AFC
AFRICA FINANCE CORPORATION

REALISING THE VISION
A DECADE OF DELIVERY

2017 ANNUAL REPORT & FINANCIAL STATEMENTS

REALISING THE VISION...

A DECADE


OF DELIVERY

OUR EVOLUTION

2007– 09

FOUNDATION

First equity investment approved: Main One Cable

Technical committee set-up to produce AFC concept paper

Gambia, Liberia, Sierra Leone and Guinea join AFC

First debt investment: Kosmos Ghana

Nigeria positively concludes inquiry

Inaugural IFRS based financial statements approved by AGM

Bayo Ogunlesi joins Board as new Chairman

Deal of the Year Award with HSBC and Afrexim

Net Income: US$28.7 million

2010

TURNAROUND

Ratification instruments for Establishment and Headquarters Agreements signed

AFC appointed Technical Adviser to CBN on power and aviation fund

Net Income: US$10.9 million

2011

CONSOLIDATION

US$775 million in approved investment transactions

Ghana joins AFC and pledges US$50 million investment

Broad pan-african business footprint: Ghana, CIV, Zambia, Ethiopia, South Africa, Cape Verde, Kenya

Net Income: US$34.7 million

Dividends: US$15.0 million

2012

GROWTH

Investment portfolio of: US$974 million committed, US$799 million disbursed, 80% debt & 20% equity, across 13 countries

Cumulative investments: US$1.87 billion approved, US$1.37 billion committed, US$1.06 billion disbursed, (53% in Nigeria, 15% in W.A, 17% in E.A, 5% in SA & 10% in others)

140 projects reviewed in 24 countries across all 6 sectors, valued at over US$3.5 billion

US$200 million line of credit from AdDB

Membership: Chad joins Gambia ratifies

Parliamentary approval for Cenpower

Net Income: US$56.3 million

2013 – 14

FURTHER GROWTH & CONSOLIDATION

Revised 5-year plan to become a US$5 billion operation by 2016

Cumulative investment in excess of US$1.2 billion

Total assets of US$1.9 billion

Oversubscribed debut international syndication of US$250 million

European DA lines of credit of US$125 million

First investment in Chad, Cameron, DRC & Gabon

Cape Verde becomes a member

Debut international credit rating of A3 by Moody's

Net income of US$93 million

Third successive year of dividend payment

2015

EXPANSION

AFC total investments now stand at US$3.2 billion across 22 African countries

Inaugural US$750 million 4.375% 5-year international bond issued. Bond is over six times oversubscribed

Accreditation as a partnering institution to the Green Climate Fund

Gabon, Côte d'Ivoire, Rwanda and Uganda join AFC

Cooperation agreements signed with Islamic Development Bank and East African Development Bank

A3 credit rating reaffirmed by Moody's

Net income of US$70 million

2016

LEADERSHIP

AFC merges several key power assets with Harith General Partners

US$55 million invested in Maamba Collieries Limited, Zambia

Lead arranger for an up to US$425 million senior mezzanine facility for New Age (African Global Energy) and invested US$75 million

Secured a US$150 million 15 year loan facility from KfW Development Bank

Launch of Africa Infrastructure Development Association (AfIDA), a think tank and network to promote and enable project development in Africa

Hosted the Powering Africa's Future Forum in Dubai with Dentons, a leading global law firm

Djibouti become AFC member

2017

TRANSFORMATION

AFC issues US$150 million maiden sukuk

US$25 million quasi-equity investment in Carbon Holdings

AFC joins consortium to invest US$205 million in Alufer Mining

Arranged senior debt facilities of US$225 million, contributed US$75 million in loans and providing and underwriting commitment of US$35 million for Hakan IPP

AFC issues US$500 million Eurobond

Kenya, Benin and Zambia become AFC members

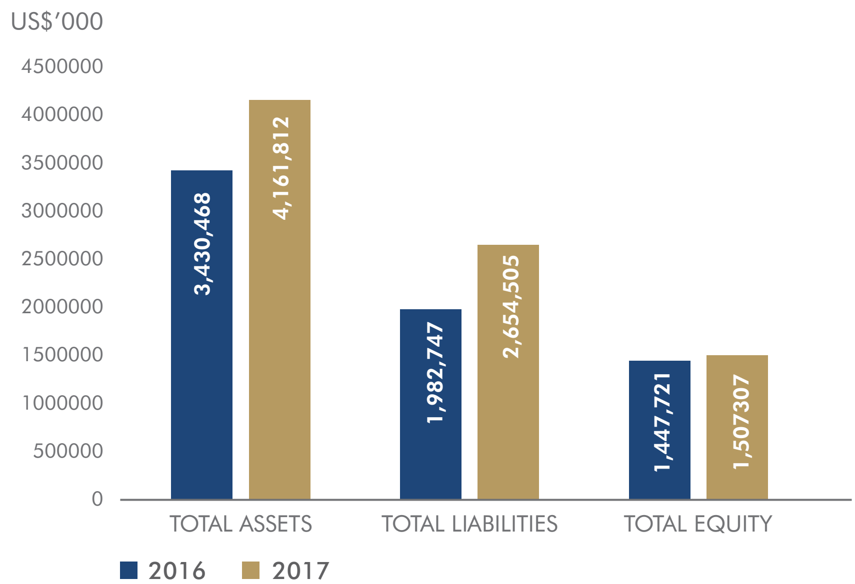
Launch of Gabon Special Economic Zone, in which AFC invested US$150 million

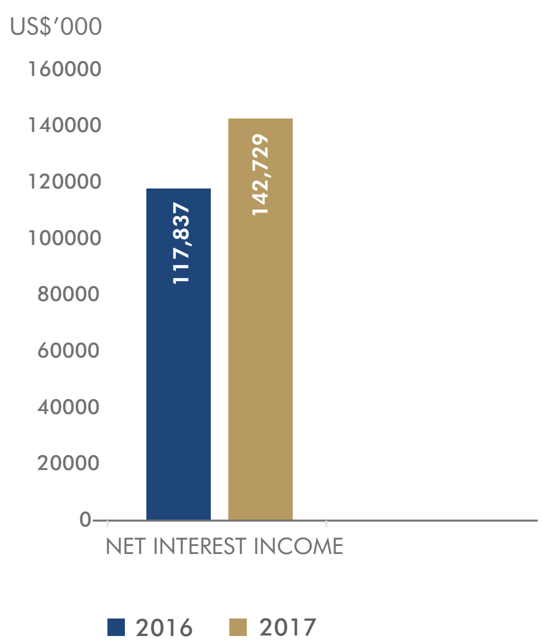
AFC sign Master Cooperation Agreement with International Finance Corporation

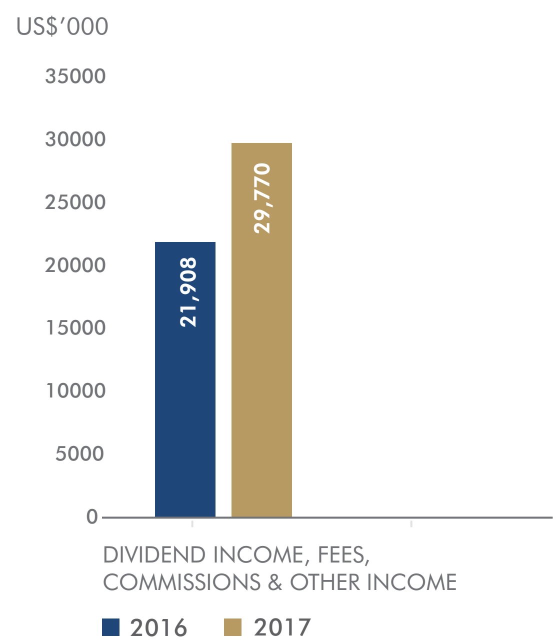
AFC signs Accreditation Master Agreement with Green Climate Fund

CONTENTS

FINANCIAL HIGHLIGHTS







21%

BALANCE SHEET GROWTH COMPARED TO 2016

21%

INCREASE IN NET INTEREST INCOME

35.9%

INCREASE IN DIVIDEND INCOME, FEES, COMMISSIONS & OTHER INCOME

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note*	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Interest income	6	233,943	192,832
Interest expense	6	(91,214)	(74,998)
Net interest income		142,729	117,834
Dividend income	7	10,460	38
Fees, commissions and other income	8	19,310	21,866
Operating income		**172,499**	**139,738**
Net gain on financial instruments at fair value through profit or loss	9	57,265	40,278
Impairment charge on financial assets	10	(63,077)	(27,862)
Loss on disposal of financial assets	11	(23,247)	-
Operating expenses	12	(42,892)	(41,303)
Profit for the year from continuing operations		**100,548**	**110,851**
Loss for the year from discontinued operations	24	(235)	(1,459)
Profit for the year		**100,313**	**109,392**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Net gain on available-for-sale financial assets	31	8,846	5,953
Total comprehensive income for the year		**109,159**	**115,345**
Profit for the year is attributable to:			
Parent		100,313	109,337
Non-controlling interest		-	55
Profit for the year		**100,313**	**109,392**
Total comprehensive income for the year is attributable to:			
Parent		109,159	115,290
Non-controlling interest		-	55
Total comprehensive income for the year		**109,159**	**115,345**
Basic earnings/(loss) per share (United States cents)			
- from continuing operations	14	9.23	10.18
- from discontinued operations	14	(0.02)	(0.14)
		9.21	10.04

** The accompanying notes 1-35 are an integral part of these financial statements.*

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note*	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
ASSETS			
Cash and balances with banks	15	29,206	51,578
Loans and advances to banks	16	1,471,257	1,072,515
Derivative financial instruments	17	5,696	9,606
Loans and advances to other customers	18	1,162,422	1,180,421
Financial assets at fair value through profit or loss	19	656,175	226,481
Investment securities	20	792,903	815,557
Other assets	21	41,443	11,612
Property and equipment	22	2,451	2,598
Intangible assets	23	259	255
		4,161,812	3,370,623
Assets of disposal group held for sale	24	-	59,845
Total assets		**4,161,812**	**3,430,468**
LIABILITIES			
Accrued expenses and other liabilities	25	28,750	23,848
Derivative financial instruments	17	10,444	7,730
Promissory note	26	131,919	-
Borrowings	27	2,483,392	1,907,793
		2,654,505	1,939,371
Liabilities of disposal group held for sale	24	-	43,376
Total liabilities		**2,654,505**	**1,982,747**
EQUITY			
Share capital	29	1,095,343	1,089,067
Share premium	29	3,765	-
Retained earnings	30	372,088	329,495
Fair value reserves	31	36,111	27,265
Attributable to the Corporation's equity holders:		1,507,307	1,445,827
Non-controlling interests		-	1,894
Total equity		**1,507,307**	**1,447,721**
Total liabilities and equity		**4,161,812**	**3,430,468**

* The accompanying notes 1-35 are an integral part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

	Note*	Share Capital US$'000	Share Premium US$'000	Retained Earnings US$'000	Fair Value Reserves US$'000	Total US$'000	Non-Controlling Interests US$'000	Total US$'000
As at 1 January 2016		1,089,067	-	255,335	21,312	1,365,714	-	1,365,714
Profit for the year		-	-	109,337	-	109,337	55	109,392
Other comprehensive income	31	-	-	-	5,953	5,953	-	5,953
Total comprehensive income		-	-	109,337	5,953	115,290	55	115,345
Transactions with owners:								
Acquired during the year		-	-	-	-	-	1,839	1,839
Dividends paid during the year		-	-	(35,177)	-	(35,177)	-	(35,177)
As at 31 December 2016		**1,089,067**	**-**	**329,495**	**27,265**	**1,445,827**	**1,894**	**1,447,721**
As at 1 January 2017		1,089,067	-	329,495	27,265	1,445,827	1,894	1,447,721
Profit for the year		-	-	100,313	-	100,313	-	100,313
Other comprehensive income	31	-	-	-	8,846	8,846	-	8,846
Total comprehensive income		**-**	**-**	**100,313**	**8,846**	**109,159**	**-**	**109,159**
Transactions with owners:								
Issued during the year	29	6,276	3,765	-	-	10,041	-	10,041
Disposed during the year		-	-	-	-	-	(1,894)	(1,894)
Dividends paid during the year		-	-	(57,720)	-	(57,720)	-	(57,720)
As at 31 December 2017		**1,095,343**	**3,765**	**372,088**	**36,111**	**1,507,307**	**-**	**1,507,307**

** The accompanying notes 1-35 are an integral part of these financial statements.*

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note*	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Cash flows from operating activities			
Interest and similar income received		227,246	191,032
Interest paid		(82,308)	(66,257)
Fee and commission receipts		21,264	25,099
Dividend received	7	10,460	38
Cash payments to employees and suppliers		(38,091)	(40,490)
Loans and advances (disbursed to)/repaid by customers		(40,664)	30,547
Net cash generated from operating activities		**97,907**	**139,969**
Cash flows from investing activities			
Purchase of debt securities		(270,896)	(195,751)
Capital repayments of debt securities		42,769	116,166
Proceeds on disposal of debt securities		22,856	-
Purchase of financial assets at fair value through profit or loss		(27,417)	(17,529)
Purchase of available-for-sale securities		(4,905)	(146,519)
Proceeds on disposal of available-for-sale securities		17,153	-
Proceeds on disposal of property and equipment		107	45
Purchase of property and equipment	22	(1,051)	(1,768)
Purchase of software/Intangibles	23	(225)	(64)
Net cash used in investment activities		**(221,609)**	**(245,420)**
Cash flows from financing activities			
Proceeds from borrowings		845,000	597,112
Transaction costs related to borrowings		(3,107)	(7,347)
Repayment of borrowings		(284,101)	(341,588)
Dividend payments	30	(57,720)	(35,177)
Net cash generated from financing activities		**500,072**	**213,000**
Net increase in cash and cash equivalents		376,370	107,549
Cash and cash equivalents, beginning of the year		**1,124,093**	**1,016,544**
Cash and cash equivalents, end of the year	**33**	**1,500,463**	**1,124,093**

** The accompanying notes 1-35 are an integral part of these financial statements.*

Chairman's Statement

> "A decade after its establishment, AFC is now a formidable pan-African Corporation with an investment grade international credit rating and the balance sheet to raise financing and position the Corporation for the next decade of growth."

A DECADE OF IMPLEMENTING THE FOUNDERS' VISION

Africa Finance Corporation ("AFC") or the "Corporation"was established in 2007 with a vision to be the leading African financial institution for the continent's much needed infrastructure development projects. Fostering the economic growth and industrial development of African countries, while delivering a competitive return on investments to our shareholders has remained as much a part of our core mission as it did at inception a decade ago. I am therefore presenting this, our 10th anniversary Annual Report, as testament to this fact.

At AFC's establishment, investors believed in the need for Africa to take a leading role in addressing the infrastructure deficit on the continent. Africa's infrastructure deficit presents a core obstacle to our continent's long-term development. With an investment gap of US$ 68-108 billion per annum, the lack of reliable infrastructure - usually a catalyst for growth, industrialisation and economic development - continues to hinder socio-economic progress on the continent.

The strong economic growth witnessed on the African continent in the first decade of the new millennium did not translate into the much hoped for socio-economic development as income inequality, gender disparity and extreme poverty remains a challenge. However, as the green shoots of recovery emerge across Africa, there is an opportunity to progress our approach to addressing these challenges. In my considered view, this progress starts with addressing our inadequate infrastructure.

21%

GROWTH IN BALANCE SHEET

US$4 billion+

IN TOTAL ASSETS

21%

INCREASE IN NET INTEREST INCOME

OVER

US$1.5 billion

IN LIQUIDITY AS AT 31 DECEMBER 2017

Though we saw a downturn in the infrastructure cycle, and an increased number of players in our infrastructure space, we remain fully committed to our core focus - investing in assets across continental Africa. Our goal is to use these investments to create value, generate income and capital appreciation for our shareholders and stakeholders.

Financial Performance

Notwithstanding the challenging operating environment, Africa Finance Corporation delivered strong underlying operating results for 2017. The Corporation recorded total comprehensive income of US$109.2 million for the year and achieved a significant 21% growth in its balance sheet compared to 2016, with total assets in excess of US$4 billion. It generated gross revenues of US$263.7 million, driven by strong accrual income and impressive annuity revenues on the existing debt portfolio. Net interest income increased by 21% to US$142.7 million, driven by higher yields and volumes on interest earning assets, with net interest margin at 4.6%. Fees, commissions, dividend and other income increased by 35.9% mainly due to dividends received from investee entities during the year.

The Corporation maintained its disciplined cost control measures. Prudent management of administrative costs resulted in a marginal year-on-year growth of 3.8% in operating expenses, to US$42.9 million (from US$41.3 million in the prior year), delivering an all-time low cost-to-income ratio of 18.7%. Although no loan was impaired during the year under review, the Corporation's impairment charge increased by 126.4%, to US$ 63.1 million, largely as a result of the impairment taken on equity investments. The Corporation achieved a return on investment of 6.8% for the year, out of which a dividend of 4.98 US cents per share (amounting to approximately US$ 54.6 million) is being proposed for approval at the Annual General Meeting of shareholders. Overall, the Corporation remains strongly capitalised, with a capital adequacy ratio of 40.9%, and, highly liquid, with approximately US$1.5 billion liquidity as at 31 December, 2017. This positions the Corporation to take advantage of investment opportunities in the year ahead.

We have demonstrated clearly, during the last decade, that it is not just about the challenges. Whether it is in power, transport or natural resources, there are opportunities for investors to contribute to long term sustainable growth of the continent and to do so in a way that generates strong returns. I am delighted that the pool of project developers is expanding, as we have witnessed through the championing of AfIDA (Africa Infrastructure Developers Association), and the attendees and quality of discourse at our flagship Investor summit – AFC Live 2017, held in Abuja, Nigeria.

A decade after its establishment, AFC is now a formidable pan-African Corporation with an investment grade international credit rating, the balance sheet to raise financing and position the Corporation for the next decade of growth.

Our infrastructure financing capability provides us with access to significant opportunities in the growing economies across continental Africa. We are therefore sharpening our focus on the infrastructure business. We expect that this will better position us to attract additional sovereign and institutional equity shareholders and, in the longer term, lower our cost of capital.

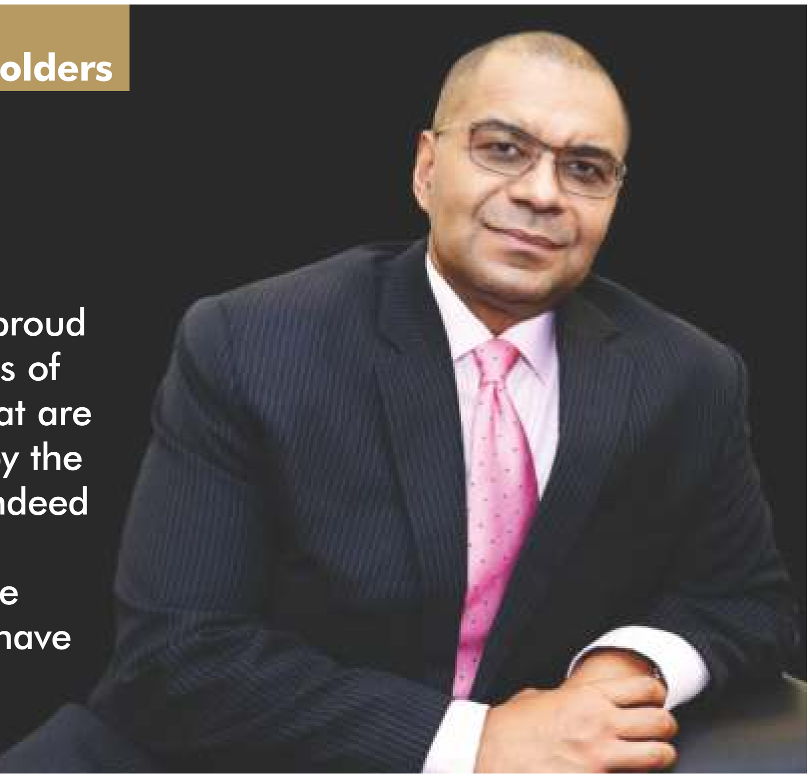
As Chairman, one of my most important priorities is to ensure a smooth and effective leadership transition. In 2017, there were some key retirements and additions to the Board of Directors: Dr. Sarah Alade retired from the Board, as well as Mr. Aigboje Aig-Imoukhuede. During the course of the year, I joined the board, as did Mr. Ahmad Abdullahi and Mr. Roosevelt Ogbonna.

The strength and reputation of the Corporation today would not have been made possible without the support and contribution of a broad range of stakeholders. I would like to take this opportunity to thank everyone who has contributed to the success of the Africa Finance Corporation: Our shareholders and partners for the outstanding support we have had, and without whom AFC would not exist. Our dedicated AFC staff both past and present, who have worked diligently and contributed to the growth of the Corporation, our industry stakeholders for their partnership, technical support and advice, and, our media partners for broadcasting our message.

Lastly, I wish to thank the outgoing Chief Executive Officer - Mr. Andrew Alli who, at the end of his tenure, is leaving an institution at the forefront of the African Infrastructure asset class. As we start the new decade and chapter in AFC's history, the Corporation remains a stable institution with international acclaim, of which we can all undeniably be proud.

Dr. Okwu Joseph Nnanna
Chairman, Africa Finance Corporation

Letter to Shareholders



> "...what I am most proud of are the successes of the Corporation that are not just informed by the returns made, or indeed the size of our investments, but the direct impact they have had on people."

Despite a year marked by fiscal challenges, fewer bankable projects, and a market-wide reduction in returns on investment, our purpose of using infrastructure financing as a catalyst for economic growth and the industrialization of Africa came to life.

We continued to build on our solid foundation of operational excellence to drive financial performance and sharpened our focus on delivering more value to our partners, our clients and our shareholders.

Global Economic Outlook

On the global stage, 2017 was broadly positive. World growth rose from 3.1% in 2016 to 3.7% in 2017, supported by improving activity in developed economies, especially the United States (US), and improving momentum in developing and emerging market economies. Downward revisions in growth in the United Kingdom and Latin America were counterbalanced by upward revisions in the forecasts for China, Germany, and France. The US economy also continued to perform well, allowing for interest rates to be increased. Stronger activity and more robust global demand, coupled with agreed restrictions on oil supply, helped oil and other commodity prices recover from the steep declines seen in early 2016, providing some relief to African commodity exporters.

Africa Economic Outlook

2017 was an interesting year for Africa to say the least. We saw unprecedented political shifts and credit rating downgrades for several key countries. Nonetheless, the region's long-term fundamentals remain strong as growth stands to benefit from a demographic dividend, industrialisation and structural transformation. Indeed, Sub-Saharan African growth is estimated to have been 2.4% in 2017 against 1.5% in 2016. Most importantly, Africa's prospects will be profoundly shaped by the way the infrastructure gap is managed. The region is the fastest growing after Asia and will become predominantly urban in less than twenty years. The ability to deliver appropriate infrastructure to support Africa's industrialisation and urbanisation will be a defining trend for the Continent.

Trends, Strategy and Performance

Historically, we have seen that infrastructure and economic development are closely correlated in a mutually reinforcing manner. African countries must leverage the benefits of infrastructure to drive and enable industrial development, re-establishing the link between inclusive and industrial growth. According to the African Development Bank, 45 African countries, have neither the stock nor the quality of infrastructure adequately needed to drive their economic development. The institution also states that, Africa's total infrastructure investment requirements are in the region of US$130–170 billion per annum, with a financing gap in the range of US$68–US$108 billion.

Sustainable transport has a key part to play in fostering inclusive growth, expanding access to essential services, and combating climate change. Road freight tariffs in Africa are two to four times higher per kilometer than those in the United States, and travel times along key export corridors are two to three times longer than those in Asia, a critical role in a continent where so many countries are landlocked. Understandably, the transport sector continues to contribute a large number of projects, as African countries embrace more open policies to attract private sector participation. Through the Corporation's investment in the Gabon Special Economic Zone (GSEZ), in partnership with Olam International Limited and the Government of Gabon, in 2017, we inaugurated two ports that were built in record time. These facilities, a mineral port and a general-purpose port, will support the diversification of the Gabonese economy, facilitating the export of agricultural produce, industrial minerals, and the import of vital goods and industrial inputs.

When it comes to electricity, our continent still ranks last with only 35% of the population having access to power. This is one of the reasons that the power sector is a focal area for the Corporation. In 2017, we closed the Anergi Holdings transaction, a joint venture with Harith General Partners that created a power company that has an aggregate of 1,786MW in energy-generation capacity, and will supply reliable energy to over 30 million people in five African countries. The needs in the power sector are too immense to be addressed through traditional investment models. This is why companies like Anergi are required to develop and finance projects using their balance sheet strength to significantly reduce the lead time to bring power projects to fruition.

Despite the volatility in the natural resources sector, oil, gas and mining will continue to be key contributors to African growth. The challenge is to make these traditionally non-green sectors, as sustainable and efficient as possible, to ensure that these projects positively impact local communities and economies. Our focus is on strategic assets that contribute meaningfully to growth; assets that will be operated sustainably. In this regard, we invested in the Bel-Air bauxite mine in Guinea-Conakry, one of the largest foreign investments in the country, post the 2014 Ebola crisis.

Another theme in Africa, especially in the infrastructure space is climate change. The World Bank estimates that the impact of climate change could be damaging to Africa's economies; if for example temperatures rise by 2° Celsius, the continent's GDP will decrease by 4-5%. As an African institution, it is our responsibility to support African countries in building their resilience to the negative impacts of climate change and in transitioning to sustainable low-carbon growth. We are working closely with the Green Climate Fund to build a pipeline of climate resilient projects across all sectors. For example, the Corporation is developing a 60MW wind power plant in Djibouti. Once completed, this will be the first independent power producer plant in the country.

In 2017, AFC's development of its advisory services progressed well with our concentration on inbound interest in Africa from Europe, Asia and the Middle East for significant transformational projects and merger and acquisition opportunities. The focus has been on large strategic transactions that secure long-international airport in Rwanda, a US$700 million refinancing of a strategic asset in West Africa, and, a major petrochemical project in Egypt.

Given the scale of Africa's infrastructure deficit, AFC has always taken a diverse approach to its sources of funding. Our funding is our life-blood as it enables us to execute projects and transform the lives of people across Africa. In this regard, AFC has demonstrated an ability to pioneer much needed innovation. We are therefore proud that in 2017, we became the first African multilateral finance institution to issue an Islamic Murabaha formatted bond (Sukuk). This was also the highest-rated Sukuk issued by an African supranational entity.

In addition, AFC raised a US$500 million 7-year Eurobond which was five times over-subscribed at over US$2.4 billion attracting 231 investors across the Middle and Far East, the United Kingdom, Europe and the United States.

These major market transactions were augmented by further issuances under our Medium-Term Note Program, as well as syndicated loans and other financings. Overall, AFC continues to remain very liquid.

Country Membership and External Relationships

In 2017, we welcomed three new member countries - Kenya, Zambia, and Benin, with Malawi joining in early 2018. We therefore currently have eighteen country members. We also welcomed Ghana as a new sovereign shareholder and Africa Reinsurance Corporation as a multilateral investor joining in early 2018. Going forward, in line with AFC's mission to catalyse infrastructure investment in Africa, while seeking a competitive return on capital for our shareholders, we see tremendous value in continuing to broaden our investor base.

We hosted the second AFC LIVE, Africa's premier infrastructure summit, in Abuja, Nigeria. Timed to coincide with the 10th Anniversary of the Corporation, the summit focused on how we can all collectively work towards building tomorrow's Africa today.

People and Organisation

Our most significant competitive advantage remains our people. Given the dynamic competitive environment in infrastructure financing, we continue to implement our people strategy, which embodies the implementation of world-class people management processes and the provision of a strong employee value proposition. With an average 8% employee attrition rate during 2017, AFC remains an attractive place to work.

We continue to strengthen the diversity of our workforce and embed inclusiveness. We have 13 different nationalities and an approximate 60:40 male-female gender split.

Learning and development ensures that we remain at the cutting edge in terms of skills and is a critical part of our employee value proposition. Our annual talent review provided insights on the depth and spread of management and leadership talent across the Corporation.

To strengthen organisational capability, a Corporation-wide job evaluation exercise was undertaken to re-assess all jobs below executive management level with a view to ensuring appropriate job levels that are properly calibrated internally and are externally competitive.

Time to say goodbye...

Having completed two terms as President & CEO, I will be stepping down later in the year. Looking back at AFC's achievements in the last decade, what I am most proud of are the successes of the Corporation that are not just measured by the financial returns made, or indeed the size of our investments, but the direct impact they have had on people.

Over the last ten years, AFC has evolved from a start-up to an institution that is a powerful force on the continent; it currently has a membership of 18 countries, an A3 Credit Rating by Moody's (the second highest rated African lending institution), has grown from about US$1 billion in total assets to a Corporation of about US$4 billion, and invested in

OVER THE LAST TEN YEARS, AFC HAS EVOLVED FROM A START-UP TO AN INSTITUTION THAT IS A POWERFUL FORCE ON THE CONTINENT

A3 CREDIT RATING BY MOODY'S

400% GROWTH IN TOTAL ASSETS (2007-2017)

various capacities in the following landmark African projects.

Notable investments by AFC which have had a positive impact on ordinary people include:

- The Cabeolica Wind Farm IPP in Cape Verde, which provides the country's half a million people with 20% of their energy needs whilst simultaneously making our contribution to the biggest challenge of our time: combating climate change;

- In 2017, AFC as part of a consortium with Orion Mine Finance and Resource Capital Fund, invested US$205 million to develop Alufer Mining's Guinea-Conakry's high grade bauxite reserves, the largest investment of its kind to take place in the country following the Ebola crisis that brought the country's economy to a standstill. With up to 30% of all exports accounted for by bauxite exports, the impact to the population of this investment is tremendous;

- AFC's investment in the US$365 million Henry Konan Bedie Bridge in Abidjan – an impact assessment demonstrated how the bridge allows Ivoirian parents to double their daily parent-child contact time – essential to the development of children – by significantly reducing commuting time. Today, as much as 2 million vehicles traverse the bridge every month;

- Our investment in Cenpower Kpone IPP in Ghana, led to the country's ability and confidence to negotiate additional projects. For example, whilst it took 7 years to negotiate Cenpower, the country went on to negotiate an additional 5 projects in just 2 years, using the same template developed for Cenpower. AFC's investment therefore not only brought power to Ghana, but also empowered its people with the skills and expertise necessary to spur much needed additional growth;

- The US$240 million Main One Cable Company in which AFC is the largest equity investor, provides innovative telecommunications services, network solutions and wholesale internet services for businesses in West Africa. Today, Main One provides direct connectivity to over 10 million users, with several more millions benefitting indirectly;

- Launch of Anergi Holdings Limited, a US$3.3 billion power joint venture with Harith General Partners, bringing electricity to 30 million people across 5 countries in Africa. In launching this venture, we were able to combine talent across multiple disciplines such as capital raising, project development and management expertise, allowing us to accelerate much needed investment into the sector.

All of this has been possible whilst delivering a profit in each of the ten years since AFC's inception, despite the backdrop of the global financial crisis, slow growth, and the crash of commodity prices that affected many African economies. As such, AFC's activities reflect a strategic and compassionate desire to specifically meet the desperate need for a private sector led infrastructure financing institution in the world's second largest continent, for all its people.

As I come to the end of my term at AFC, I remain certain that, as I pass the baton on to my successor,

"AFC'S ACTIVITIES REFLECT A STRATEGIC AND COMPASSIONATE DESIRE TO SPECIFICALLY MEET THE DESPERATE NEED FOR A PRIVATE SECTOR LED INFRASTRUCTURE FINANCING INSTITUTION IN THE WORLD'S SECOND LARGEST CONTINENT, FOR ALL ITS PEOPLE."

- Andrew Alli

our approach to funding will continue to evolve in strategies that are as ambitious and diverse as the projects in which we invest.

It has been an enormous privilege to have been given the trust of the shareholders, board and staff to lead this remarkable organization for the past decade. During this time, we have been able to grow profits from US$4.4 million to US$100.3 million, increase the balance sheet from US$1.1 billion to US$4.2 billion, maintained a cost to income ratio of 19% at the lowest (2017) with 39% (2011) being the highest over the decade, dispersed cumulative dividends of US$306 million, and elevated the Corporation to the second best rated lending institution in Africa.

Most important to me in addition to the legacy that I leave, are the signature projects positively impacting the daily lives of many Africans, and a great team poised to take the Corporation to even greater heights.

Andrew Alli
President & CEO

DIRECTORS' REPORT

The Directors present their report on corporate governance for the Africa Finance Corporation (AFC) and its wholly owned subsidiary; AFC Equity Investments Limited Mauritius (AFC Equity), collectively referred to as the Group for the accounting period: 1 January – 31 December, 2017.

Who we are

Africa Finance Corporation, is a multilateral development financial institution established by an agreement amongst Sovereign States as an international organisation. Our principal activity is the provision of infrastructure finance through equity participation, debt finance, technical, management and financial advisory services, as may be required to obtain funding for and to develop infrastructure and industrial capacity across Africa.

The AFC was established to address Africa's critical infrastructure gap and infrastructure development needs. AFC has, since its establishment, developed and financed mainly private sector-led projects in the core infrastructure sectors of Power, Natural Resources (Oil and Gas, and Mining), Heavy Industry, Transport and Telecommunications.

AFC Equity Investments Limited (AFC Equity), a wholly -owned subsidiary of AFC, was incorporated in Mauritius in 2013. The AFC Equity Board comprises three International Directors and two Resident Directors. The Board of AFC Equity is collectively responsible for promoting the success of the entity by directing and supervising its affairs, in accordance with the approval and objectives of the sole shareholder and in compliance with applicable Laws and Regulations in Mauritius.

Financial Position

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS, as issued by the International Accounting Standards Board (IASB). The financial statements were prepared under historical cost convention, except for derivative financial instruments, available-for-sale financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value. The financial statements are presented in United States Dollars (US$).

The Corporation's consolidated total comprehensive income for the 2017 financial year was US$109,159,000. The details of the results for the year are set out in the financial statements on page 99. The Board approved the financial statements of the Corporation for the year ended 31 December, 2017 at a meeting held on 23 March, 2018.

Shareholder's Return

The Corporation's issued and fully paid share capital increased from US$1,089,067,000 to US$1,095,343,000, following the subscription of shares by the Republic of Ghana, which had previously acceded to the AFC Establishment Agreement.

The Board has recommended a dividend payout of US4.98 cents per share (US$54,600,487 in aggre gate), as payment to all shareholders, subject to approval at 2018 Annual General Meeting.

Long term financing

The Corporation continued to pursue its strategy of diversifying its funding base with particular focus on financing through the debt capital markets, leveraging its banking relationships to access funding through club facilities and expanding its long-term lines of credit from other development finance institutions. In accordance with the Charter of the Corporation, the AFC Board approves the Corporation's total financing plans for every year and delegates the approval of each individual borrowing, under the Corporation's total financing plans, to the Board Risk and Investment Committee (BRIC). The Board authorized a global US$900 million net borrowing limit for the Corporation for the year 2017. The actual net borrowing for the year, approved by the BRIC, stood at approximately US$700 million.

During the year, the Corporation successfully issued a US$500 million 7-Year Eurobond as additional notes under the US$3 billion Global Medium Term Notes Programme (the GMTN Programme) established in 2015. The Corporation's second Eurobond issuance has significantly improved AFC's position as a major African multilateral bond issuer. With a decent track record from our debut Eurobond in 2015 and our continuous investors' engagement program, this bond issuance benefitted significantly from brand familiarity with global fixed income investors. The Corporation also issued a US$150 million Sukuk, in addition to securing a EUR100 million Climate Finance Facility from Agence Francaise de Developpement.

As at 31 December, 2017 total borrowings were US$2,483,392,000 an increase of US$575,559,000 or 30% over US$1, 907,793,000 as at 31 December, 2016.

Corporate Governance

At AFC, compliance with international best practices in corporate governance remains at the core of who we are and how we do business. The purpose of corporate governance is to facilitate effective, entrepreneurial and practical management that can deliver the long-term success of the organization to our shareholders, stakeholders and the African continent.

The AFC Board of Directors is responsible for the governance of the organization. Good and sound corporate governance ensures that businesses are managed as sustainably, responsibly and efficiently as possible in the interests of all stakeholders. Within the Corporation, our values, policies and guidelines are important tools in our approach to our business.

The Group's corporate governance structure encompasses Shareholders, Board of Directors, Board Nomination and Governance Committee (BNGC), Board Risk and Investment Committee (BRIC), Board Audit and Compliance Committee (BACC), and the Executive Management team (EXCO). AFC's shareholders ultimately decide the Corporation's direction, because the shareholders, at the general meeting, appoint the Board of Directors and the Chairperson of the Board. Members of the Board are representatives of shareholder institutions, excluding the Independent Director and Executive Directors. The Executive Directors are also employees of the Corporation.

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

Board of Directors

There was a change to AFC's Board leadership during the year. On 28 March 2017, the Chairperson of the Board, Dr. Sarah Alade, stepped down from her position. The Corporation benefited immensely from her wealth of experience. Dr. Alade was succeeded by Dr. O. Joseph Nnanna. Dr. O. J. Nnanna has over three decades experience as an economist and banker. He has served as a consultant to the Government of Nigeria, the United Nations Conference on Trade and Development, and on the board of the International Monetary Fund.

Mr. Aigboje Aig – Imoukhuede, who had served as the Chairman of the Corporation's Board Risk and Investment Committee, also retired from the Board. The Corporation recorded some new appointments during the year. The Board, on the recommendation of the BNGC, elected Mr. Ahmad Abdullahi and Mr. Roosevelt Ogbonna as Non-Executive Directors of the Corporation representing the Central Bank of Nigeria and Access Bank Plc, respectively. Details of their experience can be found in the Leadership and Governance section.

The Corporation launched the process for the appointment of a second Independent Director. The process is continuing and should be completed in 2018. The new Independent Director, when appointed, is expected to serve as the Chairperson of the Board Audit and Compliance Committee.

The Corporation's Board meets at least once every quarter or as the business of the Corporation may require. Some of the Board Committees meet on a more frequent basis, depending upon the exigencies of the business. The Board provides entrepreneurial leadership of the organisation within a framework of prudent risk management and effective controls. The Board is primarily responsible for: determining strategic direction and demonstrating leadership; focusing on matters that consistently add value to shareholders; ensuring that its obligations to shareholders and other stakeholders are understood and met; the governance and stewardship of the Corporation; the management of the Corporation's employees, and, determining the nature and extent of the significant risks the Corporation is willing to take to achieve its strategic objectives.

The Board has a schedule of matters reserved for their approval and all other items are delegated to Board Committees and Executive Management. The Chairman of each Board Committee and the Chief Executive Officer presents a report of their activities at each Board meeting for approval of decisions, as appropriate, reached at the Committee and Management levels.

Board Balance of skills

Collectively, the Board has an appropriate balance of skills, experience, independence, and knowledge to enable it discharge its duties and responsibilities effectively. It is expected that with the regular changes to the Board, the AFC Board will be infused with the appropriate levels of skills and experience, knowledge and diversity. The Board through its Nomination and Governance Committee consistently evaluates the balance of skills, knowledge, and experience on the Board. All Directors have access to the advice and services of the General Counsel, the Chief Risk Officer and Head of Internal Audit and the external auditors. The Board Charters provides a process by which Directors may seek independent professional advice at the Corporation's expense in the performance of their duties.

Responsibilities of Directors

The Board of Directors is responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the Corporation at the end of the financial period and of the results for that period. The Board's responsibilities include: the institution of adequate internal control procedures to safeguard assets, prevent and detect fraud or other irregularities; maintenance of proper accounting records; adherence to applicable accounting standards; relevant accounting policies used and consistently applied; and the financial statements are prepared on a going concern basis.

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

Independence

The Board considers all 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. A policy on related party transactions has been adopted and maintained by the Board, to ensure that, in the event of any conflict of interest, appropriate disclosures are made.

Attendance at Board and Board Committee Meetings

BNGC	ATTENDANCE
Joseph Nnanna[1]	3
Adesola Adeduntan	3
Emeka Emuwa	3
Grant Harris	4
Charles Kie	3
Tunde Lemo	4
Roosevelt Ogbonna	1

BACC	
Tunde Lemo	4
Ahmad Abdullahi	2
Charles Kie	1
Ebenezer Onyeagwu	3
Robert Tung	3
Victor Osadolor	3

BRIC[2]	
Emeka Emuwa	5
Adesola Adeduntan	3
Ahmad Abdullahi	4
Ebenezer Onyeagwu	5
Lawrence Tung	5
Victor Osadolor	5
Roosevelt Ogbonna	4

BOARD	
Joseph Nnanna	3
Adesola Adeduntan	3
Ahmad Abdullahi	3
Emeka Emuwa	4
Grant Harris	4
Charles Kie	3
Tunde Lemo	4
Roosevelt Ogbonna	2
Ebenezer Onyeagwu	4
Victor Osadolor	4
Lawrence Tung	4
Robert Tung	4
Andrew Alli	4
Adesegun Akin-Olugbade	4
Oliver Andrews	4
Sanjeev Gupta	4

[1] Dr. Joseph Nnanna, Mr. Roosevelt Ogbonna and Mr. Ahmad Abdullahi were appointed to the Board at the end of Quarter 1, 2017
[2] Five substantive meetings of the BRIC were held in the year.

Code of Ethics

AFC's Code of Ethics, which is signed by all employees, clearly states our approach to doing business. The Code of Ethics is applied to all business relationships, contractual agreements and in respect of our operations. Acting consistently and with a strong ethical compass is of great importance, because AFC operates across different markets that have different challenges and where the laws, environmental requirements and social conditions differ. The AFC's core values lies at the heart of our business operations and remains the basis of how we interact and do business. The work and impact of AFC continues to be recognized both in Africa and globally.

Management successfully launched the online procurement system in 2017. With this, the Corporation's procurement process is now automated and integrated with the Corporation's core business application, SAP. A number of staff management initiatives were also undertaken, including an organizational effectiveness and talent management review. As part of recommendations from the bi-annual staff survey, the Corporation availed crèche facility/services to all staff members who require the service for their children and wards. This initiative is part of the Corporation's gender-sensitivity policy and one of the means of helping working parents find a balance between family and work demands.

In addition to the foregoing, the Board is pleased to report that AFC closed its 2017 accounts with zero reported Non- Performing Loans for the 10th year in succession.

2017 Other Developments

During the year, AFC signed the Master Cooperation Agreement (MCA) with the International Finance Corporation (IFC) as the 30th member. The MCA was created by IFC in 2009, and seeks to foster greater cooperation among DFIs, increase efficiencies and streamline due diligence processes.

AFC also signed the Accreditation Master Agreement (AMA) with the Green Climate Fund (GCF) in Seoul, South Korea. This is part of the Board's strategy to leverage this partnership by mobilizing GCF's capital to further AFC's low carbon emission investments in some of the Corporation's sectors.

AFC received several awards and global recognition for the creation of Anergi Holdings Limited, a new operating company for the electricity generating assets previously owned by AFC Group and Harith General Partners. The Joint-Venture was recognized at the 2017 EMEA Project Finance, and, EMEA Achievement Awards. In 2017, the Corporation won awards for: The Best Supranational borrower; The Best Supranational Sukuk for the Corporation's US$150 million – 3 year Sukuk financing, and the Best Supranational bond. The AFC's Legal Department won the Law Digest In – House Legal Team of the Year 2017 Award. These awards serve as confirmation of the success of the Corporation's innovative strategic approach, as well as testify to the hard work of AFC staff.

During the year, the Corporation also celebrated its 10th anniversary during its flagship International Infrastructure Summit- AFC Live 2017, held on 15-16 May, 2017 in Abuja, Nigeria, titled CONNECT. ENGAGE. INNOVATE. – The Infrastructure Revolution; with its theme Building Tomorrow's Africa Today.

The AFC Live 2017 summit was a resounding success. It solidified AFC's positioning in the infrastructure landscape, as a leading infrastructure development financier in Africa, as evidenced by the turn- out of influential key partners and stakeholders, coupled with the extensive International media coverage.

Additionally, in 2017, the Corporation launched a Corporate Social Responsibility project with the AFC Clean Water Campaign to an orphanage in the host country.

Independent External Auditors

In line with the Corporation's policy, to rotate its external Auditor's every ten years, in accordance with best corporate governance practices Pricewaterhouse Coopers (PWC) will complete their assignment as the Corporation's auditors at the Annual General Meeting (AGM) convened in April 2018.

The Board has resolved to appoint KPMG Professional Services (KPMG), as the Corporation's new external auditors. A resolution will be presented at the 2018 AGM to approve the resignation of PWC, the appointment of KPMG, and to authorise the Directors to determine their remuneration.

Annual General Meeting

Pursuant to the provisions of the AFC Charter, an Annual General Meeting will be held on April 27, 2018. A copy of the Notice is available on our website.

Dr. Adesegun Akin-Olugbade
Executive Director and General Counsel

LEADERSHIP & GOVERNANCE
BOARD & MANAGEMENT COMMITTEE

1. **Mr. Dr. Okwu Joseph Nnanna**
   (Chairman, Board of Directors)
2. **Mr. Tunde Lemo,** OFR
   Non-Executive Director
3. **Mr. Emeka Emuwa**
   Non-Executive Director
4. **Mr Ahmad Abdullahi**
   Non- Executive Director
5. **Mr. Ebenezer Onyeagwu**
   Non-Executive Director
6. **Mr. Robert Tung**
   Non-Executive Director
7. **Mr. Charles Kie**
   Non-Executive Director
8. **Roosevelt Ogbonna,** FCA
   Non-Executive Director
9. **Mr. Sola Adeduntan**
   Non-Executive Director
10. **Mr. Victor Osadolor**
    Non-Executive Director
11. **Mr. Lawrence Tung**
    Non-Executive Director
12. **Mr. Grant Harris**
    Non-Executive Director
13. **Mr. Andrew Alli**
    President &
    Chief Executive Officer
14. **Dr. Adesegun A. Akin-Olugbade,** OON
    Executive Director &
    General Counsel
15. **Mr. Oliver Andrews**
    Executive Director &
    Chief Investment Officer
16. **Mr. Sanjeev Gupta**
    Executive Director,
    Financial Services
17. **Mr. Ayotunde Anjorin**
    Chief Financial Officer
18. **Mr. David Johnson**
    Chief Risk Officer

Dr. Okwu Joseph Nnanna (Chairman)

Dr. Nnanna is a Deputy Governor of the Central Bank of Nigeria with over three decades of experience as an economist and banker. He attended William Paterson University in Wayne, New Jersey and University of Houston, in Houston Texas, USA from 1975-80, where he studied Finance, Public Policy and Economics. He graduated with B.A, M.A and PhD degrees.

He worked as a Staff Economist and Desk Officer in the African Department of the IMF and participated in multilateral surveillance missions to several African countries including: Kenya, South Africa, Lesotho, Seychelles, etc., and assisted the authorities in their economic policy making process and the implementation of their Structural Adjustment Programs. Dr. Nnanna rejoined the Central Bank of Nigeria in 1994 and was appointed as Advisor to the Governor of the Central Bank. In 2001 was appointed the Director of Research and Statistics of the Central Bank of Nigeria. At the Central Bank, he actively participated in the policy formulation process which culminated into the liberalization and deregulation of Nigeria's financial system in particular and the real productive sectors of the economy as a whole.

He was appointed as the Director-General of the West African Monetary Institute from 2006-2008. Dr. Nnanna also served as full time Consultant to the government of Nigeria as a Technical Assistant to the National Economic Management Team and the Presidential Steering Committee on Global economic crisis.

He was also a part-time Consultant to the United Nations Conference on Trade and Development (UNCTAD). In 2012-2014, he served as the Alternate Executive Director, representing Nigeria and 21 other Sub-Saharan African countries on the Board of the International Monetary Fund (IMF), Washington D.C.

He is an author/co-author of five books and over forty published articles. Dr. Nnanna is a life member of the Nigeria Economic Society, and a recipient of Dr. Kwame Nkrumah Africa Leadership Award.

Tunde Lemo, FCA, OFR

Tunde Lemo is the Chairman of the Board Audit and Compliance Committee and a Non-Executive Director of the Corporation. He attended Advanced Management Programme (AMP) at the Wharton College, University of Pennsylvania, Philadelphia USA in 2002 as well as executive training programmes in world class institutions including Harvard University, INSEAD, Fontainebleau, France, Brandies University, Boston etc. He is a fellow of the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Bankers with significant leadership and top management experience in both the public and private sector spanning over 27 years. He holds a Bachelor of Science in Accountancy (first class division) from the University of Nigeria, Nsukka.

Tunde Lemo retired in 2014 as Deputy Governor in charge of Operations, at the Central Bank of Nigeria, in which he formulated the industry – wide shared services initiative towards achieving efficient banking services for the Nigerian banking industry and greater dissemination of banking services. Prior to his appointment as Deputy Governor, he was a Managing Director and Chief Executive Officer of Wema Bank Plc. He is Chairman, Lambeth Trust and Investment Company Limited and the founder of Tunde Lemo Foundation, a not-for-profit organisation through which he assists in formulating policies that will raise people's standards of living and render volunteer and community development services. Mr. Lemo was conferred with the National Honour of Officer of the Federal Republic (OFR) by the Nigerian Government in 2010.

Emeka Emuwa

Emeka Emuwa is the Chairman of the Board Risk and Investment Committee and a Non-Executive Director of the Corporation. He is the Group Managing Director and Chief Executive Officer of Union Bank Nigeria Plc. Emeka joined Union Bank Nigeria Plc, after 25 years with Citigroup having served as Chief Executive Officer and Managing Director of Citibank Nigeria Limited from 2005 - 2012. He began his banking career in 1986 as Management Associate with Citibank Nigeria Limited. While at Citibank, Emeka served as Citi Country Officer in Cameroon, Tanzania, Gabon, Congo, Ghana and Niger and also worked in various positions within Nigeria. In 2005, he became the first Nigerian to be appointed as Chief Executive Officer and Managing Director of Citibank Nigeria Limited.

He has extensive experience in credit risk management, strategy, negotiating, leadership and people management in addition to treasury, corporate finance and cash management product training.

He is a graduate of Finance from the University of Lagos, Nigeria and holds a Master of Science in Management from Purdue University's Krannert School of Management, Indiana, United States.

Ahmad Abdullahi

Ahmad Abdullahi is the Director and Head of Banking Supervision Department at the Central Bank of Nigeria. Ahmad joined the services of the Central Bank of Nigeria in 1990 as a Manager and rose to the position of a Director. He was a Manager in charge of Retail Banking Services in the CBN branches of the Ibadan, Kano and Katsina States of Nigeria before serving as a Relationship Manager, Team Lead and Group Head off-site supervision of some pan-African banks in the Banking Supervision Department of the Central Bank of Nigeria. He was promoted to the position of Director, Governor's Department in 2012 and thereafter moved to the Other Financial Institutions Supervision Department as Director in 2014. Ahmad oversees the on-site and off-site supervision of Commercial Banks, Merchant Banks, Specialized Institutions and Discount Houses to ensure the safety and soundness of the financial system.

Before joining the Central Bank of Nigeria in 1990, Ahmad Abdullahi was a Lecturer with Usman Danfodiyo University, Sokoto Nigeria between 1985 and 1990.

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

He is also a member of other professional bodies such as Nigerian Institute of Management, Chartered institute of Bankers of Nigeria and Institute of Directors.

Ebenezer Onyeagwu, FCA

Ebenezer Onyeagwu is currently the Deputy Group Managing Director of Zenith Bank Group. Ebenezer has over twenty-six years banking industry experience which spans operations, Credit and Marketing, Internal Control and Institutional Banking. He worked as Credit Analyst in the defunct Financial Merchant Bank Limited and later joined Citizens International Bank Limited where he held several management positions. He joined Zenith Bank Plc in 2002 as a Senior Manager in the Internal Control and Audit Group of the bank and has served in various capacities as Assistant General Manager, in charge of coordination of strategies for Business Development and Relationship Management. He is a Fellow of the Institute of Chartered Accountants of Nigeria and an Alumnus of the University of Pennsylvania, United States (Wharton Executive Education), Columbia Business School, Columbia and Harvard Business School.

Robert Tung

Robert Tung is a Director at Gloria Investments Limited and a Senior Executive of WEMPCO Group. He has a degree in Business Administration from Hong Kong, and has worked with the Group for over 41 years. He is a Non-Executive Director of AFC.

Charles Kie

Charles Kie is the Managing Director / CEO of Ecobank Nigeria Limited. Prior to that he was Group Executive Corporate and Investment Bank for Ecobank Transnational Inc (ETI) since July 2014. Before that he was the Group Head of Corporate Bank of ETI. He joined Ecobank in October 2011 as Chief Operating Officer of Ecobank Capital, the investment banking arm of the Ecobank group. Before joining Ecobank, Charles was the CEO of Group Banque Atlantique (a banking group in West Africa). He spent several years working with Citigroup, first as Head of Corporate Finance for Francophone Africa and then as CEO for West Africa, based in Cote d'Ivoire and then Senegal.

Charles is a graduate of the Harvard Business School Advanced Management Program. He holds an MBA from New York University Stern, HEC Paris and London School of Economics, a post graduate degree (DESS) in Corporate Restructuring from the University of Clermont Ferrand (France) and is a graduate of Ecole Superieure de Commerce (Abidjan- Cote d'Ivoire).

Roosevelt Ogbonna, FCA

Roosevelt Ogbonna is the Group Deputy Managing Director of Access Bank Plc. He has over 18 years of experience in the financial services sector cutting across various functions. He joined Access Bank in 2002 from Guaranty Trust Bank. He has implemented strategies across different divisions of the Bank that increased the bank's market share and bank's balance sheet since 2002 till date. Prior to that, Roosevelt had served as Divisional Head, Commercial Banking and subsequently rose to the position of Executive Director, Commercial Banking, Access Bank, a position he held since October 2013. In that capacity, he oversaw firm-wide banking operations and formulated strategies to optimize the bank's robust commercial business.

Roosevelt holds a Bachelors of Science in Banking & Finance from the University of Nigeria, Nsukka, and is a Fellow of the Institute of Chartered Accountants of Nigeria. He is an alumnus of the Senior Executives Fellows program at Harvard University's Kennedy School of Government and has attended various Executive Management Development programs organized by the Institute of Management Development (IMD), the Wharton School of Business, and INSEAD.

He is a Non-Executive Director of Access Bank (Zambia) and the Access Bank (United Kingdom). He is also a member of the Institute of Chartered Financial Analysts, Chartered Institute of Bankers of Nigeria and the Future Leaders Group of the Institute of International Finance.

Dr. Adesola Kazeem Adeduntan, FCA

Dr. Adeduntan is the Group Managing Director/Chief Executive Officer of First Bank of Nigeria Limited & Subsidiaries and a fellow of the Institute of Chartered Accountants of Nigeria. Prior to this appointment, he was an Executive Director and the Bank's Chief Financial Officer. Before joining First Bank, Adesola was a Director and the pioneer Chief Financial Officer of Africa Finance Corporation. He also served as a Senior Vice-President & Chief Financial Officer at Citibank Nigeria Limited, a Senior Manager in the Financial Services Group of KPMG Professional Services and a Manager at Arthur Andersen Nigeria.

He is a graduate of the University of Ibadan, where he obtained a Doctor of Veterinary Medicine (DVM) degree. He holds a Master's Degree in Business Administration (MBA) from Cranfield University Business School, United Kingdom which he attended as a distinguished Chevening Scholar.

Lawrence Tung

Lawrence Tung is an Executive Director at WEMPCO Group where he represents the Group at Chinese government committees. He also oversees the development of the Group's various industrial projects from concept to commercial operation. Prior to his appointment he had worked as Director and Assistant Manager at the Tungs Group, Calyon Asia Ship finance (now Credit Agricole), respectively.

He holds a Bachelor of Science from University of Pennsylvania under a dual degree program with the Wharton School. He also holds a Master of Science in Engineering from the University of Pennsylvania.

Victor Osadolor, FCA

Victor Osadolor is the Deputy Group Managing Director, United Bank for Africa (UBA) Group; a Director on the Board of UBA Capital Europe and the Chairman of UBA Pensions Custodians Limited.

Victor holds a Bachelor of Science with Honors in Accounting from the University of Benin. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN); an alumnus of Harvard Business School's Advanced Management Program and an honorary life member of the Chartered Institute of Bankers of Nigeria (CIBN).

Until his appointment as the Deputy Group Managing Director of UBA Plc, He served as Group Director, Heirs Holdings (HH) Limited between 2014 and 2015. Prior to this, Victor was at different times between 2012 and 2014, the Chief Operating Officer for Corporate and Investment Banking as well as the Chief Strategist for Ecobank Transnational Incorporated (ETI). In these capacities, he worked out of Johannesburg, South Africa and Lome, Togo.

Mr. Osadolor, in the course of his career spanning over 28 years had, at various times before joining Ecobank Transnational Incorporated (ETI), served as Managing Director - UBA-Capital, Deputy Managing Director - UBA (South Bank), Executive Director – Risk & Finance (UBA), Group Chief Finance Officer – UBA, Executive Director –Risk & Compliance (Standard Trust Bank), Deputy Managing Director (CTB), Chief Finance Officer (Ecobank Nigeria), Chief Finance Officer (Guaranty Trust Bank) and Auditor, Coopers & Lybrand (Now PriceWaterhouseCoopers).

Grant T. Harris

Grant Harris was appointed as an Independent Director of the Corporation in 2016. He is the Managing Director of Harris-Africa Partners. Prior to his appointment, he was the Special Assistant to the President and Senior Director for African Affairs at the National Security Council. Prior to this position, Grant was Deputy Chief of Staff and Counsellor to Susan E. Rice, the U.S. Ambassador to the United Nations and a member of President Obama's Cabinet. He also served as Senior Policy Advisor to Ambassador Rice and was a member of the Obama/Biden Transition Team. Previously, Grant Harris was an associate at the law firm of Cleary Gottlieb Steen & Hamilton LLP, where he focused on international financing and business transactions. Prior to that, Mr. Harris served in the African Affairs Directorate at the National Security Council at the White House and at the U.S. Mission to the United Nations during the Clinton Administration.

Mr. Harris is a graduate of Yale Law School, where he worked on the Journal of International Law and was awarded the Ambrose Gherini Prize for best paper in the field of international law. He also has a Masters in Public Affairs, with Distinction, from the Woodrow Wilson School of Public and International Affairs at Princeton University. He obtained a B.A. in Political Science, with Highest Honors, from the University of California, Berkeley, where he was president of the student body.

Andrew Alli

Andrew Alli is AFC's President and Chief Executive Officer. He is responsible for the overall strategy and operations of the Corporation. The Executive Management under Andrew's leadership has undertaken approximately US$4.5 billion in investments across Africa, financing transformative projects such as a West African Submarine Cable, a commercial wind farm in Cape Verde, a toll road in South Africa, a greenfield power plant in Ghana and a flagship road infrastructure project in Côte d'Ivoire.

Prior to his appointment, Mr. Alli was a Partner at Travant Capital Partners, a West-Africa focused private equity fund, that he co-founded. The company still operates today and provides first-in-class advisory services to local and international players across the private and public sector spectrum. Prior to this venture, he worked for 11 years at the International Finance Corporation (IFC), the private sector financing arm of the World Bank. He joined IFC in Washington as an investment officer working first in the Oil, Gas and Mining Department and then later in the Telecommunications Department. In 2002, he was appointed IFC's Country Manager for Nigeria, responsible for managing the Corporation's operations in the country. In 2006, he served as the Country Head for Southern Africa, assuming responsibility for South Africa and seven other countries. During the course of his career, Mr. Alli has been involved with investments in Africa totaling more than US$10 billion. He holds a Bachelor of Science in Electrical Engineering from Kings College, University of London, an MBA from INSEAD, France and is a qualified Chartered Accountant having also worked with Coopers & Lybrand (PriceWaterhouseCoopers).

Dr. Adesegun Akin-Olugbade, OON

Dr. Akin-Olugbade is the pioneer Executive Director (Chief Operating Officer) and General Counsel of the Corporation, with oversight responsibility for Corporate Governance, Legal, ICT, Administration, Corporate Communications and Country and Investor Relations. He led the legal team that has supported the Corporation in the creation of assets worth approximately US$4 billion in debts and equity investments across various sectors on the African continent and raised more than US$2.0 billion from Development Finance Institutions, Commercial banks and other financing partners.

He has over 30 years' experience in the legal profession and financial services sector, having worked at both the technical and management levels, in the public and private sectors, for leading commercial law firms, development banks and international financial institutions. He was previously General Counsel and Director at the African Development Bank (AfDB) and pioneer Chief Legal Officer and Head of the Legal Services Department of the African Export-Import Bank (Afriexim Bank). He conceived the African Legal Support Facility (ALSF).

A graduate of King's College, University of London, he also has a Master's degree and a Doctorate degree from Harvard Law School. He was called to the Nigerian Bar as a Barrister and Solicitor of the Supreme Court of Nigeria in 1984, where he came top of his graduating class. He is a member of the Nigerian Bar Association, International Bar Association and the International Law Association, where he is a member of the distinguished Committee on International Monetary Law (MOCOMILA).

Dr. Akin-Olugbade was a pioneer Non-Executive Director (NED) of Asset & Resources Management Company Limited (ARM) Nigeria from 1994-1999, and until September 2017 served as NED and Chairman of the Governance Committee of Ecobank Transnational Inc (ETI). He currently serves on the Boards of Directors of AFC Equity Investments Limited, Mauritius and OBA Transport Limited. He is an alumnus of several Executive Management programmes (including IMD) and was conferred with the National Honour of Officer of the Order of the Niger (OON) by the Nigerian Government in 2012.

Oliver Andrews

Oliver is the Executive Director and Chief Investment Officer the Africa Finance Corporation. His oversight functions include end to end origination, execution of transactions and portfolio management for AFC.

An entrepreneurial engineer with extensive background in engineering, mining and principal investments, Oliver has over 35 years' experience in the infrastructure sector. His experience spans strategic advisory, project development and principal investor. He has successfully directed numerous infrastructure deals in Africa leading teams that have developed and or invested in projects with a total value of c. US$40 billion.

He was the project director for the award winning - 2014 Thompson Reuters Project Finance Africa power deal of the year - Cenpower Kpone IPP, a leading a multidisciplinary project team drawn from several institutions that successfully achieved financial close for a US$900 million landmark project in Ghana, which won the Africa Investor Infrastructure Investment Awards, "Deal of the Year".

As an adviser he has led several mandates advising governments, international corporations, regional economic institutions and DFI's. In 2004, under the auspices of the World Bank and AfDB, he advised ECOWAS Heads of States on appropriate initiatives and strategies to ensure timely implementation of regional infrastructure projects.

Oliver is a former CEO of TCI Infrastructure Limited (TCII) and the Gambia Ports Authority. He holds an MBA from the University of Wales, he is an Electrical and Electronic Engineer, a Chartered fellow of the UK Chartered Institute of Logistics and Transport, a Fellow of the Royal Society of Arts UK and a Member of the Chartered Institute of Marketing.

He is also a non-executive director of several companies and is the Pioneer Chairman of Africa Infrastructure Development Association (AfIDA) and the Chairman of the Board of Trustees of the Africa Centre, a UK registered charitable organisation promoting creativity and innovation in African art, culture, business and entrepreneurship.

Sanjeev Gupta

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

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

Ayotunde Anjorin

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

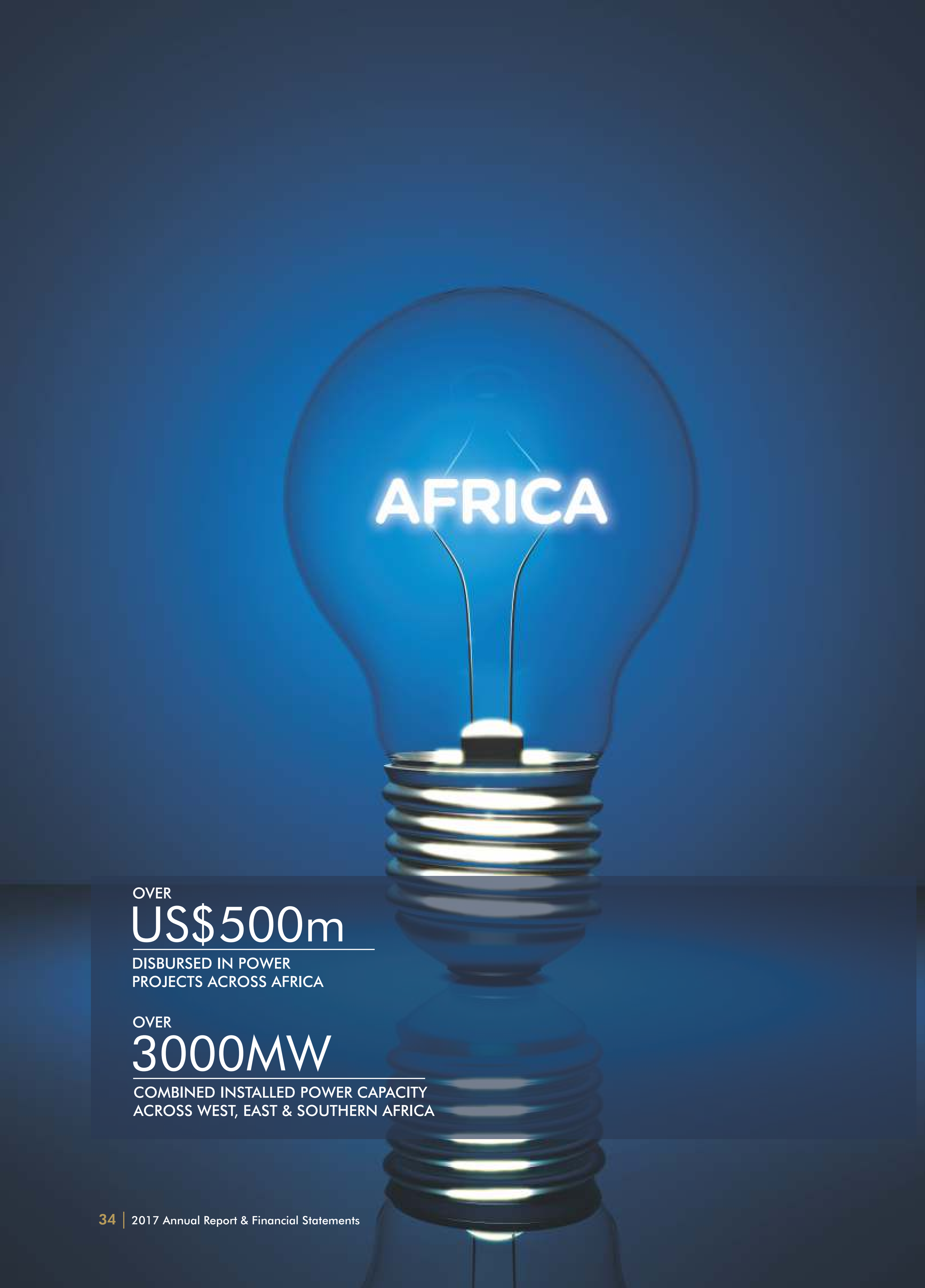
Mr. Anjorin holds a Bachelor of Science degree in Accounting from Obafemi Awolowo University, Ile-Ife. Ayotunde is a chartered accountant with more than 15 years post qualification experience encompassing financial accounting, reporting and control, management accounting, financial risk management, process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

David Johnson

David Johnson is the Corporation's Chief Risk Officer. Until his appointment, Mr. Johnson was the Vice President, Market Risk Management. Prior to joining AFC, he spent fifteen years working as Risk Manager, Trader and Structurer at various international banks including Stanbic IBTC Bank, where he was Regional Head of Market Risk for West Africa, and Risk Manager for the Credit Derivatives Group at WestLB AG and the Asset Backed Commercial Paper (ABCP) conduit at Abbey National Treasury Services (ANTS).

His academic credentials include BSC Mechanical Engineering, Masters in Business Systems Analysis and Design (City University, London) and as markets evolved, David obtained another Masters in Mathematical Trading and Finance (Cass Business School, London).

PORTFOLIO REVIEW



OVER
US$500m
DISBURSED IN POWER PROJECTS ACROSS AFRICA

OVER
3000MW
COMBINED INSTALLED POWER CAPACITY ACROSS WEST, EAST & SOUTHERN AFRICA

POWER

2017 remained a challenging year for private sector-led investments in traditional thermal on-grid projects, with the close of only two notable thermal on-grid project financed transactions across the continent – one of which involved AFC. Renewable energy projects, on the other hand, attracted the most financing on the continent in 2017, with the close of over 30 such medium-sized (50MW–100MW) on-grid projects. Notwithstanding these head-winds, AFC's Power business was involved in a number of power transactions which have the potential to be transformational for Africa. The most significant amongst these was the close and establishment of AFC's first platform company, Anergi Holdings Limited ("Anergi").

Anergi was jointly established by AFC and Harith General Partners ("Harith") via the merger of their respective power generating assets. Anergi owns equity interests in seven (7) generation assets with a total of 1,786MW generation capacity across five (5) African countries. Anergi also holds near-term investment rights from its founding shareholders, to invest or acquire interests in new projects under development with a further 500MW capacity. Going forward, Arnergi will be the primary investment vehicle for AFC's equity investments in the African power sector.

Apart from the establishment of the power platform, three other significant transactions are:

- The 80MW Hakan Quantum peat-to-power project in Rwanda which reached financial close in January 2017. AFC acted as the Mandated Lead Arranger and provided Senior Debt and Mezzanine Facilities of up to US$110 million. A total of $350 million was raised for the project, with a lender group comprising African DFIs and a European DFI. Construction has commenced, with commercial operations targeted for early 2020.

- The 44 MW Singrobo Project for which AFC is acting as co-developer. The project is being developed based on a concession awarded to Ivoire Hydro Energy SA on a Build, Operate and Transfer basis. The plant is located 3km downstream of an existing hydroelectric plant, and will have a 35-year take-or-pay Power Purchase Agreement (PPA) with CI-Energies, the Ivorian public utility company. AFC has executed final documents to provide a bridge financing facility to catalyse the construction of the project. Project construction is expected to commence in 2018 with completion in 2021.

- The execution of an exclusive agreement for AFC to develop a 60MW wind farm project in Djibouti, alongside Great Horn Investment Holdings SAS, the 100% subsidiary of Djibouti Ports and Free Zones Authority.

AFC's investments have not only resulted in increased power generation but the private sector-led approach has also freed up capital for African governments to invest in other social sectors such as education, health care and other forms of infrastructure.

10-YEAR REVIEW

One of the strategic objectives of AFC's power business has been to position AFC as the investment institution of choice for investment in the power sector in Africa. AFC's maiden power sector investment in 2012 was as the lead investor in the US$90 million 26MW wind power project - Cabeolica wind farm, Cape Verde. AFC has since disbursed over US$500 million in power projects across Africa and has diversified its footprint with investments in projects in West, East and Southern Africa with a combined installed capacity of over 3,000MW.

Consistent with its mandate, AFC's investments are made within the context of private sector-led power projects, which has remained a growing avenue for the expansion of power infrastructure across Africa. Private sector-led investments in African power projects have remained particularly important given the severe budget constraints that a range of African countries are routinely confronted with. AFC's investments have not only resulted in increased power generation but the private sector-led approach has also freed up capital for African governments to invest in other social sectors such as education, health care and other forms of infrastructure.

The nature of AFC's involvement in power sector projects has mirrored both the trends in the evolution of the economies of African countries and changes in technology. For instance, rapid growth in Africa economies within the last decade has further exacerbated the energy deficit which has been a growth constraint for many countries and has thus provided impetus for the establishment of independent power projects. Additionally, the prevalent high crude oil and commodity prices in the years following the rebound from the 2008 global recession served to reduce the dependency of many countries on fossil fuel generation technologies and thus served as a trigger for the growth in investments in renewable energy (especially solar projects and off-grid solar home kits), a trend that has been further enabled by the steep decline in the cost of solar panels and the attendant demand for solar powered renewable energy projects.

As the effects of global warming and its attendant impact on climate change are increasingly felt across the world, there has been greater global emphasis on the need for financing solutions for greener and climate-friendly energy generation sources as evidenced by the signing of the Paris Climate Agreement in 2016. AFC has entered into a number of strategic partnerships towards positioning itself as a leading climate finance institution on the continent. In 2015, AFC became the first African Development Finance Institution to be accredited by the Green Climate Fund ("GCF"). The Green Climate Fund supports the efforts of developing countries to respond to the challenge of climate change. It was set up by the 194 countries which are parties to the United Nations Framework Convention on Climate Change (UNFCCC) in 2010, as part of the Convention's financial mechanism. Following the signing in October 2017 of an Accreditation Master Agreement, AFC has access to direct funding from GCF to support climate financing activities in Africa. In September 2017, AFC also secured a €100 million climate financing line of credit with the Agence Francaise de Developpement (AFD) to improve AFC's competitive ability to fund climate-friendly projects.

Beyond investing in individual projects, the Corporation has engaged with government ministries, off-takers and other power sector stakeholders to ensure that an enabling environment is created for private investors, operators and lenders to engage in the establishment of power sector infrastructure in African countries. To facilitate these critical engagements between private and public sector stakeholders, AFC in 2016 pioneered the launch and establishment of the Africa Infrastructure Development Association ("AfIDA") towards the creation of common norms and standards for infrastructure project development activities. These critical engagements have further increased the scope of the impact of AFC's investments to include capacity building, technical advisory and knowledge transfer thus laying the foundation for other projects to come into existence beyond AFC's pioneering efforts. For instance, AFC's role in the development of Cenpower as the first project-financed independent power project in Ghana, has subsequently catalysed a raft of other project-financed power projects which have recently attained financial close in Ghana.

Awards

In the last decade, AFC has won awards for its investments in the African power sector including the following:

1. Africa Energy: *Renewable Energy Award 2011 – Cabeolica*
2. Africa Investor: *Leadership in Sustainable Investment in Africa 2011 – Cabeolica*
3. International Finance Corporation (IFC): *Emerging Partnerships top ten Public Private Parrtnerships (PPPs) in Sub-Saharan Africa 2012 - Cabeolica, Cape Verde*
4. EMEA Finance Project Finance Awards 2014: *Best Power Deal of the Year – Cenpower Kpone IPP*
5. Thompson Reuters Project Finance International Awards 2014: *African Power Deal of the Year – Cenpower Kpone IPP*
6. Africa Investor: *Energy Project Developer of the Year, 2015 – Cenpower*
7. Africa Investor: *Co-Developer of the Year, 2015 – Africa Finance Corporation*
8. Africa Investor Infrastructure Investment Awards 2015: *Power Deal of the Year – Cenpower Kpone IPP*
9. EMEA Finance Achievement Award 2016: *Best M&A Deal: Africa Finance Corporation and Harith General Partners Assets Merger*
10. Infrastructure Journal (IJ) Global Awards 2017: *Africa Power Deal of the Year – Hakan Quantum IPP*

AFC Impact

Some specific examples of the developmental impact of AFC's power sector investments for select projects are highlighted below:

Cabeolica Wind Project, Cape Verde

AFC was the co-developer and anchor investor in the Cabeolica Project in Cape Verde. The Project, covering the development, construction, ownership and operation of 26 MW of installed capacity has been operational for over five years, and currently

provides over 20% of the country's energy demands.

- With Cape Verde's outstanding wind resources – being an archipelago country, the completion of the project has significantly reduced the country's reliance on expensive imported fossil fuels for energy generation. The project has also led to a reduction in carbon emissions, for which the project company has been selling Certified Emission Reduction (CERs) to the Swedish Energy Agency since 2015.

- The reduction in thermal-based generation has also resulted in improved savings on the country's

KIPP Plant, Ghana (aerial view)

Cenpower Kpone Independent Power Plant, Ghana

AFC was the lead project developer, global coordinator and largest equity investor in the US$887 million Kpone Independent Power Plant ("KIPP"). KIPP will account for approximately 10% of Ghana's total installed capacity and approximately 15% of its available thermal generation capacity when it comes on stream in 2018, which will result in:

- Electricity from thermal energy to supplement that generated from the existing hydroelectric and thermal power plants and thereby help meet the country's energy requirements in accordance with Ghana Energy Policy (2011);
- Provide employment, training opportunities and technology/skills transfer for local content during construction, operational and maintenance phase for KIPP;
- Provide Ghanaians and industrial establishments in the Tema Heavy Industrial area in particular, with safe and regular electricity supply to augment the increasing demand for power and reduce the perennial problems of power cuts.
- To promote private sector investment/initiative in the energy sector in the country; and
- Improve the standard of living of Ghanaians through the provision of reliable power supply, thereby enhancing socio-economic activities which will help reduce poverty; promote private sector investment/initiative in the energy sector in the country.

The deal was recognized by PFI Thomson Reuters Awards as the Africa Power Deal of the Year 2014, among other awards. First in its field, the Kpone IPP project represents:

- The first greenfield project finance IPP in Ghana
- It is a majority African venture with key international partners:
- The founding shareholders are Ghanaian
- The construction company is African
- 67% of equity is held by African companies
- 83% of senior debt is issued by African lenders
- Approximately 1,500 jobs were created during the peak of construction and over 70 during full operation, most of which will be for Ghanaians.

Construction commenced in 2014. Key milestones reached in 2017, include:

- Completion of micro-tunnelling activities for the circa 3km underground sea water cooling piping system.
- Supply of back-feed power from the National Grid to the power plant site for the first time.
- First Fire for the Gas Turbine Unit No. 2, with the power plant subsequently synchronized to the National Grid, generating first power into the grid in December 2017.

Commercial operations are expected to commence within the first half of 2018.

Hakan Quantum IPP, Rwanda

AFC was the Mandated Lead Arranger for the project debt for the landmark 80MW Hakan Quantum peat to power project in Rwanda ("Hakan") that reached financial close in March 2017. The Hakan Project will utilise the country's significant peat reserves to increase the national installed electricity generation capacity by 40%. Despite its status as one of Africa's fastest-growing economies, only 25% of Rwanda's population currently has access to reliable electricity. It is expected that this project will assist to improve access to electricity for the 75% of the country's population that is currently off the grid.

The deal was recognized by the Infrastructure Journal Global Awards as the Africa Power Deal of the Year 2017.

- At present, Rwanda's total installed electricity generation capacity is approximately 216MW, and serves only 25% of Rwanda's population. This power is generated predominantly through thermal generation, using expensive imported oil which consumes a significant portion of the country's foreign currency earnings, and also means high cost of electricity for the country.

- The Hakan project is in response to the Rwandan Government's target of 563MW power generation capacity in the EDPRS II blueprint. The project is designed to use peat as fuel because it is the most widely available and cost-effective fuel resource in Rwanda and it is expected that the cost of electricity from this source will be about 30% cheaper than Rwanda's current average cost of generation. A combination of both renewable and non-renewable power will maximise the potential of Rwanda's wealth of natural resources, and this is the way forward to ensuring the availability of sustainable and reliable energy for the future.

- The debt structuring utilized an innovative combination of funds from senior lenders, mezzanine, export credit agencies, as well as commercial insurance in order to ensure an optimal cost of debt.

The Rwandan government is hoping to achieve its goal of connecting 70% of the country's 11.7 million people to the national grid by 2018, and this project is seen as a significant step towards achieving that goal.

Kainji/Jebba Hydroelectric Power Plant, Nigeria

Mainstream Energy Solutions Limited (MESL) acquired the concession for the Kainji and Jebba hydro power plants with a combined capacity of 1,338MW during the course of Nigeria's privatization exercise in 2013. AFC participated in the US$170 million syndicated loan for the acquisition of the concession for the two hydro power plants by MESL. The power plant on average currently accounts for circa 15% of total electricity generated within Nigeria's national grid system. Furthermore, the plants generate negligible emissions and are environmentally friendly.

Having established a solid track record in the African power space, AFC looks forward to the next decade of providing innovative financing solutions to close the energy deficit and catalyse the improvement in the quality of life for many Africans across the continent.

- The investment has led to the expansion of the hydro power plant's generation capacity, which has contributed to a reduction in the country's chronic power deficit thereby facilitating economic growth.
- The optimization of this hydro facility has been especially useful in improving Nigeria's electricity generation mix thus reducing the impact of gas supply constraints, which have sometimes impacted on the country's generation capacity.
- Both plants employ circa 350 members staff who have been trained and equipped with the requisite technical skills for the operation of the plants.

Kenya Power & Lighting Company, Kenya

AFC, alongside other lenders, participated in the provision of a facility to Kenya Power and Lighting Company (the Kenyan national electricity distribution utility) in 2014, to fund its expansion and improved energy access programme.

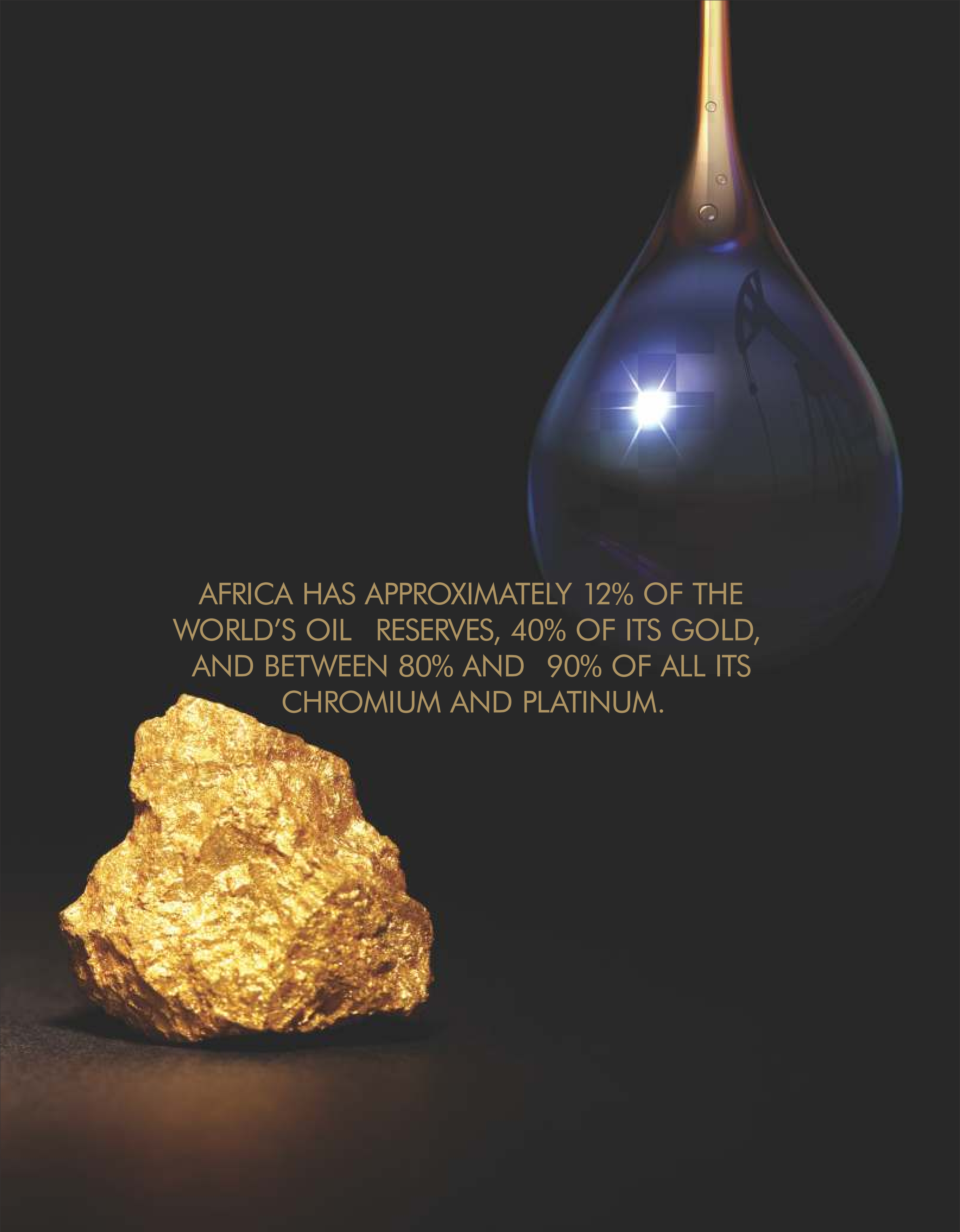
Following the provision of this facility by AFC and other lenders, national electricity access in Kenya has more than doubled from circa 30% in 2014, to circa 70% in 2017 thus improving the quality of life for many more Kenyans who now have access to the national grid.

Outlook

Given the recent trends in the African power sector, renewable energy remains pivotal to growth in generation capacity and improved electricity access across the continent. With the decline in solar infrastructure capital costs coupled with the high irradiation levels in many parts of Africa, on-grid and off-grid solar photovoltaic technologies will remain the growth frontier in the African power sector. The declining costs of wind turbine generators has also resulted in increased investments in wind farm projects in countries that have significant wind energy resources. To the extent that renewables become least cost technology options, private sector-led generation projects in Africa will increasingly be based on renewable energy technologies. AFC's target financing opportunities will however be driven by the options that yield the best results for individual countries, including their energy mix and tariff considerations.

While AFC will remain at the forefront of the development and financing of renewable and climate-friendly initiatives across the continent, AFC will continue to seek opportunities to fund non-renewable energy projects that promote national energy independence by leveraging on readily available natural energy resources located within the respective countries. AFC will also continue to explore funding opportunities for transmission and distribution projects that support a private sector-led approach.

Having established a solid track record in the African power space, AFC looks forward to the next decade of providing innovative financing solutions to close the energy deficit and catalyse the improvement in the quality of life for many Africans across the continent.



AFRICA HAS APPROXIMATELY 12% OF THE WORLD'S OIL RESERVES, 40% OF ITS GOLD, AND BETWEEN 80% AND 90% OF ALL ITS CHROMIUM AND PLATINUM.

NATURAL RESOURCES

The natural resources sector has experienced significant volatility in the last decade, with severe swings in oil prices of up to 70%, and the commodity price index experiencing 51.5% price movements within this period. African economies, particularly oil producers, were adversely impacted by this volatility, resulting in many countries running a budget deficit and weakening real GDP growth. In 2017, there was an acceleration of global economic recovery, with an overall GDP growth of 3.1% compared to 2.4% in 2016. This uptick in economic performance was largely driven by strong United States and Chinese economies, increased infrastructure spend and consequent investment in industrial development projects. Therefore in 2017, the resource sector in Africa remained resilient despite the hangover of the global economic headwinds.

In the 10 years of AFC's existence, this severe volatility has impacted investments in the natural resources sector in different ways. In the Corporation's first year, 2007, high commodities prices, driven by Chinese demand, encouraged investment in resource rich African countries. However, disrupted credit flows in developed markets, due to the 2008 financial crises, led to a reduction in the demand for commodities and a drastic fall in prices. By 2011, the expansionary monetary policies in the United States, United Kingdom and wider Eurozone began pushing prices back up. In the years that followed, high and increasing prices made investments in natural resources more attractive, bringing many new producers online and increasing capacity across the market. By 2014, slowing Chinese demand and an oversupplied market saw prices stagnating and by 2015, the global commodities market was in freefall, with many commodities reaching 10-year lows. The low prices knocked off high cost producers and the resulting reduction in capacity meant that by 2016 prices began to recover as most markets became severely supply constrained. The recovery continued, albeit tepidly, into 2017.

A key factor that has defined the inflow of Foreign Direct Investments (FDIs) into Africa is the level of Chinese investments into the continent, which has driven growth in resource rich countries.

Despite the volatility associated with investing in natural resources and the inherent risks, AFC has always been and continues to be an active investor in the natural resources space. Natural resources assets have grown considerably from under US$100 million, in 2010, to over US$500 million in 2017. Having commenced natural resources investments with a focus on oil and gas, the Corporation has, since 2014, recognised the importance of mining and commodities to Africa's growth and, thus, expanded its natural resources focus to include mining.

Oil and Gas Sector

2017 Overview

In 2017, the oil and gas sector showed healthy signs of recovery. Strong demand and restricted supply pushed the price of oil up, to the benefit of market players. However, the upturn was primarily felt in exploration and production as the cost cutting measures, which squeezed the oil services sector, have not been fully reversed.

Brent crude oil price was circa US$56 per barrel at the beginning of 2017; it dropped to circa US$46 per barrel in June, before rallying to close the year at circa US$66 per barrel. The average price over the course of the year was circa US$54 per barrel. The surge at the end of 2017 was primarily supported by tightening supplies because of Organisation of Petroleum Exporting Countries (OPEC) mandated cuts in production, and an agreement to extend the cuts through to early 2018.

In addition, a robust global demand exerted upward pressure on oil prices. The initial estimate for global oil demand growth in 2017 increased by approximately 40,000 barrels of oil per day (mbpd) to 1.57 million barrel per day (mmbpd), thus increasing global oil demand to 96.99 mmbpd, while global supply only marginally rose by 0.83 mmbpd year on year.

Key Drivers and Trends

The African oil and gas sector did not match the pace of the rebound in the global market, as demonstrated by its share of global oil production declining to 8.6% in 2017, from 9.1% in 2016. A combination of uncertain regulatory frameworks and inadequate infrastructure investment continued to hold the sector back in many countries on the continent. In Tanzania for instance, two laws were passed in 2017 that allow the government to forcibly renegotiate contracts with energy-related companies, thus lowering investor confidence. In Nigeria, there was little progress with the passage of the Petroleum Industry Bill (PIB), as only one of four constituent bills has been passed as at January 2018. However, International Oil Companies (IOCs), attracted by the size and quality of reserves, are working around this by targeting high quality resources with sufficient upsides to trump the regulatory challenges.

Despite these challenges, the continent is still viewed as a destination of choice for frontier market hydrocarbons exploration, with a sizeable number of international players continuing to commit significant capital for acquisition and development of projects. According to a 2017 report by Barclays Bank on upstream spending survey, offshore spending by most IOCs would focus on shorter-cycle projects, such as tie-backs and well intervention programs, and Africa offers such opportunities in its portfolio of producing assets. In addition, the African energy landscape has witnessed increased exploration and consequent discoveries in gas, with 5 of the 10 largest gas discoveries in recent times, made in Africa.

Further down the value chain, in midstream and downstream, there is a need for significant investment to bridge the gap between supply and demand. Africa continues to experience underinvestment in its downstream sector, and this is reflected in ageing infrastructure suffering from feedstock shortages, underutilization and low refining capacity. The small refining capacities and chronic country risk profiles affected new foreign investment into downstream assets.

In the midstream oil and gas sector, companies faced challenges due largely to subdued oil and gas drilling, lower rates for renewed contracts and competition which is squeezed profits. In Africa, this sub-sector has the potential to grow due to new planned investments. For instance, in October 2017, Kenya signed an agreement for a feasibility study on a proposed pipeline to transport crude oil from oil fields to seaports; Uganda was finalizing a design for oil transportation for export via Tanzania. A cooperation agreement was signed by Mozambique with a consortium, led by China for the construction of 2,600 km natural gas pipeline from Cabo Delgado down to Maputo, the capital.

Sector Outlook

Oil prices are expected to continue their recovery in 2018, due to the extension of the production cut agreement between OPEC and some non-OPEC countries. The higher prices are expected to encourage the unwinding of cost cutting measures, specifically in capital expenditure, ushering in new investments in the sector. Mergers and Acquisitions (M&A) in the sector will be driven by portfolio optimisation and strategic consolidation, as companies maintain the discipline learned during the sector downturn. On the continent, both frontier and developed markets are expected to see increased M&A activity.

Most industry analysts projected an average Brent price of US$62 per barrel in 2018. In terms of demand, OPEC raised its forecast for growth in worldwide oil demand, based on expectations of a healthy global economy, by 60 mbpd, to 1.59 mmbpd. Steady oil price recovery from summer of 2017 and a corresponding renewed interest in oil opportunities will attract more exploration from key players in both shale and deep water. Most IOCs are also believed to have started a gradual unwind of previous cuts in capital expenditure. Other key drivers that will spur the re-balancing expected in the market include co-ordination between OPEC and non-OPEC members, led by Russia, to drive further supply cuts and expected increase in consumption in China, currently estimated at additional circa 420 kbpd compared to the 2017 consumption level.

In the services sub-sector, day rates for oil service contractors are expected to increase. The increase in oil prices is expected to drive demand for contractors as producers look to develop more fields. Currently, the oil services companies have insufficient capacity to meet demand. As a result, producers will be forced to increase day rate to incentivise contractors to prioritise their projects. M&A in the upstream sub-sector will continue to be driven by IOCs looking to optimise their portfolios by focusing on core assets and, to a lesser extent, by consolidation efforts of some, to benefit from economies of scale and scope. Therefore, it is expected that there would be more asset divestments for smaller and mid-sized companies to acquire.

Kenya, Uganda, Senegal, and Mauritania remain the frontier counties in Africa that are expected to witness sustained activity levels in the areas of exploration and development. In Mauritania, for instance, the Government recently executed Production Sharing Contracts (PSCs) with ExxonMobil Exploration to commence further exploration work. This is in addition to existing agreements with neighbouring Senegal to co-develop its offshore reserves: Tortue natural gas field in 2018.

Existing producers also offer brighter prospects in 2018. For example, Nigeria, was expected to grow by 2.5% in 2018, with numerous opportunities, across the value chain. In Angola, the reorganisation of Sonangol, the national oil company, by the new president, has increased transparency, which should encourage more investment in the country's oil and gas sector. Ghana, an emerging force in the continent's oil and gas play, also offers promise, typified by the recent deal between the Government and Exxon Mobil, allowing the company to carry out more exploration in deep water.

Mining Sector

Market Overview

The mining sector, which comprises base metals, precious metals and bulk materials, performed relatively well in 2017. The base metals market was buoyed by strong demand, particularly for Zinc and Nickel, and restricted supply, particularly for Copper. Bulk materials performance was more varied with Iron Ore price falling and recovering, while mineral sands steadily increased. Prices of precious metals such as Gold, Diamond and Platinum were affected by global political uncertainties which made prices rather unstable. The mining industry, generally, ended 2017 on a strong note displaying upward trends in exploration, development, and M&A; thus, leading to increased market capitalization of mining companies. In addition to price and demand volatility in the sector, weak United States Dollar and some supply restrictions adversely impacted the markets.

Base metal prices in 2017, on average, were higher than in 2016. Zinc and Nickel prices led the surge with their strong demand. Zinc prices mainly rose due to supply deficits, after the closure of a few large and some illegal mines in Australia, Ireland, the United States and China. Additionally, slowing production in Chile and Peru and export restrictions in Indonesia pushed up Copper prices, while the expectations around increased demand for greener economies in the form of electric vehicles demand, positively impacted Lithium and Cobalt prices.

For bulk materials, after a drop in the second quarter of 2017, Iron Ore prices rebounded strongly in the third quarter, following strong demand from steel producers in China and supply issues in Brazil and Australia. For mineral sands, Zircon Rutile, Llmenite and Leucoxene, markets were largely stable and supported by reported price increases for most of 2017, while investors continue to generally, retreat from financing Coal due to concerns around climate change.

Prices of precious metals were marginally higher in 2017 relative to 2016; Gold, for example, was priced on the average at US$1,259 per ounce in 2017 versus US$1,247 per ounce in 2016. Gold prices remained volatile in 2017, rising in September due to geopolitical tensions and a weakening US dollar, and falling again in October due to a strengthening dollar and anticipation of higher

interest rates in the US. Silver was similarly volatile, although it was outperformed by Gold. The metal traded between US$15.10 per ounce and US$18.88 per ounce during 2017, closing the year at circa US$16.90 per ounce.

Key Drivers and Trends

Generally, in 2017, the mining industry witnessed improved prices, leading to gradual recovery from lows of 2016. Uptick in prices were largely supported by fiscal spending in China's infrastructure sector. Additionally, mining companies, that halted spending in 2016, resumed exploration and development operations in 2017. Particularly, for non-ferrous metals, exploration budget increased globally, by more than 14% year on year to US$ 7.95 billion, with Gold and Zinc leading the way. Notwithstanding, cautious miners focused on improving performance - as higher prices led to improvement in revenue and cash flows, miners focused on reducing the debt on their books and cutting costs.

In Africa, regulatory and legislative issues, as well as rising costs and technical difficulties due to lack of adequate infrastructure, continued to pose challenges to the Industry. These challenges wiped out over US$ 4.17 billion worth of market capitalisation from South African mining companies and have frozen new investments in the sector, particularly in jurisdictions like Tanzania, the Democratic Republic of Congo and South Africa.

Despite the above, given the enormous potential of the continent's mining industry, gradual recovery of mineral prices resulted in improved investor confidence in the African mining industry. In 2017, approximately 90 metals deals closed in Africa. For example, Trevali Mining, a Canadian Zinc and other base metal producer, purchased a portfolio of Zinc assets from Glencore for US$430 million. The assets included Zinc mines in Burkina Faso and Namibia. In more established markets, Anglo American sold its Union mine plus a stake in a chrome company to Siyanda Resources for US$488 million.

Other key themes typifying the African mining landscape, which represent opportunities alike, include digitalization, improvement of operational performance and restructuring of smaller companies. Digitalization is a new focus area for innovation as it is expected to increase efficiency, reduce costs and improve health and safety in the industry. Focus on improving operational and cost performance is also boosting cash flows and reducing debt to achieve consistent returns. Investors are also interested in small companies looking to buy assets from the bigger established players in a bid to improve operational efficiency.

Sector Outlook

Metal prices are expected to exhibit less volatility in 2018, with a net increase in prices expected on the average. Supply cuts are expected to push prices upwards for metals like Zinc, Nickel, and Lead; whereas, Iron Ore prices are expected to fall by about 10%, due to rising global supply and moderating demand from China, the top Iron Ore importer. Copper prices are expected to increase in early 2018 on the back of strong Chinese demand. Also, rising interest rates in the US was expected to slightly ease Gold prices in early 2018.

Metal prices largely depend on the demand from China as it consumes over 50% of the world's metals. Therefore, fleeting changes in demand and/or supply from the country, coupled with uncertainty around ease of restrictions, would affect metals prices in both directions in the foreseeable future. Due to the uncertainty around the dominant Chinese demand, it was expected that there will be price moderation in the metals market hence, limited volatility was expected. The uptrend for metal prices such as Copper, Lithium and Cobalt, was expected largely to continue in 2018 due to the growing demand for electric vehicles and associated batteries.

The African countries expected to be the main players in 2018 include Kenya, Zimbabwe, Democratic Republic of Congo, Côte d'Ivoire, Senegal, Botswana and Namibia. The Government of Kenya raised a Sh7 billion (US$ 70 million) loan from the Exim Bank of China in January 2018 and this will help gauge the location and amount of unexploited minerals. Following the recent political change of Government in Zimbabwe, the country has attracted investments of over US$2 billion from December 2017 to

February 2018. The Zimbabwe Mining Development Corporation sealed a deal with foreign investors to exploit Lithium deposits worth over US$1.4 billion. Countries like Botswana, Namibia and Côte d' Ivoire, owing to their stable economies, are also well poised to get a share of the windfall expected into mining through Foreign Direct Investment.

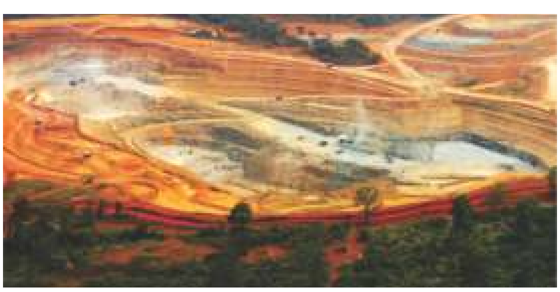
2017 Natural Resources Investments

In 2017, the Corporation reached key milestones for the following transactions in the natural resources sector:

Bonikro Gold Mine

AFC, and its partner, F&M Gold Resources (F&M), were set to complete the acquisition of the Bonikro Gold Mine in Cote d' Ivoire from Newcrest Mining Limited. The mine includes two operating licenses, Bonikro and Hire. The pits from both licenses together produced circa 138,000 ounces of Gold in the 12 months to June 2017 and generated approximately US$44 million of free cash flow in that financial year. It has proven mineral reserves of 430,000 ounces, as at January 2017, with a mine life of at least 8 years and exploration potential that can further extend the mine life.

The acquisition cost of the asset was circa US$81 million, and will be financed with a combination of debt and equity. This investment is part of the AFC's strategy, which aims to utilize a platform approach to invest in a larger pipeline of similar projects to be developed and financed simultaneously. This transaction will help to preserve the value of this mine for the local stakeholders and thus, ensure the consistent stream of cashflows for the Government and local stakeholders.



Assala Energy Holdings

AFC completed an investment, alongside a consortium of international banks and a Trader, in a facility advanced to Assala Energy Holdings for the acquisition of the Gabonese onshore operations of Shell Petroleum N.V. The acquired operations consist of the upstream oil exploration and production businesses held by two of Shell's Gabonese subsidiaries, Shell Upstream Gabon and Shell Gabon, as well as associated infrastructure consisting of onshore pipeline, export terminal and processing system. The combined assets produced around 55 kbpd and has net oil resources of circa 118 mmbbls.

The assets, which had become non-core to Shell, were key and strategic to the Government of Gabon, local staff and other local stakeholders due to their enormous potential, still to generate cashflows. Hence, AFC viewed this investment as an effort to support the preservation of the value of these assets for stakeholders. AFC invested US$24 million in the US$310 million Reserve Based Revolving Lending Facility and the investment was completed alongside other global banks such as Natixis, BNP Paribas, ING Bank, Goldman Sachs, Rand Merchant Bank and ABN Amro.

Topic S.A

AFC was the Lead Arranger and Investor in a US$28 million Subordinated Loan Note in favour of Topic SA

L-R: Osam Iyahen, Director, Natural Resources, AFC and Mohamed Toumi, CEO - Directeur Général at the signing of the TOPIC SA Facility Agreement.

(Topic). The funds were used to finance the pre-first oil development of the Halk El Menzel (HELM) offshore oil concession operated by Topic in the northern Tunisia petroleum province. Topic is a prominent independent energy company in Tunisia with a strong shareholder base, including equity investment from the International Finance Corporation.

The HELM field offers longer term opportunity to scale up production through a full scope development program, following the development of the first phase. The project utilizes mobile drilling, production and storage units, which are more economical than fixed installations, and has strong Government backing. In addition to the HELM field, the company also owns other concessions in the onshore Mateur field and offshore Zelfa.

Natural Resources Business Model

The majority of African countries are commodity driven. AFC is committed to using its investments in the natural resources sector as a means of fostering economic growth and industrial development of African countries. AFC remains committed to deploying its range of technical and financial capabilities towards enabling growth of infrastructure development by catalysing development of natural resources, which serve as much needed impetus for broader economic growth. At the heart of AFC's strategy in the sector, is exploration of new innovative financing approach to unlock value and attaining bankability of transactions.

The Corporation is of the view that the adoption of an integrated approach (development from resource and beneficiation to export infrastructure) for financing natural resource projects in Africa, is particularly key to unlocking financial value, and spurring socioeconomic development. Development of a gas resource project, for example, could unlock the potential for a logistics project to transport the gas, and heavy industries and power projects which would also use the gas. Likewise, transport infrastructure and support logistics solutions for mining projects, which otherwise would be considered stranded reserves, present compelling sustainable project financing opportunities. AFC is uniquely positioned to play a leading role in developing and facilitating capital for integrated natural resource projects.

AFC is also focusing on wholesale infrastructure development through deployment of a platform approach to resource development. This strategy entails consolidation of rightly sized, cash-rich resource assets such as the recently acquired Bonikro mine, under a platform vehicle; improving efficiency of capital deployed, and, increasing the reach of capital across sub-sectors, jurisdictions and minerals of interest.

The Corporation adopts a very flexible investment approach that is tailored towards not only the dynamics of the market, but also the specific needs of the project and the sponsors. This approach has allowed AFC to play across the capital structure in its natural resources business, with investments instruments ranging from equity, debt, mezzanine, and deployed in different deals.

In 2018, the Corporation will continue to deepen the execution of the above stated model, with a focus on geographical and subsector diversification and integrated projects. AFC's current natural resources pipeline of transactions includes potential investments in Cote d' Ivoire, Eritrea, Egypt, Botswana, Zimbabwe, Republic of Congo and Morocco.

Natural Resources Investments: A 10-Year History

Since inception, AFC has completed several landmark transactions in the oil and gas sector and three transactions in mining. These projects have contributed in several ways to the development of the respective countries. Furthermore, over the decade, the Corporation successfully, exited some of its debt and equity investments, thus crystallizing projected gains and returns.

Key highlights of AFC's investments in natural resources is as follows:

- AFC invested in a Reserve Based Lending (RBL) facility to Kosmos Energy, which was the first field to be developed in Ghana. The development of this field has since transformed Ghana into one of the newest and most respected oil and gas jurisdictions on the continent and has paved the way for subsequent development of other fields. AFC's first equity investment in natural resources was in Seven Energy International Limited. Seven Energy pioneered operations of a fully local integrated gas company in the gas to power space; delivering steady gas to notable power plants in the country, such as the Calabar IPP and Ibom Power Station.

- AFC has supported the development of local capacity in Nigeria's oil and gas industry by providing financing to local players for the acquisition of prolific assets from the oil majors. These financings include: Joint Facility Coordinator and Mandated Lead Arranger of a US$1.4 billion debt facility for Aiteo Eastern E&P; Technical and Modelling Bank and Mandated Lead Arranger of a US$470 million credit facility for Eroton E&P; and Mandated Lead Arranger for a US$720 million Facility for Neconde Energy Limited.

- In addition to the above, AFC has also been active in providing trade finance facilities for Government and corporates alike, in order to improve their short-term liquidity and provide upfront cash for quicker development of much needed infrastructure. Such investments include: Co-Mandated Lead Arranger and anchor investor in a US$1.3 billion acquisition financing for Societe Des Hydrocarbons Du Tchad (SHT Chad); Lender in a US$1 billion Prepayment Facility for Société Nationale des Petroles du Congo (SNPC); Co-Investor in a pre-export financing facility of US$130 million for Shalina Resources; and Risk participation in a US$200 million term loan facility granted to the Egyptian General Petroleum Corporation (EGPC) for importation of Petroleum Products.

- Other investments recently concluded include: co-investment in a US$205 million financing for the development of the Alufer Bauxite mine in Guinea; a US$28 million investment to fund the pre-first oil development of the HELM field in Tunisia; Lender in a US$310 million acquisition funding to Assala Energy Holdings for the purchase of Shell's onshore assets in Gabon; and investor in a US$81 million acquisition of Bonikro Gold Mine in Cote 'd Ivoire.

- Debt investments successfully exited include RBL facility to Kosmos Energy, Ghana, and Senior Secured Facility to First Hydrocarbon Nigeria Limited; while a notable equity investment the corporation exited from, in 2017, was the Vivo Energy transaction. AFC, along with partners Helios Investments and Vitol, invested in Vivo Energy, a Special Purpose Vehicle for the acquisition of several downstream assets owned by Shell in Africa in 2011. The corporation successfully sold its stake in the company to a strategic buyer in 2017, thereby, crystallizing projected competitive returns on the initial investment.

TRANSPORT

Africa holds great potential for growth in intracontinental and global trade. These expectations require transportation and logistics infrastructure to realize, which is currently grossly inadequate. Efficient transportation infrastructure is critical to trade as it reduces the cost build-up and loss of time associated with a lack of it, and connects physical and human resources to locations where they create the most economic value.

This has become even more critical as the contribution of the commodity sector to GDP has dampened due to depressed commodity prices in the later part of the decade, leading to an increased focus on diversity to the industrial sector.

In the last decade, there have been notable efforts to improve transportation systems and trade connectivity by governments, development finance institutions (DFIs) led mainly by the Africa Development Bank and the private sector. However, given that African governments are constrained by limited resources, the recent approach has been more towards enhancing the economic environment to attract private sector capital into infrastructure development. DFIs have mostly acted as midwives to infrastructure projects in Africa, bridging the divide between government's development impact objectives and the private sector's return-on-investment objectives, while also taking the lead in environmental and social responsibility.

The participation of governments, DFIs and private sector investments in the sector has yielded some outstanding results over the last decade. The number of projects in the African transport space increased by 13.5% in 2017, largely driven by economic growth, government activity in infrastructure development and increased participation of the private sector in developing and financing such projects. Transport projects evenly observed in most sub regions constituted c.36% of ongoing infrastructure projects on the continent.

Key trends in African transport infrastructure

The drivers of transport infrastructure development in Africa in the past decade have been a greater participation of the private sector in PPP structures to implement projects that the government would ordinarily have funded. The growing government budgetary constraints has led to more concessioning of transport infrastructure development to the private sector.

Private participants, principally financial institutions and strategic investors, have demonstrated increased appetite for transport infrastructure investments, both as debt and equity, influenced by the growing prevalence of the project finance structure. Private equity infrastructure funds have also been growing in participation and relevance in this space. However, although transport projects often demonstrate strong development impact, the lack of suitable historical data or the greenfield nature of the developments make these appear risky.

In many cases, appropriate regulatory and policy environment is not developed for PPP structures to be implemented and significant amount of time is spent developing these structures. Given such concerns, reliance on some form of government support becomes essential.

The DFI community such as AFC continue to play the important facilitation role by becoming more and more involved in projects at the early stage of development. This ensures that by the time the project comes to market, it has a bankable set of project documents, appropriate environmental and social considerations have been accounted for and the regulatory framework is in place to undertake such transactions.

AFC's Transport sector activity in 2017

AFC's portfolio of transport infrastructure opportunities in 2017 consisted primarily of projects in the development phase consisting of deep sea port developments in West Africa, road developments in West Africa and East Africa, sea port and dry port developments in East Africa, and airport developments in East Africa most of which are, progressing towards financial close in 2018/19.

In addition, AFC won a mandate as global coordinator and co-mandated lead arranger, alongside the African Development Bank, to raise financing for the development of the new Bugesera International airport in Rwanda.

The portfolio of active transport infrastructure investments performed largely to expectations. A major highlight of our active investment portfolio in 2017 is the Gabon Special Economic Zone (GSEZ), which is an integration of several strategic development infrastructure projects across various sectors in Gabon. At GSEZ, the Mineral Port became operational in 2017 and subsequently attracted an equity investment for a 25% ownership stake by a leading investor in public infrastructure. The construction of GSEZ's general cargo port was also completed in 2017. The container section of the port was sub-concessioned to a major player, already operating the existing container port in Gabon.

AFC Transport sector 10-year history

Transport and logistics infrastructure continues to be a major focus at AFC, towards addressing Africa's infrastructure development needs. Our transport and logistics infrastructure investment portfolio in the past decade has included investments in Ghana Airport Company Limited, Gabon Special Economic Zone, the Henri Konan Bedie Bridge in Cote d'Ivoire, Conex Tank Farm in Liberia and Ethiopian Airlines to

•*Gabon Special Economic Zone (GSEZ), Mineral Port.*

mention a few. These selected cases of our transport and logistic footprint are highlighted as follows:

Henri Konan Bedie Bridge, Cote d'Ivoire

AFC supported the development of the Henri Konan Bedie Bridge (HKB) in Abidjan, Cote d'Ivoire, a US$365 million public private partnership (PPP) project in Abidjan, Côte d'Ivoire and consists of a 6.4km highway and 1.9km bridge with three lanes in each direction across the Ebrié lagoon, connecting Abidjan's residential Riviera district directly with the commercial district of Marcory. AFC provided a combination of debt and equity investment totaling c. US$65 million and was the mandated lead arranger of the mezzanine tranche of the financing. The project, which was the first of a new wave of post-conflict privately funded infrastructure development in the country, has provided quicker access to the center of Abidjan and substantially eased congestion on the existing bridges in the area since its completion.

The project has received the following international awards:

- International Finance Corporation Emerging Partnerships top ten Public Private Partnerships (PPPs) in Africa
- Euromoney Project Finance Deals of the Year, 2012
- African Transport Deal of the Year
- EMEA Finance Project Finance Award 2012 – Best infrastructure deal in EMEA
- Africa Investor Leadership in Sustainable Investment in Africa, 2011

PHOTO:Henri Konan Bedie Bridge, Cote d'Ivoire

Ghana Airport Company

AFC provided a $50 million debt facility to the Ghana Airport Company Limited (GACL) to finance the expansion and upgrade of five airports, including the Kotoka International Airport in Ghana. The improvements made by GACL have helped to improve connectivity for domestic, regional and international travel. The improved connectivity will have knock-on effects on regional integration and trade on the continent and drive economic growth in Ghana.

Gabon Special Economic Zone, Gabon

AFC made a US$140 million equity investment in the Gabon Special Economic Zone (GSEZ) – a joint venture between Olam and the Republic of Gabon for the development of a portfolio of infrastructure development projects. The investment fulfilled one of the transport sector objectives of investing in "platform" companies that enable development of several projects via a single investment. The projects which include the development of special economic zones, a mineral port, general cargo port and other infrastructure projects have been designed to improve the logistics and transport infrastructure required to monetize mining and agricultural opportunities through export.

Conex Petroleum

AFC underwrote a US$16 million debt facility to Conex Petroleum Group for the rehabilitation of two fuel tanks for heavy fuel oil and the construction of four new tanks for the storage of Light Fuel Oil and related infrastructure. The project helped relieve the supply constraint following the destruction of the existing tank farms during the war in Liberia. The project increased Liberia's HFO storage capacity, which provides storage for the fuel supply needs of HFO power plants which generate cheaper electricity relative to the diesel fired power plants, thereby lowering the cost of doing business and the cost of accessing power for the 4.6 million people who live in Liberia.

Ethiopian Airlines

AFC co-financed Ethiopian Airlines' acquisition of five new Boeing aircraft in 2011, in line with its fleet modernization and expansion program. The fleet expansion helped expand Ethiopian Airlines' capacity on long haul routes to and from Africa, from its Addis Ababa hub. Ethiopian Airlines is currently one of the largest carriers on the continent in terms of fleet size, connections and passengers lifted. Its role as national carrier has also impacted positively on Ethiopia's tourism industry and overall economic growth.

AFC Transport sector business outlook

Going forward into the next decade, the transport sector intends to build upon the successes and lessons learnt in the last decade but also look to transform the development of the sector by focusing on the development of the following broad strategies:

- Develop and invest in integrated projects that provide multi-user transport and logistic infrastructure to facilitate investments in other complimentary sectors such as natural resources and power that will result in multiplicative development impact.
- Cooperation with project developers and engineering, procurement and construction (EPC) contractors to facilitate the project development of feasible and impactful projects past early stages and transform into successful investments in an efficient manner.
- Leverage existing portfolio to develop sectoral and/or country platform companies.
- Cooperation with governments to shape the process of project development at the strategic level.

HEAVY INDUSTRY

AFC's Heavy Industry sector is diverse and consists of four sub-verticals specifically Chemicals (refineries, petrochemicals, fertilizer and natural gas conversion), Building Materials (cement, float glass), Enterprise Industrial Inputs (bottling, pulp & paper) and Metals (steel, mineral beneficiation and waste metal processing). Given the complex nature of Industrial projects, the diversity in AFC's approach to the sector will ensure the continuous development of Africa's industrial and manufacturing sector.

As a continent endowed in natural and mineral resources, Africa has the capacity for sustainable growth in industrial output. However, Africa, excluding South Africa and some countries of the Maghreb region, needs greater industrial productivity, with the majority of its raw material and natural resources exported with little or no value addition. Africa continues to lag other regions of the world with regards to the contribution of the sector to GDP (manufacturing sector contributes a modest 11% of the continents GDP according to the AfDB 2017). The sector is also highly dependent on other critical sectors such as electricity supply to power industrial activities and transport infrastructure for the movement of raw materials and distribution of finished products. Consequently, deficits in these sectors adversely impact the development of the industrial sector.

Sustainable industrial development is associated with job creation, food security, innovation, technology and skill development, all of which form key requirements for eliminating poverty. Rarely has a country evolved from poor to rich without sustained transformation from an agrarian or resource-based economy towards an industrial or service based industry (UNIDO).

In recognition of the need to develop a sustainable industrial sector, AFC continues to fund investments on the continent through debt and principal investments. AFC has supported projects in crude refining, cement, ammonia/urea and phosphates in West Africa, East & Central Africa and South Africa. In Egypt, AFC recently partnered with Carbon Holdings, a petrochemical developer and operator to deliver an integrated large scale petrochemicals platform (polypropylene plant, mining grade ammonium nitrate plant and naphtha cracker) to take advantage of the country's geographically strategic location. AFC also won the mandate to provide a long term financing solution to Societe Ivorienne de Rafinnage in Cote d'Ivoire and has also obtained final approval for the financing of a modular refinery sponsored by an upstream oil and gas producer in Nigeria.

The focus in the coming years would be to support key sponsors to develop industrial projects, work in partnership with other financial institutions to facilitate mobilization of financing to fund industrial projects and target additional sectors with high-growth potential, such as agro-processing. The current pipeline of projects for 2018 include a naphtha cracker integrated petrochemical complex, a crude refinery project and a copper cathode project that could lead to approximately US$250 million in additional investment.

TELECOMMUNICATIONS

Telecommunications is critical for economic growth and development and in order to support the sector and drive productivity, AFC has developed an investment program for four sub-sectors in the telecommunication sector; Data/Broadband, Tower Companies, Terrestrial Fiber and Energy Efficiency.

In Africa, rapid GDP growth and improved economic conditions have led to unprecedented growth in the telecommunication sector. According to World Bank Data, Sub-Sharan Africa has experienced a 24% average annual growth rate in the number of mobile subscribers from 2005 to 2016, driven largely by the growth in demand for broadband and mobile banking. Telecom operators and internet service providers are ramping up their investment plans for digital infrastructure and services across Africa as the reach of service and demand continue to grow. On the infrastructure side, operators are investing in spectrum, as well as on strengthening their networks by migrating from 3G to 4G LTE-based services due to increased network traffic. Nevertheless, despite improved connectivity, low coverage beyond urban areas means the telecom industry is only encroaching on its full potential.

Hence growth in connectivity and penetration in many African countries will focus on rural and semi-urban areas to reach new customers. Mobile tower operators are investing heavily while submarine and terrestrial cable providers have been increasing the available backbone infrastructure. Until recently, access to broadband connectivity in many regions was limited to the use of fiber cables, however these investments could only be economically justified for connecting areas with high traffic and a high concentration of users. The emergence of low orbit geostationary satellites could lead to improved broadband connectivity in markets with low broad-band penetration including those in remote, isolated and underserved areas. Expanding connectivity and energy efficient equipment are predicted to be the main drivers of investment and deal activity in Sub Saharan Africa in 2018.

AFC has supported several companies in the telecom sector such as AFC's cornerstone investment in Main One which remains a major contribution to the revolution in undersea cables in Africa as well as the development of terrestrial fiber, data centers and value added services leveraging on the Main One platform. AFC has also financed I.H.S Towers, Africa's leading tower company in Africa and MTN Nigeria network upgrade.

The Corporation will continue to invest in the telecommunication sector with a key focus on connectivity, improvement in active infrastructure and energy efficiency equipment. AFC currently has a pipeline of over US$150 million for 2018 that will play a major role in supporting these key initiatives.

FINANCIAL SERVICES

FINANCIAL ADVISORY

At AFC, we provide strategic advice and expertise to institutional clients, in the execution of infrastructure greenfield and brownfield investments, mergers and acquisitions, restructurings and divestitures.

Our expertise is a direct result of experience earned from originating, reviewing, structuring, risk managing, entering and exiting infrastructure investments in nearly thirty African countries.

Financial Advisory Value Proposition

Successful infrastructure projects in Africa require critical expertise and strategic partnership to come to fruition, just as much as debt and equity financing. Important gaps in these areas exist on both the public and private sector sides of the partnership. The Financial Advisory department focuses on helping to bridge those gaps, so that capital can be safely unlocked into important projects. From constructing a new airport in Rwanda to a wholesale rehabilitation of the railway infrastructure in Nigeria; our team is providing the advice that governments, private developers and state-owned enterprises require to create sustainable long-term financing arrangements.

Recent Illustrative Assignments

AFC is able to offer the collective experience and strategic industry relationships held by its team, to a broader range of project sponsors in Africa. To this end, the Financial Advisory Team is tasked to work closely with colleagues in the Investments and Financial Services Divisions of the Corporation to deliver on agreed mandates and assignments. Our focus ranges from advice on capital raising, mergers, and acquisitions; to project development, divestments and public private partnerships.

Some flagship assignments being managed by the team provide a sense for the scope of our activities.

In West Africa, there is the multi-year engagement with the Central Bank of Nigeria (a critical AFC stakeholder) on seamlessly delivering a circa US$2 billion intervention for the power and aviation sectors in Nigeria, the Power and Aviation Intervention Fund (PAIF). PAIF (an initiative of the CBN) has been the major source of low-cost, local currency financing available for infrastructure financing by Nigerian banks over the last seven years. AFC's role as Technical Adviser (in addition to the original structuring of the Fund) is to ensure diligent utilization of the funds in line with set guidelines, effectively providing risk management services to the client. Capacity building services are also offered to the staff of partner institutions that are charged with the day-to-day implementation of the Fund. To-date, the PAIF has financed circa 1,375MW of power generation capacity, 57% of which are IPPs adding increased flexibility to the Nigerian national grid.

In East Africa, Rwanda is an important market for AFC. Our team has been advising a private sector consortium (working closely with nominated government agencies and enterprises) on the feasibility studies, project development, commercial structuring, financial modeling, and capital raising work for a new international airport to be located in the Bugasera district. The Bugasera Airport Company has successfully reached close on an interim financing arrangement that has allowed work to commence on the construction of the new Airport, pending final financial close on the long-term debt and equity capital for the project in 2018. Our work with Bugasera Airport Company follows closely on the successful financing by AFC of a 80MW peat-fired IPP in Rwanda the previous year, another transaction which benefited from significant Financial Advisory input from AFC.

In Djibouti (a fast-growing East African market serving as the primary port of Ethiopia), AFC has assumed a role as a general purpose financial adviser to the largest enterprise in the country, the Djibouti Port Free Zone Authority (DPFZA). Working closely with this important client, AFC identified an existing opportunity for a renewable energy (wind) IPP project at a resource rich location in Djibouti, to serve the increasing energy needs of the country. As a result, the Financial Advisory team is now working as joint advisers to an AFC-led consortium of international renewable energy developers and investors, focused on financing and constructing the 60MW Djibouti Wind Farm project.

Finally, in pan-African mergers and acquisitions, the Financial Advisory team has acted in partnership with and on behalf of the Investments Division in negotiating, structuring, implementing and closing the landmark merger of its electricity sector assets with those of another major investor, to form the new energy portfolio company Anergi, with more than 1700MW (gross) operational capacity across five countries in Africa. The new company will continue to benefit from advice and support from AFC, as it seeks to ramp up its capital raising activities, its operational capacity and its governance, with the ultimate objective of seeking a listing on an international exchange within the next few years.

The Journey over the last decade

PAIF – AFC Advisory acting as Technical Adviser to the CBN on the PAIF

Following the on-set of the global financial crisis in 2008 and the knock-on effects on the Nigerian financial services industry and the real economy, the Central Bank of Nigeria (CBN) in a bid to catalyze financing of the real sector and reduce the impact of the crisis on banks and their customers, created a N300Bn (US$2Bn in 2011) Power and Airline Intervention Fund in 2011. In its capacity as technical adviser, AFC Advisory has reviewed over 150 applications from power projects and aviation companies with a total funding request of over N700Bn. To-date, the AFC Advisory in its role as technical adviser has advised the CBN/ PAIF in (i) financing of 1,375MW, with 938MW of this being new capacity and (ii) providing refinancing and working capital for 10 airline companies.

Hakan-Quantum 80MW Peat-fired IPP (Mandated Lead Arranger Senior Debt)

Upon appointment of AFC as the mandated lead arranger for the senior debt tranche, AFC took the lead in driving the review of the various project agreements previously entered into by the sponsors and the Government of Rwanda authorities, in order to improve overall bankability and prospects for closing the deal. The transaction was a limited-recourse project finance deal to develop and finance an 80MW peat-fired power plant in Rwanda and brought together six development financing institutions, and used innovative sculpting structures to accommodate the differing requirements of the different institutions.

The power plant, when completed in 2020, is expected to increase installed power generation capacity in Rwanda by 40% and will utilize the country's significant peat reserves. Despite its status as one of Africa's fastest-growing economies, only 25% of Rwanda's population currently has access to reliable electricity. The move away from costly external imports of diesel to a more sustainable indigenous sources of energy such as peat will reap great rewards for Rwanda, not just in terms of the significant savings in foreign exchange hitherto used in importing diesel oil (accounting for 22% of generation fuel) for power generation and energy independence, but will also contribute to positive economic and social benefits by providing more cost effective power (reduction of 35-40% in average energy generation costs from the current US¢20/kWh) for businesses and industries, as well as more affordable power for the people. Construction commenced in Feb 2017 and the power plant is expected to be commissioned in 2020.

Financial Advisory is an important complementary service to AFC's core investments and financing mandate, and is a means of utilizing and monetizing valuable intellectual property held within the Corporation, without deploying scarce balance sheet resources. Financial Advisory will therefore remain key to our continued objective of achieving a developmental impact across Africa, while delivering superior returns on investment to our shareholders.

TREASURY AND FUNDING

The Corporation channeled its focus on funding in 2017 to the debt capital market by issuing a Eurobond and Medium-Term Notes as well as expanding its long-term lines of credit from other development finance institutions. The most significant highlight of the year was the issuance of the Corporation's second Eurobond in which US$500 million was raised for a tenor of 7 years. Following a successful roadshow during which meetings were held with investors across Asia, the UAE, the UK and the USA, the Corporation printed the benchmark size Eurobond in RegS/144A format at a yield-to-maturity of 4 per cent and a coupon of 3.875% per annum. The Corporation's second Eurobond issuance was very successful, and this transaction has significantly improved AFC's position as a major African multilateral bond issuer. With a decent track record from the Corporation's debut Eurobond in 2015 and its continuous investor engagement program, this bond issuance benefitted significantly from name familiarity with global fixed income investors. The Corporation took advantage of the high investor appetite for AFC's credit to extend the maturity profile of its bond issuance by tapping the market for a 7-year maturity compared with the 5-year maturity issued in 2015. By extending the tenor of its bond market funding, the Corporation's balance sheet and funding profile is positioned to better support the financing of longer tenor infrastructure assets.

In line with the Corporation's objective to diversify funding sources, during the year, AFC also explored many niche funding transactions. Specifically, we issued the Corporation's debut Sukuk private placement bond in the form of a 100% Murabaha structure based on NASDAQ Dubai certificates. The bond was issued following a roadshow held with various investors (mainly the major Islamic Banks) across the United Arab Emirates in 2016 and the bond was arranged by Emirates NBD Capital as the Global Coordinator. The US$150 million bond was oversubscribed and was the first sukuk bond issued by an African Supranational entity. This transaction has helped to create name familiarity for AFC with Islamic finance Investors and the Corporation expects this to serve as well in the future.

During 2017, the Corporation continued to use its GMTN programme to issue private placement notes to investors. Specifically, in May 2017, a maturing US$50 million Note was rolled over and during the year, three other Notes for US$10 million, US$45 million and US$50 million respectively were issued. The Corporation intends to continue using the GMTN Programme to opportunistically issue privately placed notes.

In the international loan market, the Corporation continued to actively engage our lenders and leverage our global banking relationships to support our funding efforts. We also continued to engage development finance institutions to seek longer-term and more concessionary types of funding. During the year, the Corporation successfully executed the facility agreement for the Corporation's longest dated borrowing to date - a EUR 100 million 20-Year Term Loan Facility from Agence Francaise De Developpment (AFD). This line of credit will be utilized for Climate Mitigation Finance Projects.

Finally, in the international loan market, the Corporation successfully executed a US$200 million three-year club loan in December 2017. The Mandated Lead Arrangers and Bookrunners on this transaction were The Bank of Tokyo-Mitsubishi UFJ, Ltd., First Abu Dhabi Bank PJSC, ICBC (London) Plc, First Rand Bank Limited, London (acting through its Rand Merchant Bank Division)

In general, 2017 was more conducive for borrowers and Issuers than anticipated at the beginning of the year. With global liquidity still at very high levels, emerging markets in general and Africa in particular, benefitted from significant capital inflows from investors seeking higher yields. Borrowing cost however ticked up during the year with the steady increase in benchmark rates and the Libor curve. Our balance sheet remains very healthy with good liquidity buffer to support our operations in the year ahead.

SYNDICATIONS

Given the significant infrastructure investment gap in Africa and AFC's mandate to play a meaningful role in this developmental agenda, the Syndications and Trade Finance unit has been set up to complement AFC's investments by mobilizing financing from foreign and domestic sources into private sector projects which have been structured and arranged by AFC in its key investment sectors as well as to foster economic growth and development by facilitating trade, on-lending and refinancing facilities to financial institutions in African countries.

In carrying out this role, we minimize headroom and capital constraints of AFC, and by operating as both an African focused multilateral financial institution and developmental institution, we leverage our strong credit rating and our preferred creditor status in our member countries to mobilize significant pools of liquidity for infrastructure development.

In 2017, AFC's Syndications was mandated to mobilize over US$1 billion for a number of transformational projects. Our syndications partners include commercial banks, institutional investors, developmental financial institutions, sovereign wealth funds, insurance companies among others. As part of strengthening our relationship with partners we signed the Master Corporation Agreement (MCA) with the International Finance Corporation (IFC) at the at the World Bank's Annual Meetings.

TRADE FINANCE

Over the years, trade finance has contributed positively to AFC's optimization of liquidity, income growth, assets creation, portfolio diversification, and perhaps more importantly facilitating trade and development within the continent. In this regard, AFC has committed/disbursed over US$700 million in trade financing on the continent.

For example, in 2011, AFC completed its first trade finance transaction by providing a US$100 million as part of a US$320 million crude oil import finance facility to Société Ivoirienne de Raffinage (SIR); the national refinery in Cote d'Ivoire. The facility provided liquidity to support SIR's trade cycle thus promoting energy sufficiency in the region. Similarly, in 2014, the Corporation was part of a syndicate of banks that provided US$1.4 billion to Glencore Energy UK to part finance a prepayment financing to Société des Hydrocarbures du Tchad (SHT Chad). SHT Chad is the national oil company of Chad charged with the responsibility of managing the country's hydrocarbon resources. The financing was pivotal in increasing SHT Chad's ownership stake in producing assets.

In a changing regulatory landscape wherein banks' ability to deploy capital is increasingly constrained, our Trade Finance program continues to play a counter cyclical role and serves as a catalyst to allow financial institutions and corporates to do more through various risk participation frameworks, thereby promoting Africa's trade and development. AFC's Trade Finance program covers short-term self-liquidating trade structures involving both financial institutions and Corporate entities. This year the Corporation signed a US$200 million Master Risk Participation Agreement (MRPA) with Standard Chartered Bank and a Funded Participation Agreement with commodity trader Cargill Inc.

Our Trade finance product suite include Funded and Unfunded Risk Participations, Bi-lateral trade lines, Pre-export and commodity trade finance, Guarantees and reimbursement undertakings which allows global banks to raise capacity limits to cover the payment risk of African financial institutions.

In 2017, AFC's Trade Finance assets accounted for 14% of AFC's total loan portfolio and contributed 11% of AFC's total interest income. Off-balance sheet commitments stood at US$21 million and contributed 2% of fee income.

PROJECT DEVELOPMENT

PROJECT DEVELOPMENT AT AFC
A MEMORABLE 10 YEARS

Project Development has morphed from being a necessary activity within the infrastructure space in Africa, to becoming an asset class over the last decade, with AFC playing a pivotal role. Very early in our existence as a development finance institution, we realized the importance of this asset class as a useful but necessary tool to sustain a credible pipeline of bankable projects, not only for the Corporation but for the market in general. Being armed with US$1 billion of liquidity at inception with a mandate to provide financing across the continent, and strenuously searching for projects to finance was an irony, given the infrastructure gap on the continent. With this in mind, AFC set forth on a path to establishing Project Development as one of its core products, offering both financial and technical advice as well as funding to early stage projects that had passed the feasibility and viability test.

The Project Development journey so far has been remarkable. Not only has it helped to establish AFC as one of the leading developers on the continent, but it has provided an opportunity to develop a large pool of talent within the Corporation and developed enduring partnerships with several institutions. Early projects included Olokola Sea Port and the Port Harcourt Ring Road.

AFC had its first success with the Cabeolica project as a late entrant in the development of the 26MW project in Cape Verde, alongside Infraco, Eleqtra and Finfund, as the lead developers. The second was the development of the Cenpower project, a 350MW tri-fuel combined cycle thermal plant in Ghana, which is due for commissioning in 2018.

In between the execution of these two projects, a joint project development facility with the Dutch Development Bank, FMO was launched, and paved the way for further development of projects across sectors. Under the project development facility, we are developing the Singrobo project in Côte d'Ivoire, a 44MW hydro power project, with a 60MW windfarm considered.

Beyond the Project Development Facility, AFC has provided Project Development services to several projects. For example, a project development loan was granted to Lonhro for the development of an oil and gas services terminal in Ghana (which was later cancelled by the sponsor). AFC also provided early stage project development funding to the Akira geothermal project in Kenya. The Corporation provided project development as well as advisory services which later culminated into a debt financing opportunity on the Hakan project, an 80MW peat-fired project in Rwanda. AFC continues to develop two 450MW projects under the West Africa Power Pool (WAPP) mandate as well as the Ncondezi project in Mozambique.

Undeniably, AFC's most important and significant initiative in the Project Development space on the Continent, is the formation of the Africa Infrastructure Development Association (AfIDA), an association of project developers and development stakeholders in Africa. The objective of AfIDA is to enhance the vibrancy of project development activities in infrastructure, with a view to ensuring that more projects become available for financing and investment, by creating a platform that will foster continuous dialogue amongst members, develop market norms and industry benchmarks, conduct independent research and serve as a policy advocacy forum for the industry with a view to ensuring more projects on the continent achieve bankability. AfIDA also creates an avenue to share experiences and lessons learnt amongst its members. The pioneer institutions are: AFC, FMO, Trinity, Themis, Eleqtra, Infraco, DEG (the German Development Bank), IFC Infraventures, Climate Investor One, BioTherm Energy and Africa Infrastructure Investment Managers.

The project development journey in Africa, is a tedious, lonely and treacherous path that requires commitment, disciple and capital. The complexities of the various markets, and the learning curve to be experienced by the various agencies of government crippled by the lack of capacity makes the optimal allocation and mitigation of the real and perceived risk in a project; which is what project development is all about, both an art and a science. While AFC may not have all the answers, with our partners, our experiences over the years, the Corporation remains committed to developing this asset class even further.

COUNTRY & INVESTOR RELATIONS

One of AFC's unique features as a multilateral organization is its delineation between membership and shareholding structure. Whilst the Corporation allows for private-sector ownership, only Sovereign States can be both members and shareholders. As an International Financial Institution, membership of AFC by countries is important in adhering to its multilateral status.

Membership of AFC is open to African States, generally through their respective Central Banks, Sovereign Wealth Funds, State Pension Funds, or similar institutions; regional and sub – regional development financial institutions, private and public sector institutional shareholders (private banks, insurance companies, pension funds, and other corporations).

AFC's Country Membership increased from 14 in 2016 to 17 in 2017. The Corporation's newest Member States were the Republics of Benin, Kenya and Zambia.

The strength of the Corporation is drawn from its membership. Country membership of AFC is beneficial for the development and delivery of infrastructure projects within and across Africa. Countries upon accession to membership grant the Corporation preferred creditor status. Consequently, the need for Political Risk Insurance (PRI) to cover country risk on project loans becomes redundant. Given PRI is usually an additional project cost, country membership improves the average cost of financing of projects and consequently the bankability of projects in member countries.

As a hybrid International Financial Institution, investments in the equity of AFC can be made by countries through their Central Banks or Sovereign Wealth Funds, as well as by international organizations and private sector corporations. In 2017, the Board of Directors, at the request of the Government of Ghana, approved the conversion of US$10 million deposit for shares by the Republic of Ghana in 2015 for an equity stake in AFC. This makes Ghana the second Member State, after the Host Country Nigeria, to subscribe to the share capital of AFC. In addition, the Government of Ghana committed to completing its subscription by investing the balance of US$40 million in the Corporation in 2018. Also, in 2017, the Central Bank of Guinea informed the Corporation of its in-principle commitment to invest US$1 million in the Corporation.

In 2017, the Africa Reinsurance Corporation (AfricaRe) expressed its interest in investing US$2 million in AFC. In December 2017, the AFC Board of Directors approved the issuance of shares to AfricaRe AfricaRe therefore became the first multilateral institution to accede to the membership of AFC, as well as invest in the Corporation.

The Continent's only triple A rated International Financial Institution in Africa, African Development Bank (AfDB) also expressed an interest to invest in the Corporation. It is anticipated that an investment by AfDB will attract other similar interests across the continent.

In 2017, the Corporation, together with a reputable European Development Financial Institution developed a Sovereign Financial Assistance Program (SFAP) to assist AFC Member States and prospective Member States to part- finance their acquisition of shares in the Corporation. Under the SFAP, selected existing (and prospective) Member States will be able to borrow (soft loans) to part-finance their subscription for AFC Shares. The facility is designed to be repaid over an agreed time frame, primarily through the retention of dividends and distributions to shareholders.

Investing in the equity of AFC has benefits for the investor, the Corporation, and project countries. Since inception, the Corporation has been profitable. About 50% of its net comprehensive income is distributed to shareholders by way of dividends. In addition to this, shareholders benefit from capital appreciation over time. From the Corporation's view point, investments from countries, corporations, and institutions diversify and strengthens its shareholder base, an important factor in maintaining and improving its investment-grade credit rating. High ratings translate to lower funding cost of its debt products. This positively translates to lower cost of debt for infrastructure projects and consequently improves bankability of projects across most African countries.

AFC's impact on the development, financing, and delivery of infrastructure projects over the past 10 years span economic, social, and organizational benefits. For example, in the power sector, AFC interventions have markedly improved availability and accessibility to electricity in the various power project countries. Availability of stable power supply has a multiplying effect on economic activities as well as measurable social impact. An example of this is the Cape Verde 26MW wind powered power plant which now provides stable power supply to about 30% of the population of the country. In the telecommunications sector, the ground-breaking Main-One cable, on inception and to date has contributed to lower costs of broadband services in West/Central Africa and enabled more than ten (10) million additional users easy access to ICT services across these regions. In the transport sector, AFC interventions have helped improve the transport and logistics systems in specific countries and regions of Africa. An example of this is the transformational Henry-Konan-Bedie bridge in Cote d'Ivoire. The bridge, a toll bridge, has tremendously improved travel times between the main city of Abidjan and adjoining areas, thereby helping to minimize congestion on existing bridges and adjoining road network.

Looking forward, AFC will continue to develop and deliver critical and game changing infrastructure projects across Africa. The institution will continue to bring innovations into the development, financing, and delivery of infrastructure projects and programs across Africa. The value of AFC lies in its innovations, speed of delivery, and operating structure.

A LEGACY OF CREATING SUSTAINABLE VALUE FOR AFRICA

WHAT IS SUSTAINABILITY?

The World Bank describes sustainability as a three-pillared concept (centred on economic growth, environmental stewardship and social inclusion), which recognizes that growth must be both inclusive and environmentally sound, to reduce poverty and build shared prosperity for today's population and to continue to meet the needs of future generations.

Practically, sustainability entails the acknowledgement, identification and mitigation of environmental, social, safety, health and security risks in and around company and project activities.

WHAT DOES SUSTAINABILITY MEAN AT THE AFRICA FINANCE CORPORATION?

It means the whole of Africa to us. We take our responsibility and committment to building Africa's infrastructure seriously. Africa's future can only be safeguarded through the development of infrastructure that does not threaten surrounding communities and the natural environment, whilst promoting economic growth and improving the quality of life of the African people. At AFC, we are poised to take on this challenge, by striving to achieve sustainability through careful and proactive environmental and social risk management.

"

General Counsel & Chief Operating Officer
From a broad point of view, all the three pillars of sustainability (financial, environmental and social) are intertwined and are critical to ensuring the success of the projects AFC finances. We believe that all pillars are essential and that we cannot achieve long-term financial sustainability, without addressing both social and environmental issues. Our failure to sufficiently address one pillar can jeopardize the sustainability of any one of our projects.

Chief Investment Officer
To us, a sustainable project is one with enduring benefits from multiple perspectives; the achievement of developmental impact, financial returns, the potential for replication and an enhancement of quality of life. There are no trade-offs and there can be no preferential selection with the achievement of sustainability; a good project must yield financial, environmental, social and quality of life benefits. Only then will we have achieved the comprehensive wholeness that we seek.

Environmental & Social Risk Officer
Our goals at AFC are centered around providing financing solutions for infrastructure that can stand the test of time and sustainability . To achieve this, we continually strive to ensure that we identify and reduce environmental and social risks associated with our transactions. We believe it's the only way to achieve true sustainability."

"

Senior Vice President, Trade Finance and Syndications
Sustainability, or in other words, the ability to achieve the twin goals of sustained economic and developmental growth, is key to our business model at AFC. We recognize the impact of environmental and social issues on political and economic stability, as well as our responsibility in aligning our development agenda with sustainable development goals."

Associate, Investments
"To us at AFC, sustainability is a paradigm shift towards achieving and maintaining a balance between economic efficiency and societal cohesion. The sustainability concept is woven into the fabric of our business, strengthening our position as the partner of choice in infrastructure financing and catalyzing responsible development of the African state."

Vice President, Investments
"We would have achieved an important aspect of sustainability, when society's members have gained access to the infrastructure required to enable them find or create employment, reap the fruits of their labour and achieve personal satisfaction".

Chief Risk Officer
"At AFC, we believe that sustainability means making a financial, social and environmental return on an investment."

Director, Legal
"Here at AFC, we recognize the need to provide the conscious support and enhancement needed to cultivate God-given world resources in a manner that does not impinge on the ability of future generations to enjoy such resources."

Senior Associate, Internal Audit
Sustainability is key at AFC. It is embedded into the Corporation's investment process, from pre to post investment, through the use of various environmental and social risk management tools."

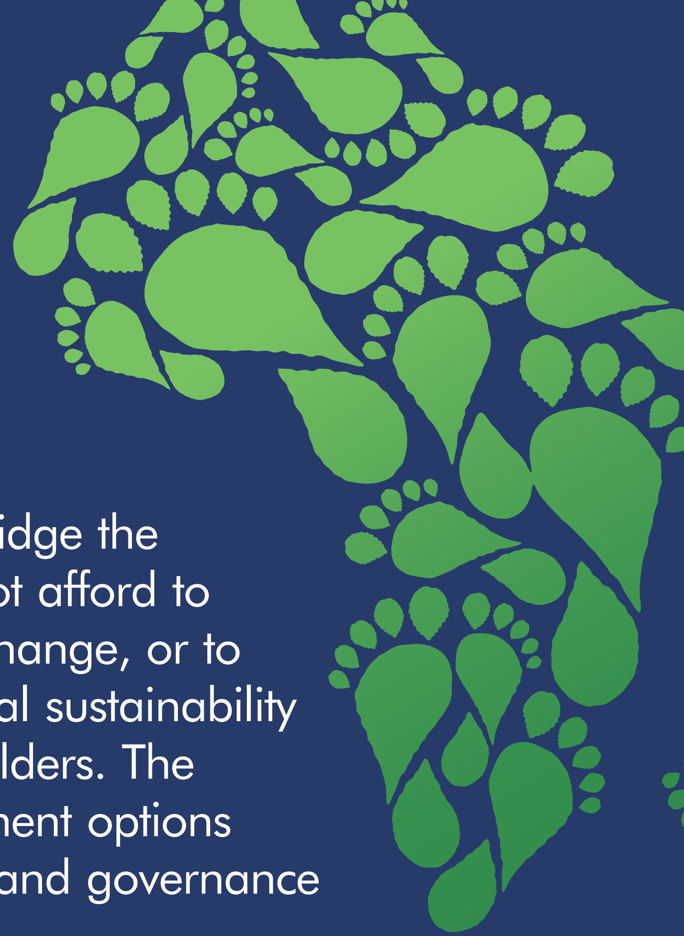
Associate Vice President, Project Development
"Africans are the amongst the least economically empowered and most vulnerable to the effects of climate change. We believe that there should be no distinction or trade-off between making a positive development impact and getting an investment return in infrastructure financing."

Associate Vice President, Credit Risk Management
"AFC was created to be a catalyst for infrastructure development across Africa. We will continue to build on our core principles, by constantly pursuing a pioneer position in sustainable infrastructure financing, by promoting innovation, longevity and resilience when deploying capital."

Director, Investment
More than ever, at AFC, we see a need to align the businesses we invest in with the requirements of the environment in which they operate. We are convinced that a failure to do so will result in disharmony and eventual business disruption and we see sustainability as a key driver for project success. It is clear to us that environmental and social sustainability underpin the financial viability of all our projects."

Vice President, Investments
"At AFC, we have the all-important opportunity of positively influencing the sustainability of projects we finance, by taking long-term impacts into account. Our quest is to attain project success, not through mere financial gain, but by achieving long-term economic benefit for all."

Senior Associate, Investments
"For an organization like AFC, that invests in such a critical societal aspect, sustainability means not just responsible investing, but facilitating the development of infrastructure that has minimal negative environmental and societal impacts and that will stand the test of time. We want infrastructure that will benefit not just the 'now and today' of those who use it, but future users as well."



RESPONSIBLE INVESTING AT AFC

Africa, in its quest for solutions to bridge the Continent's infrastructure gap, cannot afford to increase its vulnerability to climate change, or to compromise continued environmental sustainability and the well-being of social stakeholders. The importance of financing and investment options that integrate environmental, social and governance criteria cannot be over-emphasized.

"The legacy that AFC leaves is not only the physical structures of roads, power and manufacturing plants, oil and gas processing facilities; but also the human capacity it develops, the socio-economic change it has driven, the communities it has enriched, the economies it has contributed to, the partnerships, the footprints it has made across the Continent and, above all, the 'social' dividend it has given back to civil society across this Continent we call Africa.

In recent decades, the global sustainability discourse has become increasingly topical, not the least because of its sheer relevance to society's ability to support continued development that is beneficial to all.

The concept of sustainability has also taken on an ever-increasing significance at AFC and has evolved to mean our proactive management of environmental, social, health, safety and security risks in all transactions in the Corporation. The quest for sustainability repeatedly challenges AFC to ensure that these risks are adequately recognized, quantified and embedded into our overall transaction risk management process.

To be truly successful in achieving our goal of providing Africa with creative financing solutions, we are also committed to financing infrastructure that is built to last or in other words, sustainable."

Andrew Alli,
President & Chief Executive Officer
Africa Finance Corporation

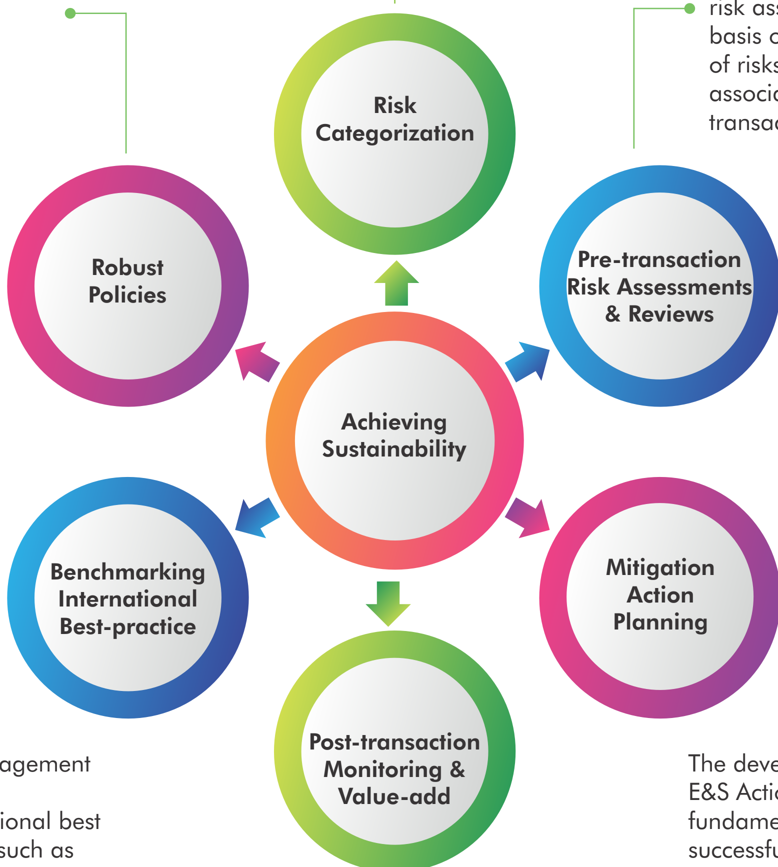
CREATING SUSTAINABLE VALUE

At AFC, we believe that achieving sustainability begins with having an effective and purposefully designed environmental and social risk management process. AFC's environmental and social risk management process contains the following elements:

Our E&S risk management is based on a comprehensive set of policies and procedures, developed to ensure early identification of significant E&S risks and issues.

Using a specially developed tool, every transaction is allocated an E&S category, depending on its tenor and the inherent nature of project or company operations

E&S risks can only be properly identified through the conduct of general and context-specific assessment studies. E&S risk assessments form the basis of our understanding of risks and issues associated with each transaction



AFC’s E&S risk management approach is built on recognized international best practice standards, such as the International Finance Corporation Performance Standards and the World Bank Environmental, Health and Safety Guidelines

Where feasible, AFC works directly with Clients/Sponsors to monitor the implementation of various E&S mitigation action plans. There are also often opportunities to add value to Clients/Sponsors E&S risk management efforts, through training and knowledge/skills transfer

The development of detailed E&S Action Plans (ESAPs) is fundamental to the successful implementation of mitigation actions, necessary to reduce significant E&S risks. AFC works with Clients and Sponsors to develop fit-for-purpose ESAPs, with clearly allocated responsibilities and implementation timelines

OUR TRACK RECORD

For the past decade, AFC has created a consistent track record of delivering sustainable value across Africa, by financing developmental projects and operations which extend across the Continent.

Ranging from hydropower and wind projects in Nigeria and Cape Verde; oil and gas production and storage operations in Liberia, Gabon, Tunisia and Congo; thermal, combined gas and peat power projects in Ghana, Mozambique and Rwanda; cement and petrochemical manufacturing operations in Kenya and Egypt; toll roads and bridge projects in South Africa and Cote d'Ivoire, to a bauxite ore mining project in Guinea-Conakry, AFC-funded developmental activities have added immense economic, environmental and social value, by creating fiscal growth, increased trade, business expansion, employment opportunities, community benefits and environmental conservation opportunities.

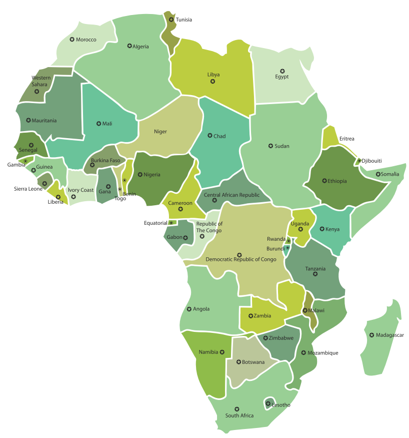
On the next few pages, we showcase the developmental value AFC has created, through a cross sectional analysis of five projects in AFC's portfolio – Alufer Mining, Guinea-Conakry; Cabeolica Wind Farms, Cape Verde; Kpone Independent Power Plant (Cenpower), Ghana; Henri Konan Bedie Bridge, Cote d'Ivoire, and; Main One Cable Company, Nigeria.

70%

AFC has access to E&S assessment reports in over 70% of its High and Medium E&S risk transactions

100%

All AFC's transactions have been assessed and formally allocated an E&S Risk Category



100%

Operations for all AFC's transactions either have a full E&S Management System in place or are in the process of developing one

Aiteo Exploration & Production, Nigeria
Alufer Mining, Guinea-Conakry
ARM Cement, Kenya
Assala Energy, Gabon
Bakwena Toll Road, South Africa
Bonny Gas Transport, Nigeria
Bosveld Phosphates, South Africa
Cabeolica Wind Farm, Cape Verde
Capital Alliance Property Investment Company, Nigeria & Ghana
Carbon Holdings, Egypt
Cenpower (Kpone IPP), Ghana
Conex Petroleum Group, Liberia
Depthwize-Megadrill, Nigeria
Egyptian General Petroleum Company, Egypt
Eroton Exploration and Production, Nigeria
Ethiopian Airlines, Ehiopia
Gabon Special Economic Zone, Gabon
Ghana Airport Company, Ghana
Glencore Energy, Various
Hakan Power, Rwanda
Henri Konan Bedie Bridge, Cote d'Ivoire
Kenya Power and Lighting Company, Kenya
Maamba Collieries, Zambia
Mainstream Energy (Kainji Dam), Nigeria
Main One Cable Company, Nigeria
Neconde Exploration and Production, Nigeria
New Age, Various Countries
Ncondezi Energy, Mozambique
Notore Chemicals, Nigeria
PPC Barnet, DRC
Seven Energy, Nigeria
Shalina Resources, DRC
Singrobo-Ahouaty Hydropower, Cote d'Ivoire
Societe Nationale des Petroles du Congo (SNPC), Republic of Congo
TOPIC SA, Tunisia
Transcorp Ughelli Power, Nigeria
Vigeo Holdings, Nigeria
Volta River Authority, Ghana
WEMPCO, Nigeria

ALUFER MINING
RESPONSIBLE MINING AT WORK

2,587,022
Man hours worked (as at December 2017)

83%
Local Workforce

80
No. of women employed in mine construction

250+
No. of community members who received free HIV training and testing during an HIV awareness day organized by Alufer, in conjunction with the Guinea Chamber of Mines)

Over 1100+
No. of seedlings planted in Alufer rehabilitation nurseries.

0
Lost Time Injury*

AFC is proud of its integral involvement in the $205 million Alufer Bauxite Mining Project in Guinea-Conakry, one of the largest foreign investments in the country. Alufer's Bel Air and Labe Projects alone have declared over 3 billion tonnes of bauxite ore. Since inception, Alufer has operated a robust environmental and social management system (ESMS) geared at the proactive identification and mitigation of the environmental, social, health, safety and security risks of its operations. Since construction of its Bel Air project began in early 2017 in the Boffa Region of Western Guinea, Alufer has actively implemented its ESMS, with extremely positive results.

*A work injury which results in death or inability to work for at least one full day/shift, after the day/shift in which the injury occurred)

What Makes Alufer's ESMS Successful?

Early Risk Assessment and Mitigation Planning – AFC has worked with its investment and equity partners to ensure the embedding of proactive E&S risk management in Alufer's operations. Several pre-transaction E&S risk assessment studies were conducted for the project, to properly identify risks and develop effective mitigation plans.

Commitment to E&S Risk management – Alufer's Bel Air project has a detailed Environmental and Social Action Plan (ESAP) and a Public Commitments Register, detailing specific, measurable and time-bound actions to be taken to mitigate E&S risks during all phases of the Project.

A Stellar Team – Alufer has a highly skilled E&S risk management team, based on the project site in Guinea. The team is made up of local and international experts skilled in safety, environment, health, security and community risk management.

Concerted Biodiversity Management Efforts – Alufer has benefited from the early pre-transaction E&S risk assessments conducted for the Bel Air project. The project is currently implementing a biodiversity management program including biodiversity action planning and primate and turtle monitoring. The Bel Air project also implements a community-focused seed/cutting collection and cultivation rehabilitation progam, to support plant colonies needed by primate species in the surrounding forests.

Environmental Monitoring – The Bel Air project runs a rigorous air quality, water and dust monitoring program throughout all project phases of the mine.

Tireless Local Employment - Alufer operates a local recruitment process aimed at maximizing recruitment of candidates originating from villages in the project impact zone. As at December 2017, 1236 workers out of Bel Air's total workforce of 1485 were Guinean Nationals, with 50% of workers being from the local communities.

Proactive Community Engagement & Responsible Citizenship - After only one year of construction, Alufer Mining has been engaged in several voluntary development projects in surrounding communities. These include a local food cropping project with a

local cooperative, involving the development of chilli, eggplant and cassava nursery crop. Crop harvests are either bought back by Alufer, for use in its catering facilities, or sold on to nearby villages; construction of structures/facilities, including school classrooms and a TV block; and health and safety awareness for local communities.

CABEOLICA
LEAVING AN ENVIRONMENTAL LEGACY

In 2009, AFC made an equity investment in Cabeolica S.A., for the financing, construction and operation of 4 (four) wind farms on the Cape Verde islands of Santiago, Sao Vicente, Sal and Boa Vista. By 2013, all 4 wind farms were fully operational, and Cabeolica has since successfully generated wind-powered electricity for Cape Verde, accounting for an average of 22% of the country's energy demands. Cabeolica has played a significant part in implementing Cape Verde's national policy of reducing the country's dependence on fossil fuels, with the wind farms being Cape Verde's single highest contributor to the reduction of greenhouse gas emissions.

Since inception, Cabeolica has invested in proactive environmental preservation, through a biodiversity conservation programme, which includes monitoring of bird and gecko species, visual data collection for avifauna, a bird nest protection initiative and an immensely popular biodiversity awareness program in schools. Cabeolica is also internationally recognized for its sound environmental practices and contributions to sustainability, winning the Cape Verde Green Project Award, the Best Renewable Project in Africa Award and the prestigious Ashden Award.

375,000MWh Total energy supplied to the electricity grid in Cape Verde	**15 million** No of litres of fuel that Cape Verde avoided importing	**260,000** Tons of CO2 avoided since full operation of wind farms	**1st** Company in Cape Verde to register within the scope of the UNFCCC Clean Development Mechanism
100% Local Workforce	**50** No of stable jobs created	**20%** Percentage of females in total workforce	**1st** Major wind power project developed in the African ECOWAS region

CENPOWER

TRANSFORMATIONAL POWER FROM THE KPONE PLANT

6, 919, 494

Total No. of Project Man Hours Worked (as at December 2017)

US$500,000

Amount spent on local community health, education, transportation, energy and water projects.

350MW

Amount of power to be generated annually by KIPP

AFC is both investor and lender to Cenpower's Kpone Independent Power Plant (KIPP), a 350MW Combined Cycle Gas Turbine thermal power generating plant located in Kpone in the Great Accra region of Ghana. When complete, KIPP will operate on a tri-fuel mix and will use natural gas as its dominant source of fuel, thereby significantly reducing the net negative environmental impact of the plant's operations.

1550

No. of persons employed at peak plant construction

90%

Average percentage of local workforce

27

No. of communities in the Kpone-Kalamanso district

The KIPP plant operates a world-class environmental and social management system (ESMS) including but not limited to: purposely developed health, safety and environment (HSE) policies and procedures; dedicated skilled HSE staff; constant workforce HSE training and awareness; rigorous monitoring programs for air quality, dust, noise, water and particulate matter; a waste management program; a biodiversity monitoring program, and proactive internal and external system auditing.

KIPP's also operates a world-class social management system targeted at its diverse range of stakeholders. KIPP's workforce is made up of a dynamic combination of men and women from both local and international origins. Approximately 90% of KIPP's workforce is Ghanaian and 50% are from the neighboring areas of Kpone and Tema. After completion of construction, the power plant will provide further local employment, training opportunities and technology/skills transfer during its operational and maintenance phases.

KIPP has an excellent community engagement program and has initiated numerous projects for the benefit of surrounding communities. The Plant actively supports local production, with 40% of light goods used during the construction phase being sourced locally.

HENRI KONAN BEDIE BRIDGE
CONNECTING ABIDJAN

The HKB Bridge has achieved the widely acknowledged effect of **Travel Time Reduction**

99.7%

Of customers say they use the HKB Bridge to SAVE TIME*

The Bridge brings about a **Positive Environmental Impact** through Reduced Traffic and Reduced Carbon Dioxide Emissions

Accountant & Commuter
"By using the Bridge, I save on the cost of fuel"

Taxi Driver
"My average journey time is reduced"

Small Business Owner & Commuter
"The Bridge offers a short cut and a journey of 1 hour reduces to 15 minutes"

HKB Bridge Staff & Commuter
"I can get home faster and spend more time with my family"




*Source – 2017 Henri Konan Bedie Bridge Customer Survey


78.2%
Of customers use the HKB Bridge for WORK-RELATED tasks (62.8% go grocery shopping)*
The Bridge offers **Increased Security** to Users, through dedicated security patrols and constant illumination
From construction to operation, the HKB Bridge has resulted in **Job Creation** for numerous skilled and unskilled employees
Domestic Worker & Cyclist "The footpath on the bridge is a great thing"
Motorcycle Rider "The Bridge has reduced congestion in the city"
Student & Pedestrian "Instead of using a canoe, we use the Bridge"
Teacher & Pedestrian "We use the bridge for exercising"

MAIN ONE

A POWER USE STRATEGY THAT BENEFITS THE ENVIRONMENT

4.9 Million

No. of litres of diesel saved annually (Based on average 80% use of 1450KVA and 1250KVA diesel generators)

15,575

Approx. no. of litres of engine oil saved annually

98%

Reduction in the use of diesel generated power

5400KVA

Amount of Diesel Generation Capacity potentially saved daily

318MW

Total power used annually by Main One's Data Centre

94%

Percentage of the Nigerian population exposed to air pollution levels that exceed WHO guidelines, compared to 72% on average in Sub-Saharan Africa. Air pollution damage costs an average of 1% of Gross National Income annually. **Source:** Little Green Data Book 2015

In 2009, AFC made a leading equity investment in the USD240 million African-led Main One Submarine Optical Fibre Cable System project. The Main One Cable System provides telecommunications capacity, through an undersea fibre optic cable system, linking countries on the Western coast of Africa to Europe.

Main One's MDXI Data Centre, located in the Lekki-Ajah area of Lagos State, Nigeria, is connected to the Nigerian national grid, through a dedicated 330/33KV, 100MVA transformer. The Centre also has 4 (four) back-up generators, with a total power generating capacity of 5400KVA. Main One's forward-looking investment in a direct national grid connection provides regular grid-power, reducing the need for diesel-generated power by up to 100%. This significant offset produces environmental benefits, through the reduction of harmful carbon dioxide gas emissions into the atmosphere.

How carbon dioxide emissions affect the environment

Carbon dioxide gas is essential to life. The gas is present in a naturally occurring balance between plants, animal life and the atmosphere, called the Carbon Cycle. Excessive release of carbon dioxide gas into the atmosphere, through the burning of fossil fuels such as diesel, traps the Sun's energy and raises atmospheric temperatures, contributing to global warming and the phenomenon known as the 'Greenhouse Effect'.

THE SUSTAINABILITY IMPERATIVE
GLOBAL AND LOCAL PERSPECTIVES

What Does the Future Hold?

Africa faces the challenge of responding in a proactive and creative way to the global sustainability challenges in the world today.

The Global Challenge

The discourse on sustainability has achieved international relevance and must continue to be approached as a global challenge.

A Global World

Africa's Response

Africa, as an important global player, must take its place in the worldwide search for solutions to the global sustainability challenge.

Global society has, over the past several decades, become increasingly informed, knowledgeable and therefore more risk-averse. This has been evidenced by the rapid evolution of the sustainability discourse in the past three decades. As such the thresholds for acceptance of poor sustainability practices have progressively reduced.

A Changing Society

As African society also becomes more enlightened, it becomes more risk-averse. Africa's changing society will likewise increasingly demand improved sustainability standards from the companies and projects operating its communities.

The global natural environment is threatened by several environmental and social phenomena, including climate change, ozone layer depletion, (air, water, ground and noise) pollution, desertification, biodiversity loss, population increase and urbanization. The number of globally-coordinated efforts to address sustainability problems will increase.

A Threatened Environment

Africa must 'answer the call' and fully align itself with global targets for reducing greenhouse gas emissions and improving its sustainability practices in general.

Minimum sustainability standards can only be achieved through the effective implementation of environmental, social, safety, health and security regulatory frameworks. There is a continued global challenge of achieving common environmental goals in a world with different societies and a wide range of environmental characteristics.

Regulatory Frameworks

Africa must face the challenge of adapting or developing purpose-built sustainability and reporting standards that fully reflect the cultural norms and realities of the Continent. Sustainability frameworks can be developed along regional and international lines within the Continent.

What Does the Future Hold?

The Global Challenge

There is a global need for a greater number and type of financing solutions, designed to meet the long-term requirements of infrastructure development.

More Innovative Financing Solutions

Africa's Response

Africa faces a similar need for developmental financing solutions that will not compromise its natural environment or its society. It must respond to this need by evolving a range of innovative long-term financing solutions that can enable the development of needed infrastructure. An increasing ratio of this funding, if competitive, can be sourced from the private sector.

Green Bonds: The recent meteor-like growth in green bonds will not exclude Africa. Indeed, the Continent could evolve its own index dedicated for trading in environment-focused financing products.

Climate Finance: The Continent will benefit from an increase in financing solutions specifically tailored to the meet Continent's pressing needs for climate adaptation and mitigation.

Pensions Funds: Africa's growing pension pool of funds will be increasingly (and advantageously) targeted at long-term developmental financing projects, which can guarantee a safe return on investment.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

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

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

Approval of Annual Financial Statements

The annual financial statements, presented on pages 89-160, were approved by the board of directors on 23 March 2018 and were signed on its behalf by:

Chairman

President & CEO

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE
TO THE BOARD OF DIRECTORS AND GENERAL MEETING OF THE AFRICA FINANCE CORPORATION

In compliance with the provisions of Article 28 of the Charter of the Africa Finance Corporation and pursuant to the terms of the Audit and Compliance Committee (the "Committee") statute concerning the establishment, membership, functions and powers of the Audit Committee of the Africa Finance Corporation, the Committee considered the audited financial statements for the year ended 31 December 2017, at its meeting held on 16 February 2018.

In our opinion, the scope and planning of the audit for the year ended 31 December 2017 were adequate.

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

After due consideration, the Committee accepted the report of the auditors to the effect that the financial statements were prepared in accordance with the International Financial Reporting Standards and gave a true and fair view of the state of affairs of the Corporation's financial condition as at 31 December 2017.

The Committee, therefore, recommended that the audited financial statements of the Corporation for the financial year ended 31 December 2017 and the auditor's report thereon be approved by the Board and presented for consideration by shareholders at the general meeting.

The Committee accepted the provision made in the financial statements for the remuneration of the auditors and recommended that the Board accept same. The Auditors, Messrs PricewaterhouseCoopers, have indicated that they are not seeking reappointment as auditors in line the Corporation's mandatory auditor rotation policy which was approved by the Board.

Tunde Lemo, OFR
Chairman
Audit & Compliance Committee

Members of the Committee
Mr. Ahmad Abdullahi
Mr. Charles Kie
Mr. Ebenezer Onyeagwu
Mr. Robert Tung
Mr. Victor Osadolor

Independent auditor's report

To the Members of Africa Finance Corporation

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Africa Finance Corporation ("the corporation") as at 31 December 2017, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

What we have audited

Africa Finance Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 Financial Statements* section of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

PricewaterhouseCooper Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria.

Key audit matter	How our audit addressed the key audit matter
Loan loss impairment	
See notes 2 (significant accounting policies), 4 (critical accounting estimates and judgments) and 18 (notes to the consolidated financial statements) respectively of the consolidated financial statement. Impairment is a subjective area due to the level of judgment applied by management in determining whether a loan is considered impaired. A collective provision is made, with the use of impairment models. Judgment is applied to determine the appropriate model parameters and assumptions used to calculate the impairment, particularly as the Corporation has limited history of default in its loan portfolio. The areas of judgment include the determination of probability of default (PD) and loss given default (LGD).	We understood and evaluated the design and operating effectiveness of the controls over loan loss reserves assessment across the Corporation. We tested all customer facilities by performing detailed reviews of customer files and account statements, assessing whether changes or events have occurred within the customers' business operations, its industry or operating economy that may affect the performance and classification of the facilities. For the collective provision, which reflects losses incurred but not yet identified, we tested the completeness and accuracy of the underlying loan information used in the impairment model by agreeing details to the Corporation's source systems as well as reperforming the calculation of the modelled provision. We assessed the reasonableness of key modelling assumptions and parameters such as probability of default and loss given default which were based on historical information from Fitch and Moody's respectively. We challenged whether the historical experience was representative of current circumstances. Where changes had been made in model parameters and assumptions, we understood the reasons why changes has taken place and used our industry knowledge and experience to evaluate the appropriateness of such change.
Fair value of financial instruments (derivative instruments, investments in unquoted equity, corporate debts, hybrid instruments and borrowings measured at fair value)	
See notes 2 (significant accounting policies), 4 (critical accounting estimate and judgements), 17, 19, 20 and 27 (notes to the financial statements) respectively of the consolidated financial statement. The Corporation holds various financial instruments which are measured at fair value. These are derivative instruments, investments in unquoted equity, corporate debts, hybrid instruments and borrowings measured at fair value. The unquoted equity investments are classified as financial assets at fair value through profit or loss and investments securities – available for sale. The corporate debts are classified as investment securities – available for sale. The derivatives are classified as derivative financial instruments (assets and liabilities) and a borrowing is classified as fair value through profit or loss.	We understood and evaluated the valuation methodology applied, by reference to industry practice, and tested the techniques used, by management in determining the fair value of financial instruments. The testing included: • reviewing the reasonableness of management's assumptions and the appropriateness of the valuation methodologies adopted; • checking the consistency of the assumptions and methodologies with prior period; • confirming the source and testing the accuracy of the key valuation inputs which include cash flow forecasts, terminal growth rate, discount rate, risk free rate and foreign exchange forward prices; by agreeing inputs to underlying data, and other source data relating to the investee entities such as financial statements, budgets and publicly available information; and

Key audit matter	How our audit addressed the key audit matter
We focused on this area because of the significant judgments involved in estimating the fair value of these instruments. In particular, management exercised judgment in: • Identifying the appropriate valuation methodology; and • Ensuring that appropriate inputs are used in the selected valuation methodologies.	• using the services of our valuation specialist to develop an independent point estimate/range to evaluate management's estimate based on reasonable market indicators and assumptions.
Disclosure of the impact of IFRS 9 transition	
On 1 January 2018, the Group transitioned to financial instruments accounting standard – IFRS 9 which replaced IAS39.	We understood and critically assessed classification and measurement decisions in line with IFRS 9. We tested the ECL model developed by the Corporation.
Significant judgment was applied in estimating the impairment allowances under the new expected credit loss (ECL) model. ECL models incorporate forward looking information, reflecting management's view of potential future economic environments. The new standard also introduced requirements around the classification and measurement of financial instruments, potentially resulting in fair value difference. The estimated transition impact is disclosed in Note 2.1.1(b) of the consolidated financial statement.	We used our credit modelling experts in our assessment of the judgements and assumptions supporting the ECL requirements of the standard. We re-performed certain model calculations to confirm the risk parameter outputs. We assessed reasonableness of forward looking information incorporated into the impairment calculations. We also challenged the multiple economic scenarios chosen and the weighting applied to non-linear losses. We assessed the adequacy of the underlying disclosures related to the transition impact.

Other Information

The directors are responsible for the other information. The other information comprises the statement of director's responsibilities and report of the audit and compliance committee (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the financial highlights, statement from the Chair, directors' report, business review, leadership and governance report and corporate information, which are expected to be made available to us after the date.

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, 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.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 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 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 n our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
27 March 2018

Engagement Partner: Patrick Obianwa

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note*	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Interest income	6	233,943	192,832
Interest expense	6	(91,214)	(74,998)
Net interest income		142,729	117,834
Dividend income	7	10,460	38
Fees, commissions and other income	8	19,310	21,866
Operating income		**172,499**	**139,738**
Net gain on financial instruments at fair value through profit or loss	9	57,265	40,278
Impairment charge on financial assets	10	(63,077)	(27,862)
Loss on disposal of financial assets	11	(23,247)	-
Operating expenses	12	(42,892)	(41,303)
Profit for the year from continuing operations		**100,548**	**110,851**
Loss for the year from discontinued operations	24	(235)	(1,459)
Profit for the year		**100,313**	**109,392**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Net gain on available-for-sale financial assets	31	8,846	5,953
Total comprehensive income for the year		**109,159**	**115,345**
Profit for the year is attributable to:			
Parent		100,313	109,337
Non-controlling interest		-	55
Profit for the year		**100,313**	**109,392**
Total comprehensive income for the year is attributable to:			
Parent		109,159	115,290
Non-controlling interest		-	55
Total comprehensive income for the year		**109,159**	**115,345**
Basic earnings/(loss) per share (United States cents)			
- from continuing operations	14	9.23	10.18
- from discontinued operations	14	(0.02)	(0.14)
		9.21	10.04

** The accompanying notes 1-35 are an integral part of these financial statements.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note*	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000
ASSETS			
Cash and balances with banks	15	29,206	51,578
Loans and advances to banks	16	1,471,257	1,072,515
Derivative financial instruments	17	5,696	9,606
Loans and advances to other customers	18	1,162,422	1,180,421
Financial assets at fair value through profit or loss	19	656,175	226,481
Investment securities	20	792,903	815,557
Other assets	21	41,443	11,612
Property and equipment	22	2,451	2,598
Intangible assets	23	259	255
		4,161,812	3,370,623
Assets of disposal group held for sale	24	-	59,845
Total assets		**4,161,812**	**3,430,468**
LIABILITIES			
Accrued expenses and other liabilities	25	28,750	23,848
Derivative financial instruments	17	10,444	7,730
Promissory note	26	131,919	-
Borrowings	27	2,483,392	1,907,793
		2,654,505	1,939,371
Liabilities of disposal group held for sale	24	-	43,376
Total liabilities		**2,654,505**	**1,982,747**
EQUITY			
Share capital	29	1,095,343	1,089,067
Share premium	29	3,765	-
Retained earnings	30	372,088	329,495
Fair value reserves	31	36,111	27,265
Attributable to the Corporation's equity holders:		1,507,307	1,445,827
Non-controlling interests		-	1,894
Total equity		**1,507,307**	**1,447,721**
Total liabilities and equity		**4,161,812**	**3,430,468**

* *The accompanying notes 1-35 are an integral part of these financial statements.*

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

	Note*	Share Capital US$'000	Share Premium US$'000	Retained Earnings US$'000	Fair Value Reserves US$'000	Total US$'000	Non-Controlling Interests US$'000	Total US$'000
As at 1 January 2016		1,089,067	-	255,335	21,312	1,365,714	-	1,365,714
Profit for the year		-	-	109,337	-	109,337	55	109,392
Other comprehensive income	31	-	-	-	5,953	5,953	-	5,953
Total comprehensive income		**-**	**-**	**109,337**	**5,953**	**115,290**	**55**	**115,345**
Transactions with owners:								
Acquired during the year		-	-	-	-	-	1,839	1,839
Dividends paid during the year		-	-	(35,177)	-	(35,177)	-	(35,177)
As at 31 December 2016		**1,089,067**	**-**	**329,495**	**27,265**	**1,445,827**	**1,894**	**1,447,721**
As at 1 January 2017		1,089,067	-	329,495	27,265	1,445,827	1,894	1,447,721
Profit for the year		-	-	100,313	-	100,313	-	100,313
Other comprehensive income	31	-	-	-	8,846	8,846	-	8,846
Total comprehensive income		**-**	**-**	**100,313**	**8,846**	**109,159**	**-**	**109,159**
Transactions with owners:								
Issued during the year	29	6,276	3,765	-	-	10,041	-	10,041
Disposed during the year		-	-	-	-	-	(1,894)	(1,894)
Dividends paid during the year		-	-	(57,720)	-	(57,720)	-	(57,720)
As at 31 December 2017		**1,095,343**	**3,765**	**372,088**	**36,111**	**1,507,307**	**-**	**1,507,307**

** The accompanying notes 1-35 are an integral part of these financial statements.*

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note*	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Cash flows from operating activities			
Interest and similar income received		227,246	191,032
Interest paid		(82,308)	(66,257)
Fee and commission receipts		21,264	25,099
Dividend received	7	10,460	38
Cash payments to employees and suppliers		(38,091)	(40,490)
Loans and advances (disbursed to)/repaid by customers		(40,664)	30,547
Net cash generated from operating activities		**97,907**	**139,969**
Cash flows from investing activities			
Purchase of debt securities		(270,896)	(195,751)
Capital repayments of debt securities		42,769	116,166
Proceeds on disposal of debt securities		22,856	-
Purchase of financial assets at fair value through profit or loss		(27,417)	(17,529)
Purchase of available-for-sale securities		(4,905)	(146,519)
Proceeds on disposal of available-for-sale securities		17,153	-
Proceeds on disposal of property and equipment		107	45
Purchase of property and equipment	22	(1,051)	(1,768)
Purchase of software/Intangibles	23	(225)	(64)
Net cash used in investment activities		**(221,609)**	**(245,420)**
Cash flows from financing activities			
Proceeds from borrowings		845,000	597,112
Transaction costs related to borrowings		(3,107)	(7,347)
Repayment of borrowings		(284,101)	(341,588)
Dividend payments	30	(57,720)	(35,177)
Net cash generated from financing activities		**500,072**	**213,000**
Net increase in cash and cash equivalents		376,370	107,549
Cash and cash equivalents, beginning of the year		**1,124,093**	**1,016,544**
Cash and cash equivalents, end of the year	**33**	**1,500,463**	**1,124,093**

** The accompanying notes 1-35 are an integral part of these financial statements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. The current member states are Benin Republic, Cape Verde, Chad, Cote d'Ivoire, Djibouti, Gabon, Ghana, Guinea-Bissau, Guinea-Conakry, Kenya, Liberia, Nigeria, Rwanda, Sierra-Leone, The Gambia, Uganda and Zambia. Other potential member States are going through the process of acceding to membership of the Corporation in accordance with their respective internal procedures.

Twenty-five (25) shareholders have thus far subscribed and paid for shares in AFC in accordance with the terms of the AFC Charter. As at 31 December 2017, the list of shareholders holding more than 5% of the issued share capital of the Corporation is as follows:

Name of Shareholder	Shareholding (%)
Central Bank of Nigeria	42.3
United Bank of Africa Plc	10.7
Access Bank Plc	10.2
First Bank of Nigeria Plc	9.1
WEMPCO Limited	4.6*
Gloria Investment Limited	4.6*

Related companies with combined shareholding of 9.2%

The Corporation's primary objective is to finance infrastructure (power, transportation, telecommunications), heavy industry and natural resource 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.

The financial statements for the year ended 31 December, 2017 were authorised and approved for issue by the Board of Directors on 23 March, 2018.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are presented in United States dollars (US$) rounded to the nearest thousand. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value.

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

The statement of cash flows shows the change in cash and cash equivalents during the year from operating, financing and investing activities. Cash and cash equivalents include highly liquid investments. Note 33 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 depends on the Corporation's business model (management approach).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Corporation's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

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

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Corporation

Below are the IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2017 that are relevant to the Corporation. These standards had no material impact on the accounting policies, financial position or performance of the Corporation.

i. Amendment to IAS 7 – Cash flow statements.

This amendment requires reporting entities to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and noncash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing activities. Reporting entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

To satisfy the new disclosure requirements, the Corporation has presented a reconciliation between the opening and closing balances for liabilities that form part of financing activities in the consolidated statement of cash flows in Note 27(vi) to the financial statements.

ii. Amendments to IFRS 12 – Disclosure of Interests in Other Entities.

The amendments clarify that the disclosure requirements of IFRS 12 applies to interests in entities that are classified as held for sale, except for the summarised financial information.

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

No new standard with annual periods beginning after 1 January 2018 is expected to have an effect on the financial statements of the Corporation, except the following:

i. ***IFRS 9, 'Financial instruments'***, was issued in July 2014 and sets out the requirements for recognising and measuring financial assets and financial liabilities. IFRS 9 also provides the impairment requirements related to the accounting for expected credit losses on an entity's financial assets and commitments to extend credit.

In October 2017, the IASB also issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Corporation has not early adopted IFRS 9 (and any amendments) in these financial statements. The Corporation will apply IFRS 9 initially on 1 January 2018.

On transition, the Corporation will apply the option not to restate comparative information but differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

Impact assessment

On transition to IFRS 9, the most significant impact will result from applying the new impairment requirements. Impairment losses are expected to increase and become more volatile due to the impact of macro-economic forecasts and the inclusion of off-balance sheet exposures in the Corporation's Expected Credit Loss (ECL) calculations. Based on transition work and assessments done up to the date of this report, the estimated net impact of the adoption of IFRS 9 on the opening balance of the Corporation's equity as at 1 January 2018 is a decrease of approximately between US$14m and US$22m relating to expected credit losses. This impact has been estimated under an interim control environment with models that continue to undergo validation. The implementation of the comprehensive end state control environment will continue as the Corporation introduces business as usual controls throughout 2018. (See (ii) below).

The Corporation has also assessed the potential impact of changes in classification and measurement of financial instruments and does not expect significant changes to opening equity on applying the new classification and measurement principles. (See (i) below).

i) Classification and measurement

Financial assets

IFRS 9 eliminates the Held-to-maturity, Loans and Receivables, Available-for-Sale measurement categories under IAS 39 and now requires financial assets to be classified into one of three measurement categories, fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost.

Financial assets (excluding equity investments and derivatives) will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets (excluding equity investments and derivatives) will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are to be measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

The adoption of IFRS 9 is not expected to result in significant changes to the Corporation's existing asset measurement bases. The only changes anticipated are summarized below:

Assets under Management previously measured on a fair value basis through profit or loss is expected to be measured at fair value through OCI under IFRS 9. AFC has not applied the fair value option under IFRS 9 to this portfolio because it passes the business model test (and required to be measured at FVOCI) hence the reclassification. The reclassification from FVTPL to FVOCI results in a movement of $432,000 from retained earnings to AFS reserves.

Equity instruments: The Corporation has elected to present value changes in equity instruments (not held for trading or designated at FVTPL) in other comprehensive income (OCI) which is the same basis under IAS 39 except that gains or losses on disposal can no longer be recycled to profit or loss but moved within equity. This designation applies to equity investments held for long term growth potential and not necessarily for short term increase in value (even though sales may occur when there is an increase in value). All other equity instruments measured at FVTPL under IAS 39 will retain that basis for IFRS 9 purposes.

Financial liabilities

The Corporation has assessed the impact of applying the requirements of IFRS 9 on financial liabilities. The only change relates to the financial liabilities designated at FVTPL. Fair value changes related to changes in the Corporation's own credit risk will be presented separately in OCI and will not be recycled to profit or loss even when the liability is derecognised and the amounts are realised. Own credit risk is determined as either the amount of fair value change not attributable to changes in market risk or using an alternative method that AFC believes more faithfully represents the changes in fair value due to 'own credit'.

ii) Impairment of Financial assets and loan commitments

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'Expected Credit Loss' ("ECL") model. This requires considerable judgement over how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The Corporation is required to record an allowance for expected losses for all loans and other debt financial assets not measured at FVTPL.

The impairment requirements of IFRS 9 are complex and require management judgement, and assumptions, particularly in the following areas:

– assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
– incorporating forward-looking information into the measurement of ECLs.

The key inputs for the measurement of ECL are the probability of default (PD), loss given default (LGD) and the exposure at default (EAD). For the purpose of determining ECL, external benchmark information was used to supplement the internally available data. This includes: Moody's Investors Service Default and Recovery rates for the LGD models, Fitch Ratings' Transition and Default study for the PD models. For exposure at default (EAD), the Corporation considered the expected life of the instruments (including the prepayment and extension factors) as well as possible changes in interest rates and exchange rates.

The Corporation will use a 'three-stage' model ('general model') for impairment based on changes in credit quality since initial recognition and has not applied the low credit risk exemption ('simplified model') for any financial asset in scope of the IFRS 9 impairment model.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly from the date of initial recognition, while movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date (i.e. objective evidence of impairment exists at the reporting date – occurrence of a 'default' event). The Corporation's definition of default is consistent with the existing internal credit risk management framework applied under IAS 39 and includes among other qualitative factors, a 90-days past due indicator that a loss event has occurred.

For loan commitments and other off-balance sheet exposures, a credit conversion factor (CCF) of 100% and a behavioural life of 36 months has been used for estimating expected credit losses.

Assessing significant increase in credit risk

The Corporation monitors its loans and debt portfolios and will use existing credit risk management policies, including obligor risk ratings (note 3.1.6) to evaluate and determine whether there is a significant increase in credit risk since initial recognition. This includes a 30-day past due backstop indicator in addition to other quantitative and qualitative indicators.

AFC will recognise a 12-month expected loss allowance based on 12-month PD, on initial recognition for assets in Stage 1 and at each reporting date, on assets that are assessed to be performing and have not experienced a significant increase in credit risk.

The Corporation will also recognise on initial recognition, lifetime expected loss allowance for assets in Stage 2 and at each reporting date, on assets that have been assessed to have experienced a significant increase in credit risk, using the lifetime PD determined.

Lifetime expected credit losses will also be recognised for loans in Stage 3.

The lifetime PD curves have been determined by extrapolating the 12-month PD, using term structures to reflect expected movements in default risk over the lifetime of the loans.

Incorporating forward looking information

The Corporation has incorporated forward-looking macroeconomic information, leveraging on the S&P GSCI index. The S&P GSCI index (formerly the Goldman Sachs Commodity Index) is published by Standard & Poor's and serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time. It is a tradable index that is readily available to market participants. The macroeconomic indices are projected for three possible scenarios being best-estimate, optimistic and downturn forecasts and the forecasts cover a period that spans through the behavioural lifetime of the exposures.

iii) Impact of transition on the Corporation's capital planning

Based on the analysis performed to date and subject to further analysis, the Corporation does not anticipate any negative effect on its capital. The magnitude of the impact however, will depend on decisions regarding the Corporation's portfolios assessed for impairment and forecast economic conditions at the date of determining the Corporation's expected credit losses. The expected increase in the accounting impairment provision reduces Tier 1 capital, but the impact is partially mitigated by the corresponding increase in the Corporation's Tier 2 capital.

ii. ***IFRS 15 – Revenue from contracts with customers*** - This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

The Corporation earns fee and commission income (other than fees included in the calculation of the effective interest rate) on the provision of financial advisory services and its project financing activities. For commissions, the Corporation has determined that it acts in the capacity of an agent and advisory fees are recognised using the stage of completion method which is based on the achievement of specific milestones as stated in the contract. The Corporation also earns variable revenue from advisory services such as success fees. Variable revenue is recognised when it is highly probable that a significant reversal will not occur when the associated uncertainty is resolved. The basis for recognition is broadly similar with the requirements of IFRS 15.

Based on our assessment, the adoption of the standard on 1 January 2018, when it becomes effective, is not expected to have a significant impact on the Corporation.

iii. ***IFRS 16 – Leases.*** IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, 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. This standard will have no significant effect on the Corporation's financial statements when effective and adopted on 1 January 2019.

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

2.2 Basis of consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Corporation.

The Corporation measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree;
- plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;
- less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Corporation recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interests' proportionate share of the recognised amounts of the identifiable net assets for components that are present ownership interests and entitle their holders to proportionate share of the net assets in the event of liquidation.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Corporation incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(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 influence 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 equity and any gain/loss arising is recognised directly in equity.

(v) Transactions eliminated on consolidation

Intra-Corporation balances and any unrealised gains or losses or incomes and expenses arising from intra-Corporation 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 Group's interest in a subsidiary that do 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 accounted for using the equity accounted. This treatment is permitted under IAS 28 on Investment in Associates and Joint Ventures, which require such investments held by Venture Capital Entities to be accounted for at fair value in accordance with IAS 39 with changes in fair value recognised in the income statement in the period of the change.

2.3 Foreign currency translation

a) Functional and presentation currency

Items presented in the Corporation's financial statements are measured in its functional currency (United States dollars) and figures are stated in thousands of dollars.

b) 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. 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 classified as available-for-sale 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 classified as available-for-sale financial assets, are included in the other comprehensive income.

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.

2.4.1 Financial Assets

The Corporation classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification at initial recognition. The Corporation uses trade date accounting for regular way contracts when recording financial asset transactions (see note 3.6 on financial instruments by category).

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Corporation designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed and can only be applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or
- the financial assets consist of debt host and an embedded derivative that must be separated, or
- financial assets with embedded derivatives.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss and are reported as 'Net gains/(losses) on financial instruments at fair value through profit or loss.' Interest income and expense and dividend income and expenses on financial assets at fair value through profit or loss are included in 'Interest income', 'Interest expense' and 'Dividend income', respectively.

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 are carried in the statement of financial position at fair value through profit or loss rather than accounted for using the equity accounted. This treatment is permitted under IAS 28 on Investment in Associates and Joint Ventures, which require investments held by Venture Capital Entities to be accounted for at fair value through profit or loss in accordance with IAS 39 with changes in fair value recognised in the income statement in the period of the change.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Corporation intends to sell immediately or in the short term, which are classified as held for trading, and those that the Corporation upon initial recognition designates at fair value through profit or loss; or
(b) those that the Corporation upon initial recognition designates as available-for-sale; or
(c) those for which the Corporation may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method.

(c) *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity, other than:

(a) those that the Corporation upon initial recognition designates at fair value through profit or loss;
(b) those that the Corporation designates as available-for-sale; and
(c) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the statement of comprehensive income and reported as 'interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income as ' Impairment charge on financial assets'. Held-to-maturity investments are corporate and sovereign securities.

(d) *Available-for-Sale*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from remeasurement are recognized in other comprehensive income except for exchange gains and losses on the translation of debt securities, which are recognized in the statement of comprehensive income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from other comprehensive income to the income statement and are included in "impairment charge on financial assets" when impaired, or "gain/(loss) on disposal of financial assets" when disposed.

Interest on available-for-sale debt instruments, calculated using the effective interest method, is recognized in the statement of income as interest income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as dividend income when the Corporation's right to receive payment is established.

2.4.2 Financial Liabilities

The Corporation's holding in financial liabilities represents mainly borrowings and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Corporation at fair value through profit or loss upon initial recognition.

Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

Where the Corporation designates certain debt securities upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently.

There are no financial liabilities classified as held for trading as at 31 December 2017.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are borrowings, debt securities in issue for which the fair value option are not applied, convertible bonds and subordinated debts.

2.4.3 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 adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of current market developments.

2.4.4 Transfers of financial assets

The Corporation, in the ordinary course of business enters into transactions that result in the transfer of financial assets, primarily debt securities. The transferred financial assets

continue to be recognised in their entirety or to the extent of the Corporation's continuing involvement, or are derecognised in their entirety. The Corporation transfers financial assets, that are not derecognised in their entirety or for which it has continuing involvement primarily through sale and repurchase of securities.

2.5 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have expire, or the right to receive the contractual cashflows has been transferred in a transaction in which substantially all of the risks and rewards of ownership of the assets are also transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the asset. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.6 Reclassification of financial assets

The Corporation may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Corporation may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Corporation has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

2.7 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example, for swaps and currency transactions) including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a purchased convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried 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 comprehensive income unless the Corporation chooses to designate the hybrid contracts at fair value through profit or loss.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income under ' net gain/(loss) on financial instruments at fair value through profit or loss'. The gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets or financial liabilities designated at fair value are also included in 'net gain/(loss) on financial instruments at fair value through profit or loss'.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.9 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.

2.10 Sale and repurchase agreements

‘Sale-and-repurchase agreements' are transactions in which the Corporation sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Corporation continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised and a financial liability is recognised for the obligation to pay the repurchase price. The Corporation does not have the ability to use the transferred assets during the term of the arrangement.

2.11 Impairment of financial assets

a) Assets carried at amortised cost

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or a group of assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events: -

a) significant financial difficulty of the borrower;
b) a breach of contract, such as default or delinquency in interest or principal repayments;
c) the corporation granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Corporation would not otherwise consider;
d) it has become probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Corporation, including:
   - adverse changes in the payment status of borrowers from the Corporation; or
   - national or local economic conditions that correlate with defaults on the assets in the Corporation.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Corporation may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Corporation's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Corporation and historical loss experience for assets with credit risk characteristics similar to those in the Corporation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect, and be directionally consistent with, changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Corporation and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Corporation to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of provision for loan impairment in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income when applicable.

b) Assets classified as available-for-sale

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. If, in a subsequent period, the fair value of an equity investment classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through Other Comprehensive Income. For debt instruments classified as available for sale, the impairment loss is reversed through profit or loss.

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment 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.

2.13 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three month's maturity from the date of acquisition, including cash and balances with banks and loans and advances to banks which are money market placements.

2.14 Property and equipment

All property and equipment are stated at historical cost less 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.

Depreciation is calculated using the straight-line method to allocate cost to residual value over estimated useful lives, as follows:

Leasehold improvement	25 years or over the period of the lease, if less.
Furniture and equipment	3 - 8 years
Motor vehicles	4 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2.15 Employee Benefits

Short-term employee benefits

Short-term employee benefits are expenses 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.

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 basic salary) and employees contribute a minimum of 5% of their 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 it falls due.

2.16 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 pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 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.

2.18 Share capital

a) Share issue costs
Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction from the proceeds.

b) 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.

c) Treasury shares
Where the Corporation purchase 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.

2.19 Dividend income and payment

Dividend income is recognised in profit or loss when the Corporation's right to receive payment is established. Dividend payments on ordinary shares are charged to equity in the period in which they are declared.

2.20 Contingent liabilities and commitments

Contingent liabilities and commitments comprise of equity and debt commitments and are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.
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.

2.21 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 the measured in accordance with the Group'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 resale, 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.

2.22 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 Group 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 re-sale.

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.

2.23 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures will be adjusted to conform to changes in presentation in the current year.

3. Financial Risk Management

AFC'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. AFC believes that a strong risk management function is key to its successful long-term operations.

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

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

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 AFC'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, AFC can lend unsecured, almost all of AFC's loans, which are largely project and corporate financing and asset-backed structured trade are secured by collateral. Because many of AFC's project lending transactions are bespoke, the collateral package is tailored to the individual project. The requirement for collateral and the type to be taken at origination will be based upon the nature of the transaction and the credit quality, size and structure of the borrower. The Corporation will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a debenture over one or more of the assets of a company, personal guarantees from the directors of a company. However, some collateral requirements are generic, including domiciliation of contract proceeds and the proceeds of off-take agreements, assignment of all insurance and reinsurance proceeds, charge over the Collections Account and Debt Service Reserve Account and pledges or liens over physical assets. In the case of asset-backed trade related transactions, the collateral is a mix of product financed, cash or receivables.

The principal collateral types acceptable to the Corporation are: commercial properties; charges over business assets such as premises, inventory and plant and machinery; financial instruments such as debt securities, and guarantees received from third parties. The Corporation maintains appetite guidelines on the acceptability of specific classes of collateral. Collateral held as security for financial assets other than loans and advances is determined by the nature of the underlying exposure. Debt securities, including treasury, bonds and other bills are generally unsecured. Collateral is generally not held against loans and advances to banks; however, securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement. Derivative transactions with financial counterparties are typically collateralised under a Credit Support Annex (CSA), in conjunction with the International Swaps and Derivatives Association (ISDA) Master Agreement. Derivative transactions with non-financial customers are not usually supported by a CSA. The Corporation considers risk concentrations by collateral providers with a view to ensuring that any potential undue concentrations of risk are identified and suitably managed. Generally, the concentration of collateral follows a similar pattern as the geographical and sectoral split of the Corporation's portfolio of loans and advances to customers.

In order to manage the risk of portfolio concentration, AFC has Limits approved by the Board Risk and Investment Committee in respect of Countries, Sectors (e.g. Power, Natural Resources, etc.), Single Obligor and Sector Single Obligor.

The most important types of risks faced by the Corporation are credit risk, market risk, and liquidity risk. These individual sources of risk and how the Corporation manages them are described in more detail below.

3.1 Credit Risk

The Corporation takes on exposures to credit risk, which is the risk of financial loss as a result of a failure by a client or counterparty to meet its contractual obligation to the Corporation. The Corporation has two principal sources of credit risk: (i) credit risk on its loans and investments; and (ii) counterparty credit risk on its portfolio of treasury investments which include money market deals and other debt securities. The Corporation's credit risks are managed within a framework of credit policies, guidelines and processes, which are described in more detail below:

3.1.1 Project and Investment Credit Risk

The Corporation has developed a comprehensive Credit Risk Management Policy (CRMP) that details its risk philosophy and metrics. The CRMP defines the level and type of credit exposures that AFC 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.

AFC'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.

AFC uses the Exposure Limits Framework to manage its exposures to individual and group credit risks. The objective is to ensure that AFC avoids excessive portfolio concentration either in single projects or groups of projects, or in particular sectors that could be simultaneously affected by similar exogenous events. The Exposure Limits Framework defines the limits of risk exposures in relation to a single borrower or groups of borrowers, to industry sectors and to individual countries. The limits are recommended by management and approved by the Board Risk and Investment Committee.

The Credit Risk Acceptance Criteria refers to the set of terms and conditions to be met before an investment is accepted into AFC's portfolio. These include specific industry, financial, managerial and competitive benchmarks that proposed investments must meet before they are considered for AFC credit exposures.

The risk appetite is determined by the Board of Directors, with delegated authority to the Board Risk and Investment Committee (BRIC) and Executive Management Committee (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 AFC's rating, and eclipsed by the Corporation's capital.

The credit risk management includes a governance structure for the management of credit risk at AFC. This multi-layered structure has, at its apex, the Board of Directors, with other bodies being the Board Risk and Investment Committee (BRIC), the Executive Management Committee (EXCO), the Management Investment Committee (INVESTCO), the Management Risk Committee (RISKCO), and the Risk Management Unit (RMU). The Chief Risk Officer has the authority to terminate a transaction from proceeding in the investment approval process.

3.1.2 Counterparty Credit Risk

AFC 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 Credit Risk Measurement

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Corporation has developed models to support the quantification of credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Corporation considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Corporation derive the 'exposure at default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

3.1.4 Risk Limit Control and Mitigation Policies

The Corporation manages, limits and controls concentrations of credit risk wherever they are identified — in particular, to individual counterparties and corporations, and to industries and countries. The Corporation structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved by the Board Risk and Investment Committee.

3.1.5 Risk Concentration

	Maximum exposure	
	31 December 2017 US$'000	**31 December 2016 US$'000**
Balances with banks	29,175	51,565
Loans and advances to banks:		
- Placements with banks	1,471,257	1,072,515
Derivative financial assets	5,696	9,606
Loans and advances to other customers:		
- Project finance loans	797,711	801,192
- Trade finance loans	364,711	379,229
Financial assets at fair value through profit or loss:		
- Hybrid instruments (convertible debt)	69,249	15,467
- Asset under management (debt securities)	19,729	18,263
Investment Securities:		
- Corporate debt securities	345,346	447,922
- Government debt securities	313,086	133,142
Other assets:		
- Account receivable	19,802	8,504
- Fee receivable	14,122	-
At 31 December	**3,449,884**	**2,937,405**
Off-balance sheet commitments:		
Debt commitments	**99,045**	**82,103**

The above table represents a worst-case scenario of credit risk exposure faced by Corporation as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on net carrying amounts as reported in the statement of financial position.

3.1.6 *Credit quality analysis*

General Risk Rating Process

Investment risk rating and acceptance criteria represent a vital aspect of the Corporation's risk appetite definition process. Before credit risk can be managed, it must first be identified and measured. A 10-point credit risk rating methodology with 23 notches, from "1" (excellent, very low risk) to "10" (expected loss, very high risk) is applied by the Corporation. The methodology encompasses the analysis of a client's fundamental financial strength, adjusted with obligor risk control factors, and further adjusted by facility risk control factors. The risk rating process measures the expected loss of a credit facility over its tenor and it integrates assessments of the probability of default, the exposure at default, and the loss given default of the facility. The 10-point risk rating scale is further collapsed into five generic risk classes, of "very low risk (excellent)", "low risk (strong)", "moderate risk (good)", "high risk (fair/marginal)", and "very high risk (special attention)". 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, Investments and Legal would collaborate with other lenders or sponsors to maximize recovery. This team will give a weekly update on recovery efforts to the Management. A default would also lead to prevention of further drawdown while steps are taken to recover the outstanding balance and/or realise collaterals.

Deterioration in credit risk is identified based on factors such as:
- ratings downgrade;
- missed payments;
- non-compliance with loan covenants; and
- deterioration of quality/value of collateral

Credit Rating of Counterparty/Obligor

Counterparties are subject to the Corporation's internal rating process as part of its credit approval and review process. All risk rating processes are reviewed and validated periodically to ensure relevance to business realities, and relate to loans and advances to customers, loans and advances to banks, and investment securities. External ratings may also be obtained where such is available. There were no changes to the risk rating process in the financial year. The Corporation's risk rating buckets and definitions are as highlighted below:

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 BB+	1.70 – 2.00	Strong
Moderate Risk	BB to B-	2.00 - 4.00	Good
High Risk	CCC+	4.00 – 5.00	Fair
High Risk	CCC	5.00 - 6.00	Marginal
Very High Risk	CCC- to D	7.00 - 9.00	Special attention

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.

The credit quality of the balances with banks, loans and advances and debt securities that are neither past due nor impaired is detailed below:

	31 December 2017 US$'000	**31 December 2016 US$'000**
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA to BBB-)	1,538,210	1,155,033
Others (BB+, BB, BB-, B+, B, B-)	702,584	443,557
	2,240,794	**1,598,590**
Counterparties without international credit ratings		
Group 1	206,629	191,342
Group 2	755,298	1,147,473
	961,927	**1,338,815**
Total unimpaired nor past due loans, advances and debt securities	3,202,721	2,937,405
Past due but not impaired	247,163	-
Total loans, advances and debt securities	**3,449,884**	**2,937,405**

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 the loans and advances to banks and other customers that are neither past due nor impaired is detailed below:

	2017 US$'000	2016 US$'000
Balances with banks:		
- Excellent	15,737	51,013
- Strong	13	-
- Good	13,425	552
Total neither past due nor impaired	**29,175**	**51,565**
Loans and advances to banks:		
- Excellent	1,231,693	955,420
- Strong	135,083	40,002
- Good	104,481	77,093
Total neither past due nor impaired	**1,471,257**	**1,072,515**
Derivatives financial assets:		
Total neither past due nor impaired		
- Good	**5,696**	**9,606**
Loans and advances to other customers:		
Project Finance:		
- Good	291,204	352,763
- Fair	44,368	195,434
- Marginal	241,247	39,380
- Special attention	220,892	213,615
Trade Finance:		
- Strong	-	50,002
- Good	188,124	248,150
- Fair	55,275	81,077
- Marginal	121,312	-
Total	**1,162,422**	**1,180,421**
Analysis of unimpaired loans (neither past due nor Impaired, and past due but not impaired loans):		
Neither past due nor impaired	915,259	1,180,421
Past due but not impaired * (see note (a) below)	247,163	-
Total	**1,162,422**	**1,180,421**
(a) Age analysis of past due but not impaired loans:		
30 - 90 days	42,721	-
90 - 180 days	110,792	-
Over 180 days	93,650	-
Total	**247,163**	**-**

* These loans are past due and they have been individually assessed as not being impaired. These loans, although individually assessed as unimpaired, carry an unidentified impairment provision.

	31 December 2017 US$'000	31 December 2016 US$'000
Financial assets at fair value through profit or loss:		
Hybrid instruments (convertible debt)		
- Good	27,799	15,467
- Marginal	41,450	-
Asset under management		
- Good	19,729	18,263
Total neither past due nor impaired	**88,978**	**33,730**
Investment securities:		
Corporate debt securities:		
- Excellent	-	3,421
- Good	225,142	292,912
- Fair	37,854	91,967
- Marginal	82,350	-
- Special attention	-	59,622
Government debt securities:		
- Strong	50,803	50,835
- Good	262,283	82,307
Total neither past due nor impaired	**658,432**	**581,064**
Other assets		
Account receivable:		
- Good	19,802	8,504
Fee receivable:		
- Good	14,122	-
Total neither past due nor impaired	**33,924**	**8,504**
Commitments:		
Debts:		
- Good	96,913	74,213
- Fair	-	7,890
- Marginal	2,132	-
Total commitments	**99,045**	**82,103**

Effects of collateral and other credit enhancements

The Corporation holds collateral and other credit enhancements against certain of its credit exposures. For loans and advances to other customers, the general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. Collateral values are assessed at the time of loan origination. The Corporation requires collateral to be realistically valued by an appropriately qualified source, independent of both the credit decision process and the customer, at the time of borrowing. However, collateral provides additional security and the Corporation generally requests that borrowers provide it. The extent to which collateral values are actively managed will depend on the credit quality and other circumstances of the obligor. Although lending decisions are predominantly based on expected cash flows, any collateral provided may impact the pricing and other terms of a loan or facility granted; this will have a financial impact on the amount of net interest income recognised and on internal loss-given-default estimates that contribute to the determination of asset quality.

For unimpaired secured lending, the Corporation reports assets gross of collateral and therefore discloses the maximum loss exposure. The Corporation believes that this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state.

Unimpaired secured lending is predominantly managed on a cash flow basis. On occasion, it may include an assessment of underlying collateral, although, for impaired lending, this will not always involve assessing it on a fair value basis. No aggregated collateral information for the entire unimpaired secured 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, hybrid instruments designated at fair value through profit or loss, and other assets.

Where collateral has been obtained in the event of default, the Corporation does not, as a rule, use such assets for its own operations and they would be sold on a timely basis. There were no assets held by the Corporation as at 31 December 2017, as a result of the enforcement of collateral (2016: 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.

Percentage of exposure that is subject to collateral requirements:

Type of credit exposure	**2017 %**	**2016 %**	**Type of collateral held**
Loans and advances to other customers			
- Project finance	97	90	charge on securities/company assets
- Trade finance	68	60	charge on commodities financed
Hybrid instruments	46	-	Insurance
Investment debt securities	9	11	charge on company assets

3.1.7 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Corporation manages concentration risk using the Exposure Limits Framework (ELF) as part of its credit risk management policies. The ELF proposes a portfolio diversification strategy for the Corporation in order to avoid excessive portfolio concentration either in single projects or groups of projects, or in particular sectors that could be simultaneously affected by similar exogenous events. The ELF defines sector exposure limits, single obligor exposure limits and single country exposure limits. In line with best practices, the exposure limits are linked to AFC's total investable fund, that is the shareholders' funds plus retained earnings plus borrowings with a remaining maturity exceeding one year, and the pace at which these Board approved limits are consumed is dependent on the

Corporation's risk appetite. The following table analyses the Corporation's main credit exposures at their carrying amounts, categorised by geographical region, as at 31 December 2017. The Corporation has allocated exposures to regions based on the country of domicile of its counterparties.

31 December 2017	**West Africa US$'000**	**Rest of Africa US$'000**	**Outside Africa US$'000**	**Total US$'000**
Cash and balances with banks	13,425	-	15,750	29,175
Loans and advances to banks:				
- Placements with banks	140,269	-	1,330,988	1,471,257
Derivative financial instruments	36	4,366	1,294	5,696
Loans and advances to other customers:				
- Project finance	431,919	365,792	-	797,711
- Trade finance	308,949	55,762	-	364,711
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	27,799	41,450	-	69,249
- Asset under management (debt securities)	-	-	19,729	19,729
Investment securities:				
- Corporate debt securities	325,113	20,233	-	345,346
- Government debt securities	199,187	113,899	-	313,086
Other assets:				
- Account receivable	2,835	31,089	-	33,924
	1,449,532	**632,591**	**1,367,761**	**3,449,884**
Commitments	**45,171**	**53,874**	**-**	**99,045**

31 December 2016	**West Africa US$'000**	**Rest of Africa US$'000**	**Outside Africa US$'000**	**Total US$'000**
Cash and balances with banks	9,710	-	41,855	51,565
Loans and advances to banks:				
- Placements with banks	77,093	-	995,422	1,072,515
Derivative financial instruments	6,978	1,324	1,304	9,606
Loans and advances to other customers:				
- Project finance	509,444	291,748	-	801,192
- Trade finance	250,663	128,566	-	379,229
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	15,467	-	-	15,467
- Asset under management (debts)	-	-	18,263	18,263
Investment securities:				
- Corporate debt securities	371,341	73,160	3,421	447,922
- Government debt securities	70,264	62,878	-	133,142
Other assets:				
- Account receivable	8,504	-	-	8,504
	1,319,464	**557,676**	**1,060,265**	**2,937,405**
Commitments	**74,213**	**7,890**	**-**	**82,103**

Credit Concentration by Industry

31 December 2017	Natural Resources US$'000	Heavy Industry & Telecoms US$'000	Power US$'000	Transport US$'000	Financial Services & Others US$'000	Total US$'000
Cash and balances with banks	-	-	-	-	29,175	29,175
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,471,257	1,471,257
Derivative financial assets	-	-	-	-	5,696	5,696
Loans and advances to other customers:						
- Project finance	388,263	71,914	246,693	90,841	-	797,711
- Trade finance	148,774	79,266	-	-	136,671	364,711
Financial assets at fair value through profit or loss:						
- Asset under management (debts)	-	-	-	-	19,729	19,729
- Hybrid instruments (convertible debt)	27,799	41,450	-	-	-	69,249
Investment securities:						
- Corporate debt securities	-	37,854	22,649	-	284,843	345,346
- Government debt securities	-	-	-	-	313,086	313,086
Other assets:						
- Account receivable	-	-	-	-	33,924	33,924
	564,836	**230,484**	**269,342**	**90,841**	**2,294,381**	**3,449,884**
Commitments	**11,574**	**-**	**66,492**	**-**	**20,979**	**99,045**
31 December 2016						
Cash and balances with banks	-	-	-	-	51,565	51,565
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,072,515	1,072,515
Derivative financial assets	-	-	-	-	9,606	9,606
Loans and advances to other customers:						
- Project finance	388,207	92,497	223,436	97,052	-	801,192
- Trade finance	175,421	74,241	-	3,655	125,912	379,229
Financial assets at fair value through profit or loss:						
- Hybrid instruments (convertible debt)	15,467	-	-	-	-	15,467
- Asset under management (debts)	-	-	-	-	18,263	18,263
Investment securities:						
- Corporate debt securities	-	35,205	32,966	141,231	238,520	447,922
- Government debt securities	-	-	-	-	133,142	133,142
Other assets:						
- Account receivable	-	-	-	-	8,504	8,504
	579,095	**201,943**	**256,402**	**241,938**	**1,658,027**	**2,937,405**
Commitments	**9,600**	**7,890**	**24,192**	**15,421**	**-**	**82,103**

3.2 Market Risk

AFC 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.

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 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 31 December 2017. Included in the table are the Corporation's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk – financial instruments

31 December 2017	**US dollars US$'000**	**Others US$'000**	**Total US$'000**
Assets			
Cash and balances with banks	19,837	9,369	29,206
Loans and advances to banks	1,433,162	38,095	1,471,257
Derivative financial assets	5,696	-	5,696
Loans and advances to other customers	1,158,531	3,891	1,162,422
Financial assets at fair value through profit or loss	610,220	45,955	656,175
Investment securities	595,107	197,796	792,903
Other assets	29,016	4,908	33,924
Total financial assets	**3,851,569**	**300,014**	**4,151,583**
Borrowings	2,303,925	179,467	2,483,392
Derivative financial liabilities	10,444	-	10,444
Accrued expenses and other liabilities	26,396	1,777	28,173
Promissory notes	131,919	-	131,919
Total financial liabilities	**2,472,684**	**181,244**	**2,653,928**
Net financial position	1,378,885	118,770	1,497,655
Commitments	**113,066**	**-**	**113,066**

The following analysis shows the Corporation's sensitivity to increases or decreases in exchange rates. The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity of profit or loss to changes in the exchange rates arises mainly from monetary financial instruments and investments in equity securities carried at fair value through profit or loss and the impact on other components of equity arises from investments classified as available for sale.

31 December 2017	**US dollars US$'000**	**Others US$'000**	**Total US$'000**
Impact on Profit or loss			
Sensitivity at 200bp US dollar depreciation	-	917	917
Sensitivity at 400bp US dollar appreciation	-	(1,834)	(1,834)
Impact on Equity			
Sensitivity at 200bp US dollar depreciation	-	2,375	2,375
Sensitivity at 400bp US dollar appreciation	-	(4,751)	(4,751)

31 December 2016	US dollars US$'000	Others US$'000	Total US$'000
Assets			
Cash and balances with banks	31,598	19,980	51,578
Loans and advances to banks	1,072,515	-	1,072,515
Derivative financial instruments	9,606	-	9,606
Loans and advances to other customers	1,176,812	3,609	1,180,421
Financial assets at fair value through profit or loss	180,067	46,414	226,481
Investment securities	685,774	129,783	815,557
Other assets	7,440	1,064	8,504
Total financial assets	**3,163,812**	**200,850**	**3,364,662**
Borrowings	1,731,689	176,104	1,907,793
Derivative financial l instruments	7,730	-	7,730
Accrued expenses and other liabilities	13,010	459	13,469
Total financial liabilities	**1,752,429**	**176,563**	**1,928,992**
Net financial position	**1,401,383**	**24,287**	**1,435,670**
Commitments	**141,216**	**-**	**141,216**

The following analysis shows the Corporation's sensitivity to increases or decreases in exchange rates.

Impact on Profit or loss			
Sensitivity at 200bp US dollar depreciation	-	(1,357)	(1,357)
Sensitivity at 400bp US dollar appreciation	-	2,715	2,715
Impact on Equity			
Sensitivity at 200bp US dollar depreciation	-	486	486
Sensitivity at 400bp US dollar appreciation	-	(972)	(972)

Currency exposures emanating from AFC's investment portfolio are hedged in line with the Corporation's policy on hedging. As at 31 December 2017, the net open FX position was US$30,474,009 (December 2016: US$12,438,000) representing 2.0% (December 2016: 0.9%) of shareholders' funds as of that date.

3.2.2 *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Corporation takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both the fair value of its financial instruments and cash flows. Interest margins may increase as a result of such changes but may produce losses in the event that adverse movements arise. The Board sets applicable limits on the level of interest rate mismatch that may be undertaken.

The table below summarises the Corporation's exposure to interest rate risks. It includes the Corporation's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2017

Repricing dates	**Up to 3 months US$'000**	**Above 3 months US$'000**	**Non-Interest Bearing US$'000**	**Total US$'000**
Assets				
Cash and balances with banks	-	-	29,206	29,206
Loans and advances to banks	1,471,257	-	-	1,471,257
Derivative financial instruments	-	-	5,696	5,696
Loans and advances to customers	980,292	182,130	-	1,162,422
Financial assets at fair value through profit or loss	-	88,978	567,197	656,175
Investment securities	-	658,432	134,471	792,903
Other assets	-	-	33,924	33,924
Total financial assets	**2,451,549**	**929,540**	**770,494**	**4,151,583**
Liabilities				
Borrowings	819,414	1,663,978	-	2,483,392
Derivative financial instruments	-	-	10,444	10,444
Promissory notes	-	131,919	-	131,919
Other liabilities	-	-	28,173	28,173
Total financial liabilities	**819,414**	**1,795,897**	**38,617**	**2,653,928**
Total interest repricing gap	**1,632,135**	**(866,357)**	**731,877**	**1,497,655**

As at 31 December 2016

Repricing dates	**Up to 3 months US$'000**	**Above 3 months US$'000**	**Non-Interest Bearing US$'000**	**Total US$'000**
Assets				
Cash and balances with banks	-	-	51,578	51,578
Loans and advances to banks	1,072,515	-	-	1,072,515
Derivative financial instruments	-	-	9,606	9,606
Loans and advances to customers	871,176	309,245	-	1,180,421
Financial assets at fair value through profit or loss	33,730	-	192,751	226,481
Investment securities	233,993	347,071	234,493	815,557
Other assets	-	-	8,504	8,504
Total financial assets	**2,211,414**	**656,316**	**496,932**	**3,364,662**
Liabilities				
Borrowings	997,967	909,826	-	1,907,793
Derivative financial instruments	-	-	7,730	7,730
Other liabilities	-	-	13,469	13,469
Total financial liabilities	**997,967**	**909,826**	**21,199**	**1,928,992**
Total interest repricing gap	**1,213,447**	**(253,510)**	**475,733**	**1,435,670**

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		
2016	170	(183)
2017	8	25
Sensitivity of reported Equity for the year		
2016	174	(187)
2017	11	21

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. The assets held for managing liquidity risk are cash and balances with banks and HQLA assets which comprise:
- loans and advances to banks; and
- investment grade sovereign and corporate securities with a highly liquid secondary market

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 Corporations keeps High Quality Liquid Assets (“HQLA”) to covers its Minimum Liquidity Level (“MLL”) at twelve and eighteen months under 'stress' and business as usual (“BAU”) conditions respectively. MLL, for the purpose of the Corporation, is defined as the level of liquidity that is available to meet the Corporation's financial obligations (repayment of borrowing, operating expenses and other noncancellable debt and equity commitments). Similar to the provisions of Basel III Capital Accord on Liquidity, the Corporation has defined its Liquidity Coverage Ratio ("LCR") as its stock of HQLA as a proportion of its MLL, as defined above. Under both stress and BAU conditions, the LCR is required to be greater than 100%.

As at 31 December 2017, the LCR was 296% under stress scenario (December 2016: 329%) and 303% under normal circumstances (December 2016: 209%).

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.

As at 31 December 2017

All figures in US$'000	Carrying amount	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2yrs months	2 -5 yrs	Above 5 yrs	Gross nominal amount
Cash and balances with banks	29,206	29,206	-	-	-	-	-	-	29,206
Loans and advances to banks	1,471,257	996,556	197,492	135,278	152,998	-	-	-	1,482,324
Derivative financial instruments	5,696	-	-	-	224	1,232	4,240	-	5,696
Financial assets at fair value through profit or loss	656,175	-	19,729	-	-	-	69,249	567,197	656,175
Loans and advances to other customers	1,162,422	92,442	29,824	87,184	248,992	230,348	604,113	273,298	1,566,201
Investment securities	792,903	3,127	643	125,353	140,139	188,852	259,515	311,126	1,028,755
Other assets	33,924	33,924	-	-	-	-	-	-	33,924
Total Financial Assets	**4,151,583**	**1,155,255**	**247,688**	**347,815**	**542,353**	**420,432**	**937,117**	**1,151,621**	**4,802,281**
Other liabilities	28,173	-	-	-	28,173	-	-	-	28,173
Borrowings	2,483,392	2,189	33,353	198,574	74,253	212,223	1,446,295	629,304	2,596,191
Promissory notes	131,919	-	-	-	-	9,234	141,153	-	150,387
Derivative liabilities:									
- Forward contracts	1,784	-	-	641	1,143	-	-	-	1,784
- Cross currency swaps									
Inflows -	8,660	132	-	165	1,265	110,582	39,812	-	151,956
Outflows -		(924)	-	(912)	(6,210)	(109,931)	(42,333)	-	(160,310)
Commitments	113,066	-	8,196	-	20,979	11,574	72,317	-	113,066
Funding gap	**-**	**1,153,858**	**206,139**	**149,347**	**422,750**	**186,750**	**(720,127)**	**522,317**	**1,921,034**
Cumulative funding gap	**-**	**1,153,858**	**1,359,997**	**1,509,344**	**1,932,094**	**2,118,844**	**1,398,717**	**1,921,034**	**-**

As at 31 December 2016

All figures in US$'000	Carrying amount	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2yrs months	2 -5 yrs	Above 5 yrs	Gross nominal amount
Cash and balances with banks	51,578	51,578	-	-	-	-	-	-	51,578
Loans and advances to banks	1,072,515	1,074,570	-	-	-	-	-	-	1,074,570
Derivative financial instruments	9,606	9,606	-	-	-	-	-	-	9,606
Financial assets at fair value through profit or loss	226,481	-	18,263	-	-	-	15,467	192,751	226,481
Loans and advances to other customers	1,180,421	2,292	53,017	62,007	179,423	287,441	654,900	371,023	1,610,103
Investment securities	815,557	6,015	5,517	6,521	51,364	171,573	220,324	460,596	921,910
Other assets	8,504	-	8,504	-	-	-	-	-	8,504
Total Financial Assets	**3,364,662**	**1,144,061**	**85,301**	**68,528**	**230,787**	**459,014**	**890,691**	**1,024,370**	**3,902,752**
Other liabilities	23,469	13,469	-	-	10,000	-	-	-	23,469
Borrowings	1,907,793	5,976	35,369	67,566	251,249	269,173	1,268,547	231,947	2,129,827
Derivative liabilities:									
- Cross currency swaps	7,730								
Inflows -		88	-	97	1,104	1,562	150,393	-	153,244
Outflows -		(880)	-	(847)	(5,559)	(8,046)	(152,264)	-	(167,596)
Commitments	82,103	-	-	-	-	82,103	-	-	82,103
Funding gap	-	**1,125,408**	**49,932**	**1,712**	**(26,007)**	**114,222**	**(375,985)**	**792,423**	**1,681,705**
Cumulative funding gap	-	**1,125,408**	**1,175,340**	**1,177,052**	**1,151,045**	**1,265,267**	**889,282**	**1,681,705**	**-**

The gap identified in the 2-5 years (2016: 6-12 months and 2-5 years) period will be funded with maturities from earlier periods, as evidenced in the cumulative funding gap contained in the table above.

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.

	Board Nominations and Governance Committee	Board Audit and Compliance Committee	Board Risk and Investment Committee
Delegated Role	• Nominations and Appointments • Governance Policy and Monitoring	• Audit Review and Approval • Internal Compliance Monitoring	• Risk Policy and Units • Investment Strategy and Approvals
Sitting Frequency	Quarterly	Quarterly	Quarterly + As required

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.

Critically appraises potential investment commitments	Responsible for liquidity management and market risk	Implementation of the risk management framework	Review valuations of equity and hybrid investments	Manages the procurement process. Ensures value for money	Provides strategic direction on IT architecture and infrastructure
As required	Monthly	Monthly	Quarterly	As required	As required

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's capital is managed by the Finance Division and currently comprises of Tier 1 (94%) and Tier 2 (6%) capital as shown below:

Tier 1: Comprises of share capital, retained earnings and reserves created by appropriations of retained earnings.

Tier 2: Comprises of unrealised gains arising from the fair valuation of equity instruments held as available-for-sale and collective impairment allowance made on loans and advances.

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 period ended 31 December 2017. The Corporation has no externally imposed capital requirements, but complied with its own internal capital adequacy requirements described above, during the year under review.

	31 December 2017 US$'000	31 December 2016 US$'000
Tier 1 capital		
Share capital	1,095,343	1,089,067
Share premium	3,765	-
Retained earnings	372,088	329,495
Total qualifying Tier 1 capital	**1,471,196**	**1,418,562**
Tier 2 capital		
Net fair valuation gain on available-for-sale assets	36,111	27,265
Collective impairment allowance	63,198	41,862
Total qualifying capital	**1,570,505**	**1,487,689**
Risk-weighted assets:		
On-balance sheet	3,782,643	3,088,278
Off-balance sheet	56,533	70,609
Total risk-weighted assets	**3,839,176**	**3,158,887**
Basel ratio	**40.9%**	**47.1%**

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.

(a) Valuation models

The Corporation measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- **Level 2:** inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Corporation uses widely recognised valuation models for determining the fair value of common and plain vanilla financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex financial instruments, the Corporation uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include unquoted equity securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Corporation believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty where appropriate.

(b) Valuation framework

The Corporation has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of investment operations and all fair value measurements. Specific

controls in the Corporation's valuation control framework include:
- an established procedure for the verification of observable market prices;
- an established procedure for the independent re-performance and validation of model-based valuations;
- a review and approval process for new models and changes to models analysis and investigation of significant daily valuation movements; and
- review of unobservable inputs, valuation adjustments and changes to the fair value measurement of Level 3 instruments compared with the previous period, by the valuation committee (a committee which includes the Chief Financial Officer and the Chief Risk Officer)

Level 2 and 3 categories, fair valuation adjustments are approved by the Board of Directors through two of its subsidiary committees: Audit and Compliance Committee and Risk and Investment Committee.

The following table analyses financial instruments measured at fair value as at 31 December 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31 December 2017	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**
Derivatives assets:			
- Futures contracts	-	36	-
- Cross currency swaps	-	1,294	-
- Options contracts	-	126	-
- Share warrants	-	-	4,240
Financial assets at fair value through profit or loss:			
- Assets under management (debt)	19,729	-	-
- Hybrid instrument (convertible debt)	-	27,799	41,450
- Equity securities	-	-	567,197
Investment securities:			
- Equity securities (available-for-sale)	-	-	134,471
- Corporate debt securities	4,159	-	-
Total	**23,888**	**29,255**	**747,358**
Derivatives Liabilities:			
- Forward contracts	-	1,784	-
- Cross currency swaps	-	8,660	-
Borrowings at fair value	-	10,793	-
	-	**21,237**	**-**

31 December 2016	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Derivatives assets:			
- Interest rate swaps	-	741	-
- Forward contracts	-	8,865	-
Financial assets at fair value through profit or loss:			
- Assets under management	18,263	-	-
- Hybrid instrument (convertible debt)		15,467	-
- Equity securities	3,554	-	189,197
Investment securities:			
- Equity securities (available-for-sale)	-	-	234,493
- Corporate debt securities	3,906	-	-
Total	**25,723**	**25,073**	**423,690**
Derivatives Liabilities:			
- Cross currency swaps	-	7,730	-
Borrowings at fair value	-	10,960	-
	-	**18,690**	**-**

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 instrument was valued using zero rate curve obtained from an observable financial market (2016: the price of a recent transaction was used to value the hybrid instrument).

Level 3 fair value measurements

There were no transfers out of level 3 measurements during the year, see reconciliation below:

Reconciliation of Level 3 items

	31 December 2017 US$'000	31 December 2016 US$'000
At beginning of year	423,690	249,892
Unrealised (losses)/gains:		
- in OCI	8,535	(5,198)
- in Profit or loss	66,088	28,508
Transfer to non-current assets held for sale	-	(16,036)
Impairment loss	(26,485)	(9,971)
Disposal	(27,404)	-
Additions	292,507	168,169
Exchange gains	10,427	8,326
At end of year	**747,358**	**423,690**

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 31 December 2017 (US$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	701,668	Discounted cashflow	Cost of equity	11.69% – 22%	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	0% - 2%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
Hybrid instruments	41,450	Option Pricing Model	Volatility	30%-40%	Significant increases in volatility, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
			Credit Spread	5% - 9%	Significant increases in credit spread, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
Share warrants	4,240	Option Pricing Model	Volatility	40%-50%	Significant increases in volatility, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
			Dividend Yield	12%-18%	Significant increases in dividend yield, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
Total	**747,358**				

Type of financial instrument	Fair value as at 31 December 2016 (US$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities/ Hybrid Instruments	337,242	Discounted cashflow	Cost of equity	11% – 23%	Significant increases in cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
			Terminal growth rate	2% - 3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
	86,448	Price of recent transaction	Price	N/A*	These are prices agreed between a willing buyer and seller. The agreed prices have been applied to value the number of shareholding in these investments.
Total	**423,690**				

** N/A – Not applicable*

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 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 using Standards and Poors (S&P) 500 Stock Price Index, for similar business sectors
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 - 2017	**Effect on Other Comprehensive Income**		**Effect on profit or loss**	
Key Assumption	1% Increase	1% Decrease	1% Increase	1% Decrease
Cost of equity	(5,127)	5,578	(23,963)	27,748
Terminal growth rate	31	(31)	1,441	(3,905)

US$'000 - 2016	Effect on Other Comprehensive Income		Effect on profit or loss	
Key Assumption	1% Increase	1% Decrease	1% Increase	1% Decrease
Cost of equity	(6,974)	8,337	(21,341)	31,123
Terminal growth rate	4,920	(4,087)	8,136	(6,452)

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	US$'000 – 2017 (Effect on Profit or Loss)
5% increase in Volatility and 1% increase in Credit Spread	1,447
5% decrease in Volatility and 1% decrease in Credit Spread	(1,433)

The share warrants were valued using the Cox-Ross-Rubinstein Option Pricing Model. In estimating the value of the warrant, the Corporation did the following:

1. Adjusted the warrant price to factor in the effect of dilution;
2. Utilised share prices derived from the valuation of the underlying company;
3. Assumed LIBOR rates as the rates applicable to the warrant;
4. Estimated the applicable volatility using share prices of comparable companies; and
5. Estimated the value of the warrant as the payoff of the option after adjusting for dilution effect.

The following highlights the sensitivity of the fair value of the share warrant to key input factors as at reporting date:

US$'000 – 2017 (Effect on profit or loss)	Dividend Yield	
Volatility	3% Increase	3% Decrease
5% Increase	(79)	N/A
5% Decrease	N/A	126

Derivative credit (CVA) and debit valuation adjustments (DVA)

The effect of CVA/DVA adjustments is insignificant on the Corporation's portfolio.

Financial instruments not measured at fair value

Due to the short-term nature of certain financial assets and financial liabilities, the fair values are not significantly different from their carrying amounts. These financial assets and liabilities are as follows:

Cash and bank balances: The carrying amount of cash and bank balances is a reasonable approximation of the fair value. Cash and bank balances are disclosed in note 14.

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.

Trade finance loans: Trade finance loans are receivable within 12 months from the end of the reporting period, therefore the fair values are not significantly different from the carrying amount.

Other assets and other liabilities: The carrying amounts of other assets and other liabilities are considered to be the same as their fair values due to their short-term nature.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2017

	Level 1	Level 2	Level 3	Total fair values	Total carrying values
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets					
Loans and advances to other customers:					
- Project finance	-	-	797,711	797,711	797,711
Investment securities:					
- Corporate debt securities	286,436	-	60,503	346,939	341,187
- Government debt securities	320,310	-	-	320,310	313,086
Total	**606,746**	**-**	**858,214**	**1,464,960**	**1,451,984**
Liabilities					
Borrowings	1,682,984	824,153	-	2,507,137	2,472,599
Promissory notes	-	131,919	-	131,919	131,919
Total	**1,682,984**	**956,072**	**-**	**2,639,056**	**2,604,518**

31 December 2016

	Level 1	Level 2	Level 3	Total fair values	Total carrying values
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets					
Loans and advances to other customers:					
- Project finance	-	-	801,192	801,192	801,192
Investment securities:					
- Corporate debt securities	207,303	-	211,744	419,047	444,016
- Government debt securities	131,062	-	-	131,062	133,142
Total	**338,365**	**-**	**1,012,936**	**1,351,301**	**1,378,350**
Liabilities					
Borrowings	814,443	1,088,131	-	1,902,574	1,896,833

Where available, the fair value of investment securities (corporate and government debt securities), loans and advances are based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques.

The fair value of borrowing from counterparty is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.

3.6 Financial instruments by category

31 December 2017

Assets as per Statement of Financial Position

	Loans and Receivables US$'000	Fair value through Profit or loss US$'000	Available-for-sale US$'000	Held-to-Maturity US$'000	Total US$'000
Cash and balances with banks	29,206	-	-	-	29,206
Loans and advances to banks:					
- Placements with banks	1,471,257	-	-	-	1,471,257
Derivatives	-	5,696	-	-	5,696
Loan and advances to other customers:					
- Project finance	797,711	-	-	-	797,711
- Trade finance	364,711	-	-	-	364,711
Financial assets at fair value through profit or loss	-	656,175	-	-	656,175
Investment securities:					
- Debt securities	60,503	-	4,159	593,770	658,432
- Equity securities	-	-	134,471	-	134,471
Other assets:					
- Account receivable	33,924	-	-	-	33,924
Net book amount	**2,757,312**	**661,871**	**138,630**	**593,770**	**4,151,583**

Liabilities as per Statement of Financial Position

	Fair value through Profit or loss US$'000	Amortised Cost US$'000	Total US$'000
Other liabilities	-	28,173	28,173
Derivatives	10,444	-	10,444
Promissory notes	-	131,919	131,919
Borrowings	10,793	2,472,599	2,483,392
Net book amount	**21,237**	**2,632,691**	**2,653,928**

31 December 2016

Assets as per Statement of Financial Position

	Loans and Receivables US$'000	Fair value through Profit or loss US$'000	Available-for-sale US$'000	Held-to-Maturity US$'000	Total US$'000
Cash and balances with banks	51,578	-	-	-	51,578
Loans and advances to banks:					
- Placements with banks	1,072,515	-	-	-	1,072,515
Derivatives	-	9,606	-	-	9,606
Loan and advances to other customers:					
- Project finance	801,192	-	-	-	801,192
- Trade finance	379,229	-	-	-	379,229
Financial assets at fair value through profit or loss	-	226,481	-	-	226,481
Investment securities:					
- Debt securities	140,154	-	3,906	437,004	581,064
- Equity securities	-	-	234,493	-	234,493
Other assets:					
- Account receivable	8,504	-	-	-	8,504
Net book amount	**2,453,172**	**236,087**	**238,399**	**437,004**	**3,364,662**

Liabilities as per Statement of Financial Position

	Fair value through Profit or loss US$'000	Amortised Cost US$'000	Total US$'000
Other liabilities	-	13,469	13,469
Derivatives	7,730	-	7,730
Borrowings	10,960	1,896,833	1,907,793
Net book amount	**18,690**	**1,910,302**	**1,928,992**

4. Critical accounting estimates and judgements in applying accounting policies

AFC's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next 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.

(a) *Assumption and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is set out in note 3.5 (fair value of financial assets and liabilities) in relation to the impairment of financial instruments, and in the following notes in relation to other areas.

(b) *Impairment losses on loans and advances*

The Corporation reviews its loan portfolio to assess impairment on an ongoing basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Corporation makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets of the Corporation. Management uses estimates based on knowledge of the client business and agreed worked out solutions when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Corporation's loan portfolio consists of two classes namely – trade loans and project finance loans. Trade loans are granted for trade finance and have an average tenor of one year while project finance loans have an average tenor of up to five years. The Corporation, being a supranational, enjoys preferred creditor status across its member countries; this is a strong loss mitigant for the Corporation. Also, the Corporation does not have a credit loss history on its loan portfolio since inception. The Corporation's credit framework is very robust as all credits are reviewed and forwarded to the BRIC for ratification/approval depending on the size of the facility.

The Corporation performs extensive review of its loan portfolio quarterly. The status of each credit is assessed independently by relevant industry specialists and Risk Management by comparing the actual level of the project against the plan and assessing its performance based on market information and other operational indices. The quarterly assessment is reviewed and approved by the management's investment committee (INVESTCO), EXCO and the Board Risk and Investment Committee (BRIC).

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.

	31 December 2017		**31 December 2016**	
Increase/(decrease)	**Probability of default - PD US$'000**	**Loss given default - LGD US$'000**	**Probability of default - PD US$'000**	**Loss given default – LGD US$'000**
Effect of a 1% increase:				
Project finance	548	548	344	344
Trade finance	84	84	75	75
	632	**632**	**419**	**419**

Increase/(decrease)	31 December 2017 Probability of default - PD US$'000	31 December 2017 Loss given default - LGD US$'000	31 December 2016 Probability of default - PD US$'000	31 December 2016 Loss given default – LGD US$'000
Effect of a 1% decrease:				
Project finance	(548)	(548)	(344)	(344)
Trade finance	(84)	(84)	(75)	(75)
	(632)	**(632)**	**(419)**	**(419)**

(c) Impairment of available-for-sale equity investments

The Corporation determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. The Corporation regards decline in fair value in excess of 20% to be significant. In making this judgement, the Corporation evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial condition of the investee, its industry and sector performance, as well as, adverse changes in technology that negatively impact the operational and financing cash flows of the investee company.

(d) 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.

(e) 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 requires 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 IAS 39, 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).

The joint venture agreement in relation to Anergi Holdings Limited requires unanimous consent from all parties for all relevant activities. The two partners have rights to the net assets of the entity and are not liable for the liabilities incurred by the entity. This entity is therefore classified as a joint venture and carried at fair value through profit or loss in the statement of financial position.

5. Business Units

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, Chief Operating Officer and General Counsel, (c) Executive Director and Chief Investment Officer, (d) Executive Director, Financial Services, (e) Director & Chief Financial Officer, and (f) Senior Vice President & Chief Risk Officer. 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 (ii) financial advisory. The treasury and funding group is responsible for the Corporation's capital raising and covers both debt and equity. Its function is to seek to ensure that the Corporation has adequate capital and the appropriate capital structure.

The treasury and funding group interfaces with the Corporation's shareholders, bankers, potential lenders, rating agencies and other providers of capital. It is also responsible for the management of the liquidity of the Corporation, ensuring that all liquidity risk management indices are met and that the Corporation is able to meet its contractual obligations under normal as well as stressed environments. It is also responsible for designing and executing hedging activities to manage the Corporation's exposures to market risk. The financial institutions and syndication team is responsible for leading syndications of the Corporation's transactions and participations in external syndications, as well as seeking and executing asset buy and sell down opportunities. It is also responsible for trade finance transactions that do not fall under one of the sectors in the Investment division and those that involve financial institutions. The financial advisory group is responsible for providing advisory services to clients and generating fee-based income for the Corporation.

The information provided to the Corporation's Board for the reportable units for the year ended 31 December 2017 is as follows:

31 December 2017	**Investment US$'000**	**Financial Services US$'000**	**Total US$'000**
Interest income	140,009	93,934	233,943
Dividend, fee and commission income	31,756	(1,986)	29,770
Net gain on financial instruments at fair value through profit or loss	58,198	(933)	57,265
Loss on disposal of financial assets	(23,247)	-	(23,247)
Impairment	(63,077)	-	(63,077)
Interest & administrative expenses	(104,572)	(29,534)	(134,106)
Discontinued operations	(235)	-	(235)
Operating profit	**38,832**	**61,481**	**100,313**
Total assets	**1,855,238**	**2,306,574**	**4,161,812**
Total liabilities	**160,669**	**2,493,836**	**2,654,505**
Expenditure on reportable segment:			
Non-current assets	790	486	1,276
Depreciation and amortisation	817	502	1,319

31 December 2016			
Interest income	123,898	68,934	192,832
Dividend, fee and commission income	8,268	13,636	21,904
Net gain on financial instruments at fair value through profit or loss	30,020	10,258	40,278
Collective impairment	(27,862)	-	(27,862)
Interest & administrative expenses	(93,391)	(22,910)	(116,301)
Discontinued operations	(1,459)	-	(1,459)
Operating profit	**39,474**	**69,918**	**109,392**
Total assets	**1,697,422**	**1,733,026**	**3,430,468**
Total liabilities	**67,224**	**1,915,523**	**1,982,747**
Expenditure on reportable segment:			
Non-current assets	1,135	697	1,832
Depreciation and amortisation	890	548	1,438

		2017 US$'000	2016 US$'000
6.	**Interest income**		
	Loans and advances to other customers	134,448	123,241
	Loans and advances to banks	51,132	38,274
	Financial assets at FVTPL	5,561	67
	Investment securities:		
	- Financial assets at amortised cost	42,552	31,000
	- Available-for-sale financial assets	250	250
		233,943	**192,832**
	Interest expense		
	Borrowings from financial institutions	35,694	42,420
	Corporate bonds	55,520	32,578
		91,214	**74,998**
7.	**Dividend income**		
	Available-for-sale securities	296	38
	Equity securities at FVTPL	10,164	-
		10,460	**38**
8.	**Fees, commissions and other income**		
	Risk participation and commitment fees	833	721
	Advisory and structuring fees	11,750	12,834
	Facility and other fees	6,727	8,311
		19,310	**21,866**
9.	**Net gain/(loss) on financial instruments at fair value through profit or loss**		
	Equity investments	44,860	30,020
	Hybrid instruments	9,098	(903)
	Asset under management	437	(23)
	Derivatives held for risk management purposes:		
	- Interest rate	-	13,547
	- Share warrants	4,240	-
	- Foreign exchange	(1,370)	(2,363)
		57,265	**40,278**
10.	**Impairment charge on financial assets**		
	Loans - collective impairment (Note 18(a))	21,336	15,152
	Investment securities (debt)	1,885	-
	Available-for-sale equity securities:		
	- Charged during the year	26,485	9,971
	- Transferred from equity (OCI)	13,371	2,739
		63,077	**27,862**

In accordance with the Corporation's policy, equity investments with a consistent decline in fair value below cost have been impaired and the cumulative amount of fair value losses recognised in other comprehensive income transferred to the income statement.

	2017 US$'000	2016 US$'000
11. Loss on disposal of financial assets		
Available-for-sale equity security:		
- Gain on disposal	2,186	-
- Transferred from equity (OCI)	19,365	-
Debt securities	(44,798)	-
	(23,247)	**-**

The loss on debt securities arose from the disposal of a credit-impaired bond during the year.

	2017 US$'000	2016 US$'000
12. Operating expenses		
Staff cost:		
Wages and salaries	28,864	27,185
Other operating expenses:		
- Rent, rates and utilities	1,150	1,169
- Insurance	121	107
- Advertising and business promotion	2,371	1,746
- Auditor's remuneration	226	228
- Communication	676	756
- Travel	732	952
- Board expenses, including Directors' fees	1,137	1,059
- Training, seminars and conferences	676	971
- Repairs and maintenance	70	81
- Project and other transaction expenses	1,091	2,944
- Loan insurance expense	2,070	-
- Consultancy fees	1,162	1,704
- Other expenses	1,227	963
- Depreciation and amortisation (Notes 22 & 23)	1,319	1,438
	42,892	**41,303**

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 Nigeria.

14. Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Corporation by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit attributable to equity holders of the Corporation from continuing operations (US$'000)	100,548	110,851
Loss attributable to equity holders of the Corporation from discontinued operations (US$'000)	(235)	(1,459)
Weighted average number of ordinary shares in issue ('000)	1,089,590	1,089,067
Basic earnings per share from continuing operations (expressed in US cents per share)	9.23	10.18
Basic loss per share from discontinued operations (expressed in US cents per share)	(0.02)	(0.14)

15. Cash and balances banks

	2017 US$'000	2016 US$'000
Cash in hand	31	13
Balances with banks	29,175	51,565
	29,206	**51,578**

All cash and balances with banks are current.

16. Loans and advances to banks

	2017 US$'000	2016 US$'000
Placements with banks	**1,471,257**	**1,072,515**

All loans and advances to banks are current.

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.

2017	Assets US$'000	Liabilities US$'000	Notional US$'000
Forward contracts	36	1,784	127,000
Cross currency swaps	1,294	8,660	178,590
Options contracts	126	-	5,580
Share warrants	4,240	-	-
	5,696	**10,444**	**311,170**
Current	224	1,784	
Non-current	5,472	8,660	

2016	Assets US$'000	Liabilities US$'000	Notional US$'000
Interest rate swaps	741	-	10,000
Forward contracts	8,865	-	75,268
Cross currency swaps	-	7,730	149,912
	9,606	**7,730**	**235,180**
Current	9,606	7,730	

18. Loans and advances to other customers

	2017 US$'000	2016 US$'000
Project finance loans	854,359	835,581
Advances under trade finance	371,261	386,702
	1,225,620	**1,222,283**
Collective impairment:		
- Project finance	(56,648)	(38,242)
- Trade finance	(6,550)	(3,620)
	(63,198)	(41,862)
	1,162,422	**1,180,421**
Current	361,125	192,328
Non-current	801,297	988,093

(a) The movement in collective impairment is shown below:

Opening	41,862	26,710
Charge for the year (Note 10)	21,336	15,152
	63,198	**41,862**

19. Financial assets at fair value through profit or loss

Designated at initial recognition		
- Hybrid instruments (convertible debt) (a)	69,249	15,467
- Equity securities (b)	567,197	192,751
- Assets under management (debt securities) (c)	19,729	18,263
	656,175	**226,481**
Current	19,729	18,263
Non-current	636,446	208,218

(a) The hybrid instruments include a conversion option which results in no closely related risks inherent in the host contract. The Corporation therefore designated the instrument as financial asset at fair value through profit or loss.

(b) Equity securities at fair value through profit or loss include:

	2017 US$'000	2016 US$'000	% shareholding 2017	% shareholding 2016
MainOne Cable Company (i)	21,611	35,602	23%	23%
Vigeo Power Limited (ii)	7,834	7,834	20%	20%
Cenpower Generation Company (iii)	-	97,447	-	32%
Cenpower Operations Company (iii)	74	74	25%	25%
Ncondezi (iv)	10	3,554	23%	23%
Socoprim (v)	45,954	46,413	26%	26%
Singrobro (vi)	2,877	1,827	22%	22%
Gabon Special Economic Zone (vii)	204,687	-	21%	11%
Anergi Holdings Limited (viii)	284,150	-	50%	Nil
	567,197	**192,751**		

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) **MainOne Cable Company:** is a telecommunications company incorporated in Nigeria and a leading provider of innovative telecom services and network solutions for businesses in West Africa. Total direct and indirect holding in MainOne stood at 23% as at 31 December 2017. The summarized financial information for MainOne is presented below:

	2017 US$'000	2016 US$'000
Current assets	47,684	41,146
Non-current assets	186,380	191,827
Current liabilities	58,818	50,153
Non-current liabilities	61,733	238,048
Revenue	46,039	55,188
Loss after tax	(9,845)	(8,876)
Total comprehensive loss	(11,627)	(25,133)

(ii) **Vigeo Power Limited:** is incorporated in Nigeria and is a power distribution company in the south-west part of the host country Nigeria.

(iii) **Cenpower Generation Company:** is a power generating company in Ghana. Cenpower Operations Company, which was also incorporated in Ghana, was set up with the intention to provide services to the power generation company upon completion of the power plant. During the year, the Corporation disposed of its interest in the power generation entity to Anergi Holdings Limited.

	2016 US$'000
Current assets	10,070
Non-current assets	562,734
Current liabilities	12,421
Non-current liabilities	512,463
Revenue	56,570
Profit after tax	11,219
Total comprehensive income	8,957

(iv) **Ncondezi:** a power development company with an integrated thermal coal power plant and mine project located on the Ncondezi licences in the Tete Province, Northern Mozambique.

(v) **Socoprim:** Société concessionaire du pont riviera-Marcory (Socoprim), 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.

	2017 US$'000	2016 US$'000
Current assets	40,383	35,973
Non-current assets	365,672	335,760
Current liabilities	11,643	9,039
Non-current liabilities	255,600	244,862
Revenue	57,198	59,141
Profit after tax	19,355	5,520

(vi) **Singrobro:** A 44MW hydroelectric power plant development project in Côte d'Ivoire.

(vii) **Gabon Special Economic Zone (GSEZ):** The GSEZ was created to accelerate Gabon's economic diversification and development. The zone has a portfolio of infrastructure projects spanning a variety of sectors which include: a mineral terminal, a cargo port, a general logistics terminal, an airport as well as other special infrastructure projects. GSEZ also owns and operates the Nkok Special Economic Zone and the Port Gentil Special Economic zone, which is in early development. During the year, the Corporation increased its interest in GSEZ and held 21% in the entity as at 31 December 2017 (2016: 10.5%). The summarized financial information for GSEZ is presented below:

	2017 US$'000
Current assets	442,080
Non-current assets	658,980
Current liabilities	77,910
Revenue	238,410
Profit after tax	112,600

(viii) **Anergi Holdings Limited:** is a holding company, incorporated in Mauritius, owning equity interests in seven (7) generation assets with a total of 1,786MW (gross) and 554MW (net) generation capacity across five (5) African countries. Anergi also holds near-term investment rights from its founding shareholders, to invest or acquire interests in new projects under development with a further 500MW capacity. As of December 2017, Anergi owns long-term economic interests in a portfolio of assets diversified by geography and fuel type. The company was formed through the merger of the electricity generation assets of the Corporation and Harith General Partners. The Corporation transferred its interests in Cenpower Generation Company and Cabeolica S.A. (see Note 24) to the company in consideration for shares in the entity.

The summarized financial information for Anergi Holdings Limited is presented below:

	2017 US$'000
Current assets	2
Current liabilities	19
Non-current assets	567,342
Non-current liabilities	19
Loss after tax	(36)

The Corporation acquired stakes in these companies with the intention to exit at a future date. As of 31 December 2017, the Corporation had no commitments to these entities nor did it have a contingent liability arising from its association with these investments. 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

	2017 US$'000	2016 US$'000
At amortised cost (see note (a) below)	654,273	577,158
Available for sale (see note (b) below)	138,630	238,399
	792,903	**815,557**
Current	205,863	43,182
Non-current	587,040	772,375

	2017 US$'000	2016 US$'000
(a) Financial assets at amortised cost (see note(i) below):		
- Corporate debt securities	341,187	444,016
- Sovereign debt securities	313,086	133,142
	654,273	**577,158**

(i) Included in investment securities are debt securities which secure borrowings but were not derecognised in the consolidated financial statement. These are transactions in which the Corporation sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Corporation continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial liability for the obligation to repay the purchase price. 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:

	2017 US$'000	2016 US$'000
Carrying amount of the assets	223,836	200,091
Carrying amount of the associated liabilities (See note 27(iii))	159,762	151,351
Fair value of the assets	214,911	210,600
Fair value of the liabilities	(159,762)	(151,351)
Net fair value	**55,149**	**59,249**

As at 31 December 2017, the Corporation held no collateral, which it was permitted to sell or repledge in the absence of default by the owner of the collateral (31 December 2016: Nil).

(b) Available for sale

	2017 US$'000	2016 US$'000
- Corporate debt securities	4,159	3,906
- Equity securities – unlisted (see note (i) below)	134,471	234,493
	138,630	**238,399**
Non-current	138,630	238,399

(i) The movement in available-for-sale equity securities from the preceding financial year is as follows:

	2017 US$'000	2016 US$'000
At beginning of the year	234,493	94,817
Additions	4,905	146,519
Disposal	(27,404)	-
Net gain/(loss) on fair valuation through other comprehensive income	8,535	(5,198)
Impairment loss on financial assets (Note 10)	(26,485)	(9,971)
Derecognised (See (ii) below)	(70,000)	-
Foreign exchange gain	10,427	8,326
At end of the year	**134,471**	**234,493**

(ii) During the year, the Corporation increased its investment in an investee entity and obtained significant influence over the operating and financing activities of the entity. The entity, now an associate investment, is accounted for in accordance with the Corporation's policies at fair value with fair value changes recognised in the income statement.

21. Other assets

	2017 US$'000	2016 US$'000
Account receivable	19,802	8,504
Fee receivable	14,122	-
Prepayments	7,519	3,108
	41,443	**11,612**
Current	39,133	11,612
Non-current	2,310	-

Other assets are neither past due nor impaired.

22. Property and equipment

	Motor Vehicles US$'000	Leasehold improvement US$'000	Furniture & equipment US$'000	Total US$'000
At 1 January 2016				
Cost	2,641	1,594	3,524	7,759
Accumulated depreciation	(1,652)	(1,580)	(2,682)	(5,914)
Net book amount	**989**	**14**	**842**	**1,845**
Year ended December 2016				
Opening net book value	989	14	842	1,845
Additions	1,295	17	456	1,768
Disposal – cost	(1,175)		(12)	(1,187)
Disposals – accumulated depreciation	1,147	-	12	1,159
Depreciation charge	(646)	(8)	(333)	(987)
Closing net book amount	**1,610**	**23**	**965**	**2,598**
At 1 January 2017				
Cost	2,761	1,611	3,968	8,340
Accumulated depreciation	(1,151)	(1,588)	(3,003)	(5,742)
Net book amount	**1,610**	**23**	**965**	**2,598**
Year ended 31 December 2017				
Opening net book value	1,610	23	965	2,598
Additions	962	4	85	1,051
Disposal – cost	(552)	-	(13)	(565)
Disposals – accumulated depreciation	452	-	13	465
Depreciation charge	(701)	(9)	(388)	(1,098)
Closing net book amount	**1,771**	**18**	**662**	**2,451**
At 31 December 2017				
Cost	3,171	1,615	4,040	8,826
Accumulated depreciation	(1,400)	(1,597)	(3,378)	(6,375)
Net book amount	**1,771**	**18**	**662**	**2,451**

23. Intangible assets

	2017 US$'000	2016 US$'000
Software cost	**259**	**255**

Software costs are costs incurred on the purchase and implementation of the Corporation's software. The movement in intangible assets from the preceding financial year is as follows:

	2017 US$'000	2016 US$'000
At 1 January	255	642
Additions	225	64
Amortisation	(221)	(451)
At 31 December	**259**	**255**

24. Non-current assets held for sale, and discontinued operation

In 2016, the Corporation acquired controlling interests in Cabeolica S. A., a wind power company based in Cape Verde supplying about 20% of installed electricity capacity of the country, with the intention to resell the investment.

As of 31 December 2016, the Corporation held 56.78% of the entity's issued ordinary equity and the investment was classified as held-for-sale following the commitment of the Corporation to its sale, as part of the agreement for the formation of an African power entity.

During the year, the disposal of the Corporation's interests in Cabeolica S. A. was completed and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(i) Financial performance of discontinued operations

	2017 US$'000	2016 US$'000
Loss for the year	235	1,459
Assets of disposal group held for sale	-	59,845
Liabilities of disposal group held for sale	-	43,376

(ii) Details of loss on discontinued operation

	2017 US$'000
Fair value of consideration received	23,888
Less: Carrying amount of net assets transferred	(24,123)
Loss on transfer	**(235)**

25. Accrued expenses and other liabilities

	2017 US$'000	2016 US$'000
Unearned fees	577	379
Accruals	13,739	12,566
Accounts payable	13,434	903
Margin deposit	1,000	-
Deposit for shares (note (i))	-	10,000
	28,750	**23,848**

All liabilities above are current.

(i) During the year, the Republic of Ghana completed the process of subscribing to the Corporation's share capital. The deposit for shares of US$10 million, which was paid in 2015, has been included as part of owner's equity (see Note 29).

26. Promissory note

A promissory note of US$131.9 million was issued to Anergi Holdings Limited (AHL) as part of the consideration for the acquisition of a 50% stake in the entity (see note 19(b)(viii)). Interest is charged at 7% per annum after a moratorium period which expires at the end of 31 March 2018. The maturity date of the note is 31 December 2020.

27. Borrowings

	2017 US$'000	2016 US$'000
At amortised cost:		
Corporate bonds issued (note (i))	1,648,446	909,208
Other borrowings (note (ii))	824,153	987,625
At fair value:		
Corporate bonds issued (note (i))	10,793	10,960
	2,483,392	**1,907,793**
Current	280,340	291,740
Non-current	2,203,052	1,616,053

(i) Amount represents outstanding balance on issuances made under the Corporation's Eurobond program. The Corporation had its maiden Eurobond issue in 2015 and established a US$3billion Global Medium Term Notes (GMTN) program. The terms and conditions of the notes issued under the Corporation's GMTN program are as follows:

Bond issued	Year of Maturity	YTM/Coupon (%)	Rate Type
US$ 750 million GMTN	2020	3.067	Fixed
US$ 10 million GMTN	2019	3.204	Floating
US$ 50 million GMTN	2018	2.172	Floating
US$ 500 million GMTN	2024	3.716	Fixed
US$ 150 million GMTN	2020	3.453	Floating
US$ 45 million GMTN	2021	3.249	Floating
US$ 50 million GMTN	2020	3.115	Floating
CHF 100 million GMTN	2019	0.85	Fixed

Corporate bonds issued which include an embedded derivative are designated at fair value with fair value changes recognised in the income statement. Funds raised from the Corporate bond issued in Swiss Francs was swapped to US Dollars, the functional currency of the Corporation.

(ii) Other borrowings comprise borrowings from commercial banks and other development financial institutions within Africa and Europe. These are floating rate liabilities and repricing of these borrowings are between 3 months and 6 months.

(iii) Included in other borrowings is an amount of US$159,762,000 (December 2016: US$151,351,000) which has been secured using corporate and sovereign securities of US$223,836,000 (December 2016: US$200,090,620). See note 20(a)(i) for more details.

(iv) The Corporation has not had any defaults of principal, interest and other covenant breaches with respect to its borrowings.

(v) The maturity profile of borrowings are as follows:

	2017 US$'000	2016 US$'000
Less than 1 year	280,340	291,740
1 – 3 years	1,295,700	376,992
Over 3 years	907,352	1,239,061
	2,483,392	**1,907,793**

vi) Reconciliation of movement in borrowings to cashflows from financing activities:

	2017 US$'000	2016 US$'000
At beginning of the year	1,907,793	1,646,936
Proceeds from corporate bonds	795,000	108,105
Proceeds from other borrowings	50,000	489,007
Transaction costs related to borrowings	(2,432)	(4,070)
Fair value changes	(167)	960
Interest expense	91,214	74,998
Interest paid	(82,308)	(66,257)
Repayment of borrowings	(284,101)	(341,588)
Effects of changes in foreign exchange rates	8,393	(298)
At end of the year	**2,483,392**	**1,907,793**

Currency exposures arising from borrowing transactions are hedged in line with the Corporations policy on hedging (see Note 3.2.1).

28. Contingent liabilities and commitments

A) Legal proceedings

As at 31 December 2017, there was no legal proceeding against the Corporation.

B) Equity commitments

These commitments as at 31 December 2017 relate to equity financing commitments to third parties.

C) *Debt commitments*

These commitments as at 31 December 2017 relate to unfunded risk participation arrangements and loan commitments on transactions.

Commitments details as at 31 December 2017 are as follows:

	2017 US$'000	2016 US$'000
Equity commitments	14,021	59,113
Debt commitments (note (i))	99,045	82,103
	113,066	**141,216**

(i) Debt commitments

Unfunded risk participation arrangements	20,979	25,000
Loan commitments	78,066	57,103
	99,045	**82,103**

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

	No. of shares In thousands	Ordinary shares US$'000
At 1 January 2017	1,089,067	1,089,067
Addition during the year	6,276	6,276
At 31 December 2017	**1,095,343**	**1,095,343**

During the year, the Republic of Ghana completed the process of becoming a shareholder of the Corporation.

Share Premium

	2017 US$'000	2016 US$'000
Share premium account	3,765	-

30. Retained earnings

	2017 US$'000	2016 US$'000
At beginning of the year	329,495	255,335
Dividend declared and paid during the year	(57,720)	(35,177)
Retained earnings for the year	100,313	109,337
At end of the year	**372,088**	**329,495**

31. Fair value reserves

	2017 US$'000	2016 US$'000
At beginning of the year	27,265	21,312
Net (loss)/gain on available-for-sale financial assets:		
- Transferred to the income statement	(5,995)	2,739
- Foreign exchange gain	6,196	8,326
- Fair value gain/(loss)	8,645	(5,112)
	8,846	5,953
At end of the year	**36,111**	**27,265**

32. Dividends

Dividends are not accounted for until they have been ratified at the Annual General Meeting.

The Board of Directors is proposing a dividend of 4.98 US cents per share (2016: 5.30 US cents per share), amounting to approximately US$ 54,600,487 (2016: US$57,720,552). The resolution on payment of dividend will be tabled before the annual general meeting scheduled for 27 April 2018 and if approved, the dividend will be paid to all qualifying shareholders who are on the register of members as of that date.

33. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2017 US$'000	2016 US$'000
Cash in hand and balances with banks (Note 15)	29,206	51,578
Placements with other banks (Note 16)	1,471,257	1,072,515
At end of the year	**1,500,463**	**1,124,093**

34. Group entities and related party transactions

Group entities

The group consists of the Africa Finance Corporation as the parent. Other group entities are:

Subsidiaries

i. AFC Equity Investments Limited: a wholly-owned entity incorporated in Mauritius, which was set up to hold equity investments on behalf of the Corporation. The subsidiary is wholly owned by the Corporation (2016: 100%).

ii. Cabeolica S.A.: a power generating company incorporated in Cape Verde. The Corporation disposed of its interest in the entity during the year (see note 24). The Corporation held 56.78% of the entity's issued capital as at December 2016.

Associates and joint venture operations

Associates are 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 arecarried 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.

During the year, the Corporation acquired a 50% interest in Anergi Holdings Limited, a joint venture entity. This investment is carried in the statement of financial position at fair value through profit or loss. See Note 19 for details of this investment.

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 number of transactions were entered into during the year with related parties in the normal course of business. These transactions were with banks that are shareholders of the Corporation and an institutional shareholder and associate entities. The outstanding related party transactions at year end and the related income for the year are as follows:

a) **Loans to related parties:**

	2017 US$'000	2016 US$'000
Shareholders	108,546	94,854
Associate companies	60,503	57,925
Placements/investments in debt securities: Shareholders	290,641	238,026

b) **Interest income/(loss) earned:**

Shareholders	22,897	52,895
Associate companies	8,188	4,065
Subsidiaries	(235)	(1,459)

51% of the loans made to related parties are secured. The remaining unsecured balance represents loans which are short term in nature. No specific provisions have been recognised in respect of any related party credit facility.

These loans were issued in the normal course of business, under commercial terms. The terms and conditions of loans to related parties are as follows:

	Average Tenor	Coupon/Rate	Rate Type
Loans and advances	1 month	6%	Fixed
Corporate debt securities	3 years	6.3% – 10.5%	Fixed/floating

c) **Liability to related parties:**

The Corporation issued promissory notes of USD131.9 million to its joint venture entity, Anergi Holdings Limited, as at year end.

d) **Key management compensation**

	2017 US$'000	2016 US$'000
Salaries and other short-term benefits	3,682	3,678
Post-employment benefits	547	548

Key management staff refers to members of the Executive Management Committee, which are: (a) President and Chief Executive Officer, (b) Executive Director, Chief Operating Officer and General Counsel, (c) Executive Director and Chief Investment Officer, (d) Executive Director, Financial Services, (e) Director & Chief Financial Officer, and (f) Senior Vice President & Chief Risk Officer.

35. Events after the statement of financial position date

There were no events after the statement of financial position date which materially affect these financial statements.

CORPORATE INFORMATION

Africa Finance Corporation

A: Headquarters
3a Osborne Road Ikoyi
Lagos State
Nigeria

T: +234 1 279 9600
E: contact@africafc.org
W: africafc.org

Auditors

PriceWaterHouseCoopers
Landmark Towers
5B, Water Corporation Road
Victoria Island
Lagos,
Nigeria

Principal Bankers

Access Bank plc Oyin Jolayemi Street Victoria Island Lagos State Nigeria	**Standard Chartered Bank** Head Office 1 Basinghall Avenue London EC2V 5DD UK
Ecobank plc Plot 21 Ahmadu Bello Way Victoria Island Lagos State Nigeria	**United Bank for Africa** UBA House, 57 Marina P.O. Box 2406 Lagos State Nigeria
Guaranty Trust Bank plc Plot 635, Akin Adesola Victoria Island Lagos State Nigeria	**Zenith Bank plc** Plot 84 Ajose Adeogun Street Victoria Island Lagos State Nigeria
JP Morgan Chase & Co. 270 Park Avenue New York, NY 10017-2070 USA	

Africa Finance Corporation
3A Osborne Road,
Ikoyi, Lagos
Nigeria
+234 1 279 9600
contact@africafc.org
www.africafc.org
@africa_finance