023, our Infrastructure Climate Resilience Fund (ICRF) secured a US\$253 million junior equity commitment with first loss protection from the GCF, the institution's largest ever equity investment in Africa.

The fund's innovative capital structure blends commercial and concessional equity capital to enhance the bankability of climate resilient infrastructure projects and to mobilise capital at scale from institutional investors in Africa and globally. The GCF's concessional equity will be subordinated to the commercial equity tranche in the waterfall structure, offering a catalytic first loss shield to de-risk the participation of institutional investors and to support the overall return objective of the Fund.

The ICRF is one of the most critical adaptation initiatives in Africa that creates a new asset class uniquely designed to drive investments into climate-resilient infrastructure projects

which are planned, designed, built and operated in a way that anticipates, prepares for, and adapts to changing climate conditions.

Lobito I

AFC is playing an instrumental role in advising Lobito Atlantic Railway, the Concessionaire Consortium comprising Mota Engil Africa, Trafigura and Vecturis SA, on the financing and technical structuring for the upgrade and operation of the Lobito-Luau railway line, which connects the Angolan Port city of Lobito to the Kolwezi mining region of the Democratic Republic of the Congo (DRC).

With a distance of 1,716 km from Kolwezi to the Lobito Port at optimal operations, the railway offers the quickest inland transit time to an African load port, a reliable link to a congestion-free port in Lobito and the most efficient route to North American and European markets, while also remaining competitive for Asia. Copper, cobalt and other metals critical to the energy transition are currently exported from the DRC east, via Dar es Salaam in Tanzania, Beira in Mozambique, or south via Durban

in South Africa, all journeys that take several weeks. With this transformative project, the entire journey will be reduced to between five and nine days, and 5,000 heavy duty trucks will be removed from the roads across the region, lowering emissions significantly.

The Lobito I project will have a large-scale impact on mining activities in the Copperbelt region of DRC by unlocking bottlenecked mining export from DRC through cost-competitive, quick, reliable and secure evacuation infrastructure that will boost intra-regional trade. The result is an increase in the availability and supply of minerals and metals critical to achieving global Net Zero.

The project will boost economic and social development by creating jobs for populations across the corridor, increasing export earnings for Angola and DRC, and attracting indirect investments in multimodal platforms, terminals, industry, agriculture, and other satellite logistics infrastructure along the corridor. The project employs over 434 people within the countries of operations and is expected to scale up to 800 in the next five years.

Red Sea Power Wind Farm, Djibouti

In 2023, we successfully developed and inaugurated Djibouti's first-ever wind farm and independent power producer, in furtherance of the nation's objective to be the first in Africa to rely entirely on renewable energy sources for electricity. The 60MW project reached commercial operation date (COD) in December 2023. As a result of its success, it was awarded approval for an expansion by another 45MW on inauguration day.

The project is significant to the country as it boosts energy capacity by 50%, averting 252,500 tons of CO₂ and ending Djibouti's reliance on power generated from fossil fuels and hydrogen imported from neighbouring Ethiopia. Less than half of the 123MW of domestic installed capacity is operational due to outdated diesel plants.

The Red Sea Power Wind Farm provides an opportunity for enterprises currently outside the grid to decarbonise and replace their mostly diesel-generated power with clean energy. Critically for the East African nation, the new clean energy will spur industrialisation, job creation and economic stability as Djibouti seeks to take advantage of its strategic location as a global transshipment hub.

Red Sea Power was creatively funded through all-equity bridge construction financing that demonstrates the power of financial innovation to de-risk investment and fast-track financial close for transformative projects on the continent.

Senegal IPP

In 2023, together with our partners and the Government of Senegal, AFC constructed a 300MW gas-fired plant that represents 22% of Senegal's installed capacity and that will increase Senegal's power generation capacity by one third, replacing coal and imported fuel oil.

AFC led the development of the project, approving a €250 million underwriting facility to support project construction. The plant will connect several power plants and industries to reduce the power deficit in Senegal, The Gambia, Guinea and Guinea-Bissau. Senegal's economy achieved 8% economic growth in 2023 and is poised for 10.5% in 2024, according to the World Bank, due in no small part to gas import substitution and the export of gas.



Water Desalination Plant Djibouti
(Credit Thought Leader Global)

Achieving Sustainable Impact

AFC Corporate Social Responsibility (CSR)

Water Desalination Plant, Djibouti

AFC has constructed a solar-powered water desalination plant supplying the daily needs of 1,638 people living in the Lac Assal and Mounina communities in Ghoubet, Djibouti, near our Red Sea Power Wind Farm.

St. Josephine Bakhita Primary School, Sierra Leone

The FG Gold Baomahum mining project funded by AFC has established the St. Josephine Bakhita primary school for 225 pupils in Kundoma, Valuna Chiefdom, Bo District. The school facilities include six classrooms, a large dining hall and a teacher's lounge.

The Valunia Education Foundation Charity sponsors the FG Gold Tertiary Education Scholarship.

In addition, the Baomahum Health Centre underwent an upgrade and extension in 2023, including the addition of an isolation unit providing improved access to quality healthcare for the local community.

Nigeria Montane Forest Project, Mambila Plateau, Taraba State, Nigeria.

AFC has partnered with the Nigerian Montane Forest Project (NMFP) to bolster conservation efforts of montane forests, highlighted by NMFP's role in a significant study published in Nature that underscored African montane forests' critical carbon storage capacity. The NMFP, particularly through the Ngel Nyaki Forest Reserve, has demonstrated successful forest regeneration, marrying scientific research with community involvement and education to foster both ecological preservation and local livelihood enhancement.

The project operates from a field station in the Ngel Nyaki reserve on the Mambila Plateau, Northeastern Nigeria, and has contributed to vast carbon storage while promoting biodiversity and sustainable forestry practices. Grounded in research, the NMFP has influenced over 100 scientific publications and supported significant academic progress through mentorship and collaborations with global and local academic institutions.

NMFP funds a primary school that educates over 300 students each year, some of whom have now completed relevant university degrees and are passionate environmentalists. The project supports initiatives like beekeeper training, which has equipped over 100 local individuals with the skills to start their own honey production business.

Community engagement has been pivotal, with initiatives aimed at integrating the local populace into conservation efforts, enhancing educational opportunities, and fostering economic self-sufficiency, notably through beekeeper training. Despite challenges such as forest loss, the NMFP's integration within the local community has led to effective mitigation strategies. Looking ahead, the NMFP's innovative reforestation techniques, which emphasise enhancing existing forests, show promising signs of accelerated forest regeneration.

Ngel Nyaki Field Station Staff



Ngel Nyaki: Mixed Regeneration Plot



Ngel Nyaki: Local Children with Tree Seedlings



Governance

This Governance report describes who we are as an organisation, our leadership, governance controls and framework, and includes a report on the Corporation's governance activities in 2023.

Legal Status of AFC

The Corporation was established in 2007 by twin constitutive documents: (i) the Agreement for the Establishment of Africa Finance Corporation (the "AFC Establishment Agreement") and (ii) the Charter of AFC (the "AFC Charter").

As of the date of this Report, 42 African states have signed or acceded to the AFC Establishment Agreement (the "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 is a treaty under public international law, and the Corporation is created by, and subject to, international law. The Corporation has been established as an international institution with full juridical personality under the laws of each of the Member States and has the full legal capacity to carry out its operations. As a supranational entity, the Corporation is not bound by the domestic laws or regulations of any Member State.

The AFC Establishment Agreement sets forth, amongst other things, the Corporation's purpose and functions,

legal status, scope of membership and the operations in which it may engage, and establishes certain immunities, exemptions, privileges, facilities and concessions for the Corporation. Under the AFC Establishment Agreement, each Member State has agreed 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 operations. Accordingly, the Corporation's property, assets, operations and activities are free from restrictions, regulations, supervision or controls, moratoria and other legislative, executive, administrative, fiscal and monetary restrictions of any nature.



These accommodations have allowed the Corporation to enjoy a preferred creditor status in the Member States.

The AFC Charter governs the activities of the Shareholders and outlines the framework for the Corporation's governance and management, as well as the responsibilities of the Shareholders, Board of Directors and Executive Management.

The Corporation is headquartered in Lagos, Nigeria, by virtue of a Host Country Agreement entered into with the Federal Republic of Nigeria ("Host Country Agreement"). The AFC Establishment Agreement provides the Corporation with various privileges, immunities and exemptions, and

the Host Country Agreement further specifies these benefits in relation to the Corporation's physical presence in Nigeria.

The Corporation currently has four subsidiaries: AFC Equity Investments Limited (AFC Equity), AFC Capital Partners (ACP), Arise PCC and Pecan Energies Investment Limited (Pecan).

AFC Equity is a wholly owned subsidiary of AFC, established in Mauritius in 2013 as an investment vehicle for the purpose of holding AFC's equity investments. The Board of AFC Equity is responsible for promoting the success of the company by directing and supervising its affairs in accordance with the policies and objectives approved by AFC and in

compliance with applicable laws and regulations in Mauritius.

AFC Capital Partners serves as the wholly owned fund management subsidiary of AFC, incorporated in Mauritius in 2021. ACP's primary function is to mobilise and manage third party funds, unlocking African infrastructure investment gap. Leveraging AFC's extensive investment track record, ACP provides institutional investors with opportunities in climate resilient infrastructure, aiming to deliver strong returns and expedite developmental impact.

Governance

Arise PCC, which is also domiciled in the Republic of Mauritius, is a special purpose vehicle (SPV) set up solely to hold the Corporation's investment in Terminal à Conteneurs de Nouakchott (TCN). TCN, formerly known as Arise Mauritania S.A., is a port project in the Islamic Republic of Mauritania. During 2023, the investment in TCN was transferred from Arise PCC to AFC Equity, starting the process for an orderly liquidation of Arise PCC. The operations of Arise PCC are managed solely by AFC's management team.

In 2023, AFC acquired a 100% interest in Pecan Energy AS (formerly Aker Energies AS), an exploration and production company incorporated in Norway. Through its wholly owned subsidiary, Pecan Energy Ghana Limited, the Company has a 50% participating interest in the Deepwater Tano / Cape Three Points block (DWT/CTP). Pecan Energy Ghana Ltd is the operator responsible for developing the DWT/CTP (Pecan field). Pecan Energies Investment Limited is a wholly owned entity incorporated in the Cayman Islands, which was set up to hold the entities acquired from Pecan Energy AS.

AFC's Member States

In 2023, the Membership increased with the addition of three African countries: the Republic of Ethiopia, the Republic of

Burundi and the Democratic Republic of São Tomé and Príncipe.

We currently have the following 42 Member States: 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 the Congo, Niger, Tunisia, Angola, South Sudan, Cameroon, Botswana, Somalia, Ethiopia, São Tomé & Príncipe and Burundi.

Shareholders

AFC's current authorised share capital is US\$2.0 billion, with US\$1.5 billion in paid-in capital. As of 31 December 2023, the total shareholder funds amounted to US\$3.4 billion. AFC has 43 Shareholders, comprising of various Member States, financial institutions and development finance institutions. In 2023, the Republic of Côte d'Ivoire, the Republic of Benin, the Republic of Botswana, SBM Capital Markets Limited, Caisse Nationale De Prevoyance Sociale (CNPS) Cameroon, and Türkiye İhracat Kredi Bankası A.Ş (Turk Eximbank) acquired shares in AFC, thereby expanding and further diversifying the Corporation's

shareholder base. The Corporation's ability to attract a wider range of shareholders is a testament to the growing impact of AFC's mission.

At AFC, Shareholders oversee the Corporation's affairs through the Annual General Meeting and any other General Meetings in accordance with the AFC Charter. Shareholders with an equity stake above a set threshold have the right to nominate representatives to the Board of Directors. Consequently, the Board comprises nominees of shareholder institutions (Non-Executive Directors), Independent Non-Executive Directors and Executive Directors. All members of the Board are required to exercise independent judgment and to act in the best interest of the Corporation and be accountable to the General Meeting.

Shareholder and Warrant-holder Returns

The Board has recommended a dividend of 5.3158 US cents per share (US\$81,742,093 in aggregate) as payment to Shareholders listed on the Register on 31 December 2023, and a return on share warrants of US\$5,595,579 to warrant holders at 5.3158 US cents per share warrant, subject to the approval of the 2024 Annual General Meeting.

“ AFC's current authorised share capital is US\$2.0 billion, with US\$1.5 billion in paid-in capital. As of 31 December 2023, the total shareholder funds amounted to US\$3.4 billion. ”

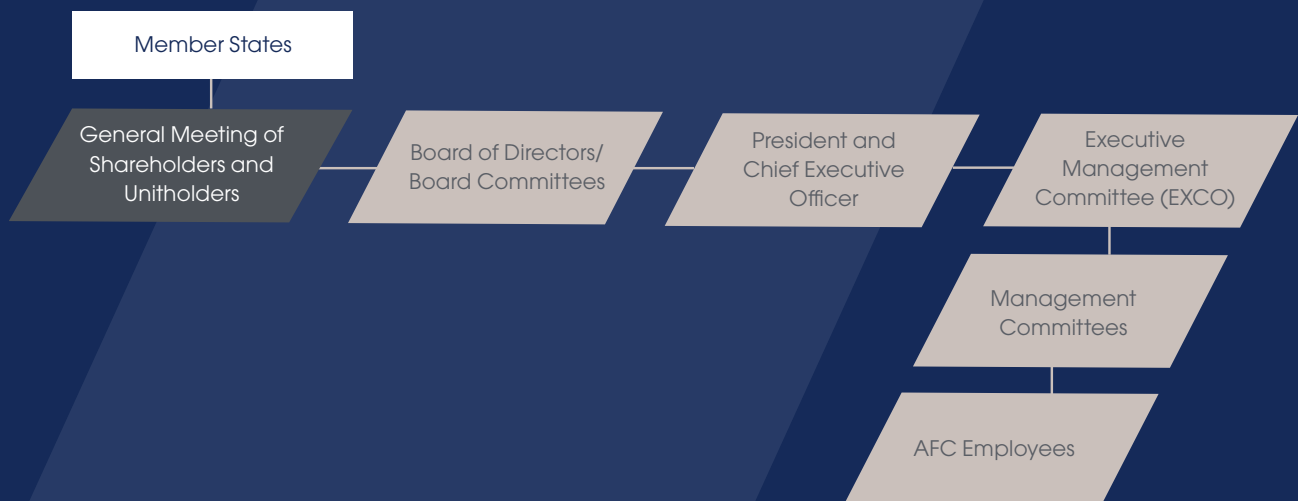


Corporate and Governance Structure of AFC

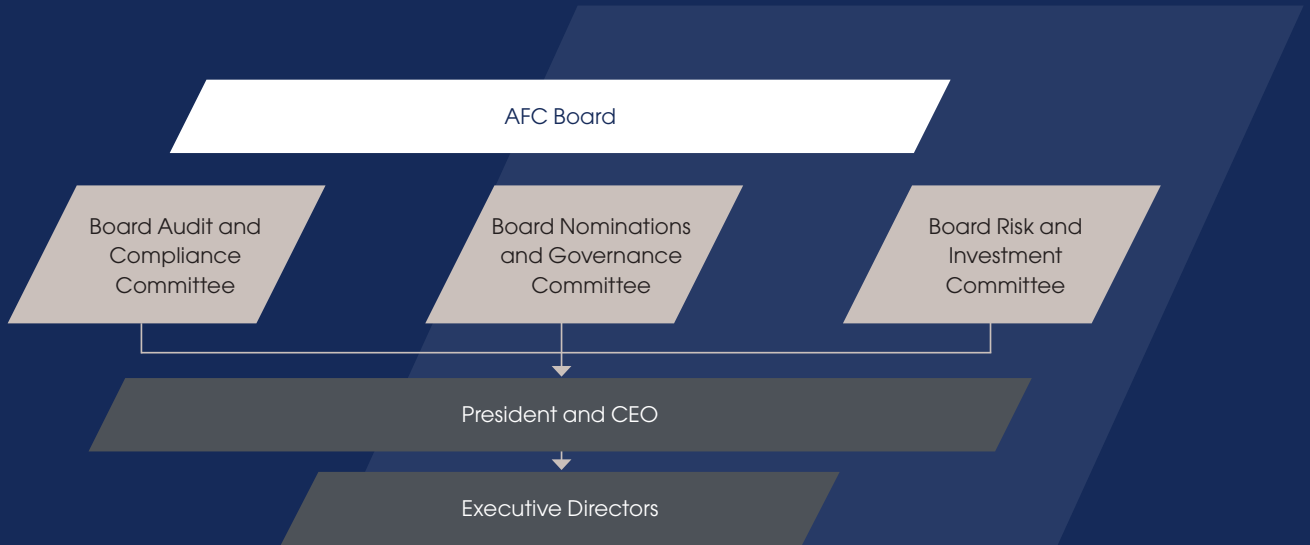
In the execution of their mandate, AFC, ACP, AFC Equity, Arise PCC and Pecan (collectively referred to as the “Group”) operate within a corporate governance framework founded on high standards and aligned with international best practice.

The Corporation is mindful of the pivotal impact of sustainable governance practices and the crucial importance of the Group’s governance framework in driving performance and ensuring ethical conduct across all aspects of the Corporation’s business. Consequently, it continually remains a priority of the Board and Management to strengthen and enhance the Group’s governance practices on an ongoing basis in the way that we do business and manage investors’ funds.

AFC takes pride in its strong governance structure, which is comprised of AFC’s Member States, Shareholders, Board of Directors, Board Committees, Executive Management, Management Committees and Employees.



Board of Directors



The Corporation’s Board of Directors (the “Board”) bears the ultimate responsibility for policy formulation, strategy and decision-making, while delegating specific authority to Board sub-committees. The Board provides oversight leadership and steers AFC’s vision to ensure the delivery of long-term growth plans, while Executive Management oversees the Corporation’s day-to-day business operations.

The Board has delegated some of its oversight responsibilities to three committees: the Board Nominations and Corporate Governance Committee (BNGC), the Board Risk and Investment Committee (BRIC), and the Board Audit and Compliance Committee (BACC). Independent Directors are represented on all Committees. BACC is chaired by an Independent Director.

Board Composition

Pursuant to the Charter, AFC’s Board should consist of a minimum of eight (8) and a maximum of twenty-one (21) Directors, with at least two (2) being Independent Directors. As of 31 December 2023, the Board comprised thirteen (13) Non-Executive Directors, including three (3) Independent Directors and three (3) Executive Directors.

The Board convenes once every three months and additionally as needed by the Corporation’s business, at the Corporation’s headquarters or at another specified location. Board meetings may be conducted using electronic or other technological means to facilitate participation without physical presence at a single location.

The Board is composed of seasoned professionals with extensive expertise in finance and corporate governance.

Board Director Changes

In 2023, Dr. Kingsley Obiora, the Board Chairman, resigned from his position as Director and Chairman of the AFC Board. The Board, Management and the Corporation expresses their deep gratitude to Dr. Obiora for his outstanding leadership and valuable contributions to the business of the Corporation. Following Dr. Obiora’s resignation from the AFC Board, the Board elected Mr. Emeka Emuwa as the Chairman of the AFC Board. Mr. Emuwa’s extensive experience and unwavering dedication to the advancement of Africa make him a valuable asset to AFC at a time when the Corporation is rapidly expanding its operations across the continent and building partnerships through international collaborations.

Furthermore, AFC welcomed a nominee of the Public Investment Corporation of South Africa, Mr. Kabelo Rikhotso to the Board as a Non-Executive Director, following the approval of his nomination by the AFC Board in September 2023. Kabelo’s appointment further enhances the diversity and brings complementary experience and skills that are crucial for addressing the interests of AFC and its stakeholders.

Fiduciary Responsibility of the Board

The AFC Board holds the responsibility of providing comprehensive leadership, establishing strategic objectives, and outlining guidelines for the long-term sustainable development and success of the Group in fulfilling the Corporation's mandate.

The Corporation has implemented well-defined corporate policies, business practices and internal controls to safeguard the Corporation's interests while pursuing AFC's developmental mandate. To ensure continued relevance and value to the Corporation, governance policies undergo periodic reviews and updates to ensure that our controls are ahead of the Corporation's needs and growing business opportunities. Furthermore, the Board Committees, as part of their strategic oversight, are mandated to ensure annual/periodic reviews of the policies.

There is clear separation between the roles of the Chairperson of the Board and the President and Chief Executive Officer (the "CEO"). The Chairperson of the Board is responsible for the overarching management of the Board and the Corporation, setting and monitoring the strategic direction, while 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 Board-approved strategic framework.

The Board decides upon all strategic matters that are outside the scope of the Corporation's day-to-day management, such as the business model, strategic targets, organisational structure, financial reporting and monitoring the Group's performance throughout the year.

At Board meetings, Directors actively engage, discuss, deliberate and evaluate matters requiring attention and decision-making. When necessary, the Directors convene closed sessions for discussions among themselves without the presence of Executive Management, as is necessary to facilitate effective oversight of the Executive Management. All Directors have access to the advice

and services of the General Counsel, the Chief Risk Officer, the Head of Internal Audit, as well as the external auditors. Board members can also seek independent professional advice at the Corporation's expense as part of the performance of their duties.

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

2023 Activities of the Board

In 2023, the Board met on a quarterly basis. With the conclusion of the Corporation's five-year strategic cycle, AFC is now poised to initiate a new strategic phase after successfully implementing the key objectives outlined in its 2018-2023 strategy and surpassing growth targets.

The Board engaged in an all-day strategy session in 2023, to interactively consider the Corporation's next decade strategy and outline the next decade vision of AFC. This strategy provides a comprehensive roadmap detailing AFC's path towards attaining greater success and doubling its impact across Africa.

During the strategy session, the Board also extensively deliberated on AFC's Impact Strategy. Acknowledging that 'impact' lies at the heart of AFC's success journey, the Board considered how the Corporation's developmental activities could be clearly articulated, measured and communicated to take stock of how much has been achieved, and mapped out the path to impacting more lives and economies on the continent. Drawing on global trends and best practices, the Corporation used the services of an external consultant to guide the Corporation in developing and executing a robust impact strategy and articulating AFC's impact story.

As part of its oversight role, the Board reviewed and approved the budget

and financing plan for the 2024 fiscal year. The Board reviewed investment proposals surpassing specified thresholds, based on the endorsement and recommendation of the Board Risk and Investment Committee, pursuant to the Credit Risk Management Policy (CRMP). Additionally, the Board critically assessed investment proposals involving related parties of the Corporation in accordance with the Corporation's Related Party and Associates Policy.

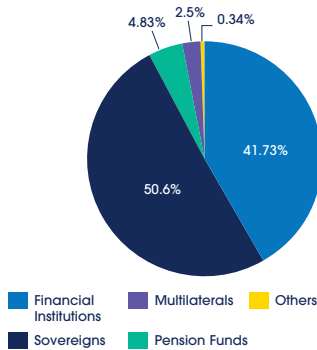
In line with the Corporation's Equity Raise Strategy, the Board authorised an extension of the Rights Issue deadline, from 30 September 2022 to 31 December 2023, to afford interested Shareholders additional time to complete their internal processes for securing requisite approvals. The Rights Issue provided an avenue for shareholders to increase their shareholding in the Corporation, thereby affirming continuous shareholder support. As of 31 December 2023, the Corporation had recorded a c.70% subscription rate to the Rights Issue. Various other corporate policies, which had been reviewed and endorsed by the relevant Board Committees, were also approved by the Board.

During the year, the Board evaluated the Group's financial performance and continued to oversee the Corporation's processes to assess the adequacy of internal controls, risk management, financial reporting and compliance.

To strengthen the Corporation's social impact, the Board endorsed the establishment of a legal entity through which AFC will participate in and champion specific corporate social responsibility (CSR) activities. These include initiatives in non-AFC core sectors such as healthcare, forest conservation/preservation, carbon markets, research and development for matters affecting African countries' interests, and the provision of technical and related assistance.

Finally, in line with best practices, the Board engaged the services of Sirdar Group to conduct a performance evaluation of the Board and the governance processes. The report will be released to the Board in 2024.

**AFC Shareholding structure
As of 31 December 2023**



Board Nominations and Governance Committee (BNGC)

BNGC considers and reviews policies related to the governance structure and framework of the Corporation, shareholder matters, country membership of the Corporation, the Corporation’s ongoing equity raise drive, human resource matters, and the appointment and re-appointment of Non-Executive Directors and Executive Directors. In 2023, BNGC comprised of nine members and met quarterly. It established a sub-committee to conduct a thorough review and implementation of the outcomes from the 2021 Board Performance Evaluation report, which met three times.

In 2023, the Committee, among other matters:

- Endorsed amendments to the Charter of the Board Audit and Compliance Committee in alignment with the Board’s practices.
- Approved the addition of new Member States to the Corporation’s membership.
- Reviewed the engagement/re-engagement of Directors onto the Board and recommended their appointment to the Board for approval.
- Approved the engagement of external consultants, Sirdar Group, to conduct the 2023 Board Performance Evaluation.

- Commissioned a culture realignment drive for the Corporation and approved the engagement of Spencer Stuart as culture consultants.
- Considered and approved the rights issuances to existing shareholders, as well as new equity investment in the Corporation by the Republics of Côte d’Ivoire, Botswana (via the Ministry of Finance), Cameroon (via Caisse Nationale De Prevoyance Sociale (CNPS)), SBM Capital Market Securities, Mauritius and Türkiye İhracat Kredi Bankası A.Ş (Turk Eximbank). The investment by Turk Eximbank marks the Corporation’s first non-regional shareholding.

Board Risk and Investment Committee (BRIC)

BRIC is responsible for reviewing and endorsing the Corporation’s investment decisions and risk management framework. It also establishes guidelines and policies concerning the adequacy of the Corporation’s capital, exposure limits, risk profile, liquidity and funding. Additionally, BRIC evaluates and approves the Corporation’s borrowings authorised by the Board of Directors and monitors the Corporation’s financial performance through regular reports from the CEO. BRIC meets as often as the business of the Corporation requires but no less than once every quarter. BRIC was made up of eight members during the year and met nine times.

During 2023, BRIC:

- Examined the 2023 global macroeconomic outlook and its potential impact on the Corporation’s operations, providing strategic perspective on the Corporation’s investment strategy.
- As part of existing portfolio monitoring, considered a stress test report by Management in respect of countries where the Corporation has significant assets and considered the impact of the flotation and devaluation of the Naira on the Corporation’s balance sheet for its investments in Nigeria.

- Reviewed and approved the 2023 Investment Strategy, focusing on three core themes: (a) execution of existing BRIC-approved projects; (b) origination of new high-quality projects; and (c) optimisation of the Corporation's portfolio, all aimed at building upon the significant gains achieved in 2022. BRIC considered the Corporation's investment priorities and sector-specific strategies.
- Endorsed the Credit Risk Management Policy, Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) Policy, and Asset and Liability Management Policy.
- Evaluated 22 investment proposals across the Corporation's five focus sectors.
- Approved the Corporation's various borrowings, including: an update to AFC's Global Medium Term Note Programme ahead of a proposed issuance of a US\$1 Billion Eurobond in 2023; the Corporation's sustainability-linked syndicated loan; loan facilities

from the Export-Import Bank of China (CEXIM), Cassa Depositi e Prestiti S.P.A. (CDP) and the Export-Import Bank of India (India Exim); as well as various additional treasury transactions.

- Approved revisions to policies on Liquidity, Contingency Funding and Hedging and Derivatives, to align them with market realities and international best practice.
- Endorsed the capitalisation of ACP, AFC's climate focused asset management subsidiary company.

At each meeting of BRIC, the Committee rigorously reviewed the political, economic and risk profile of the Corporation's portfolio, taking account of African political risk and the economic consequences of climate change on AFC's portfolio. The Committee extensively monitored the various sector limits and reviewed and approved the Corporation's investment decisions.

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Board Audit and Compliance Committee (BACC)

BACC derives its authority from Article 28 of the AFC Charter and consists of members with collective expertise in business, finance, banking and accounting practices. The Committee holds joint sessions with external auditors and management of the Corporation to review the audited financial statements of the Corporation. The Committee also considered the Corporation's financial performance and policies whilst evaluating the Corporation's budget and recommended these to the Board for approval. BACC also examines Internal Audit reports and recommendations.

In 2023, BACC, in an effort to strengthen its governance framework and oversight, reviewed and approved the BACC Charter, as well as instituted an Annual Work Programme for the Committee comprising of a list of Policies under BACC's oversight responsibility. As part of its duties, BACC met with external auditors to review and endorse the External Audit Plan and Strategy, as well as the Audited Financial Statements for the year ending 31 December 2023. Additionally, BACC assessed the Internal Audit reports on the Corporation's compliance with policies and regulations and approved the proposed 2024 Internal Audit Plan by the Head of Internal Audit.

Additionally, BACC considered the External Quality Assessment Report (EQAR) of the Internal Audit Function, conducted by Deloitte and Touche in accordance with Standard 1312 of the International Standards for the Professional Practice for Internal Auditing. The evaluation considered the independence of the internal audit and proposed opportunities for improvements. These recommendations have been adopted and implemented by BACC.

In 2023, BACC periodically assessed the Corporation's business performance and planning to ensure compliance with prudential requirements such as capital adequacy and oversaw the compliance management function. The Committee also granted approval for specific procurements made by the Corporation above prescribed thresholds and provided recommendations to the Board on the 2023 external auditor's fees.

Furthermore, BACC reviewed the AFC Valuation and Provision Policy to align it with changes in the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and/or changes in valuation techniques recommended by Invest Europe and best practices.

In 2023, BACC consisted of six members and met four times.

AFC Board and Climate Change

The Board continues to thoroughly assess the impact of energy emissions on the continent and how they affect the people and economies of Africa. In response to the discussions held during various strategy sessions involving both the Board and Management, the Corporation has taken significant steps to elevate its leadership in development impact by reducing emissions and enhancing sustainability in the projects it develops and finances. The Corporation will continue promoting the growth of eco-friendly economies through notable projects that offer solutions to climate change and serve as advocates for Africa's sustainable development across renewable energy, energy transition, import substitution, and value-adding beneficiation projects that bolster job creation.

In the course of 2023, AFC actively participated in the UN Climate Change Conference (COP28) as a thought leader on the issue of climate,

highlighting the central role that Africa must play in reaching global Net Zero. As a pan-African multilateral focused on the development of the continent, it is pivotal that AFC takes a leadership position to ensure that all stakeholders are considered in the need to protect the environment.

Remuneration

The remuneration of the Board remained unchanged in 2023.

Board Performance Evaluation

An evaluation of the performance of the Board is conducted every two years. As such, in 2023 the Board engaged the services of Sirdar Group ("Sirdar") to conduct a comprehensive assessment of Directors' performance, both individually and collectively. Sirdar has been engaged to evaluate the corporate governance practices, procedures and policies of the Board and compare them with international best practices and codes. The engagement is expected to yield the following outcomes:

- Evaluation of the current performance and effectiveness of the Board (and applicable committees) in comparison to agreed objectives, requirements and business strategy.
- Enhanced clarity on roles and responsibilities.
- Identification of areas requiring action based on recurring themes in Board performance.
- Insight into the actual strength of controls and risk management.
- Understanding the impact of the Corporation's Board composition on Board dynamics.

In 2024, Sirdar will deliver a report and actions for the Board to implement based on the findings.

Board Induction, Training and Development

Upon their appointment, Directors undergo a formal induction programme designed to provide them with a comprehensive understanding of the Corporation's operations. Board Directors are also introduced to high-level organisational structures, governance and AFC's strategic plan. This class-room style induction programme provides an overview of the operations of various departments within AFC. In February 2023, a Board induction session was conducted for newly appointed Directors.

Board Members also participate in external training focused on leadership

and governance to establish global networks and remain informed on international best practices. The Board approved a 2023 Training Plan with reputable training institutions.

Independence

The Board considers all of 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	Comments
Number of Meetings in 2023	4	4	4	9	
Non-Executive Directors					
Dr. Kingsley Obiora	1		1		Retired from the Board in September 2023
Emeka Emuwa ⁷	4		4	8	
Batchi Baldeh	4				
Kirstine Damkjaer	4	4	4	9	
Dr. Kevin Amugo	4	4	4		
Roosevelt Ogbonna	4		4	9	
Soula Proxenos	4		4	9	
Bolaji Lawal	4	4	4		
Ini Ebong	4		4	7	
Dr. Hassan Mahmud	4	4		9	
Mudassir Amray	4	4	4		
Anthony Ogunranti	4	4		9	
Muyiwa Akinyemi	4		4	9	
Kabelo Rikhotso	2	-	-	-	Appointed in September 2023
Executive Directors					
Samaila Zubairu*	4				
Sameh Shenouda*	4				
Sanjeev Gupta*	4				

⁷Stepped down as Chairman of BRIC following his appointment as Chairman of the Board.

*In attendance at all Board committee meetings

Executive Management

The President and CEO is responsible for leading the execution of the strategy approved by the Board and overseeing the day-to-day management and administration of the Group. He is accountable to the Board and provides regular reports to the Board on the Corporation's performance. The President and CEO is supported in this capacity by other members of the Executive Management Committee.

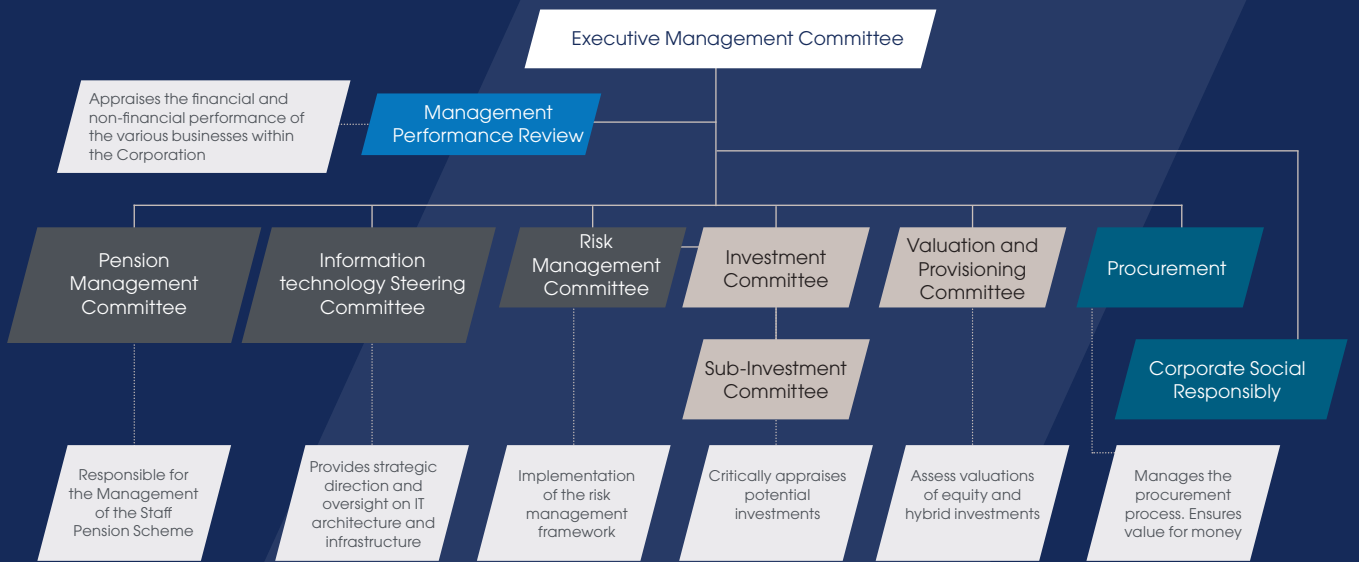
In accordance with the AFC Charter, Executive Management, under the leadership of the CEO, managed the Corporation's day-to-day operations throughout the year. Executive Management ensured compliance with all Board and Board Committee policies, monitored the Corporation's financial performance, upheld compliance with the Corporation's financial ratios, presented investment proposals to BRIC for approval, and engaged with various stakeholders to foster increased partnerships and Corporation membership.

As part of Executive Management's dedication to enhancing the Corporation's performance, the Management Performance Review Committee convened regularly. During these meetings, members of Executive Management, together with business and sector heads, collaborated on the Corporation's investment objectives, monitored the Corporation's performance against targets, supervised the implementation of approved investments and evaluated the performance of the Corporation's portfolio of assets.

Adhering to best practice and in line with the Corporation's Five-Year Strategy, the Transformation Office, headed by the Chief Transformation Officer, remains dedicated to enhancing internal processes and broadening the Corporation's brand visibility.

Management Committees

Executive Management is supported by various Management Committees.





The work and impact of AFC staff continues to be recognised both in Africa and globally, with staff continuously delivering superior results.



People

AFC's 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, with staff continuously delivering superior results. The Corporation currently has 152 staff, comprising of 24 different nationalities with a male to female ratio of 62:38. Management continues to embed diversity in the recruitment and selection processes. Through an ongoing assessment process, Management ensures that there is no gender pay disparity at AFC.

To enhance employee engagement and facilitate employee input, the Peoples' Consultative Forum, an employee-led forum with representatives from all levels of employment and departments, continues to assist Management in identifying and addressing staff-related matters.

As the Corporation's Next Decade Strategy commences, the Board seeks to ensure that AFC's organisational culture supports the Corporation's growth plans. In 2024, the Board will review the culture realignment strategy to be presented by Spencer Stuart on that basis.

Code of Ethics

All employees at AFC are signatories to our Code of Ethics, which clearly outlines the expectations for staff in conducting and managing AFC's business. The Code of Ethics applies to all business relationships, contractual agreements and internal operations. Consistently acting with a strong ethical compass is of paramount importance to the Board and Management across all jurisdictions and markets in which AFC operates. The Directors, Management and staff adhere to the highest ethical standards.

Whistleblowing Policy

The Whistleblowing Policy is an important part of promoting a culture in which staff are encouraged to speak up and constructively provide guidance on the improvement of 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 in 2023. This independent, confidential and toll-free hotline operates to enable employees to report issues anonymously, including any breach of the Code of Business Conduct. BACC also receives reports on any material incidents reported under the Internal Audit report.

In 2023, no incidents of unethical conduct were reported. AFC continues to conduct annual Anti-Harassment, Discrimination and Intimidation Workshops, as well as providing ongoing training for staff on whistleblowing and reporting. The People's Consultative Forum provides an additional platform for staff to report matters of concern. The Chairman of the People's Consultative Forum reports directly to the Chairman of the Executive Management Committee.

Anti-Money Laundering, "Know-Your-Customer" Checks and Sanctions Compliance

The Corporation remains committed to the prevention of money laundering and any use of its channels for fostering illegal activity. Thus, the Corporation has in place controls and procedures to ensure that the Corporation complies with sanctions administered and enforced by the African Union, United Nations Security Council and other relevant, internationally recognised sanctions authorities. The Board and Management continually monitor the effectiveness of systems, processes and controls to continually ensure that the Corporation's activities and business are carried out in compliance with sanctions and in line with a general commitment to observe international best practices.

Furthermore, the Corporation has joined global efforts to combat money laundering and terrorist financing. In 2023, Management ensured that all staff underwent training on detecting and combatting money laundering transactions. Such training and testing of knowledge is carried out annually.

The Corporation's AML policy makes it mandatory to fully identify and verify information on all potential clients. This includes partner financial institutions, credit customers, service providers, suppliers, investors and any other third parties that the Corporation discretionarily engages. The process includes without limitation identifying and verifying the legal establishment status, address, shareholding, corporate governance, sources of funds etc. of the clients. The Corporation will only establish relationships with entities that satisfactorily meet AFC's Know Your Customer (KYC) requirements.

Additionally, the Corporation maintains a gift register in accordance with the Board-approved gift policy. This policy mandates that all employees disclose to their line managers, copying Human Resources and the Chief Risk Officer in his capacity as the Chief Compliance Officer, any gifts received in connection with the Corporation's business that exceed the specified threshold amount.

Independent External Auditors

Upon confirmation by the General Meeting of Shareholders, the Board approved KPMG Professional Services (KPMG) as the Corporation's external auditors. External auditors are responsible for providing an unbiased assessment of the Corporation's financial statements and offering an objective opinion on whether the financial statements accurately represent the Corporation's operations.

Governance & Technology

As part of the drive to remain nimble and ahead of the curve, the 2023 Annual General Meeting was conducted as a hybrid meeting, with all Shareholder representatives attending and participating remotely. Additionally, most meetings were held virtually in 2023, facilitated by technological solutions, thereby reducing carbon emissions from travel that would have occurred in the event of a physical meeting.

In line with the Corporation's Next Decade Strategy, AFC will persist in leveraging technology to improve governance, enhance efficiency and reduce disruptions to our governance systems.

Annual General Meeting

Pursuant to the provisions of the AFC Charter, an Annual General Meeting will be held on 4 April 2024. A copy of the Notice is available on our website.



AFC will persist in leveraging technology to improve governance, enhance efficiency.



Leadership Profiles

A summary of the skills and experience of the Board of Directors and Executive Management as of 31 December 2023 are set out below.



Emeka Emuwa
Chairman of the Board of Directors
Independent Non-Executive Director

An Independent Non-Executive Director of the Africa Finance Corporation, Mr. Emuwa is the Chairman of the AFC Board of Directors and the Chairman of the Board Nominations and Governance Committee (BNGC).

Emeka Emuwa is a distinguished banker with a career of over 30 years leading and transforming banking institutions across Africa. He is the Chairman of Tangerine Financial (UK), the holding company for Tangerine Africa's financial services businesses currently comprising Life Insurance, General Insurance, Health Insurance, Pension Fund Administration and Asset Management.

In his previous executive role, Mr. Emuwa was the Group Managing Director and Chief Executive Officer of Union Bank of Nigeria, where he successfully led the bank's transformation following a US\$500 million recapitalisation by an international consortium of private equity investors. He was chair of Union Bank UK, the UK subsidiary of the bank, and also Non-Executive Director at HFC Bank (now Republic Bank) Ghana.

Mr. Emuwa joined Union Bank after a stellar 25-year career with Citibank where he was Country Officer and Managing Director of Citibank in Nigeria - the first Nigerian to be appointed to the position - following several country and regional head roles across Anglophone and Francophone countries in East, West and Central Africa.

An experienced Non-Executive Director, he is a Fellow of the Institute of Directors (UK) as well as a Fellow of the Institute of Bankers (Nigeria). He is a Certified mediator and holds a Certification in Corporate Governance from INSEAD.

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

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



Dr. Kingsley Obiora
Chairman of the Board of Directors
until September 2023

Dr. Obiora was the Deputy Governor (Economic Policy) of the Central Bank of Nigeria (CBN). Prior to this, he was an Alternate Executive Director at the International Monetary Fund (IMF) in Washington DC, USA. In this capacity, he was a member of the Executive Board, collectively responsible for conducting the daily operations of the IMF. He also assisted in representing the interests of 23 African Countries, including Nigeria, on the Executive Board.

He first joined the IMF through the globally competitive 'Economist Program' in 2007 and worked in both the European Department as well as the Strategy, Policy and Review Department, whilst carrying out extensive work on exchange rate assessment, debt sustainability analyses, decoupling and spillovers, real sector analyses, as well as several reviews of Financial Sector Assessments. Before the IMF, Dr. Obiora worked at the West African Monetary Institute in Accra, Ghana, and the Centre for Econometric and Allied Research at the University of Ibadan, Nigeria.

From October 2011 to May 2014, Dr. Obiora simultaneously served as Technical Adviser to Nigeria's National Economic Management Team and as Special Assistant to President Jonathan's Chief Economic Adviser. During this time, he played key roles in helping to shape the country's economic policies on several fronts, including on energy subsidies, power sector reform, measurement of job creation, architecture of development financing, regulatory framework for doing business, and asset-based economic mapping and modelling.

Dr. Obiora also served as Special Adviser on Economic Matters to the Governor of the CBN from June 2014 until July 2018. In this role, he contributed to the overall analytical and policy work of the CBN, bringing his extensive international and national economic experiences to bear in helping the Bank to understand the ramifications of, and deal with spillovers from, the external shocks emanating from the significant drop in global oil prices. Dr. Obiora has a first degree from the University of Benin as well as Masters and Doctorate degrees in Economics from the University of Ibadan.



Kirstine Damkjaer
Chairperson BACC & Independent
Non-Executive Director

Kirstine Damkjaer is the Chairperson of the AFC Board Audit and Compliance Committee and also an Independent Director of the Corporation. She is a Non-Executive Director at several companies in Africa, Denmark and the UK. Ms. Damkjaer 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. She has worked across multiple sectors with a strong focus on the sustainability and climate investment agendas.

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



Roosevelt Ogbonna Chairman BRIC & Non-Executive Director

Mr. Roosevelt Ogbonna is currently the Chairman of the AFC Board Risk and Investment Committee.

Roosevelt Ogbonna is the Managing Director of Access Bank PLC. Prior to his appointment, he was the Deputy Managing Director of the Bank and was the Executive Director, Wholesale Banking Division, Access Bank PLC. Mr. Ogbonna has over 25 years of experience in the banking industry, cutting across treasury, commercial, corporate and investment banking.

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 Holdings, Access Bank UK Limited, Access Bank (South Africa) Ltd, Africa Finance Corporation (AFC), Central Securities Clearing System PLC (CSCS) and Shared Agent Network Expansion Facilities (SANEF). He is also a member of the Nigerian Federal Government's Presidential High-Level Advisory Committee (HLAC) on Women's Economic Empowerment and a Committee member of the Federal Government of Nigeria's Philanthropy Office.



Anthony A. Ogunranti Non-Executive Director

Anthony Akindele Ogunranti is an Executive Director at Zenith Bank Plc with a vast wealth of experience spanning over three decades across the following areas: corporate banking, commercial and retail banking, public sector banking, structured/project finance, with strong relationships with multilateral and export credit agencies. Prior to his current appointment, he was the Managing Director / CEO of Zenith Bank, Ghana, and a two-time winner of the CEO of the Year award.

He is an Honorary Senior Member of the Chartered Institute of Bankers, Nigeria (HCIB), a Member of the Nigerian Institute of Management (Chartered), and an Honorary Fellow of the Chartered Institute of Credit Management, Ghana (FCICM). Until his appointment to the Board of Zenith Bank Plc, Mr. Ogunranti was a member of the Board/Governing Council of the National Banking College, Ghana (NBC) and Executive Member of the Ghana Association of Bankers (GAB). He currently sits on the Board of Zenith Nominees Limited and Mastercard Africa Leadership Council.

Mr. Ogunranti holds a B.Sc. (Hons) in International Relations, from Obafemi Awolowo University, Ile-Ife, an MBA in Marketing, and an MSc (Hons) Banking and Finance from the University of Ibadan. He has also attended the Executive Education Programmes of the Wharton Business School and Harvard Business School, respectively.



Anastasia Soula Proxenos **Independent Non-Executive Director**

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 has been an adjunct Professor at Johns Hopkins Carey School of Business and the School for Advanced International Studies (SAIS). She is an independent Non-Executive Director, consultant and advisor to 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). She led the effort in founding South African Workforce Housing Fund. As founder, she developed the concept, was responsible for staffing, raising the capital, strategy and government relations. She was co-chair of the investment committee and was with the group for eleven years. She remains on the group's advisory board. 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, an MBA from the University of Stellenbosch, and an INSEAD certification in Corporate Governance.



Bolaji Lawal **Non-Executive Director**

Bolaji Lawal is the Managing Director/Chief Executive Officer of Ecobank Nigeria Limited. He has over 28 years deep involvement and experience in digital and retail banking, corporate and commercial banking, credit risk management and corporate finance.

Prior to his appointment, Mr. Lawal served in different capacities at Guarantee Trust Bank Plc (GTB), including as a General Manager and Executive Director, where he led the team that envisioned and implemented GTB's Retail and Digital Banking strategy to achieve industry wide leadership over a ten-year period and introduced new products and solutions that have helped deepen payments and access to digital financial services in Nigeria.

Mr. Lawal holds a Master of Business Administration from the University of Oxford, a BL degree from the Nigerian Law School, and a Bachelor of Laws (LLB) from Obafemi Awolowo University.

Governance



Dr. Hassan Mahmud Non-Executive Director

Dr. Hassan Mahmud is an economist and central banker with over 30 years of public service experience. Currently, he is Director, Trade and Exchange Department, at the Central Bank of Nigeria (CBN), a position he assumed in November 2023. Prior to this appointment, Dr. Mahmud was the Director, Monetary Policy Department, at the CBN. In that capacity, he supervised and coordinated the formulation of technical inputs for the design and implementation of monetary policy. He also served as the Secretary of the Nigeria Monetary Policy Committee – the highest Monetary Policy decision body in Nigeria.

Dr. Mahmud was previously the Group Head, Macro-prudential Analysis in the Financial Policy and Regulation Department of the CBN, where he oversaw the conduct of off-site macroprudential surveillance, appraisal of banking industry financial soundness indicators, and evaluation of industry stress test.

From 2010 to 2014, he was the Special Advisor to the Governor on economic policy and research, where he played a key role in shaping the Bank's economic and monetary policies decisions, particularly in the areas of foreign exchange and inflation rate management.

Dr. Mahmud currently serves as a Term Expert to the IMF and the AFRITAC 2 - /IMF Institute in Washington DC, facilitating IMF regional training programmes at various IMF capacity training institutes.

Dr. Mahmud holds a first-class degree in Economics from the Ahmadu Bello University, Zaria, and Masters and PhD degrees in Economics from the University of Surrey.



Henry Paul Batchi Baldeh Non-Executive Director

Batchi Baldeh is an investment banker, infrastructure developer and utility management specialist, with over 37 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 to 1999. He is currently a Non-Executive Director of the Development Bank of Nigeria, and has 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), and is a Fellow of the Institute of Directors (South Africa).



Ini Ebong, Non-Executive Director

Ini Ebong is the Executive Director overseeing the Treasury and International Banking business of First Bank of Nigeria Limited ("FirstBank"). His scope of responsibilities encompasses the treasury business, international banking franchise across sub-Saharan Africa covering six countries (Democratic Republic of the Congo, The Gambia, Ghana, Guinea Conakry, Senegal and Sierra Leone), custody business servicing local and international clients, the structured trade, and commodity finance team, amongst others.

Before joining FirstBank as the Group Treasurer in 2011, Mr. Ebong was the Head of African Fixed Income and Local Markets Trading, Renaissance Securities Nigeria Limited, the Nigerian registered subsidiary of Renaissance Capital. He also worked at Citigroup for 14 years, starting in sales and trading within the Treasury Group, before rotating through a wide variety of trading roles across most treasury products, asset and liability management, treasury sales and marketing, treasury risk management, before becoming Country Treasurer and Sales and Trading Business Head in June 2003.

Mr. Ebong is a qualified architect and holds a BSc. and MSc in Architecture, obtained in 1990 and 1992 respectively, from the University of Ife, Nigeria.



Kabelo Rikhotso Non-Executive Director

Kabelo's career spans over two decades within the financial services sector. He is an experienced investment manager, dealmaker, business builder and a risk manager. Kabelo was appointed as Chief Investment Officer at the Public Investment Corporation (PIC) in May 2022. Through the Minister of Finance in consultation with SA Cabinet, he was later appointed as an Executive Director of the PIC (effective 15 Feb 2023). He is currently a Non-Executive Director of Heineken Beverages and the Africa Finance Corporation.

His responsibility at the PIC involves overseeing all investment activities of the institution and managing an investment team of c.200 people with Assets under management of circa US\$142 billion.

Prior to joining PIC, he was Executive and Fund Manager at Visio Fund Managers. He was the founder CEO and Executive Director of Royal Investment Managers for almost four years. He was the lead in pioneering the first black-owned investment firm to acquire equity stakes in high quality investment firms in South Africa. He served on the boards of Visio Fund Management, Ethos Private Equity, Sefikile Capital, and Balondolozzi.

He was the Head of Portfolio Management at Investment Solutions (now Alexander Forbes Investments) (AUM of R250 billion) for nearly a decade managing retirement, medical aid and retail funds across different asset classes and investment products. He started his career in asset management as a research analyst and portfolio manager at MCubed Asset Management (now Momentum Investments) and honed his risk management and fixed income skills at the National Treasury before returning back to asset management as Portfolio Manager for Fixed Income, Property and Equity Funds at Investment Solutions. Approximately a year later, he was promoted to Head of Portfolio Management. He has won a Raging Bull award for the Investment Solutions Income Fund.

Kabelo has over the years built a respectable reputation and nurtured an extensive network in the industry.

Kabelo's qualifications include a BSc (Mathematical, Physical and Statistical Sciences) from University of Cape Town (UCT) and B. Com Honours (Financial Analysis and Portfolio Management) from UCT, a M. Com (Financial Economics) from University of Johannesburg. He is also a CFA Charter holder (CFA Institute; USA).

Governance



Olumuyiwa Akinyemi Non-Executive Director

Olumuyiwa Akinyemi is a seasoned banking professional with a wealth of experience in the Nigerian financial sector. His career trajectory showcases his expertise in various facets of banking, particularly in corporate and commercial banking, energy banking and wholesale banking. Muiyiwa is the Deputy Managing Director of United Bank for Africa Plc (UBA). He oversees the bank's business across Nigeria and coordinates the corporate banking arm of the institution.

Prior to this, Mr. Akinyemi, who joined UBA in 2005, drove the bank's energy business and was the General Manager, Corporate and Commercial Banking. He also headed the Wholesale banking arm between 2013 and 2015, where he was responsible for the bank's business activities in various geographies where UBA was present at the time. He also headed UBA Kenya as the CEO/MD between 2010 and 2011.

Before joining UBA, Mr. Akinyemi worked at Standard Trust Bank between 1998 and 2005, where he led in various capacities including Head of Investment Banking, Head of the Energy & Telecoms Division and Structured Finance groups. He had previously worked at Diamond Bank between 1994 and 1998.

Olumuyiwa Akinyemi, who is a Chartered Accountant, graduated with a BSc. In Accounting from the Obafemi Awolowo University, Ile-Ife. He is also a member of several professional bodies including the Institute of Chartered Accountants of Nigeria, Chartered Institute of Bankers of Nigeria, and the Chartered Institute of Stockbrokers.



Mudassir Amray Non-Executive Director (Retired in January 2024)

Mudassir Amray was the Managing Director/Chief Executive Officer for Union Bank of Nigeria Plc. He is a seasoned banker with well-rounded exposure of over 25 years in senior management roles and a proven track record of adaptability in six geographies (USA, Nigeria, Malaysia, Hong Kong, Singapore and Pakistan) over the course of his career at Citibank and other foreign and local banks.

Prior to joining Union Bank, Mr. Amray led the establishment of Titan Trust Bank Limited and subsequently became the Bank's pioneer CEO in October 2019.

He holds an MBA from the University of Santo Tomas and a Bachelor of Commerce from National College, University of Karachi.



Dr. Kevin Amugo
Non-Executive Director
(Retired in February 2024)

Dr. Kevin Amugo joined the Central Bank of Nigeria as a Senior Supervisor in 1990 and has worked across numerous departments including accounts, banking, treasury, banking supervision, financial policy and regulation.

In the Banking Supervision Department, he rose to the position of Assistant Director, where he formulated and reviewed the Banking Supervision Policy. He has extensive knowledge in bank restructuring and management of distressed financial institutions. He was on the Committee of Bank Supervisors of West and Central Africa's Technical Committee on the Harmonisation of Prudential Standards. As a member of the Banking Sector Consolidation Committee, he midwived the seamless restructuring of the banking sector and supported the expansion of Nigerian banks into international frontiers.

In the Financial Policy and Regulation Department he rose to Director. As Project Manager he coordinated the implementation of IFRS/Basel II in the Nigerian banking systems. He also oversaw many guidelines, circulars and frameworks for the orderly supervision of the Nigerian banking system and facilitated structured financial policy and regulation plans. He retired from the Central Bank of Nigeria in July 2021.

Dr. Amugo holds a PhD in Management from Nasarawa State University, Keffi; an MSc in Finance from the University of Calabar; and a BSc. in Accountancy from the University of Nigeria, Nsukka. He is a member of the Institute of Chartered Accountants of Nigeria (ICAN) and a Fellow of the Institute (FCA). He has attended many national and international courses in leadership, corporate governance, banking supervision and regulation, accounting, finance, and risk management.

Executive Directors



Samaila Zubairu President & Chief Executive Officer

A champion for African value capture, job creation and industrialisation, Mr. Samaila Zubairu has corralled billions of dollars into transformative infrastructure over three decades of leadership. In over five years as President and CEO of AFC, Africa's leading infrastructure solutions provider has more than doubled membership to 42 African nations, tripled investments to US\$13.2 billion — including the largest renewable energy acquisition on the continent – grown Total Assets from US\$4.1 billion to \$12.3 billion, and increased Total Comprehensive Income to US\$327 million, navigating multiple global economic shocks including the COVID-19 pandemic.

Mr. Zubairu was also honoured as the African CEO of the Year at the recent AsiaOne Magazine Awards, recognising his contribution to driving growth and positively impacting communities across Africa through his visionary leadership and strategic expertise.

As the pioneer CFO for Dangote Cement Plc, Mr. Zubairu launched Africa's largest syndicated project finance facility for a local corporation and managed the watershed unbundling of Dangote Industries Limited to listed subsidiaries on the Nigerian Stock Exchange. During his time as CEO of Africapital Management Limited, Mr. Zubairu partnered with Old Mutual's African Infrastructure Investment Managers (AIIM) to develop the Nigerian Infrastructure Investment Fund1 and drive private equity investment into infrastructure projects across West Africa.

Mr. Zubairu co-chairs the Network to Mobilise Investment for Clean Energy in the Global South, a World Economic Forum alliance which brings together public and private stakeholders to unlock solutions for attracting clean energy capital flows in the Global South.

Mr. Zubairu is an Eisenhower Fellow and sits on the Board of Trustees for the fellowship. He is also a Fellow of the Institute of Chartered Accountants of Nigeria (FCA), and holds a BSc in Accounting from Ahmadu Bello University, Nigeria.



Sanjeev Gupta **Executive Director & Head of Financial Services**

Mr. Sanjeev Gupta is a Board member and Executive Director for Financial Services at AFC. He is responsible for treasury, trade finance and syndications, capital mobilisation and country relations, and the advisory lines of business within AFC. Mr. Gupta has over 30 years' experience in investment management, private equity and corporate finance. His forte has been to blend together global and indigenous corporates, financial investors and governments to develop commercially viable businesses 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 Mergers and Acquisitions Centre of Excellence at Ernst & Young. He has also held the roles of Chief Executive Officer of Sanlam Investment Management Emerging Markets operations and a Founder and Managing Partner of Emerging Opportunity Consulting, a boutique advisory firm specialising in SME financing.

Mr. Gupta holds a Bachelor's degree from the University of Calcutta, India, and is an alumnus of the Saïd Business School, University of Oxford, England, and the MIT Sloan School of Management. He is a Fellow of the Institute of Chartered Accountants, India (FCA).

Sanjeev is a Board Member at various charitable and not for profit organisations globally. He is a member of the Institute of Directors, United Kingdom. Also, a Guest Lecturer at various universities, e.g., UCLA Anderson School of Management, University of Amsterdam Business School, Indian Institute of Management: Shillong, India, Murdoch University, Virginia Military Institute, Dubai etc.



Sameh Shenouda **Executive Director & Chief Investment Officer**

Sameh Shenouda is the Executive Director and Chief Investment Officer. He leads origination, execution and portfolio management of transactions across a wide range of sectors and products. With over 27 years of experience in infrastructure investments, project development and fundraising in international capital markets, Mr. Shenouda has a deep knowledge of African markets, with specific experience in power, transport and logistics, industrial and oil and gas sectors.

Since Mr. Shenouda joined the Corporation in 2021, AFC has invested US\$3 billion in its key sectors: Power, Natural Resources, Heavy Industries and Technology, Transport and Logistics and Sovereign Lending. Examples of transformational projects include AFC's investment into Infinity Capital followed by the acquisition of Lekela Power – making Infinity the largest renewable energy company in Africa; Arise Integrated Industrial Platforms; Cap-des-Biches Independent Power Plant; Dangote Refinery; Cabinda Refinery; AFC's first technology transaction (M-Kopa); landmark exits from MainOne and Takoradi port; and the growth of the sovereign lending book to US\$1 billion.

Prior to joining the Africa Finance Corporation, Mr. Shenouda was the Chief Executive Officer of Zarou, a US\$1 billion developer, owner, investor and operator of infrastructure projects in Africa, the Middle East and Asia. Zarou was 100% owned by the Blackstone Group, one of the world's leading private equity investors.

Sameh Shenouda previously served as Head of Infrastructure at CDC Group Plc, now known as the British International Investment (BII), the UK government owned development finance institution. He built the institution's direct infrastructure equity business, investing over US\$2 billion in Africa and South Asia across manufacturing, infrastructure, financial institutions, power and other sectors.

Mr. Shenouda was the Natural Gas Industries Director at Orascom Construction Industries and Investment Principal at Actis, a leading US\$15 billion emerging markets private equity fund management business, with investments in over 50 countries.

Mr. Shenouda holds an MBA in Financial Management from the University of Exeter, UK, and degrees from the American University in Cairo, Egypt, in Development Studies and Economics. He is a graduate of INSEAD's International Executive Programme and a Member of the Institute of Directors, UK.

Other members of the Executive Management Team



Ayotunde Anjorin **Senior Director & Chief Financial Officer**

Ayotunde Anjorin is the Senior Director and Chief Financial Officer of the Corporation, with strategic leadership responsibilities for all finance-related activities comprising banking operations, financial reporting and control, performance management, product control, settlements and information technology.

Prior to his current position, he was AFC's Senior Vice President and Head of Finance and Operations. Ayotunde joined the Corporation as the Vice President and Financial Controller. He has also worked at Standard Chartered Bank Nigeria, where he held several positions within the finance group and internal audit, at both national and regional levels. In his last role in Standard Chartered Bank, he served as the Regional Head of Wholesale Banking Finance, where he was responsible for managing wholesale banking finance activities across West Africa. Earlier in his career, he worked at Andersen/KPMG as an Audit Senior within the Financial Services Division.

Ayotunde holds a Bachelor of Science degree in Accounting from Obafemi Awolowo University, Ile-Ife. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), with over 20 years' post qualification experience encompassing financial accounting, reporting and control, performance management, financial risk management, process re-engineering and reviews. He is an alumnus of the Harvard Business School, IMD & Wharton School of the University of Pennsylvania, and the London Business School Executive Management programmes.



Nana Eshun
Senior Director, General Counsel
& Corporate Secretary
(Retired in December 2023)

Nana Eshun was General Counsel and Corporate Secretary until her retirement in December 2023. Nana is a finance and infrastructure lawyer with several years' experience. While at AFC, she led the Legal Department on the Corporation's investments and borrowings, and she was responsible for other corporate legal matters and the Corporation's governance structures including the Board.

Prior to joining AFC in 2008, Nana worked for the African Development Bank where she led the legal aspects of financing for 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, Nana 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.

Nana 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 & 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, David spent 15 years working as a risk manager, trader and structurer at various international banks including Stanbic IBTC Bank Plc, where he was Regional Head of Market Risk for West Africa and trained other risk managers; 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.

David holds an MSc. in Business Systems Analysis and Design from 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.



Dr Rita Babihuga-Nsanze **Chief Economist & Director of Research** **& Strategy**

Rita Babihuga-Nsanze holds dual Honours degrees (BSc. & BA) in Computer Science and Economics from Smith College, Massachusetts, USA, alongside MA and PhD degrees in Economics from Clark University, Massachusetts, USA. Previously, she served as Director of Macro Research for sub-Saharan Africa at Barclays Investment Bank, London, UK, from October 2017 to December 2019. Before that, she held the role of Vice President and Senior Analyst at Moody's Investors Service (September 2014 – September 2017), overseeing credit ratings for sovereigns and multilateral development banks across Africa and Europe.

Rita's career began at the International Monetary Fund, where she spent over a decade as an Economist and Senior Economist across various departments. During her tenure, she undertook a secondment at the Bank of England, focusing on global financial stability issues during a pivotal period of reshaping prudential and regulatory frameworks.

With extensive experience as a global macroeconomist and sovereign credit expert, Rita has deep expertise within the financial services industry, across international and domestic policymaking institutions, global credit ratings, and financial markets.



Patricia Aderibigbe **Human Resources Director**

Patricia Aderibigbe holds a Master of Arts degree in Employment Relations and Law from Kingston University, United Kingdom, a Post Graduate Diploma in Personnel Management from South Bank University, United Kingdom, a Master of Arts degree in English Literature from University of Ibadan and a Bachelor of Arts degree in English Language and Literature from University of Benin.

She has over 25 years' experience in multi-national organisations, across different sectors, covering over 40 countries in Africa, Europe, the Middle East and the United States. Patricia is responsible for the Corporate Services Division with a remit that spans human resources, administration and procurement.

Prior to joining the Corporation, Patricia was the Group Head of Human Resources for United Bank for Africa Plc (June 2016 – August 2022). Patricia played a key role in developing and implementing the People strategy, creating a diverse, multicultural and inclusive environment; leading the bank's learning academy through digital transformation and employee first institution, with innovation in proprietary Learning Management System (cloud-based & mobile solutions), proprietary curriculum and contents with emphasis on learning culture rather than training; transcribing the bank's 'customer first' philosophy to employee experience strategies; and building a culture of appreciation in alignment with the bank's expansion across Africa, Europe and the Middle East.

Prior to this, Patricia was Chief Operating Officer at Tenoil Energy (September 2014 – May 2016) and COO/Director of Integration and Synergy at Heirs Holding (January 2013 – September 2014), having previously had a 13-year career stint at ELAN IT, a UK-headquartered outsourcing firm with footprint in 18 European countries, where she held various roles including COO, Director of Operations and HR Director.

Patricia is a Fellow of the Chartered Institute of Personnel and Development, a life member of the Institute of Directors, UK, and an honorary member of the Chartered Institute of Bankers, Nigeria.



Amadou Soumano **Acting Head of Legal & Corporate Secretariat**

Amadou Soumano is a highly experienced legal professional with over 15 years of expertise in transactional and investment law. Following the retirement of Nana Eshun, Amadou assumed the role of Acting Head of Legal and Corporate Secretariat at AFC. In his previous capacity as Deputy Director & Lead Counsel, he played a pivotal role in managing and providing legal oversight for key AFC investment, funds and asset management, and borrowing transactions, driving the strategic direction of the Corporation. Additionally, he represented AFC on the boards of select investee companies, further solidifying the Corporation's influence in strategic investment transactions.

Prior to joining AFC in 2019, Amadou amassed extensive experience in the African market and private equity sector during his tenure at Emerging Capital Partners (ECP), where he served as Principal Legal Counsel across multiple international offices. A distinguished lawyer admitted to the Bar of Paris, Amadou previously practiced corporate, banking and project finance laws at esteemed firms including Linklaters and White & Case, based in Paris.

Fluent in both English and French, Amadou possesses exceptional communication abilities, facilitating seamless collaboration across diverse environments. His extensive expertise and experience make him an invaluable asset to AFC, as the corporation continues to address Africa's infrastructure deficit and challenging operating environment.

Amadou is qualified (*Avocat à la Cour*) at the Paris Bar. Amadou holds a Master's degree (*Maitrise*) in Business and Tax Law from the University of Paris II Panthéon-Assas, and is a graduate of the Audencia School of Management, Nantes, France, where he majored in Finance.

People & Organisation

AFC continues to show resilience and innovation in navigating the new, post-pandemic world of work. In 2023, we implemented a physical return to office, phasing out the short-term hybrid working arrangement put in place in 2022, in favour of a more streamlined arrangement that allows employees to work remotely for a limited number of days within a quarter.



2023 marked the culmination of our (2019-2023) five-year strategy cycle. The Corporation's people function acted as an enabler, fostering an inclusive, high-performance culture. Our Performance Linked Pay (PLP) programme continues to facilitate quarterly performance reviews and motivate employees to consistently drive the achievement of strategic objectives. AFC continues to expand the business and harness new frontiers, necessitating a net increase in headcount from 152 to 157. The year closed with 152 full time staff and five contract staff. The Corporation has a diverse, multi-generational workforce, with representation from 24 nationalities, and a 62:38 male-to-female ratio.

AFC held two annual long service award ceremonies in July and December to honour 24 employees who have been contributing to the Corporation's success for five, 10 or 15 years. The Corporation also held its maiden 'CEO's Leadership Awards' in line with our commitment to recognise valuable employee contributions to the AFC's vision and mission. Awards were given for: Dream Team, AFC Collaborators, Service Excellence, AFC Fund Raisers, Innovative Team, Execution Falcon, AFC Intrapreneur, and AFC Person of the Year, amongst others. The Corporation's recognition framework facilitates high levels of commitment, engagement and the retention of talented employees.

The AFC People Strategy continues to be implemented to ensure close alignment with the Corporation's strategic imperatives, while also sustaining the drive for attracting, retaining and engaging top talent. Our streamlined talent management processes continue to drive efficiencies and effectiveness, while ensuring appropriate focus on the Corporation's critical resource – people.

Our learning needs assessment process and bespoke leadership development programmes at the emerging leadership levels continue to provide high-quality and cost-effective learning and upskilling interventions tailored to employee needs, while directly supporting the Corporation's strategic objectives.





The Corporation has a diverse, multi-generational workforce, with representation from 24 nationalities, and a 62:38 male-to-female ratio.



The Corporation has demonstrated its commitment to providing career progression opportunities to employees through promotions, secondments and redeployment opportunities. In June 2023, 15 employees (10% of the workforce) were promoted.

The year witnessed the retirement of the Corporation's Senior Director and General Counsel, Ms. Nana Eshun, on 31 December 2023.

In 2023, we held a company-wide retreat, comprising of a staff party and townhall meeting, which created opportunities for open communication, employee consultation and development, with the goal of fostering a healthy work environment in partnership with the HR function and executive management.

As the world navigates overlapping crises, AFC continues to be a dynamic and high performing organisation that proactively tackles challenges and risks as it maximises business opportunities. The mandate is clear, and the workforce is energised to build the Africa that we can all be proud of.

Risk Management

7

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 obligations to AFC.

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.

In 2023, the portfolio remained robust and resilient to shocks, buffered by high collateral levels and third-party insurance. Consequently, the non-performing loans ratio, at 2%, remained below the limit of 5%. Notable shocks were the Israel-Palestine war, military coups in Niger (July 2023) and Gabon (August 2023), and higher-for-longer US interest rates.

Elevated interest rates and the appreciating US dollar made it more difficult to service dollar-denominated debts in 2023. Some of the major economies in Africa, including Nigeria, Ghana, Egypt, Kenya and Morocco were downgraded.

However, Nigeria has taken a major step towards attracting foreign direct investment by adopting a single foreign

exchange rate and narrowing the gap between the official and parallel market rates. As a result of these reforms, Nigeria outlook was upgraded from 'stable' to 'positive' by Moody's Investors Services.

Energy subsidy reforms in Angola and Gambia, and tax increases in Ghana, Kenya and South Africa will alleviate pressure on public revenues in these countries in 2024.



“ In 2023, the portfolio remained robust and resilient to shocks. ”



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 AFC'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, due to 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 forecasted debt obligations.

Risk Management



Operational Risk

Operational risk 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: (i) Risk and Control Self-Assessment, (ii) Key Risk Indicators, (iii) Loss database management, (iv) Insurance, and (v) Business Continuity Planning. The Basic Indicator Approach (BIA) is used by AFC for operational risk capital charge. The BIA is the computation for operational risk capital in Basel II and represents 15% of the Corporation's average annual (positive) gross income over the last three years.

Cybersecurity and data risk are subsets of operational risk. All employees attend an annual operational risk training and multiple briefings on cyber security awareness.

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 the financing of terrorism.

Processes to enforce this policy include but are not limited to: (i) annual KYC training for all staff, (ii) the reporting of suspicious activities and (iii) enhanced KYC using specialist investigators.

Climate Risk

The Board provides oversight for climate risk and has delegated authority to the Board Risk and Investment Committee (BRIC), and Executive Management Committee (EXCO).

The Corporation has developed a draft climate risk policy, which is under review and will soon be finalised. The policy outlines our Net Zero strategy, relevant benchmarks and scenarios. Staff and counterparties will be trained and required to comply with AFC's climate risk policy.

Climate risk management is an integral component of our investment appraisal process and enterprise risk management framework. Our portfolio includes physical climate risks and transition risks, such as the EU Carbon Border Adjustment Mechanism (CBAM) 2022.

Insight from climate scenarios in development, will feed into financial forecasts and the Internal Capital Adequacy Assessment Process (ICAP). AFC will produce a Task Force on Climate-related Financial Disclosure (TCFD) compliant report which will provide an insight into the Corporation's disclosure goals.

AFC manages African geo-political risk by stress testing, leveraging its preferred creditor status as well as its privileges and immunities.

Geo-political Risk

This is the risk of loss (or the opportunity cost) due to deteriorating political relations between countries.

To pressure military governments to restore constitutional order, African countries with civilian governments, downgraded economic, political and security relationships with countries that have recently had a military coup. This shift in political relations has implications on cross border trade, collective efforts to strengthen regional security, and the fragmentation of regional economic communities.

Economic mismanagement, deterioration in the physical security of citizens and electoral fraud have been reasons given by military governments to justify a coup.

AFC manages African geo-political risk by stress testing, leveraging its preferred creditor status as well as its privileges and immunities.

Environmental and Social (E&S) Risk

E&S risk is the risk that AFC investments will adversely impact environmental and social standards in the region of operation. This risk encompasses pollution, biodiversity degradation, poor labour and repressive working conditions, insecurity and social unrest, community displacement, destruction of cultural heritage, and general governance and compliance issues.

AFC's E&S Policy defines standard practices in managing the E&S risk. Similarly, the Corporation's E&S manual offers step-by-step guidance to implement the E&S Policy.

All transactions were managed for E&S risks in 2023, and periodic reports, including annual performance monitoring reports and incident reports were prepared and submitted to AFC partners and lenders. E&S activity reports were also prepared for the BRIC and Risk Committee.

Mandatory annual E&S online training was carried out for all staff. In addition, a focused E&S refresher training for

the Investment Division was delivered in 2023. Risk Managers and Portfolio Managers completed an online E&S training administered by an external partner during the period.

In 2023, the focus of Environmental and Social Risk Management efforts was reducing fatalities across the portfolio, by systematically ensuring lessons from each fatality were disseminated to other clients in the portfolio. This effort will continue in 2024.

Environmental and Social Risk Management is responsible for monitoring the resolution of grievance from project stakeholders by AFC-funded companies. Grievances are only escalated to AFC if the project stakeholder is not satisfied with the resolution by the AFC-funded company.



Operating Review

In 2023, the global landscape was shaped by escalating geopolitical instability and a slowdown in global growth, along with the unprecedented global tightening in monetary conditions to combat record high inflation. Following the historically low interest rates prior to and in the wake of the pandemic, the major central banks aggressively raised interest rates, leading to tightened global financial conditions.

The Russia-Ukraine conflict persisted into its second year, intensifying disruptions in energy, grain and fertiliser supply chains. While energy prices receded from initial record highs, disparities among regions persisted, hindering economic growth, straining household and business finances, and complicating efforts to enhance access to electricity. Energy markets remained volatile amidst heightened geopolitical uncertainty.

In November 2023, conflict erupted in the Middle East, further complicating the outlook for oil prices and causing significant trade supply chain disruptions in the Red Sea and Indian Ocean regions. Despite potential supply side pressures, oil prices were tempered by slower global demand, primarily due to China's economic slowdown, which also impacted the prices of vital industrial and agricultural commodities.

In many African countries, these global challenges posed additional hurdles to the ongoing recovery from Covid-19. Much like elsewhere, many African countries grappled with the daunting task of taming rising food and energy inflation. With the surge in US interest rates, local currencies weakened against the US dollar, prompting a shift in domestic monetary and fiscal policies towards tightening. This transition resulted in tighter financial conditions both domestically and externally, placing a heavy burden on economic activity.

African countries found themselves largely excluded from global capital markets, with no mainstream issuances by any sub-Saharan African sovereigns in 2023. This situation partly stemmed from shifting conditions in the global financial landscape, fostering a risk-off environment. Additionally, it reflected the declining credit quality of African nations, a consequence of mounting debt levels in recent years and diminishing debt affordability. Many resorted to domestic financing, further crowding out the private sector. Notably, African governments became less capable of financing infrastructure projects due to their shift towards greater fiscal tightening and the scarcity of financing.

The deterioration in debt affordability significantly affected African governments, especially Eurobond issuers. Defaults on external and



African countries found themselves largely excluded from global capital markets, with no mainstream issuances by any sub-Saharan African sovereigns in 2023.

domestic debt obligations by two African sovereign Eurobond issuers, Ghana and Ethiopia, brought the total number of post-COVID sovereign debt defaults to three, including Zambia. These events raised concerns of contagion to other African Eurobond debts, leading to sharply rising spreads.

Political instability also surged in parts of Africa, resulting in a number of coups. Since 2020, there have been nine successful and eight failed coups in West and Central Africa, with four occurring in 2023 alone.



Notwithstanding the global economic and geopolitical headwinds, AFC saw impressive growth, with total assets increasing by 17.3% to US\$12.3 billion and surpassing our US\$10 billion five-year growth target ahead of schedule. The Corporation recorded a 15.3% rise in profit to US\$329.7 million, and a 24.2%

increase in operating income of US\$497.5 million.

Our resilience, strong performance and sound financial outcome, enabled the Corporation to continue to drive high impact infrastructure development and structural economic transformation across Africa during 2023, gaining recognition on the continent and beyond.



We raised capital globally, onboarding the Republic of Turkey (through Turk Eximbank) as an inaugural non-African shareholder, and partnering with DEG, Proparco, CDP, the Green Climate Fund (GCF), OPEC Fund, the Export-Import Bank of China, as well as new lenders from the Middle East and Asia. We successfully tapped pools of African capital, with equity from Egypt, Côte d'Ivoire, Cameroon, DRC and Mauritius. This funding underscored the Corporation's creditworthiness amid challenging macroeconomic conditions.

In 2023, AFC led the continent's response to global aspirations for Net Zero emissions through our capital

deployment strategy, meeting high market demand for credible project developers deploying funds towards the energy transition and bolstering Africa's image as a compelling investment proposition, rather than aid case.

We invested in sustainable industrialisation, increasing the Corporation's stake in ARISE IIP and scaling the platform's reach across Africa as well as our impact on job creation and enhanced value capture. We became Africa's largest renewable energy investor with the acquisition of Lekela Power alongside our partner, Infinity, and further scaled our portfolio with the inauguration of Djibouti's first-ever wind farm and IPP. We supported

the critical minerals sector in Nigeria and the Copperbelt region, providing advisory and project development support on the Lobito corridor, the signature initiative of the G7's Partnership for Global Infrastructure and Investment (PGI), and partnering with Nigeria's Solid Minerals Development Fund (SMDF) to improve the geological mapping and funding availability for early-stage mining projects in Nigeria.

We continued to position ourselves as the partner of choice for transformational, impactful investment on the continent, through our investments and engagement with a wide array of stakeholders.

Operating Context Dashboard

	Fiscal							Geopolitical				Other			
	African currency devaluations	African Sovereign debt	FX shortages	Government fiscal tightening	High interest rates	High inflation	Tightening credit availability	Israel-Palestine war	Military Coups & Political instability	Russia-Ukraine war	Terrorism	Climate change	Commodity price volatility	Food insecurity	Supply chain disruptions
Power	3				3										
Natural Resources													3		3
Transport & Logistics										2					2
Heavy Industry	1		1		1		2					1			1
Portfolio Management					2										
Project Development					2	2		2	2	2		1			
Product Solutions		3			3	3	3	2	2	3	2	1	2		
Financial Services					2	2	3								
Treasury Client Solutions			1		2		2						2		
Financial institutions & Trade	3	2				3			1						
Financial Advisory		2				2	2					1			
AFC Capital Partners												1			

Key

- 1 = Neutral / low Impact (Yellow)
- 2 = Moderate Impact (Orange)
- 3 = High Impact (Red)

Power

2023 Power Sector Backdrop

The power sector in Africa faced ongoing challenges in 2023, characterised by high base rates, commercially weak utilities, currency devaluations, lack of supply in many rural/remote areas of the continent and the prevalence of fragile economies with low growth rates.

Despite these obstacles, the demand for electricity to meet household needs and drive economic development remains robust. Africa is endowed with abundant natural resources, both renewable and non-renewable, which, with proper investment, can facilitate large-scale electricity generation through gas, hydro, wind and solar energy.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on the power sector.

AFC continues to originate and close transactions in this challenging environment, where competitors offer increasingly competitive rates and concessional debt financing, particularly for renewable energy projects. However, persistent high base rates pose challenges for debt financing, especially for renewable and hydropower projects, often necessitating concessional finance.

Nevertheless, investment opportunities in Africa's power sector persist. AFC's focus lies in offering mezzanine products and equity for renewable projects with promising returns, along with exploring avenues for local currency funding for specific power investments. Additionally, AFC aims to identify opportunities for corporate facilities catering to large developers and entities seeking to rehabilitate existing hydro facilities.

2023 Power Sector Strategy and Objectives

At the heart of AFC's Power Sector strategy is a focus on building a renewable energy portfolio of over 3GW by 2025. Substantial progress was achieved towards this strategic goal during the year, highlighted by the acquisition of the 1GW Lekela Wind portfolio from Actis and Mainstream Energy, alongside our ongoing partnership with Infinity Power Holdings. Additionally, the 60MW Djibouti wind project commenced commercial operations, and significant progress was made on the construction of the 44MW Singrobo hydro project in Côte d'Ivoire.

Our Renewable Energy Platform has grown significantly to 1.4GW, making it the largest in Africa. This portfolio encompasses operational, construction and development wind, solar and hydro assets across various African countries, with AFC's power portfolio expanding into Egypt and South Africa during 2023. In addition to equity investments, we are ramping up our lending, particularly mezzanine debt, to support renewable energy projects.

While our focus on renewables remains paramount, we continue to advocate for the development of baseload power through hydroelectricity and the use of gas as a transitional fuel. We are committed to providing debt funding for the rehabilitation of ageing hydro facilities, enhancing the functionality of cost-effective baseload assets.



AFC's focus lies in offering mezzanine products and equity for renewable projects with promising returns



In 2023, we also achieved successful financial close of the 300MW Senegal Independent Power Project (IPP).

AFC's total power sector disbursement in 2023 amounted to US\$452 million, bringing the cumulative on-balance sheet value of AFC's power sector

investments to over US\$1.1 billion. We collaborated closely with our internal Project Development team to advance projects in the development pipeline, ensuring their viability for project financing, including the 300MW Senegal Gas IPP and 33MW Guinea Solar IPP.

Power

Key Achievements in 2023

Despite the challenging market conditions, which also placed significant financial strain on national utilities, the Power Sector witnessed notable growth in its asset base throughout 2023. This growth primarily stemmed from disbursements directed towards projects in Senegal, Côte d'Ivoire, Cameroon, Egypt and South Africa.

Renewable Energy Portfolio/ Platform Highlights:

- AFC's renewable energy equity portfolio grew by 1.0GW year-on-year, from 365MW in 2022 to 1.4GW in 2023. This increase was largely attributable to Infinity Power Holdings' acquisition of Lekela, which has a portfolio of seven large wind assets across Africa.
- Cabeólica S.A., an AFC investee company and owner of four wind farms on the islands of Santiago, São Vicente, Sal and Boa Vista in Cape Verde, signed an updated Memorandum of Understanding (MoU) for the expansion of its facilities. The MoU targets an expansion of the Santiago facility at Monte São Filipe by 13 MW, along with the installation of two 5MW energy storage batteries on the islands of Santiago and Sal.

- Cabeólica S.A. won the bid to build, finance and operate a 14MW battery storage system on two Islands in Cape Verde.
- Mainstream Energy won the concession of the 700MW Zungeru hydropower project in Nigeria, which AFC is in the process of co-financing with a loan facility to Mainstream Energy. This will strengthen the existing relationship with the client and increase our presence in AFC's host country following the successful completion of the concession process by the relevant agencies in Nigeria.

Non-Renewable Energy Portfolio Highlights:

- AFC provided financing to the 300MW West Africa Energy IPP Project in Senegal to accelerate project development and construction.
- AFC completed work on a 90KV substation which is to be handed over to the Côte d'Ivoire transmission company.
- We opened promising discussions with potential co-investors on the construction of transmission line infrastructure in Uganda.

Projects in Construction:

- **Infinity Energy Africa:** Since AFC's 2022 acquisition of a minority stake in Infinity Energy Africa, a renewable energy company that owns 235MW of solar assets in Egypt through Infinity Power Holdings, the company has recorded significant success in its ambition to grow the platform to 3GW of renewable power assets by 2025. In 2023, Infinity Power Holdings acquired 100% of Lekela Power, the largest wind platform in Africa with 1,035MW of operating capacity across seven wind farms in Senegal, Egypt and South Africa. Today, Infinity Power Holdings operates 1.4GW wind and solar projects in those countries, which all have Power Purchase Agreements guaranteed by the respective Governments. The company is the largest renewable energy player in Africa and in 2023, avoided 3.4 million tonnes of carbon emissions.
- **44MW Singrobo-Ahouaty Hydropower Project:** The Singrobo hydropower project achieved long-term lender financial close in December 2022, despite facing various obstacles, including stringent environmental regulations, COVID-19 restrictions, and government changes in Côte



d'Ivoire. This project represents AFC's first equity investment in a hydro IPP and is a key proof of concept for our bridge financing approach, through which we provided €149.6 million in funding to accelerate construction, while working in parallel towards long-term lender financial close. With 91% of the construction complete, the reservoir will be filled in the course of 2024, and the project is expected to achieve commercial operations at the end of 2024. The senior lenders include AFC, the African Development Bank, Emerging Africa Infrastructure Fund (EAIF) and the German Investment Corporation (DEG).

The project advances the stated ambition of the Ivorian government to derive 42% of its energy mix from renewable sources by 2030. As a project of strategic importance to the Ivorian government, Singrobo expands the Corporation's impact in Francophone

Africa, and serves as an example of our ability to accelerate development impact through a combination of project development expertise and innovative financing tools.

- **Red Sea Power:** Our 60MW wind farm in Djibouti, Red Sea Power, achieved Commercial Operations Date (COD) on 31 December 2023, and the Financial Close of the senior debt financing is planned for Q2 2024. The lenders of the first IPP in Djibouti will be AFC, FMO and EAIF. The project was originally funded by shareholders with equity bridge financing in 2019, led by AFC alongside FMO and Climate Investor One. The project will displace diesel gensets as the principal source of electricity generation in Djibouti, and propel the country towards its emissions reduction targets, helping to establish a self-sufficient energy future. For further information about Red Sea Power please see page 117 in the Project Development section.

Red Sea Power, Djibouti. Photo Credit: Thought Leader Global



Infinity Energy, South Africa



Power

• **300MW Senegal IPP Project:** In December 2022, AFC approved a €250 million underwriting facility and signed the debt financing documents for the Senegal IPP project in Capes De Biches, Senegal, as the mandated lead arranger. This followed AFC's provision of project development financing and structuring support to enable the project commence construction in 2019, in line with the government's infrastructure development goals and ahead of debt financial close.

In February 2023, AFC achieved financial close on the Senegal IPP project. Construction is 65% complete due to a total disbursement of €175 million by AFC over the course of the year, and the project is on track for commercial operations in 2024. Upon completion, the Senegal IPP project will be the largest and most cost-effective power facility in the country, providing a steady source of baseload power to the nation.

• **Hakan:** The project's two 35MW peat-fired units were tested in December 2022 and commissioned to provide electricity to the national grid, with the expectation that commercial operations will be achieved in Q2 2024. The project aims to augment fuel supplies in order to increase the amount of power furnished to the national grid.

2024 Outlook and Strategy:

Key areas of focus will include:

- Scaling the AFC Renewable Energy Platform by (i) acquiring operating assets and developing pipeline assets offering stable cash flows to the platform; and (ii) building and closing the pipeline of development projects in high growth markets offering strong returns.
- Growing the Corporation's non-renewable energy portfolio, especially gas IPP projects, in recognition of the role of gas as a transition fuel.
- Diversifying the portfolio by increasing investments in transmission infrastructure and regional interconnectors to optimise the value of generating assets on the continent.
- An enhanced focus on captive power opportunities for mines, commercial and industrial operators.
- Collaborating with utilities, developers, EPC contractors, and financiers to identify, fund and revive the capacity of existing hydropower projects and hydropower project concessionaires.
- Collaborating with the recently established US\$750 million Infrastructure Climate Resilience Fund (ICRF) managed by AFC Capital Partners, which is AFC's 100% owned third-party asset management company dedicated to investing in profitable, de-risked climate resilient infrastructure assets over the next three years.
- Exploring the emerging opportunities that will come from the use of hydrogen as a fossil fuel alternative. Africa's vast renewable energy potential creates opportunities to create green ammonia for export to Europe while fostering the use of hydrogen in certain high-value industries on the continent, such as fertilisers, shipping and green steel.
- The provision of low-cost baseload electricity to Special Economic Zones and other mining and beneficiation ecosystems that will ultimately use the logistics infrastructure provided within the Lobito Corridor (see Project Development, page 119).
- The provision of electricity for African industry increasingly migrating towards the use of electric motors for industrial machinery that were previously driven by fossil fuel powered engines.
- The identification of opportunities to finance infrastructure in local currencies within a select number of countries.



Singrobo Hydropower, construction



Upon completion, the Senegal IPP project will be the largest and most cost-effective power facility in the country.



Lekela construction



Natural Resources

2023 Oil and Gas Sector Backdrop

Throughout 2023, the oil and gas industry faced a dynamic operating environment marked by shifting trade dynamics, production adjustments and fluctuating prices.

Crude oil prices experienced a notable decline compared to 2022, albeit remaining elevated. Brent crude averaged US\$83 per barrel, down from US\$101 per barrel in 2022, while West Texas Intermediate averaged US\$85 per barrel, marking a c.10% decrease from the previous year. This decline was primarily attributed to adjustments in crude oil trade dynamics, including a reorientation in Russian crude oil exports outside the European Union, coupled with global demand falling short of expectations.

OPEC+ responded to declining crude oil prices with production cuts. Beginning in April 2023, Saudi Arabia and other OPEC+ members announced voluntary cuts totalling approximately 1.6 million barrels per day, equivalent to about 3.7% of global oil demand. Additional cuts of approximately 1.7 million barrels per day were announced in November 2023. However, these production cuts did not lead to a recovery in crude prices, with Brent crude ending the year at around US\$77 per barrel in December.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on the oil and gas sector.

Global upstream investments increased by 3% to approximately US\$592 billion in 2023. This growth was driven by

increased project sanctioning activity, which surged by 55% to US\$200 billion. Africa's share of global upstream investment exceeded pre-pandemic levels, reaching approximately US\$46 billion or around 7.5% of global capital expenditure. Greenfield investments played a significant role in driving this increase, with key projects such as the Mozambique LNG project, the Kingfisher South and Tilenga projects in Uganda, and the Nigeria LNG Train 7 project contributing significantly.



In the natural gas sector, Henry Hub gas spot prices experienced a significant drop, averaging US\$2.57 per million British thermal units (MMBtu), down 62% from the previous year. This decline was attributed to steady demand growth in the global LNG market amid limited new capacity additions. LNG prices ended the year at approximately US\$2.52 per MMBtu in December 2023.

Mergers and acquisitions (M&A) activity in sub-Saharan Africa's oil and gas

sector totalled US\$3.2 billion in 2023, representing a significant decrease from the previous year. This decline was primarily driven by divestments of exploration licences by major companies. Strategic asset divestments continued to dominate M&A activity, with notable transactions including Maurel & Prom's acquisition of Assala Energy (Gabon) and ETU Energias' acquisition of Galp Energia's Angolan asset portfolio.

Natural Resources

2023 Strategy

AFC's Natural Resources business aims to drive economic growth and enhance energy security across African nations by leveraging innovative financial solutions to support sustainable development and maximise value extraction from Africa's abundant mining and oil and gas resources.

The mining sector holds significant importance in the global energy transition and the pursuit of energy security, as metals are essential components of both conventional and renewable energy technologies. Africa stands as a crucial player in the global mining landscape, boasting extensive reserves of the minerals vital to the energy transition. In 2023, AFC strengthened its commitment to the African mining sector by expanding its capacity to facilitate project development for early-stage opportunities and introducing innovative financing solutions across the sector. Key initiatives included the launch of a joint project development programme in partnership with Nigeria's Solid Minerals Development Fund (SMDF) to bolster early-stage projects, particularly in Nigeria, and the establishment of a strategic alliance with X-Calibur Multiphysics to provide integrated resource mapping solutions to African governments, enhancing opportunity identification and attracting investor interest. Additionally, AFC actively advocated for beneficiation by engaging in strategic dialogues with governments, industry stakeholders, technical experts and the global financial community.

The oil and gas sector remains an important driver of economic development and energy access in

African countries. AFC's investment activities in this sector focused on promoting responsible and sustainable production practices, fostering indigenous participation in the upstream and midstream segments, enhancing capacity building efforts, exploring gas development and monetisation opportunities, and supporting decarbonisation projects across all three emission scopes. Through these efforts, AFC aims to play a pivotal role in developing Africa's energy landscape while ensuring the sector's long-term sustainability and environmental stewardship.

Oil and Gas Sector Outlook

According to the US Energy Information Administration (EIA), Brent crude oil prices are projected to average US\$82/bbl in 2024, slightly lower than the 2023 average of US\$83/bbl. This forecast is driven by expectations of relatively balanced global supply and demand dynamics, with continued OPEC+ production cuts contributing to price stability. However, a key risk to this outlook is the potential for global oil production to exceed forecasts, particularly with the anticipated startups of several greenfield projects in Guyana, Brazil, Norway and Canada. These projects, less sensitive to price fluctuations, could significantly boost non-OPEC+ production growth.

In the area of Natural Gas, the EIA anticipates that the average Henry Hub price will remain below US\$3.00/MMbtu in 2024. This forecast is influenced by modest demand growth due to milder winter weather conditions in Asia and Europe during the first quarter of 2024, alongside an expected decrease in natural gas consumption within the industrial sector.

A key takeaway from COP28 in 2023, was the acceptance of the need to transition away from fossil fuels in a just, orderly and equitable manner, to achieve Net Zero by 2050. A global consensus has been reached for the first time on the need to leverage existing technologies that can reduce the climate impact of oil and natural gas by capturing carbon dioxide produced when fossil fuels are burned to prevent emissions entering the atmosphere.

Asset divestments will continue to be a crucial strategy for African independents in the oil and gas sector to bolster their upstream participation. However, potential asset acquirers will increasingly prioritise energy transition considerations and adhere to rising environmental, social and governance (ESG) standards set by international financial markets.

2023 Mining Sector Backdrop

2023 was a less volatile year for precious metals, although some drastic price movements were witnessed during the first half of the year. Gold started the year at US\$1,950/Oz representing a c.8% increase from December 2022 prices of US\$1,805/Oz. This upward price performance witnessed at the start of the year, was driven by a weak US dollar and a c.37 basis points drop in the 10-year US treasury yield. A number of events, including a 0.25% rate-hike by the US Federal Reserve in February and the banking crisis in March 2023, also triggered price movements. Gold prices subsequently settled at US\$1,989/Oz in Q1 2023. Prices were generally stable in Q2 and Q3 2023, but spiked to US\$2,152/Oz in December 2023, on the back of the Israel-Hamas conflict in the Middle East.



AFC strengthened its commitment to the African mining sector by expanding its capacity to facilitate project development for early-stage opportunities.





A global consensus has been reached for the first time on the need to leverage existing technologies that can reduce the climate impact of oil and natural gas by capturing carbon dioxide produced when fossil fuels are burned to prevent emissions entering the atmosphere.



Natural Resources

In the Electric Vehicle (EV) critical minerals and metals space, copper prices started the year strong at c.US\$8,307/MT and climbed to c.US\$9,406/MT by the end of January 2023. However, mild volatility was witnessed in Q2 2023, with prices eventually settling at c.US\$8,270/MT, on the back of lower demand for copper from the Chinese real estate sector. Copper prices started to decline in Q3 2023, settling at c.US\$8,227/MT. This was due to continued demand headwinds from the Chinese real estate sector and fluctuations in the value of the US dollar. Copper prices rebounded to US\$8,618/MT in Q4 2023, as Chinese stockpiles dropped to 13-month lows and inventories held by the London Metal Exchange also declined. Cobalt prices in 2023 were notably affected by a surplus, as mining companies across the globe progressively ramped up production to meet demand over the last three years. The production increases came alongside a shift towards replacing cobalt in their batteries, with prices notably hitting a three-year low in Q2 2023 at c.US\$29,525/MT, before ending the year at c.US\$33,420/MT according to S&P. Following all-time high prices in 2022, lithium prices dropped by c.81% from January to December 2023, and ended the year at US\$13,659/tonne. This drop in price performance has been attributed to downward pressures caused by oversupplied markets in Asia, primarily fuelled by the global adoption of EVs slowing amid high interest rates.

In terms of bulk metals, price performances witnessed volatility, similar

to EV metals. Iron ore prices hit US\$128/MT in Q1 2023 but fell to as low as US\$105/MT in Q2 2023, before recovering to c.US\$138/MT in December 2023. The volatility in H1 2023 was primarily driven by depressed steel demand from the Chinese property sector. Iron ore prices recovered at the end of 2023 on the back of various stimulus measures announced by the Chinese Government to incentivise the consumption of goods that have steel as a key input. Bauxite prices started the year at c.US\$567/Ton in January 2023, before dropping to c.US\$95.50/Ton in Q2 2023 on the back of suppressed demand from China. They subsequently rallied to c.US\$533/Ton in December 2023 due to a supply squeeze caused by a terminal explosion incident in Guinea, which is a major bauxite supplier to China. Aluminium prices followed a similar trend to bauxite prices in 2023, averaging c.US\$2,933/ton in Q1 2023. Prices subsequently dropped by c.19.4% to US\$2,365/Ton in August 2023 due to the headwinds emanating from the Chinese economy. Aluminium prices subsequently rallied to c.US\$2,600/Ton, in December 2023, following a similar trend to bauxite.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on the mining sector.

Mining Sector Key Trends, Drivers, and Outlook

S&P reports that mergers and acquisitions (M&A) activity in the mining sector remained strong in 2023, with an

estimated deal value of c.US\$121 billion, representing c.61% growth from 2022. The key driver around strong activity was centred around critical minerals, as industry players continued to shift their asset portfolios to bridge supply gaps. Fitch Ratings estimates that copper M&A activity accounted for 11% of the total mining deal value for 2023. Gold also continued to remain a top priority among industry players.

ESG factors remained an important focus for investors and industry stakeholders, with miners increasingly integrating ESG into their corporate strategies, decision-making and stakeholder reporting. Social responsibility is an increasingly important theme. Miners are under increasing pressure to assume more responsibility for their impact on communities and to exceed their contractual regulatory obligations.

In 2024, Fitch expects that the mining sector will see continued investment in critical mineral projects. Consequently, 2024 is expected to be a year of reinvention for many miners, as available capital for critical minerals will catalyse miners to actively pursue strategic diversification opportunities that enable the inclusion of EV metal assets in their portfolios. Modest demand growth in base metals in 2024 is also expected and will be underpinned by continuous stimulus in China and an expected industrial recovery in developed markets. A key risk to the outlook will be global macroeconomic headwinds, as global economic growth is expected to decline to 2.4% in 2024 from 3.6% in 2023.



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AFC, SMDF, and Xcalibur partner to boost Nigeria's geological data capabilities

Key Achievements in 2023

F.G. Gold Mezzanine Facility

In December 2023, AFC closed a US\$55 million Mezzanine Debt Facility to FG Gold Limited, for the construction of the Baomahun Gold Project in Sierra Leone. This followed AFC's US\$45 million stream investment in the project, which was used to fund infill drilling and other late development works. AFC's stream investment gave rise to a significant increase in the project's ore resources from 3.67Moz to 4.55Moz, culminating in the completion of the project's definitive feasibility study in 2022.

As Global Financing Coordinator, AFC continues to work with other financial institutions to secure a comprehensive construction financing package for the project. The mine is expected to contribute significantly to Sierra Leone's development through the creation of opportunities for skills development and technology transfer to the host

communities, which 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 is being created in conjunction with the host communities.

Pecan Energies:

In April 2023, AFC completed the acquisition of 100% of the share capital of Pecan Energies AS, previously Aker Energy A.S., from Aker Energy Limited. Pecan Energies holds a 50% operatorship interest in the Deep Water Tano/Cape Three Points ("DWT/CTP") licence, located offshore Ghana.



Baomahun Gold Project, Sierra Leone

Following AFC's acquisition, the Government of Ghana approved the licence's Plan of Development. The development of the DWT/CTP licence is expected to contribute up to US\$20 billion to the Government of Ghana's revenue, and boost the country's GDP by an additional US\$35 billion, as well as creating up to 9,000 jobs by 2040.

Prime Oil & Gas B.V.

In June 2023, AFC and a consortium of banks successfully closed a six-year US\$750 million Reserve-Based Lending facility to Prime Oil and Gas B.V. (POGBV). POGBV owns interests in two international oil companies' operated, low cost, deep-water offshore Oil Mining Licenses (OMLs) in Nigeria, OMLs 127 and 130, which consist of three producing oil fields: Agbami, Akpo and Egina, and further appraisal fields. The refinancing follows the licence extensions granted by the Nigerian Government in 2022 and 2023 respectively.

The fields are some of Nigeria's largest producing oil fields, and jointly account for c.30% of Nigeria's daily crude oil production. These strategic assets have operated without disruptions and are well-positioned to provide the Nigerian Government with much-needed funding to support efforts to enable Nigeria's gas transition.

Sociedade Petrolifera Angolana S.A.:

In October 2023, AFC acted as co-Mandated Lead Arranger, alongside the Africa Export-Import Bank and Banco Angolano de Investimento, to provide a US\$190 million senior secured debt facility to Sociedade Petrolifera Angolana S.A. (Somoil) to fund the acquisition of a 20% non-operated interest in Angolan offshore Block 14, and a 10% non-operated interest in offshore Block 14K from Total Energies and Inpex Corporation.

Through this acquisition, Somoil has cemented its position and boosted its net production base by 10,000 bopd to 19,000bopd, thus providing an avenue to bolster its capacity to operate and manage deep offshore assets.



Growing global demand for critical minerals has positioned Africa as a key enabler for the global energy transition.



AFC Natural Resources Business Model and Strategy for 2024

Growing global demand for critical minerals has positioned Africa as a key enabler for the global energy transition, given the significant quantity of key transition-enabling metals on the continent, such as copper, cobalt, graphite, lithium and platinum group metals. There is now increased global focus on Africa's leading role in providing the critical mineral resources required for a successful energy transition. Therefore, increased upstream mining activities and in-continent resource beneficiation, which would ramp up the supply of critical minerals, has become a critical pillar of AFC's mining business strategy for 2024 and beyond.

In 2024, AFC will continue to sharpen its focus on catalysing investments to

support the bankability of early-stage EV metals projects, while adopting innovative financing products including royalty finance, streaming and project development investments. AFC will simultaneously scale up the deployment of alternative financing for precious metals and bulk commodities. The Corporation's 'ecosystem' investment philosophy will underpin AFC's investment strategy for the mining sector in 2024. The Natural Resources sector will source and execute projects that catalyse development impact by promoting in-country value chain development. This investment strategy will be underpinned by deep collaboration with other AFC focus sectors.

AFC will continue to make strategic and selective investments in the oil and gas sector, with a focus on gas-based opportunities that utilise gas for power

generation and industrial activity across the continent. AFC will leverage its balance sheet to invest in opportunities and partner with project sponsors in the oil and gas industry to decarbonise upstream operations, through the financing of production optimisation and gas flaring reduction initiatives.

A key part of our strategy for investing in oil and gas in 2024 will be a continued focus on supporting indigenous sponsors in the acquisition of non-operated interests in offshore assets to bolster technical capacity development in the long term, as supermajors continue to divest African assets. AFC's strategy for the oil and gas industry is underpinned by the need for cleaner and more affordable energy to spur industrial development and economic activity in Africa.

AFC & Etu Energais (formerly Somoil) signing



Transport & Logistics

2023 Transport and Logistics Sector Backdrop

The transport and logistics sector in Africa is a critical pillar for economic development. The evolution of the sector in 2023 was shaped by several themes such as infrastructure integration, local manufacturing and processing, energy security and regional integration, including the role of critical initiatives such as the Africa Continental Free Trade Area (AfCFTA) in boosting intra-Africa trade.

In 2023, the transport and logistics sector faced supply chain challenges due to the Russia-Ukraine conflict and the lingering effects of the COVID-19 pandemic. However, Special Economic Zones played an important role in the transport and logistics sector, helping to reduce Africa's dependency on global supply chains.

Refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on the transport and logistics sector.

Special Economic Zones serve as industrial clusters providing enabling infrastructure and a conducive business environment to process Africa's abundant agricultural and mineral resources. Special Economic Zones attracted increased foreign direct investment, and accelerated export revenues and job creation, while alleviating pressure on local currencies as a result of decreased imports and increased exports.

2023 Transport and Logistics Strategy

In 2023 our transportation strategy was focused on prioritising risk management, capital recycling and expanding our integrated industrial platform.

Throughout the year, our focus remained steadfast on effective risk management practices. We dedicated ourselves

to continuous portfolio monitoring and optimisation to mitigate risks and seize opportunities as they arose. Our approach centred on executing strategic transactions that held significant potential for transformation and developmental impact while ensuring the resilience and diversity of our investment portfolio.

A notable aspect of our strategy was the ongoing support for the growth of the Arise Integrated Industrial Platform (ARISE IIP), with a particular emphasis on geographic expansion in recognition of the fact that infrastructure is enhanced if it is part of a broader ecosystem of infrastructure assets that improve connectivity. One of the highlights was the successful closure of a landmark transaction in Uganda. This transaction facilitated the transportation of imported refined petroleum products from Kisumu,



In 2023, our transportation strategy was focused on prioritising risk management, capital recycling and expanding our integrated industrial platform.



Atlantic Terminal Services, Takoradi, Ghana

Kenya, to Kampala, Uganda, via barge, thereby markedly reducing the carbon footprint associated with traditional trucking methods. It is estimated that this substitution will eliminate the equivalent of 100,000 truck trips annually, resulting in a remarkable reduction of over 95% in greenhouse gas emissions.

In alignment with our overarching mandate to address Africa's infrastructure deficit and foster more

resilient economies, we also focused on building a robust pipeline of projects within the food storage and logistics sector. This strategic initiative aimed to enhance food security across the continent, drawing inspiration from the outcomes of the 2023 Africa Food Summit held in Dakar, Senegal. Additionally, we continued our efforts in developing efficient transportation infrastructure tailored to Africa's key resources, with a particular emphasis on critical minerals, oil and gas. These

initiatives are poised to yield positive ripple effects on African economies, further solidifying our commitment to driving sustainable development and growth.

Key Achievements in 2023

In 2023, our investments in the Transport and Logistics sector were instrumental in addressing critical infrastructure gaps and facilitating economic development aimed at enhancing connectivity, improving trade efficiencies and regional integration across the continent.

i. Full Exit from Atlantic Terminal Services, Takoradi, Ghana: Successfully executed a full exit from our equity investment in Atlantic Terminal Services in Takoradi, Ghana, to a strategic investor while continuing to support port development through debt. This strategic move involved transferring ownership to a major global port operator. This transaction not only allowed us to realise substantial returns but also contributed to the optimisation of port operations in the region.

In 2019 AFC committed to invest up to US\$138 million in equity and debt for the Takoradi Port Expansion Project. The project, which was completed in 2023, reduces the cost of imports and exports to and from the western and central regions of Ghana and neighbouring landlocked countries, by modernising a container and multipurpose terminal under a 25-year concession for its design, engineering, financing and construction. Upon completing construction in 2023, AFC strategically sold its 35% equity stake in

Takoradi Port to Yilport Holding A.S., a Turkish port operator – the twelfth largest globally – as a strategic investor with significant experience in port operations and an interest in expanding into Africa. Yilport acquired a 51% equity stake in the project and provided the capital needed to provide an efficient port in Takoradi as an alternative to the port terminals in Tema. The transaction is a testament to AFC's differentiated ability to conceptualise, build and de-risk projects at an early stage and crowd in other strategic investors at a later stage, thereby recycling capital for other projects.

ii. Dominant Port Position Consolidation in Terminal à Conteneur de Nouakchott, Mauritania: Strengthened our leading position in the port sector with the acquisition of our largest competitor, AP Moller Terminals Mauritania (APMTM), and capital expansion to support the ramp-up of operations. By consolidating our presence in this key market, we enhanced operational efficiencies, bolstered trade capacities, and reinforced regional integration efforts.

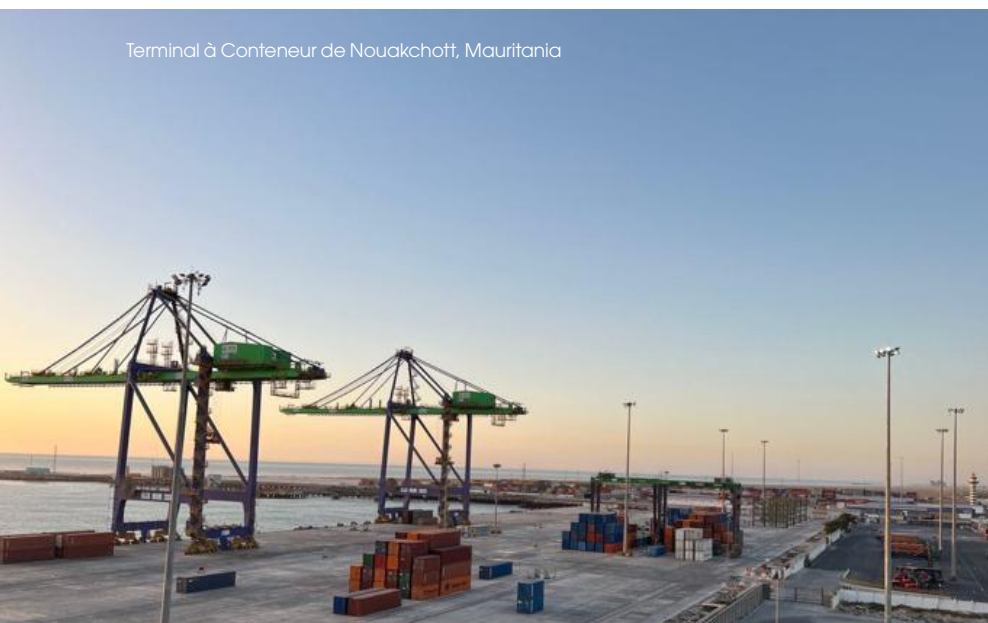
In 2019, we achieve financial close on the development of TCN, a container and liquid bulk terminal in Mauritania. The terminal, which has a 50/50 shareholding between AFC and Meridiam, became operational in 2023. The first step in our strategy

was to scale up efficient operations and build market share through TCN's acquisition of APMTM, the Maersk stevedoring company. The acquisition was a win-win for the parties as TCN gains exclusivity to provide terminal services for all Maersk vessels calling at Mauritania, while Maersk benefits from the operations of a modern terminal with state-of-the-art equipment to improve their operational efficiency. In addition, TCN also gained a platform to develop bulk and logistics activity in the newly branded APMTM, renamed Minaa Mauritania Logistics.

iii. Transformational Mahathi Infra Fuel Transportation and Storage Project in Uganda: Initiated a transformative project in Uganda focused on fuel transportation and storage. This significant investment plays a pivotal role in addressing critical infrastructure gaps, improving fuel distribution efficiencies and enhancing energy security within the region.

In Q2 2023, AFC reached financial close on a US\$120.25 million financing for Mahathi Infra Uganda Limited, which comprised US\$100 million in senior debt and US\$20.25 million in equity and shareholder loans. The project was developed as a low carbon alternative to transport refined petroleum products from Kenya to Uganda, via self-propelled barges on Lake Victoria. One barge trip replaces the equivalent

Terminal à Conteneur de Nouakchott, Mauritania



of 200 trucks annually, which - given Uganda's annual consumption - results in the equivalent of 100,000 fewer trucks on the road from Kisumu in Kenya to Kampala in Uganda. The self-propelled barges also generate 22 times less GHG emissions compared to trucks. This reduction in road traffic is targeted to ease congestion and minimise issues such as product adulteration, theft and accidents. The project will also alleviate working capital burdens for small and medium-sized distributors, enabling them to procure products directly from the Mahathi storage facility, reducing delivery time by at least a week.

iv. Geographic Expansion of ARISE

IIP: US\$125 million convertible debt extended to fund geographic expansion of ARISE IIP. This expansion initiative further solidified our commitment to fostering economic growth and development across multiple regions. By broadening our footprint, we facilitated greater access to integrated industrial services, driving innovation and job creation.

AFC supported ARISE IIP with a US\$125 million convertible note for the

development of integrated industrial platforms in new geographies, including Nigeria, Rwanda, the Republic of the Congo, Côte d'Ivoire and DRC. The capital injection is part of a US\$500 million convertible loan programme that spans five years. With this investment, ARISE IIP was also able to close an additional US\$86 million convertible loan from the Fund for Export Development in Africa (FEDA). As part of this transaction, AFC converted its existing convertible note to equity, with an outstanding balance of US\$171 million. This resulted in an increase in AFC's shareholding from 50.5% to 72%, cementing our strategic leadership in steering ARISE IIP's vision to become Africa's largest integrated industrial platform.

These achievements underscore our commitment to leveraging strategic investments in the transport and logistics sector to foster economic development, enhance connectivity and promote regional integration across the continent.



Mahathi Infra Fuel Transportation and Storage Project, Uganda

Groundbreaking ceremony of Arise IIP's special economic zone in Sierra Leone





Portfolio Highlights:

Our portfolio showcases the robust performance of our core Integrated Industrial Platform, demonstrating its resilience and effectiveness in driving value addition and structural economic transformation. Further, we successfully expanded into new geographies, broadening our reach and diversifying our investment landscape. Additionally, we commenced operations for two newly acquired port assets, marking significant milestones in our strategic objectives. These achievements underscore our commitment to delivering value and seizing opportunities for continued expansion and success.

Arise IIP

NKOK, ARISE IIP's first and largest asset specialising in wood transformation, had a challenging year mainly due to lower log volumes and major disruptions in the political landscape. Glo-Djigbé Industrial Zone (GDIZ) in Benin and Plateforme Industrielle d'Adétikopé (PIA) in Togo both commenced the first phase of operations, focusing on agro-processing and textiles. AFC expects an uplift in financial performance in 2024 as PIA ramps up its processing volumes and

enters into contracts with major clients for the Inland Container Depot.

To date, there are three operational ARISE IIP assets (Gabon, Benin and Togo), and an additional seven zones under development. The zones are primarily geared towards agro-processing, transforming the industry from exporting raw products to value-added, finished goods.

Port Assets

Performance at ARISE P&L, our platform for port assets, was negatively impacted by political developments in Gabon. The mineral port (OMP) and the general cargo port (NOIP) performed below expectations amidst rail disruptions caused by derailments in Gabon. The bulk terminal in San Pedro, Côte d'Ivoire, on the other hand, has demonstrated huge potential, with a ramp up of volumes. It is currently undergoing consideration for a Phase 2 expansion in 2024. Highlights for 2023 include AFC's exit of its equity investment in the Takoradi port expansion project, the TCN acquisition of APMTM, and achieving commercial operations on the bulk terminal in San Pedro.

Road Assets

Our current road asset portfolio consists of investments in the following South African toll roads: Bakwena, N3TC and TRAC. These assets have entered into the last leg of the concession period and the focus is on the CAPEX programme strategy to transfer the roads in accordance with the condition defined in the concession agreements. The industry has seen an increase in CAPEX costs due to increased bitumen prices and rising demand for road rehabilitation. The performance is impacted by the slowdown in GDP growth, exchange rates and recent trends in work from home affecting commuter traffic.

In addition, Socoprím, concessionaire for the AFC-financed Henri Konan Bédié bridge in Côte d'Ivoire, is also going through some challenges. To combat the foreign currency situation, plans are underway to refinance foreign currency debt with local currency debt. AFC has seen a huge appetite for this as the asset is now mature, with relatively predictable cashflow emanating from the minimum revenue guarantee provided by the government until 2027.

Outlook:

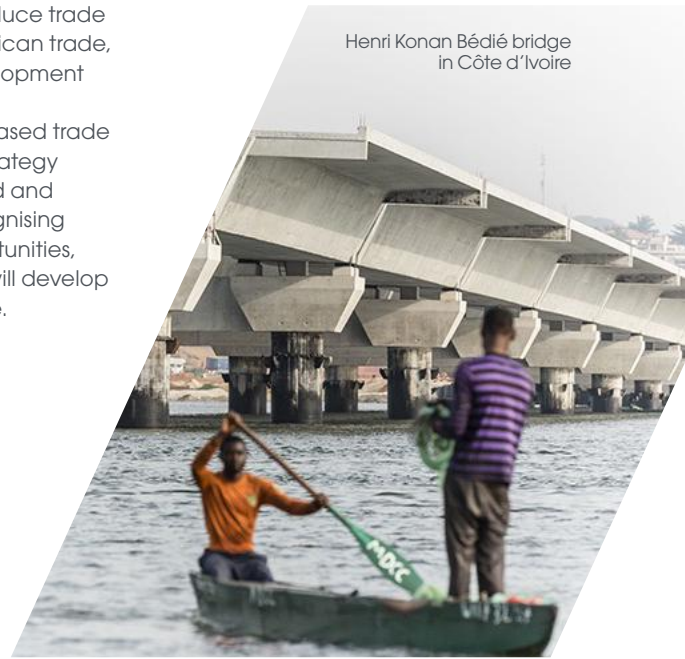
Looking ahead the primary focus will be on optimising returns through strategic exits from our mature assets, while concurrently expanding critical platforms in gas logistics and food security. We aim to achieve a more balanced risk portfolio that aligns with our long-term objectives.

Moving forward, AFC is committed to actively seeking opportunities to recycle capital through both partial and full exits from our equity positions. We will prioritise investments in transformational projects within our core focus areas, including ports, gas and petroleum product storage, and transportation and distribution infrastructure.

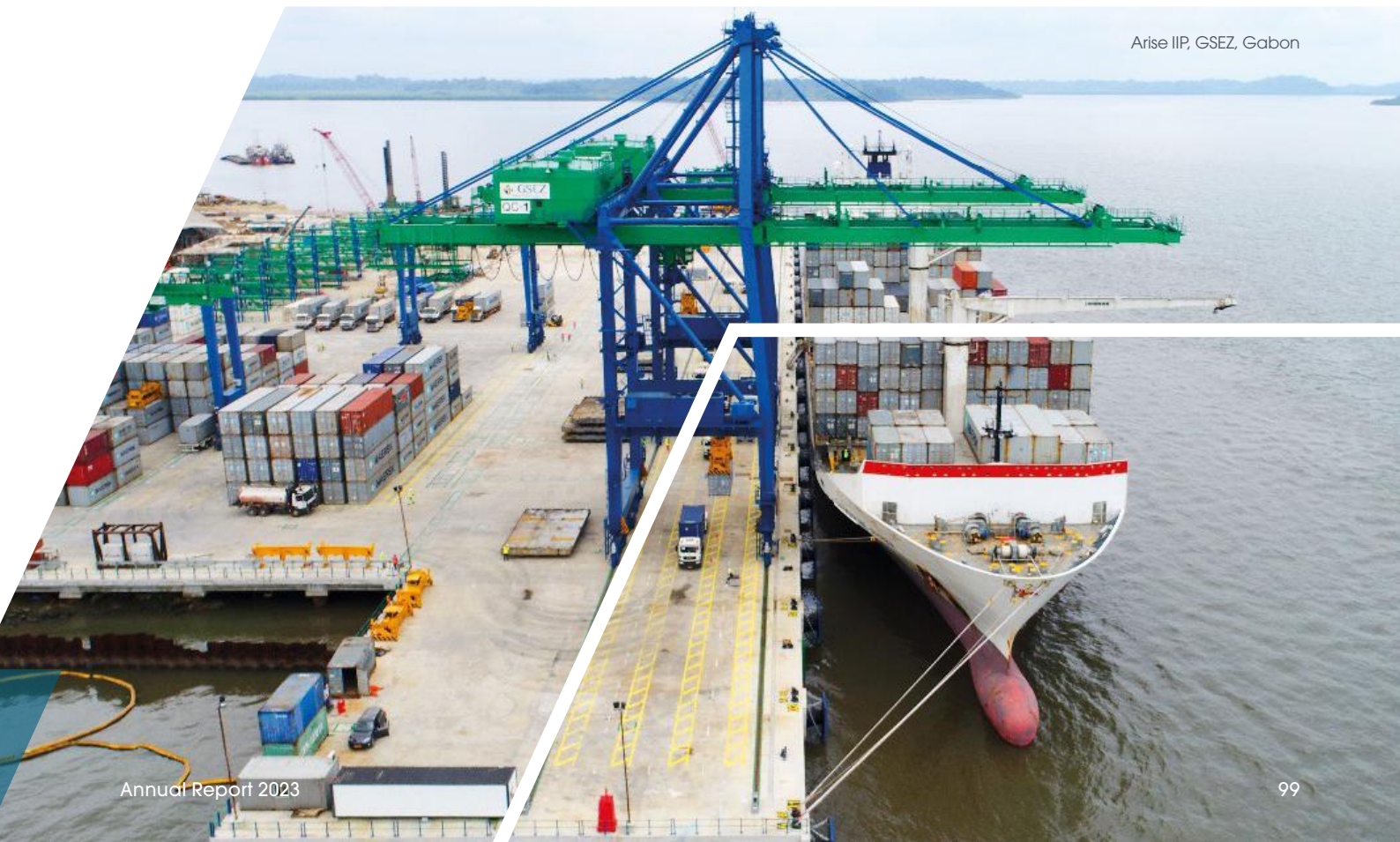
Additionally, the Corporation plans to spearhead the development of a food security platform, which will offer cold storage and grain storage solutions to enhance the self-sufficiency and resilience of African economies. These initiatives are integral to promoting trade, supporting agricultural and industrial activities, and improving the mobility of people and goods across the continent.

The AfCFTA, which aims to reduce trade barriers and increase intra-African trade, will require accelerated development of transportation and logistics infrastructure to support increased trade volumes. At the core of our strategy is imbuing a well-coordinated and integrated approach to recognising challenges, identifying opportunities, and executing projects that will develop transformational infrastructure.

Henri Konan Bédié bridge
in Côte d'Ivoire



Arise IIP, GSEZ, Gabon



Heavy Industry

2023 Heavy Industry Sector Backdrop

The key themes affecting AFC’s industrial clients in 2023 were linked to the global trend of rising interest rates, accelerated local currency depreciation, supply chain disruptions and the increasing importance of decarbonising the global economy.

AFC focused on the opportunities created by each of these themes. The rising interest rates allowed AFC to offer flexible and innovative hedging solutions. Local currency depreciation reinforced the importance of launching import substitution and export-oriented projects. Supply chain disruptions bolstered the case of domestic and regional industrial companies to undertake vertical integration projects. Finally, the global focus on decarbonisation introduced a number of battery mineral processing projects into AFC’s pipeline which are expected to reach fruition over the next 18 to 24 months.

Industrialisation remains a central objective for African countries with the industrial sector potentially contributing significantly to Africa’s development by creating jobs, stimulating the development of other sectors like agriculture and services, boosting intra-regional trade, increasing foreign exchange earnings and creating prosperity for the continent’s people. That is why at the AFC, we remain focused on identifying and financing projects that are critical for driving industrialisation and structural transformation in a particular country.

In terms of notable developments within the operating landscape, 2023 was marked by accelerating depreciation of African currencies, tightening credit availability and the rising cost of borrowing. Global credit markets were already in a tightened state by the end of 2022, reflecting central banks’ policy in developed markets to fight inflation. But the tightening of credit availability and rising cost of credit was more

acute in African economies as investors gravitated to the improving yields in lower risk developed countries. Only the highest quality industrial projects in Africa with prospects for hard currency offtake were able to attract funding.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on the heavy industry sector.





The global focus on decarbonisation introduced a number of battery mineral processing projects into AFC's pipeline.



Heavy Industry

In 2023, AFC supported a range of projects in crude refining, liquified natural gas, cement and critical minerals processing across Western, Eastern, Central and Southern Africa, delivering the following transformational investments in the industrial sector:

BUA Cement Plc (BCP), Nigeria

AFC disbursed US\$91.6 million under a US\$100 million commitment as part of a US\$500 million senior term loan facility to BUA Cement Plc. The facility was used by BUA Cement Plc to part-finance its investment programme, which included expanding its capacity from 2 to 8 million metric tons per annum at the Kalambaina plant in Sokoto. The completion of the capacity expansion project will contribute to providing cement at affordable prices within the northern Nigerian region and neighbouring landlocked countries, while creating about 1,000 direct and 11,000 indirect jobs.

Nigeria LNG (NLNG), Nigeria

To part finance the construction of NLNG's seventh liquefaction train ("Train 7") and associated facilities, AFC disbursed its first tranche of US\$5 million under a US\$100 million commitment as part of a US\$3 billion senior secured corporate loan. The Train 7 project is expected to increase NLNG's production capacity by 35% to 30mtpa, increasing its contribution to gas monetisation and the reduction of associated gas flaring in Nigeria once it comes on stream in 2025. Furthermore, Nigerian companies carried out 55% of engineering and procurement activities, ensuring local content development.

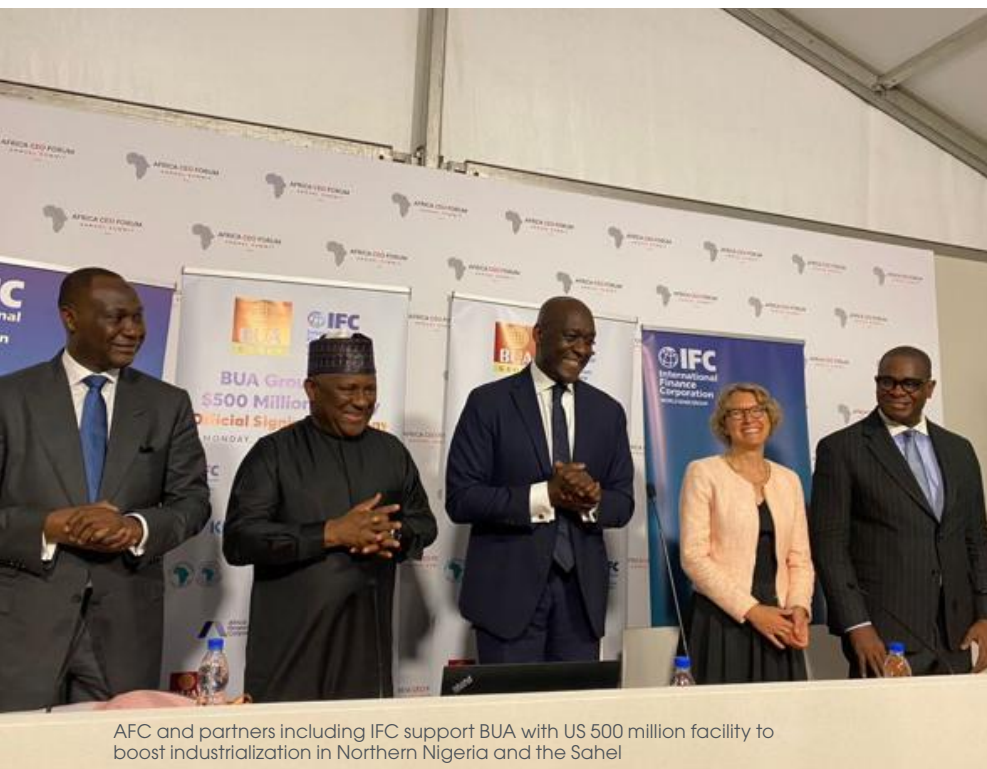
Dangote Group, Nigeria

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 tonne 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 supply. Once operational, the refinery is expected to improve Nigeria's trade balance by US\$8.8 billion, boost GDP by US\$13 billion and increase government revenue by US\$3.3 billion.

Cabinda Refinery, Angola

As Mandated Lead Arranger, AFC successfully arranged a US\$335.64 million facility for the construction of a 30,000-bpd modular refinery in Angola that will reduce the country's imports of diesel by 24%. The Cabinda refinery will not only drive import substitution, but also reduce emissions from shipping voyages exporting crude and importing refined products.



AFC and partners including IFC support BUA with US 500 million facility to boost industrialization in Northern Nigeria and the Sahel



AFC supported a range of projects in crude refining, liquified natural gas, cement and critical minerals processing across Western, Eastern, Central and Southern Africa.



Outlook

Several large-scale industrial projects are currently being developed across Africa, particularly in the fertiliser sector, in response to a shift towards investing in local agriculture companies as food security becomes a priority for global leaders. The improved global recovery has also affected global demand for base metal commodities. This has led to an increase in the development of tailings and beneficiation projects, specifically in the southern Africa region.

We will continue to focus on developing a pipeline of beneficiation projects across refineries and transition metals, in partnership with our natural resources team. In addition, AFC will seek to catalyse projects in the agri-linked sectors such as fertiliser production and agricultural goods processing. We are committed to driving impact by reversing the historical trend of African countries exporting primary products – such as agricultural goods, minerals and metals – and importing 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 currently constrained FX availability among

local financial institutions, AFC has an important role to play in helping clients source FX internationally. We will continue to leverage partnerships as a key strategic tool in achieving the scale of capital required to help clients realise their growth plans.

Dangote Refinery, Nigeria



Cabinda Refinery, Angola



Telecommunications and Technology

2023 Telecommunications and Technology Sector Backdrop

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

According to GSMA data, the mobile industry added US\$170 billion of economic value (8.1% of GDP) in sub-Saharan Africa (SSA) in 2022 and is expected to reach US\$210 billion by 2030. In addition, the mobile ecosystem supported 1.4 million jobs directly and a further 2.1 million jobs indirectly, and made a significant contribution to public sector funding, with about US\$20 billion raised through taxes. Through its expansive solutions, 5G is expected to drive productivity in several sectors, notably in the manufacturing and services sectors.

The mobile industry will offer significant opportunities in the coming years given its positive prospects. According

to GSMA data, there were 489 million unique mobile subscribers in SSA in 2022, representing 43% of the region's population, and it is forecast that this will increase to 692 million (50% of the population) by 2030, equating to a compound annual growth rate of 4.4%.

The adoption of 4G/5G network services has been expanding gradually, driven by growing demand for faster speeds by younger consumers, and for 5G deployment in urban and industrial areas. In 2022, 4G and 5G connections accounted for only 22% and 0.2% respectively of all connections in SSA. By 2030, GSMA forecasts that 5G will account for 17% of all connections in SSA, still considerably lagging the expected 95% in the Gulf Cooperation Council states, 93% in Developed Asia Pacific, 91% in North America, 88% in Greater China and 87% in Europe. As of 2022 about 15% of the SSA population were not covered by mobile broadband networks, especially in rural and remote areas. The

challenges in addressing this are mainly economic: costs can be prohibitive, revenues are lower and logistics are more complex. However, innovative collaborations are providing solutions.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on the telecommunications and technology sector.



The mobile ecosystem supported 1.4 million jobs directly and a further 2.1 million jobs indirectly.



Telecommunications and Technology

AFC's Technology Activity

AFC has seen an evolution of its telecommunications pipeline, from physical infrastructure exclusively to the inclusion of digital services companies. Digital services companies address inefficiencies in African financial systems, government services, logistics, agribusiness, retail and healthcare. They drive greater demand for physical telecoms infrastructure assets.

In Q1 2023, AFC funded a US\$7.5 million convertible loan note for M-KOPA, a digital asset finance company in Kenya, through a partnership with Lightrock. M-KOPA's solar systems sold to-date have helped to avoid 1.7 million metric tonnes of CO₂ and black carbon over their lifetimes, which equates to taking a coal-fired power plant offline for

150 days. By 2030, it is estimated that M-KOPA will contribute to avoiding 30 million tonnes of CO₂.

Outlook

Africa's digital infrastructure sector is poised for significant expansion and innovation. With increasing demand for faster and more reliable internet connectivity across the continent, investments in data centres, fibre optic networks, and satellite technology are expected to soar. This growth is driven by factors such as the rapid adoption of mobile technology, a burgeoning youth population, and the growing importance of digital commerce and services. Major international technology companies, as well as local and regional players, are likely to intensify

their investments in infrastructure projects to capitalise on Africa's rapidly accelerating digital economy.

Moreover, the rise of digital innovation hubs and technology ecosystems in major African cities is fuelling entrepreneurship and fostering the development of local talent and expertise. Governments and regulatory bodies are playing a crucial role in facilitating infrastructure development and creating an enabling environment for digital innovation and investment. As Africa continues to leapfrog traditional development pathways and embrace digital transformation, the digital infrastructure sector is positioning to be a key driver of economic growth, job creation and social development across the continent.



AFC has seen an evolution of its telecommunications pipeline, from physical infrastructure exclusively to the inclusion of digital services companies.





Africa's digital infrastructure sector is poised for significant expansion and innovation.



Portfolio Management

Portfolio Management & Optimisation Overview

The Portfolio Management & Optimisation (“PMO”) Unit remains dedicated to fulfilling its core mandate of actively managing the Corporation’s credit portfolio.

Our primary objective is to optimise and maximise the value of AFC’s investments through efficient management practices, including preparing assets for potential exits via trade sales or other liquidity events.

Throughout the year, the PMO Unit continued its efforts to prevent or minimise potential losses and asset devaluation by proactively restructuring or renegotiating challenged assets. Serving as a central point of contact for various departments, we provided comprehensive support from deal structuring to closure for sector teams, while also contributing to the development of pipeline strategies by identifying additional business opportunities from existing clients.

In 2023, the PMO Unit successfully achieved all key priorities set at the beginning of the period. By maintaining a collaborative approach and offering innovative solutions to our customers, we effectively managed emerging risks related to their businesses while delivering value to AFC’s shareholders.

One notable demonstration of our commitment to value retention in Africa was our provision of additional funding to a mining portfolio company operating in Central Africa for the construction of a smelter. This strategic investment not only retains more value on the continent but also contributes to reducing Africa’s carbon footprint and greenhouse gas emissions by minimising the transportation of bulk metal ores and associated waste products.

Further, the PMO Unit facilitated the successful exit from two significant investments: an equity exit from a port infrastructure investment in West Africa, yielding double-digit returns, and a partial exit from a debt investment in the West African mining sector through a trade sale to a local partner.



Our primary objective is to optimise and maximise the value of AFC's investments through efficient management practices, including preparing assets for potential exits via trade sales or other liquidity events.



We intensified efforts to regularise credit or operationally challenged assets and pursued recoveries, enhancing both the credit quality and return profile of AFC's portfolio. This included successfully regularising a petrochemical project in Egypt and resolving challenges with a power-generation project in Southern Africa.

To bolster our portfolio management capabilities, we leveraged technology to digitise the portfolio's risk-weighted

rating model, enabling real-time tracking of developments and risk profiles. Additionally, we are developing an early warning signal tool as a predictive indicator to alert portfolio managers of emerging issues with specific assets.

In summary, AFC continues to remain committed to proactive portfolio management, identifying and mitigating potential risks, while maximising returns for our stakeholders.

Portfolio Management

Power Sector Portfolio

AFC's power portfolio has witnessed substantial growth, with the number of operational assets increasing from 9 to 23 across 12 countries. This expansion saw the addition of Egypt and South Africa to our power portfolio, broadening our reach and impact in the energy sector.

The significant surge in our power portfolio was largely driven by AFC's acquisition of a 49% stake in Infinity Energy Africa, a leading renewables company in Egypt. This strategic move was followed by Infinity Energy Africa's acquisition of 100% shares of Lekela Power, through Infinity Power Holdings. Lekela Power is a prominent renewable energy company with projects spanning South Africa, Senegal and Egypt. For further information about the Infinity Energy Africa acquisition and Lekela Power please see page 82 in the Power section. These acquisitions catapulted AFC's renewable energy capacity from 130MW to approximately 1.4GW, positioning our portfolio as one of the largest in Africa.

Currently, four projects are under construction within our power sector portfolio, complementing the 20 operational assets. Spread across

12 countries, our 24 power assets encompass various energy sources, including hydroelectric, thermal, wind and solar power plants, along with transmission and distribution assets.

Our power portfolio spans the following countries: Egypt (8), South Africa (5), Senegal (2), and one in each of Cameroon, Cape Verde, Côte d'Ivoire, Djibouti, Ghana, Nigeria, Rwanda, Togo and Zambia.

As we continue to expand and diversify our power portfolio, AFC remains committed to driving sustainable energy solutions and contributing to the development of Africa's energy landscape.

Natural Resources Sector Portfolio

Our Natural Resources portfolio encompasses a diverse array of assets in the oil and gas and mining sectors, comprising a total of 21 investments across 13 countries. These assets are strategically distributed across Nigeria (7), Angola (2), Guinea (2), and one investment in each of Botswana, Chad, Congo Republic, Egypt, Eritrea, Gabon, Ghana, Senegal, Sierra Leone and Tunisia.

Within our portfolio, we maintain a comprehensive range of assets, including both onshore and offshore oil-producing facilities, as well as oil and gas services. In addition, our mining assets span various commodities, including bulk products such as bauxite and manganese, precious metals including gold and diamonds, and industrial products such as potash.

Our mining assets are strategically positioned at different stages of development, including producing assets, those under construction, and assets in the development phase. This strategic diversity ensures that our portfolio remains resilient and adaptable to evolving market dynamics while maximising value for our stakeholders.

As we continue to navigate the natural resources landscape, AFC remains committed to fostering sustainable development and driving growth across the African continent.



AFC's power portfolio has witnessed substantial growth, with the number of operational assets increasing from 9 to 23 across 12 countries.





Transport and Logistics Sector Portfolio

Our Transport and Logistics portfolio has experienced significant expansion, with the number of assets increasing to 18. This growth was fuelled by new investments in logistics-related ventures in two additional countries: Sierra Leone (an oil & gas storage asset) and Uganda (a petroleum logistics asset).

Spread across 11 countries, our Transport and Logistics sector investments encompass a diverse range of assets, with the number of investments in each country being as follows:

- Benin (1)
- Gabon (4)
- Côte d'Ivoire (2)
- Ghana (1)
- Liberia (1)
- Sierra Leone (1)
- Mauritania (1)

- Senegal (1)
- Togo (1)
- South Africa (4)
- Uganda (1).

Our portfolio consists of three operational Special Economic Zones (SEZs), four ports, and investments in the aviation sub-sector (2), petroleum logistics (2), and roads/rail (5) sectors. Despite the challenges of the past year, these assets exhibited robust growth in 2023, reflecting the resurgence of economic activities.

As we continue to expand our presence in the transport and logistics sector, AFC remains committed to driving innovation, enhancing connectivity and facilitating trade across Africa. Through strategic investments and partnerships, we aim to create sustainable infrastructure solutions that support the continent's socio-economic development and drive long-term value for our stakeholders.

“ We maintain a comprehensive range of assets, including both onshore and offshore oil-producing facilities, as well as oil and gas services. ”

Heavy Industries, Telecommunications and Technology Sector Portfolio

The Heavy Industries, Telecommunications and Technology portfolio encompasses a diverse range of assets, totalling 11 investments spread across seven countries. These countries are Cameroon (1), Côte d'Ivoire (1), Democratic Republic of the Congo (1), Egypt (1), Nigeria (6), as well as one asset with multinational company operations spanning West and East Africa.

Within our portfolio, we maintain a comprehensive range of debt assets spanning various sub-sectors. These include sugar production, petrochemical industry, petroleum refining, cement production and telecommunications.

By strategically diversifying across these sectors and geographies, we aim to capitalise on emerging opportunities while mitigating risks. This approach ensures that our portfolio remains resilient and adaptable to evolving market dynamics, ultimately driving sustainable growth and value creation for our stakeholders.

As we continue to navigate the heavy industries, telecommunications and technology landscape, AFC remains committed to fostering innovation, driving industrialisation and advancing technological solutions to meet the evolving needs of Africa's dynamic markets.

Structured Product Solutions

Structured Product Solutions plays a pivotal role in providing lending solutions, including budgetary support, to government and quasi-government entities involved in financing essential infrastructure projects across AFC's core sectors.

In 2023, the Corporation expanded its reach in the African market by increasing the number of African sovereigns in its Structured Product Solutions portfolio to seven. This expansion involved adding three new countries - Egypt, Nigeria and South Africa - to the portfolio, further solidifying AFC's commitment to supporting infrastructure development across the continent.

Through strategic lending initiatives, Structured Product Solutions aim to facilitate the implementation of crucial infrastructure projects, fostering economic growth and enhancing the quality of life for communities across Africa. As AFC continues to strengthen its presence in the region, Structured Product Solutions remains dedicated to providing tailored financing solutions that address the evolving needs of African governments and contribute to sustainable development.

2024 Outlook

Our primary objectives for 2024 will include:

i. Enhanced Portfolio Management:

We will further enhance and refine our capabilities in active portfolio management to ensure optimal performance and alignment with our strategic goals.

ii. Strategic Exits:

To validate the strength of our African investment strategy and maintain portfolio balance, we will prioritise strategic exits from selected assets across all investment instruments, leveraging favourable market conditions.

iii. Process Optimisation and Reporting

Enhancement: We are committed to continuously improving our internal processes and reporting mechanisms to facilitate effective management and informed decision-making by stakeholders.

iv. Climate Risk and ESG Integration:

We will remain steadfast in our commitment to integrating environmental, social and governance (ESG) considerations into our investment decisions. Proactively monitoring and addressing climate risks will be integral to ensuring the sustainable operation of our portfolio companies.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on portfolio management.

“ We will remain steadfast in our commitment to integrating Environmental, Social and Governance (ESG) considerations into our investment decisions. ”



Project Development

AFC's Project Development (PD) team remains a cornerstone in driving the Corporation's mission of originating groundbreaking projects and forging partnerships with key institutions and stakeholders to address infrastructure challenges across Africa.

Building on its solid track record, the PD team is dedicated to delivering transactions approved by Management and the Board Risk and Investment Committee (BRIC), while simultaneously cultivating a robust pipeline of projects to diversify AFC's asset portfolio.

Moreover, the PD team continues to play a pivotal role in fostering strategic partnerships, spearheading various initiatives that reinforce AFC's position as a leader in delivering infrastructure solutions across the continent. Through its innovative approach and collaborative efforts, the PD team remains committed to driving sustainable development and facilitating economic growth in Africa.

Positioning and Objectives

In 2023, the PD team concentrated on solidifying AFC's position as a trailblazer in infrastructure project development, with a focus on securing and delivering several high-impact projects with the potential to catalyse economic development across the continent.

Over the past five years, PD has undergone a transformation, transitioning from a single asset-product within AFC's Investment Division to a dedicated unit with a proven track record in identifying, developing and successfully delivering transformational infrastructure projects. Notable examples include the Djibouti Wind Farm and the 300MW Gas IPP in Cap des Biches, Senegal. During this period, the team has expanded from two to six members, demonstrating proficiency

in both Anglophone and Francophone regions. Furthermore, PD has exhibited adept risk mitigation strategies, ensuring prudent development and disbursement of approved project funding.

Looking ahead, PD is poised to continue its trajectory of success by developing bankable transactions as a leading partner. Additionally, PD aims to enhance its capabilities to support new sectors, expand its product suite, and contribute to raising and deploying dedicated PD funds. Through these initiatives, PD remains committed to driving sustainable development and fostering economic growth across Africa.





There has been a growing emphasis on environmental, social and governance (ESG) considerations among funding partners.



Operating Environment in 2023

The achievements of the PD team in 2023 were noteworthy, especially considering the challenging operating environment marked by heightened competition and shifting geopolitical dynamics. AFC gained increased prominence and visibility amidst competition from commercial funders, with other development finance institutions (DFIs) seeking to emulate its success. Further, there has been a growing emphasis on environmental, social and governance (ESG) considerations among funding partners, favouring project developers with strong sustainability credentials, which has further elevated AFC's appeal.

The geopolitical landscape, influenced by conflicts such as the Israel-Palestine and Russia-Ukraine wars, has introduced economic uncertainties with repercussions for African countries. The onset of coups and civil unrest in several African nations, particularly those attracting investment capital, has added to the complexity of the operating environment. Additionally, rising interest rates and inflation have heightened the cost environment, necessitating a more discerning approach to transaction selection and risk management by the PD team.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for

information about the impact of external factors on project development.

Despite these challenges, AFC remains sought after for its expertise and credibility, standing out as a preferred partner in project development. Through strategic decision-making and prudent risk management practices, AFC continues to navigate the evolving operating landscape, demonstrating resilience and adaptability in achieving its objectives.

Key Achievements in 2023

The team made considerable progress in the development of its projects despite increasing competition and challenging market dynamics.

Projects in Financing and Construction

West African Energy 300MW Thermal Power Project – Senegal

Following the execution of the financing agreements between West African Energy and AFC as Mandated Lead Arranger, the PD team has continued to monitor and support the construction phase of the Project including working with other third-party financiers in accelerating the construction of the project. The project is now expected to achieve first fire of the single cycle phase in Q2 of 2024.

Red Sea Power, Djibouti. Photo credit: Thought Leader Global



Red Sea Power 60MW Wind Power Project – Djibouti

Since 2017, AFC has led the development of the 60 MW Djibouti wind farm project. The project received equity bridge financing from the shareholders in 2019 for the financing and construction of the project. In December 2022, the facility agreements with the lenders led by AFC, the Dutch Entrepreneurial Development Bank (FMO) and the Emerging Africa Infrastructure Fund (EAIIF) were signed. Construction, energisation and commissioning of the Project were completed in 2023, with an inauguration ceremony held in the same year. The project achieved technical Commercial Operations Date (COD) in 2023, paving the way for the issuance of the project's first invoice to the national utility and off-taker. In addition to increasing the country's installed power base, the project displaces diesel gensets, helping to deliver energy independence and put the country on the path to achieving its target of 100% renewable energy on the grid. The project is the country's first Independent Power Project and has helped to establish the regulatory framework in Djibouti.

Key Projects in Development

Nyanza Titanium Dioxide Pigment Plant – South Africa

The Nyanza project is a landmark Titanium Dioxide (TiO₂) pigment plant located in the Richard's Bay Industrial Development Zone in South Africa. The plant will be the first TiO₂ plant in Africa and has an estimated cost of US\$780 million. AFC has supported the development of the project through a fully deployed US\$3 million PD facility to help take the project to financial close. In 2023, the project formally concluded its development phase, achieving key milestones including the completion of its Bankable Feasibility Study, execution of the engineering, procurement and construction contracts, completion and approval of its Environmental Impact Assessment, and formal commencement of the project's long-term fundraise. Nyanza has also commenced production of product samples, enabling it to secure off-take commitments. With the support of AFC's PD unit, this landmark project is slated to achieve financial close by Q3 of 2024.

Blackrose Methanol Plant

AFC recently concluded a Development Loan Agreement to co-develop the Blackrose Methanol Project – a US\$1.6 billion natural gas to methanol production facility in gas-rich Akwa Ibom, Nigeria, that will be implemented in two equal phases of 1.9 MTPA, with the introduction of ammonia co-production in phase two. The Blackrose Methanol Plant will support Nigeria in its push towards industrialisation and beneficiation of the country's abundant gas resources. Furthermore, through the project's innovative design, the plant will achieve lower gas consumption and CO₂ emissions than conventional plants, making it one of the most environmentally friendly plants of its kind.





AFC and Trans Connexion Congo led Kinshasa metro rail project received boost a 100 EUR million boost from Agence Française de Développement (AFD)

MetroKin Rail Project – DRC

On 6 January 2023, AFC entered into a joint development agreement with Metrokin, to jointly develop the urban train for mass transportation covering a linear route of 300 km of railway in Kinshasa, Democratic Republic of the Congo (DRC). This urban train is to be executed in four phases, with an immediate focus on Phase one which involves a 25 km rail connection from the central station of Kinshasa to the Ndjili airport. The project includes the construction of two large stations (Central Station and Ndjili Airport) and six small stations. The Project aims to provide a modern urban train for mass transportation and improved transport times, particularly between the suburbs and the city centre whilst taking polluting vehicles off the road and reducing GHG emissions. Equity financial close is being targeted for Q4 2024 and debt financial close thereafter.

Highway Development and Management Initiative – Nigeria

The Highway Development and Management Initiative (HDMI) is a programme developed by the

Federal Government of Nigeria for the construction and maintenance of 12 vital road corridors across the country, under the regulatory guidance of the Infrastructure Concession Regulatory Commission (ICRC). In 2022, the AFC Consortium, comprising AFC and Mota-Engil, was selected as the Preferred Bidder for the Shagamu-Benin Expressway and the Lagos-Badagry-Seme Expressway following a competitive tender. After approval by the Federal Executive Council for the award of these concessions to the AFC Consortium, concession agreements were subsequently signed by the AFC Consortium for both road corridors in May 2023. Both road corridors are critical transportation routes for the country, and the rehabilitation, tolling and maintenance of these roads will provide a much-needed boost to economic activities in the country. The Lagos-Badagry-Seme Expressway will enhance regional integration and trade.



AFC entered into a joint development agreement with Metrokin, to jointly develop the urban train for mass transportation covering a linear route of 300 km of railway in Kinshasa, Democratic Republic of the Congo (DRC).





Signing ceremony for the Lobito-Zambia Rail project



 AFC was designated the lead developer for the development of the Lobito – Zambia Rail project.
 

Lobito-Zambia Rail Project

AFC was designated the lead developer for the development of the Lobito – Zambia Rail project on 26 October 2023 following the execution of a Memorandum of Understanding between AFC and the Governments of the United States, the Republic of Zambia, the Democratic Republic of the Congo and the Republic of Angola, the European Commission, and the African Development Bank. The Project seeks to connect the existing Lobito rail line in Luacano, Angola, to the Zambia Railways Line in Chingola, Zambia, establishing a trade corridor across Africa from the Port of Lobito on the coast of the Atlantic Ocean, through Zambia, to the Port of Dar es Salam in Tanzania, on the coast of the Indian Ocean. Once completed, the trade corridor will facilitate the efficient movement of goods and promote investments in agriculture, health, digital infrastructure, mining and electricity access along the corridor

SkyPower Solar Project – DRC

AFC has received approval to provide US\$3 million in PD financing for the co-development of a 200MW solar project in the Maluku district of Kinshasa in the Democratic Republic of the Congo. The project, which is being developed by SkyPower, represents phase one of a larger 1000MW (5 x 200MW) programme. When completed, the project will reduce the electricity supply deficit in DRC and diversify the country’s energy mix. It will also help to improve the reliability of electricity in Kinshasa, DRC’s capital, due to its location and access to distribution and transmission infrastructure. The Project is targeting financial close in Q1 2025.

Kipushi Tailings – DRC

The Kipushi tailings project is a 600kt per annum copper and cobalt tailings project in the Democratic Republic of the Congo that is owned by Paragon Mining. The project will reprocess the copper and cobalt tailings in the Kipushi

Project Development



AFC delegation visit partners at SkyPower Solar

tailings storage facility, which will help reduce the size of tailings in the Kipushi region and serve as AFC's first venture into battery minerals. In 2023 Paragon completed a definitive feasibility study for the Kipushi Tailings Project. Paragon also completed a preliminary feasibility study for the Kasombo 5 project, which has yielded positive initial results of c.120k tons of copper. AFC is exploring developing the two in tandem to benefit from economies of scale.

Strategic Partnerships

Accreditation with the Multilateral Center for Development Finance

In April 2023 AFC was accredited as an Implementing Partner of the Multilateral Center for Development Finance (MCDF) Finance Facility. The MCDF is a multilateral initiative aimed at fostering high-quality infrastructure and connectivity investments in developing countries. The MCDF supports

accredited international financial institutions and their member countries to better address the challenges of quality and long-term sustainability of infrastructure and connectivity by financing project preparation activities for high-quality investments and building the capacity of member countries and partners to implement such investments. The target sectors of the MCDF are transport, energy, telecommunications and water. The MCDF Finance Facility, administered by the Asian Infrastructure Investment Bank (AIIB), provides grant financing, either in full or in part, for the preparation/PD work of infrastructure investments being contemplated by implementing partners. AFC successfully executed an Implementing Partner Agreement with the MCDF in July 2023 and is now positioned to leverage the support of the MCDF to further de-risk high-value transformational projects in its project development activities.

SMDF

In February 2023 AFC and Nigeria's Solid Minerals Development Fund (SMDF) entered into a cooperation agreement to jointly identify and develop Nigeria's mining sector. The partnership aims to identify high-potential prospects and providing early-stage risk capital to credible sponsors in Nigeria's nascent mining sector. Nigeria's mining sector holds vast potential, further proven by AFC's investment in Nigeria's first commercial gold production facility, the Segilola Gold Mine. AFC and the SMDF aim to build on this success to identify early-stage mining projects and provide the necessary risk capital for successful development. In October 2023, during the Nigeria Mining Week Conference, the AFC and SMDF organised an event under the theme

'Unlocking Development Financing for Mining Projects in Nigeria.' This event drew significant attention from key stakeholders in Nigeria's mining sector, including high-level government officials and investors. The purpose of the event was to highlight the collaborative efforts between the AFC and SMDF and to facilitate the identification of projects eligible for support through their partnership. AFC and the SMDF also successfully commissioned a study on Nigeria's critical minerals sector in October 2023, with a view to identifying a path to successful beneficiation of Nigeria's critical minerals. Through this collaboration, AFC and SMDF intend to catalyse the growth and development of Nigeria's mining sector and further replicate the success of the Segilola Gold Project across the country.

Outlook

In 2024, the team will focus on continuing to drive the projects in its portfolio to financial close. The team will also be looking to operationalise and advance several strategic initiatives such as the MCDF Finance Facility and AFC's Cooperation with the SMDF. PD will continue to support the broader Platform Investments Strategy of the Investments Division by identifying and developing several seed assets, while spearheading the organisation's push into strategic sectors such as critical minerals mining beneficiation and supporting further industrialisation across the African continent.



AFC and Nigeria's Solid Minerals Development Fund (SMDF) entered into a cooperation agreement to jointly identify and develop Nigeria's mining sector.



Structured Product Solutions

Structured Product Solutions complements AFC's private sector-led investment activities by offering debt solutions to sovereigns, quasi-government entities and corporates across each of AFC's core sectors. These solutions range from vanilla, structured term and trade finance solutions to more complex and/or flexible lending solutions, such as climate financing and guarantees that take advantage of AFC's investment-grade credit rating and Preferred Creditor Status to crowd-in banks and financial institutions.

The Structured Products Solutions portfolio is a well-performing and well-balanced portfolio overlaid, where appropriate, with credit risk insurance from investment grade counterparts.

In 2023, we set out to:

- i. Enhance our position as a partner of choice to African states, particularly in our Member States. Against the backdrop of high interest rates and constrained liquidity, we continue to see this programme as an avenue to directly supporting governments in their ambitions to ramp up infrastructure spending, as the public sector remains responsible for 95% of all investment in infrastructure. In turn, this programme helps AFC to build deeper relationships and partnerships with African governments. Specifically

for our Member States, our aim was to (i) provide bridging facilities to shorten the development cycle of infrastructure projects; and (ii) provide longer-dated instruments that better match the useful life of the infrastructure assets and contribute directly to efforts to improve debt sustainability.

- ii. Bring more impetus to our trade and corporate finance activities. It remains our view that supporting businesses that are helping Africa move away from exporting raw materials to exporting processed goods – thereby capturing more value on the continent – is the only way to structurally transform the African economy. Further, we believe that focusing on this segment will, in turn, deliver new revenue streams for the Corporation.

Operating Environment

2023 was a difficult year for sovereign and corporate borrowers alike, as central banks across the world frequently raised interest rates to combat the inflationary environment arising from the extraordinary measures provided in 2020 and 2021 to stimulate their economies.

As a continued reflection of the 2022 operating environment, there was relatively little abatement in the cost-of-living squeeze and related reductions in profit margins. For African governments, the combination of higher interest rates and the strengthening of the US dollar, continued to have severe impacts on balance of payments, debt servicing costs and access to credit. For most borrowers, access to the capital markets for instruments such as Eurobonds was simply not an option.





Equally important have been the consequences of the Russia-Ukraine war and the emergence of the Israel-Palestine war. Whilst the former has meant that energy and commodity prices remain at elevated levels, the latter, and the world's response to the latter, has further increased geopolitical splits, raising the risks potentially presented to African sovereigns as they come under increasing pressure to choose sides.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on financial services.

Against this backdrop of heightened political risk, severe liquidity constraints and uncertain trade dynamics, African borrowers remained reliant on loan markets and debt providers such as AFC to grow and reposition their economies and boost critical infrastructure spending.

Key achievements in 2023

In 2023, AFC's Structured Product Solutions unit contributed to arranging approximately US\$2 billion in facilities for a diverse range of clients and borrowers, including the Ministry of Finance of Egypt, the Federal Ministry of Finance, Budget and National Planning of Nigeria, the Ministry of Economy, Planning and Cooperation of Senegal, and the General Authority for Supply Commodities of Egypt.



Photo Courtesy Keolis Group

- **Abidjan Urban Train Metro project:**

Abidjan, Côte d'Ivoire's economic capital, is one of the most urbanised cities in sub-Saharan Africa. Abidjan has a population of 5.4 million people, representing 42% of the country's urban population. According to World Bank data, Abidjan covers 19 municipal jurisdictions, of which 13 are part of the autonomous district of Abidjan and the remaining six are surrounding municipalities. Rapid population growth and economic development in Abidjan have heightened the demand for adequate transport infrastructure and created significant challenges to urban mobility. The project envisages a 37 km-long transit network over a 5.5-year construction period. Once operational, the network will enhance mobility for its residents by transporting over half a million people every day and linking residential areas, commercial centres, and major transportation hubs, such as airports and railway stations.

- **Sangomar:** The project is a significant offshore oil and gas development located approximately 100 kilometres southwest of Dakar, Senegal's capital. The field is situated in water depths of between 800 and 2,175 meters in the Sangomar Deep Block, which covers an area of approximately 7,490 square kilometres. The Sangomar field is estimated to hold reserves of 500 million barrels of crude oil, and its development is considered a major milestone for Senegal's emerging oil and gas industry. The Sangomar field will provide a significant boost to Senegal's economy supporting the country's ambitions to become a regional hub for the oil and gas industry. It will also generate significant revenues for the government through taxes and royalties, create employment opportunities for local workers, and contribute to the country's energy security.

- **Commodity Import Facility for the General Authority for Supply Commodities ("GASC") of Egypt:** As Africa's second largest economy, Egypt is a key hub for international trade and commerce. Egypt's economy remains impacted and in recovery following the COVID-19 pandemic and the ongoing Russia-

Ukraine and Israel-Palestine wars. These conflicts have had a particular impact on the Egyptian economy given Egypt's large reliance on tourism, grain imports from Ukraine and transport through the Suez Canal. Against this backdrop and recognising the critical importance of agro-commodity importation to Egypt, AFC has provided a sizeable, Sharia-compliant trade loan facility to GASC to support the purchase of certain essential commodities, working in partnership with the Ministry of Finance of Egypt, and the International Islamic Trade Finance Corporation ("ITFC"), a member of the Islamic Development Bank Group ("IBD").

Outlook and Strategy for 2024

There is a sense of cautious optimism as we look towards 2024, with many African economies reopening and showing signs of improvement. Expectations of further interest rate hikes have been tempered by forecasts indicating a potential decrease by the end of the year. Despite global conflicts and geopolitical uncertainties, Africa's significance on the global stage remains pronounced, serving as a reservoir of abundant renewable energy resources, carbon sinks and mineral deposits crucial for driving sustainable energy initiatives worldwide.

However, this optimism is offset by emerging risks, particularly in sovereign debt and political stability. The increasing number of African countries in debt distress or at high risk of becoming so, highlighted by recent defaults and political crises, poses significant challenges. Sub-Saharan Africa has witnessed a surge in terrorist attacks, while the rising trend of military coups in West and Central Africa is concerning. Additionally, a substantial number of African countries are scheduled to hold national elections in 2024, further heightening political uncertainties.

Therefore, despite our optimism, we approach 2024 with caution. We remain committed to supporting our sovereign partners, especially our Member States, and emphasise the importance of meeting debt servicing obligations to maintain investor confidence. We advocate for African governments to collaborate with entities like AFC to explore alternative solutions to debt rescheduling and forgiveness, which are essential for meeting Africa's funding needs sustainably.

Africa's vulnerability to climate risks continues to pose significant challenges, with ongoing droughts and disruptions to agriculture exacerbating food insecurity and economic growth concerns. However, we view this as an opportunity to innovate and collaborate on adaptation and climate finance solutions, working closely with key stakeholders such as the Green Climate Fund.

On the trade and corporate front, we remain firm believers in the transformative power of the African Continental Free Trade Area. This is on the basis that moving from exporting raw materials to exporting processed goods is the only way to structurally transform African economies and create the economically empowering

jobs that are required for growing populations. We believe that supporting and providing capital to entities – whether private or public sector – that are at the forefront of energy production, industrialisation and transportation/logistics is key, and we will explore new ways of supporting and expanding trade and corporate finance.

In summary, while Africa faces formidable challenges, we are optimistic about the potential for collaborative efforts to drive sustainable development and to address the pressing issues facing the continent. Through strategic partnerships and innovative solutions, we remain committed to contributing to Africa's growth and resilience in the face of evolving global dynamics.

Sangomar Oil field , Senegal

Financial Services

Funding

During the fiscal year 2023, advanced economies responded swiftly and decisively to address inflation risks by strategically raising interest rates. Notably, the US Federal Reserve raised the Federal Funds rate by 100 basis points last year, bringing it to a range of 5.25% to 5.50%.

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AFC Secures US\$300 million term loan from CEXIM

These monetary policy measures resulted in increased borrowing costs and subsequently hindered the ability of numerous emerging market borrowers to access global capital markets.

Despite the challenging global economic environment, AFC managed to maintain a strong financial position with a substantial liquidity buffer to support its ongoing operations. The organisation concentrated on cultivating both new and existing partnerships within the international lending market, thereby diversifying its funding sources.

Throughout 2023, AFC successfully completed multiple funding transactions. This included finalising a five-year loan facility with the China Export and Import Bank (CEXIM) aimed at bolstering trade finance and

supporting private sector projects. Additionally, AFC negotiated and closed a three-year syndicated loan totalling US\$625 million with a consortium of lenders across the Middle East, Europe and Asia. The loan received strong demand, resulting in a 62% oversubscription and subsequent upsize from the initial US\$500 million.

Notably, new participants such as Gulf Bank, National Bank of Ras Al-Khaimah, China CITIC Bank Corporation, Qatar National Bank, Doha Bank and the Industrial Bank of Korea Limited joined the syndicate, thereby expanding AFC's investor base and enhancing its access to global capital markets.



AFC negotiated and closed a three-year syndicated loan totalling

US\$625m

with a consortium of lenders

Furthermore, AFC secured additional financing, including a three-year US\$300 million term loan from CEXIM and a ten-year US\$50 million loan facility from the OPEC Fund for International Development, effectively doubling the Fund's commitment to AFC. Additionally, the organisation negotiated a US\$350 million Line of Credit (LOC) with the African Development Bank (AfDB). This new facility, which includes a 12-year US\$350 million portion designated for project term loans, extends the maturity profile of AFC's borrowings.

Lastly, AFC successfully arranged a EUR50 million facility with Cassa Depositi e Prestiti (CDP), underscoring the strengthened relationship between AFC, CDP and the Italian Government. This agreement marked the second facility executed with CDP, following a EUR100 million ten-year loan facility in 2022.

Financial Services

AFC successfully arranges a EUR50 million facility with Cassa Depositi e Prestiti (CDP)



Asset and Liability Management

Liquidity Management

AFC's innovative Asset and Liability Management (ALM) approach includes managing and generating liquidity periodically to support the Corporation's balance sheet growth. The liquidity raised through ALM activities, such as repurchase agreements, augments the corporate funding activities. This is achieved by optimising AFC's strong relationships with its global bank counterparties. In 2023, AFC consummated several repo transactions, raising over US\$190 million by leveraging the Corporation's fixed-income portfolio. These financing transactions were split across one-year and three-year maturities and were executed with several international financial institutions.

Debt Investments

In line with the Corporation's investment mandate, we continued to support African issuers in the international debt capital markets by investing in their Eurobonds. The broad group of African issuers, comprising sovereigns and financial institutions, accesses the global capital markets to finance their funding requirements for expansion, critical working capital, infrastructure development and refinancing. We have invested in the fixed-income securities of African issuers through the primary and secondary markets to empower African sovereigns, financial institutions and corporates to pursue

their economic goals. The development needs across the continent remain acute, and our capital deployment seeks to support financial inclusion, regional integration and social progress. We will maintain our long-term focus on supporting solid African borrowers in the debt capital markets, within our risk acceptance criteria.

Treasury Client Solutions

Our Treasury Client Solutions (TCS) business continued to apply AFC's investment-grade credit rating, strong knowledge of the African operating environment, and expertise in the global financial markets to help African sovereigns, corporations and projects manage their financial and market risks. Throughout the fiscal year, we utilised a three-pronged approach to provide innovative solutions to our clients:

Cross Asset Hedging

Our TCS business remained a critical supporter of African projects by providing cross-asset hedging solutions through derivatives including FX Forwards, FX swaps, interest rate swaps, commodity price hedges and options. A noteworthy example is our assistance to an African crude oil producer in managing price risk. We applied a dual-hedging approach, including an interest rate collar and a forward-starting swap. This approach was part of a comprehensive commodity hedging programme for the project. Our innovative solution offered extensive

protection and flexibility to the producer and optimised hedging costs, thereby improving the viability and profitability of the project.

We also supported clients in managing their exposure to interest rate risks by executing interest rate swaps. Thus, our business continued to utilise swaps and other derivatives to provide innovative solutions to clients and to hedge the financial risks on the Corporation's balance sheet.

“ We continued to support African issuers in the international debt capital markets by investing in their Eurobonds. ”

Structured Financing Solutions

The TCS business strategically used cross-currency and total return swaps to facilitate international hard currency funding access for African borrowers. This innovative approach enabled the provision of hard currency funding backed by local securities to African central banks and financial institutions. Central banks can use these innovative financing solutions to leverage their local currency liquidity and securities to obtain hard currency financing. This, in turn, facilitated effective reserve management and contributed to the deepening of domestic financial markets, thereby fostering the overall development of the African economy.

Simultaneously, our structured financing solutions played a crucial role in assisting African financial institutions in managing their exposure to the inherent downside risks associated with the counter-cyclical nature of Africa's economic growth environment. Ongoing discussions with various African central banks aim to intensify efforts to deliver innovative funding solutions to more central banks and financial institutions, aligning with the corporation's commitment to lead in developing Africa's capital markets.

Credit Intermediation

Over the course of the year, the TCS business expanded its derivative distribution platform by distributing African sovereign credit risk to global financial institutions. This was done through credit intermediation that enabled financial institutions to benefit from the Corporation's origination capabilities and preferred creditor status

with its Member States. By establishing this platform, AFC mobilised and channelled global capital to African countries at scale, supporting African central banks during a period of global economic volatility.

Outlook

In 2024, our Treasury Division will prioritise adapting to the evolving macroeconomic backdrop as we strive to remain nimble and efficient while providing innovative solutions to address the continent's financing gaps.

Our funding goals for the year are focused on exploring funding opportunities to diversify our investor base further and achieve lower borrowing costs. We will explore established and new markets to lengthen our borrowing maturity profile and achieve optimal funding mixes. By diversifying into specialised markets and exploring new funding sources, we aim to strengthen our financial resilience and adapt to volatile market conditions. We will continue implementing an active investor engagement programme to support our funding efforts and ensure robust disclosures across various investor types.

Our ALM strategy is to continue to optimise the yield curve based on the interest rate trajectory. This will support the preservation of returns on our proprietary investments. Additionally, we will continue to leverage our extensive international banking relationships and fixed-income portfolio to engage in repo transactions, enhancing our liquidity management capabilities and augmenting our continuous capital-

raising efforts that ensure a robust liquidity base to fuel our infrastructure financing on the continent.

Further, we aim to keep supporting African issuers in the international debt capital markets by investing in Eurobonds and other offerings by African sovereigns and financial institutions as the trend in African issuances continues to improve.

Finally, our Treasury Client Solutions desk remains committed to its role in delivering innovative risk management solutions, offering a wide range of cross-asset hedging solutions that cater to our clients' unique needs and align with the current macroeconomic conditions. Furthermore, TCS will continue to provide foreign currency financing, assisting clients in diversifying their financing sources. We offer well-structured, collateralised financing solutions available across the region in both foreign and local currencies, ensuring our clients have access to versatile and effective financing options.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on financial services.

AFC & AfDB US\$350 million loan facility signing ceremony at COP28 in the UAE



Financial Institutions and Trade

There were significant challenges for the Financial Institutions & Trade Finance (FIT) sector in 2023, primarily due to heightened risks stemming from global geopolitical tensions, sovereign economic crises and political upheaval, with the latter notably resulting in coup d'états in African countries including Gabon and Niger. Consequently, the Corporation had to scale back its origination efforts to align with our risk management parameters.

Additionally, major origination countries such as Nigeria, Egypt and Kenya faced substantial economic pressures marked by high inflation, currency depreciation and slowed economic growth.

Despite these hurdles, 2023 provided another opportunity for the FIT business to fulfil its mandate of fostering economic development in Africa, particularly by enhancing trade finance capacity for African financial institutions and their clients. As an African multilateral development finance institution, AFC rose to the challenge of supporting banks in Africa by providing and arranging hard currency financing and payment risk cover solutions, despite the economic uncertainty in key markets.

AFC's interventions facilitated the procurement of essential commodities such as wheat in Egypt, refined petroleum in Kenya, and import-substitution machinery in Nigeria, among other initiatives.

In the year ending 31 December 2023, AFC FIT extended new direct financing of US\$350 million to African banks and issued new payment guarantees totalling US\$1.4 billion. Consequently, AFC FIT's funded assets increased from US\$420 million in 2022 to US\$540 million in 2023, representing growth of 29%. The unfunded assets (contingent liabilities) also grew from US\$1.4 billion in 2022 to US\$2 billion in 2023, up 43%.

In 2023 we established a specialised team within the FIT business to cater for public sector and Non-Bank Financial Institution (NBFI) clients. One of the team's objectives is to enhance AFC's engagement with African central

banks and to utilise AFC's investment grade rating to deploy innovative guarantee solutions in support of public sector issuers. In October 2023 AFC organised the inaugural African Central Banks (ACB) Symposium in Marrakech, which was held during the World Bank Group and the International Monetary Fund Annual Meetings. The symposium, attended by nine African central banks and one debt management office, emphasised the need for increasing capacity building for treasury management solutions and also discussed future expansion plans to potentially include African Ministries of Finance.

In November 2023, AFC played a pivotal role in supporting African sovereigns by acting as a Re-Guarantor to Sumitomo Mitsui Banking Corporation (SMBC) for a JPY75 billion, five-year Japanese yen (Samurai) Bond issuance

by the Arab Republic of Egypt. This transaction, executed amidst pressure on Egypt to demonstrate continued access to international capital markets, showcased AFC's ability to leverage its investment grade rating and preferred creditor status to provide substantial cost savings for the issuer. The transaction underscored AFC's position as Africa's leading provider of innovative financing solutions.

Looking ahead, FIT will leverage AFC's capabilities, including its USD balance sheet, investment grade rating, and flexible deal structuring, to benefit its clients. The focus will be on expanding membership across new countries in North Africa, Francophone and Lusophone Africa, in line with the vision of becoming the preferred enabler of Trade Finance credit in Africa.



AFC rose to the challenge of supporting banks in Africa by providing and arranging hard currency financing and payment risk cover solutions, despite the economic uncertainty in key markets.



AFC Central Bank Symposium, Marrakech, Morocco



Financial Advisory

Throughout 2023, AFC remained committed to providing top-tier strategic, corporate finance and technical guidance to project sponsors and developers across Africa. Our focus remained on closing Africa's infrastructure deficit by offering tailored financial solutions to our primary clients.

These solutions encompassed various services, including general corporate finance and project development advice, transaction management, project finance consultancy, fund management, debt and equity capital procurement, mergers and acquisitions support, and restructuring assistance.

Operating Context

Africa's infrastructure financing landscape continues to be impacted by the growing importance of Environmental Social and Governmental (ESG) principles and green financing objectives, mirroring

the trend among global investors and government stakeholders seeking to balance financial returns with social and environmental impact. Amidst prevailing risk-off sentiments, Africa grappled with sovereign debt crises, government bond defaults, elevated financing costs, inflationary pressures and tighter liquidity conditions, due to global geopolitical disruptions and domestic macroeconomic challenges.

Given the challenging operating environment, AFC prioritised projects with significant and sustainable development impact while offering innovative solutions to sponsors and government stakeholders navigating the financing landscape. In 2023, we provided advisory services to 24 projects totalling over US\$18 billion across AFC Member States, including Angola, the Democratic Republic of the Congo, Ghana, Guinea, Niger,

Nigeria, Sierra Leone and Zambia. Our advisory impact spanned numerous sectors, including transportation, heavy industries, power, oil and gas, mining and telecommunications. Notably, we successfully concluded a project aimed at enhancing mobile network accessibility and connectivity in Nigeria.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on Financial Advisory.



AFC prioritized projects with significant and sustainable development impact while offering innovative solutions.





Mandates

Lobito I

Recognising the critical need for integrated transport infrastructure across the continent and the pivotal role it plays in sustainability, we remain actively involved in advising the appointed consortium implementing the Lobito-Luau Railway project in Angola. This project will increase economic activity and development along the corridor by offering considerable cost and time-saving transport solutions for moving

battery metals and consumer goods across the corridor, significantly improving rail connectivity within Angola and between Angola and the Democratic Republic of the Congo (DRC). It will also provide an efficient rail solution from Kolwezi in the DRC Copperbelt to the Mineral Port of Lobito, Angola, which will connect mines in the Kolwezi region to international markets. This new route not only increases reliability for the movement of goods but also shortens the distance and transit time, reducing the journey to between five and nine days, from the 20 –

30 days of alternative routes. Further, the project will lower emissions and reduce environmental impact by replacing the need for an estimated 5,000 heavy duty trucks from the already congested and dangerous roads across the region. Currently, the project has employed over 434 people in the countries of operation, and this figure is projected to rise to 800 within the next five years. AFC has advanced the capital raise process for this cross-border infrastructure project and is working with global sponsors and financiers to attain financial close in 2024.

These two landmark petrochemical projects in Nigeria bring to the fore AFC's focus on supporting the global energy transition.

Kano-Maradi

Similarly, AFC has continued to advise the Federal Government of Nigeria (FGN) and its international partner, the leading global construction company Mota Engil Africa, on the US\$2 billion development and financing of a 378 km railway project linking Northern Nigeria with neighbouring Niger Republic. Once completed, the project will play a pivotal role in boosting economic growth in both Nigeria and Niger and providing a reliable and efficient transportation route for goods and commodities. It will reduce both transportation costs and transit times. Once completed the project will result in significantly fewer GHG emissions than trucking, with an estimated saving of US\$0.001/ton-kilometre. To date the project has provided employment to 948 Nigerian workers, who have benefitted from tailored training programmes and on-site learning experiences. It has also resulted in a significant increase in specialised skills and knowledge transfer to the local workforce. The project is set to achieve substantial growth, with employment expected to reach 4,250 by the end of 2024 and a projected increase to 6,500 by 2025. The project was further advanced by the US\$300 million bridge financing raised in 2022, which has been fully utilised to complete a significant amount of the project's early construction works. AFC is currently working with multiple regional and international banking partners to close the larger project financing by the end of 2024.

Methanol Production Plant

In the heavy industries sector, AFC continued to advise Blackrose Investors and Coumantaros Group on their intent to build a world-class low-carbon methanol production plant in Akwalbom, Nigeria, with a capacity of 1.8 million metric tonnes per annum. The project is expected to provide a credible greenhouse gas elimination and carbon neutrality pathway by capturing and utilising flare gas of up to 20 million scf/day from the nearby Qua lboe Terminal gas flare site, which would otherwise be reinjected into gas wells or released into the atmosphere. The flare elimination process will have an estimated greenhouse gas reduction impact of at least 657,000 tons CO₂ equivalent ("CO₂e") per annum (0.36 tons CO₂e/ton of methanol produced), thereby generating tradable carbon credits, which will offset the project's direct carbon emissions. The facility, once completed, will be Africa's largest methanol production facility, and is estimated to account for approximately 1.5% and 35% of global and African methanol supply respectively.

BUA Refining & Petrochemical Complex

Also in Nigeria, AFC is mandated to provide corporate finance advisory services to BUA Industries Limited, a multi-faceted conglomerate with diversified investments, on their proposed 200,000 barrels per day (bpd) greenfield integrated refining



and petrochemical complex. This ambitious industrial project aims to produce propylene, which is a vital component for the petrochemical industry, along with high-quality gasoline, diesel and jet fuel, meeting Euro V quality specifications for the Nigerian and regional markets. As the sole Financial Adviser to the sponsors of this transformational project under development, AFC supports BUA in all the required development activities, including but not limited to negotiating all crucial agreements with project financiers.

These two landmark petrochemical projects in Nigeria bring to the fore AFC's focus on supporting the global energy transition. Leveraging on Nigeria's vast natural gas resources as a key energy transition fuel to build large-scale gas derivative infrastructure will create jobs, provide value-added sustainable products, and reduce gas flaring, thereby creating positive climate impact nationally and globally. This is in alignment with AFC's development impact strategy, emphasising the Corporation's commitment to fostering economic growth through job creation and sustainable development.

FGN Power Company Limited

In 2023, AFC continued in its role as Transaction Adviser to the FGN Power Company Limited – the implementation vehicle for the Presidential Power Initiative (PPI), which is being executed as a partnership between the Federal Government of Nigeria and Siemens Energy of Germany. The PPI is focused on improving various elements along the value chain of the power sector, and its Phase 1 is expected to increase Nigeria's available capacity from 5GW to 7GW. The PPI's focus on modern and efficient power infrastructure is expected to reduce carbon emissions significantly, further highlighted by the pivotal agreement signed at COP28 to accelerate the implementation of the PPI and enhance electricity supply in Nigeria.

NNPC

Additionally, the Corporation expanded its corporate advisory portfolio by undertaking two new opportunities with an existing client, the Nigerian National Petroleum Corporation Limited (NNPC), and its subsidiaries. We provided financial advisory services for the divestment of NNPC's significant interests in certain strategic Oil Mining Licenses (OMLs) and the restructuring of some existing contracts between NNPC and its financing partners. AFC's consistent and comprehensive financial advisory support to this important client in Nigeria aligns with our strategy of providing support to critical stakeholders across Africa.



Financial Services

Sahara Group

Continuing our focus on the oil and gas sector, we actively advised the Sahara Group on its US\$500 million participation in the US\$3.3 billion NNPC Pre-Export Financing Facility syndicated by the African Export-Import Bank in 2023. This transaction is part of the Federal Government of Nigeria's short to medium-term objective of stabilising the Nigerian Foreign Exchange market. The transaction as a whole was one of the largest syndicated loans in Africa in 2023 and the largest crude pre-prepayment facility executed in the country.

Atuabo Gas Processing Plant

In Ghana, our advisory role continues to extend towards the gas monetisation initiative of the government. Working in partnership with a private-sector consortium, the state-owned Ghana National Gas Company continues to make progress with the development of its 300 million standard cubic feet (MMSCF) capacity gas processing plant located in Atuabo, Ghana. This gas plant is strategically positioned in terms of location, design and operational capacity to become a one-of-a-kind central gas processing hub with the potential to process >1.0 TCF of gas

in the next ten years. AFC takes pride in its leadership and support of the government and its private-sector partners during the initial stages of this project, through our successful provision of crucial corporate finance and project development advisory services during the project contracting and transaction structuring phases.

Baomahun Gold Project

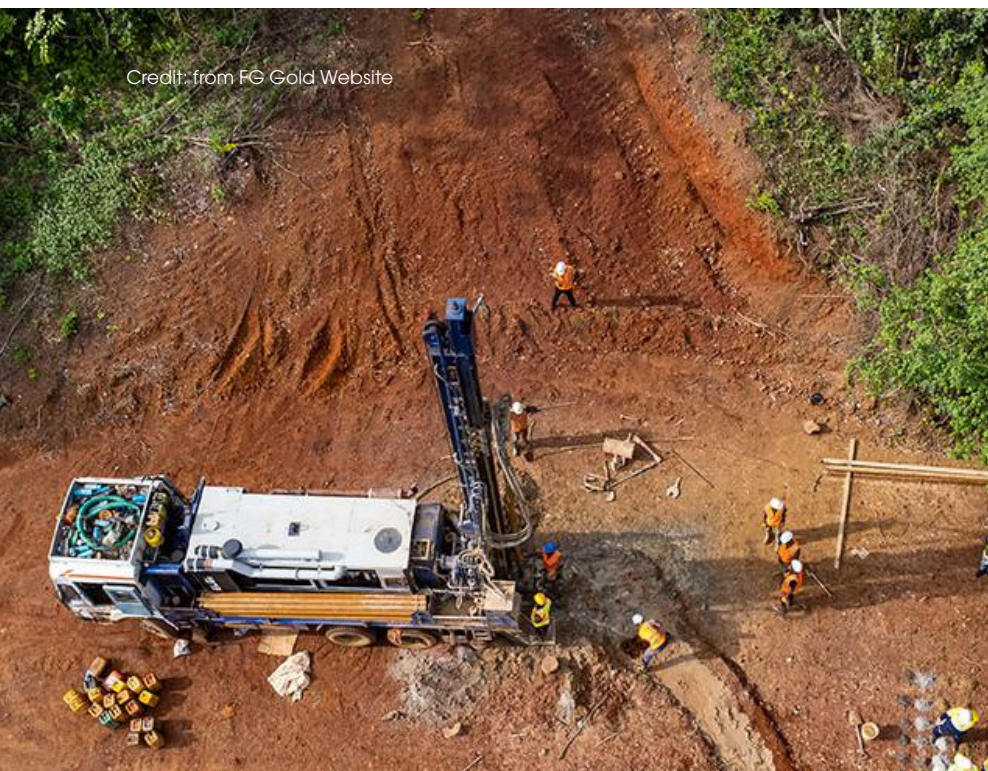
In Sierra Leone, we continue to advise FG Gold, an indigenous African gold exploration and development company, on the development of its flagship gold mine in Baomahun. This is set to be Sierra Leone's first large-scale commercial gold mine with a capacity of 2.5 million MTPA. First production is slated for 2025. AFC played a crucial role in progressing the project's financing as the project successfully closed a US\$55 million mezzanine facility and disbursed the initial tranche of US\$12 million in 2023. The mezzanine facility, alongside the US\$45 million stream facility raised in 2022, is being used for the exploration, development and commencement of major construction works in order to de-risk the project for prospective senior lenders. The completion of this project will enable Sierra Leone to

expand the export potential of its rich gold deposits while also developing important processing capabilities. In tandem, FG Gold's significant corporate social responsibility contributions have left a lasting impact on the Baomahun community, including the construction of a primary school, enhancing the community health centre and initiating a scholarship programme for tertiary students.

Nigeria 5G

Also in 2023, AFC successfully closed a corporate finance mandate providing market entry advisory, transaction structuring and capital raising services to a new entrant into the Nigerian telecommunications sector focused on 5G connectivity, raising over US\$270 million. The proceeds were used to finance the acquisition of some required licences and the initial roll-out plan for the 5G technology in key locations across Nigeria's six geographical locations. This project aims to enhance mobile network connectivity in both urban and rural areas, fostering better access to information and services.

Credit: from FG Gold Website



In Sierra Leone, we continue to advise FG Gold, an indigenous African gold exploration and development company, on the development of its flagship gold mine in Baomahun.

Local Currency Financing Solutions

Finally, during the year under review, the Corporation remained committed to its multi-year strategy of fostering effective, long-term, local currency financing solutions for critical infrastructure. We continued to provide essential structuring and risk management guidance to several local currency pools of capital within our mandate portfolio, extending best-practice corporate governance, oversight, corporate finance, structuring, and risk management advice to local currency funds with assets under management estimated at US\$4 billion as of year-end 2023.

Outlook

Reflecting on AFC's achievements in Financial Advisory Services throughout 2023, we celebrate numerous milestone projects that have significantly contributed to development impact across the continent. These accomplishments are a testament to the dedication of AFC's professionals, the resilience of our local and regional partnerships, and our unwavering commitment to crafting and implementing impactful solutions

to intricate infrastructure financing challenges. In the years ahead, AFC will remain steadfast in our determination to offer strategic corporate finance and project development advisory services on initiatives poised to leave a lasting imprint on the lives and communities that we support throughout Africa.



Syndications

The AFC Syndications programme remains uniquely positioned to address the challenges encountered in mobilising financing for infrastructure projects in Africa. This initiative facilitates the pooling of private sector finance from a diverse array of entities including commercial banks, investment banks, developmental financial institutions, institutional investors, pension funds, sovereign wealth funds, debt funds and insurance companies.

These stakeholders exhibit significant interest in participating in multilateral development bank (MDB) projects and portfolios, often using risk transfer techniques. With AFC's robust due diligence, adherence to environmental, social and governance (ESG) standards, preferred creditor status within Member States, exceptional credit performance, and proven track record in infrastructure investments across Africa, investors who may struggle to invest independently find assurance and confidence in partnering with AFC.

During the last five-year strategy period culminating in 2023, we successfully scaled up our cumulative mobilisation programme – through 25 transactions in 13 countries – to US\$4.61 billion in 2023, up from US\$661 million in 2018. This represents 37% of AFC's balance sheet account of US\$12.3 billion as at the end of 2023. This growth was made possible due to our diversified network of global investors, and the implementation of several initiatives and distribution structures including A/B bond repacks, credit enhanced B-Loans, Parallel Loans, Unfunded Risk Participations (URP), Partnership Loans (P-Loan) and our Loan Portfolio Insurance securitisation programme.

Our development aligns with the recommendation of the G20 Capital Adequacy Framework Report to scale up the transfer of risks embedded in MDB loan portfolios to private sector counterparties.

Please also refer to the Operating Context Dashboard in the Operating Review Introduction on page 79 for information about the impact of external factors on Syndications.

Over the past six years, in addition to entering into a Master Cooperation Agreement with the IFC, a US\$300 million Political Risk Insurance (PRI) Framework Agreement with Liberty Specialty Risk and a collaboration Agreement with MIGA, we have also become signatories to the Trade Finance Distribution Initiative.

We have successfully distributed assets to over 75 institutions globally, comprising of 32 commercial banks, 33 insurance companies and five institutional investors with a combined AUM of over US\$4 trillion, and five development finance institutions. These institutions are located across Europe (53%), Africa (34%), Asia (7%) and North America (6%).

The Corporation's risk transfer solutions were previously geared towards our loan products. However, in 2023, together with our Treasury Client Solutions team, we executed our first risk transfer of US\$77.5 million in AFC's US\$1 billion cross currency swap with a North African sovereign under our derivatives product line, thereby alleviating country headroom and capital constraints. The success of the transaction has established a window of opportunity to scale up our risk distribution under the AFC derivatives product line.

We also risk transferred c. EUR74 million of AFC's participation in a senior debt facility for the development of a dual fuel power plant in Senegal. Once commissioned, the project is expected to be the first gas-fired plant and the largest independent power producer in the West African country.

Additionally, we upsized the risk transfer tranche under our US\$1.03 billion portfolio insurance securitisation programme from US\$350 million to US\$400 million, which

provided further capital relief for the organisation to leverage its balance sheet for maximum impact.

Finally, together with African Export-Import Bank, AFC acted as a Co-Mandated Lead Arranger for a US\$335 million syndicated term loan facility for the construction and development of the Cabinda Oil Refinery in Angola, which is a critical project of the Angolan's Government import substitution agenda. The project is in line with AFC's vision to capture and retain value on the African continent while reducing carbon emissions by eliminating two wasteful voyages involved in exporting crude oil as a raw material and importing it back as a refined product. The syndicate of banks included the Industrial Development Corporation of South Africa (IDC), the Arab Bank for the Economic Development in Africa (BADEA) and Banco de Fomento Angola (BFA).

“ Risk transferred c. EUR74 million of AFC's participation in a senior debt facility for the development of a dual fuel power plant in Senegal. ”

Cabinda Refinery, Angola



Country Relations

Key Highlights

In 2023, our initiatives were guided by four main objectives: (1) attracting institutional and non-regional investors; (2) deepening country coverage through enhanced government relations; (3) strengthening the AFC capital base by converting the best performing economies of the continent from members to shareholders; and (4) promoting regional and non-regional cooperation through strategic partnerships.

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- **Membership:** Ethiopia, Burundi, and São Tomé and Príncipe joined AFC.
- **Equity Mobilisation:** Over US\$500 million was successfully mobilised in 2023, with the addition of the Corporation's first non-regional shareholder, and six new regional shareholders:
- Türkiye, through Turk Eximbank, became the first non-African shareholder in AFC.
- Three existing Member States, Côte d'Ivoire, Benin and Botswana, became AFC shareholders.
- Caisse Nationale de Prévoyance Sociale (CNPS), Cameroon's public pension fund, and SBM Capital Market Securities Ltd., a leading investment-grade financial services providers in Mauritius, made investments into AFC.
- Existing shareholders upsized their holdings through a rights issue programme.
- **Partnerships:** Partnership agreements were signed with the Saudi Fund for Development (SFD), the West African Bank for Development (BOAD), the Kingdom of Morocco, and CPF Financial Services (Kenya). AFC was accredited as an implementation partner by the Multilateral Centre for Development Finance (MCDF).
- **Events:** The third edition of the Country & Stakeholder Symposium (CSS) was successfully delivered.

Membership

We increased our membership to 42 countries in 2023, onboarding the Federal Democratic Republic of Ethiopia, the Republic of Burundi, and the Democratic Republic of São Tomé and Príncipe. With the addition of São Tomé and Príncipe, we have not only diversified AFC's reach in Lusophone countries, but also extended our footprint further into Central Africa. The addition of Ethiopia and Burundi paves the way for increased East Africa coverage.

Currently, AFC covers 78% of the continent with the following Member States: Nigeria (Host Country), Angola, Benin, Botswana, Burkina Faso, Burundi, Congo Brazzaville, Cameroun, Cape Verde, Chad, Côte d'Ivoire, Djibouti, DRC, Eritrea, Egypt, Ethiopia, Gabon, Ghana, Guinea-Bissau, Guinea-





AFC delegation meets Osman ÇELİK Deputy Minister of Finance, Türkiye

Conakry, The Gambia, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Rwanda, Sierra Leone, São Tomé and Príncipe, Somalia, South Sudan, Senegal, Togo, Tunisia, Uganda, Zambia and Zimbabwe.



Over US\$500 million was successfully mobilised in 2023, with the addition of the Corporation's first non-regional shareholder, and six new regional shareholders.



Country Relations



AFC partners with Kenya's CPF Financial Services to boost infrastructure investment within the country

Equity Mobilisation

In 2023, the Corporation raised over US\$500 million in equity from regional and non-regional investors.

Onboarding the Republic of Türkiye as the AFC's first non-African shareholder, through Turk Eximbank, was a historic milestone in the Corporation's equity mobilisation drive. Our strategic partnership with Türkiye not only enhances the Corporation's capital base by diversifying our pool of equity investors, but also solidifies AFC's reputation as the partner of choice for delivering transformational infrastructure financing solutions on the continent and supporting global partners in implementing their investment strategies for Africa. The increased global interest in AFC's mission is evidenced by our advanced discussions with major sovereign entities in North America, the Middle East, Asia and Europe regarding equity participation in AFC.

As an institution built on African capital, we continue to leverage the large pools of capital available on the continent to scale our operations and bridge Africa's infrastructure gap. On that basis, we raised US\$30 million from three existing Member States – Côte d'Ivoire, Benin and Botswana – who became AFC shareholders in 2023, signalling reinforced trust in the Corporation's commitment to deliver structural transformation in their respective economies.

2023 also saw African institutional investors increase their commitments in AFC. Caisse Nationale de Prévoyance Sociale (CNPS), Cameroon's public pension fund, subscribed to US\$20 million in fully paid shares; and SBM Capital Markets Security Limited, an investment-grade rated financial institution, subscribed to US\$105,000 in fully paid shares. The growing interest from regional institutional investors validates AFC's position as the premier

African platform for investors looking to diversify their shareholding in high-quality alternative assets capable of achieving risk-adjusted returns with visible development impact.

As part of our capital retention strategy, existing shareholders were encouraged to reinvest dividends in order to accelerate the capital value of their investments. The Republic of Egypt and the Bank of Sierra Leone reinvested notable dividend amounts.

Our first Rights Issue programme was approved by the Board of Directors in September 2022 and closed in December 2023. Through the rights issue process, we expanded our capital structure to attract new pools of investors, endorsing and approving the inaugural issuance of 'green shares' as an asset class. We received the commitment of a leading development finance institution (DFI) to increase its existing shareholding in AFC through a subscription to AFC green shares.

Partnerships

Increasing our influence globally remains a priority for AFC. We therefore prioritise strategic partnerships with regional and non-regional institutions that support our country membership, capital subscription and origination objectives.

In 2023, we signed partnership agreements with the following institutions:

- **Kingdom of Morocco, Ministry of Economy & Finance (MEF):** The agreement provides a framework under which government agencies, State-Owned Enterprises, and the Moroccan private sector can collaborate more closely with AFC on technical and capacity-building initiatives within the Corporation's core sectors.
- **Saudi Fund for Development (SFD):** The agreement will provide concessionary funding to African sovereigns under a blended finance structure that can be leveraged by AFC Member States through our Structured Product Solutions Unit.

- **CPF Financial Services, Kenya:** The agreement commits AFC and CPF Financial Services to collaborate in crowdfunding for the growing tech space in Kenya, and co-financing priority infrastructure projects aligned with Kenya's development roadmap. CPF will also explore an equity investment in AFC.

- **West African Development Bank (BOAD):** This agreement provides a joint commitment to promote infrastructure and economic progress across West Africa. AFC will leverage BOAD's network to expand and enhance its activities on the continent, particularly in the Francophone countries.

AFC was also accredited by the **Multilateral Cooperation Center for Development Finance (MCDF)** as an Implementing Partner of the MCDF Finance Facility in 2023. Under this partnership, AFC is eligible for grant funding for project preparation activities, reducing the cost of project development and supporting AFC's catalytic role in de-risking projects across Africa. This is the first grant facility provided to the Corporation by MCDF.

“The increased global interest in AFC's mission is evidenced by our advanced discussions with major sovereign entities in North America, the Middle East, Asia and Europe regarding equity participation in AFC.”

AFC delegation at the 46th Annual Meeting of the Association of Development Financial Institutions in Asia and the Pacific (ADFIAP)



Country Relations

Events

The third iteration of the AFC Country and Stakeholder Symposium (CSS) was convened with the overarching theme: 'Partnering for Resilience and Sustainable Growth in Turbulent Times.' Since its inception in 2020, the symposium has emerged as an important platform for proposing AFC's solutions to the challenges confronting our Member States and partner institutions. This year, discussions underscored the imperative of transitioning from aid to investment across the continent, highlighting AFC's pivotal role in developing value chains around Africa's abundant natural resources. The event in 2023 attracted 420 participants, representing 5% growth compared to the previous year.

We also participated in events that brought the AFC impact story to new audiences, advancing our equity raise agenda. These included:

- **Qatar Economic Forum 2023 (QEF):** Doha has been increasingly positioning itself as a hub between the Middle East, Asia and Africa, thus aligning with our capital raise strategy. The QEF supported the Corporation's ongoing engagements with Middle Eastern entities.
- **US-Africa Business Summit (USABS):** Through the USABS, we continue to have increased engagements with the US to promote US-Africa trade and enhance opportunities for collaboration in key sectors relevant to the Corporation.
- **World Pension Summit (WPS):** AFC's participation at the WPS was an opportunity to position the Corporation as the investment platform of choice for a diverse group of pension funds and institutional investors interested in Africa.
- **UN Economic Commission for Africa (UNECA), WAEMU Institutional Investor Technical Workshop:** AFC attended a technical workshop on infrastructure financing for key institutional investors in the West African Economic and Monetary Union (WAEMU). The event was an attempt to implement our partnership agreement with UNECA, which seeks to mobilise long-term financing from African financial institutions. The platform enabled us to present the Corporation's mobilisation structuring capabilities, co-investment options and other risk-mitigating instruments.
- **Africa Investment Forum (AIF):** As a founding partner of the AIF, AFC leveraged the Forum to engage with existing and prospective members

countries and showcase our project pipeline. This year, investments totalling US\$34 billion were announced in projects across Africa, including AFC-led projects.

- **Financing Trade and Investment in Africa (FITA):** We took the opportunity of attending FITA to meet with government officials in the Tunisian Ministries of Economy and Finance to discuss investments opportunities in the country. This followed the MOU signed between AFC and the Tunisia Africa Business Council (TABC).

- **World Economic Forum (WEF) 4th Annual Meeting of the New Champions:** The event provided an opportunity to engage with global leaders from governments, businesses and international organisations in Asia and beyond, supporting our shareholder diversification strategy and the AFC equity raise programme.

- **46th Annual Meeting of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP):** AFC was presented to the audience as the local partner for institutions intending to develop an Africa-focused agenda. High-level bilateral meetings were held with critical ministries and other regional private sector players with similar mandates.

MEMORANDUM OF UNDERSTANDING

TO ESTABLISH ROADS BETWEEN
THE SAUDI FUND FOR DEVELOPMENT
&
AFRICA FINANCE CORPORATION (AFC)



AFC and Saudi Fund for Development partner to drive sustainable development in Africa

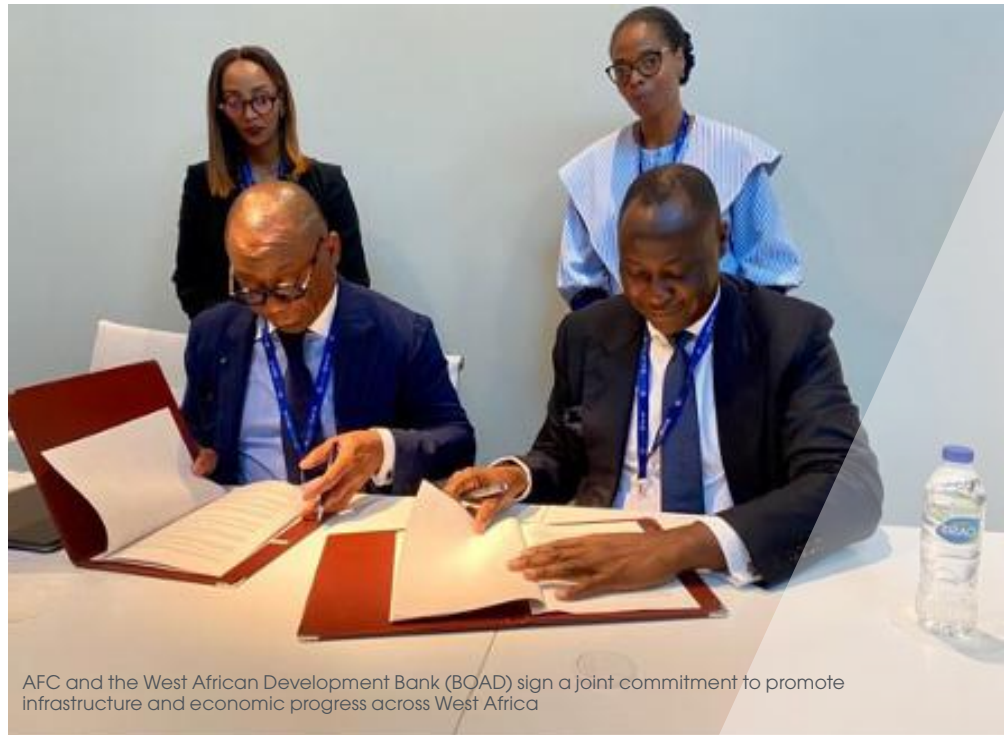
Additional events in which AFC participated over the course of the year included the IMF/World Bank Annual General Meetings, the United Nations General Assembly (UNGA) meetings, and the Africa CEO Forum.

Outlook

Looking ahead, cultivating strategic partnerships will remain paramount in fulfilling our mandate across the continent. AFC will continue to position itself as the preferred partner for implementing national development plans and expediting development impact in response to the distinct challenges confronting African economies and global partners.

We will capitalise on our strong membership base and substantial project pipeline to transition the continent's top-performing economies into shareholders, thereby reinforcing the pathway for African institutional investors to assume a more prominent role in addressing Africa's infrastructure funding deficit.

As we continue to attract non-regional players into the Corporation's capital structure, our pan-African DNA will be conservatively maintained.



AFC and the West African Development Bank (BOAD) sign a joint commitment to promote infrastructure and economic progress across West Africa

AFC delegation meets Adama Coulibaly, Honourable Minister, Ministry of Economy and Finance, Côte d'Ivoire



AFC Capital Partners

In 2023, AFC Capital Partners (ACP) solidified its position as a frontrunner in Africa's climate-focused infrastructure and industrial sectors. Bolstered by robust institutional support with the inception of the Infrastructure Climate Resilience Fund (ICRF), ACP is now poised to pioneer climate-resilient infrastructure and industrial assets, introducing a novel and viable asset class to the African investment landscape.

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Our strategy integrates targeted investor engagement with an in-depth understanding of the continent's needs, allowing us to deliver competitive returns for investors while catalysing transformative change in African economies amidst the evolving climate change scenario.

2023 Key Objectives

In 2023, ACP's primary goal was achieving operational readiness. This involved successfully securing the commitment of junior equity concessional investment from the Green Climate Fund (GCF) in the first quarter of the year, along with raising an additional US\$80 million from regional African institutional investors. ACP actively pursued the first close of ICRF by garnering commitments from diverse African institutional investors, such as pension funds, insurance companies and development finance institutions.

In 2023, ACP made significant progress in both fundraising and institution building.



AFC Capital Partners site visit to Arise IIP, GSEZ, Gabon

2023 Key Milestones

- **Fundraising:**
 - **GCF Approval:** ACP successfully obtained Board approval at the 35th GCF Board Meeting in March 2023. Subsequent to negotiations, AFC and GCF formalised their collaboration by signing a Funded Activity Agreement (FAA) in September 2023, coinciding with Climate Week.
 - **With US\$320 million in secured commitments,** ACP is hoping to finalise commitment of another US\$55 – US\$80 million from a number of investors for the ICRF.



• Institution Building

- **Incorporation of Companies:** ACP was actively engaged in the establishment of fund manager entities in Mauritius and Nigeria, two pivotal jurisdictions where the ICRF will operate. This strategic move ensures a robust operational framework in regions critical to the Fund's mission.
- **Policy Approvals:** In December the ACP Board demonstrated its commitment to effective fund management by approving essential policies. These policies, encompassing but not limited to Environmental, Social and

Governance (ESG), Human Rights, Gender and the Responsible Investment Code, provide a comprehensive framework for the responsible and sustainable operation of the ICRF.

- **Team Expansion:** Recognising the significance of ESG considerations, ACP has augmented its team by recruiting skilled ESG and Climate consultants. This strategic expansion bolsters ACP's capacity to navigate and address the intricacies of climate-focused investments, reinforcing our commitment to sustainable practices.

“ ACP is now poised to pioneer climate-resilient infrastructure and industrial assets. ”



AFC Capital Partners

Outlook for 2024

Going into 2024, ACP is set to escalate its efforts towards achieving the first close of the ICRF. This entails securing additional investment commitments from both African and global investors. The key objectives for 2024 are outlined below:

- **Institution Building:** In 2024 ACP intends to secure all licenses and regulatory approvals required for ICRF and ACP to operate in Mauritius and Nigeria. We are also working on bolstering the team to include seasoned investment professionals with expertise in the transport and power sectors, as we aim to complete our first co-investment deal at a later stage in the year.
- **Driving First Close (Q2 2024)** – ACP is committed to achieving ICRF first close by Q2 2024, with a focused effort on engaging European institutional investors. Building on successful engagements in 2023, ACP aims to secure additional commitments from African institutional investors. Simultaneously, ACP is actively working to identify investors for post-first close participation, aiming for the second close of the Fund in Q4 2024. This includes revisiting European investors and expanding outreach to North American, Middle Eastern and Asian investors. ACP plans to conduct more roadshows and due diligence (DD) programmes, similar to previous successful DD initiatives.
- **First Deal / Transaction** – As the first close approaches, ACP has initiated the identification of potential investment projects and the operationalisation of the co-investment model. A robust pipeline of transport and power projects is already in place, and ACP is actively working on the analysis of each project. The objective is to secure Board approval for the inaugural transaction in 2024, marking a significant step toward realising the objectives of the ICRF.

GCF Executive Director, Mafalda Duarte, and AFC President & CEO, Samaila Zubairu, at the signing of the FAA in September 2023



AFC Capital Partners site visit to Henri
Konan Bédié Bridge, Côte d'Ivoire



Financial Report

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Statement of directors' responsibilities

The Directors are responsible for the preparation of the consolidated financial statements for each financial year, that gives a true and fair view of the financial affairs of the Corporation at the end of the year and of its profit or loss and other comprehensive income. 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 consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with IFRS Accounting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated 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.

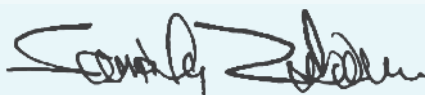
Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least twelve months from the date of this statement.

Approval of Annual Financial Statements

The annual consolidated financial statements, presented on pages 154-245 were approved by the Directors on February 29, 2024 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 consolidated financial statements for the year ended December 31, 2023, at its meeting held on 23 February 2024.

In our opinion, the scope and planning of the audit for the year ended December 31, 2023 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 consolidated financial statements were prepared in accordance with the IFRS Accounting Standards and gave a true and fair view of the state of affairs of the Corporation's financial condition as at December 31, 2023.

The Committee, therefore, recommended that the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2023 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 consolidated 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 Professional Services as the Corporation's external auditors for the 2024 financial year.



Ms Kirstine Damkjaer
Chairperson
Audit & Compliance Committee

Members of the Committee

Akin Ogunranti
Bolaji Lawal
Dr. Hassan Mahmud
Dr. Kevin Amugo



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Africa Finance Corporation

Report on the Audit of the Consolidated Financial Statements

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 2023;
- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows for the year then ended; and
- the notes, comprising material 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

KPMG Professional Services, a partnership registered in Nigeria and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registered in Nigeria No BN 986925

A list of partners is available for inspection at the firm's address.



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;
- 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 loans and advances to customers;
 - Management review of the model assumptions and inputs; and the resultant ECL allowance arising from the model; and
 - 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 and is accurate and complete. 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 2023. 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 input into the ECL model 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 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 2023 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 consolidated 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, as well as estimation of future cashflows. 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 included the following:

- Involved our valuation specialists to assist in:
 - Challenging the key assumptions underlying the estimated cashflows by comparison with external available information, investee company accounts and management information as applicable;
 - Reviewing the valuation methodology and supporting documentation used by management to derive the fair values of the investments;
 - Assessing the reasonableness of key input in determining the cost of equity, Beta factor and weighted average cost of capital (WACC) applied in estimating the fair values of the unquoted equities;
 - Re-performing 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, which were obtained prior to the date of this auditor's report but does not include the consolidated financial statements and our auditor's report thereon.

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 are expected to be made available to us after that date .

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



Elijah Oladunmoye, FCA
FRC/2013/ICAN/00000019769
For: KPMG Professional Services
Chartered Accountants
6 March 2024
Lagos, Nigeria



Consolidated Statement of Profit or loss and other Comprehensive Income

For the Year Ended December 31, 2023

	Note*	2023 US\$'000	2022 US\$'000
Interest income	6	780,904	535,289
Interest expense	6	(350,404)	(207,401)
Net interest income		430,500	327,888
Credit risk insurance	12b	(19,150)	(17,580)
Dividend income	7	15,557	8,392
Fees, commission and other income	8	70,567	81,709
Operating income		497,474	400,409
Net gain on financial instruments at fair value through profit or loss (FVTPL)	9	2,448	33,243
Net impairment charge on financial assets	10	(64,849)	(50,657)
Gain on sale of financial assets	11	20,969	1,257
Operating expenses	12	(102,144)	(98,333)
Profit for the year from continuing operations		353,898	285,919
Discontinued operations			
Loss for the year, from discontinued operations	25	(24,208)	-
Profit for the year		329,690	285,919
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net loss on FVOCI financial assets (equity instruments)	33	(2,503)	(646)
Remeasurement of defined benefit liability	33	(218)	-
Total items that will not be reclassified to profit or loss		(2,721)	(646)
Other comprehensive loss		(2,721)	(646)
Total comprehensive income for the year		326,969	285,273
Profit attributable to:			
Owners of the parent		329,690	285,919
Profit attributable to:			
Owners of the parent:			
From continuing operations		353,898	285,919
From discontinued operations		(24,208)	-
		329,690	285,919
Earnings per share			
Basic/diluted (United States cents)	14	23.61	24.37
From continuing operations			
Earnings per share (United States cents)	14	25.34	24.37
From discontinued operations			
Earnings per share (United States cents)	14	(1.73)	-

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

Consolidated Statement of Financial Position

As at December 31, 2023

	Note*	2023 US\$'000	2022 US\$'000
ASSETS			
Cash and balances with banks	15	6,711	122,682
Loans and advances to banks	16	1,371,103	1,372,568
Derivative financial instruments	17	263,391	184,370
Loans and advances to other customers	18	4,283,292	3,612,264
Financial assets at fair value through profit or loss	19	1,601,402	1,623,954
Investment securities	20	3,783,322	2,920,560
Pledged assets	21	521,039	611,209
Other assets	22	30,877	72,593
Property, plant and equipment	23	5,087	7,046
Intangible assets	24	200	566
		11,866,424	10,527,812
Non-current assets held for sale	25	478,713	-
Total Assets		12,345,137	10,527,812
LIABILITIES			
Accrued expenses and other liabilities	26	188,576	187,890
Derivative financial instruments	17	128,914	72,281
Borrowings	27	8,324,483	7,568,205
		8,641,973	7,828,376
Liabilities directly associated with the assets held for sale	25	282,472	-
Total Liabilities		8,924,445	7,828,376
EQUITY			
Share capital	29	1,537,719	1,290,527
Share premium	30	423,675	184,018
Share warrants	31	200,000	200,000
Retained earnings	32	1,286,318	1,049,190
Fair value reserves	33	(27,020)	(24,299)
Total equity		3,420,692	2,699,436
Total Equity and Liabilities		12,345,137	10,527,812

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

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2023

	Share Capital US\$'000	Share Premium US\$'000	Share Warrants US\$'000	Fair Value Reserves US\$'000	Retained Earnings US\$'000	Total Equity US\$'000
As at January 1, 2022	1,171,176	66,432	200,000	(23,653)	824,808	2,238,763
Profit for the year	-	-	-	-	285,919	285,919
Other comprehensive income						
Equity securities at FVOCI						
- net change in fair value	-	-	-	(646)	-	(646)
Total comprehensive income	-	-	-	(646)	285,919	285,273
Transactions with owners:						
Issued during the year	119,351	117,586	-	-	-	236,937
Dividend paid on share warrants	-	-	-	-	(5,075)	(5,075)
Dividends paid during the year	-	-	-	-	(56,462)	(56,462)
Transactions with owners	119,351	117,586	-	-	(61,537)	175,400
As at December 31, 2022	1,290,527	184,018	200,000	(24,299)	1,049,190	2,699,436
As at January 1, 2023	1,290,527	184,018	200,000	(24,299)	1,049,190	2,699,436
Profit for the year	-	-	-	-	329,690	329,690
Other comprehensive income						
Equity securities at FVOCI						
- net change in fair value	-	-	-	(2,503)	-	(2,503)
Remeasurement of defined benefit liability	-	-	-	(218)	-	(218)
Total comprehensive income	-	-	-	(2,721)	329,690	326,969
Transactions with owners:						
Issued during the year	247,192	239,657	-	-	-	486,849
Dividend paid on share warrants	-	-	-	-	(6,981)	(6,981)
Dividends paid during the year	-	-	-	-	(85,581)	(85,581)
Transaction with owners	247,192	239,657	-	-	(92,562)	394,287
As at December 31, 2023	1,537,719	423,675	200,000	(27,020)	1,286,318	3,420,692

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

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2023

	Note*	2023 US\$'000	2022 US\$'000
Cash flows from operating activities			
Interest and similar income received		773,008	507,534
Interest paid	27	(330,682)	(183,160)
Fee and commission receipts		91,476	77,783
Dividend received		11,287	6,622
Cash payments to employees and suppliers		(113,848)	(97,489)
Loans and advances disbursed to customers		(647,387)	(632,349)
Net cash used in operating activities		(216,146)	(321,059)
Cash flows from investing activities			
Purchase of debt securities		(2,846,364)	(1,246,876)
Capital repayments of debt securities		2,633,131	1,197,264
Purchase of financial assets at fair value through profit or loss		(172,371)	(106,012)
Purchase of financial assets at fair value through other comprehensive income		(4,063)	-
Proceeds on disposal/repayments of equity securities		23,212	26,209
Proceeds on disposal of property and equipment	23	128	103
Purchase of property and equipment	23	(1,172)	(1,919)
Purchase of software/Intangibles	24	(82)	(54)
Net cash used in investment activities		(367,581)	(131,285)
Cash flows from financing activities			
Proceeds from other borrowings	27	2,425,914	1,991,820
Transaction costs related to borrowings	27	(13,329)	(8,743)
Repayment of borrowings	27	(1,722,949)	(607,015)
Proceeds on share issue	29	484,573	239,750
Share issue expenses		-	(3,063)
Dividends paid on share warrants	32	(6,981)	(5,075)
Dividend paid to ordinary Shareholders	32	(86,736)	(56,462)
Deposit for shares		-	2,276
Net cash from financing activities		1,080,492	1,553,488
Net increase in cash and cash equivalents		496,765	1,101,144
Cash and cash equivalents at the beginning of the year		2,995,106	1,893,962
Total cash and cash equivalents at end of the year	35	3,491,871	2,995,106

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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 forty two (2022: thirty nine) member states as listed in the table below.

Member Countries

Angola	Madagascar
Benin	Malawi
Botswana	Mali
Burkina Faso	Mauritania
Burundi	Mauritius
Cameroon	Morocco
Cape Verde	Namibia
Chad	Niger
Congo	Nigeria
Cote d'Ivoire	Rwanda
Dem. Republic of Congo	Sao Tome & Principe
Djibouti	Senegal
Egypt	Sierra Leone
Eritrea	Somalia
Ethiopia	South Sudan
Gabon	The Gambia
Ghana	Togo
Guinea Bissau	Tunisia
Guinea Conakry	Uganda

Kenya	Zambia
Liberia	Zimbabwe

Forty-four (44) shareholders have subscribed and paid for shares in AFC in accordance with the terms of the AFC Charter (2022 Thirty-seven (37)). As at December 31, 2023, the list of shareholders holding more than 5% of the issued share capital of the Corporation is as follows:

Name of Shareholder	Shareholding (%)	
	2023	2022
Central Bank of Nigeria	39.9	38.0
Access Bank Plc	9.1	8.6
United Bank for Africa Plc	7.9	9.0
First Bank of Nigeria Plc	6.5	7.8
Zenith Bank Plc	6.5	7.7

See Note 29 for additional information on shareholding of the Corporation.

The Corporation's primary objective is to finance infrastructure (power, transportation, telecommunications), heavy industry, technology 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 subsidiaries: AFC Equity Investments Limited ("AFC Equity"), AFC Capital Partners ("AFC Capital"), Arise PCC and Pecan Energies Investment Limited ("Pecan"), 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.

AFC Capital was setup as an investment management entity, which is also domiciled in the Republic of Mauritius. AFC Capital was created to mobilise and manage third party funds to unlock new sources of capital to fund the African infrastructure investment gap. AFC Capital leverages the scale and breadth of AFC's investment track record to offer institutional investors unique access to attractive, de-risked investment opportunities in climate-resilient infrastructure with strong returns.

Arise PCC, which is also domiciled in the Republic of Mauritius, is an SPV (special purpose vehicle) set up solely to hold the Corporation's investment in Terminal à Conteneurs de Nouakchott ("TCN"). TCN, formerly known as Arise Mauritania S.A., is a port project in the Islamic Republic of Mauritania. In 2022, the Corporation acquired a 100% stake in Arise PCC leading to an increase in the Corporation's interest in TCN to 50%, from 10.5%. During the year, the investment in TCN was transferred from Arise PCC to AFC Equity and the process for an orderly liquidation of Arise PCC commenced. The operations of AFC, AFC Equity and Arise PCC are managed solely by AFC's management team as AFC Equity and Arise PCC do not have separate management teams.

During the year, AFC acquired a 100% interest in Pecan Energy AS (formerly Aker Energies AS), an exploration and production company. Through its wholly owned subsidiary, Pecan Energy Ghana Limited, the Company has a 50% participating interest in the Deepwater Tano / Cape Three Points block ("DWT/CTP"). Pecan Energy Ghana Ltd is the operator responsible for developing the DWT/CTP (Pecan field). After the acquisition, the entity was renamed as

Pecan Energies AS and its assets and liabilities transferred to Pecan Energies Investment Limited ("PEIL"). AFC plans to reduce its interest in the near term. See notes 25 and 36.

Accordingly, the group is referred to as "the Corporation" for financial reporting purposes.

The consolidated financial statements for the year ended December 31, 2023 were authorized and approved for issue by the Board of Directors on February 29, 2024.

2. Summary of significant accounting policies

The material 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The consolidated financial statements are presented in United States dollars (US\$) rounded to the nearest thousand.

The consolidated 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 consolidated 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 consolidated 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 consolidated financial statements in conformity with IFRS Accounting Standards 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 global inflation and the threatening global recession have all had an impact on the global markets and Africa as a whole. The measures adopted by several governments in countries around the world to cope with

the crisis has had a significant impact on the global economy. However, the Corporation continues to support its clients to weather the turbulent macroeconomic environment whilst having 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.

Disclosure of Accounting Policies (Amendments IAS 1 and IFRS Practice Statement 2)

The Corporation adopted Disclosure of Accounting Policies (Amendments IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of "material" rather than "significant" accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. The amendments have had an impact on the Corporation's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Corporation's financial statements. The Corporation reviewed the accounting policies and made updates to the information disclosed in Note 2 Material Accounting Policies (2022: Summary of significant accounting policies) in certain instances in line with the new amendments.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

Definition of Accounting Estimates - Amendments to IAS 8

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. The amendment was effective for annual periods beginning on or after 1 January 2023.

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 2023 and 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) Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current Liabilities- Amendments to IAS 1:

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants

are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. The Corporation anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods.

(b) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the

equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Corporation anticipates that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transactions arise.

c) Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a

leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

(d) Lack of Exchangeability - Amendments to IAS 21

The amendments clarifies when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability.

Assessing exchangeability: When to estimate a spot rate: A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.

Estimating a spot rate: Meeting the estimation objective. A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would

take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements on how to estimate a spot rate.

Therefore, when estimating a spot rate a company can use an observable exchange rate without adjustment; or another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. This may include the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process; and risks to the company because the currency is not exchangeable. The amendments apply for annual reporting periods beginning on or after 1 January 2025, with early application permitted.

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

There are no other IFRSs or IFRS Interpretation Committee (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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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.

(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. The functional currency of all subsidiaries is the United States Dollars.

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

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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 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).

Interest rate benchmark reform

If the basis for determining the contractual cashflows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Corporation updates the effective interest rate of the financial asset or liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cashflow is required by interest rate benchmark reforms if the following conditions were met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cashflow is economically equivalent to the previous basis- i.e. the basis immediately before the change.

If changes are made to the financial asset or financial liability in addition to changes to the basis for determining the contractual cashflows required by interest benchmark reforms, then the Corporation first updates the effective interest rate of the financial asset or financial liabilities to reflect the change that is required by interest benchmark reform. After that the Corporation, applies the policies on accounting for modifications set out above to the additional changes.

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.

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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.

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

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. 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 adjust-

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ments 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

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

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'.

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.

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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 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, plant 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 derecognized. 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:

Item	Depreciation Method	Average useful life
Right of use assets	Straight line	25 years or over the period of the lease.
Office furniture and equipment	Straight line	5 years
Motor vehicles	Straight line	4 years
IT equipment	Straight line	3 years

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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 till 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 recognized 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 recognized 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 recognized 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 recognized immediately in profit or loss. The Corporation recognizes 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 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 pretax 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.

Impairment on loan commitments and financial guarantee contracts are recognised as provisions. Please refer to note 2.8 for a description of the presentation of allowances for impairment in the statement of financial position.

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 licenses.

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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.

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 recognized 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 by 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.

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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 periodically. 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/placements; 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 geo-

graphical 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 BRIC 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 BRIC.

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 BRIC and EXCO. 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. 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 BRIC, the 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

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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 BRIC.

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

3.1.5 Maximum exposure to credit risk

	Maximum Exposure	
	2023	2022
	US\$'000	US\$'000
Balances with banks	6,681	122,639
Loan and advances to banks:		
- Placements with banks	1,371,103	1,372,568
Derivative financial assets	263,391	184,370
Loan and advances to other customers:		
- Project finance loans	3,593,111	3,065,325
- Trade finance loans	690,181	546,939
Financial assets at fair value through profit or loss:		
- Debt securities	307,132	538,070
- Asset under management (debt securities)	22,248	19,837
Investment Securities:		
- Corporate debt securities	397,215	330,327
- Government debt securities	3,349,127	2,537,313
Pledged Assets:		
- Corporate debt securities	336,382	330,577
- Government debt securities	184,657	280,632
Other assets:		
- Account receivable	14,973	39,854
- Fee receivable	8,875	12,325
- Advance for investment	-	14,700
	10,545,076	9,395,476
Off-balance sheet commitments	2,498,904	1,684,408

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.

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)". 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, 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 maximize recovery. This team will give a weekly update on recovery efforts to 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

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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 2023 US\$'000	31 December 2022 US\$'000
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA to BBB-)	3,850,812	3,273,343
Others (BB+, BB, BB-, B+, B, B-)	3,714,402	3,070,531
	7,565,214	6,343,874
Counterparties without international credit ratings		
Group 1	554,627	237,021
Group 2	2,367,774	2,756,894
	2,922,401	2,993,915
Total unimpaired nor past due loans, advances and debt securities	10,487,615	9,337,789
Total unimpaired nor past due financial assets	10,487,615	9,337,789

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	2023			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	848	-	-	848
- Strong	5,315	-	-	5,315
- Good	518	-	-	518
Gross carrying amount	6,681	-	-	6,681
Loss allowance	-	-	-	-
Carrying amount	6,681	-	-	6,681

US\$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	83,795	-	-	83,795
- Strong	21,473	-	-	21,473
- Good	17,371	-	-	17,371
Gross carrying amount	122,639	-	-	122,639
Loss allowance	-	-	-	-
Carrying amount	122,639	-	-	122,639

Financial Report

Loans and advances to banks at amortised cost:

US\$'000	2023			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	1,101,704	-	-	1,101,704
- Strong	-	-	-	-
- Good	274,923	-	-	274,923
Gross carrying amount	1,376,627	-	-	1,376,627
Loss allowance	(5,524)	-	-	(5,524)
Carrying amount	1,371,103	-	-	1,371,103

US\$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	1,164,743	-	-	1,164,743
- Strong	102,225	-	-	102,225
- Good	107,965	-	-	107,965
- Fair	-	-	-	-
Gross carrying amount	1,374,933	-	-	1,374,933
Loss allowance	(2,365)	-	-	(2,365)
Carrying amount	1,372,568	-	-	1,372,568

Loans and advances to customers at amortised cost:

US\$'000	2023			
	Stage 1	Stage 2	Stage 3	Total
Project finance				
- Excellent	252,489	52,996	-	305,485
- Good	797,885	-	-	797,885
- Strong	113,096	-	-	113,096
- Fair	1,611,403	-	-	1,611,403
- Marginal	553,457	297,447	-	850,904
- Special attention	-	-	-	-
- Default	-	-	125,356	125,356
Gross carrying amount	3,328,330	350,443	125,356	3,804,129
Loss allowance	(121,313)	(21,816)	(67,889)	(211,018)
	3,207,017	328,627	57,467	3,593,111
Trade finance				
- Strong	7,005	-	-	7,005
- Good	268,292	-	-	268,292
- Fair	421,877	-	-	421,877
- Marginal	17,266	-	-	17,266
- Special attention	-	-	-	-
Gross carrying amount	714,440	-	-	714,440
Loss allowance	(24,259)	-	-	(24,259)
	690,181	-	-	690,181
Gross loans to other customers	4,042,770	350,443	125,356	4,518,569
Carrying amount	3,897,198	328,627	57,467	4,283,292

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US\$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Project finance				
- Excellent	245,430	-	-	245,430
- Good	1,601,129	-	-	1,601,129
- Strong	128,414	-	-	128,414
- Fair	285,754	-	-	285,754
- Marginal	463,144	387,562	-	850,706
- Special attention	-	-	-	-
- Default	-	-	125,576	125,576
Gross carrying amount	2,723,871	387,562	125,576	3,237,009
Loss allowance	(77,835)	(25,960)	(67,889)	(171,684)
	2,646,036	361,602	57,687	3,065,325
Trade finance				
- Strong	3,027	-	-	3,027
- Good	523,161	-	-	523,161
- Fair	362	-	-	362
- Marginal	-	41,790	-	41,790
Gross carrying amount	526,550	41,790	-	568,340
Loss allowance	(15,814)	(5,587)	-	(21,401)
	510,736	36,203	-	546,939
Gross loans to other customers	3,250,421	429,352	125,576	3,805,349
Carrying amount	3,156,772	397,805	57,687	3,612,264

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	2023			
	Stage 1	Stage 2	Stage 3	Total
Current	4,042,770	350,443	31,851	4,425,064
Overdue 30 - 90 days	-	-	-	-
Overdue 90 - 180 days	-	-	-	-
Overdue > 180 days	-	-	93,505	93,505
Total	4,042,770	350,443	125,356	4,518,569

US\$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Current	3,250,421	429,352	-	3,679,773
Overdue 30 - 90 days	-	-	-	-
Overdue 90 - 180 days	-	-	-	-
Overdue > 180 days	-	-	125,576	125,576
Total	3,250,421	429,352	125,576	3,805,349

Financial Report

Investment securities at amortised cost:

US\$'000	2023			Total
	Stage 1	Stage 2	Stage 3	
<i>Corporate debt securities</i>				
- Excellent	-	-	-	-
- Strong	-	-	-	-
- Good	66,968	-	-	66,968
- Fair	215,148	-	-	215,148
- Marginal	136,568	-	-	136,568
- Special attention	-	-	-	-
	418,684	-	-	418,684
Loss allowance	(21,470)	-	-	(21,470)
	397,214	-	-	397,214
<i>Government debt securities</i>				
- Excellent	2,108,533	-	-	2,108,533
- Strong	20,175	-	-	20,175
- Good	4,013	-	-	4,013
- Fair	1,241,761	-	-	1,241,761
	3,374,482	-	-	3,374,482
Loss allowance	(25,354)	-	-	(25,354)
	3,349,128	-	-	3,349,128
Carrying amount	3,746,342	-	-	3,746,342

US\$'000	2022			Total
	Stage 1	Stage 2	Stage 3	
<i>Corporate debt securities</i>				
- Excellent	-	-	-	-
- Strong	-	-	-	-
- Good	39,241	-	-	39,241
- Fair	101,261	-	-	101,261
- Marginal	208,423	-	-	208,423
- Special attention	-	-	-	-
	348,925	-	-	348,925
Loss allowance	(18,598)	-	-	(18,598)
	330,327	-	-	330,327
<i>Government debt securities</i>				
- Excellent	1,497,491	-	-	1,497,491
- Strong	76	-	-	76
- Good	1,040,820	-	-	1,040,820
- Special attention	-	20,038	-	20,038
	2,538,387	20,038	-	2,558,425
Loss allowance	(20,300)	(812)	-	(21,112)
	2,518,087	19,226	-	2,537,313
Carrying amount	2,848,414	19,226	-	2,867,640

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

Pledged assets:

US\$'000	2023			Total
	Stage 1	Stage 2	Stage 3	
<i>Corporate debt securities</i>				
- Excellent	-	-	-	-
- Strong	50,905	-	-	50,905
- Good	31,936	-	-	31,936
- Fair	265,742	-	-	265,742
	348,583	-	-	348,583
Loss allowance	(12,200)	-	-	(12,200)
	336,383	-	-	336,383
<i>Government debt securities</i>				
- Excellent	30,897	-	-	30,897
- Strong	50,521	-	-	50,521
- Good	75,301	-	-	75,301
- Fair	31,157	-	-	31,157
	187,876	-	-	187,876
Loss allowance	(3,220)	-	-	(3,220)
	184,656	-	-	184,656
Carrying amount	521,039	-	-	521,039
US\$'000				
		2022		
	Stage 1	Stage 2	Stage 3	Total
<i>Corporate debt securities</i>				
- Excellent	57,240	-	-	57,240
- Strong	50,577	-	-	50,577
- Good	229,189	-	-	229,189
	337,006	-	-	337,006
Loss allowance	(6,429)	-	-	(6,429)
	330,577	-	-	330,577
<i>Government debt securities</i>				
- Excellent	30,933	-	-	30,933
- Strong	50,554	-	-	50,554
- Good	201,163	-	-	201,163
	282,650	-	-	282,650
Loss allowance	(2,018)	-	-	(2,018)
	280,632	-	-	280,632
Carrying amount	611,209	-	-	611,209

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Other assets:

US\$'000	2023			Total
	Stage 1	Stage 2	Stage 3	
<i>Account receivable</i>				
- Good	14,973	-	-	14,973
<i>Fee receivable</i>				
- Good	8,875	-	-	8,875
	23,848	-	-	23,848
Loss allowance	-	-	-	-
Carrying amount	23,848	-	-	23,848

US\$'000	2022			Total
	Stage 1	Stage 2	Stage 3	
<i>Account receivable</i>				
- Good	39,854	-	-	39,854
<i>Fee receivable</i>				
- Good	12,325	-	-	12,325
<i>Advance for investment</i>				
- Good	14,700	-	-	14,700
	66,879	-	-	66,879
Loss allowance	-	-	-	-
Carrying amount	66,879	-	-	66,879

Off-balance sheet commitments:

US\$'000	2023			Total
	Stage 1	Stage 2	Stage 3	
<i>Debt and financial guarantees</i>				
- Strong	16,000	-	-	16,000
- Good	249,921	-	-	249,921
- Fair	2,137,926	-	-	2,137,926
- Marginal	95,057	-	-	95,057
Total	2,498,904	-	-	2,498,904
Loss allowance on commitments	17,897	-	-	17,897

US\$'000	2022			Total
	Stage 1	Stage 2	Stage 3	
<i>Debt and financial guarantees</i>				
- Strong	21,000	-	-	21,000
- Good	1,548,096	-	-	1,548,096
- Fair	28,502	-	-	28,502
- Marginal	86,810	-	-	86,810
Total	1,684,408	-	-	1,684,408
Loss allowance on commitments	12,486	-	-	12,486

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For the Year Ended December 31, 2023

Using the Corporation's internal credit rating, the credit quality of financial assets measured at fair value exposed to credit risk is detailed below:

	2023	2022
	US\$'000	US\$'000
Derivative financial assets:		
- Good	263,391	184,370
Financial assets at fair value through profit or loss		
<i>Debt securities</i>		
- Good	5,000	21,968
- Fair	74,857	212,974
- Marginal	215,753	73,678
- Special attention	11,522	229,450
Asset under management: debt securities		
- Good	22,248	19,837
	329,380	557,907

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. 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 wholesale 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 December 31, 2023, as a result of the enforcement of collateral (2022: 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:

	2023	2022	
Type of credit exposure	%	%	Type of collateral held
Loans and advances to other customers - Project finance	95	92	charge on securities/ company assets
- Trade finance	80	76	charge on commodities financed
Hybrid instruments	71	67	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 lifetime 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.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition.

- 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 1	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

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.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

- 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 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);

- 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 Cooperation 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.

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).

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.

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The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loans and advances to banks at amortised cost:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	2,365	-	-	-	2,365
Net remeasurement of loss allowance	3,159	-	-	-	3,159
Balance at 31 December	5,524	-	-	-	5,524

Loans and advances to banks at amortised cost:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	2,969	-	-	-	2,969
Net remeasurement of loss allowance	(604)	-	-	-	(604)
Balance at 31 December	2,365	-	-	-	2,365

Loans and advances to customers at amortised cost:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	93,648	31,548	67,889	-	193,085
Transfer to Stage 1	7,909	(7,909)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	44,015	(1,823)	-	-	42,192
Balance at 31 December	145,572	21,816	67,889	-	235,277

Loans and advances to customers at amortised cost:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	75,961	48,769	43,369	-	168,099
Transfer to Stage 1	10,227	(10,227)	-	-	-
Transfer to Stage 3	-	(2,399)	2,399	-	-
Net remeasurement of loss allowance	7,461	(4,596)	22,121	-	24,986
Balance at 31 December	93,649	31,547	67,889	-	193,085

Loans and advances to customers at amortised cost:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Project finance loans</i>					
Loss allowance as at 1 January	77,834	25,960	67,889	-	171,684
Transfer to Stage 1	2,321	(2,321)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	41,157	(1,823)	-	-	39,334
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	121,312	21,816	67,889	-	211,018

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Loans and advances to customers at amortised cost:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Project finance loans</i>					
Loss allowance as at 1 January	62,154	47,397	43,369	-	152,920
Transfer to Stage 1	10,227	(10,227)	-	-	-
Transfer to Stage 3	-	(2,399)	2,399	-	-
Net remeasurement of loss allowance	5,454	(8,811)	22,121	-	18,764
Balance at 31 December	77,835	25,960	67,889	-	171,684

Loans and advances to customers at amortised cost:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Trade finance loans</i>					
Loss allowance as at 1 January	15,814	5,588	-	-	21,401
Transfer to Stage 1	5,588	(5,588)	-	-	-
Net remeasurement of loss allowance	2,858	-	-	-	2,858
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	24,260	-	-	-	24,259

Loans and advances to customers at amortised cost:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Trade finance loans</i>					
Loss allowance as at 1 January	13,807	1,372	-	-	15,179
Transfer to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	2,007	4,215	-	-	6,222
Balance at 31 December	15,814	5,587	-	-	21,401

Investment securities at amortised cost:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	38,898	812	-	-	39,710
Derecognised	-	(812)	-	-	(812)
Net remeasurement of loss allowance	7,926	-	-	-	7,926
Balance at 31 December	46,824	-	-	-	46,824

Investment securities at amortised cost:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	27,817	-	-	-	27,817
Transfer to Stage 2	(812)	812	-	-	-
Net remeasurement of loss allowance	11,893	-	-	-	11,893
Balance at 31 December	38,898	812	-	-	39,710

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Investment securities at amortised cost:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Corporate debt securities</i>					
Loss allowance as at 1 January	18,598	-	-	-	18,598
Transfer to Stage 1	-	-	-	-	-
Net remeasurement of loss allowance	2,872	-	-	-	2,872
Balance at 31 December	21,470	-	-	-	21,470

Investment securities at amortised cost:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Corporate debt securities</i>					
Loss allowance as at 1 January	12,926	-	-	-	12,926
Transfer to Stage 1	-	-	-	-	-
Net remeasurement of loss allowance	5,672	-	-	-	5,672
Balance at 31 December	18,598	-	-	-	18,598

Investment securities at amortised cost:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>					
Loss allowance as at 1 January	20,300	812	-	-	21,112
Derecognised	-	(812)	-	-	(812)
Net remeasurement of loss allowance	5,054	-	-	-	5,054
Balance at 31 December	25,354	-	-	-	25,354

Investment securities at amortised cost:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>					
Loss allowance as at 1 January	14,891	-	-	-	14,891
Transfer to Stage 2	(812)	812	-	-	-
Net remeasurement of loss allowance	6,221	-	-	-	6,221
Balance at 31 December	20,300	812	-	-	21,112

Investment securities at FVOCI:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Corporate debt securities</i>					
Loss allowance as at 1 January	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	-	-	-	-	-

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Investment securities at FVOCI:	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<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	-	-	-	-	-

Pledged assets:	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<i>Debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	8,446	-	-	-	8,446
Net remeasurement of loss allowance	6,974	-	-	-	6,974
Balance at 31 December	15,420	-	-	-	15,420

Pledged assets:	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<i>Debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	4,074	-	-	-	4,074
Net remeasurement of loss allowance	4,373	-	-	-	4,373
Balance at 31 December	8,447	-	-	-	8,447

Pledged assets:	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<i>Corporate debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	2,018	-	-	-	2,018
Net remeasurement of loss allowance	1,202	-	-	-	1,202
Balance at 31 December	3,220	-	-	-	3,220

Pledged assets:	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<i>Corporate debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	1,712	-	-	-	1,712
Net remeasurement of loss allowance	4,717	-	-	-	4,717
Balance at 31 December	6,429	-	-	-	6,429

Pledged assets:	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<i>Government debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	6,429	-	-	-	6,429
Net remeasurement of loss allowance	5,771	-	-	-	5,771
Balance at 31 December	12,200	-	-	-	12,200

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Pledged assets:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>					
Loss allowance as at 1 January	2,362	-	-	-	2,362
Net remeasurement of loss allowance	(344)	-	-	-	(344)
Balance at 31 December	2,018	-	-	-	2,018

Commitments:	2023				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	12,486	-	-	-	12,486
Net remeasurement of loss allowance	5,411	-	-	-	5,411
Balance at 31 December	17,897	-	-	-	17,897

Commitments:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	2,477	-	-	-	2,477
Net remeasurement of loss allowance	10,009	-	-	-	10,009
Balance at 31 December	12,486	-	-	-	12,486

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.

	2023	2022
	Total	Total
	US\$'000	US\$'000
Credit-impaired loans and advances to customers at 1 January	57,687	50,136
Classified as credit-impaired during the year	-	32,071
Net repayments	(220)	-
Change in allowance for impairment	-	(24,520)
Balance at 31 December	57,467	57,687

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	2023	2022
	Total	Total
	US\$'000	US\$'000
Amortised cost before modification	33,760	90,308
Net modification gain/(loss)	(3,437)	(8,462)

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 realized. 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. There were no write-offs recognised during the financial year.

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 concentration risk. 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 December 31, 2023. The Corporation has allocated exposures to regions based on the country of domicile of its counterparties.

December 31, 2023	West Africa US\$'000	Rest of Africa US\$'000	Outside Africa US\$'000	Total US\$'000
Cash and balances with banks:				
Balances with banks	516	5,317	848	6,681
Loans and advances to banks:				
- Placements with banks	273,378	-	1,097,725	1,371,103
Derivative financial assets	155,496	-	107,895	263,391
Loans and advances to other customers:				
- Project finance	2,418,046	1,175,065	-	3,593,111
- Trade finance	515,604	174,577	-	690,181
Financial assets at fair value through profit or loss:				
- Debt securities	134,802	172,330	-	307,132
- Asset under management (debt securities)	-	-	22,248	22,248
Investment securities:				
- Corporate debt securities	112,791	284,424	-	397,215
- Government debt securities	1,209,734	30,994	2,108,399	3,349,127
Pledged assets:				
- Corporate debt securities	285,682	50,700	-	336,382
- Government debt securities	30,494	154,163	-	184,657
Other assets:				
- Account receivable	14,973	-	-	14,973
- Fee receivable	2,500	6,375	-	8,875
	5,154,016	2,053,945	3,337,115	10,545,076
Off-balance sheet commitments	1,560,865	938,039	-	2,498,904

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For the Year Ended December 31, 2023

December 31, 2022	West Africa	Rest of Africa	Outside Africa	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks:				
Balances with banks	17,371	21,473	83,795	122,639
Loans and advances to banks:				
- Placements with banks	106,139	102,127	1,164,302	1,372,568
Derivative financial assets	133,727	-	50,643	184,370
Loans and advances to other customers:				
- Project finance	2,077,020	988,305	-	3,065,325
- Trade finance	365,077	181,862	-	546,939
Financial assets at fair value through profit or loss:				
- Debt securities	353,656	184,414	-	538,070
- Asset under management (debt securities)	-	-	19,837	19,837
Investment securities:				
- Corporate debt securities	148,960	181,367	-	330,327
- Government debt securities	1,031,963	7,961	1,497,389	2,537,313
Pledged assets:				
- Corporate debt securities	280,114	50,463	-	330,577
- Government debt securities	63,221	217,411	-	280,632
Other assets:				
- Account receivable	39,854	-	-	39,854
- Fee receivable	12,325	-	-	12,325
- Advance for investments	-	14,700	-	14,700
	4,629,427	1,950,083	2,815,966	9,395,476
Off-balance sheet commitments	1,513,768	170,640	-	1,684,408

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Credit Concentration by Industry	Natural	Heavy	Power	Transport	Financial	Total
	Resources	Industry & Telecoms			Services & Others	
December 31, 2023	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	6,681	6,681
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,371,103	1,371,103
Derivative financial assets	-	-	-	-	263,391	263,391
Loans and advances to other customers:						
- Project finance	622,329	762,334	744,262	881,631	582,555	3,593,111
- Trade finance	56,501	52,085	-	-	581,595	690,181
Financial assets at fair value through profit or loss:						
- Debt securities	118,786	15,994	11,098	152,732	8,522	307,132
- Asset under management (debt securities)	-	-	-	-	22,248	22,248
Investment securities:						
- Corporate debt securities	-	-	281,592	113,746	1,877	397,215
- Government debt securities	-	-	-	-	3,349,127	3,349,127
Pledged assets:						
- Corporate debt securities	-	-	-	-	336,382	336,382
- Government debt securities	-	-	-	-	184,657	184,657
Other assets:						
- Account receivable	-	-	-	-	14,973	14,973
- Fee receivable	2,500	-	6,375	-	-	8,875
	800,116	830,413	1,043,327	1,148,109	6,723,111	10,545,076
Off-balance sheet commitments	75,340	182,664	124,322	27,892	2,088,686	2,498,904

December 31, 2022	Natural	Heavy	Power	Transport	Financial	Total
	Resources	Industry & Telecoms			Services & Others	
December 31, 2022	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	122,639	122,639
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,372,568	1,372,568
Derivative financial assets	-	-	2,939	-	181,431	184,370
Loans and advances to other customers:						
- Project finance	656,437	728,529	355,524	582,418	742,417	3,065,325
- Trade finance	68,892	45,102	-	-	432,945	546,939
Financial assets at fair value through profit or loss:						
- Debt securities	346,585	7,900	9,671	173,914	-	538,070
- Asset under management (debt securities)	-	-	-	-	19,837	19,837
Investment securities:						
- Corporate debt securities	-	-	189,130	132,244	8,953	330,327
- Government debt securities	-	-	-	-	2,537,313	2,537,313
Pledged assets:						
- Corporate debt securities	-	-	-	-	330,577	330,577
- Government debt securities	-	-	-	-	280,632	280,632
Other assets:						
- Account receivable	-	-	-	-	39,854	39,854
- Fee receivable	3,900	-	7,285	1,140	-	12,325
- Advance for investments	-	-	14,700	-	-	14,700
	1,075,814	781,531	579,249	889,716	6,069,166	9,395,476
Off-balance sheet commitments	39,056	141,457	107,046	4,768	1,392,081	1,684,408

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For the Year Ended December 31, 2023

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.

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), Egyptian Pounds (EGP) and the Ghanaian Cedi (GH¢). These exposures are hedged in accordance with the Corporation's policy. The highest single currency exposure did not exceed 12% (2022: 14%) of total assets and 8% (2022: 10%) of total liabilities while in aggregate they amount to 25% (2022: 25%) of financial assets and 10% (2022: 16%) of financial liabilities. The Board sets limits on the level of exposure by currency, which are monitored.

The table below summarizes the Corporation's exposure to foreign exchange rate risk at December 31, 2023. Included in the table are the Corporation's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk - financial instruments

December 31, 2023

	US dollars	Others	Total
	US\$ '000	US\$ '000	US\$ '000
Assets			
Cash and balances with banks	6,612	99	6,711
Loans and advances to banks	1,063,326	307,777	1,371,103
Derivative financial assets	254,083	9,308	263,391
Loans and advances to other customers	3,216,928	1,066,364	4,283,292
Financial assets at fair value through profit or loss	1,601,402	-	1,601,402
Investment securities	2,228,159	1,555,163	3,783,322
Pledged assets	521,039	-	521,039
Other assets	6,720	17,128	23,848
Total financial assets	8,898,269	2,955,839	11,854,108
Liabilities			
Borrowings	7,446,298	878,185	8,324,483
Derivative financial liabilities	112,376	16,538	128,914
Accrued expenses and other liabilities	155,754	32,822	188,576
Total financial liabilities	7,714,428	927,545	8,641,973
Net financial position	1,183,841	2,028,294	3,212,135
Off-balance sheet commitments	731,538	1,767,366	2,498,904

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

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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.

December 31, 2023

	Impact	Total
	US\$'000	US\$'000
Impact on Profit or loss		
Sensitivity at 200bp depreciation	22,954	22,954
Sensitivity at 400bp appreciation	(98,720)	(98,720)
Impact on Equity		
Sensitivity at 200bp depreciation	636	636
Sensitivity at 400bp appreciation	(1,198)	(1,198)

December 31, 2022

	US dollars	Others	Total
	US\$'000	US\$'000	US\$'000
Assets			
Cash and balances with banks	34,821	87,861	122,682
Loans and advances to banks	1,040,412	332,156	1,372,568
Derivative financial assets	168,750	15,620	184,370
Loans and advances to other customers	2,840,196	772,068	3,612,264
Financial assets at fair value through profit or loss	1,540,808	83,146	1,623,954
Investment securities	1,587,719	1,332,841	2,920,560
Pledged assets	611,209	-	611,209
Other assets	11,080	55,799	66,879
Total financial assets	7,834,995	2,679,491	10,514,486
Liabilities			
Borrowings	6,424,868	1,143,337	7,568,205
Derivative financial liabilities	37,441	34,840	72,281
Accrued expenses and other liabilities	113,254	74,636	187,890
Total financial liabilities	6,575,563	1,252,813	7,828,376
Net financial position	1,259,432	1,426,678	2,686,110
Off-balance sheet commitments	512,945	1,171,463	1,684,408

The following analysis shows the Corporation's sensitivity to increases or decreases in exchange rates.

December 31, 2022

	Others	Total
	US\$'000	US\$'000
Impact on Profit or loss		
Sensitivity at 200bp depreciation	15,085	15,085
Sensitivity at 400bp appreciation	(84,861)	(84,861)
Impact on Equity		
Sensitivity at 200bp depreciation	635	635
Sensitivity at 400bp appreciation	(1,197)	(1,197)

Currency exposures emanating from the investment portfolio are hedged in line with the Corporation's policy. As at December 31, 2023, the net open FX position was US\$ 26.1 million (2022: US\$ 66.5 million) representing 0.8% (2022: 2.5%) of shareholders' funds as of that date.

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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 nonderivative 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.

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 in 2021 established a cross-functional IBOR Transition Working Group (the "Working Group") to manage its transition to the alternative reference rates. The working Group evaluated and quantified the Corporation's financial assets and liabilities that reference LIBOR cashflows. The Working Group has also developed and finalised and started implementing its structured plan and roadmap for the transition and is currently managing 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. As at 31 December 2023, the Corporation has successfully transitioned all of its remaining non-USD referencing contracts to alternative benchmarks by way of industry standard fallback language.

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 has also upgraded its internal treasury, loan and risk management systems to support the transition to SOFR. The Corporation continues to work closely with its system provider to ensure the relevant updates are made in good time with plans in 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.

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a. 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 Federal Reserve Bank of New York 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) ceased after June 30, 2023 (applicable to legacy contracts only).

As at December 31, 2023, 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 December 31, 2022 and December 31, 2023. The amounts of these assets are shown at their gross carrying amounts.

<i>Amounts in thousands of dollars</i>	31 Dec 2023	31 Dec 2022
	USD LIBOR	USD LIBOR
Loans and advances to customers		
Trade Finance Loans	-	132,001
Project Finance Loans	510,402	1,455,153
	510,402	1,587,154

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 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 was to terminate the contract at the next reset date in the first quarter of the 2022 financial year. The Corporation has completed 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 December 31, 2022. The amounts shown in the table are the carrying amounts. The Corporation has no unreformed non-derivative financial liabilities as at 31 December 2023.

<i>Amounts in thousands of dollars</i>	31 Dec 2023	31 Dec 2022
	USD LIBOR	USD LIBOR
Floating rate Notes	-	-
Other Borrowings	-	1,233,488
	-	1,233,488

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For the Year Ended December 31, 2023

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 December 31, 2022 and as at December 31, 2023.

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.

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.

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.

<i>Amounts in thousands of dollars</i>	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Dec 2022
	USD LIBOR	JPY LIBOR	USD LIBOR	JPY LIBOR
Derivatives held for risk management				
Interest rate swaps	-	-	258,786	13,701
	-	-	258,786	13,701

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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.

December 31, 2023

Repricing dates	Up to 3 months	Above 3 months	Non-Interest Bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Assets				
Cash and balances with banks	-	-	6,711	6,711
Loans and advances to banks	1,142,191	164,938	63,974	1,371,103
Derivative financial instruments	-	-	263,391	263,391
Loans and advances to customers	1,567,451	2,715,841	-	4,283,292
Financial assets at fair value through profit or loss	1,770	230,620	1,369,012	1,601,402
Investment securities	3,391,890	354,452	36,980	3,783,322
Pledged assets	-	521,039	-	521,039
Other assets	-	-	23,848	23,848
Total financial assets	6,103,302	3,986,890	1,763,916	11,854,108
Liabilities				
Borrowings	4,251,580	4,072,903	-	8,324,483
Derivative financial instruments	-	-	128,914	128,914
Other liabilities	-	-	141,851	141,851
Total financial liabilities	4,251,580	4,072,903	270,765	8,595,248
Total interest repricing gap	1,851,722	(86,013)	1,493,151	3,258,860

December 31, 2022

Repricing dates	Up to 3 months	Above 3 months	Non-Interest Bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Assets				
Cash and balances with banks	-	-	122,682	122,682
Loans and advances to banks	1,372,568	-	-	1,372,568
Derivative financial instruments	-	-	184,370	184,370
Loans and advances to customers	1,880,882	1,731,382	-	3,612,264
Financial assets at fair value through profit or loss	12,908	463,870	1,147,176	1,623,954
Investment securities	1,528,193	1,339,447	52,920	2,920,560
Pledged assets	-	611,209	-	611,209
Other assets	-	-	66,879	66,879
Total financial assets	4,794,551	4,145,908	1,574,027	10,514,486
Liabilities				
Borrowings	2,563,417	5,004,788	-	7,568,205
Derivative financial instruments	-	-	72,281	72,281
Other liabilities	-	-	164,104	164,104
Total financial liabilities	2,563,417	5,004,788	236,385	7,804,590
Total interest repricing gap	2,231,134	(858,880)	1,337,642	2,709,896

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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		
2022	1,163	(1,163)
2023	5,652	(5,652)

There were no interest-bearing financial asset measured at FVOCI during the period (2022: 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:

	2023	
	Carrying Amount	Fair Value
	US\$ '000	US\$ '000
Cash and balances with banks	6,711	6,711
Loans and advances to banks	1,376,627	1,376,627
Investment securities	2,108,533	2,108,518
Total liquidity reserves	3,491,871	3,491,856

	2022	
	Carrying Amount	Fair Value
	US\$ '000	US\$ '000
Cash and balances with banks	122,682	122,682
Loans and advances to banks	1,374,933	1,374,933
Investment securities	1,497,491	1,497,392
Total liquidity reserves	2,995,106	2,995,007

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, or 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 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 December 31, 2023, the LCR was under stress scenario 143% (December 31, 2022: 157%) and under normal circumstances 161% (December 31, 2022: 202%).

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

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contracts and currency swaps) and the net amounts for derivatives that are net settled.

December 31, 2023

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	6,711	6,711	-	-	-	-	-	-	6,711
Loans and advances to banks	1,371,103	914,339	278,735	50,698	169,726	-	-	-	1,413,498
Derivative assets:									
- Forward contracts	10	61,720	-	-	-	-	-	-	61,720
- Interest Rate Options	2,858	-	-	258	103	106	524	239	1,230
- Interest Rate Swaps									
Inflows -	8,818	-	2,149	3,472	4,317	7,437	17,675	454	35,504
Outflows -	-	-	2,031	4,788	4,491	8,169	20,808	(2,633)	37,654
- Cross currency swaps									
Inflows -	251,705	314,036	626,590	297,994	17,278	187,548	-	-	1,443,447
Outflows -	-	(207,339)	(494,493)	(253,090)	(19,898)	(175,379)	-	-	(1,150,198)
Financial assets at fair value through profit or loss	1,601,402	-	19,008	7,755	11,029	97,172	136,782	1,503,151	1,774,897
Loans and advances to other customers	4,283,292	115,895	267,391	389,642	740,561	852,702	2,014,964	2,432,225	6,813,380
Investment securities	3,783,322	2,151,242	551,654	978,914	23,580	117,945	169,809	644,490	4,637,634
Pledged assets	521,039	-	8,475	116,610	10,634	55,302	340,749	38,269	570,039
Other assets	23,848	-	23,848	-	-	-	-	-	23,848
Total financial assets	11,854,108	3,356,605	1,285,388	1,597,041	961,821	1,151,002	2,701,312	4,616,195	15,669,364
Other liabilities	141,851	26,945	113,920	986	-	-	-	-	141,851
Borrowings	8,324,483	2,060	67,794	767,230	679,380	2,736,394	3,545,703	1,926,498	9,725,059
Derivative liabilities:									
- Forward contracts	14,007	(55,892)	-	-	-	-	-	-	(55,892)
- Interest Rate Options	2,858	-	-	-	(445)	(1,885)	-	-	(2,330)
- Interest Rate Swaps									
Inflows -	-	-	2,269	2,668	4,728	6,616	17,540	1,589	35,411
Outflows -	5,252	-	(2,070)	(3,394)	(4,162)	(7,149)	(16,910)	(454)	(34,138)
- Cross currency swaps									
Inflows -	-	30,298	16,196	1,061,629	2,461	4,393	55,271	-	1,170,248
Outflows -	106,797	(80,478)	(43,565)	(1,127,259)	-	(3,312)	(55,166)	-	(1,309,779)
Total financial liabilities	8,595,248	(77,067)	154,544	701,861	681,962	2,735,057	3,546,439	1,927,633	9,670,430
Commitments	2,525,916	15,126	179,355	238,074	1,288,371	161,497	605,797	37,696	2,525,916
Funding Gap		3,418,546	951,489	657,106	(1,008,512)	(1,745,552)	(1,450,924)	2,650,866	3,473,019
Cumulative funding gap		3,418,546	4,370,035	5,027,141	4,018,629	2,273,077	822,153	3,473,019	

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For the Year Ended December 31, 2023

December 31, 2022

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	122,682	122,682	-	-	-	-	-	-	122,682
Loans and advances									
to banks	1,372,568	899,013	762,151	-	-	-	-	-	1,661,164
Derivative assets:									
- Forward contracts	40,242	(586,503)	10,002	-	-	-	-	-	(576,501)
- Interest Rate Options	23,192	-	-	555	-	-	-	-	555
- Interest Rate Swaps									
Inflows -	8,791	42,746	-	654	1,632	2,873	5,470	1,045	54,420
Outflows -	-	-	(509)	-	(1,030)	(2,030)	(4,621)	(658)	(8,848)
- Cross currency swaps									
Inflows -	112,145	-	-	1,047,800	491,699	2,065	171,987	-	1,713,551
Outflows -	-	(291)	-	(976,373)	(467,886)	(5,415)	(174,419)	-	(1,624,384)
Financial assets at fair value through profit or loss									
Loans and advances to other customers	3,612,264	19,121	371,538	195,398	645,392	754,246	1,883,507	1,263,400	5,132,602
Investment securities	2,920,560	1,552,188	1,121	845,652	297,294	109,918	70,117	814,213	3,690,503
Pledged assets	611,209	1,020	73,944	9,421	90,882	135,536	360,453	71,719	742,975
Other assets	66,879	66,879	-	-	-	-	-	-	66,879
Total financial assets	10,514,486	2,121,357	1,242,943	1,137,194	1,092,825	1,276,501	2,629,153	3,215,940	12,715,913
Other liabilities									
Borrowings	164,104	164,104	-	-	-	-	-	-	164,104
Derivative liabilities:	7,568,205	2,468	42,943	153,875	1,029,498	2,090,598	2,906,202	2,476,273	8,701,857
- Forward contracts	23,192	(11,701)	7,778	72	-	-	-	-	(3,851)
- Interest Rate Options	12,757	-	-	-	-	(4)	(742)	(2,551)	(3,297)
- Interest Rate Swaps									
Inflows -	-	(42,670)	(465)	-	(1,072)	(2,137)	(5,105)	(944)	(52,393)
Outflows -	9,678	42,746	654	-	1,632	2,873	5,470	1,045	54,420
- Cross currency swaps									
Inflows -	-	-	(1,216)	(233,548)	(2,615)	(4,719)	(59,664)	-	(301,762)
Outflows -	26,654	-	1,874	244,615	-	2,993	58,167	-	307,649
Total financial liabilities	7,804,590	154,947	51,568	165,014	1,027,443	2,089,604	2,904,328	2,473,823	8,866,727
Commitments	1,717,435	77,864	111,063	15,000	127,488	1,244,655	94,633	46,731	1,717,434
Funding Gap		1,888,546	1,080,312	957,180	(62,106)	(2,057,758)	(369,808)	695,386	2,131,752
Cumulative funding gap		1,888,546	2,968,858	3,926,038	3,863,932	1,806,174	1,436,366	2,131,752	

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Financial assets available to support future funding

The following table sets out the availability of the Corporation's financial assets (excluding equity securities and derivative assets) to support future funding.

December 31, 2023

		Encumbered	Unencumbered	Total
	Note	US\$'000	US\$'000	US\$'000
Assets				
Cash and balances with banks	15	-	6,711	6,711
Loans and advances to banks	16	-	1,371,103	1,371,103
Loans and advances to other customers	18	-	4,283,292	4,283,292
Financial assets at fair value through profit or loss		-	329,380	329,380
Investment securities		-	3,746,342	3,746,342
Pledged assets	21	521,039	-	521,039
Other assets	22	-	23,848	23,848
Total assets		521,039	9,760,676	10,281,715

December 31, 2022

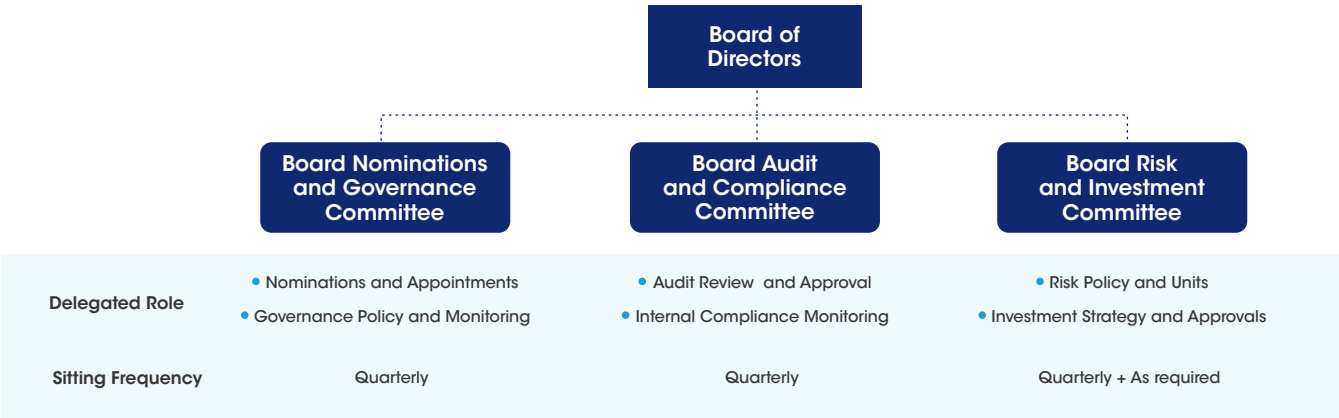
		Encumbered	Unencumbered	Total
	Note	US\$'000	US\$'000	US\$'000
Assets				
Cash and balances with banks	15	-	122,682	122,682
Loans and advances to banks	16	-	1,372,568	1,372,568
Loans and advances to other customers	18	-	3,612,264	3,612,264
Financial assets at fair value through profit or loss		-	557,907	557,907
Investment securities		-	2,867,640	2,867,640
Pledged assets	21	611,209	-	611,209
Other assets	22	-	66,879	66,879
Total assets		611,209	8,599,940	9,211,149

Notes to the Consolidated Financial Statements

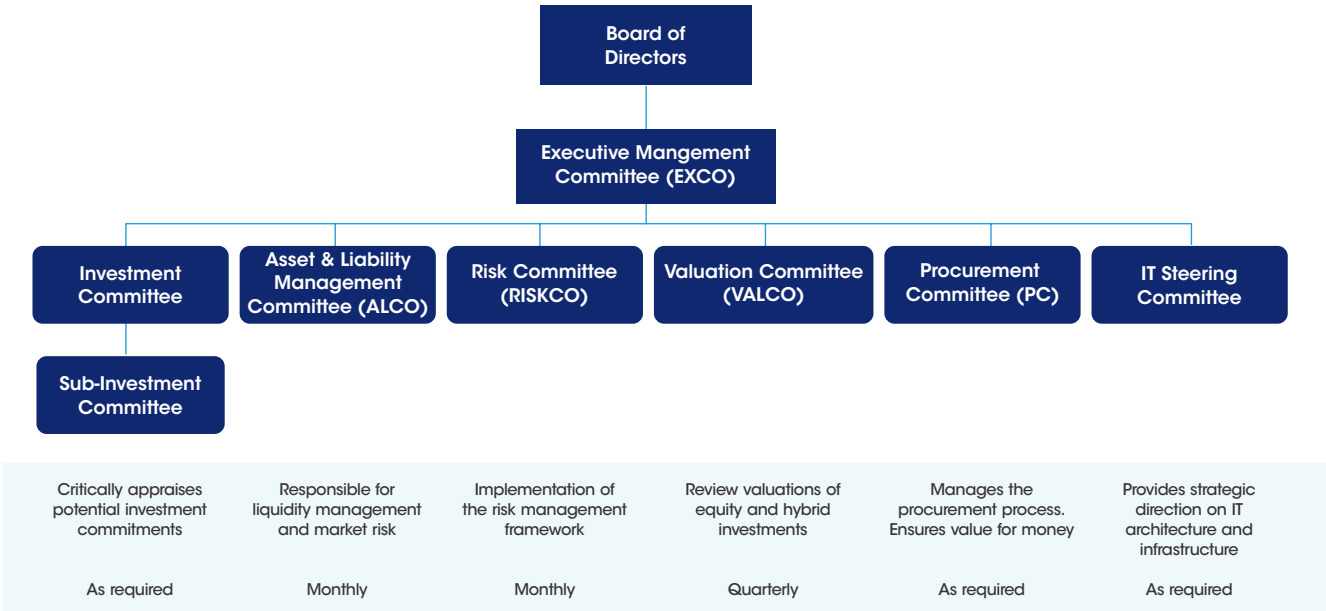
For the Year Ended December 31, 2023

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. 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.



Financial Report

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\$486.8 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 December 31, 2023, the outstanding callable capital amounted to US\$39 million (2022: US\$23 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 34.5% (2022: 34.3%) and 32.3% (2022: 31.5%) excluding the Tier II capital borrowings. The Corporation's capital currently comprises of Tier 1 - 91% (2022: 89%) and Tier 2 - 9% (2022: 11%) capital as shown below:

Tier 1: Comprises of share capital, share warrants and retained earnings 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 December 31, 2023. The Corporation has no externally imposed capital requirements, but complied with its own internal capital adequacy requirements described above, during the year under review.

	2023	2022
	US\$'000	US\$'000
Tier 1 capital		
Share capital	1,537,719	1,290,527
Share premium	423,675	184,018
Share warrants	200,000	200,000
Retained earnings	1,286,318	1,049,190
Total qualifying Tier 1 capital	3,447,712	2,723,735
Tier 2 capital		
Net fair valuation loss on FVOCI assets	(27,020)	(24,299)
Impairment allowance	137,850	111,556
Borrowings	250,000	250,000
Total qualifying capital	3,808,542	3,060,992
Risk-weighted assets:		
On-balance sheet	9,669,734	8,487,607
Off-balance sheet	1,358,287	436,881
Total risk-weighted assets	11,028,021	8,924,488
Basel ratio	34.5 %	34.3 %

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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 2022 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 December 31, 2023, 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.

December 31, 2023

	Level 1	Level 2	Level 3
	US\$'000	US\$'000	US\$'000
Assets			
Derivatives assets			
- Forward contracts	-	10	-
- Cross currency swaps	-	251,705	-
- Interest rate options	-	2,858	-
- Interest rate swaps	-	8,818	-
Financial assets at fair value through profit or loss:			
- Assets under management (debt securities)	22,248	-	-
- Debt securities	8,525	-	298,607
- Equity securities	17,516	-	1,254,506
Investment securities:			
- Equity securities (FVOCI)	19,226	-	17,754
Total	67,515	263,391	1,570,867
Liabilities			
Derivatives liabilities			
- Forward contracts	-	14,007	-
- Interest rate options	-	2,858	-
- Cross currency swaps	-	106,797	-
- Interest rate swaps	-	5,252	-
Total	-	128,914	-

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December 31, 2022

	Level 1	Level 2	Level 3
Assets	US\$'000	US\$'000	US\$'000
Derivatives assets			
- Forward contracts	-	40,242	-
- Cross currency swaps	-	112,145	-
- Interest rate options	-	23,192	-
- Interest rate swaps	-	8,791	-
Financial assets at fair value through profit or loss:			
- Assets under management (debt securities)	19,837	-	-
- Debt securities	-	-	538,070
- Equity securities	14,059	-	1,051,988
Investment securities:			
- Equity securities (FVOCI)	19,714	-	33,206
Total	53,610	184,370	1,623,264
Liabilities			
Derivatives liabilities			
- Forward contracts	-	23,192	-
- Interest rate options	-	12,757	-
- Cross currency swaps	-	26,654	-
- Interest rate swaps	-	9,678	-
Total	-	72,281	-

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 (2022: the zero rate curve used in the model was obtained from an observable financial market was used to value the hybrid instruments).

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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

	2023	2022
	US\$'000	US\$'000
At beginning of year	1,623,264	1,485,068
Unrealised (losses)/gains:		
- in OCI	(2,016)	(646)
- in profit of loss	50,703	63,160
Repayment/disposal	(21,759)	(40,125)
Additions	189,943	115,817
Derecognised	(269,268)	(10)
At the end of year	1,570,867	1,623,264

Transfer to level 3

There were no transfers to level 3 during the financial year (2022: Nil).

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at December 31, 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

December 31, 2023

Type of financial instrument	Fair value December 31, 2023 (US\$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	1,272,260	Discounted cashflow	WACC	10.6% - 17.9%	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	2.7% - 6.1%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
Debt securities	307,135	Option Pricing Model	Credit Spread	1.81% - 3.5%	Significant increases in credit spread, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
Total	1,579,395				

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

December 31, 2022

Type of financial instrument	Fair value December 31, 2022 (US\$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	1,085,194	Discounted cashflow	WACC	10.3% - 15.0%	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
Debt securities	538,070	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	1,632,264				

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 2022 annual report.

Significant unobservable inputs in the discounted cash flow technique applied are developed as follows:

- (i) 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.

- (ii) The risk-free rate was sourced from Bloomberg and 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).

- (iii) Equity risk premium was determined based on data obtained from Damodaran Online and expert judgment.

- (iv) 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 - December 31, 2023	Other			
	Comprehensive Income		Profit or loss	
	1% Increase	1% Decrease	1% Increase	1% Decrease
WACC	(1,006)	1,076	(145,424)	118,080
Terminal growth rate	-	-	35,204	(38,301)

US\$ '000 - December 31, 2022	Other			
	Comprehensive Income		Profit or loss	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Cost of equity	643	421	85,934	(72,232)
Terminal growth rate	-	-	753	(649)

Financial Report

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:

Key Assumption	Effect on Profit or Loss (US\$'000)	
	2023	2022
2% increase in Credit Spread	(14,122)	(45,569)
2% decrease in Credit Spread	13,601	21,567
2% increase in Forward Price	(22)	-
2% decrease in Forward Price	48	-

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:

- i. **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.

- ii. **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.
- iii. **Treasury bills** are short-term securities, therefore the fair values are not significantly different from the carrying amount.
- iv. **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.

December 31, 2023

	Level 1	Level 2	Level 3	Total fair values	Total carrying values
	S\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Assets					
Loans and advances to other customers:					
- Project finance	-	-	3,593,111	3,593,111	3,593,111
- Trade finance	-	-	690,181	690,181	690,181
Investment securities:					
- Corporate debt securities	5,365	-	395,338	400,703	397,215
- Government debt securities	3,731,392	-	-	3,731,392	3,349,127
Pledged assets:					
- Corporate debt securities	278,283	-	-	278,283	336,383
- Government debt securities	232,617	-	-	232,617	184,656
Other assets					
- Account receivable	14,973	-	-	-	14,973
- Fee receivable	8,875	-	-	-	8,875
Total	4,271,505	-	4,678,630	8,926,287	8,574,521
Liabilities					
Borrowings	3,292,317	4,809,814	-	8,102,131	8,324,483
Other liabilities	188,576	-	-	188,576	188,576
Total	3,480,893	4,809,814	-	8,290,707	8,513,059

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

December 31, 2022

	Level 1	Level 2	Level 3	Total fair values	Total carrying values
Assets	S\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loans and advances to other customers:					
- Project finance	-	-	3,065,325	3,065,325	3,065,325
- Trade finance	-	-	546,939	546,939	546,939
Investment securities:					
- Corporate debt securities	7,682	-	321,375	329,057	330,327
- Government debt securities	2,573,626	-	-	2,573,626	2,537,313
Pledged assets:					
- Corporate debt securities	291,598	-	-	291,598	330,577
- Government debt securities	240,249	-	-	240,249	280,632
Other assets					
- Account receivable	39,854	-	-	-	39,854
- Fee receivable	12,325	-	-	-	12,325
- Advance for investments	14,700	-	-	-	14,700
Total	3,180,034	-	3,933,639	7,046,794	7,157,992
Liabilities					
Borrowings	3,831,892	3,911,922	-	7,743,814	7,568,205
Other liabilities	187,890	-	-	187,890	187,890
Total	4,019,782	3,911,922	-	7,931,704	7,756,095

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.

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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.

December 31, 2023

Assets as per Statement of Financial Position

	Mandatorily FVTPL	Designated at FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortised Cost	Carrying Amount
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Assets						
Cash and balances with banks	-	-	-	-	6,711	6,711
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,371,103	1,371,103
Derivatives	263,391	-	-	-	-	263,391
Loan and advances to other						
Customers:						
- Project finance	-	-	-	-	3,593,111	3,593,111
- Trade finance	-	-	-	-	690,181	690,181
Financial assets at fair value through profit or loss:						
- Debt securities	-	307,132	-	-	-	307,132
- Equity securities	-	1,272,022	-	-	-	1,272,022
- Assets under management	-	22,248	-	-	-	22,248
Investment securities:						
- Debt securities	-	-	-	-	3,746,342	3,746,342
- Equity securities	-	-	-	36,980	-	36,980
Pledged assets:						
- Debt securities	-	-	-	-	521,039	521,039
Other assets:						
- Account receivable	-	-	-	-	14,973	14,973
- Fee receivable	-	-	-	-	8,875	8,875
Total financial assets	263,391	1,601,402	-	36,980	9,952,335	11,854,108

	Mandatorily FVTPL	Designated at FVTPL	Amortised Cost	Carrying Amount
	US\$'000	US\$'000	US\$'000	US\$'000
Liabilities				
Other liabilities	-	-	141,851	141,851
Derivatives	128,914	-	-	128,914
Borrowings	-	-	8,324,483	8,324,483
Total financial liabilities	128,914	-	8,466,334	8,595,248

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For the Year Ended December 31, 2023

December 31, 2022

	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	-	-	-	-	122,682	122,682
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,372,568	1,372,568
Derivatives	184,370	-	-	-	-	184,370
Loan and advances to other Customers:						
- Project finance	-	-	-	-	3,065,325	3,065,325
- Trade finance	-	-	-	-	546,939	546,939
Financial assets at fair value through profit or loss:						
- Debt securities	-	538,070	-	-	-	538,070
- Equity securities	-	1,066,047	-	-	-	1,066,047
- Assets under management	-	19,837	-	-	-	19,837
Investment securities:						
- Debt securities	-	-	-	-	2,867,640	2,867,640
- Equity securities	-	-	-	52,920	-	52,920
Pledged assets:						
- Debt securities	-	-	-	-	611,209	611,209
Other assets:						
- Account receivable	-	-	-	-	39,854	39,854
- Fee receivable	-	-	-	-	12,325	12,325
- Advance for investment	-	-	-	-	14,700	14,700
Total financial assets	184,370	1,623,954	-	52,920	8,653,242	10,514,486

	Mandatorily FVTPL	Designated at FVTPL	Amortised Cost	Carrying Amount
Liabilities	US\$'000	US\$'000	US\$'000	US\$'000
Other liabilities	-	-	164,104	164,104
Derivatives	72,281	-	-	72,281
Borrowings	-	-	7,568,205	7,568,205
Total financial liabilities	72,281	-	7,732,309	7,804,590

4. Critical accounting estimates and judgements in applying accounting policies

The Corporation's consolidated 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 consolidated 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 December 31, 2023 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 organizations 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).

(d) Measurement of defined benefit obligation

The measurement of the Corporation's defined benefit obligation involves the use of key actuarial assumptions that include the discount rate, rate of future salary growth and inflation rates. Changes to these assumptions will impact the carrying value of pension obligations.

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;

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For the Year Ended December 31, 2023

- 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.

Increase/(decrease)	December 31, 2023	
	Probability of Default	Loss given Default
	US\$'000	US\$'000
Effect of a 1% increase:	2,668	3,209
Effect of a 1% decrease:	(2,668)	(3,209)

Increase/(decrease)	December 31, 2022	
	Probability of Default	Loss given Default
	US\$'000	US\$'000
Effect of a 1% increase:	1,975	2,561
Effect of a 1% decrease:	(1,975)	(2,561)

(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 Integrated Industrial Platforms (Arise IIP)

Although the Corporation holds 72.13% of the issued ordinary equity in Arise IIP, management has determined that the Corporation does not have control over the entity. The interest in Arise IIP increased, due to the conversion to equity of the convertible loan extended to the entity. The entity has three (3) investors, including two (2) shareholders, but based on the terms of the investment agreements, the Corporation holds 37.5% 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.

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, 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.

Terminal à Conteneurs de Nouakchott ("TCN")

In 2023, the Corporation increased its interest in Terminal à Conteneurs de Nouakchott ("TCN") to 50%, from 10.5%. The entity has two (2) shareholders and 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. Management has determined that the Corporation does not control TCN. Therefore, the entity 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) Director & Chief Risk Officer, (f) Director & General Counsel, (g) Director & Head of Corporate Services and (h) 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.

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The information provided to the Corporation's Board for the reportable units for the year ended December 31, 2023 is as follows:

December 31, 2023

	Investment	Financial Services	Total
	US\$' 000	US\$' 000	US\$' 000
Interest income	409,035	371,869	780,904
Dividend income	13,690	1,867	15,557
Fee commission and other income	34,243	36,324	70,567
Gain or loss on sale of financial assets	4,500	16,469	20,969
Net gain on financial instruments at fair value through profit or loss	53,668	(51,220)	2,448
Net impairment charge on financial assets	(42,269)	(22,580)	(64,849)
Interest expense & administrative expenses	(410,013)	(61,685)	(471,698)
Operating profit	62,854	291,044	353,898
Total assets	6,293,723	6,051,414	12,345,137
Total liabilities	376,585	8,547,860	8,924,445
Expenditure on reportable segment:			
Non-current assets	2,695	2,592	5,287
Depreciation and amortisation	2,140	1,380	3,520

31 December 2022

	Investment	Financial Services	Total
	US\$' 000	US\$' 000	US\$' 000
Interest income	287,218	248,071	535,289
Dividend income	6,622	1,770	8,392
Fee commission and other income	51,037	30,672	81,709
Gain or loss on sale of financial assets	1,257	-	1,257
Net gain on financial instruments at fair value through profit or loss	51,881	(18,638)	33,243
Net impairment charge on financial assets	(47,632)	(3,025)	(50,657)
Interest & administrative expenses	(271,708)	(51,606)	(323,314)
Operating profit	78,675	207,244	285,919
Total assets	5,114,705	5,413,107	10,527,812
Total liabilities	140,485	7,687,891	7,828,376
Expenditure on reportable segment:			
Non-current assets	1,480	493	1,973
Depreciation and amortisation	2,633	889	3,522

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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.

	West Africa US\$'000	Rest of Africa US\$'000	Others US\$'000	Total US\$'000
December 31, 2023				
Interest income	532,682	182,749	65,473	780,904
Dividend income	5,425	10,132	-	15,557
Fee commission and other income	32,945	35,241	2,380	70,567
Gain or loss on sale of financial assets	20,321	-	648	20,969
Net gain on financial instruments at fair value through profit or loss	(77,273)	79,721	-	2,448
External revenue	514,101	307,843	68,501	890,445
Credit risk insurance	(6,067)	(3,428)	(9,655)	(19,150)
Interest expenses	(1,301)	(6,498)	(342,605)	(350,404)
Segment net revenues	506,733	297,916	(283,759)	520,890
Total assets	5,832,361	3,175,661	3,337,115	12,345,137

December 31, 2022

Interest income	419,365	113,964	1,960	535,289
Dividend income	3,315	5,077	-	8,392
Fee commission and other income	61,630	18,926	1,153	81,709
Gain or loss on sale of financial assets	1,257	-	-	1,257
Net gain on financial instruments at fair value through profit or loss	(29,673)	62,916	-	33,243
External revenue	455,894	200,883	3,113	659,890
Credit risk insurance	(6,136)	(4,879)	(6,565)	(17,580)
Interest expenses	(651)	(3,185)	(203,565)	(207,401)
Segment net revenues	449,107	192,819	(207,017)	434,909
Total assets	5,032,227	2,679,619	2,815,966	10,527,812

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6. Interest income and interest expense

	2023	2022
	US\$'000	US\$'000
Interest income		
Loans and advances to other customers	422,502	266,127
Loans and advances to banks	125,787	46,328
Financial assets at FVTPL	25,568	39,012
Investment securities:		
- Financial assets at amortised cost	207,047	183,822
	780,904	535,289
Interest expense		
Borrowings from financial institutions	226,767	84,086
Corporate bonds	123,637	123,298
Interest expense on borrowings	350,404	207,384
Lease liability (see note 26 (a))	-	17
	350,404	207,401
Net interest income	430,500	327,888

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:

	2023	2022
	US\$'000	US\$'000
Financial assets measured at:		
- Amortised cost	755,336	496,277
- FVTPL	25,568	39,012
Total interest income	780,904	535,289
Financial liabilities measured at amortised cost		
- Amortised cost	350,404	207,401
Total interest expense	350,404	207,401

US\$'000

Major service lines	Investment		Financial Services		Total	
	2023	2022	2023	2022	2023	2022
- Risk participation and commitment fees	8,849	13,710	26,279	18,294	35,128	32,004
- Advisory fees	1,452	5,388	7,820	7,740	9,272	13,128
- Structuring fees	6,884	18,525	-	1,989	6,884	20,514
- Facility and other fees	10,683	7,854	2,225	2,649	12,908	10,503
- Development fees	6,375	5,560	-	-	6,375	5,560
Fees, commission and other income (Note 5)	34,243	51,037	36,324	30,672	70,567	81,709

7. Dividend income

	2023	2022
	US\$'000	US\$'000
Equity securities at:		
- FVOCI	9,846	1,416
- FVTPL	5,711	6,976
	15,557	8,392

8. Fees, commissions and other income

	2023	2022
	US\$'000	US\$'000
Risk participation and commitment fees	35,129	32,004
Advisory and structuring fees	16,156	33,642
Facility and other fees	12,907	10,503
Development fees	6,375	5,560
	70,567	81,709

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 IFRS 15 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\$19.7 million (2022: US\$38.2 million) relating to financial assets not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets.

c) Performance obligations and revenue recognition policies

- i. **Risk participation and commitment fees:** Risk participation fees are earned on various unfunded risk participation programs with financial institutions, to facilitate trade transactions. Commitment fees are 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

	2023	2022
	US\$'000	US\$'000
Mandatorily measured at FVTPL:		
Derivative financial instruments		
- Interest rate	6,585	(4,945)
- Cross currency swap	950,220	68,906
Foreign exchange	(986,644)	(92,978)
Equity investments	48,892	118,777
Debt securities	(17,389)	(55,135)
Designated at FVTPL:		
Asset under management	784	(1,382)
	2,448	33,243

10. Net impairment charge on financial assets

	2023	2022
	US\$'000	US\$'000
Loans and advances to customers (Note 18a)	42,192	24,986
Loans and advances to banks (Note 16a)	3,159	(604)
Investment securities at amortised cost (Note 20b)	7,114	11,893
Pledged assets at amortised cost (Note 21a)	6,973	4,373
Off-balance sheet commitments (Note 26e)	5,411	10,009
	64,849	50,657

11. Gain on sale of financial assets

	2023	2022
- Equity securities	4,500	1,257
- Debt securities	16,469	-
	20,969	1,257

Amounts represent income realised from the sale of the investments in certain securities during the year, in line with the Corporation's investment strategy.

12. Operating expenses

	2023	2022
	US\$'000	US\$'000
(a) Operating expenses		
Staff cost:		
Wages and salaries	68,948	64,564
Post-employment benefits	3,424	7,867
Other employee benefits	3,186	3,166
Other operating expenses:		
Rent, rates and utilities	273	287
Insurance	452	128
Advertising and business promotion	4,773	6,558
Auditor's remuneration	440	273
Communication	1,412	1,533
Travel	754	1,229
Board expenses, including Directors' fees	2,701	1,988
Training, seminars and conferences	2,168	1,477
Repairs and maintenance	85	118
Project and other transaction expenses	2,926	1,856
Consultancy fees	3,476	2,229
Other expenses	3,606	1,538
Depreciation and amortisation	3,520	3,522
	102,144	98,333

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	2023	2022
(b) Credit risk insurance	US\$'000	US\$'000
- Credit risk insurance premium	19,150	17,580

The Corporation uses credit risk insurance as a risk mitigation tool for the protection of the Corporation against borrower defaults. Insurance cover is provided by investment grade insurance companies.

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

Basic/Diluted

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.

	2023	2022
Profit attributable to equity holders of the Corporation		
From continuing operations (US\$ '000)	353,898	285,919
From discontinued operations (US\$ '000)	(24,208)	-
	329,690	285,919
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares at 1 January	1,173,345	1,159,405
Effect of shares issued during the year	205,444	13,940
Effect of rights issued during the year	18,033	15,241
Weighted-average number of ordinary shares at 31 December ('000)	1,396,822	1,188,586
Earnings per share (expressed in US cents per share)		
Basic/diluted earnings per share from continuing operations	25.34	24.06
Basic/diluted earnings per share from discontinued operations	(1.73)	-
Total for the year	23.61	24.06

During the year, the Corporation completed a rights issue in accordance with the requirements of IAS 33, the calculation of basic and diluted earnings per share for both years presented in these financial statements have been adjusted respectively.

15. Cash and balances with banks

	2023	2022
	US\$'000	US\$'000
Cash in hand	30	43
Balances with banks	6,681	122,639
	6,711	122,682

All cash and balances with commercial banks are current.

16. Loans and advances to banks

	2023	2022
	US\$'000	US\$'000
Placements with banks	1,376,627	1,374,933
Less: Allowance for impairment (See (a) below)	(5,524)	(2,365)
	1,371,103	1,372,568

All loans and advances to banks are current.

a) The movement in impairment allowance is shown below:

	2023	2022
	US\$'000	US\$'000
Opening	2,365	2,969
Net remeasurement of ECL allowance (Note 10)	3,159	(604)
	5,524	2,365

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
December 31, 2023	US\$'000	US\$'000	US\$'000
Forward contracts	10	14,007	631,483
Cross currency swaps	251,705	106,797	3,514,593
Interest rate options	2,858	2,858	25,542
Interest rate swap	8,818	5,252	583,487
	263,391	128,914	4,755,105
Current	86,857	58,891	
Non-current	176,534	70,023	

	Assets	Liabilities	Notional
December 31, 2022	US\$'000	US\$'000	US\$'000
Forward contracts	40,242	23,192	692,583
Cross currency swaps	112,145	26,654	1,790,283
Interest rate options	23,192	12,757	544,975
Interest rate swap	8,791	9,678	162,661
	184,370	72,281	3,190,502
Current	56,087	26,245	
Non-current	128,283	46,036	

The Corporation uses derivatives to manage its exposure to market risks.

18. Loans and advances to other customers

	2023	2022
	US\$'000	US\$'000
Project finance loans	3,804,129	3,237,009
Advances under trade finance	714,440	568,340
	4,518,569	3,805,349
Impairment allowance (see note (a) below):		
- Project finance	(211,018)	(171,684)
- Trade finance	(24,259)	(21,401)
	(235,277)	(193,085)
	4,283,292	3,612,264
Current	709,809	482,164
Non-current	3,573,483	3,130,100

a) The movement in impairment allowance is shown below:

	2023	2022
	US\$'000	US\$'000
Balance as at 1 January	193,085	168,099
Net measurement of impairment allowance (Note 10)	42,192	24,986
Balance as at 31 December	235,277	193,085

See Note 3.1.6 for a detailed analysis.

19. Financial assets at fair value through profit or loss

	2023	2022
	US\$'000	US\$'000
Designated at fair value through profit or loss:		
Debt securities (see note (a) below)	307,132	538,070
Equity securities (see note (b) below)	1,272,022	1,066,047
Assets under management:		
debt securities (see note (c) below)	22,248	19,837
	1,601,402	1,623,954
Current	34,189	41,491
Non-current	1,567,213	1,582,463

a) Debt securities include hybrid instruments and other debt securities at fair value through profit or loss. 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.

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b) Equity securities at fair value through profit or loss include:

	2023	2022	2023	2022
	US\$'000	US\$'000	%	Shareholding
Terminal à Conteneurs de Nouakchott (I)	13,321	7,870	50 %	50 %
Arise Infrastructure Services (ii)	27,387	46,483	34 %	34 %
Arise Ports and Logistics Limited (iii)	203,333	207,751	25 %	25 %
Arise Integrated Industrial Platforms (iv)	513,860	247,908	72 %	51 %
South African Toll Road Company (Proprietary) Ltd (v)	13,365	17,807	29 %	29 %
Cabeolica S.A. (vi)	15,722	11,532	50 %	50 %
Cenpower Generation Company (vii)	15,444	22,832	32 %	32 %
Cenpower Operations Company (vii)	74	74	25 %	25 %
Danakali Limited (viii)	17,516	14,059	14 %	14 %
Djibouti Wind Company Limited (ix)	63	63	57 %	57 %
Djibouti Wind Limited Partnership (ix)	6,237	6,237	57 %	57 %
Infinity Energy Africa Investments Limited (x)	400	35,295	49 %	49 %
Infrastructure Credit Guarantee Company Limited (xi)	34,702	43,102	30 %	31 %
International Gulf Mining Limited (xii)	222	223	43 %	43 %
Ncondezi (xiii)	10	10	23 %	23 %
Nouvelle Gabon Mining SA (xiv)	307,840	312,342	43 %	43 %
Ivoire Hydro Energie S.A (xv)	29,575	24,390	51 %	51 %
Société Concessionnaire du Pont Riviera-Marcory (xvi)	71,938	67,059	26 %	26 %
Vigeo Power Limited (xvii)	1,010	1,010	20 %	20 %
	1,272,022	1,066,047		

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) Terminal à Conteneurs de Nouakchott ("TCN") is a 30-year concession by the Government of Mauritania to design, build, finance and operate a new container terminal with an initial capacity of 250,000 Twenty-foot Equivalent Units (TEUs) and has the flexibility to expand capacity to 600,000 TEUs; and develop 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 1,000m 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 summarized financial information for Arise Infrastructure Services is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	59,306	27,219
Non-current assets	250,133	130,826
Current liabilities	53,945	11,608
Non-current liabilities	94,884	72,160
Revenue	15,730	17,390
Profit/(loss) after tax	3,672	6

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(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, Cote D'Ivoire which is under construction. The summarized financial information for Arise Ports and Logistics Limited is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	141,794	130,927
Non-current assets	1,066,234	1,057,064
Current liabilities	164,199	170,137
Non-current liabilities	321,402	313,160
Revenue	225,000	239,718
Profit/(loss) after tax	6,578	34,047

(iv) Arise Integrated Industrial Platforms (Arise IIP): Arise IIP is an integrated operator of world-class economic zones across Africa comprising 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 summarized financial information for Arise IIP is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	780,055	397,312
Non-current assets	1,136,252	215,032
Current liabilities	625,192	88,942
Non-current liabilities	569,340	442,048
Revenue	349,684	144,163
Profit/(loss) after tax	26,602	17,828

(v) South African Toll Road Company (Proprietary) Limited (SATRC) is an investment company that holds investment in infrastructure and infrastructure related assets. It was set up as a special purpose vehicle to hold a stake in the Bakwena Platinum Corridor Concessionaire Proprietary Limited (BPCC). BPCC 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 summarized financial information for SATRC is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	8	28
Non-current assets	65,092	89,166
Current liabilities	1	1
Non-current liabilities	-	-
Revenue	(18,980)	13,454
Profit/(loss) after tax	(18,998)	13,391

(vi) Cabeolica S.A.: This is a wind power company domiciled in Cape Verde. The project entails the construction of 30 wind turbines on four of the nine inhabited islands of the mid-Atlantic Archipelago. The summarized financial information for Cabeolica S.A is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	13,163	11,876
Non-current assets	28,225	30,575
Current liabilities	3,988	13,586
Non-current liabilities	20,955	14,169
Revenue	12,367	11,747
Profit/(loss) after tax	2,370	2,279

(vii) Cenpower Generation Company Limited (Cenpower) 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 summarized financial information for Cenpower is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	456,304	349,174
Non-current assets	638,588	659,873
Current liabilities	145,416	134,450
Non-current liabilities	741,907	703,038
Revenue	19,000	252,811
Profit/(loss) after tax	7,120	33,631

(viii) Danakali Limited is a potash company focused on the development of the Colluli Sulphate of Potash Project (the Project).

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(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) Infinity Energy Africa is the lead investor in Infinity Power Holding, an energy company which owns 235MW solar assets in Egypt and has signed a sales and purchase agreement for acquiring the majority stake in 1022 MW of operating wind assets located in Egypt, South Africa and Senegal.

(xi) Infrastructure Credit Guarantee Company Limited: This is a company established as a commercial institution with the 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 summarized financial information for Infrastructure Credit Guarantee Company Limited is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	3,624	15,564
Non-current assets	181,025	165,667
Current liabilities	3,347	3,339
Non-current liabilities	82,573	87,501
Revenue	57,823	18,331
Profit/(loss) after tax	49,810	9,063

(xii) International Gulf Mining Limited is a mining and exploration company established in 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.

(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 summarized financial information for Nouvelle Gabon Mining SA is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	67,286	50,527
Non-current assets	311,638	350,011
Current liabilities	41,173	48,128
Non-current liabilities	52,487	352,514
Revenue	183,252	222,052
Profit/(loss) after tax	(13,759)	33,886

(xv) Ivoire Hydro Energie S.A is a 44MW hydro electric generating facility which is under construction in Côte d'Ivoire.

(xvii) Société Concessionnaire du Pont Riviera-Marcory (Socoprím) is a concessionaire company is responsible for the operation and management of the Henri Konan Bedie Bridge in Cote d'Ivoire. The Henri Konan Bedie Bridge consists of a 6.4km highway and 1.9km bridge with three lanes in each direction. The summarized financial information for Socoprím is presented below:

	2023	2022
	US\$'000	US\$'000
Current assets	6,433	8,850
Non-current assets	150,216	230,578
Current liabilities	2,858	14,732
Non-current liabilities	81,891	133,356
Revenue	31,064	50,659
Profit/(loss) after tax	11,359	17,103

(xviii) 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 December 31, 2023, 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

	2023	2022
	US\$'000	US\$'000
At amortised cost:		
- Corporate debt securities (note i)	418,684	348,925
- Sovereign debt securities	3,374,482	2,558,425
	3,793,166	2,907,350
Less: Allowance for impairment (see note (b) below)	(46,824)	(39,710)
	3,746,342	2,867,640
At FVOCI:		
- Equity securities (see note (c) below)	36,980	52,920
	3,783,322	2,920,560
Current	3,414,302	2,585,014
Non-current	369,020	335,546

i) Included in sovereign debt securities are treasury bills issued by the government of United States of America which are highly liquid financial instruments.

a) As at December 31, 2023, the Corporation held no collateral, which it was permitted to sell or repledge in the event of default by the owner of the collateral (December 31, 2022: Nil).

b) The movement in impairment allowance is shown below:

	2023	2022
	US\$'000	US\$'000
Opening	39,710	27,817
Net remeasurement of ECL allowance (Note 10)	7,114	11,893
Closing	46,824	39,710

c) Equity securities at FVOCI

	2023	2022
	US\$'000	US\$'000
Equity securities – (see note (i) below)	36,980	52,920

(i). The movement in equity securities is as follows:

	2023	2022
	US\$'000	US\$'000
Balance as at 1 January	52,920	53,576
(Disposals)/additions	(13,438)	-
Net loss on fair valuation through other comprehensive income	(2,252)	(646)
Foreign exchange gain	(250)	(10)
Balance as at 31 December	36,980	52,920

21. Pledged assets

	2023	2022
	US\$'000	US\$'000
Corporate debt securities	348,583	337,006
Sovereign debt securities	187,876	282,650
	536,459	619,656
Less: Allowance for impairment (see note (a) below)	(15,420)	(8,447)
	521,039	611,209
Current	105,464	143,986
Non-current	415,575	467,223

a) The movement in ECL allowance is shown below:

	2023	2022
	US\$'000	US\$'000
Balance as at 1 January	8,447	4,074
Net remeasurement of ECL allowance (Note 10)	6,973	4,373
Balance as at 31 December	15,420	8,447

(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.

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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:

	2023	2022
	US\$'000	US\$'000
Carrying amount of the assets	521,039	611,209
Carrying amount of the associated liabilities (see note 27)	388,945	504,571
Fair value of the assets	510,900	531,847
Fair value of the liabilities	(388,945)	(504,571)
Net fair value	121,955	27,276

22. Other assets

	2023	2022
	US\$'000	US\$'000
Financial assets		
Account receivable	14,973	39,854
Fee receivable	8,875	12,325
Advance for investment (see note (i) below)	-	14,700
	23,848	66,879
Non-financial assets		
Prepayments	7,029	5,714
	30,877	72,593
Current assets	30,877	72,593
Non-current assets	-	-

i) The transaction for which the deposit of US\$14.7 million was advanced in 2022 was successfully closed during the year.

23. Property and equipment

Year end December 31, 2022

	Right- of-Use Asset	Motor Vehicles	Leasehold improvements	Furniture & Equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at January 1, 2022					
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 value at January 1, 2022	5,231	1,546	364	929	8,070
Additions	-	1,371	156	392	1,919
Disposals - cost	-	(538)	-	(63)	(601)
Disposals - accumulated depreciation	-	496	-	61	557
Depreciation	(1,600)	(796)	(136)	(367)	(2,899)
Net book value at December 31, 2022	3,631	2,079	384	952	7,046

As at December 31, 2022

Cost	9,764	4,192	2,376	5,791	22,123
Accumulated depreciation	(6,133)	(2,113)	(1,992)	(4,839)	(15,077)
Net book amount	3,631	2,079	384	952	7,046

Year end December 31, 2023

	Right- of-Use Asset	Motor Vehicles	Leasehold improvements	Furniture & Equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2023					
Cost	9,764	4,192	2,376	5,792	22,124
Accumulated depreciation	(6,133)	(2,113)	(1,992)	(4,840)	(15,078)
Net book value at January 1, 2023	3,631	2,079	384	952	7,046
Additions	-	881	36	255	1,172
Disposals - cost	-	(1,183)	-	(65)	(1,248)
Disposals - accumulated depreciation	-	1,125	-	64	1,189
Depreciation	(1,585)	(1,003)	(155)	(329)	(3,072)
Net book value at December 31, 2023	2,046	1,899	265	877	5,087

As at December 31, 2023

Cost	9,764	3,890	2,784	5,975	22,413
Accumulated depreciation	(7,718)	(1,991)	(2,519)	(5,098)	(17,326)
Net book amount	2,046	1,899	265	877	5,087

- i. There were no impairment losses on any class of property and equipment during the year (2022: Nil).
- ii. There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2022: Nil).
- iii. There were no restrictions to the title held by the Corporation, in respect of its property and equipment during the year (2022: Nil).
- iv. The depreciation charge and interest on lease liabilities (included in interest expense) on right-of-use assets for the year was US\$3.5 million (2022: US\$3.5 million) and nil in 2023 (2022: US\$17 thousand) respectively.
- v. All items of property and equipment are non-current.

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24. Intangible assets

	2023	2022
	US\$'000	US\$'000
Software costs	200	566

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:

	2023	2022
	US\$'000	US\$'000
At 1 January	566	1,135
Additions	82	54
Amortisation	(448)	(623)
At 31 December	200	566

- There were no impairment losses on any class of intangible assets during the year (2022: Nil).
- There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2022: Nil).
- There were no restrictions to the title held by the Corporation, in respect of its intangible assets during the year (2022: Nil).
- All items of intangible assets are non-current.

25. Non-current assets held for sale and discontinued operation

During the year, the Corporation acquired a controlling interest in Pecan Energies AS formerly known as Aker Energy AS. After the acquisition, its assets and liabilities were transferred to Pecan Energies Investment Limited. The investment was classified as held-for-sale following the commitment of the Corporation to sell down part of its interest in the entity at the date of acquisition. This decision was made in line with the Corporation's business strategy. A sale transaction is expected to occur within the next one year.

The results of the entity have been consolidated into the Corporation as required by the relevant accounting standards. Financial information relating to the held for sale asset for the period is set out below:

(a) Financial information of discontinued operation

	2023	2022
	US\$'000	US\$'000
Profit/(loss) for the year is attributable to:		
Parent	(24,208)	-
Non-controlling interest	-	-
Profit/(loss) for the year from discontinued operations	(24,208)	-
Assets classified as held for sale	478,713	-
Liabilities directly associated with the assets held for sale	282,472	-

26. Accrued expenses and other liabilities

	2023	2022
	US\$'000	US\$'000
Accrued expenses	71,475	57,492
Accounts payable	29,724	80,534
Lease liability (see note (a) below)	986	986
Defined benefit plan (see note (b) below)	13,126	12,516
Margin deposit (see note (c) below)	26,540	10,300
Deposit for shares (see note (d) below)	-	2,276
	141,851	164,104
Unearned fees	28,828	11,300
Allowance for debt commitments (see note (e) below)	17,897	12,486
	188,576	187,890
Current	157,050	163,665
Non-current	31,526	24,225

a) The movement in lease liability during the year is as follows:

	2023	2022
	US\$'000	US\$'000
Balance as at 1 January	986	4,735
Payments	-	(4,752)
Interest on lease liabilities (see note 6)	-	17
Additions to lease liabilities	-	986
Balance as at 31 December	986	986

Amount represents obligation for lease liability in 2024 financial year. No interest has been accrued on lease liability as the lease is due in less than 12 months.

b) Employee benefits- defined benefit plan

	2023	2022
	US\$'000	US\$'000
Defined benefit obligation	13,126	12,516
Net defined benefit liability	13,126	12,516
Total employee benefit liability	13,126	12,516
Current	154	1,434
Non-current	12,972	11,082

The Corporation commenced an unfunded end of service defined benefit plan in 2021 where qualified 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, interest rate risk and market risks. Employees are not required to contribute to the plan.

i) Movement in net defined benefit (asset) liability

	2023	2022
	US\$'000	US\$'000
Balance as at 1 January	12,516	6,731
Included in profit or loss	-	-
Current service cost	1,733	1,507
Past service credit	-	5,073
Interest income	452	134
Benefits paid	(1,792)	(479)
	12,909	12,516

	2023	2022
	US\$'000	US\$'000
Included in OCI		
Remeasurement loss/(gain)		
Actuarial gain arising from:		
- Financial assumptions	(16)	(3,216)
- Experience adjustments	233	3,216
Balance as at 31 December	13,126	12,516

ii) Actuarial Assumptions

The following were the principal actuarial assumptions as at December 31, 2023:

	2023	2022
Assumptions	Rates	Rates
Discount rate	3.86%	3.85%
Future salary growth rate	1%	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:

	2023		2022	
	US\$'000	US\$'000	US\$'000	US\$'000
	Increase	Decrease	Increase	Decrease
Discount rate movement (1% movement)	(1,450)	1,723	(1,310)	1,558
Future salary growth rate (1% movement)	1,831	(1,559)	1,659	(1,412)
Mortality experience (age rated movement by 1 year)	11	(11)	9	(11)

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.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

- c) As part of the Corporation's credit support arrangement with various counterparties on its derivative transactions, margin deposits are received from such counterparties in instances where the mark-to-market valuation of the derivative transactions is favourable to the Corporation. These cash deposits are therefore recognised as margin deposits.
- d) In 2022, the Republic of Côte d'Ivoire made a deposit towards the country's investment in the equity capital of AFC. The investment was concluded during the year (See note 29)
- e) This is the amount set aside for expected credit losses on the Corporation's commitments which are exposed to credit risk. These commitments includes debt commitments, unfunded risk participation arrangements and guarantees (see note 28 (c)) and 28(d).

The movement in allowance for debt commitments during the year is as follows:

	2023	2022
	US\$'000	US\$'000
Balance as at 1 January	12,486	2,477
Net measurement of impairment allowance (See note 10)	5,411	10,009
Balance as at 31 December	17,897	12,486

27. Borrowings

	2023	2022
	US\$'000	US\$'000
At amortised cost:		
Corporate bonds issued (note (i))	3,514,669	3,736,313
Borrowings from other financial institutions (note (ii))	4,809,814	3,831,892
	8,324,483	7,568,205
Current	1,069,692	886,630
Non-current	7,254,791	6,681,575

- (i) Amount represents outstanding balance on issuances made under the Corporation's Eurobond program. 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 program are as follows:

Bond issued	Year Issued	Year of Maturity	Coupon (%)	Coupon Type	2023	2022
					Amount US\$'000	Amount US\$'000
US\$ 500 million	2017	2024	3.8750	Fixed	503,990	503,220
US\$ 650 million	2019	2026	4.3750	Fixed	653,517	652,508
CHF 200 million	2019	2023	0.5225	Fixed	-	216,497
US\$ 500 million	2019	2029	3.7500	Fixed	498,956	498,232
EUR 15 million	2020	2038	1.6250	Fixed	16,124	15,595
EUR 35 million	2020	2041	1.7500	Fixed	38,261	37,039
EUR 15 million	2020	2047	1.6250	Fixed	15,958	15,440
CHF150 Million	2020	2025	1.2050	Fixed	178,580	162,665
US\$ 700 Million	2020	2025	3.1250	Fixed	699,232	698,070
US\$ 30 Million	2021	2023	0.8200	Fixed	-	30,067
US\$ 750 Million	2021	2028	2.9900	Fixed	750,402	749,622
US\$ 50 Million	2021	2031	2.9000	Fixed	50,296	50,269
US\$ 50 Million	2021	2031	2.8700	Fixed	50,107	50,063
EUR 40 Million	2021	2031	1.3500	Fixed	44,059	42,659
EUR 15 Million	2021	2034	1.3000	Fixed	15,188	14,367
					3,514,669	3,736,313

- (ii) Borrowings from other financial institutions comprise loans from commercial banks and development financial institutions within Africa, Europe, Asia 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 from other financial institutions is an amount of US\$388.9 million (2022: US\$504.6 million) which has been secured using corporate and sovereign securities with a carrying value of US\$521.0 million (2022: US\$611.2 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:

	2023	2022
	US\$'000	US\$'000
Less than 1 year	1,069,692	886,630
1 – 3 years	4,227,084	3,502,550
Over 3 years	3,027,707	3,179,025
	8,324,483	7,568,205

- (vi) Reconciliation of movement in borrowings to cashflows from financing activities

	2023	2022
	US\$'000	US\$'000
At beginning of the year	7,568,205	6,186,020
Proceeds from other borrowings	2,425,914	1,991,820
Transaction costs related to borrowings	(13,329)	(8,743)
Interest expense (see note 6)	350,404	207,384
Interest paid	(330,682)	(183,126)
Repayment of borrowings	(1,722,949)	(607,015)
Effects of changes in foreign exchange rates	46,920	(18,135)
At end of the year	8,324,483	7,568,205

Currency exposures arising from borrowing transactions are hedged in line with the Corporation's policy (see Note 3.2.1 Foreign exchange risk).

28. Contingent liabilities and commitments

a) Legal proceedings

As at December 31, 2023, 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 this proceedings will not have a material adverse effect on the financial position of the Corporation. No provision has been made in respect of these legal proceedings, for the year ended December 31, 2023 (2022: 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 under Trade Finance transactions and loan commitments on transactions which are yet to be disbursed.

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.

	2023	2022
	US\$'000	US\$'000
Equity commitments (Note 28b)	27,012	33,027
Debt commitments (Note 28c)	844,758	537,137
Unfunded risk participation and guarantees (Note 28d)	1,654,146	1,147,271
	2,525,916	1,717,435

In line with the provisions of IFRS Accounting Standards (IFRS 9), the Corporation has set aside an amount for expected credit losses on its debt commitments (see note 26(e)).

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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

	2023	2022
	No. of shares	No. of shares
	In thousands	In thousands
At 1 January	1,290,527	1,171,176
Addition during the year	247,192	119,351
At 31 December	1,537,719	1,290,527

	2023	2022
	US\$ '000	US\$ '000
At 1 January	1,290,527	1,171,176
Addition during the year		
(note(i) below)	247,192	119,351
At 31 December	1,537,719	1,290,527

The details of capital raised during the year is as follows:

(I) Shareholders

	Paid in	Callable	Total
	US\$ '000	US\$ '000	US\$ '000
Republic of Benin	2,000	8,000	10,000
Republic of Botswana	2,000	8,000	10,000
Republic of Cameroon	20,000	-	20,000
Republic of Cote d'Ivoire	10,000	-	10,000
SBM Capital Markets Limited	105	-	105
Türkiye Export Credit Bank Inc. ("Turk Eximbank")	110,000	-	110,000
Rights Issue Program (note(ii) below)	339,674	-	339,674
Dividend capitalized during the year (note (iii) below)	3,070	-	3,070
	486,849	16,000	502,849

(ii) During the year, the sum of US\$339.7 million was invested by shareholders under the on-going rights issue program approved by the Board in 2022. The basis of the rights issue is 1 new share for every 4 shares held.

(iii) In addition, the Republic of Egypt and the Republic of Sierra Leone increased their investment in the Corporation's capital by re-investing their dividends from 2022 financial year, which amounted to US\$3 million and US\$0.1 million respectively.

30. Share premium

	2023	2022
	US\$ '000	US\$ '000
At 1 January	184,018	66,432
Addition during the year		
(note 29 (i) above)	239,657	117,586
At 31 December	423,675	184,018

31. Share warrants

	2023	2022
	No. of warrants	No. of warrants
	In thousands	In thousands
At 1 January / 31 December	105,263	105,263

	2023	2022
	US\$ '000	US\$ '000
At 1 January / 31 December	200,000	200,000

(i) The Corporation issued 105,263,158 warrants in 2020, 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. Payment of returns on warrants are at the sole discretion of the Corporation.

32. Retained earnings

	2023	2022
	US\$ '000	US\$ '000
At beginning of the year	1,049,190	824,808
Dividend paid during the year	(85,581)	(56,462)
Return on warrants	(6,981)	(5,075)
Profit for the year	329,690	285,919
At end of the year	1,286,318	1,049,190

33. Fair value reserves

	2023	2022
	US\$ '000	US\$ '000
At 1 January	(24,299)	(23,653)
Net loss on FVOCI financial assets:		
- Fair value loss - equity securities	(2,503)	(646)
- Remeasurements of defined benefit liability	(218)	-
	(2,721)	(646)
At end of the year	(27,020)	(24,299)

Financial Report

The fair value reserves comprise the cumulative net change in the fair value of equity securities measured at FVOCI and remeasurement of defined benefit liability.

34. Dividends

The Board of Directors is proposing a dividend of 5.3158 US cents per share (2022: 6.6315 US cents per share), amounting to approximately US\$ 81,742,093 (2022: US\$ 85,581,299). The resolution on payment of dividend will be tabled before the annual general meeting scheduled for 4 April 2024 and if approved, the dividend will be paid to all qualifying shareholders who are on the register of members as of 31 December 2023. The Board of Directors is also proposing a payment of 5.3158 US cents per share warrant (2022: 6.6315 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

	2023	2022
	US\$'000	US\$'000
Cash in hand and balances with banks (Note 15)	6,711	122,682
Placements with other banks (Note 16)	1,376,627	1,374,933
Investment securities (note (i) below)	2,108,533	1,497,491
At end of the year	3,491,871	2,995,106

- i) Included in investment securities in Note 20 are treasury bills issued by the government of United States of America which are highly liquid financial instruments with less than three (3) months to maturity.

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 (2022: 100%).

AFC Capital Partners: a wholly owned entity incorporated in Mauritius in 2021, set up as an investment management entity with a global business License (2022: 100%).

Arise PCC: a wholly owned special purpose vehicle, incorporated in Mauritius, to hold 50% interest in Terminal à Conteneurs de Nouakchott (TCN), a port project in the Islamic Republic of Mauritania. Arise PCC became wholly owned in 2022, increasing the Corporation's interest in TCN to 50%, from 10.5%. During the year, the investment in TCN was transferred from Arise PCC to AFC Equity and the process for an orderly liquidation of Arise PCC commenced. (2022: 100%).

Pecan Energies Investment Limited: a wholly owned entity incorporated in Cayman Island, which was set up to hold the entities acquired from Pecan Energy AS, formally Aker Energy AS. During the year, the Corporation acquired a 100% interest in Pecan Energies AS, an exploration and production company incorporated in Norway. The group has been recognised as non-current assets held for sale after all the requisite conditions had been fulfilled. The subsidiaries of Pecan Energies Investment Limited include:

- (i) **Pecan Energy Ghana Limited (PEGL):** a wholly owned subsidiary, incorporated in Ghana. The Company has a 50% participating interest in the Deepwater Tano / Cape Three Points block ("DWT/CTP") and is the operator responsible for developing the DWT/CTP (Pecan field).
- (ii) **Pecan Energy Services Limited:** a wholly owned subsidiary, incorporated in Cayman Island, set up to provide technical services to PEGL for the development of the Pecan field.
- (iii) **FPSO Investment Limited:** a wholly owned subsidiary, incorporated in Malta, set up for the acquisition of a floating production storage and offloading vessel for the development of the Pecan field. The entity has 3 wholly owned subsidiaries, which were incorporated in Malta, namely; Ghana FPSO Holdings Limited, Ghana FPSO Company Limited and Ghana FPSO Operations AS.

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 consolidated financial statements in relation to group entities.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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:

	2023 US\$'000	2022 US\$'000
I. Loans:		
Shareholders	206,939	81,429
ii. Placements/investments in debt securities:		
Shareholders	202,040	51,781
Associate companies	383,269	321,375
iii. Cash and bank balances:		
Operating account balances	312	10,195
b) Interest income earned:		
Shareholders	59,659	34,075
Associated companies	41,415	25,540

These transactions were carried out 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	6 Months	6% - 15%	Fixed/floating
Corporate debt securities	10 Years	5% - 16%	Fixed/floating

c) Cross currency swap

	2023 US\$'000	2022 US\$'000
Notional amount	1,520,000	1,000,000

(d) Key management compensation

	2023 US\$'000	2022 US\$'000
Salaries and other short-term benefits	11,356	9,479
Post-employment benefits	794	1,647

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 & Chief Financial Officer, (e) Senior Director & Chief Risk Officer, (f) Senior Director & General Counsel (g) Director & Head of Corporate Services, (h) Director & Head, Economics, Research and Strategy.

37. Events after the reporting period

There were no events after the statement of financial position date which materially affect these consolidated financial statements.

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Corporate Information

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