SUSTAINABLE INFRASTRUCTURE **SOLUTIONS FOR AFRICA**



ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

ENABLING SUSTAINABLE CHANGE WITH FUNDING TO CREATE INFRASTRUCTURE AND INTEGRATE ECONOMIES IN POST-AFCFTA AFRICA



WHO WE ARE

AFC is a multilateral Financial Institution, created by Sovereign African states to provide pragmatic solutions to Africa's infrastructure deficit and challenging operating environment by developing and financing infrastructure, natural resources and industrial assets for enhanced productivity and economic growth of African states.

OUR VISION

To become Africa's leading infrastructure solutions provider.

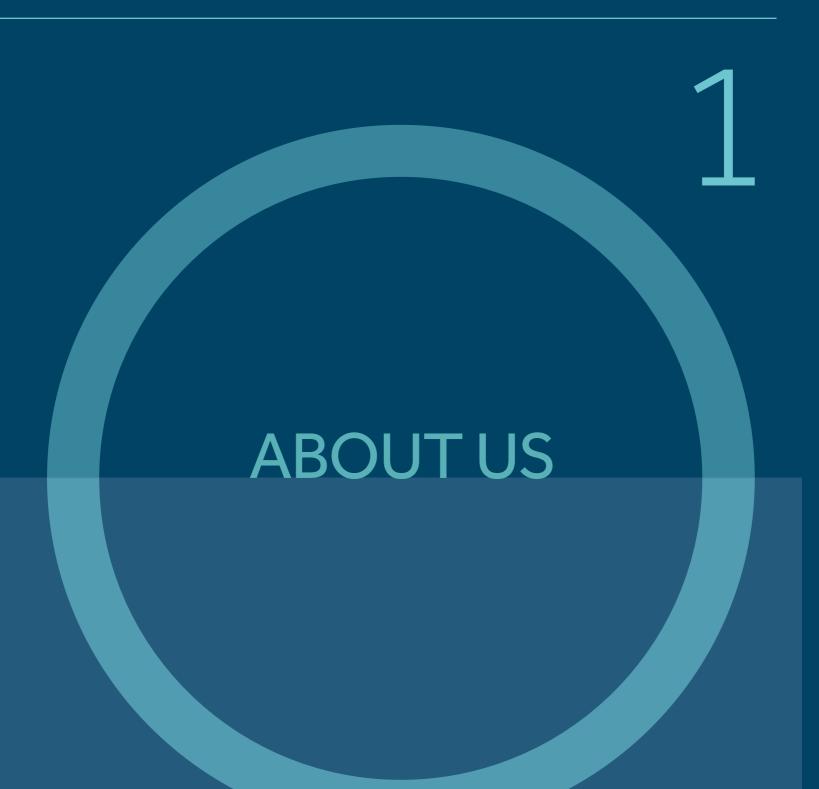
OUR MISSION

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

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ABOUT US

THERE ARE 26 MEMBER STATES



WE ARE A LEADING INVESTMENT GRADE AFRICA-FOCUSED, MULTILATERAL FINANCIAL INSTITUTION

A3 / P-2 MOODY'S RATED MULTILATERAL FINANCIAL INSTITUTION FOCUSED ON ADDRESSING AFRICA'S INFRASTRUCTURE NEEDS

BACKGROUND

- Founded in 2007 by an agreement between African sovereign states as a multilateral financial institution
- Structured as a partnership between public and private investors to be consistent with the increasing role of public-private sector partnerships in infrastructure investments
- Private sector majority shareholders include leading African multilaterals and financial institutions
- Key priority sectors include Power, Transport, Natural Resources (oil & gas and mining), Heavy Industries and Telecommunications
- Leading debt, equity and mezzanine financing franchise combined with unrivalled leadership in public sector advice and project development expertise in Africa
- Investment grade rating of A3 (Long-term Issuer) and P-2 (Short-term Issuer) from Moody's Investor Services
- 97 competent, bilingual and multicultural employees operating on a pan-African basis
- Broad investment footprint with US\$6.6 billion cumulative amount disbursed across 30 African countries.

OUR BUSINESS POSITIONING



LEADING AFRICA-FOCUSED INFRASTRUCTURE SOLUTIONS PROVIDER



SOLID ORGANISATIONAL STRUCTURE FOR ACCESS TO AFRICAN DECISION-MAKERS



STRONG HISTORICAL FINANCIAL PERFORMANCE AND GROWTH PIPELINE



CORE ETHICAL VALUES AND ORGANISATIONAL PRINCIPLES





CREDIT RATING, MAKING IT ONE OF THE HIGHEST RATED INSTITUTIONS IN THE MARKET.



LEVERAGE, MAKING
ITS ASSETS ONE OF
THE LEAST LEVERAGED
IN THE MARKET.

1

UNRIVALLED COUNTRY ACCESS

Country members provide AFC with the advantage of preferred creditor status, with real benefits for our sponsors and co-investors. 2

PAN-AFRICAN PORTFOLIO

Portfolio of projects in 30 African countries and more under review, which is a testament to our deep local knowledge across the continent.

3

HIGH INVESTMENT CAPACITY

Capacity for additional low-cost investments given AFC's very strong credit rating and low leverage balance sheet.

WE ARE UNIQUELY POSITIONED AS AFRICA'S INFRASTRUCTURF SOLUTIONS LEADER. COMBINING OUR STRONG LOCAL KNOWI FDGF WITH A HIGH-QUALITY BALANCE SHEET TO DELIVER MORF INVESTMENTS ACROSS THE AFRICAN CONTINENT

OUR INVESTMENT PHILOSOPHY

OUR INVESTMENT PHILOSOPHY PRIORITISES PROJECTS WITH HIGH DEVELOPMENTAL IMPACT AND COMPETITIVE RETURNS IN SELECTED SECTORS, WHILE OUR INVESTMENT CAPACITY AND TALENT ALLOW US TO PROVIDE END-TO-END SOLUTIONS TO OUR CLIENTS

INVESTMENT APPROACH



Target a pool of investments with a promising portfolio return (~ 12%)



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



High developmental impact on countries of execution



Located across the African continent



Belonging to core focus sectors: power, transport & logistics, telecommunications, heavy industries and natural resources



Invest across the project lifecycle

INVESTMENT INSTRUMENTS

AFC can participate in a project using instruments across the capital structure



Advisory: Restructuring, capital raising, syndication and distribution



Equity: Project development, brownfield buy-out



Treasury: Fixed income, money market, liquidity solutions



Debt: Project finance, structured debt trade finance



Credit enhancements: Derivatives, preferred creditor status, hedging products

OUR IDEALS

AFC'S NEXT FRONTIER OF GROWTH WILL BE ANCHORED ON OUR **FIVE ETHOS**:



WE ARE **INNOVATIVE** PROBLEM SOLVERS

We commit to **dedicating our very best minds and energies** daily to **innovating** and **finding creative solutions that exceed the task**. We **pioneer solutions that become standards in our industry**. We do this because we must. We owe it to ourselves, to our communities and to future generations.



WE WORK WITH SPEED

We will approach all aspects of our work **with a sense of urgency** that reflects our commitment to reducing Africa's infrastructure deficit and maximising shareholder returns.



WE **COLLABORATE** WITH COLLEAGUES

In putting our clients and the corporation ahead of personal interests, we will work as one organ, seeking out and partnering with the colleagues that are best suited to deliver distinctive impact to our clients.



WE ARE PEOPLE WITH ETHICS

We adhere to the **highest ethical and professional standards**; we will approach our work with **integrity and honesty**, knowing that what we do impacts people and shapes Africa's culture.



WE ARE **RESPONSIBLE** PROFESSIONALS

We will apply the **utmost care in the execution of our responsibilities as professionals** to avoid the incurrence of financial and reputational losses to AFC.





CHAIRMAN'S STATEMENT

Dr. Kingsley Obiora



POISED FOR EVEN GREATER HEIGHTS

Dear Stakeholders.

As one of my first duties as your new Chairman, it is my pleasure and honour to announce that 2019 was a remarkably successful year for our Corporation, the AFC. It was a defining period for the Corporation, as is reflected by the outstanding 42.6 percent increase in profit and an impressive 36.4 percent growth in total assets. In accord with our vision to be the leading African infrastructure solutions provider, Management and the Board of Directors adopted a new corporate strategy, which seek to grow the asset portfolio to US\$10 billion and achieve a minimum return on equity (ROE) of 12 percent by 2023. To this end, we have expanded our product offerings to improve our service delivery to both the African continent and our global stakeholders. Our objective remains the same, to reduce Africa's infrastructure deficit and improve the challenging business environment, by investing in assets in targeted sectors with high development impacts across Africa, while providing competitive returns for our shareholders. Despite decreasing global economic activity and the sluggish growth in sub-Saharan Africa, AFC successfully leveraged on its reputation to deliver a strong financial performance in 2019.

GLOBAL ECONOMIC LANDSCAPE

The global economy faces a recession of uncertain depth and duration, triggered by the December 2019 outbreak of the Novel Coronavirus (COVID-19) disease. Since it emerged in China, the COVID-19 virus has now spread to almost every country in the world, with mounting human and economic costs. To counter the impact, governments across the world have announced wideranging stimulus measures, which have helped stabilise financial markets and avert an immediate liquidity crisis in global financial markets. However, both the international and domestic restrictions to travel and movement, undertaken to contain the spread of the virus, have brought economic activity to a standstill.

As is the case with the rest of the world, the number of confirmed COVID-19 cases in Africa is growing steadily. A report by McKinsey & Company identifies three major economic outcomes that Africa urgently needs to address, in the aftermath of this outbreak. Firstly, the impact of the global pandemic on African economies, which includes the disruption to global supply chains, lower demand for African exports globally and reduced foreign direct investment.

CHAIRMAN'S STATEMENT

Secondly, travel bans and lockdowns to prevent the spread of the virus will disrupt Africa's economic activity, individuals, businesses and governments. Thirdly, the collapse of the oil price, which fell by about 50 percent in March 2020, will result in liquidity issues, reduced tax revenues and currency pressures for Africa's net-oil exporting countries.

McKinsey gauged the possible extent of this impact, by modelling "four scenarios for how differing rates of COVID-19 transmission - both globally and within Africa - would affect Africa's economic growth. Even in the most optimistic scenario, they project that Africa's GDP growth would be cut to just 0.4 percent in 2020, with this scenario looking less likely by the day. In all other scenarios, Africa is expected to experience an economic contraction in 2020, with its GDP growth rate falling by between five and eight percentage points."

Many of AFC's partners, clients and shareholders are facing multiple risks, including the human risk and associated costs of illness, record low commodity prices, trade disruptions and a deterioration of the economies in which they operate.

Looking back at 2019, the key challenge to the projected continuation in global economic recovery was concern over persisting US-China trade tensions. This proved to be true, given that contrary to the IMF's January 2019 World Economic Outlook, which had projected a 3.5 percent growth for 2019, actual growth for the year was only 3.0 percent, a number that puts it amongst the lowest global growth rates since the 2008 global financial crisis.

In addition to the widespread loss of momentum in global trade flows, the US-China trade disagreement also led to a double-digit export contraction between the two countries. The associated uncertainties also weighed on business investments and amplified the structural, and in some cases cyclical, slowdown that was already underway in China, as well as in some advanced economies.

Although several emerging markets (EMs) benefited from the resulting trade diversions - for example Mexico, Taiwan, Vietnam and Eastern Europe - the overall macroeconomic backdrop across EMs was mixed. Some of the largest EM economies - Argentina, Brazil, India, Mexico and Turkey - faced macroeconomic pressures, and there were rising geopolitical tensions in Iran and escalating civil unrest in Venezuela, Hong Kong and Lebanon.

A wave of synchronised policy easing by global central banks saw 49 central banks cut monetary policy rates 71 times in the second half of 2019, which helped stave off fears of a global growth slowdown. Furthermore, there were two major positive trade developments in the fourth quarter: (i) The reduction of existing tariffs by the US on Chinese goods and the cancellation of the additional planned tariffs as part of a prospective Phase 1 trade deal; and (ii) A rare US bipartisan agreement on the terms of the revised NAFTA trade deal, between the US, Mexico and Canada. These developments preceded the muchanticipated Phase 1 trade agreement between the US and China on 15 January 2020, which marked a partial truce in the trade war, thereby bringing signs of stabilisation and risk reduction in 2020.

ECONOMIC LANDSCAPE IN AFRICA

Despite the global economic uncertainty, Africa's economic growth remained stable at 3.4 percent in 2019, which was almost the same growth rate as in 2018. This average growth masked sharp disparities across the regions, with some countries growing rapidly, while growth remained elusive for others. For example, Africa recorded six of the ten fastest growing economies in the world: Rwanda (8.7 percent), Ethiopia (7.4 percent), Côte d'Ivoire (7.4 percent), Ghana (7.1 percent), Tanzania (6.8 percent) and Benin (6.7 percent). In these countries, a combination of positive trade flows and higher domestic investments were the main growth drivers.

However, the region's largest economies continued to demonstrate sluggish growth, bringing down the overall growth average for the continent. South Africa slipped into recession during the last quarter of 2019 — its second recession in two consecutive years — and its annual growth rate of 0.2 percent for 2019 was its lowest since the 2009 financial crisis, when its economy contracted by 1.5 percent. Angola's economy contracted for the fourth year in a row, with an estimated real GDP contraction of about 0.2 percent. Nigeria's economy grew by 2.3 percent in 2019, up from 1.9 percent in 2018, but still below the 3 percent population growth rate, thereby implying a contraction in per capita GDP growth.

From a geographical perspective, East Africa remained the continent's fastest growing region, as it was buoyed by strong consumption, together with investment and regional trade integration. As is usually the case, Egypt provided North Africa's strongest contribution to the region's growth, while Southern Africa's growth performance slowed markedly, from 1.2 percent in 2018 to just 0.7 percent, on the back of large negative climate shocks. It suffered a long drought which dried up water supplies and its constrained hydro power generation led to acute power shortages. Cyclones Idai and Kenneth devastated the economy of Mozambique, and there were heightened economic pressures in Zambia and Malawi. In addition, weak growth in South Africa had spillover effects on other Southern African Development Community countries, most notably in Namibia where real GDP growth contracted by about 1 percent, following a 0.5 percent contraction in 2018. Average growth in West and Central Africa remained around or below the regional average, with West Africa increasing from 3.4 percent in 2018 to 3.7 percent in 2019, and Central Africa rising from 2.7 percent to 3.2 percent.

Public and publicly guaranteed debt continued to rise across the region in 2019. Moreover, the public debt stock tilted increasingly to external bilateral, commercial and syndicated loan creditors, as opposed to multilateral lenders. For example, African sovereigns have issued a record amount of hard currency Eurobond debt. As of December 2019, the total outstanding Eurobond debt issued by African sovereigns reached US\$150 billion.

Looking ahead to 2020, commodity prices remain under threat from the impact of COVID-19. The region's major oil exporters, Angola, Cameroon, Gabon, the Republic of Congo and Nigeria face a crisis, with international oil prices declining to their lowest levels since 2014. Each country is still recovering from the 2014-16 oil price shock, with their economic adjustments, such as lowering public debt levels, raising economic growth and the rebuilding of reserve buffers, still incomplete. Other vulnerable African sovereigns include base metal exporters and countries that have a high exposure to trade with China, for example South Africa, Namibia and Guinea.

CORPORATE STRATEGY

The new corporate strategy is anchored on the core elements of revenue growth, robust risk management, improved governance structures and systems that enable our exceptional talent to focus on finding, developing and financing the right projects. I firmly believe that these are pivotal to achieving our growth strategy and enabling us to increase infrastructure development across the continent. I will briefly highlight some of the strategic actions that we have initiated.

The first element is the Corporation's diversification of its portfolio, both geographically and across sectors, to take advantage of new opportunities. It is our belief that through diversification we will balance our investments, while maintaining a high-quality asset book.

Secondly, we placed additional focus on project development and advisory services, following our various collaborations with stakeholders during 2018. Having recognised that there was an absence of readily available bankable projects on the continent, to fulfil our developmental mandate we had to be instrumental in identifying and creating de-risked projects that could attract international financing. The success of our project 'kickstarting' enabled us to cultivate more bankable projects in which we could invest and unlock additional sources of revenue. This approach made a significant contribution to our impressive financial performance in 2019

The third element, which is also linked to project development, is the development and financing of integrated ecosystems in countries and regions. This involves the development of the interdependent infrastructure required for the commercial or operational viability of larger projects in a region. As part of our portfolio, this innovative product offers a wholesale approach to project development, which we believe will foster a significant developmental impact in the relevant region or country, in addition to improving the bankability of such projects.

CHAIRMAN'S STATEMENT

As the differing government responses to COVID-19 illustrate, albeit in a different sphere, one of the key pressures on projects in Africa remain issues relating to political risk. These can include interference, expropriation, regime change, currency risk (particularly devaluation and associated upward inflation pressures) and economic and regulatory uncertainty in any given sector. Elections can stoke tensions and reshape the political landscape. In 2020 there are general elections in Burkina Faso, Burundi, Central African Republic, Côte d'Ivoire, Ghana, Guinea, Niger, Seychelles, Tanzania and Togo.

AFC also maintains keen appreciation of the bearing that external factors like commodity prices, borrowing costs in international markets and GDP growth in G-7 countries, as well as China, have on African economic activities.

I am pleased to report that AFC has a healthy pipeline of projects for 2020 and that we will continue to provide the support and facilitation necessary to make projects bankable.

PERFORMANCE

Despite the challenging economic environment in the continent, the Corporation delivered a strong financial performance in 2019. At year end, AFC had achieved significant growth in total comprehensive income by comparison to 2018. The Corporation's total comprehensive income in 2019 amounted to US\$164.5 million, which represents a 39 percent increase when compared to 2018. We expanded our balance sheet by 36 percent, bringing our total assets to US\$6.12 billion. This growth in assets was a result of our proactive efforts to expand the deal pipeline.

Shareholders total equity grew by 10 percent to US\$1,708 million, driven by increases in our share capital. During the year, the African Development Bank made a US\$50 million equity investment in AFC and the Government of Gabon, through its wholly-owned investment vehicle, the Caisse des Dépôts et Consignations du Gabon ("CDC Gabon"), executed a subscription agreement for US\$50 million equity investment in AFC. We also achieved a double-digit return on average equity - of 11.2 percent - for the first time in AFC's history.

In furtherance of our intention to diversify the shareholder base, the Board of Directors approved an increase of up to 450 million ordinary shares. The equity raise programme is designed to attract international equity investors with equal, or higher, credit ratings than AFC, and it also provides an opportunity to create a more diversified pool of shareholders. The core objectives of the equity raise include: (i) the provision of additional equity to support AFC's 5-year growth strategy, which has become an imperative given the phenomenal growth and rapid asset creation witnessed during the 2019 financial year; (ii) the diversification of our investor composition and the enhancement of the average credit rating of our current shareholder base; and (iii) the maintenance of our conservative prudential ratios. The Corporation maintained its credit rating by Moody's of A3 (stable outlook).

DIVIDENDS

Following the declaration of profits, the Board of Directors is recommending a dividend payout of 4.265 cents per share (cumulative US\$49,362,514) to the 2019 Annual General Meeting of shareholders. This translates to a dividend pay-out ratio of 30 percent and a dividend yield of 2.2 percent. The resolution on the payment of dividend will be tabled before the Annual General Meeting scheduled for 23rd April 2020 and, if approved, the dividend will be paid to all qualifying shareholders who are on the register of shareholders on the date of the Annual General Meeting.

MEMBERSHIP

The Corporation achieved its highest ever annual increase in Member States, with an increase in membership from 20 to 26 Member States in 2019. During the year, AFC welcomed Mauritania, Mauritius, Madagascar, Namibia, the Republic of Senegal and Eritrea as Member States. Based on various meetings and assurances received from governments, we are looking forward to welcoming additional Member States, as several other prospective Member States are currently progressing their domestic protocols to join the AFC. The expansion of our membership highlights AFC's growing influence on the continent's infrastructure development, while the increased regional diversification of our membership emphasises our commitment to Africa as a whole.

BOARD CHANGES

In early March 2020, Dr. Okwu Joseph Nnanna, reached the end of his term as Chairman of the Board of Directors, and also retired from the Board. On behalf of the entire Board of Directors and Executive Management of the AFC, I must pay immense tribute to Dr. Nnanna for the unparalleled stewardship, guidance, decision-making and counsel that he provided throughout his three years as Chairman. His strategic foresight and sound oversight of AFC has been instrumental to the Corporation's success. It is with a deep sense of respect and responsibility that I am taking over from Dr. Nnanna as Chairman of the Board, and I look forward to helping steer the Corporation's delivery of its mandate to support and fund the infrastructure solutions that Africa so desperately needs for its economic growth and development.

In accordance with the Corporation's strategy to diversify the membership of the Board of Directors geographically and by gender, the first female Director was appointed. Ms. Soula I. Proxenos was appointed as an Independent Director to strengthen the corporate governance processes of the Board of Directors. She has been Managing Director of International Housing Solutions Limited, led the founding of the South African Workforce Housing Fund and was Managing Director of Fannie Mae's International Housing Financial Services. The Board of Directors also approved the nomination of Mr. Batchi Baldeh as a Non-Executive Director representing the African Development Bank, for whom he is currently its Director of Power Systems Development. He has over 25 years' experience in the power sector and has been an international consultant to governments, the World Bank and the European Union. These new Directors' wealth of experience will bring significant additional value to bear on the Board of Directors deliberations and decisions.

The benchmark institution that AFC has become would not have been possible without the support and contribution of our stakeholders. I would like to take this opportunity to thank everyone who has contributed to our success in 2019. The diligence and commitment of our dedicated AFC employees has made a major contribution to the impact and growth of the Corporation, and I am also indebted to our industry stakeholders for the partnership, technical support and advice, that they have provided to AFC, together with the media for broadcasting our messages.

Lastly, I wish to thank the President and Chief Executive Officer, Mr. Samaila Zubairu, who has led the Corporation and helped create the platform necessary for AFC's growth, enabling it to continue its impactful role as the leading African-focused infrastructure solutions provider. 2019 was the first full financial year under Mr. Zubairu's leadership, and on behalf of the Board of Directors, I wish to commend him for his stewardship and the excellent financial performance.

OUTLOOK

I am confident that with the wealth of experience of AFC's Board of Directors, together with the excellent Management and staff of AFC and the Corporation's strategic objectives, we are poised for even greater heights. It is imperative that we maximise the impact of our infrastructure investment and development role, so that we can reduce Africa's infrastructure deficit and improve the continent's challenging business environment. I believe the AFC is positioned to successfully deliver on its long-term mandate to play a key role in assisting sustainable economic and social change across Africa.

Dr. Kingsley Obiora

Chairman, Africa Finance Corporation



THRIVING IN THE FACE OF CHALLENGES

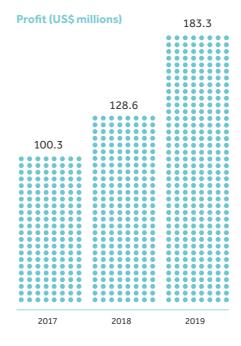
"2019 WAS A DEFINING YEAR FOR AFC, REFLECTED BY OUR OUTSTANDING FINANCIAL PERFORMANCE AND IMPRESSIVE ASSET GROWTH"

PRESIDENT & CEO'S STATEMENT

I am pleased to report and reflect on what was a milestone year for us at the Africa Finance Corporation ("AFC"), not only in terms of our financial performance, but also because of the development impact that we have delivered in the countries and communities in which we invested during the year.

OUR 2019 PERFORMANCE

2019 was a defining year for the AFC, reflected by our outstanding financial performance and impressive asset growth, as we continued our strategy of pragmatic solutions to Africa's Infrastructure deficit in a challenging operating environment. We grew operating income, profit and total comprehensive income by 28.9 percent, 42.6 percent and 39.4 percent respectively, to US\$230.79 million, US\$183.3 million and US\$164.53 million. This performance is a testament to the resilience of AFC and the commitment, innovation and dedication of every member of our organisation in their facilitation of economic growth and industrial development across the African continent.





"WE STAND READY TO PLAY OUR PART IN THE DEVELOPMENT OF THE ROADS, PORTS, AIRPORTS AND RAIL LINES THAT ARE SO VITAL TO SHAPE AFRICA'S FUTURE."

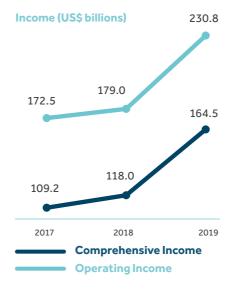
The growth in operating income was driven by the 361 percent growth in fee and commission income to US\$68.8 million, compared to US\$14.9 million in 2018. Net interest income increased by 8 percent to US\$162.6 million, compared to US\$151.0 million in 2018. The growth in net interest income and fees and commission income was partly offset by the decrease in dividend income of 42 percent to US\$2.3 million, compared to US\$15.9 million in 2018. Our earnings per share increased by over 41 percent, from US\$0.1173 to US\$0.1664.

The Corporation continued to create value on its equity investments portfolio, with a net gain on financial instruments fair valued through profit or loss (FVTPL) of US\$71.5 million in 2019. Due to the increased asset base, the challenging operating environment together with the impact on application of International Financial Reporting Standard 9 (IFRS 9), our impairment charge in 2019 increased by 272 percent to US\$77.5 million. The Corporation adopts strong risk management practices, a proactive risk-centric approach and the use of portfolio insurance as a risk mitigation tool in the management of our risk assets.

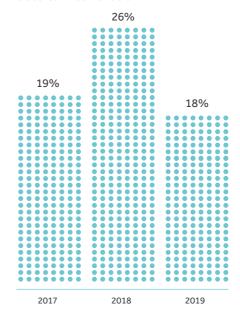
It remains imperative that we manage our operating expenses. Our cost-to-income ratio (CIR) for the year stood at 18 percent, significantly lower than the average CIR for banks, demonstrating the efficient management of the Corporation's resources. According to S&P Global Market Intelligence's analysis of banks in 63 countries, the average CIR ranged from 27.05 percent (Algeria) to 79.89 percent (Germany), with the other African countries monitored registering 35.23 percent, 57.62 percent and 59.99 percent for Egypt, South Africa and Nigeria respectively.

Our performance has been accompanied by a growth of 33 percent in the returns on our average equity to 11.2 percent, from 8.4 percent in 2018, while our return on average assets increased from 3.0 percent to 3.5 percent.

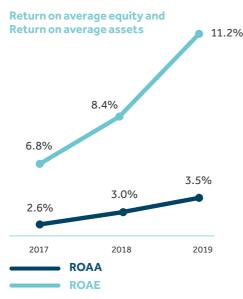
The Corporation achieved growth of 36 percent in total assets to US\$6.1 billion, up from US\$4.5 billion in 2018. This growth was largely driven by increases in our core loan book and treasury assets, while being funded by borrowings which grew by 50 percent. In terms of shareholders equity, we welcomed Africa Development Bank as a shareholder during the year when it made an investment of US\$50 million in the Corporation.

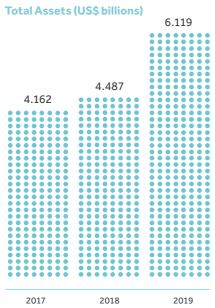


Cost-to-income ratio



The Corporation remains well capitalised, with a capital adequacy ratio of 32.9 percent, which is significantly above the minimum capital adequacy ratio, including the capital conservation buffer, of 10.5 percent required under Basel III. This, in addition to the size of our high liquid assets portfolio - about US\$2.1 billion in money market placements at the end of the year - puts AFC in a strong position to address the challenging environment posed by COVID-19.





Our commitment to delivering developmental impact has seen us refine our investment approach to Africa's infrastructure needs, with a focus on early intervention of its total value chain and providing the leadership in infrastructure ecosystem investment that integrates Africa's economies. These are illustrated by our investments in transformational projects such as Dangote Refinery, petrochemical and fertiliser plants in Nigeria's Lekki Free Trade Zone, the Atlantic Terminals

Takoradi port in Ghana, and the NGM project to facilitate beneficiation of manganese in Gabon. These sustainable development projects create capacity, boost economic corridors and create jobs.

The challenge posed to Africa by over US\$100 billion annual infrastructure deficit cannot be underestimated, with investment needed for new projects, continuing operations and for the maintenance of existing infrastructure. The World Bank estimates that the infrastructure gap reduces Africa's productivity by 40 percent and cuts economic growth by 2 percent a year. The infrastructure deficit also hinders intra- and interregional integration, limits economic development and is a real obstacle to social progress.

Africa is the second largest continent in the world, and, with over 1.3 billion people it has almost 17 percent of the world's population, implying that Africa should have fervent anticipation to what is shaping up to be a transformational decade.

However, it would be naïve in the extreme to assume that our Corporation, our project pipeline, activities, results, customers and partners will be unaffected by the COVID-19 pandemic. More on this later, but we are indeed in uncharted territory, with the global economy facing its worst recession since the Great Depression.

Nevertheless, we will continue to proactively help Africa to close its crippling infrastructure gap and unlock its growth potential by smoothing the path towards desperately needed industrialisation and development. In the years ahead, this aspiration will be crucial, as the African Continental Free Trade Area ("AfCFTA") will provide considerable opportunities to harness the continent's vast trade and economic potential, through increased intra-African trade and regional integration.

To a large extent, the success of AfCFTA depends upon the African continent's ability to develop, construct and manage the critical infrastructure required to facilitate the efficient movement of people, goods, services and resources within, and beyond, Africa's borders. Facilitating and financing the construction of this infrastructure through our ecosystem approach which is designed to facilitate industrial value chains, is the reason for AFC's existence, so we stand ready to play our part in the development of the roads, ports, airports and rail lines that are vital to shape Africa's future.

"OUR STRATEGY IS TO
BUILD A PORTFOLIO
OF VALUE-ADDED
ASSETS ACROSS
THE VALUE CHAIN
BY TAKING AN EARLY
EQUITY FINANCIER
ROLE IN OPERATIONAL
OR NEAR-OPERATIONAL
UPSTREAM ASSETS"

(US \$ millions)

With an investment footprint now spanning over 30 countries across the continent, the AFC is now well regarded as an effective long-term investment

PROFIT FOR THE YEAR (US\$)

UP 43% FROM FY 2018

FY 2019 TOTAL COMPREHENSIVE INCOME (US\$)

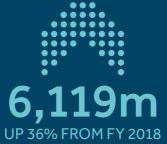


165M UP 39% FROM FY 2018

FA 2019 OPERATING INCOME



FA 2019 TOTAL ASSETS



"GLOBAL CAPITAL MARKET CONFIDENCE IN AFC AS A LEADING INVESTMENT GRADE MULTILATERAL INSTITUTION ON THE AFRICAN CONTINENT"

AFRICA'S 2019 ECONOMIC PERFORMANCE

African economies proved resilient in 2019, with an estimated average real GDP growth rate of 3.2%, Encouragingly six of 2019's fastest growing global economies were in Africa, specifically, Rwanda, Ethiopia, Côte d'Ivoire, Ghana, Tanzania and Benin. Sub-Saharan Africa experienced relatively modest growth in 2019 with an estimated GDP growth rate of 3.1 percent, slightly lower than the 3.3 percent growth recorded in 2018. By contrast, African economies north of the Sahara expanded at a slower pace, with an average real GDP growth rate of 2.8 percent, from 4.7 percent in 2018.

According to the IMF, non-resource intensive economies led the way in terms of economic growth, with an average real GDP growth of 6 percent in 2019, while 24 African countries registered higher per capita income growth than the rest of the world. However, economic growth rates in Africa remain significantly below potential, having yet to reflect the vast opportunities that the region possesses.

Globally, investor confidence fell as rising trade barriers and tensions between the US and China created economic uncertainty. Business sentiment deteriorated and capital spending declined. Growth in industrial production and global trade volumes dropped significantly in 2019 Q1, from 3.5 percent each to 1.6 percent and 0.7 percent, respectively. The slight rebound in Q3, which was partly driven by the trade agreements reached during the June G20 summit, was short-lived and followed by a further regression to near-zero growth rates in Q4.

OUR INVESTMENTS: TRANSFORMING COUNTRIES AND COMMUNITIES

With an investment footprint now spanning over 30 African countries, AFC is well regarded as an effective long-term investment and development partner. We are is often the first port of call for governments and organisations seeking institutional capital and partnerships for transformational infrastructure projects in their countries and regions.

We have adopted an enhanced entrepreneurial outlook towards infrastructure financing on the continent, culminating in our integrated end-to-end view of projects. We seek to participate across the whole project life cycle, from initial concept to feasibility, bankability, construction and operations.

This approach has already yielded positive economic and social outcomes, with an example being AFC's investment in the Gabon Special Economic Zone Company (GSEZ). Since 2016, GSEZ has developed a portfolio of connected projects, in Gabon, Mauritania and Côte d'Ivoire, driving higher revenue generation from the Gabonese timber industry, through the beneficiation of wood in the GSEZ and the export of higher value products to international markets.

The GSEZ also unlocked Gabonese manganese exports. Importantly, since inception, the GSEZ has created 4,000 direct jobs across a range of highly and semi-skilled employment positions, thereby contributing to Gabon's socio-economic development.

We are continuing to optimise and refine our key product offerings, such as project development, advisory, syndications, principal debt, mezzanine and equity, in order to complement our new integrated approach to infrastructure financing. In 2019, we deployed innovative products such as construction finance and all-equity solutions to shorten the time for projects to reach financial close, while also unlocking tremendous value.

During the year, our investments grew in size, quality, profitability and impact, as we played a prominent role in the development and financing of the vital infrastructure projects required to transform African economies and the lives of communities.

In many regards, 2019 was a year of 'firsts' for us at the AFC as we closed some innovative and landmark transactions across a number of sectors. The highlights for the year included:

- The construction of the 44-MW Singrobo-Ahouaty
 Hydroelectric Power Project in Côte d'Ivoire, which
 will increase the country's overall power capacity,
 reduce generation costs and advance Côte d'Ivoire's
 pioneering role in renewable energy. AFC adopted an
 innovative financing strategy for the project, utilising
 a construction finance product to de-risk the project,
 shorten the project cycle and commence construction.
- An investment of US\$150 million in the development and construction of the Colluli Potash Project in Eritrea. With a mine life of approximately 200 years, the project will be of significant economic and financial benefit to the country, potentially delivering 10 percent of the country's gross domestic product by 2021.
- A US\$78 million investment in the Segilola Gold Project in Nigeria via a combination of senior debt, equity and stream instruments. Segilola is a shovel-ready 4.2 grams per tonne open pit mine project and the largest and furthest advanced institutional quality gold mining project in Nigeria, as well as being one of the highestgrade reserves in West Africa.
- Through a Joint Development Agreement with Brahms Oil Refineries Limited, we are co-developer on the development and subsequent financing for a petroleum storage and associated refinery project in Kamsar, Guinea, improving the country's balance of payments and greatly assisting Guinea's economic and developmental goals.
- AFC provided a US\$62.2 million bridge financing instrument for the 60MW Red Sea Wind Power project in Djibouti, which will support Djibouti's energy independence in an environmentally friendly manner, replace some liquid fuel plants and reduce electricity imports. We adopted a bridge financing approach to expedite the project development activities and ensure that financial close was achieved just over two years after the agreement for the development of the project was signed.

FUNDING: INFRASTRUCTURE AS AN ASSET CLASS

Given the scale of Africa's infrastructure deficit, AFC has always taken a diverse approach to sources of funding. Funding plays a critical role in AFC's operations as it enables us to execute projects that will transform the lives of people across Africa. To this end, AFC has always sought new and varied sources of funding across the world. In 2019 we recorded significant successes in the Asian capital markets and the terms on which we raise funds are constantly improving, reflecting the global capital market confidence in AFC as a leading investment grade multilateral institution on the African continent.

In September 2019 as part of our growth strategy, we closed a general syndication raising US\$233 million and JPY1 billion – the "Samurai bond." In November 2019 the successful closing of a US\$140 million Term Loan Facility – the "Kimchi" facility – became AFC's first Korean-focused instrument.

Adding these to a US\$300 million loan facility from the Export-Import Bank of China and other investments, saw recent Asian investments - from China, Hong Kong Special Administrative Region, Singapore, Malaysia and Taiwan - into AFC cumulatively reach about US\$1.2 billion.

During 2019, we also issued two Eurobonds under the Corporations three billion Dollar Global Medium-Term Note (GMTN) Programme. These included strong subscription rates for US\$500 and US\$650 million Eurobonds and a CHF200 million Reg S Only bond.

We recognise that the COVID-19 pandemic may result in reduced and delayed foreign direct investments into Africa, as other continents may decide to deploy capital locally.

"OUR STRATEGY IS TO BUILD A PORTFOLIO OF VALUE-ADDED ASSETS ACROSS THE VALUE CHAIN BY TAKING AN EARLY EQUITY FINANCIER ROLE IN OPERATIONAL OR NEAR-OPERATIONAL UPSTREAM ASSETS"

PEOPLE AND ORGANISATION

Our people remain our greatest asset and the main source of our competitive advantage. Given the competitive nature of our industry, it is essential that we attract and retain the best talent. Our people strategy focuses on ensuring an enabling environment and empowering our staff with the purpose to create and provide the solutions that address Africa's infrastructure deficit.

Our headcount expanded to just under 100, from 85 in 2018, and we only create new positions that are critical to driving forward the business strategy. Our commitment to increasing diversity is demonstrated by our employees comprising 17 nationalities, having a healthy male-to-female ratio and strong intergenerational representation, ensuring cohesive, innovative and dynamic teams.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

African society is becoming increasingly informed, knowledgeable, risk averse and demanding of higher standards of sustainability - societal consciousness and environmental preservation - from all organisations including AFC.

Investors are now more concerned with the social and environmental impact of their investments and governments are more at risk of being held to account for their actions. The United Nations Framework Convention on Climate Change Paris Agreement is putting pressure on governments and nations to push green agendas. AFC recognises that businesses are increasingly judged on external factors, such as progress towards the attainment of Sustainable Development Goals.

The Board of Directors and Management is committed to proactive Environmental, Social and Governance performance and views it as an integral part of its responsibility to clients, shareholders, communities and the environment in which it operates. We play our part in tackling climate change, and work with partners, governments and projects to reduce emissions and climate impact. Today, climate finance projects make up 9 percent of AFCs portfolio commitment size.

AFC is committed to achieving the highest standards of professional conduct across the Corporation.

COUNTRY MEMBERSHIP AND EXTERNAL RELATIONSHIPS

In 2019, we welcomed six new member countries - Mauritania, Mauritius, Madagascar, Namibia, Senegal and Eritrea - thereby increasing AFC member countries to 26. We continue to explore opportunities to onboard new member countries in line with our pan-African mandate. Regardless of whether countries are members of AFC, we review project opportunities across the continent and have a portfolio of projects across 30 African countries, with projects in other jurisdictions currently under review

OUTLOOK

The human and economic costs of the coronavirus (COVID-19) pandemic are mounting. Apart from the human tragedy affecting millions across the world, the stringent social distancing measures taken by governments to curtail the spread of the virus are having a devastating effect on livelihoods. In the US alone, 6.6 million people filed initial unemployment insurance claims in March, shattering all previous records. A similar story is likely playing out across the world with the global economy effectively under lockdown. As a result, economists are now predicting a global recession worse than the 2008 Global Financial Crisis, only comparable to the Great Depression.

A forecast by McKinsey & Co has suggested that the impact of COVID-19 on Africa's economies could result in its GDP in 2020 ranging from plus 0.4% to minus 8%. The African Union has estimated that 20 million jobs may be lost in Africa due to the pandemic and it also stated that 'if the situations lasts' the continent's governments collectively risk losing up to 30 percent of their revenues. Quite apart from the commercial and economic disruption, and the widespread human and social toll, there is also the risk of civil unrest, with an early example being the destruction of a testing centre in Côte d'Ivoire by angry locals who feared infection.

It is inevitable that AFC's business will be affected by the COVID-19 fallout, but we have entered the period with strong finances, sound management and processes and our efficient organisation is better-positioned than most to deal with the challenges. Infrastructure project financing looks likely to come under pressure as international capital inflows to Africa may reduce and

"IT IS INEVITABLE THAT AFC'S BUSINESS WILL BE AFFECTED BY THE COVID-19 FALLOUT, BUT WE HAVE ENTERED THE PERIOD WITH STRONG FINANCES. SOUND MANAGEMENT AND PROCESSES"

weakened African government revenues - at a time that spending must be massively increased on COVID-19 responses - will divert resources from previously intended infrastructure projects. Rest assured that we will press ahead with delivering on our mandate with our customary vigour, dedication, effort and intent. Looking beyond COVID-19, the impetus created by AfCFTA promises that the decade ahead presents considerable opportunities to harness Africa's economic growth, create regional integration, boost intra-African trade and global exports, deliver enabling infrastructure and enhance Africa's global competitiveness. We are focused on reducing the infrastructure deficit across the continent in order to accelerate Africa's economic growth and industrial development, while meeting the needs of African countries.

2020 is the second year of executing our five year strategy and, prior to COVID-19, our priorities for the year were expanding the asset pipeline through our development-oriented ecosystem focused approach; maintaining a value accretive beneficiation policy; and supporting import substitution policies which will create jobs, reduce systemic risk and provide cross-selling initiatives across sectors and product lines. By creating innovative platform vehicles and other instruments to distribute risk and yields across the value chain, we aim to attract local and global investors.

As pan-African capital and public investment expenditure continues to shift away from aid and multilaterals, towards private sector partnerships and internally generated revenue, demand for project and trade finance is higher than ever before, thus demonstrating the efficacy and relevance of AFC's purpose.

Where AFC adds true value is through our proactive participation across the infrastructure value chain. We achieve this by leveraging our three complementary service areas - project development, principal investing and financial advisory - to fill the market gaps. By following projects from concept to completion, we ensure that the investment projects in which we invest are well structured and reach financial close.

I must pay tribute and my immense admiration for the sterling work, dedication, sound decision-making and invaluable counsel of our outgoing Chairman, Dr. Okwu Joseph Nnanna. His impact has benefited AFC beyond compare.

Whilst recognising the constraints of COVID-19, we will seek to diversify our portfolio and apply ever more stringent selection criteria, to ensure that we invest in the highest quality and best run infrastructure projects that will deliver transformational development impact. As ever, we are keenly committed to the Corporation's core mission, which seeks to address Africa's urgent infrastructure investment, capacity and economic development needs, whilst delivering positive social and environmental impact as well as competitive financial returns for our shareholders.

Mr. Samaila Zubairu

Somala Zuerou

President & Chief Executive Officer Africa Finance Corporation





FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

FY2019 / OPERATING INCOME

US\$ 230.8m



FY2019 / PROFIT FOR THE YEAR

US\$ 183.3m



FY2019 / TOTAL COMPREHENSIVE INCOME

US\$ 164.5m



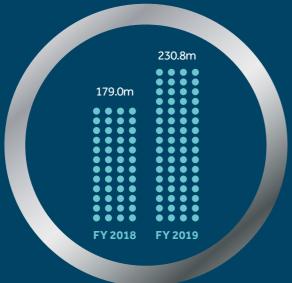
FY2019 / TOTAL ASSETS

US\$ 6.1bn



FY2018 / FY2019 **OPERATING INCOME (US\$)**

FY2018 / FY2019 PROFIT (US\$)





FY2018 / FY2019 **COMPREHENSIVE INCOME (US\$)**

FY2018 / FY2019 **TOTAL ASSETS (US\$)**







FAST TRACKING AFRICA'S ECONOMIC DEVELOPMENT

WHO WE ARE

AFC is a multilateral financial institution, created by sovereign African states to provide pragmatic solutions to Africa's infrastructure deficit and challenging operating environment, by developing and financing infrastructure, natural resources and industrial assets, for enhanced productivity and economic growth of African states.

The vision of the Corporation is to become Africa's leading infrastructure solutions provider. Our mission is to foster economic growth and industrial development of African countries, while delivering a competitive return on investment to our shareholders.

Over the last 13 years, AFC has been actively involved as an investor, developer and financier of various strategic infrastructure projects across Africa, with a range of tailor-made product offerings including debt, equity and mezzanine instruments within the project finance, trade and structured finance and equity investment space. In addition, AFC offers clients, financial advisory, project development and technical advisory services across five major focus sectors, namely power, natural resources (oil & gas and mining), heavy industries, transport and logistics and telecommunications infrastructure. In furtherance of its mandate, AFC acts as a catalyst to create and foster conditions that are conducive to the greater inflow of investment funds into the African continent for increased infrastructure development and export-oriented industrialisation. In its 13 years of existence, AFC has gained recognition as the benchmark institution for financing the development of infrastructure projects in Africa.

AFC's authorised and issued share capital is US\$2.1 billion and US\$1.1 billion respectively, with shareholders' funds of US\$1.7 billion at 31 December 2019. To date, AFC has invested over US\$7.2 billion in strategic projects within 30 countries across Africa.



The Corporation has a wholly owned subsidiary, AFC Equity Investment Limited ("AFC Equity"), established in Mauritius in 2013, as an investment vehicle for the purpose of holding AFC's equity investments. The Board of Directors of AFC Equity comprises four foreign Directors and three resident Directors, with responsibility for promoting the success of the entity by directing and supervising its affairs, in accordance with the objectives as approved by the sole shareholder and in compliance with applicable laws and regulations in Mauritius.

In executing their mandate, AFC and AFC Equity (collectively, the "Group") operate within a corporate governance structure developed on high standards and in line with international best practices. The Group's governance culture is a key enabler and the foundation of the successes achieved by the Group to date.

GOVERNANCE STRUCTURE OF AFC

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

AFC was established by twin constitutive documents: the Agreement for the Establishment of Africa Finance Corporation (the "AFC Establishment Agreement") and the Charter of AFC (the "AFC Charter"). The Establishment Agreement is the treaty concluded by and between Sovereign States ("Member States"). The AFC Charter is appended to the AFC Agreement and derives its legal force from the AFC Agreement. The AFC Charter is operative among the shareholders of the Corporation ("Shareholders").

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

The Corporation is headquartered in Lagos, Nigeria, by virtue of a Host Country Agreement with the Federal Republic of Nigeria.

As a multilateral development financial institution, AFC enjoys supranational status and is not subject to the domestic legislation of its Member States, but to international law and conventions applicable to similar institutions generally.

AFC is self-regulated and adheres to international best practice in respect of its operations.



AFC'S MEMBER STATES

AFC currently has the following 26 Member States: Nigeria, Ghana, Guinea-Bissau, Guinea, Cape Verde, Rwanda, Uganda, Liberia, Sierra Leone, The Gambia, Gabon, Kenya, Côte d'Ivoire, Djibouti, Chad, Benin, Zimbabwe, Zambia, Malawi, Togo, Mauritania, Mauritius, Madagascar, Namibia, the Republic of Senegal and Eritrea.

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

SHAREHOLDERS

As at 31st December 2019, AFC has 27 shareholders, comprised mainly of some Member States, major financial institutions and development financial institutions.

The shareholders exercise their oversight responsibilities over the affairs of the Corporation, through the Annual General Meeting and any other General Meetings as necessary. Shareholders with major shareholdings also have the right to nominate representatives to the Board of Directors. Thus, members of the Board of Directors are mainly representatives of shareholder institutions, excluding the Independent Directors and Executive Directors.

In 2019, the Corporation embarked on an equity raise programme to increase its capital necessary for the execution of its mandate. A capital increase of up to 450 million Ordinary Shares was approved. The equity raise programme is expected to attract additional African states and investors as well as international equity investors with a credit rating equal to, or higher than, AFC's, and also to provide for a diversified pool of shareholders. The equity raise programme has been designed to meet certain core objectives of Management, which include:

- Additional equity to support AFC's five-year growth strategy, which is now imperative given the phenomenal growth and rapid asset creation witnessed in the 2019 financial year.
- Diversify the Corporation's investor composition and enhance the average credit rating of its current shareholder base.
- Maintain the Corporation's prudential ratios and support and possibly improve its current credit rating.
- The equity raise programme is being continued in 2020.

In 2019, the Corporation welcomed the African Development Bank as a new shareholder and Caisse des Dépôts et Consignations du Gabon (CDC Gabon), the investment vehicle of the Republic of Gabon, which also subscribed for shares in AFC.

SHAREHOLDER RETURNS

The Corporation's issued and fully paid up share capital increased from US\$1,096,395,000 to US\$1,125,807,000 as at 31st December 2019, due to subscriptions from the African Development Bank and CDC Gabon.

The Board of Directors has recommended a dividend payment of 4.265 cents per share (US\$ 49,362,514 in aggregate) as payment to all shareholders, subject to the approval of the 2020 Annual General Meeting, is for 2019 only.

BOARD OF DIRECTORS

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

Board of Directors Composition

The Board of Directors consists of eleven Non–Executive Directors, which includes one Independent Director, and three Executive Directors.

The Non-Executive Directors, most of whom were nominated by the shareholders of the Corporation, are experienced professionals with in-depth finance, banking and industry knowledge. No individual or group dominates the Board of Director's decision-making processes.

Changes in Board of Directors

The Board of Directors, through its Nomination and Corporate Governance Committee, evaluates the balance of skills, knowledge and experience on the Board. Mr. Tunde Lemo retired from the Board of Directors on 15 May, 2019, having completed the maximum tenure on the Board. Mr. Tunde Lemo served as the Interim Chairman Audit and Compliance Committee (BACC). The Board of Directors and the Corporation benefited immensely from the wealth of experience and expertise of Mr. Lemo, who had been a Director of the Corporation from its inception.

The Board of Directors, on the recommendation of the Board Nomination and Governance Committee (BNGC), elected Mr. Henry Oroh as a Non-Executive Director of the Corporation to replace Mr. Ebenezer Onyeagwu, who had resigned from the Board. Mr. Onyeagwu was a member of Board Risk and Investment Committee (BRIC) and the Board Audit and Compliance Committee (BACC) and made valuable contributions to the affairs of Corporation. The Board of Directors also approved the nomination of Mr. Baldeh as Non-Executive Director, representing the African Development Bank, following their equity investment.

The Corporation launched the process for the appointment of two Independent Directors in 2018 and 2019. Following a competitive process, on the recommendation of the BNGC, the Board of Directors appointed Ms. Soula I. Proxenos as an Independent Non–Executive Director of the Corporation. The second Independent Director, who will also serve as the Chairperson of the Board Audit and Compliance Committee, will be appointed before the end of 2020.

In furtherance of the Board of Directors' strategy to diversify the Board in terms of gender and geography, Ms. Soula Proxenos has been appointed as the first female Director of the Board. The second Independent Director to be appointed will further diversify the Board of Directors, as similar criteria have been set for candidates for that role.

The resumes of the new Board of Directors members can be found in the Leadership section of this Governance Report.

Duties of the Board of Directors

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

The Board of Directors remains committed to setting and maintaining superior standards of corporate governance. To this end, the Corporation has in place well defined corporate policies, business practices and internal controls to help safeguard the Corporation's interest, whilst pursuing asset growth. The Board of Directors has three sub-Committees, the BNGC, BRIC and BACC.

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

There is a clear separation of the roles of the Chairperson and the President & Chief Executive. The Chairperson of the Board of Directors is responsible for the overarching Management of the Board and the Corporation.



Activities of the Board of Directors

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

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

In 2019, the Board of Directors considered and approved the budget and financing plan for the year. The Board of Directors considered investment proposals above specified thresholds, on the endorsement and recommendation of the BRIC, as well as investment proposals with related parties of the Corporation in accordance with the Corporation's Related Party and Associates Policy. The Board of Directors approved the Policy on Related Parties and Associates which was revised inter alia, to align the definition of related party to the International Accounting Standards (IAS) definition and to ensure that, in the event of any conflict of interest, appropriate disclosures are made and that

arms-length and objective measures are applied. Various other corporate policies reviewed and endorsed by the relevant Board Committees were approved by the Board of Directors. The Board of Directors also assessed the financial performance of the Group. The Board of Directors maintained its oversight of the processes in order to evaluate the adequacy of internal controls, risk management, financial reporting and compliance.

Board Nominations and Corporate Governance Committee (BNGC)

The BNGC considers and reviews policies on the Corporation's Governance Structure and Framework, shareholder matters, human resource matters, and the appointment and re-appointment of Non-Executive and Executive Directors. In 2019, the BNGC reviewed policies on staff Management and succession planning. The BNGC also extensively reviewed updates on the Corporation's equity raise and provided advice and guidance to management. The Committee also considered the appointment and re-appointment of the Non-Executive Directors named in the Changes to the Board section of this Governance Report. The Report submitted on the performance evaluation of the Board of Directors was extensively reviewed by the BNGC. The BNGC also considered options for a new headquarters building and approved the lease of additional office space in a building close to the headquarters (Headquarters Annexe) to accommodate the growing number of staff necessary for the execution of the Corporation's business. Some business units have moved to the Headquarters Annexe.

The BNGC is made up of seven members and met four times in the year.

BOARD OF DIRECTORS (CONT)

Board Risk & Investment Committee (BRIC)

The BRIC reviews and approves the Corporation's investment decisions. The BRIC sets guidelines and policies on the adequacy of the Corporation's capital, exposure limits, risk profile, liquidity and funding. In addition, the BRIC approves the various borrowings embarked on by the Corporation under its delegated authority from the Board of Directors and monitors the Corporation's financial performance through periodic reports from the Chief Executive Officer. The BRIC meets as often as the business of the Corporation may require, or at least once every quarter. It met six times in 2019.

During 2019, in addition to assessing policy documents and considering investment proposals, the BRIC reviewed the update on the restructuring of the Corporation's oil and gas portfolio and portfolio investments and approved the insurance premium for non-payment insurance on a portfolio of the Corporation's assets. At each meeting the Committee reviewed the risk profile of the Corporation's portfolio of assets and monitored the various sector limits.

The BRIC reviewed and approved the Corporation's investment decisions spanning across its five key sectors which are natural resources (oil, gas and mining), power, transport infrastructure, telecommunications and heavy industries. All geographic regions in Africa and more than 20 countries were covered, including Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Gabon, Ghana, Kenya, Mauritania, Morocco, Nigeria, Republic of Guinea, Senegal, Sierra Leone, Tanzania, Togo, Tunisia, Uganda and Zimbabwe.

The BRIC approved the revisions to the various policies on Operational Risk Management; Credit Risk Management; Anti-Money Laundering/Know Your Customer; Market Risk; Environmental & Social; Asset & Liability Management; Aggregate & Related Party; and the Liquidity & Contingent Funding Plan. The BRIC monitored the Corporation's financial performance through periodic reports from the Chief Executive Officer and the Chief Financial Officer.

The Committee was made up of seven members during the year and met six times.

Board Audit & Compliance Committee (BACC)

The BACC derives its authority from article 28 of the AFC Charter. The BACC members possess relevant business knowledge, skills and familiarity with banking and accounting practices. The chairperson of the BACC is required to be an Independent Director. The Committee meets with the external auditors and Management of the Corporation in joint sessions to review the audited financial statements of the Corporation. The Committee also reviews the Corporation's financial performance and policies relating to financial matters. The Corporation's budget is reviewed and approved by the Committee. The BACC also reviews Internal Audit's reports and recommendations.

In line with its oversight responsibility and compliance monitoring, the BACC met the external auditors to review and approve the External Audit Plan and Strategy as well as the Audited Financial Statements for the year ending 31 December 2019. The BACC reviewed the Internal Audit reports on the Corporations operations, including the activities of all departments of the Corporation during the year. The BACC also approved the implementation of the Internal Audit Plan as proposed by the Head of Internal Audit and the external Quality Assurance Assessment of the Internal Audit function. To enable the BACC to dedicate adequate time to the delivery of its mandate and to ensure adequate attention is given to the items which are critical to the Corporation's operations, a risk rating for internal audit findings was implemented. The BACC assessed the Corporation's Performance & Business Planning and the Corporation's Compliance Management Dashboard, in line with its compliance function. Certain procurements made by the Corporation above a specified threshold were also approved by the BACC. The BACC considered the list of past and ongoing financial advisory mandates undertaken by the Corporation.

During the year the Committee was made up of five members and met five times.

Remuneration

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

Board of Directors Performance Evaluation

The evaluation of the performance of the Board of Directors is conducted every two years. In 2019 the Board of Directors considered the report of KPMG Professionals who were engaged in 2018 to conduct the performance assessment of Directors, individually and collectively. KPMG also assessed the corporate governance practices, procedures and policies of the Board of Directors. The Board of Directors was assessed to have high quality corporate governance operations, controls and principles, when compared to its peers. In line with Board of Directors policies another performance evaluation is to be commenced in 2020.

Responsibilities of Directors (Financial Statements and Annual Report)

The Directors are responsible for the preparation of the Financial Statements, which give a true and fair view of the state of affairs of the Corporation at the end of the

financial year. These responsibilities include instituting adequate internal control procedures to safeguard assets, prevent and detect fraud or other irregularities; maintenance of proper accounting records; adherence to applicable accounting standards (IFRS in our instance); ensuring that relevant accounting policies are used and consistently applied; and that 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 of Directors considers its Non-Executive Directors to be independent in character and judgment and free from any relationship which could materially interfere with the exercise of their judgment. All Board of Directors members exercise their responsibilities on the basis that they owe their fiduciary duties to the Corporation.

Attendance at Board of Directors and Board Committee Meetings

	Board of Directors	ВАСС	BNGC	BRIC	Comments
Number of meetings in 2019	4	5	4	6	
Non-Executive Directors					
Joseph Nnanna	4	х	4	х	
Ahmad Abdullahi	4	5	3	5	
Adesola Adeduntan	3	3	3	2	
Soula I. Proxenos	1	х	1	1	Appointed in Nov 2019
Emeka Emuwa	3	х	2	5	
Ebenezer Onyeagwu	2	2	х	4	Resigned in Sep 2019
Henry Oroh	1	2	х	1	Appointed in Sep 2019
Tunde Lemo	1	1	1	х	Retired in May 2019
Patrick Akinwuntan	3	3	3	х	
Roosevelt Ogbonna	4	х	4	5	
Victor Osadolor	4	х	4	5	
Executive Director's					
Samalia Zubairu	4	х	х	х	
Oliver Andrews	4	х	х	х	
Sanjeev Gupta	4	х	х	х	

EXECUTIVE MANAGEMENT

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

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

As part of Executive Management's commitment to enhancing the performance of the Corporation, a Management Performance Review Committee was set up, in which members of Executive Management, in conjunction with business and sector heads, strategised on the Corporation's investment objectives and monitored the execution of approved investments and the performance of the Corporation's portfolio of assets.

In line with best practices and the Corporation's five-year strategy, Executive Management assessed the membership of the various committees and re-aligned business units and processes to match the focus for the year. To this end, a transformation office was established. The Transformation Office led by the Chief Transformation Officer identified the various areas requiring improvement of business processes across the Corporation. A cross section of staff were appointed to participate in the various working groups to better groups to improve processes and expand the Corporation's product offerings. Staff were consulted throughout the process.

Management Committees

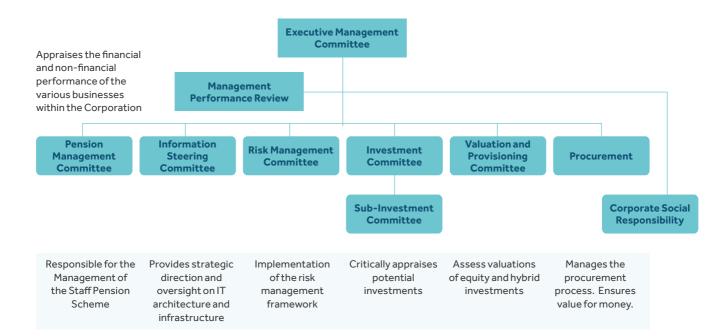
Executive Management is supported by various Management Committees.

Independent External Auditors

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

Annual General Meeting

Pursuant to the provisions of the AFC Charter, an Annual General Meeting will be held in April 2020. A copy of the Notice is available on our website.



LEADERSHIP PROFILES

A summary of the skills and experience of the Board of Directors is set out below:

CHAIRMAN

Dr. Okwu Joseph Nnanna (Chairman until 6th March, 2020)

Dr. Nnanna served as Chairman of the Board of Directors from March 2017 to March 2020, when he retired, handing over the role to Dr. Kingsley Obiora, whose Chairmanship is to be ratified at the 2020 Annual General Meeting.

Dr. Nnanna was Deputy Governor (Economic Policy) of the Central Bank of Nigeria until February 2020 and has over three decades of experience as an economist and banker. This has included working as a Staff Economist and Desk Officer at the IMF's African Department, assisting their economic policy making process and implementation of Structural Programmes.

In 1994 he joined the Central Bank of Nigeria as an Advisor to the Governor and in 2001 became Director of Research and Statistics, actively participating in policy formulation and the liberalisation and deregulation of Nigeria's financial system.

He was Director-General of the West African Monetary Institute, full time consultant to the Government of Nigeria, as technical assistant to the National Economic Management Team and the Presidential Steering Committee on global economic crisis. He was the Chairman of the Nigerian Export-Import Bank.

He was also a part-time consultant to the United Nations Conference on Trade and Development and the Alternate Executive Director, representing Nigeria and 21 other sub-Saharan African countries, on the Board of the International Monetary Fund.

Dr. Nnanna attended William Paterson University in Wayne, New Jersey, and University of Houston, Texas, USA, reading Finance, Public Policy and Economics, graduating with BA, MA and PhD diplomas.

Dr. Kingsley Obiora (Chairman from 6th March, 2020)

Dr. Obiora is Deputy Governor (Economic Policy) at the Central Bank of Nigeria (CBN). Prior to this, he was an Alternate Executive Director at the International Monetary Fund in Washington DC, USA, where he was a member of the Executive Board responsible for conducting the daily operations of the IMF and assisted representation of 23 African countries at the Board.

He joined the IMF in 2007, working in the European Department and the Strategy, Policy and Review Department, focusing on exchange rate assessment, debt sustainability analyses, decoupling and spillovers, real sector analyses, and several reviews of Financial Sector Assessments. He also worked at the West African Monetary Institute and the Centre for Econometric and Allied Research at the University of Ibadan.

He was Special Adviser on Economic Matters to the Governor of the CBN for four years until 2018, with his extensive international and national economic experience helping the Bank understand and deal with the external shocks emanating from the drop in oil prices. He was Technical Adviser to Nigeria's National Economic Management Team and Special Assistant to President Jonathan's Chief Economic Adviser, playing key roles in shaping the country's economic policies on several fronts, including energy subsidies, power sector reform, measurement of job creation, architecture of development financing, regulatory framework for doing business and asset-based economic mapping and modeling.

He has a degree from the University of Benin and Master's and Doctorate degrees in Economics from the University of Ibadan.

NON EXECUTIVE DIRECTORS

Tunde Lemo, FCA, OFR

Tunde Lemo was inaugural Chairman of the Board Audit and Compliance Committee and a Non-Executive Director of Africa Finance Corporation, from which he resigned having completed the maximum 12-year tenure on the Board of Directors.

He retired in 2014 as Deputy Governor, Operations, at the Central Bank of Nigeria, where he formulated the shared services initiative achieving efficient banking services for the Nigerian banking industry and greater dissemination of banking services. Prior to this he was Managing Director and CEO of Wema Bank. He is Chairman of Lambeth Trust and Investment Company and founder of Tunde Lemo Foundation, a not–for–profit organisation formulating policies raising peoples' standards of living. He received the National Honour of Officer of the Federal Republic (OFR) from the Nigerian Government in 2010.

He attended the Advanced Management Programme at Wharton College, University of Pennsylvania and executive training programmes at several world class institutions. He is a Fellow of the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Bankers.

Emeka Emuwa

Emeka Emuwa is Chairman of the Board Risk and Investment Committee and a Non-Executive Director of the Corporation. He is the Group Managing Director and CEO of Union Bank of Nigeria, which he joined in 2012 to lead its transformation following its recapitalisation by Union Global Partners.

An accomplished banker with 30 years' experience across Africa, he previously had a distinguished 25-year career with Citibank, where, following senior roles in seven African countries, he became the first Nigerian to be appointed Country Officer and Managing Director of Citibank Nigeria.

Mr. Emuwa is the Chairman of the Financial Literacy and Public Enlightenment sub-committee of the Nigerian Bankers' Committee; the Nigeria Portugal Friendship and Business Association; and former Chairman of Junior Achievement Nigeria.

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

Ahmad Abdullahi

Ahmad Abdullahi is Interim Chairman of the Board Audit and Compliance Committee. He was Director and Head of Banking Supervision Department at the Central Bank of Nigeria (CBN) until February 2020. He joined CBN as a manager and rose to Director. At CBN he oversaw Retail Banking Services at three CBN branches prior to other senior roles in CBN's Banking Supervision Department. He was promoted to Director Governor's Department in 2012 and then to Director of Other Financial Institutions Supervision Department in 2014.

Previously he was a Lecturer at Usman Danfodiyo University, Sokoto, Nigeria.

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

Ebenezer Onyeagwu, FCA

Ebenezer Onyeagwu is Group Managing Director of Zenith Bank Group, prior to which he was the Executive Director in charge of Zenith's Institutional Banking Group.

Mr. Onyeagwu has over 27 years' banking industry experience which spans operations, credit and marketing, internal control and institutional banking. He worked as a credit analyst at the now defunct Financial Merchant Bank and later joined Citizens International Bank, where he held several Management positions.

He joined Zenith Bank Plc in 2002 as a senior manager in the Internal Control and Audit Group 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.

Mr. Onyeagwu resigned from the Board of Directors of AFC on 27th September 2019.

Dr. Adesola Kazeem Adeduntan, FCA

Dr. Adeduntan is CEO of FirstBank Group, where he was previously Executive Director and Group CFO. He is a Fellow of the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Bankers of Nigeria.

His previous roles included Director and pioneer CFO/Business Manager of Africa Finance Corporation; Senior Vice-President and CFO at Citibank Nigeria; Senior Manager in the Financial Services Group of KPMG Professional Services; and a Manager at Arthur Andersen Nigeria.

He is on the Boards of FBN Holdings Plc, FBNBank UK, Nigeria Interbank Settlement System PLC (NIBSS), Shared Agent Network Expansion Facilities Ltd (SANEF) and the Nigeria Economic Summit Group (NESG). He holds a Doctor of Veterinary Medicine degree from the University of Ibadan and is a member of Sigma Educational Foundation which focuses on enhancing the quality of Nigeria's tertiary education system. He has an MBA from Cranfield University Business School, UK, which he attended as a Chevening Scholar.

Patrick Akinwuntan, FCA

Patrick Akinwuntan is Managing Director and Regional Executive at Ecobank Nigeria, prior to which he was Group Executive of Ecobank's Consumer Bank, leading the business across 33 countries in Africa.

Under his leadership, Ecobank has launched several digital innovations that are revolutionising banking, creating an unrivalled payments ecosystem through Ecobank's unified Mobile app, EcobankPay Merchant QR, Xpress Account, Xpress Cash (enabling card-less ATM withdrawals), Pan-African Card and Rapidtransfer, which enables cross-border remittances across 33 African countries in 18 currencies.

His previous roles at Ecobank included Group Executive Director Domestic Bank, Group Executive Director, Operations, Technology, Transaction and Retail Banking and Managing Director of eProcess International.

He has an MBA in Finance from Obafemi Awolowo University, is an Honorary Fellow of the Chartered Institute of Bankers of Nigeria, a Fellow of the Institute of Chartered Accountants of Nigeria, an Associate of the Chartered Institute of Taxation of Nigeria and an alumnus of the Harvard Business School executive programme.

Roosevelt Ogbonna, FCA

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

He is on the Boards of several institutions including Access Bank UK Limited, Access Bank (Zambia) Ltd and Central Securities Clearing System PLC. In 2015, he was selected as one of the Institute of International Finance (IIF) Future Global Leaders.

He has a Bachelor's degree in Banking and Finance from University of Nigeria, Nsukka, and is a Fellow of the Institute of Chartered Accountants of Nigeria, a Senior Executive Fellow of Harvard Kennedy School, an alumnus of Harvard Business School and a CFA charter holder. He holds a Master's degree in Business Administration from IMD Business School, and Executive Master's degree in Business Administration from Cheung Kong Graduate School of Business.

Victor Osadolor, FCA

Victor Osadolor has been Deputy Group Managing Director, United Bank for Africa Plc Group and Managing Director of UBA Africa, a Director of UBA Capital Europe and Chairman of UBA Pensions Custodians Limited.

Previously he was Group Director of Heirs Holdings (HH) Limited, Chief Operating Officer for Corporate and Investment Banking and Chief Strategist for Ecobank Transnational Incorporated.

His other roles at various UBA subsidiaries have included Managing Director, Deputy Managing Director, Executive Director – Risk & Finance and Group Chief Finance Officer. He has also held senior roles at Standard Trust Bank, CTB, Ecobank Nigeria, Guaranty Trust Bank and Coopers & Lybrand.

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

NON-EXECUTIVE DIRECTORS (CONT)

Henry Oroh, FCA

Henry Oroh is an Executive Director at Zenith Bank International Plc. Prior to his current appointment, he was the Managing Director & CEO of Zenith Bank Ghana. He began his banking career in 1992 at Citibank, where he served for seven years in Operations, Treasury and Marketing. Mr. Oroh has almost two decades of experience in the banking industry.

He holds a Bachelor's degree in Accounting from the University of Benin, Edo State. He is a Chartered Accountant and is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), an honorary member of the Chartered Institute of Bankers (CIBN), Nigeria. He holds an LLB from the University of London and an MBA from Lagos State University and an LLB Degree from the University of Lagos.

Soula I. Proxenos

Soula I. Proxenos was appointed as an Independent Director of the Corporation during the year. She has over 30 years' financial services experience and has a deep understanding of capital markets, fundraising, brandbuilding and real estate. She is an adjunct Professor at Johns Hopkins Carey School of Business and School for Advanced International Studies (SAIS). She is an Independent Non-Executive Director, consultant and adviser of several organisations and has extensive experience as Board chair, committee chair (nominations, and compensation committees), committee member (audit and credit) of not-for-profit and commercial Board of Directors.

Ms. Proxenos was formerly Managing Director of International Housing Solutions. She founded South African Workforce Housing Fund, developed its concept and was responsible for staffing, raising capital, strategy and government relations. She was also cochair of the investment committee and remains on the group's advisory Board. Prior to this, she was Managing Director of Fannie Mae's International Housing Financial Services. She had responsibility for the P+L of Fannie Mae's international consulting services and training programmes, assisting in the development of market-based housing finance systems in over 35 countries.

She holds a BA from Wits University and an MBA from University of Stellenbosch.

Henry Paul Batchi Baldeh

Mr. Batchi Baldeh is an investment banker, infrastructure developer and utility management specialist, with over 33 years' professional experience across the power value chain and financing capital structure. He is currently the Director, Power Systems Development, at the African Development Bank, which he joined in 2017, and is also responsible for managing its private sector energy loan portfolio.

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

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

Mr. Baldeh holds a BSc Honours in Electrical & Electronic Engineering from Newcastle-upon-Tyne University, UK. He is a member of the Institute of Engineering & Technology, UK, and a Fellow of the Institute of Directors, Southern Africa. He has an MBA from Boston University.

BOARD MEMBERS – EXECUTIVE DIRECTORS

Samaila Zubairu

Samaila Zubairu is AFC's 3rd President and Chief Executive Officer. With over 30 years' of professional experience, his entrepreneurial leadership propelled the development and implementation of a new five-year corporate strategy, which, at its core, addresses the urgent mandate of developing and financing infrastructure, natural resources and industrial assets on the continent. Key pillars of the strategy include enhancing the capacity of the team and entrenching a High-Performance Culture; coherent ecosystem strategy for value accretive beneficiation and import substitution; proactive risk and portfolio management to improve AFC's rating and diversifying the Corporation's funding sources.

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

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

Mr. Zubairu is an Eisenhower Fellow and the first African appointed to the Board of Trustees of the 67-year old international leadership exchange programme. He holds several Non-Executive Board positions. He holds a BSc in Accounting from Ahmadu Bello University, Nigeria and is a Fellow of the Institute of Chartered Accountants, Nigeria (FCA).

Oliver Andrews

Oliver Andrews is AFC's Executive Director and Chief Investment Officer, leading the origination, technical/industry and project development teams, and is a member of the Executive Committee. He is an entrepreneurial engineer and transport economist with an extensive background in engineering, transport and project finance. Mr. Andrews has over 30 years' experience in the various infrastructure sectors and 20 years as an infrastructure project developer, financier and strategic adviser.

He was the Project Director for Cenpower, leading a multidisciplinary project team that successfully achieved financial close for a US\$900 million landmark project in Ghana, which won the 2014 Africa power deal of the year.

Mr. Andrews is a former CEO of TCI Infrastructure Limited and the Gambia Ports Authority, with extensive international experience in infrastructure development and financing, both from a public and private sector perspective, within and outside the African continent. He has successfully directed numerous infrastructure deals in Africa, leading project development teams and providing strategic, policy, programme and commercial advice on infrastructure development issues to development financial institutions, international bluechip corporations, as well as to African and European governments.

He is the Non-Executive Director of several companies and Chairman of the Board of Trustees of the Africa Centre, a UK registered charitable organisation promoting Africa's cultural diversity. He holds an MBA from the University of Wales, is an Electrical and Electronic Engineer, a Chartered Marketer and is also a member of the Chartered Institute of Transport and Logistics.

BOARD MEMBERS – EXECUTIVE DIRECTORS (CONT)

Sanjeev Gupta

Sanjeev Gupta is AFC's Executive Director and Head of the Financial Services Division, responsible for treasury, trade finance & syndications, country relations and the corporate advisory lines of business within AFC. Mr. Gupta has over 25 years' experience in Investment Management, private equity and corporate advisory services. Mr. Gupta's forte is blending 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 a Fellow of the Institute of Chartered Accountants of India (FCA). He is an alumnus of the Said Business School, University of Oxford, UK.

EXECUTIVE MANAGEMENT

Ayotunde Anjorin

Ayotunde Anjorin is a Senior Director and the Chief Financial Officer of the Corporation. He had been promoted from the role of 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. He joined the Corporation as Vice President and Financial Controller.

Prior to AFC, He worked at Standard Chartered Bank Nigeria, where he held several 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. He has more than 15 years' post qualification experience encompassing financial accounting, reporting and control, management accounting, financial risk management, process re-engineering and reviews.

Mr. Anjorin holds a Bachelor of Science degree in Accounting from Obafemi Awolowo University, Ile-Ife, and is a chartered accountant. He has also attended Harvard Business School, IMD and the Wharton School of the University of Pennsylvania Executive Management programmes

David Johnson

David Johnson is the Corporation's Director, Chief Risk Officer and Chief Compliance Officer. Until his appointment, Mr. Johnson was the Vice President, Market Risk Management. Prior to joining AFC, he spent 15 years working as a Risk Manager, Trader and Structurer at various international banks including Stanbic IBTC Bank, where he was Regional Head of Market Risk for West Africa. He was also 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 studies include a BSc in Mechanical Engineering from the University of Lagos, and an MSc Computing, Mathematical Trading and Finance from Cass Business School, University of London.

Nana Eshun

Nana Eshun is the General Counsel and Corporate Secretary of the Corporation. She is a finance and infrastructure lawyer with many years' experience and leads AFC's Legal Department on investments and borrowings. Prior to joining AFC in 2008, Ms. Eshun worked for the African Development Bank where she led on the legal aspects of financing of several projects, including infrastructure (power, roads, heavy industries etc.) and other projects for economic development.

She also represented the Ministry of Finance of the Government of Ghana as lead finance lawyer, primarily on the West African Gas Pipeline Project. Before that, she was a solicitor with City commercial law firms in the United Kingdom at Denton Wilde Sapte Solicitors and Eversheds Solicitors, on Private Finance Initiative Projects.

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

Anthony Arabome

Anthony Arabome is the Director, Corporate Services, overseeing Human Resources, Administration, Information Technology and Procurement. He has over 35 years' experience, at technical and managerial levels, in Human Resources Management across oil, gas and financial services, having worked for leading global and multilateral institutions throughout his career.

Prior to joining the Corporation in 2009, he was Human Resources Executive and Board Director of Royal Dutch Shell Nigeria's Deepwater Exploration & Production business and Talent, Resourcing and Development Manager for Royal Dutch Shell Africa Exploration & Production.

He has a BSc (Hons) degree in Economics from University of Ife, Nigeria, is a Fellow of the Chartered Institute of Personnel Management of Nigeria and its immediate Past President. He is a member of the Society for Human Resource Management, International Society for performance Improvement and Association for Talent Development. Mr. Arabome is an alumnus of several executive education programmes in HR leadership, strategy and business management including the University of Michigan, IMD Switzerland, Cornell University, INSEAD and London Business School.

He has an MSc in Human Resource Management from Birkbeck College, University of London, postgraduate diplomas in Human Resource Management from the Kingston Regional Management Centre, UK, and Theology and Leadership, RILA, Lagos.

BOARD MEMBERS - NON EXECUTIVE DIRECTORS



Dr. Okwu Joseph Nnanna(Chairman until
6th March, 2020)



Dr. Kingsley Obiora (Chairman from 6th March, 2020)

NON EXECUTIVE DIRECTORS



Tunde Lemo, FCA
Non-Executive
Director



Emeka EmuwaNon-Executive
Director



Ahmad Abdullahi Non-Executive Director



Ebenezer
Onyeagwu, FCA
Non-Executive
Director

NON EXECUTIVE DIRECTORS



Dr. Adesola Kazeem Adeduntan, FCANon-Executive
Director



Patrick Akinwuntan, FCA Non-Executive Director



Roosevelt
Ogbonna, FCA
Non-Executive
Director



Victor Osadolor, FCA Non-Executive Director

NON EXECUTIVE DIRECTORS



Henry Oroh, FCA
Non-Executive
Director



Soula I. ProxenosNon-Executive
Director



Henry Paul Batchi Baldeh Non-Executive Director

BOARD MEMBERS - EXECUTIVE DIRECTORS



Samaila Zubairu CEO & President



Oliver Andrews
Executive Director
& Chief Investment
Officer



Sanjeev GuptaExecutive Director,
Financial Services

EXECUTIVE MANAGEMENT



Ayotunde Anjorin Senior Director & Chief Financial Officer



David JohnsonDirector, Chief Risk
Officer & Chief
Compliance Officer



Nana Eshun General Council & Secretary of the Corporation



Anthony ArabomeDirector, Corporate
Services

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 the policies, processes and procedures that will enable us to achieve an appropriate balance between risk and return. AFC believes that a strong risk management function is key to successful long-term operations.

Financial Risk Management

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

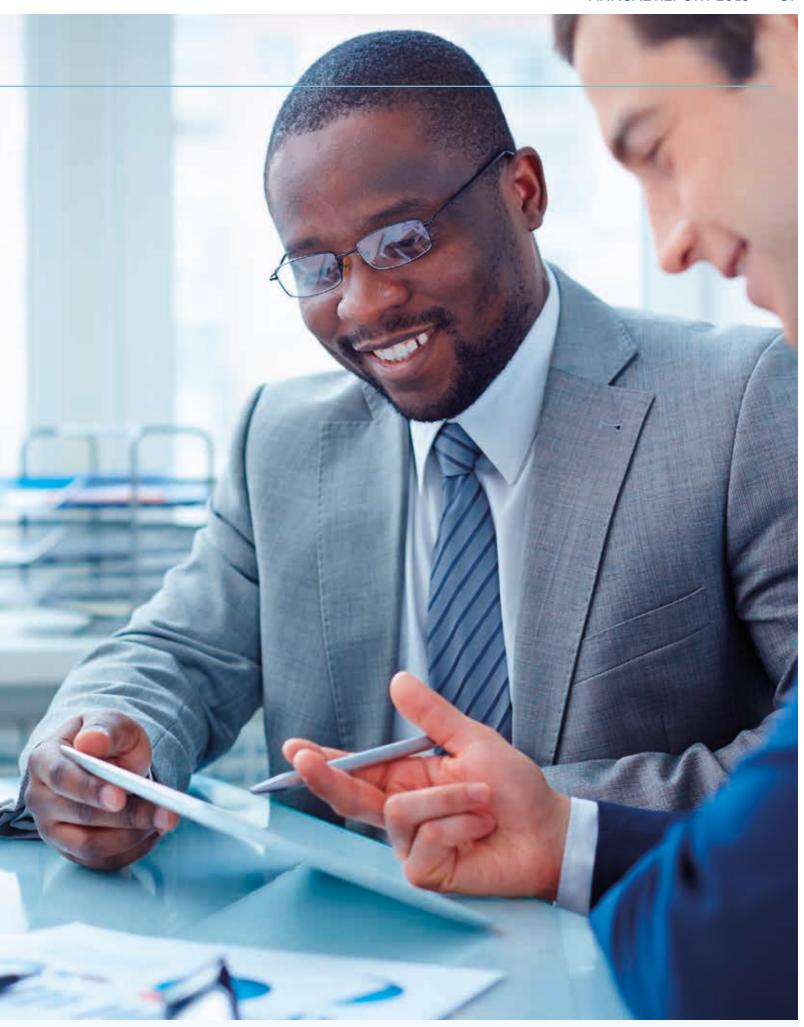
Other layers in the risk management governance structure are the:

 (i) Board Risk and Investment Committee (BRIC), responsible for the oversight and approval of the risk policies and credit approvals above Management's authority levels;

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

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

AFC BELIEVES THAT A STRONG RISK MANAGEMENT FUNCTION IS KEY TO SUCCESSFUL LONG-TERM OPERATIONS.



Credit Risk

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

The Corporation has two principal sources of credit risk:

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

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

Market Risk

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

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

Operational Risk

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

- Risk and control self-assessment;
- · Key risk indicators;
- · Loss database management;
- · Insurance; and
- · Business continuity planning.

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

ANTI-MONEY LAUNDERING/ KNOW YOUR CUSTOMER (AML/KYC)

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

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

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

PEOPLE & ORGANISATION

The AFC's core values lie at the heart of our business operations and remain the basis of how we interact and do business. In line with our People Strategy, we continue to focus on sourcing, attracting, recruiting, motivating and retaining the highly competent diverse talent that is critical to the delivery of our 5-year strategy and attaining our vision of becoming the leading infrastructure solutions provider on the African continent. We continue to hold our own in the ongoing war for talent, finding diverse talent at every job level, across several disciplines and all business areas within the Corporation.

Following the organisational restructuring in 2018, the new structure was implemented in 2019, to directly support the 5-year strategy, which aims to triple revenue growth, double the balance sheet and exponentially improve return on equity, amongst other key performance metrics. We continue to embed our core values and corporate DNA attributes of teamwork, innovation, ethics, responsibility and speed, thereby changing the way we work, and in turn, creating the high-performance organisation (HPO) we envision.

We have further strengthened the performance by ensuring multi-level engagement around the business strategy and key performance indicators, creating a strong alignment between corporate, divisional and individual target-setting. This promotes transparency, objectivity in performance assessment and conversations, and we have also introduced performance incentives aimed at driving sustained high performance across the organisation, thus aligning strategy to rewards.

A corporation-wide competency review exercise has been undertaken to reaffirm the core skill sets required for our business and to determine areas of proficiency and deficits. Based on identified capability gaps, tailored learning interventions, premised on our Learning and Career maps, were developed in partnership with learning and development service providers, in order to ensure professional development at all levels. Leadership development and cultural transformation workshops, aimed at successful strategy execution, were also developed and are being delivered to the distinct cohorts into which the entire workforce has been split for that specific purpose. This programme is continuing in 2020.

Our annual talent review provides insights into the depth, breadth and overall health of our talent pipeline across all divisions and at the enterprise level. Aside from being critical for succession planning, it also helps management focus on leadership development and succession

readiness, thus ensuring appropriate leadership bench strength and the identification of the next generation of leaders on an ongoing basis. We also track progress with respect to our diversity and Inclusiveness goals of creating a talented, multinational, multicultural and gender-balanced workforce, reflecting our pan-African mandate. The total number of staff at year end was 97. This comprised 17 nationalities in our workforce, with a gender balance of 60:40 male-to-female.

We maintain strong focus on employee engagement, because experience shows that engaged employees deliver multiples of what their disengaged colleagues produce in terms of shareholder value creation. Biennial employee opinion surveys are the norm. During the intervening years, key feedback points from the surveys are distilled into an Institutional Improvement Plan. These are addressed in a structured manner, communicating progress at key employee engagement fora, such as townhall meetings. A People Consultative Forum, which has representation from all divisions and all job levels, has been created to strengthen employee voice and ensure structured consultation. The combination of our suite of people management initiatives and interventions are designed to bolster employee engagement, entrench the desired culture, promote new ways of working and create the vital impetus for sustained high business performance and organisational learning and renewal.

CODE OF ETHICS

AFC's Code of Ethics, which is signed by all employees, clearly states the expectations of staff in the way that AFC's business is conducted and managed. The Code of Ethics is applied to all business relationships, contractual agreements and internal operations. Acting consistently and with a strong ethical compass is of the greatest importance to the Board of Directors and Management. The Corporation operates across different markets with different challenges and different laws, environmental requirements and social conditions. The Directors and Management adhere to the highest standards of ethics at all times.

There were no reported incidents of unethical conduct, harassment or intimidation in 2019. The Corporation continues to train staff on whistleblowing and reporting. The Corporation traditionally maintained ethics hotlines with KPMG. However, since KPMG's appointment as the external auditors of the Corporation, Management conducted a staff survey to guide the selection process. Based on the results of the survey, a bidding process is ongoing to select a new firm to manage the ethics hotline.





POWER

"ACCESS TO AFFORDABLE ENERGY IS THE BIGGEST INFRASTRUCTURE CHALLENGE FACED IN AFRICA"

The as yet unquantifiable human, commercial and economic impact and duration of the COVID-19 pandemic may radically distance the economic forecasts made during late 2019 and the first couple of months of 2020 from the reality. Apart from tragic human consequences, it has already led to a slowdown in commercial and economic activity globally. Looking at its effects on just one sector, coronavirus has resulted in a sharp drop in oil demand. At one point in March 2020, Brent crude fell to US\$27.95 a barrel and US crude was trading as low as US\$25.68 per barrel. At AFC we are continuously monitoring the situation.

BACKGROUND

The last decade marked a turning point in the global climate change discussions, with sustainability and environmentally friendly technologies securing a more prominent role among investors, financiers, governments and stakeholders across Africa, just as they have in the world at large.

The African continent was not immune to the effects of climate change, with wide-ranging impacts on the African power sector and economies. For example, many countries with a huge dependence on hydro resources for electricity generation were significantly impacted

by droughts, with the attendant knock-on effects on all segments of their respective economies. The significance of electric power as an economic factor of production should never be underestimated.

The last decade was also marked by significant technological advancement in the development of renewable energy technologies, distributed electricity generation models and off-grid technologies, which have had the combined effect of increasing environmentally friendly installed generation capacity on the continent, as well as improving energy access that is not necessarily grid-dependent. It is therefore not surprising that, in the last three years, the renewable energy sector in Africa has consistently attracted more investment and witnessed the highest number of deals closed, over and above those for conventional fossil fuel-based technologies.

Nevertheless, given the intermittent nature of most renewable energy technologies, baseload electricity generation sources remain critical to provide stability and absorb the uncertainty associated with renewable technologies. There is also an increasing focus on electricity storage technologies, such as batteries, to smooth out the effects of the intermittency of renewable technologies. In the meantime, fossil fuel plants still contribute a significant proportion of the baseload energy provided in Africa.



BACKGROUND (CONT)

According to the IMF, average GDP in sub-Saharan Africa is forecast to grow at 3.6 percent in 2020. With the growth in GDP comes the attendant growth in demand for electric power on the continent. It is currently estimated that about 60 percent of the population in sub-Saharan Africa remains without access to reliable electricity, despite the abundance of significant hydro, solar, wind, geothermal and fossil fuel resources on the continent. This is hampering the much-needed industrialisation required to drive Africa's economic growth.

It therefore remains critical that governments, investors and financiers continue to work together to create the conducive conditions necessary to attract the much needed investments required to close the huge power deficits on the continent. It is equally very important that such investments are made in a sustainable and environmentally responsible manner, through a combination of the most optimal and cost-effective electricity generation technologies that will promote energy independence, together with affordable electricity generation and delivery across the continent.

COVID-19 apart, climate change is arguably the most pressing global challenge. Across the world, climate change has consistently been ranked over the years as the biggest threat to national security in various countries. In Africa, events such as cyclones Idai and Kenneth show just how incendiary these can be. Despite having the lowest emissions of carbon dioxide, Africa is the continent that is most susceptible to the impacts of climate change. It is already experiencing temperature increases and, as it is predicted that temperatures will rise further, Africa is facing a wide range of impacts, such as the increased incidence of drought and floods. These effects have ignited discussions on the transition to clean energy, building climate coalitions and greater understanding of climate risks.

Sustainable Development Goal 7 seeks to ensure access to affordable, reliable, sustainable and modern energy for all by 2030. In Africa there is huge energy inequality between those living in urban and rural areas. In 2018, according to the IEA World Energy Outlook 2019, 79 percent of the African urban population had access to electricity, whereas 65 percent of the rural dwellers did not. This inequality extends to countries as well. For example, in the Central African Republic only 7 percent and less than 5 percent of its urban and rural population respectively have access to electricity, whereas in North Africa, both comparative figures are over 95 percent. The United Nations has stated that 16 of the 20 countries with the largest electricity deficits are in Africa, with the sub-Saharan Africa region particularly afflicted.

Africa has an immense power infrastructure gap and it is causing real socio-economic damage. An estimated 570 million Africans do not have access to electricity, and this is impacting their lives by prolonging poverty and gender inequality, while increasing vulnerability to climate change. It also reduces industrialisation and commercial opportunities as business productivity is frequently impaired by power outages.

At AFC we continually seek impactful projects that will enhance Africa's power generation capacity and supply, although we are aware that, according to Prequin, 60 percent of the infrastructure deals completed in Africa since 2013 have been directed towards energy infrastructure. Despite this, there is little doubt that providing access to affordable energy is the biggest infrastructure challenge facing Africa and would make the most beneficial impact to the lives of hundreds of millions of Africans. It is a challenge that the AFC is determined to continue addressing.

"AFC HAS CONTINUED TO PLAY A LEADING ROLE IN THE DEPLOYMENT OF INNOVATIVE FINANCING SOLUTIONS TO SUPPORT POWER PROJECTS THAT PROMOTE SUSTAINABILITY, ENERGY INDEPENDENCE AND IMPROVED ENERGY ACCESS ACROSS AFRICA."



2019 REVIEW

2019 witnessed continued private sector investment in renewable on-grid and off-grid energy projects. About 90 percent of the power sector deals closed in the continent, in terms of both number and value, were renewable energy projects. Certain countries were also under pressure to renegotiate previously signed tariffs in long-term power purchases, driven largely by the downward pressure on tariffs, as is witnessed by the more recent renewable projects being developed on the continent. This downward trend of energy tariffs for renewable energy projects, have placed significant pressure on financiers to provide competitively priced financing solutions for these projects, especially given that overall return expectations have also been on the decline, as the renewable technologies have become more mature.

More countries are adopting standardised processes for procuring power projects, especially in the renewable space. The market has also seen the development and deployment of innovative financing and structuring models for investing in mini-grid and off-grid projects.

AFC has continued to play a leading role in the deployment of innovative financing solutions to support power projects that promote sustainability, energy independence and improved energy access across Africa.

Where AFC has supported thermal generation projects, we have ensured that such projects are developed in an environmentally responsible manner and that they also promote energy independence and diversification of the generation mix in their host countries. This was typified by AFC's investment into two major power projects that closed in Djibouti and Togo in 2019. These projects also represented AFC's maiden investments in these countries.



60MW WIND PROJECT, DJIBOUTI

AFC provided a US\$62.2 million bridge financing instrument for the 60MW Red Sea Wind Power project in Djibouti. The project will support Djibouti's energy independence in an environmentally friendly manner and will result in the displacement of some liquid fuel plants. It will also help the country achieve a significant reduction in electricity imports from neighbouring countries.

A bridge financing approach was adopted in order to expedite project development activities and to ensure that financial close was achieved in a timely fashion by December 2019. That was just over two years after the agreement for the development of the project was signed with Électricité de Djibouti, the Djiboutian national utility, in 2017.



65MW KÉKÉLI EFFICIENT POWER. TOGO

AFC provided a €30 million facility, comprising senior and mezzanine debt, to Kékéli Efficient Power S.A., Togo, for the development and construction of a 65MW tri-fuel, combined cycle power plant in Togo. The project, which is expected to be completed within two years, will have a strong development impact on the country. It will provide the baseload power to support Togo's ongoing renewable deployment strategy and reduce the heavy dependence on electricity imports from neighbouring countries.

Once built, the plant will be the most efficient in Togo due to its combined cycle mode, which allows it to use both a gas and a steam turbine together, to produce up to 50 percent more electricity from the same fuel than a traditional simple-cycle plant.



"AFC WILL CONTINUE TO POSITION ITSELF AS A LEADER AND DRIVER OF AFRICA'S INDUSTRIAL REVOLUTION BY ENSURING THAT ENERGY POVERTY ON THE CONTINENT IS SIGNIFICANTLY REDUCED."





44MW SINGROBO HYDRO PROJECT, CÔTE D'IVOIRE

Following AFC's innovative approach with the provision and disbursement of a bridge finance instrument to the 44MW Singrobo Hydro project in Côte d'Ivoire, notice to proceed was issued to the EPC Contractor for the project, and construction activities commenced in the fourth quarter of 2019.

AFC's bridge facility played a vital role in accelerating the achievement of financial close and the commencement of construction activities on the project, prior to the conclusion of long-term financing negotiations and documentation. Significant progress was also recorded with respect to the long-term financing for the project, which is expected to be finalised in the first half of 2020.



350MW CENPOWER KPONE INDEPENDENT POWER PLANT (KIPP). GHANA

The 350MW Cenpower project began commercial operations in June 2019. The KIPP plant is among the largest IPPs in Ghana and accounts for about 10 percent of Ghana's total installed capacity. As a combined cycle gas turbine plant, KIPP is one of Ghana's most fuelefficient thermal power stations. The power plant is a critical baseload plant and continues to meet Ghana's growing electricity demand.

LOOKING AHEAD

While there is significant hydro, solar, wind, geothermal and fossil fuel electricity generation resource potential on the continent, major constraints need to be addressed to unlock the opportunities. These include regulatory reforms, the limited creditworthiness of some off-takers on the continent, the limited reach of the national grid, the lack of cross-reflective tariffs as well as exposure to foreign exchange.

To adequately address some of the constraints identified, AFC continues to play a key advocacy role in engaging with governments, regulators, financiers and other stakeholders in the African power sector. We also deploy our expertise in structuring transactions so that they will mitigate some of the risks identified.

AFC actively explores investment opportunities in other non-conventional electricity generation and distribution models, including captive power for mines and large industrials, in addition to off-grid solar projects.

As a new decade begins, there is no doubt that there will be a significant shift in the way energy is generated, stored and distributed on the continent. AFC will continue to position itself as a leader and driver of Africa's industrial revolution, by ensuring that energy poverty on the continent is significantly reduced, by leading the charge in the development of high impact bankable projects. The aim is to deliver energy in a sustainable and socially responsible fashion to Africa's dynamic population and its industries.

NATURAL RESOURCES

"OUR STRATEGY IS TO BUILD A PORTFOLIO OF VALUE-ADDED ASSETS ACROSS THE VALUE CHAIN BY TAKING AN EARLY EQUITY FINANCIER ROLE IN OPERATIONAL OR NEAR-OPERATIONAL UPSTREAM ASSETS"

BUILDING A PORTFOLIO OF VALUE ADDED ASSETS

In terms of global natural resources, Africa is blessed with a 30 percent share of the world's mineral reserves, up to 90 percent of the chromium and platinum, 40 percent of the gold, 12 percent of the oil resources and 8 percent of the natural gas. Our continent also has 65 percent of the world's arable land and the largest reserves of cobalt, diamonds and uranium.

Despite these global advantages, many African nations – especially those that are resource rich – suffer the 'resource curse' and are stuck in a cycle of exporting nonbeneficiated commodities, thereby missing out on the incremental jobs and earnings that could be realised from value addition processing.

This lack of beneficiation is a major drag on Africa's natural resources sector and sees a substantial proportion of the potential profits effectively handed over to added value processors on other continents. Africa is missing a trick here and this flaw must be addressed to retain literally billions for Africa's benefit, while at the same time driving economic growth and creating substantial direct and indirect employment in local communities. Our strategy is to build a portfolio of value-added assets across the value chain by taking an early equity financier role in operational or near-operational upstream assets.



OIL & GAS SECTOR

Market Overview

The oil and gas sector continued to stabilise in 2019, following three years of price and investment declines between 2015 and 2018. In 2019, benchmark crude oil prices peaked at c.US\$75/barrel and averaged at c.US\$64/bbl, reflecting general stability in the global economy. Most of the price gains were in the first quarter of 2019, which was followed by supply shocks arising from the United States of America's trade war with China and Europe depressing the market for the rest of the year. An important inflexion point in the market were the September drone attacks on Saudi Arabia's Abgaig oil and gas processing facility and Khurais oil field, which impacted close to half of the Kingdom's production capacity and 5 percent of global oil supply. This event led to an interim spike in the oil price of more than 20 percent to US\$71.59/bbl, before it levelled again at about US\$69/bbl.

On the demand side, China's crude oil imports in 2019 rose by about 9.5 percent on the back of increased demand, which added about 900,000 barrels of oil per day (bopd) to the country's oil processing capacity. On the supply side, the Organization of Petroleum Exporting Countries (OPEC) continued to restrict oil supplies in 2019, with some countries not subject to the OPEC production cuts, such as Venezuela, Iran and Libya, also experiencing production declines. Some oil producers outside the Middle East, including Nigeria, Venezuela and Angola also reduced their exports, with only a few countries such as Libya securing a slight increase in exports.

New projects emerged in Africa in 2019 as some countries made important announcements on new initiatives, indicating the sustained appetite for investments on the continent. Notable announcements included Equatorial Guinea's intention to build two new oil refineries among other energy projects worth US\$1 billion; Equatorial Guinea's award of an offshore block to Russia's Lukoil and the national oil firm GEPetrol; and Angola's announcement of the formation of a consortium with five international oil companies, including Eni and Chevron, to develop a US\$2 billion liquefied natural gas (LNG) facility for its Soyo plant.

Sector Outlook

In early 2020, and prior to the COVID-19 pandemic, crude oil prices were expected to remain under pressure due to several factors: the US becoming a net annual oil exporter; expectations of a rise in global crude inventories by about 1.6 million bopd due to increased production from non-OPEC countries such as Norway, Brazil, Guyana and Canada; and weakening production arising from OPEC cut compliance by OPEC members such as Nigeria and Iraq.

Africa's energy consumption in 2020 and beyond was expected to dramatically increase, largely driven by growth in manufacturing and other consumption-led industries. Longer-term, the expected increase in Africa's oil consumption is expected to surpass China by 2040. Africa is also expected to be more relevant in global natural gas production, driven by the series of large discoveries made in recent years.

East Africa (Mozambique, Uganda, Kenya and Ethiopia) and Southern Africa (South Africa and Namibia) are expected to lead the increased momentum in oil and gas activities. Both are likely to continue to attract lots of interest in the areas of project execution and exploration spend. In East Africa for example, the Rovuma LNG project in Mozambique is expected to reach Final Investment Decision (FID) in 2020. In South Africa, Africa Energy, which is Total's partners in the deepwater Block 11B/12B, has stated that further exploration activity will take place in 2020, with Total expected to drill three further exploration wells.

Capital expenditure in the African upstream sector is expected to increase in 2020 and may reach over US\$25 billion, up 26 percent from last year, according to a report from Wood Mackenzie. This will be driven mostly by the expected Final Investment Decisions in several countries, including Nigeria (Bonga South West), Angola and Senegal (Sangomar field).

In terms of mergers and acquisitions, there is expected to be the completion of a number of large transactions in 2020, given that international oil companies continue to seek opportunities to rationalise their portfolios. Examples include Exxon Mobil's continued attempts to exit some of its Equatorial Guinea, Nigeria and Chad positions; Total's marketing of its 12.5 percent stake in OML 118 located in offshore Nigeria; Lukoil's attempts to exercise an option to take 40 percent of OML 132; Chevron's marketing of its 40 percent share in shallow water OMLs 86 and 88; and Sonangol's ongoing divestment programme in Angola.





MINING SECTOR

2019 Market Overview

2019 was a strong year for precious metals as escalating trade disputes created a risk-averse environment among investors and demand for safer assets increased. The gold market had a strong year, largely driven by the heightened uncertainty in the global economy, with prices up as much as 21 percent, reaching a high of US\$1,554/oz. In the case of platinum group metals (PGM), stronger demand from the automobile sector pushed palladium to a record high. Palladium was the best performer in the commodity market with a gain of c.40 percent in 2019. A key driver for palladium's stellar performance is the persistent supply deficit which has been widening.

For base metals, zinc and lead prices at the London Metals Exchange (LME) platform closed the year down by 7 percent and 4 percent respectively, due to weak demand. Nickel was the top gainer in the non-ferrous metal complex. Unlike its peers, nickel gained 32 percent on the LME through 2019. Copper prices have been suppressed by concerns over the ongoing trade war and slowing global manufacturing activities.

For bulk materials, iron ore had a strong rebound in prices in 2019, reaching a high of US\$124/tonne and averaging c.US\$94/tonne, a 33 percent increase from the 2018 average of US\$70/tonne. This is primarily attributed to the shrinking supplies in the major hubs of Brazil and Australia. The Vale dam accident in Brazil raised concerns over supply tightness, with Vale forced to take around 90 million tonnes per annum of capacity off the market. In Australia, ore exports dropped by around 1 percent year-on-year to 828 million tonnes in 2019, mainly due to disruptions in the first quarter of 2019. Manganese prices came under pressure in the latter part of 2019, despite reasonable demand, predominantly due to the trade war. For bauxite, new projects coming online in Guinea and Australia, as well as a ramp-up in Indian and Indonesian production, drove growth in bauxite production. The average global potash price remained stable for most of the year at about US\$265 for muriate of potash.

KEY DRIVERS AND TRENDS

Key drivers and trends in the metals and mining industry include changes in the demand and supply dynamics of commodities that are, in turn, driven by lifestyle trends. There is also an increasing focus on Environmental, Social and Governance.

Mergers and acquisitions in the mining industry have increased both globally and in Africa, as operators seek consolidation in anticipation of a commodity market boom. Examples include the recent multi-billion dollar transaction involving the acquisition of 24 percent of a Chilean lithium mine by China's Tianqi Lithium; the sale of a share of the world's second-largest copper mine by global giant Freeport-McMoRan Inc., to an Indonesian state mining company; and the sale of a 90 percent stake in the Massawa project in Senegal, by Barrick Gold to Teranga Gold.

Increased interest in the African mining sector persists. In Africa, 2019 saw a merger between Barrick Gold and Randgold to form a joint venture under the name of Barrick, with a transaction size of US\$6.5 billion; Rustenberg Platinum Mines Limited acquired a 50 percent interest in Mototolo JV from Glencore; Tsingchan Holding Group signed a US\$2 billion deal with the Zimbabwean Ministry of Mines for the development of chrome, iron ore, nickel and coal; and the Australian Gold producer, Resolute, acquired all the shares of Senegal's Toro Gold.

Mining companies must also contend with the impact of digital technologies. It is important to track and monitor the fluctuating consumer demands, global demographics and economic shifts, the effects of environmental change and the emergence and adoption of new technologies, as they impact the type and nature of minerals that will be exploited in the future. There is, for example, increased demand for lithium, graphite, cobalt, nickel and copper because of the dramatic growth in the electric vehicle market and their batteries, over the last five to seven years.

Lastly, stakeholders in the global mining industry must now address and plan for the increased focus on Environmental, Social and Governance (ESG). Minerals that are connected with electric vehicles, such as copper, cobalt and lithium, are likely to become more prominent, while others, such as coal and uranium are likely to see a reduction in demand. That said, the producers of all minerals will need to pay special attention to ESG in their supply chain and more carbon-efficient processes.

SECTOR OUTLOOK

The general outlook for the mining sector in 2020 is positive. The global economy is believed to be in the process of transitioning from integrated trade systems to bilateral and regional trade systems. This trend will heighten political risk and discourage inventory building, leading to an uncertain demand outlook that may restrain prices of industrial raw materials such as bauxite, iron ore and manganese.

The sustained and heightened political uncertainty may support prices in the precious metals category, especially gold, given its role as a store of value. Gold is now forecast to be well above the \$1,475 figure for 2020. PGM prices are expected to remain stable for the foreseeable future, but a shrinking global economy, together with labour supply disruptions in South Africa, could act as headwinds for prices.

Cobalt and lithium prices look likely to remain generally stable as demand struggles to maintain pace with new supplies. However, following a difficult 2019, demand for cobalt and lithium is expected to increase slightly in 2020 because of the increased production of Electric Vehicle (EV) batteries and robust Chinese EV sales. Copper supply is set to increase, although its outlook still looks vulnerable to potential disruptions. Copper demand in China is expected to be supported by stimulus measures from

the infrastructure sector. Analysts are currently slightly bearish towards prices in 2020 and forecast LME 3M copper to average US\$5,750/tonne as base case prices, but the risks are largely dependent on macro uncertainties.

Analysts continue to hold a fairly bearish outlook for iron ore prices. It is expected that Brazilian capacity will be brought back to the market over the course of the year, whilst there is still uncertainty around the global economy, and this is also likely to keep some pressure on steel mill margins. Iron ore prices are expected to average US\$81/tonnes over 2020. As the world's largest aluminium producer, China is projected to continue dominating the bauxite market, with imports forecast to grow in 2020 on the back of environmental issues limiting the production of bauxite domestically.

NATURAL RESOURCES TRANSACTIONS

Thor Explorations Limited

AFC partnered with Thor Explorations Limited, a Toronto Stock Exchange (TSX) listed mineral exploration company, to develop the Segilola Gold Project (Segilola) in Osun State, Nigeria, in 2019. AFC is set to invest a total of US\$78 million in a combination of senior debt, equity and stream instruments. Segilola is a fully permitted shovel-ready 4.2q/t open pit mine project, which will be developed using a carbon in leach plant with a capacity of 650ktpa, producing an average of 81,000 ounces/ year over an initial 5-year life for the mine. Segilola is the largest and furthest advanced institutional quality gold mining project in Nigeria, in addition to being one of the highest-grade reserves in West Africa. With this being AFC's first investment in the Nigerian mining sector, the investment should help attract more foreign direct investment into the Nigerian mining sector.

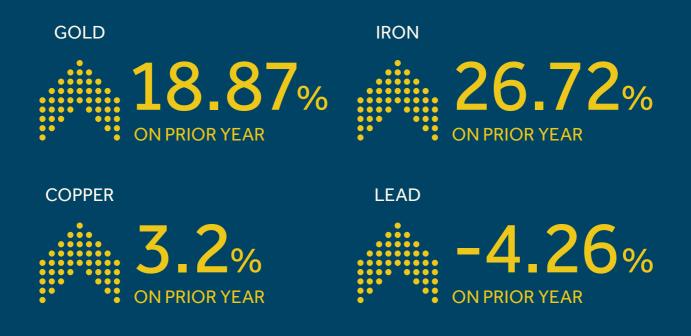
Danakali Limited

AFC along with the African Export-Import Bank (Afreximbank) acted as Mandated Lead Arrangers to underwrite a US\$200 million senior secured debt facility for the Colluli Mining Share Company (CMSC), to be used for the construction and development of the Colluli Potash Project located in the Danakali region of Eritrea. AFC is to invest US\$100 million in the debt and will also invest US\$50 million in the equity of the Australian company, Danakali Limited, which is a 50 percent owner of CMCS and the principal sponsor of the Colluli Potash Project.

Colluli is a development stage, long-life and low-cost sulphate of potash (**SOP**) project, which entails the operation of an open-pit mine and processing facility. The project has JORC compliant measured and indicated resources of 1,254 million tonnes of potassium bearing salts grading 11 percent K2O equivalent. The proven and probable reserves contained within the open pit comprise JORC compliant 1,100 million tonnes grading 10.5 percent K2O equivalent. In the first phase, the project will produce 472,000 tonnes per annum of SOP, and it will have an economic Life of Mine of 60 years.

Colluli is expected to generate about US\$2.7 billion in tax revenues, representing about 50 percent of the country's forecast GDP in 2020. The project also presents a strategic opportunity to enhance the delivery of the 2030 United Nations Sustainable Development Goals for Eritrea, particularly in the No Poverty, Zero Hunger, Gender Equality industry.

THE DEMAND FOR
COBALT AND LITHIUM IS
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SLIGHTLY IN 2020
BECAUSE OF INCREASED
PRODUCTION OF
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BATTERIES AND ROBUST
CHINESE EV SALES.



Aker Energy A.S.

AFC financed Aker Energy A.S. (**Aker**), a subsidiary of Aker A.S.A., with US\$100 million of convertible bond notes, for the development of the Deepwater Tano Cape Three Points Block (**DWTCTP**), a block offshore Ghana which contains multiple oil fields. Aker is planning to develop the Pecan field with a purpose-built multi-purpose FPSO connected to a subsea production system at 2,400 metres below sea level.

The DWTCTP block is located approximately 115 km offshore of southwest Ghana and 30 km from the producing Jubilee field. The Pecan field is the most appraised in the DWTCTP block and is to be developed in the first phase, as it contains an estimated 334 million barrels of oil equivalent. This makes the DWTCTP project one of Ghana's principal hydrocarbon assets and it is expected to contribute to Ghana's near-term target of an annual production volume of 500,000 bpd.

Nouvelle Gabon Mining

In 2019, AFC invested a total of c.US\$247 million to acquire c.45 percent of Nouvelle Gabon Mining (NGM), which holds the rights to two producing manganese mine assets in Gabon, which are located at Franceville and Okondja. Both assets have a combined production capacity of 2.4 million tons per annum when fully implemented. In addition to having the two mining assets, to enhance its near-term value-enhancing activities NGM will also be constructing a smelter plant, which will comprise of seven units of 16,500 KVA silicomanganese alloy Arc furnaces, which will have a combined output of 255,000 tons annually.

AFC's investment thesis for this transaction was influenced by the Gabon Special Economic Zones (**GSEZ**), an AFC investee company which currently provides logistics services to NGM, via its mineral port and will extend those services to the smelting company. The mine developments will provide opportunities for the much-desired economic emancipation and infrastructure development in Gabon. When NGM's two mines are fully operational, the company is expected to directly employ up to 750 Gabonese staff, with an additional 1,000 employed indirectly, through its activities along the production value chain.

Natural Resources Business Model and 2020 Strategy

AFC retains its focus of monetising Africa's vast natural resources, by providing the innovative financing solutions that will unlock value and catalyse vast economic growth and sustainable development on the African continent. The most of African countries are commodity-driven economies with vast untapped resources. There is a clear case for AFC to play a pivotal role in addressing these challenges faced across the continent, by deploying its range of technical and financial solutions to enable the development of critical infrastructure and resource assets, whilst ensuring the bankability of transactions in the sector. In deploying these solutions, AFC will increasingly ensure the maintenance of global environment, social and governance standards, as well as best practices, as the global shift in focus to this area intensifies.

AFC plans to leverage its experience and sectoral knowledge to develop platform resource companies and vehicles across sub-sectors and commodities, through the acquisition and consolidation of attractive assets, such as the Nouvelle Gabon Mining opportunity. AFC will focus on facilitating financing for end-to-end solutions, leveraging credible upstream investments in oil, gas and mining to create ecosystems, catalysed by follow-on investments in ancillary infrastructure such as roads, ports, bridges, railways and power, in addition to beneficiation plants. This stream of enabling interconnected chains of logistics and industrial solutions will create and retain significant value and socioeconomic benefits for the continent.

This strategy will continue to form the core of the AFC investment thesis in 2020, while also focusing on the usual geographical, products and subsector diversification. AFC's current natural resources pipeline of transactions includes potential investments in the Democratic Republic of Congo, Ethiopia, Zimbabwe, Senegal, Chad, Angola, Mozambique, Equatorial Guinea and Côte d'Ivoire.





TRANSPORT

"AFRICA'S AVERAGE ROAD DENSITY WAS 204 KILOMETRES OF ROAD PER 1,000 SQUARE KILOMETRES OF LAND AREA, WHICH EQUATED TO ONLY 22 PERCENT OF THE GLOBAL AVERAGE OF 944 KILOMETRES OF ROAD DENSITY"

UNLOCKING THE KEY FOR ECONOMIC GROWTH

Transport and logistics infrastructure are a critical part of Africa's huge infrastructure requirements and hold the key to unlocking Africa's potential for economic growth through intracontinental and global trade.

Transport is a catalyst for sustainable economic development and growth and AFC's intent to address the transport infrastructure deficit is designed to deliver the physical interconnectivity that will facilitate and grow domestic, regional and international trade, by lowering the cost of doing business and making African nations more competitive, both within the continent and globally.

Inadequate road networks, railways, ports, airports and utilities are restricting Africa's economic growth and increasing the cost and time of transporting goods. By way of illustration, a few years ago the World Bank reported that Africa's average road density was 204 kilometres of road per 1,000 square kilometres of land area, which equated to only 22 percent of the global average of 944 kilometres of road density.

According to the data agency Prequin, since 2013 only 11 percent of the infrastructure deals completed in Africa have been directed towards transport infrastructure. Major projects are happening across the African continent with, for example, the 3,200 km Trans-Maghreb Highway planned to connect Morocco to Egypt, through Algeria, Tunisia and Libya. Once completed, it will connect 60 million people, 55 major towns and cities, and 22 international airports, amongst others.

In 2019, 'Project insight – African Transport Networks' tracked 448 large-scale transport projects (road, rail and bridges) across Africa, at all stages of development from announcement to execution, and found that they had a total investment value of US\$430.3 billion. Nigeria, with 49 projects, had the highest number of transport projects in the project pipeline, amounting to US\$48.3 billion, while Egypt, with 20 transport projects, had the highest value in the pipeline, amounting to US\$52.9 billion.



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NIGERIA US\$48.3bn

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EGYPT US\$52.9bn

with 20 transport projects, amounting to the highest value in the pipeline

The impact of China on upgrading Africa's transport infrastructure should not go unremarked. China's 'Belt and Road Initiative' has received much attention and Chinese involvement as a major financier of Africa's key transport projects continues apace. It has funded the railway systems of Angola, Djibouti, Ethiopia, Kenya and Nigeria. The China Railway Construction Corporation Ltd is, and has been estimated to be, involved in African projects that have a total construction value of close to US\$47.3 billion.

In March 2018, many African countries signed the African Continental Free Trade Area agreement (AfCFTA) as a means of enhancing trade in goods and services across the continent, by reducing tariff barriers and implementing other trade facilitation measures. It will increase the share of intra-African exports as a percentage of total African trade, which currently stands at about 16 percent according to Afreximbank's African Trade Report 2019, and is very low compared to the 70 percent and 58 percent levels in Europe and Asia respectively. The African Development Bank (AfDB) projects the continent's economic growth to pick up to c. 3.9 percent in 2020, as a result of increased trade driven by the AfCFTA.

Beyond the AfCFTA, however, these trade and economic growth projections also rely on sustained growth in public infrastructure investments. Africa's annual transport infrastructure gap is c. US\$37 billion, within an annual overall infrastructure investment requirement of c. US\$170 billion, according to the AfDB's infrastructure financing gap estimates.

During the year under review, we observed that investments in transport infrastructure continue to be driven largely by Public-Private Partnerships (PPPs), supported by the activities of governments, development finance institutions (DFIs), commercial finance institutions and private sector strategic investors. Especially noticeable is the increased involvement of the private sector in the development and management of transport infrastructure projects. Our outlook for the investment trend is that the prevalence of private sectorled activities in transport infrastructure investing will persist, while sovereigns continue to improve upon policy and PPP frameworks to enhance investor confidence and drive future investment

INVESTMENT STRATEGY

In 2019, the transport and logistics business continued to create or seek strategic investment and partnership opportunities where AFC could play a leading role. Our ultimate goal is to develop and execute investments in an efficient manner to effectively unlock the potential of various natural resource exploitation, industrial processing and value-add, as well as international trade facilitation.

The key theme in 2019 was the development of deep seaports and Special Economic Zones (SEZs). The development of more efficient ports will support increased export and import activity and also improve the economics for investors in natural resource exploitation, manufacturing and other industrial activities. Such ports and SEZs also produce a multiplier effect on economic growth in the continent. With Africa-China trade exceeding c.US\$200 billion last year, China has also launched the transformation of a number of ports around Africa's coastline through the China Belt and Road Initiative (BRI).

The development of SEZs has allowed governments to concentrate administrative resources and infrastructure provision as a pragmatic solution to address the infrastructure and institutional inefficiencies which are hampering economic activities in most of Africa. Indeed, the appeal of SEZs in Africa is likely to continue to grow, due to the success of some countries in using them as springboards for participation in global value chain activities. Several African governments currently nurse intentions of setting up at least one new SEZ in their countries.

The following sub-sections discuss a selection of AFC's transport and infrastructure investment activities in 2019.

THE ARISE PLATFORM

The Gabon Special Economic Zone (**GSEZ**) went through a reorganisation that resulted in the creation of three separate verticals: Arise Ports & Logistics (**ARISE P&L**), ARISE Integrated Industrial Platforms (Arise IIP) and ARISE Infrastructure Services.

ARISE P&L, which will now carry on the SEZ business, comprises of A.P. Moller Capital, Olam International and AFC. AFC has partnered with Olam International since the initial investment in GSEZ in 2016, while the new investor, A.P. Moller Capital, has substantial experience in operating and developing transport and logistics infrastructure assets. The ARISE SEZ business will offer infrastructure-ready land and end-to-end solutions covering all industry needs across the value chain. This would ensure access to supply, logistics services and support the marketing and commercialisation of hosted companies' finished goods. The strategic vision is to build competitive industrial and logistics ecosystems in Africa, unleashing the full potential of economies, while creating jobs and leveraging on the success in Gabon to empower other countries.

AFC made an additional investment of €48 million, which increased its equity ownership in ARISE P&L from 21 percent to 26 percent, with A.P. Moller Capital owning 43 percent and Olam International owning 31 percent. The initial focus will be on investing in, and expanding, the ecosystem in existing mineral and general cargo ports in Gabon, as well as developing new infrastructure that will support ecosystems in Mauritania, Côte d'Ivoire, Togo and Nigeria.

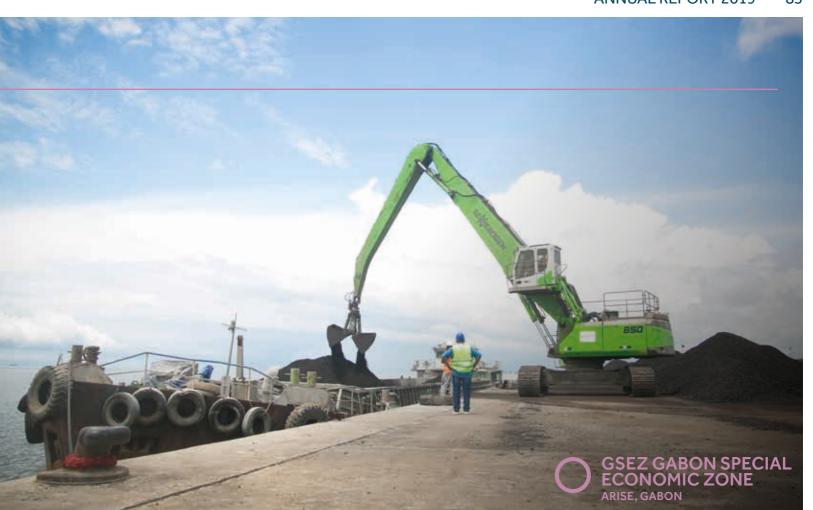
TAKORADI PORT

AFC provided a US\$158 million financing package comprising equity and debt for the expansion of the Takoradi Port in the Takoradi region of Ghana. This project is part of Ghana's overall national development plan to revitalise and industrialise the western region of Ghana, which houses highly productive mining and agricultural industries.

The project components include dredging works to increase the draft from 9m to 16m, land reclamation of five new berths and the construction of a 1,700m quay wall, pavement, electrical installations and other ancillary services. When completed, the terminal's draft will be capable of receiving larger shipping vessels which currently cannot dock at Takoradi due to the limitations of the existing facilities. A significant amount of traffic that would naturally have been destined for Takoradi Port is currently routed through other ports, such as Tema and Lomé, causing substantial delays in delivery time and increasing the overall logistics cost to the end client.

In addition to serving the industrial activities in Ghana, the project will also support activities in the neighbouring landlocked countries of Mali, Burkina Faso and Niger.

"THE KEY THEME IN 2019 WAS THE DEVELOPMENT OF DEEP SEAPORTS AND SPECIAL ECONOMIC ZONES (SEZS).
THE DEVELOPMENT OF MORE EFFICIENT PORTS WILL SUPPORT INCREASED EXPORT AND IMPORT ACTIVITY AND ALSO IMPROVE THE ECONOMICS FOR INVESTORS IN NATURAL RESOURCE EXPLOITATION, MANUFACTURING AND OTHER INDUSTRIAL ACTIVITIES."





NOUAKCHOTT CONTAINER TERMINAL

AFC provided US\$160 million of debt financing to Arise Mauritania, which is a 50/50 joint venture between Arise and Meridiam, for the construction of a new container terminal, with an initial capacity of 250,000 TEUs, which has the potential to expand to 600,000 TEUs, and an oil terminal able to accommodate oil and gas vessels with up to 50,000 DWT capacity.

Mauritania is dependent on imports for refined petroleum products, raw sugar, wheat and palm oil; while its major exports include iron ore, copper ore, gold and frozen fish. In 2016, Mauritania exported US\$2.8 billion worth of goods, while imports were valued at US\$3.5 billion. The Nouakchott Port previously had no dedicated container terminal, making it inefficient for handling containers. The port depth was also insufficient to accommodate new generation ships, and its processes were not automated, thus hindering efficiency improvements at the port.

In order to solve these constraints and provide the required efficiency and best practice, the project is designed to include:

- a new wharf with the capacity to handle two Panamax vessels simultaneously;
- a 25-hectare storage area for exports & imports;
- a 20-hectare container freight station; and
- an administrative area including a 'one-stop shop' for port authorities and government entities.

Mauritania's international trade will benefit from efficient port processes as a result of the project, and it will also increase trade throughput volumes at the Port of Nouakchott.

AFC'S 2020 TRANSPORT INFRASTRUCTURE BUSINESS OUTLOOK

Our strategic intent of developing integrated infrastructure around natural resources and industrial activities will remain the main driving force for our transport infrastructure investment activities. We have recorded tremendous multi-sector development impact in recent years from our investments in roads, bridges, ports and SEZs. While we continue to replicate these successful projects that are increasing international trade, we have now expanded our focus to seek and create investments that will have an impact on increasing intra-African trade.



HEAVY INDUSTRY

"AFRICA'S INDUSTRIALISATION HAS FAILED TO EVOLVE DUE TO INSUFFICIENT INFRASTRUCTURE"

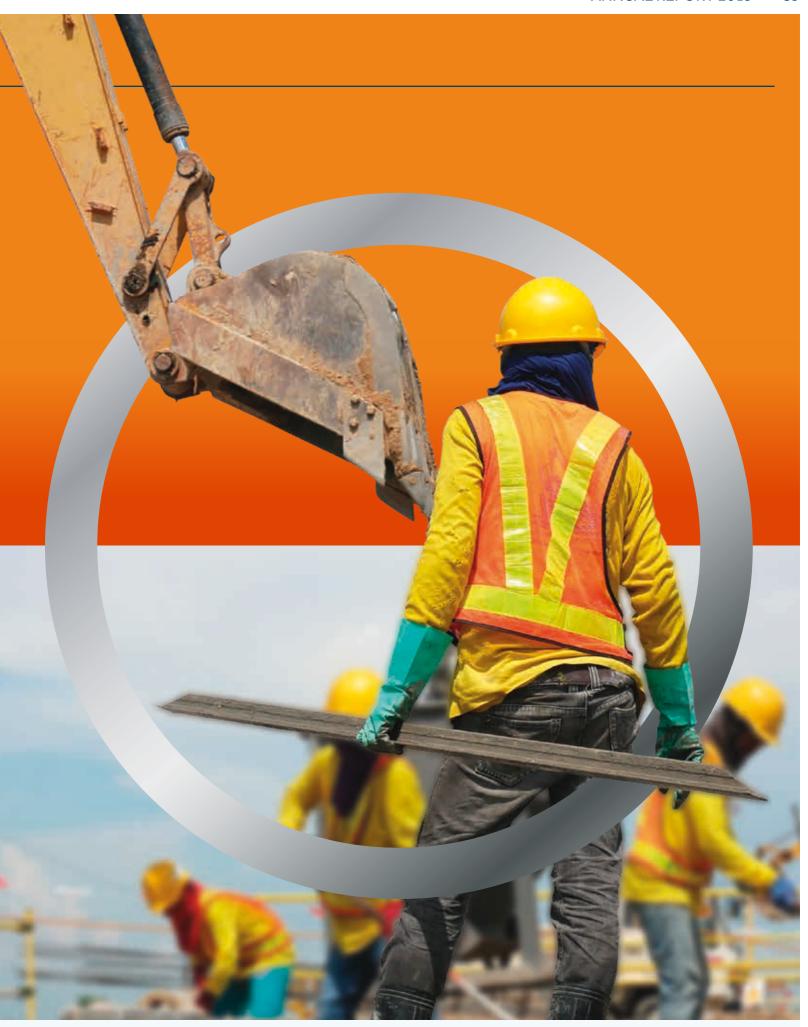
OUR PRIORITY: MODERNISATION

With the abundance of natural resources, many African countries have turned to industrial development to diversify and grow their economies. Africa's economic growth has not been sustainable as it has been driven by exports of unprocessed commodities with insignificant value added. According to the United Nations Industrial Development Organization (UNIDO), since 2007 manufactured imports in Africa remained relatively high at c.70 percent of imports. In order to diversify effectively, the continent must drive sustainable long-term growth by focusing on processing its raw materials into manufactured goods, in order to boost exports and reduce the reliance on imports.

With diversification, industrialisation and modernisation high on the priority list for African economies, the rippling tentacles of Africa's heavy manufacturing industry output can empower and facilitate diversification and growth in multiple sectors.

Heavy industry offers significant opportunities for the immediate expansion of large companies, in addition to delivering transformational economic benefits including direct and indirect job creation; the easing of entry into value chains; boosting trade, exports and value add processing; and, for governments, improvements in both balance of payments and tax receipts.

AFC provides private sector dynamism to fund investments on the continent through debt and principal investments. AFC's investments in the heavy industry sector are diverse and consist of four sub-verticals, specifically chemicals (refineries, petrochemicals, fertiliser and natural gas conversion), building materials (cement and float glass), enterprise industrial inputs (bottling, pulp and paper) and metals (steel and mineral beneficiation).



Over the years, Africa's industrialisation has failed to evolve due to insufficient infrastructure. The industrial sector is highly dependent on other critical sectors, such as electricity supply to power industrial activities and transport infrastructure for the movement of raw materials and the distribution of finished products. Consequently, infrastructure deficits adversely impact the development and financing of the industrial sector. This illustrates the importance of integrating several projects into one, instead of just building projects on a piecemeal basis.

In order to address some of the challenges, Special Economic Zones (SEZs) and an ecosystem development approach have become an integral part of the growth plans of African governments. The SEZs are developed with the aim of attracting investments by offering favourable benefits to investors, which can include reduced customs duties and improved infrastructure such as power, roads, ports and telecommunication services. For instance, when a major manufacturing plant or industrial park is being built, depending upon its location, the project could be expanded to build roads, a railway, a town, a hospital, a school, a shopping centre, a training centre and more.

AFC'S HEAVY INDUSTRY ACTIVITY

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

· Dangote Group, Nigeria

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

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

As sole Mandated Lead Arranger, AFC successfully raised a \in 577 million facility to enable SIR to repay historical obligations on crude supply, provide a long-tenured facility and reduce the interest rate of SIR's stock debt. SIR is currently the largest and most sophisticated operational refinery in West Africa and the AFC facility was integral to the conditionality of the International

Monetary Fund's (IMF) financial programme, as the IMF considers SIR to be a strategic asset for the country.

· Carbon Holdings, Egypt

AFC invested in Carbon Holdings, a petrochemical developer and operator, so that it could deliver an integrated large-scale petrochemicals platform (polypropylene plant, mining grade ammonium nitrate plant and naphtha cracker) in Egypt and take advantage of the country's geographically strategic location.

• PPC Barnet, Democratic Republic of Congo

AFC supported the construction of a 1.25mtpa integrated cement plant in the Bas-Congo province of DRC.

Meridian Consolidated Investments, Mauritius

AFC co-financed a US\$60 million stock finance facility to finance Meridian's fertiliser manufacturing and soft commodity business activities across Malawi, Mozambique, Zambia and Zimbabwe.

AFC continues to support additional sectors with high-growth potential and recently received approval to part-finance Nigeria LNG's Train 7 expansion project. Broadly, AFC is also playing an active role in mobilising early work capital to develop industrial projects and complement its direct investments. An example being its support for the project development of a refinery in Guinea.

AFC'S HEAVY INDUSTRY BUSINESS OUTLOOK

In order to achieve fuel security and reduce reliance on imports, several large-scale greenfield and brownfield refineries are being developed in western and eastern Africa. The biggest such project is the 650,000 bpd Dangote refinery in Nigeria, which could have groundbreaking impacts on the entire western region. Other ambitious refining projects have been announced in Uganda, Guinea and Ghana. Growth in gas processing and distribution projects will also increase due to an estimated recovery in global demand for LNG and through governments wishing to monetise their gas reserves and improve electricity fuel costs. The global recovery has affected steel demand, increasing the development of integrated steel projects. In addition, improvements in technology costs have also led to an increase in the development of tailings and beneficiation projects, specifically in the southern African region. Continued investments in fertiliser are also expected as governments maintain policies towards local food security.







TELECOMMUNICATIONS

"SUB-SAHARAN AFRICA IS THE FASTEST GROWING REGION FOR MOBILE SUBSCRIBERS"

CONNECTING AFRICA

Sub-Saharan Africa (SSA) is the fastest growing region for mobile subscribers. During 2018 mobile subscribers increased by 20 million, representing a subscriber penetration rate of 44 percent. It is estimated that SSA will remain the fastest growing region, with a compound annual growth rate (CAGR) of 4.6 percent and an additional 167 million subscribers by 2025.

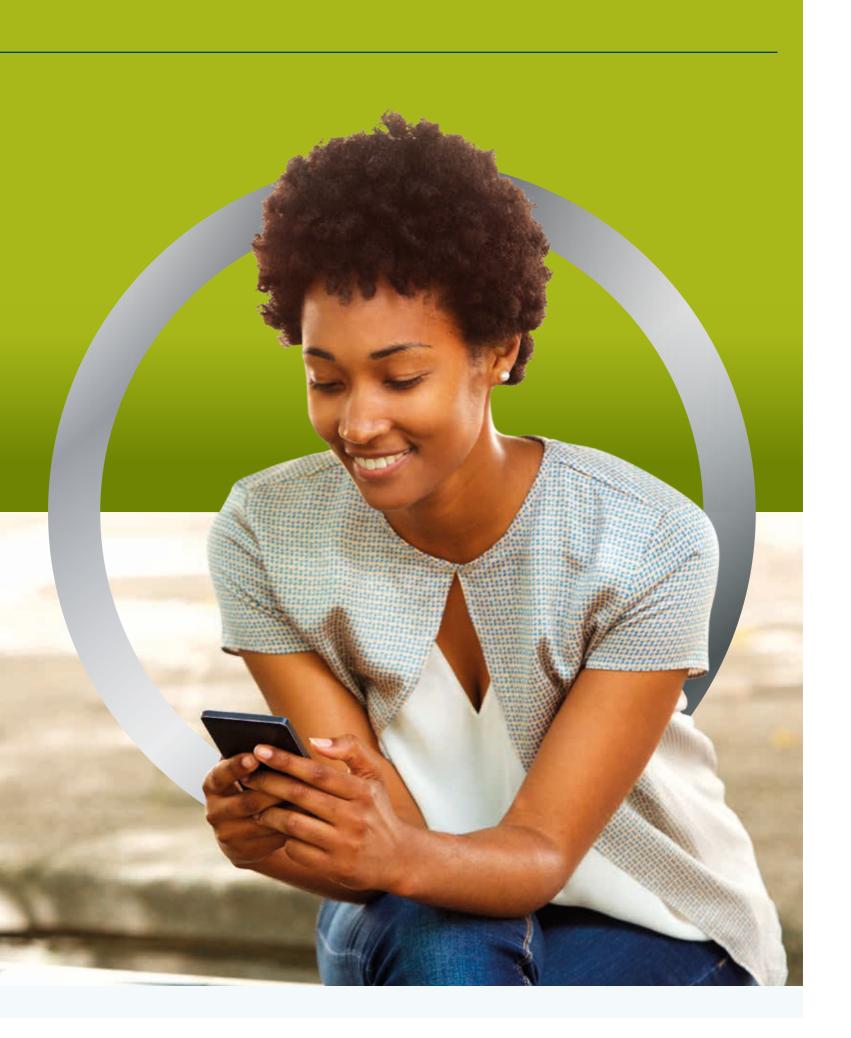
According to GSMA data (2019), the mobile industry contributed 8.6 percent (US\$144 billion) of SSA's GDP in 2018. The mobile ecosystem also supported 1.7 million jobs, formally and informally, and made a substantial contribution to the funding of the public sector with more than US\$15 billion raised from general taxation. By 2023, it is estimated that the mobile industry will contribute 9.1 percent (US\$185 billion) of tax as African countries benefit from the improvements in coverage and connections, with key sectors such as financial services and manufacturing particularly benefiting from the technology.

Internet access is critical to SSA's economic growth as it has the potential to boost productivity and help deliver services in a quicker and more efficient manner. During 2019 it was estimated that 3G will overtake 2G as the leading mobile technology, due to improved network coverage and cheaper devices. However, SSA lags behind other regions in 4G penetration, accounting for 7 percent

of total connections, compared to the global average of 44 percent. Internet usage is particularly low in Africa due to the high cost of 4G-enabled devices, power availability and the high cost and current deficit of physical infrastructure in landlocked countries and rural areas.

Expanding 3G/4G connectivity and mobile money services are predicted to be the main drivers of investment and deal activity in SSA over the coming years. Mobile operators are continuing to deploy infrastructure and networks to connect the unconnected, which will provide the foundations for the digital economy to provide a range of innovative services. Over the last year, SSA has emerged as one of the particularly benefiting fintech regions and several markets have taken steps to accelerate financial inclusion. One such example is Nigeria, where the regulator allowed mobile operators to obtain licences to operate Payment Service Banks (PSB).

AFC will continue to invest in the telecommunication sector with a key focus on network connectivity and mobile-enabled platforms, as evidenced by our support for MainOne Cable Company's development of terrestrial fibre and data centres. AFC currently has a pipeline of over US\$200 million for 2020 and will play a major role in supporting these key initiatives.



PORTFOLIO MANAGEMENT

"AFC'S INVESTMENT PORTFOLIO, OVER THE LAST THREE YEARS HAS TRIPLED FROM US\$1.2 BILLION TO OVER US\$3.5 BILLION"

SIGNIFICANT GROWTH IN 2019

In 2019, a dedicated team of professionals was set up within the Investments Division to monitor and manage AFC's investment portfolio which, over the last three years, has tripled from US\$1.2 billion to over US\$3.5 billion.

While the core functions of the Portfolio Management team revolve around proactively managing and monitoring the Corporations' Investment assets, the unit is also tasked with the duty of optimising and enhancing the value of the investments through, among other things, proactive distribution; application of credit enhancements such as insurance; restructuring activities; exits/sales; valuations of equity and quasiequity investments; data mining; behaviour prediction; and identification of potential additional business from clients in the portfolio.

In the last year, the Portfolio Management unit has been able to take up the monitoring and management of portfolio activity from the deal teams, thereby affording them more time to engage in origination and deal execution, a factor that contributed to the significant growth in 2019.

For 2020, the team will build on its work to maintain a robust portfolio, further optimise returns and manage and minimise any potential risk of deterioration in the portfolio's quality.



PROJECT DEVELOPMENT

"DEVELOPING NEW ECOSYSTEMS AND CREATING AND PROVIDING FUNDING SOLUTIONS FOR INTER-RELATED OR INTEGRATED PROJECTS ACROSS THE VALUE CHAIN"

A YEAR OF RENEWED GROWTH

Over the years, Project Development (PD) has remained the cornerstone of the AFC's value proposition, in terms of both product offering and value addition, as the Corporation delivers on its mandate of being the premier infrastructure financial solutions provider on the continent.

More fundamentally, the delivery of PD at AFC goes beyond participating within a unique asset class, but rather stems from our investment thesis that Africa's largest infrastructure challenge is not the lack of smart ideas and capital – human and financial – but the lack of bankable projects. The process of making projects bankable encapsulates the unlocking and untying of bottlenecks associated with the specific project, by carefully allocating the risks to all the stakeholders involved.

Always driven by the avid desire to increase the supply of bankable projects and close the infrastructure gap in Africa, 2019 gave AFC's PD team a unique opportunity to rekindle our commitment to deploy our resources and expertise to new heights, in line with the new strategic objectives of the Corporation. The reconstitution of the team and the return of Amadou Wadda to head the PD team in late 2018, laid the foundations for growth and renewed vigour.

AFC places great emphasis on its financial and human capability resources for project development to drive project origination, execution and investment, while maintaining a particular focus on the large regional projects that will enhance intra-African trade and boost productivity. In addition, we seek to assist national projects that will improve the quality of life for Africans. We do this by developing new ecosystems and creating and providing funding solutions for inter-related or integrated projects across the value chain. For the Corporation this also has the benefit of proving additional pipelines of project development opportunities that we can support.



During the course of the year, the PD team secured board approvals for ten (10) new projects and closed on one (1), the Djibouti Wind Farm Project, which had been under development for the last two years.

The PD team also executed several Joint Development Agreements (JDAs); diversified the PD expertise from solely power, transport and logistics to include natural resources and heavy industries; surpassed the revenue target for the year; and expanded development activities geographically to include new countries such as Guinea, Uganda, Senegal and Morocco.

Through these activities, AFC forged new partnerships while deepening existing partnerships. It was a pleasure to work with partners such as FMO, Climate Fund Managers, Great Horn Investment Holdings, Siemens Gamesa, Électricité de Djibouti, West Africa Energy -Senegal, Dynamic Mining, Yaatra, DBSA, Brahms Refinery, Development Bank of Guinea (BDG), Elektron and Trinity LLP, to name a few. All of this made 2019 a remarkable year for the Corporation.

Despite these achievements, a lot more work is still required to advance the development of many more projects in Africa. For this reason, we continue to search for new ways of accelerating the development cycle that will let more projects achieve bankability. This remains a key challenge on the continent as, while dimensioning the risks is easy, stakeholders who are best suited to manage and mitigate these risks continue to push back, including the developers themselves.

Our view at AFC is to take a more collaborative and pragmatic approach in PD negotiations. A new approach of sensible innovation and flexibility is required to understand the unique circumstances in each of the 54 markets, across the various sectors and taking into consideration the nuances of each of the various stakeholders involved. The unique DNA of every project sometimes makes it difficult to transfer and replicate successes across markets, sectors and projects.

Nonetheless, our engagements on the various development projects in 2019 provided an opportunity for new learnings, which will help us to tackle the challenges associated with accelerating the development process. For example, with the Djibouti Wind Farm project, we tested the all-sponsor bridge financing approach, which allowed the construction of the project to commence after 24 months of development.

In other projects hoping to start construction in 2020, we aim to deploy 90 to 95 percent contractor financing backed by a standby letter of credit. Also, within the natural resource sector, there is a space for PD resources to allow projects to achieve bankability, by financing the early works programmes and development activities, thus enabling sustainable financing on these resource-based projects.

In 2020, the focus of the PD team will be on executing the projects for which approvals have been received and aiming to achieve financial close on at least three projects. Expanding the PD pipeline and developing landmark projects remains part of the objective. The political climate in some of the countries of focus poses some immediate concerns, but, notwithstanding the challenges, we remain optimistic that our target for 2020 will be achieved.



PRODUCT SOLUTIONS

"LOOKING AHEAD TO 2020, AFC INTENDS TO CONTINUE RAMPING UP ITS SOVEREIGN LENDING BUSINESS AS AN AVENUE TO DIRECTLY SUPPORT GOVERNMENTS IN THEIR AMBITIONS TO INCREASE INFRASTRUCTURE INVESTMENTS WHICH WILL, IN TURN, HELP AFC TO BUILD DEEPER AND MORE MEANINGFUL RELATIONSHIPS AND PARTNERSHIPS WITH AFRICAN GOVERNMENTS"

INFRASTRUCTURE FINANCING SOLUTIONS FOR GOVERNMENTS

In the second half of 2019, we set up a new team, Product Solutions, within the Investments Division to focus on AFC's structuring and lending activities in the sovereign, corporate term lending and trade finance segments, across all of AFC's infrastructure segments.

While AFC's investment activities have historically been focused on supporting private sector-led projects and obligors, government and quasi-government entities are by far the biggest developer of infrastructure assets in Africa, hence this asset class, which falls well within AFCs mandate, is key for the growth of AFC. Therefore, as formulated in the new corporate strategy which, amongst others, is expected to deliver new revenue streams to the Corporation over the next five years. The Product Solutions team is building a sovereign lending business that makes use of credit-enhancing and risk-mitigating structures, such as export credits and private/multilateral insurance, as well as structures such as securitising commodity flows.

IN LINE WITH THIS, FOR 2019:

- AFC acted as Lead Arranger for a US\$500 million facility for the Government of the United Republic of Tanzania, which will be used primarily for the construction of power, water and transportation projects.
- AFC acted as Co-Lead Arranger for a €187.5 million facility for the Republic of Côte d'Ivoire to complete new roads in Abidjan and seven other cities in the country, as well as for the reinforcement and rehabilitation of existing roads.
- AFC participated in a US\$1 billion facility for the Government of the Republic of Kenya to fund infrastructure projects predominantly in the power, water and transport sectors.



Looking ahead to 2020, AFC intends to continue ramping up its sovereign lending business as an avenue to directly support governments in their ambitions to increase infrastructure investments which will, in turn, help AFC to build deeper and more meaningful relationships and partnerships with African governments.

In addition, AFC intends to expand its activities in the corporate lending and trade finance arenas. They tend to have a shorter deal execution cycle and will therefore help increase the velocity of the Corporation's balance sheet. The Structured Debt Solutions team will focus its activities on better-rated corporates, in order to further enhance the quality of the AFC portfolio. To be able to better compete in this highly competitive segment, the team will seek to make more efficient use of AFC's own balance sheet, via products such as guarantees and tenor elongation instruments that take advantage of AFC's high credit rating and Preferred Creditor Status. This helps to crowd-in non-traditional, third party funds that do not have the typical high base costs of banks and financial institutions.

PROJECT HIGHLIGHTS OF 2019:



TANZANIA US\$500m

AFC acted as Lead Arranger for the Government of the United Republic of Tanzania. The facility will be used primarily for the construction of power, water and transportation projects.



CÔTE D'IVOIRE

€187.5m

AFC acted as Co-Lead Arranger for a €187.5 million facility for the Republic of Côte d'Ivoire to complete new roads in Abidjan and seven other cities in the country, as well as for the reinforcement and rehabilitation of existing roads.



KENYA US\$1bn

AFC participated in a US\$1 billion facility for the Government of the Republic of Kenya to fund infrastructure projects predominantly in the power, water and transport sectors.

FINANCIAL SERVICES

"AFC IS ONE OF THE HIGHEST RATED MULTILATERAL FINANCIAL INSTITUTIONS IN AFRICA, WITH AN A3/P-2 (STABLE OUTLOOK) CREDIT RATING FROM MOODY'S"

A STRONG CAPITAL POSITION

AFC is one of the highest rated multilateral financial institutions in Africa, with an A3/P-2 (stable outlook) credit rating from Moody's Investors Service. This was first awarded in 2014 and has been reaffirmed each year since. The rating was based on our sound capital adequacy position, high asset quality and strong prudential framework that supports a high degree of liquidity, supported by an excellent profit margin and profit retention. Our capital position exceeds the requirements of the Basel III Capital Accord on liquidity risk management, thus mitigating against external economic shocks and helping to support planned growth.

The rating, together with our strong capital position and the quality of our portfolio, enables us to access the international capital markets on acceptable terms, grow our balance sheet, broaden our asset base and expand our geographical footprint. It is also a further endorsement of our rigorous investments on the continent, world-class corporate governance and solid shareholder support.

2019 saw AFC deploy effective strategies to deliver treasury-based solutions and deploy innovation in trade related products and syndication, to optimise its balance sheet.

This ensured the Corporation's stable liquidity and adequate headroom to exploit market opportunities, whilst remaining well-hedged against unforeseen market downturns. The success of our strategies resulted in an increase of \$158.9 million, representing 34 percent growth, in gross revenues compared to last year.

GLOBAL DEBT AND EQUITIES MARKET

Our performance in the year was aided by our ability to exploit global market opportunities and manage our time-to-market deployment at various times during the reporting year.

A review of global markets' performance in 2019 showed a robust year for bondholders. Despite declining yields, global debt rallied to a record US\$250 trillion in the first half of 2019, led by the US and China who accounted for 60 percent of the borrowing, with estimations surpassing US\$255 trillion at the end of 2019. Global Eurobond issuances alone rose 7 percent to US\$4.8 trillion, as credit spreads – yields on corporate bonds relative to lower risk government bonds – compressed to nearly the tightest levels in history.



Similarly, the bull market run saw emerging markets achieve double-digit gains in the year, with about US\$793.5 billion in bond issuances alone, accounting for 17 percent of global issuances. African markets, however, struggled to maximise the benign market conditions, and trailed 2018 Eurobond issuance, led by a 15 percent decline in sub-Saharan Africa to US\$28.8 billion in bond issuances.

The global equities market recorded its strongest gains since the aftermath of the financial crises a decade ago. The MSCI World Index jumped by almost 24 percent, with the rally being led by a surge in US technology giants and a strong recovery in the Eurozone and Asian stocks. Similarly, the Dow Jones added over 20 percent, whilst the broader-based S&P 500 and tech-focused Nasdaq both rose by about 30 percent, supported by accommodating monetary policy rates.

Emerging market equities recorded positive returns but lagged their developed market peers. Trade uncertainty and Chinese growth concerns continued to weigh on export-focused conglomerates across the globe and had an impact on the firms still heavily reliant on China's demand. Political protests in Hong Kong also added to the uncertainty and weighed on investor sentiment.

2019 PERFORMANCE

Against this backdrop, the Corporation implemented strategic imperatives to ensure that the liquidity requirements of the Corporation always surpass prudential guidelines. Our focus was on managing our balance sheet to mitigate market risk exposure, deliver and manage liquidity optimally, support business growth and remain profitable via our Treasury Department which executes asset and liability management, treasury client solutions and funding activities.

ASSET AND LIABILITY MANAGEMENT

As part of AFC's investment mandate in the African continent, the Corporation continued to support African issuers in the international debt capital markets, by investing in Eurobonds floated by African entities. This broad group of issuers access the global markets to finance their funding requirements for expansion, infrastructure development, working capital and refinancing. AFC's investments in these fixed income securities, which are originated either via primary market issuances or the secondary market, focus on Eurobonds issued by African sovereigns, financial institutions and corporates.

AFC's sustained commitment to these transactions continues to demonstrate the Corporation's strong appetite to supply capital to support the funding requirements of African entities for the development of the continent.

TREASURY CLIENT SOLUTIONS

In 2019, Treasury continued to use AFC's strong credit rating, knowledge of the African business environment and deep understanding of financial markets, to help African companies and projects bridge their financial risk management knowledge gap and provide them with access to the global financial markets. Treasury worked with the sponsors of two transport projects, in Mauritania and Ghana, to identify the interest rate risks inherent in their project loans and to structure interest rate hedges to mitigate those risks. We executed a 10-year, US\$160 million notional interest rate cap for the senior loan of the Mauritania project and two 5-year interest rate caps for a total notional amount of US\$100 million for the senior and mezzanine loans of the Ghana project. The interest rate caps provide a ceiling for the project's interest rate costs and empower the sponsors to improve budget predictability over the hedging period. Besides the interest rate cap solutions, Treasury used swaps and other derivatives to provide solutions for some clients and used the products to hedge financial risks from the Corporation's balance sheet.

Treasury also worked on several innovative funding solutions for African central banks. The team used swaps to provide US dollar funding to the institutions, securing the funding with local securities in the relevant countries. This allowed the central banks to raise hard currency funding at relatively attractive rates. Treasury is stepping up efforts to bring this funding solution to more African central banks and financial institutions, as the Corporation positions itself to play an important role in the development of African capital markets.

WE SUCCESSFULLY CLOSED A US\$100 MILLION 3-YEAR TERM REPO WITH DEUTSCHE BANK IN SEPTEMBER 2019



FUNDING

The year 2019 was, in every sense, a unique year for AFC in the capital markets. Our activities were guided by the strategic objectives laid out in the 2019 Funding Plan. Specific focus was on continuing to diversify our funding sources globally, refinancing maturing debt obligations and extending the maturity of our bond issuances in the debt capital market. In 2019, for the first time in the history of the Corporation, we tapped the Eurobond market twice, executing very successful issuances that extended our yield curve, first to seven years in April 2019, and then to 10 years in October 2019. In November, we also tapped the Swiss Franc market for the second time, issuing a 4-year bond to refinance a maturing 3-year Swiss Franc bond that came up for repayment in December 2019, thereby enabling us to increase the tenor of our bond issuance in this key market. In all, we issued three bonds in the global debt capital market in 2019, making it a busy year for our capital-raising activities.

To manage liquidity and refinancing risks, our Eurobond issuance in April 2019 involved a liability management exercise. Following a comprehensive global roadshow, we launched a new 144A/Reg S Eurobond and an "Any and All" Tender Offer for AFC's April 2020s. The April 2020 Eurobond is AFC's debut US\$750 million 5-Year Eurobond issued in April 2015. During this issuance, we successfully priced a 7-year US\$650 million 4.375 percent (yield of 4.5 percent) 144A/Reg S note due in April 2026 and at the expiration of the tender offer, about \$375 million of the 2020 notes were tendered. Consequently, we successfully achieved our objective of partially refinancing the April 2020 maturity, whilst locking in favourable funding levels and extending the maturity profile of our bonds to seven years for the first time.

In October 2019, we took a decision to access the bond market again for another benchmark issue. To minimise execution risk, issuance cost and time-to-market, Management decided to issue this bond in Reg S only format. This implied that US investors could not buy the bond in the primary market, but would be able to buy the bond once it becomes 'seasoned'. Given the high name-familiarity that we have built with global fixed income investors on the back of our continuous investor engagement programmes, the new bond was issued without not need for a global roadshow. Management held a global investor call and investor meetings in London. Thereafter, we successfully issued a 10-year US\$500 million 3.75 percent (yield of 3.895 percent) Reg S only note due in October 2029. This 10-year bond is our longest tenor bond issue till date and we also achieved our lowest yield ever in the bond market with this bond.

With the two Eurobonds issued in 2019, the Corporation successfully established a US dollar yield curve that extends up to 10 years (2026s and 2029s have been added to 2024s and 2020s).

The Corporation also issued a CHF100 million long 3-year bond for the first time in 2016. The bond, which was issued at a coupon of 0.85 percent, matured in December 2019. Following a non-deal roadshow in May, during which we met with investors in Geneva and Zurich, we successfully refinanced the bond by issuing a CHF200 million 0.5225 percent (yield of 3.01 percent) 4-year bond in November. The new CHF bond has a longer tenor than our inaugural issue and has the lowest coupon achieved by an African issuer in the Swiss market. The proceeds of the bond were used to refinance the matured CHF100 million bond in December and provide additional liquidity to support our balance sheet growth. With this successful issuance, the Corporation continues to demonstrate strong access to global capital markets.

Overall, in 2019, total bond financing for the Corporation amounted to US\$1.35 billion. The global bond market has therefore been a significant source of funding for the Corporation. We will continue to tap this market and ensure that we are strategic in maintaining the momentum and our name familiarity with global investors.

Notwithstanding the successes that we recorded in the bond market, in line with our funding strategy, we also maintained an active presence in the international loan market in 2019. We focused on leveraging our existing global banking relationships to support our funding efforts. Our loan market activities in 2019 focused mainly on tapping new sources of liquidity in Asia. In this regard, in 2019, we successfully tapped the Japanese and Korean markets for the first time by issuing debut Samurai and Kimchi loans respectively.

In September, we successfully closed a US\$233 million and JPY1.0 billion three-year Samurai loan. The facility was arranged by MUFG and SMBC and attracted a total of eight lenders, which included six new lenders. This transaction is the most successful debut African Samurai loan to date. In October, we also successfully closed a US\$140 million 3-year Kimchi loan, giving us access to the Korean market. The facility was arranged by Shinhan Bank and Nedbank and attracted four lenders, which included three new lenders. These transactions further exemplify our wide market access and the innovation that we continue to employ to mobilise global capital.

We also successfully closed a US\$100 million 3-year term repo with Deutsche Bank in September 2019.

"AFC PLAYS A CRITICAL ROLE IN FACILITATING TRADE IN AFRICA"

2020 OUTLOOK

We will be on the lookout for market opportunities to optimise our balance sheet and explore treasury client solutions to support investments and projects across the continent. Our focus will remain on continuous investor engagement and the diversification of our sources of funding.

SYNDICATIONS

AFC's syndications programme continues to play a vital role in the mobilisation of private capital in support of AFC's infrastructure and development mandate. By mobilising private capital over the years, AFC has developed unparalleled connections with various providers of capital, including but not limited to commercial banks, investment banks, developmental financial institutions, institutional investors, pension funds, sovereign wealth funds, debt funds and insurance companies. With Africa's huge infrastructure deficit in excess of US\$100 billion, these connections foster and crowd-in domestic and foreign direct investment and provide a fund-raising path for financing the urgent infrastructure needs of Africa. In 2019 we arranged and syndicated Parallel Loans for the Takoradi multi-purpose port project in Ghana and the ARISE container terminal port in Mauritania.

In addition to our traditional forms of mobilising capital using the B loan, Parallel Loan, Partnership Loan (P-Loan) and Unfunded Risk Participation (URP) products, the syndications team is also responsible for structuring bespoke credit mobilisation products. In 2019 we embarked on a number of new mobilisation and risk distribution initiatives, including an A-B Bond programme and a co-financing programme. These initiatives will allow AFC to further diversify its mobilisation sources and more efficiently access funding from such partners.

TRADE

In line with its core mandate of helping Africa to bridge its infrastructure deficit through the development of, and investment in, critical infrastructure projects, AFC plays a critical role in facilitating trade in Africa. Through the development of key infrastructure, AFC supports the integration of value chains across the continent and in doing so, supports the growth of intra-African trade, which is a key objective of the recently signed and ratified African Continental Free Trade Area agreement.

In line with AFC's new corporate transformation strategy, 2019 saw the creation of the Financial Institutions and Trade (FI & Trade) unit, from what was previously the Syndication and Trade Finance unit. The change underpins the organisation's strategy to increase its contribution to the development of financial services and capital markets in Africa. In the same vein, AFC looks to strengthen its role as a catalyst for trade in Africa. One of the FI & Trade unit's key objectives is to help close Africa's trade finance gap, which is estimated by the African Development Bank to be in excess of US\$100 billion, by providing support to African financial institutions to boost their trade finance capacity. AFC achieves this by leveraging two key strengths, its investmentgrade rating and its strong US dollar balance sheet. In 2019 AFC continued to offer short-term trade finance solutions – unfunded and funded, bilateral/syndicated or participations - to both financial institutions and non-financial institutions (corporates).

AFC also launched a Line of Credit product for African financial institutions, wherein tenors may extend long-term funding of up to seven years, and the liquidity can be used for purposes including on-lending to projects; supporting working capital and CapEx financing transactions; and other uses of proceeds that advance AFC's developmental mission. This product is targeted at African commercial banks, regional and local development banks, in addition to central banks. In close collaboration with AFC's Syndication team, the FI & Trade team helps African financial institutions to tap into the global capital markets to meet their financing requirements.

In 2019 our asset growth strategy continues to be hinged on three core pillars: active business development, robust risk management and the building of key strategic partnerships.

OPERATING REVIEW

Financial Advisory

The Financial Advisory Department is responsible for delivering AFC's expertise in the areas of financial engineering, corporate finance, financial restructuring, project finance, mergers and acquisitions, asset management, technical support and project development, to fee-paying third-party clients across sub-Saharan Africa.

The department's primary role is to provide financial and technical advice to public and private sector partners in the development and financing of infrastructure projects across Africa. Specifically, the department is strategically positioned to serve as an origination engine for the Corporation, with ideal mandates leading to direct or indirect funding from the Corporation's own balance sheet, or from a growing range of AFC financing vehicles and partners.

During 2019, the Financial Advisory Department provided services to governments, private sponsors, fund managers, investors and state-owned enterprises working on transformational infrastructure projects across Africa, most particularly in Nigeria, Guinea, Djibouti, Ghana and Rwanda. Our advice created innovative solutions for clients and partners active in the African infrastructure development business.

Recently announced transaction milestones included ongoing project development advice and capital-raising services to a private operator developing a petroleum storage infrastructure and crude oil refining facility in Guinea. This project will lead to significant economic development in the country, by increasing security of product supply both to industrial scale miners and ordinary citizens, providing long-term direct job creation as well as significantly improving environmental, health and safety standards. AFC has since expanded its commitment to this opportunity in the form of a project development facility, and our Investment team colleagues are leading the path to project finance close during 2020.

In Ghana, the department is also advising a private developer in the execution of a public-private partnership intended to deliver a major road infrastructure project. This ultimate state-backed financing is expected to cover the design, construction and development of a critical 16 km interchange and ancillary roads project. When completed, the new infrastructure will help address the high congestion of vehicles and pedestrians, as well as addressing the safety concerns currently being experienced in the area.

In East Africa our continuous advice is being made available to the state-owned Djibouti Ports and Free Zone Authority, on a broad array of infrastructure transactions and projects, including the development of a greenfield world-class ship repair facility. This project is expected to drive the retention of service content and expertise within the country. During the year, our financial modelling advice contributed to the successful closing of a large private investment, which was led by AFC, into a greenfield 60MW renewable energy independent power project. Construction of this landmark wind farm is now commencing, and when completed, will form a major component of the energy balance in Djibouti, while significantly reducing the cost of electricity supply in the country.

At home in Nigeria, AFC remains the leading infrastructure solutions provider focused on large transformational projects. During 2019, the department led the delivery of a major corporate financial restructuring and strategic turnaround financing, for a crucial telecommunications sector operator. This ongoing mandate is expected to protect and create a significant number of jobs while expanding coverage and service quality in a critical industry. Our services are also being extended to achieve the financing of innovative, yet challenging, mass urban transit system solutions, which are designed to help address the crippling traffic congestion in the commercial capital of Lagos. We also remain active as advisers to ambitious private sectorled initiatives to catalyse large investments into the rail transportation sector in the country.

Our advisory role has continued to deliver worldclass oversight and risk management services to the highly successful Central Bank of Nigeria's Power and Airline Intervention Fund (PAIF). Originally sized at the equivalent of US\$2 billion, this policy intervention facility has become the largest source of low-cost, local currency financing for power and aviation projects in Nigeria. Benefiting from AFC's counsel, PAIF has successfully financed about 1,415MW of power generation in Nigeria, with 980MW of this capacity being an entirely new on new power supply to bridge the country's severe deficit. In 2019 the Financial Advisory Department also accepted mandates aimed at catalysing increased local pension fund capital into the infrastructure asset class in Nigeria. AFC's focus on creating significant long-term local currency financing options for critical infrastructure remains strong and will expand significantly in 2020.

Overall, the Financial Advisory Department remains focused on its strategic objective of creating viable and innovative solutions to the most important and challenging transactions in the African infrastructure space, with the aim of continuously reducing the infrastructure deficit in Africa.

OPERATING REVIEW

COUNTRY RELATIONS

"AT THE CORE OF OUR INVESTMENT STRATEGY IS AN INTEGRATED ECOSYSTEM MODEL, FOCUSED ON INTERCONNECTED PROJECTS THAT HAVE THE POTENTIAL TO CONNECT ECONOMIC CORRIDORS ACROSS THE CONTINENT"

A STRONG CAPITAL POSITION

In 2019, Africa growth fundamentals continued to improve with a gradual shift from private consumption to investment and exports. For the first time in a decade, investment accounted for more than half of the continent's growth. However, growth remains less than inclusive with only about a third of African countries achieving inclusive growth. This can be explained by the fact that Africa still lags other developing regions in infrastructure development, with 2.5 percent of GDP spending versus 8.3 percent in China.

Despite progress in recent decades, Africa still has an insufficient stock of functional and effective infrastructure in the power, water and transport services, necessary to allow the continent to industrialise and generate employment for the large number of young people who join the labour force every year.

In view of the established fact that doubling infrastructure capital has the potential to raise GDP by 15 percent, policy actions should include measures to improve both the quantity and quality of investments, which when undertaken would provide the foundation for the creation of strong, vibrant and sustainable economies on the continent.

As an investment grade rated multilateral finance institution created by African sovereign states, we understand that despite the potential long-term benefits of infrastructure investments, a yearly financing gap in the range of US\$67.6 to US\$107.5 billion exists and that African governments have limited resources to allocate to infrastructure development.

African countries do not need to fill these gaps on their own, because institutional investors such as insurance companies, pension funds and sovereign wealth funds with more than U\$100 trillion in combined assets under management globally, should play an important role in the development of Africa's infrastructure. A small fraction of the excess global savings and low-yield resources of these entities would be sufficient to plug Africa's financing gap. This is why, from inception AFC has worked to establish itself as a natural bridge between the world and Africa, in the funding of infrastructure on the continent.



OPERATING REVIEW

At AFC we believe in Africa's potential as an attractive and profitable market. Our goal is to harness Africa's bountiful opportunities, through a hands-on approach and strategic connection of a wide range of private and public sector players from the continent and globally (governments, sponsors, institutional investors, DFIs and other players). We work with governments through a broad range of technical and financial instruments. Our unique and diverse talent pool provide end-to-end solutions to our clients through financing instruments such as equity and mezzanine instruments within project finance; trade and structured finance for corporates; as well as project development and advisory services (financial, technical, public sector, corporate) for early stage projects. This way, investment flows are prioritised, and financing is targeted and structured to deliver industrial growth, development impact and competitive risk-adjusted returns for shareholders and investors.

Leveraging on our sector expertise, investment grade status and an African DNA provided by the preferred creditor status, immunities and related privileges given in member countries, AFC continues to promote, develop, finance and invest in transformational infrastructure on the continent.

AFC currently has an investment footprint that cuts across 30 African countries, spanning five sectors that are critical to sustainable and developmental growth: Natural Resources (oil/gas and mining), Transport and Logistics, Power, Heavy Industries and Telecommunications. At the core of our investment strategy is an integrated ecosystem model, focused on interconnected projects that have the potential to connect economic corridors across the continent, while allowing tangible beneficiations for local communities. This approach leads to the creation of synergies across sectors to allow the emergence of the champions and entrepreneurs required to drive industrial activities with strong comparative advantages.

COUNTRY MEMBERSHIP

Our business model created opportunities for strengthening old partnerships and developing new relationships. This, coupled with proactive engagements, led to a year of accelerated achievements in country membership and equity mobilisation.

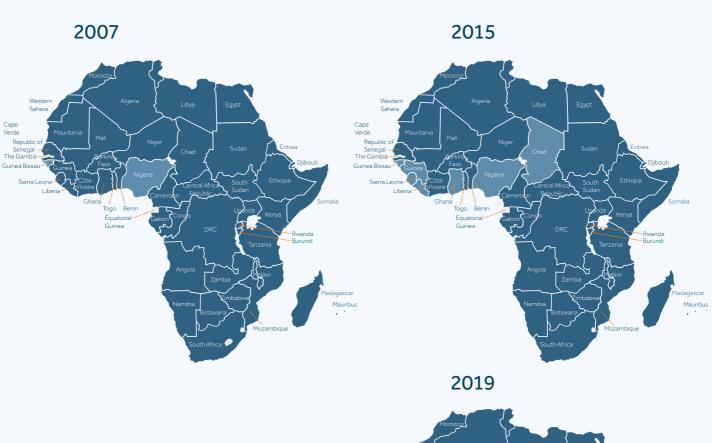
In 2019, country membership witnessed a 23 percent increase year-on-year, with the accession of Mauritania, Mauritius, Madagascar, Namibia, Senegal and Eritrea. The countries duly deposited their respective Instruments of Adherence to the Agreement for the Establishment of the Africa Finance Corporation, bringing the number of member countries of AFC to 26, as at December 2019. Membership diversification improved significantly as a result, with 50 percent representation from non-West African States, compared to 30 percent in the previous year.

Eritrea, Côte d'Ivoire and Sierra Leone also concluded the ratification of their membership of AFC, whilst Madagascar, Mauritius and Togo progressed membership ratifications to Cabinet level.

As of December 31, 2019, AFC's member states are Nigeria (host country), Benin, Eritrea, Gabon, Ghana, Guinea-Bissau, The Gambia, Sierra Leone, Uganda, Rwanda, Liberia, Guinea Conakry, Côte d'Ivoire, Chad, Djibouti, Cape Verde, Kenya, Madagascar, Malawi, Mauritania, Mauritius, Namibia, Senegal, Togo, Zambia and Zimbabwe.

OUR BUSINESS MODEL CREATES OPPORTUNITIES FOR STRENGTHENING OLD PARTNERSHIPS AND DEVELOPING **NEW RELATIONSHIPS.**

INCREASED DIVERSIFICATION AWAY FROM WEST AFRICA





OPERATING REVIEW

SHAREHOLDER DIVERSIFICATION

Through the years, AFC has played a pioneering role in creating several private and public sector-led financing solutions for infrastructure in Africa, mirroring AFC's own shareholding structure. AFC has 27 shareholders, of which a large number are from the private sector. This unique and innovative structure has served our historic performance, with the support of, and collaboration from, regional and non-regional multilateral institutions, long-term investors, impact investors and academia, all with a primary interest in assisting Africa achieve its full industrial and economic potential.

Our strong credit rating – A3/P2 (Stable Outlook) – is one of the highest for an African financial institution, which, coupled with a preferred creditor status conferred by member countries, makes AFC a well-positioned vehicle to channel investments in infrastructure as an asset class in Africa.

It is on this basis that we continually seek to develop strategic partnerships with investors, that will allow us to grow our balance sheet, maintain and improve the Corporation's credit rating, access a broader investor base and a new network of relations, that will help us in our mandate of making Africa work better.

In the reporting year, this continuous drive has resulted in two key equity investments in the Corporation, the first by the African Development Bank Group (AfDB), Africa's highest investment-grade rated (AAA) supranational finance institution, and the second was by the Republic of Gabon (through Caisse des Dépôts et Consignations du Gabon), with each subscribing US\$50 million equity.

Also, in the first quarter of 2020, AFC onboarded the Arab Bank for Economic Development in Africa (BADEA) as a shareholder with an equity investment of US\$10 million. This follows subscriptions from the African Re-Insurance Corporation and the Republic of Ghana in 2018 and lends credence to AFC's position as a leading infrastructure development institution, with a demonstrable track record of delivering high development impact and rewarding shareholder value.

AfDB's investment has resulted in a further strengthening of the longstanding partnership between both institutions, to accelerate infrastructure development and delivery on the continent through cofinancing opportunities, joint implementation, knowledge transfer and capacity development in Africa. As part of the equity investment, AfDB will have representation on the AFC Board of Directors.

STRONG PARTNERSHIPS AND COLLABORATIONS

AFC acts as a conduit, bringing together African organisations and governments towards a common goal. The Corporation connects Africa's private sector, public sector and key partners with viable projects and initiatives, by assisting all parties in crafting the policies and investment strategies that will result in real impact. Together with partner institutions, AFC is changing the narrative and shaping the development agenda discourse, through its interventions in round tables, sector reforms and private sector investment facilitation with other key infrastructure players.

In 2019, Country Relations facilitated and executed over 32 targeted country missions and participated in 12 global and regional conferences/colloquia, to promote the activities of the Corporation by forging strong partnerships and expanding opportunities for collaboration. One of these forums is the Africa Investment Forum, which was co-founded with the AfDB and is a leading pan-African investment forum. At the last forum held in South Africa, investments totalling US\$40.1 billion were secured through 52 boardroom deals. Country Relations also committed to a three year Gold-level sponsorship of the Pensions and Alternative Investments Forum, which is held annually in Mauritius, with the sponsorship running from 2019 to 2021.

In 2019, Country Relations facilitated the signing of two key Memorandums of Understanding (MOU). The first was between AFC and the Development Bank of Namibia (a recent Member State) which encompasses the sourcing, joint development and co-financing of infrastructure projects in Namibia. The second was between AFC and the Moroccan Agency for Sustainable Energy (MASEN) for the development of renewable energy projects in Africa.

DEVELOPMENT IMPACT

AFC provides capital and expertise for the development, financing and operation of infrastructure and industrial projects on the continent, which will generate beneficial direct and indirect effects on society. We refer to these effects as development impact (DI), which are periodically measured to determine the effect on society; to structure and re-align the interventions for the betterment of project societies; and to deliver positive development and growth oriented projects in current and future member countries.

In 2019, AFC took steps towards developing a comprehensive and cohesive framework, by designing a systematic approach to measuring, monitoring and reporting development impact. The accurate tracking and communication of our development impact is vital for the Corporation to meet its sustainable development mandate, whilst providing deep insight into our sustainability approach for investors, countries, partners and other stakeholders.

Sustainability has always been an important driver of our investment decisions. Going forward, our approach to what constitutes materiality for us, will take a sharper focus. Our responses to issues such as climate change, environmental impact and social risk, will determine the success of our business model, as well as Africa's economic growth. We will proactively address these issues, through a balanced approach, to ensure that none of the metrics pertinent to the economic and social progress of African countries are lacking. The accurate tracking and communication of the Corporation's development impact is also pertinent to its country membership drive.

OUTLOOK

As the coronavirus (COVID-19) disease continues to spread, we are facing unprecedented global challenges associated with the virus. It is likely that all countries on the continent will experience some level of disruption and fall behind in the implementation of their national economic plans. Leveraging on our global expertise and financing instruments, the Corporation will work to provide urgent support to our member countries, so that they can continue operating to sustain their development agenda and lessen the social and economic impact of the spread of COVID-19. Country Relations will therefore also continue to seek an increase in country membership, in order to expand the reach of AFC's interventions on the continent, assist key infrastructure hotspots across Africa and create stronger country/regional partnerships.





SUSTAINABILITY

"DEVELOPING RESILIENT AND ADAPTIVE ECOSYSTEMS FOR A MORE SUSTAINABLE AFRICA"

SUSTAINABILITY SOLUTIONS

There are millions of Africans who could be using clean and reliable energy sources to address their needs. As one example, Kudos Africa reported about a family living just outside Nairobi, which had no electrical supply even though they were only 600 metres from an electrical utility transformer. They relied upon two potentially dangerous kerosene lanterns for a dim light source, despite kerosene being expensive they were spending the equivalent of US\$5 on it each week and its potential to cause respiratory illnesses, burns and fires.

Then, in 2017, they learned about a new energy solution: a pay-as-you-go solar home system which can power three bright LED lights, a radio, a mobile phone charger and a torch. In US dollar terms, they paid the upfront cost of US\$25 and then paid US\$2.80 each week for two years. After this they had fully paid for the system and now have free and continuous access to reliable solar energy for years to come. It has transformed their lives and improved their health, while also providing them with significant and ongoing savings. It can do the same for the millions of other families in Africa who currently do not have a power supply.

African society, like its counterparts across the world, is becoming increasingly informed, knowledgeable and therefore more risk averse. As a result, Africans are increasingly demanding higher standards of sustainability, societal consciousness and environmental preservation from organisations, such as AFC, that fund, facilitate and deliver infrastructure development solutions.

Investors are also becoming more concerned with the social and environmental impact of their investments. Governments are now arguably more likely to be held to account for their actions, with pressure increasing for national green agendas, from initiatives such as the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement. AFC recognises that the performance of businesses will increasingly be judged on external factors, such as progress towards the attainment of Sustainable Development Goals.

AFC is fully committed to ensuring that sustainability is an integral part of its decision-making, its operations, the projects to which it provides support and all its activities throughout the Corporation. We view sustainability as an integral part of our responsibility to clients, shareholders, communities and the environment in which we operate.



IN TACKLING **CLIMATE** CHANGE AND HELPING TO CLIMATE IMPACT. THROUGH



But What Do We See?

AFC sees:

Opportunities in Africa, with six of the 10 fastest growing economies in the world in 2020 being in Africa: Rwanda, Ethiopia, Côte d'Ivoire, Ghana, Tanzania and Benin. Indeed, unprecedented economic growth from 2000 to 2016 has lifted a vast number of Africans from poverty;

That by 2050 Africa will have the largest number of young people in the world, and that they can and must be equipped to drive the development that the continent needs to reach its potential;

That Africa is the lowest global carbon emitter, with the continent accounting for only 2-3 percent of worldwide carbon dioxide emissions from energy and industrial sources;

A continent that is home to approximately 30% of the world's natural resources, and one that can provide the world with sustainable options for mining these resources;

That in Africa, infrastructure development is a key driver for progress and a critical enabler for productivity and sustainable economic growth. We believe infrastructure development contributes significantly to human development, poverty reduction and the attainment of the United Nations' Sustainable Development Goals; and

A continent in need of more sustainably developed infrastructure: power plants, manufacturing plants, mines, roads, bridges, airports, storage facilities and telecommunications networks.

We see things differently at AFC.

Our Promise for Working Towards Sustainability in Africa

Africa presents unparalleled and promising development prospects and AFC is passionate about developing the continent to lay a sustainable foundation for future generations of Africans. We continually seek to define the continent's narrative by providing the financing that will create opportunities, proffer solutions and responsibly utilise Africa's vast and diverse resource base. We will do this by helping African countries to achieve truly sustainable growth, using the best available options whilst taking full account of climate, environmental, social, health, safety and security considerations.

AFC's approach to sustainable investment will ensure that future growth is more inclusive and that it contributes towards reducing the inequalities in Africa.

In short, AFC is committed to continuously making Africa BETTER.

How does AFC Do This?

Providing Climate-Friendly Solutions Through Sustainability

AFC has embedded sustainability as a core driver of its investment strategy, by pioneering the solutions that address Africa's infrastructure deficit and by prioritising the sectors that have both profit potential and development impact. We understand Africa's intricacies and consistently seek to implement a triple bottom line approach to raising and deploying capital.

We are responding to the rapid global climate change by continuing to proactively balance Africa's infrastructure needs with innovation, creativity and expert industry knowledge. Our ecosystem and beneficiation strategies are multi-pronged approaches aimed at spurring economic activity, reducing social risks and addressing the environmental impacts in measured ways.

We actively pursue this approach to embedding sustainability by:

- Enhancing Environmental and Social (E&S) Risk Management;
- · Accelerating green financing; and
- Identifying and incorporating development impact priorities into our decision-making processes.

Enhancing Management of Environmental and Social Risk

At AFC we know that we cannot achieve sustainability without an effective process for managing E&S risk. Our E&S risk management approach is built on recognised international best practice standards, such as the International Finance Corporation Performance Standards, the World Bank Environmental, Health and Safety Guidelines and the African Development Bank Integrated Safeguards.

AFC SEES:

OPPORTUNITIES IN
AFRICA, WITH 6 OF THE
10 FASTEST GROWING
ECONOMIES IN THE
WORLD IN 2020 BEING
IN AFRICA



AFC's E&S Risk Management Process Encompasses:

A robust policy framework

Based on a comprehensive set of policies and procedures that have been developed to ensure the early identification of significant E&S risks and issues.

Risk categorisation

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

Pre-transaction risk assessments and reviews

E&S risks are identified through general and contextspecific assessment studies, which form the basis of our understanding of the risks and issues associated with each transaction.

Mitigation action planning

E&S Action Plans (ESAPs) are fundamental to the successful implementation of mitigation actions, which are necessary to reduce the E&S risks. AFC works with clients and sponsors to develop fit-for-purpose ESAPs, with clearly allocated responsibilities and implementation timelines.

Post-transaction monitoring

We work directly with projects to monitor the implementation of various E&S mitigation action plans. These often provide opportunities to add value to clients and/or sponsors' E&S risk management efforts, through training and the transfer of knowledge/skills.

Creating and Accelerating Green Financing Opportunities

The rapid onset and progression of climate change is one of the most urgent global issues of the century. At AFC we are committed to continuously working to mitigate the progression of climate change in Africa and to help Africans adapt to the impacts of the changing climate. We do this by forging green alliances and by seeking to raise and deploy innovative forms of green financing.

AFC actively works to mobilise green finance for projects which have a beneficial or no net negative impact on climatic factors. We continually seek ways to ensure that the projects we finance have in-built characteristics for mitigating and/or adapting to climate change.

Our Climate Finance Strategy is aimed at ensuring that the principles of climate impact mitigation and adaptation are applied in project development, construction and operation.

Identifying our Priorities for Achieving Development Impact

At AFC we believe that the three pillars of sustainability economic growth, environmental stewardship and social inclusion are intertwined and critical to ensuring the success of the projects that we finance. As such, we have premised development impact on the principle of sustainability, whilst constantly seeking to bring about positive development impacts in all the projects and activities that we fund.

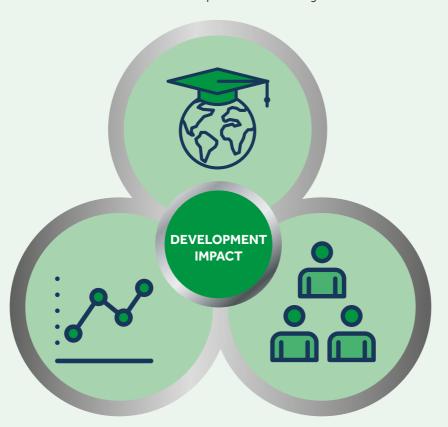
Our views on development impact and our development aspirations for the African continent have led to the design of the AFC Development Impact Framework, which is in alignment with the Corporation's mandate and entrenches development considerations at the centre of our investment philosophy. The Framework contains development impact measurement metrics in line with the United Nations Sustainable Development Goals, as well as best practice measurement and reporting standards.

The Framework is based on a Theory of Change, which is built around AFC's focus sectors and shows the various pathways along which development impact value is added through our activities. Our Development Impact Theory of Change diagram is shown on page 129.

THE SCHEMATIC BELOW ILLUSTRATES HOW AFC VIEWS THE ACHIEVEMENT OF DEVELOPMENT IMPACT IN ITS ACTIVITIES:

ENVIRONMENTAL STEWARDSHIP

Integrating environmental, safety, health and security risk considerations into our investment process. Mobilising and channelling funds towards infrastructure development projects that take into account the impact of climate change.



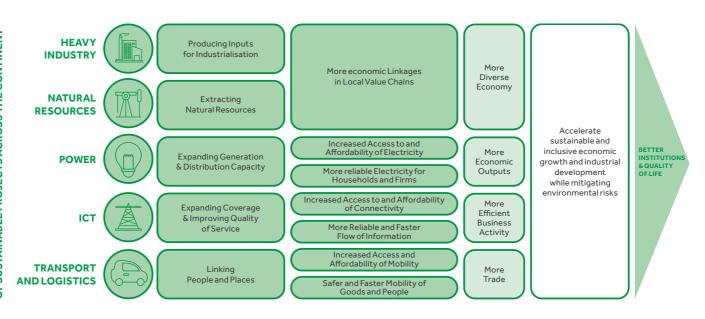
ECONOMIC GROWTH

Considering, integrating and measuring economic development outcomes for all projects and company operations.

SOCIAL INCLUSION

Ensuring that our investments have obtained a social licence to operate from communities around their various locations. Continually exploring avenues for good corporate citizenship, both as a distinct organisation and through partnership with our investors.



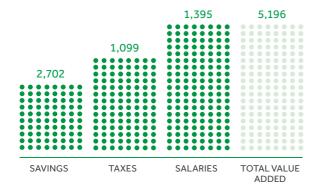


Highlights of AFC's Portfolio Development Impact

These are exclusively project finance transactions which constitute AFC direct investments in its core sectors and exclude other investment activities that AFC carries out, for instance, through investments in financial intermediaries, which culminate in indirect financing and development of AFC's core sectors.

Value Added

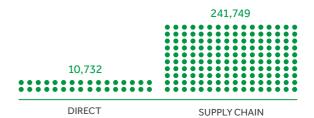
AFC's activities add direct and supply chain value, across the African continent to the tune of over US\$5.2 billion in 2018 (see graph below).



Total Direct and Supply Chain Value Added Supported by Companies Operating in Portfolio (US\$millions)

Employment Created

In 2019, AFC's investments drove the creation of over 10,000 direct jobs across Africa, which have had a multiplier effect of creating approximately 241,000 indirect supply chain jobs (see graph below).

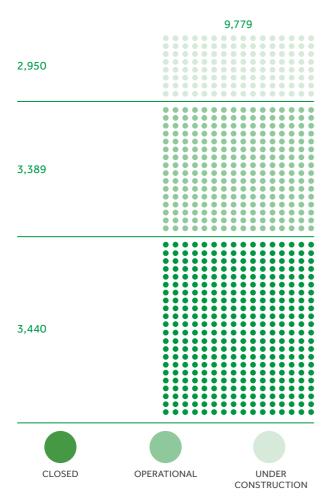


Direct and Supply Chain Jobs supported by Companies in Portfolio (Headcount)

Installed Capacity

Through its power sector financing activities, AFC has contributed to an installed capacity in excess of 9,700MW across Africa, which assists the continent's efforts to provide lighting and electricity to more households and to ensure reliable power supplies for industries, thus enabling socio-economic progress.

Installed Capacity of Power Projects and Companies supported by AFC (MW)



Notes on AFC's Development Impact Measurement

- This is the first time that AFC has publicly reported quantified development impact results.
- AFC has defined its impact pathways along the sectors it invests in and has defined the indicators and methodologies it will use in order to measure and monitor its impact.
- The Framework was tested on 14 projects currently in AFC's portfolio.
- AFC's investments reported here represent the sum of salaries, taxes and profits and is equivalent to Gross Domestic Product (GDP). Notably, this includes an estimated US\$1,100 million in taxes paid to African governments across the continent that are supported by AFC's portfolio. These results represent the total direct impacts of AFC's investees across their supply chains and do not take into consideration the attribution of AFC.
- AFC often invests alongside other investors and is not the sole contributor to job and income creation in these cases. Results should be regarded as directionally correct and indicative of the overall level of AFC's development impacts in Africa. Results are based on data reported by clients to AFC and on modelling, using an input-output methodology.
- AFC is continuing its work to broaden and deepen its framework for regular measurement, monitoring and reporting of development impacts across a broader set of indicators.

SFFK TO REDEFINE THE CONTINENT'S **NARRATIVE** BY PROFFERS SOLUTIONS AND RESPONSIBLY **UTILISES AFRICA'S** VAST AND DIVERSE RESOURCE BASE.





STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Approval of Annual Financial Statements

The annual financial statements, presented on pages 141 to 217, were approved by the Board of Directors on 6 March 2020 and were signed on its behalf by:

Chairman

President & CFC

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

In compliance with the provisions of Article 28 of the Charter of the Africa Finance Corporation and pursuant to the terms of the Audit and Compliance Committee (the "Committee") statute concerning the establishment, membership, functions and powers of the Audit Committee of the Africa Finance Corporation, the Committee considered the audited financial statements for the year ended 31 December 2019, at its meeting held on 19 February 2020.

In our opinion, the scope and planning of the audit for the year ended 31 December 2019 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 2019.

The Committee, therefore, recommended that the audited financial statements of the Corporation for the financial year ended 31 December 2019 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. Furthermore, the Committee recommended to the shareholders, the reappointment of KPMG as the Corporation's external auditors for the 2020 financial year.

Mr. Ahmad Abdullahi

Chairman

Audit & Compliance Committee

Members of the Committee Dr. Adesola Adeduntan

Mr. Henry Oroh

Mr. Patrick Akinwuntan



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Africa Finance Corporation

Opinion

We have audited the consolidated financial statements of Africa Finance Corporation and its subsidiary (together, "the Corporation") which comprise the consolidated statement of financial position as at 31 December, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 141 to 217.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Corporation as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Expected Credit Loss on Loans and Advances to Customers

The determination of expected credit loss (ECL) allowance requires the application of certain financial indices which are estimated from historical financial data obtained from within and outside the Corporation, as inputs, into complex financial models. The approach used in estimating the ECL allowance on loans and advances to customers is based on whether there is a significant increase in credit risk on the loan portfolio. Where there is evidence of a significant increase in credit risk on loans and advances to customers, the ECL allowance is estimated from losses expected to result from default events over the life of the loans. Where there is no evidence of significant increase in credit for loans and advances to customers, the ECL allowance is recognized based on an estimate of the losses expected to result from default events within 12 months after the reporting date. The estimate of the expected credit losses is an output of the model, with the key assumptions being the:

- Possibility of a loan becoming past due and subsequently defaulting; and
- Rate of recovery on the loans that are past due and in default.

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Adetpla P. Adeyerni Aypdate A. Spylnita Ehile A. Albangbee Ijebma T. Emede-Ezigt Michemmed A. Adema Oladimeji I. Salaudeen Otatioyin I. Ogunlovio Tiptulippe A. Odultate



The Corporation incorporates forward-looking information into the measurement of ECL allowance. This includes consideration of the impact of changes in the economic environment on the calculation of ECLs of loans and advances.

The ECL allowance on loans and advances is considered to be of most significance in the audit due to the high level of subjectivity, judgments and assumptions applied by management in estimating the impact of key assumptions on the recoverability of loan and advance balances, including the application of industry knowledge and future economic conditions in arriving at the level of credit loss required.

How the matter was addressed in our audit

Our procedures included the following:

- We evaluated the design, implementation and operating effectiveness of the key controls over the impairment assessment process such as:
 - The Board Risk and Investment Committee's review and monitoring of the performance loans and advances:
 - Management review of the model assumptions and inputs; and the resultant ECL allowance arising from the model:
 - Management review and approval of the expected credit losses arising from the model.
- We examined the staging of loans and advances by assessing whether the staging analysis used in the ECL allowance measurement are consistent with the Corporation's credit risk management policy and is accurate and complete. We assessed the appropriateness of the Corporation's determination of significant increase in credit risk and the resultant classification of loans into the various stages by examining the performance of the loans and advances on a sample basis. For loans and advances which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors such as available industry information about the obligors to determine whether the Corporation should make an estimate based on the losses expected to result from default events within a year or defined default events over the life of the facilities. We also agreed significant loans and advances to relevant documentation such as loan agreements, repayment schedules and the bank statements.
- With the assistance of our financial risk management specialists, we tested the key data and assumptions for the data input into the ECL model used by the Corporation and the accuracy of the expected credit loss charged by:
 - Challenging the reasonableness of the Corporation's ECL methodology, considering whether it
 reflects unbiased and probability-weighted amounts that is determined by evaluating a range of
 possible outcomes, the time value of money and reasonable and supportable information at the
 reporting date about past events, current conditions and forecasts of future economic condition;
 - Assessing the appropriateness of the Corporation's forward looking assumptions comprising the Standard and Poor's Goldman Sach's Commodity Index (S&P GCSI), by corroborating management's assumptions with publicly available information from external sources;
 - Evaluating the appropriateness of the basis of determining Exposure at Default by considering the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate:
 - Assessing the appropriateness of the approach and significant assumptions for determining the Probability of Default (PD) and Loss Given Default (LGD) used by the Corporation in its ECL calculation by ensuring the data applied from external sources are aligned with the generally available data and assessing whether the Corporation's methodology is in line with IFRS 9 requirements; and
 - Re-performing the calculations of impairment allowance for loans and advances as at 31 December 2019 using the Corporation's impairment model.



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

Fair valuation of investments in unquoted equities

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

Our audit procedures to assess the reasonableness of the valuation of unquoted equity instruments as at 31 December 2019 included the following:

- Reviewed the valuation methodology and supporting documentation;
- Evaluated the competence, capabilities and objectivity of the independent valuation specialist engaged by management to assess the fair values of the investments;
- Involved our valuation specialists to assist in:
 - Challenging the key assumptions underlying the operational forecasts by comparison with external available information, investee company accounts and management information as applicable;
 - Assessing the discount rates applied in the cash flow forecasts by benchmarking against those of similar companies in the markets in which the investees operate;
 - Re-performing management's calculations of the valuation for significant investments.

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

Other Information

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

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

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

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



Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the Consolidated financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the Consolidated financial statements, whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
 sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement
 resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional
 omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business
 activities within the Corporation to express an opinion on the Consolidated financial statements. We are
 responsible for the direction, supervision and performance of the audit. We remain solely responsible for our
 audit opinion.

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



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

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

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Oluwafemi O. Awotoye, FCA FRC/2013/ICAN/00000001182 For: KPMG Professional Services Chartered Accountants 06 March 2020 Lagos, Nigeria



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note*	2019 US\$'000	2018 US\$'000
Interest income	6	310,166	260,028
Interest expense	6	(147,546)	(109,043)
Net interest income		162,620	150,985
Credit risk insurance	12b	(2,935)	(2,857)
Dividend income	7	2,311	15,912
Fees, commissions and other income	8	68,790	14,934
Operating income		230,786	178,974
Net gain/(loss) on financial instruments at fair value			
through profit or loss	9	71,501	(970)
Impairment charge on financial assets	10	(77,468)	(20,843)
Gain on disposal of financial assets	11	12,779	15,744
Operating expenses	12a	(54,296)	(44,321)
Profit for the year		183,302	128,584
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net loss on FVOCI financial assets (equity instruments)		(18,512)	(10,426)
Items that are or may be reclassified to profit or loss:			
Net gain on FVOCI financial assets (debt instruments)		(265)	(111)
Other comprehensive income	31	(18,777)	(10,537)
Total comprehensive income for the year		164,525	118,047
Profit for the year is attributable to:			
Parent		183,302	128,584
Profit for the year		183,302	128,584
Total comprehensive income for the year is attributable to:			
Parent		164,525	118,047
Total comprehensive income for the year		164,525	118,047
Basic/diluted earnings per share (United States cents)	14	16.64	11.73
* The accompanying notes 1-35 are an integral part of these financial statements.			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note*	2019 US\$'000	2018 US\$'000
ASSETS			
Cash and balances with banks	15	49,437	26,080
Loans and advances to banks	16	2,083,436	1,598,401
Derivative financial instruments	17	22,548	5,322
Loans and advances to other customers	18	2,010,023	1,339,769
Financial assets at fair value through profit or loss	19	1,002,974	602,536
Investment securities	20	718,845	724,877
Pledged assets	21	172,413	158,907
Other assets	22	51,424	29,104
Property and equipment	23	7,223	2,254
Intangible assets	24	489	228
Total assets		6,118,812	4,487,478
LIABILITIES			
Accrued expenses and other liabilities	25	52,238	29,171
Derivative financial instruments	17	11,067	3,707
Borrowings	26	4,347,342	2,901,941
Total liabilities		4,410,647	2,934,819
EQUITY			
Share capital	28	1,125,807	1,096,395
Share premium	29	25,301	4,713
Retained earnings	30	550,182	425,899
Fair value reserves	31	6,875	25,652
Total equity		1,708,165	1,552,659
Total liabilities and equity		6,118,812	4,487,478

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

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Note*	Share Capital US\$'000	Share Premium US\$'000	Retained Earnings US\$'000	Fair value Reserves US\$'000	Total US\$'000
As at 1 January 2018		1,095,343	3,765	372,088	36,111	1,507,307
Impact of adopting IFRS 9	30,31	-	-	(20,198)	78	(20,120)
Restated balance at 1 January 2018		1,095,343	3,765	351,890	36,189	1,487,187
Profit for the year		-	-	128,584	-	128,584
Other comprehensive income	31	-	-	-	(10,537)	(10,537)
Total comprehensive income		-	-	128,584	(10,537)	118,047
Transactions with owners:						
Issued during the year	28	1,052	948	-	-	2,000
Dividends paid during the year		-	-	(54,575)	-	(54,575)
As at 31 December 2018		1,096,395	4,713	425,899	25,652	1,552,659
As at 1 January 2019		1,096,395	4,713	425,899	25,652	1,552,659
Profit for the year		-	-	183,302	-	183,302
Other comprehensive income	31	-	-	-	(18,777)	(18,777)
Total comprehensive income		-	-	183,302	(18,777)	164,525
Transactions with owners:						
Issued during the year	28	29,412	20,588	-	-	50,000
Dividends paid during the year		-	-	(59,019)	-	(59,019)
As at 31 December 2019		1,125,807	25,301	550,182	6,875	1,708,165

 $^{\ ^*}$ The accompanying notes 1-35 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

Note*	2019 US\$'000	2018 US\$'000
Cash flows from operating activities		
Interest and similar income received	311,852	261,739
Interest paid 26(vi)	(127,850)	(103,996)
Fee and commission receipts	60,893	19,451
Dividend received	2,311	5,412
Cash payments to employees and suppliers	(34,363)	(47,382)
Loans and advances disbursed to customers	(732,441)	(204,991)
Net cash used in operating activities	(519,598)	(69,767)
Cash flows from investing activities		
Purchase of debt securities	(1,412,636)	(339,293)
Capital repayments of debt securities	1,366,189	176,903
Purchase of financial assets at fair value		
through profit or loss (FVTPL)	(328,534)	(23,099)
Purchase of financial assets at fair value through other comprehensive income (FVOCI)	(6,750)	-
Proceeds on disposal/repayments of equity securities	279	13,883
Proceeds on disposal of property and equipment	26	185
Purchase of property and equipment 23	(4,234)	(958)
Purchase of software/Intangibles 24	(399)	(75)
Net cash used in investment activities	(386,059)	(172,454)
Cash flows from financing activities		
Proceeds from corporate bonds 26(vi)	1,343,188	-
Proceeds from other borrowings 26(vi)	701,610	766,678
Transaction costs related to borrowings 26(vi)	(7,983)	(6,948)
Repayment of borrowings 26(vi)	(612,610)	(339,673)
Payment of dividend	(59,019)	(54,600)
Proceeds from share issue 28,29	50,000	2,000
Net cash generated from financing activities	1,415,186	367,457
Net increase in cash and cash equivalents	509,529	125,236
Cash and cash equivalents, beginning of the year	1,625,699	1,500,463
Cash and cash equivalents, end of the year 33	2,135,228	1,625,699

 $[\]mbox{\ensuremath{^{\ast}}}$ The accompanying notes 1-35 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

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

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

The Corporation's shareholders principally comprise African States and corporate entities, such as major commercial banks, other financial institutions and other private sector commercial entities. There are twenty-six (2018: twenty) member states comprising Benin, Cape Verde, Chad, Côte d'Ivoire, Djibouti, Eritrea, Gabon, Ghana, Guinea-Bissau, Guinea-Conakry, Kenya, Liberia, Madagascar, Malawi, Mauritania, Mauritius, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, The Gambia, Togo, Uganda, Zambia and Zimbabwe; and two multilateral financial institution members: the Africa Reinsurance Corporation and the African Development Bank Group. Other prospective member states are going through the process of acceding to membership of the Corporation in accordance with their respective internal procedures.

Twenty-six (26) shareholders have subscribed and paid for shares in AFC in accordance with the terms of the AFC Charter. As at 31 December 2019, 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	43.6
United Bank of Africa Plc	10.4
Access Bank Plc	9.9
First Bank of Nigeria Plc	8.9
Zenith Bank Plc	8.9

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

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

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

The financial statements for the year ended 31 December, 2019 were authorised and approved for issue by the Board of Directors on 6 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are presented in United States dollars (US\$) rounded to the nearest thousand. This is the first set of the Corporation's financial statements in which IFRS 16 Leases has been applied, and their impact is disclosed in note 2.1.1.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through other comprehensive income, financial assets and financial liabilities 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 is determined based on the Corporation's business model (management approach).

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

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

2.1.1 Changes in accounting policy and disclosures

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

The Corporation has initially adopted IFRS 16 Leases from the date of transition of 1 January 2019, which resulted in changes in accounting policies (see accounting policy at note 2.24).

The effect of initially applying IFRS 16 is mainly attributed to the following:

- Recognition of right-of-use assets and lease liability for operating leases.
- Interest expense as a result of the unwinding of the lease liability.
- 3) Disclosures on IFRS 16.

The following interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2019, but they do not have a material effect on the consolidated financial statements:

- Annual Improvements to IFRS Standards 2015–2017 Cycle various standards
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation.

IFRS 16 Leases

The Corporation applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported. The details of the changes in accounting policies are disclosed in note 2.24. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

On adoption of IFRS 16, the Corporation recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as of 1 January 2019. The weighted average borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of contracts which transactions are leases. The Corporation applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

The impact of the adoption of IFRS 16 was mainly on the treatment of the Corporation's head office buildings which was leased, with the lease rental paid in advance.

As a lessee, the Corporation leases some office premises which were previously classified as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognises right-of-use assets and lease liabilities for leases of office premises – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for leases of office premises the Corporation has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Corporation used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Corporation:

- relied on its assessment of whether leases are onerous under IAS 37: Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets (i.e. IT equipment);
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact of adoption of IFRS 16

The following table summarises the impact of transition to IFRS 16 on the consolidated statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

		Impact of I	FRS 16	
	31 December 2018 US\$'000	Reclassification US\$'000	Remeasurement US\$'000	1 January 2019 US\$'000
Assets				
Right of use assets presented in property and equipment	-	1,319	1,835	3,154
Prepayments presented in other assets	4,864	(1,319)	-	3,545
	4,864	-	1,835	6,699
Liabilities				
Non-current				
Lease liabilities	-	-	1,285	1,285
Current				
Lease liabilities	-	-	550	550
	-	-	1,835	1,835

The adoption of IFRS 16 had a nil impact on retained earnings as at 1 January 2019.

Measurement of lease liabilities

A reconciliation of the Corporation's remaining operating lease payments as at 31 December 2018 and the lease liability as at 1 January 2019 is shown below:

Lease liabilities	US\$'000
Operating lease commitments disclosed as at 31 December 2018	-
Discounted using the Corporation's incremental borrowing rate as at the date of initial application	-
Less: Short-term leases not recognised as a liability	-
Less: Low-value leases not recognised as a liability	-
Adjustments as a result of a different treatment of extension and termination options	1,835
Lease liability as at 1 January 2019	1,835

Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Corporation has not early adopted them in preparing these consolidated financial statements. Those Standards and Interpretations which may be relevant to the Corporation are set out below:

- Definition of Material Amendments to IAS 1 and IAS 8
- $\hbox{-} Revised \hbox{ Conceptual Framework for Financial Reporting.}$

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 interest retained.

(iv) Acquisitions under common control

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

(v) Transactions eliminated on consolidation

Intra-Group balances and any unrealised gains or losses or incomes and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Corporation's interest in the entity. Unrealised losses are eliminated in the same way as unrealised

gains, but only to the extent that there is no evidence of impairment.

(vi) Non-controlling interests

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

(vii) Interests in associates and joint ventures

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

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

2.3 FOREIGN CURRENCY

a) Functional and presentation currency

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

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. The foreign currency gain or loss on monetary

items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

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

2.4 FINANCIAL ASSETS AND LIABILITIES

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

Initial recognition and measurement

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

At initial recognition, the Corporation measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of finan-

cial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

2.4.1 Financial assets

Classification and subsequent measurement

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

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

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

Debt instruments

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

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest ('SPPI'), and that are not designated at FTVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 2.8 Interest income from these financial assets is included in interest income using the effective interest rate method over the gross carrying amount of the financial assets.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through Other Comprehensive Income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Gain/Loss on Disposal of Financial Assets". Interest income from these financial assets is included in 'Interest income' using the effective interest rate method over the gross carrying amount of the financial assets.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net gain on financial instruments at fair value through profit or loss' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method over the amortised cost of the financial assets.

Business model

The business model reflects how the Corporation manages the assets in order to generate cash flows. That is, whether the

Corporation's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Corporation in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest (SPPI)

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

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

Reclassification

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

Equity instruments

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

The Corporation subsequently measures all equity instruments at fair value through profit or loss, except where management has elected, at initial recognition, to irrevocably designate an equity

investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend income when the Corporation's right to receive payments is established.

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

Impairment of financial assets

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Modification of loans

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

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

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

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

Derecognition other than on a modification

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

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

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

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

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

2.4.2 Financial liabilities

Classification and subsequent measurement

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

Derecognition

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

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

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

Financial guarantee contracts and loan commitments

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

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

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

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

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

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried

as assets when fair value is positive and as liabilities when fair value is negative.

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

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

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

Offsetting

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

Determination of fair value

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

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

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

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

For more complex instruments, the Corporation uses internally developed models, which are usually based on valuation methods and standard industry techniques. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives), unlisted equity and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary, particularly in view of current market developments.

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

2.5 INTEREST INCOME AND EXPENSE

Effective interest rate

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Corporation estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective

interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

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

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

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

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

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

- financial liabilities measured at amortised cost and
- financial liabilities measured at FVTPL.

2.6 FEES, COMMISSION AND OTHER INCOME

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

2.7 ASSETS PLEDGED AS COLLATERAL

Financial assets transferred to external parties and which do not qualify for de-recognition are reclassified in the statement of financial position from treasury bills and investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Assets pledged as collateral are initially recognised at fair value, and are subsequently measured at amortised cost or fair value as appropriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

2.8 IMPAIRMENT OF FINANCIAL ASSETS

The Corporation recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial quarantee contracts issued; and
- loan commitments issued.

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of Expected credit losses

ECL are a probability-weighted estimate of credit losses.

They are measured as follows:

 financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Corporation if the commitment is drawn down and the cash flows that the Corporation expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Corporation expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset. See "Modification of loans".

Credit-impaired financial assets

At each reporting date, the Corporation assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Corporation on terms that the Corporation would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Corporation considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.
- For FVOCI debt securities: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the borrower

does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of comprehensive income.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedures for recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision.
- where a financial instrument includes both a drawn and an undrawn component, and the Corporation cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Corporation presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve in OCI.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets not available for use and those that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-

generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 CASH AND CASH EQUIVALENTS

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.

2.11 PROPERTY AND EQUIPMENT

All property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is 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:

Right of use assets	25 years or over the period of the lease.
Furniture and equipment	3 - 8 years
Motor vehicles	4 years

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

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

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

2.12 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are expenses accrued as the related service is provided. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Corporation's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Post-employment employee benefits

Defined contribution plan

The Corporation established a defined contributory pension scheme in 2012. This is a pension plan under which the Corporation pays fixed contributions (7.5% of 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 they fall due.

2.13 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.

2.14 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.

2.15 SHARE CAPITAL

a) Share issue costs

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

b) Share premium

Premiums from the issue of shares are reported in share premium.

c) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the year in which they are approved by the Corporation's shareholders.

d) Treasury shares

Where the Corporation purchases its equity shares, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or re-issued, any consideration received is included in shareholders' equity.

2.16 RETAINED EARNINGS

Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified reserves.

2.17 FAIR VALUE RESERVE

Comprises fair value movements on financial assets measured at fair value with fair value changes recognised in other comprehensive income.

2.18 DIVIDEND PAYMENT

Dividend payments on ordinary shares are charged to equity in the period in which they are declared.

2.19 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.

Equity commitments are commitments made by the Corporation to provide equity financing to investee companies.

Debt commitments comprise:

- unfunded risk participation arrangements are used in international trade. They are transactions whereby the Corporation does not fund the participation amount unless such facility is in default; and
- loan commitments which are amounts yet to be disbursed to loan customers.

2.20 DIVIDEND INCOME

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in "dividend income" in the statement of profit and loss.

2.21 NET (LOSS)/GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/(loss) from financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, foreign exchange differences and income earned from other transactions with investee entities.

2.22 INTANGIBLE ASSETS

Intangible assets comprise separately identifiable items arising from computer software licences.

Software acquired by the Corporation is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Corporation is able to demonstrate: that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.23 EARNINGS PER SHARE

The Corporation presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period. Where there are shares that could potentially affect the number of shares issued, they are considered in calculating diluted earnings per share. There is currently no share that could potentially dilute the total shares issued.

2.24 LEASES

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Corporation, as a lessee has recognised the right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessors accounting remains similar to previous accounting policies.

Policy applicable from 1 January 2019

Corporation acting as a lessee

The Corporation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The Corporation determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a change in future lease payments arising from a change in an index or rate, if

there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Corporation acting as a lessor

The accounting policies applicable to the Corporation as a lessor are not different from those under IAS 17. The Corporation did not act as a lessor and was not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Corporation determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

The Corporation did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognised in the Corporation's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease rentals paid in advance was classified as a prepaid expense and amortised over the lease period. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

The Corporation determines at the inception of a lease whether each lease was a finance lease or an operating lease.

To classify each lease, the Corporation made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying

asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Corporation considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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 assetbacked 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 and Executive Management Committee. The Corporation has a policy that only the entity that sets a limit or condition may amend the limit. For example, EXCO may only decrease limits but not increase limits set by the higher authorities of BRIC and the Board due to evolving market conditions. While the Board, or BRIC may increase or decrease limits set by EXCO. 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.

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.

3.1.5 Maximum exposure to credit risk

	Maxim	Maximum Exposure	
AS AT 31 DECEMBER	2019 US\$'000	2018 US\$'000	
Balances with banks	49,420	26,054	
Loan and advances to banks:			
- Placements with banks	2,083,436	1,598,401	
Derivative financial assets	22,548	5,322	
Loan and advances to other customers:			
- Project finance loans	1,657,264	979,560	
- Trade finance loans	352,759	360,209	
Financial assets at fair value through profit or loss:			
- Hybrid instruments (convertible debt)	174,106	65,802	
- Asset under management (debt securities)	20,003	19,829	
Investment Securities:			
- Corporate debt securities	220,547	353,726	
- Government debt securities	435,901	296,992	
Pledged Assets:			
- Corporate debt securities	121,811	64,052	
- Government debt securities	50,602	94,855	
Other assets:			
- Account receivable	26,208	12,301	
- Fee receivable	20,924	11,939	
Total	5,235,529	3,889,042	
Off-balance sheet debt commitments	419,342	229,264	

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, Portfolio Management and Legal would collaborate with other lenders or

sponsors to maximise recovery. This team will give a weekly update on recovery efforts to the Management. A default would also lead to prevention of further drawdown while steps are taken to recover the outstanding balance and/or realise collaterals.

Deterioration in credit risk is identified based on factors such as:

- ratings downgrade;
- missed payments;
- non-compliance with loan covenants; and
- · deterioration of quality/value of collateral.

Credit Rating of Counterparty/Obligor

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

The internal credit risk rating bucket has been calibrated to rating grades of international credit rating agencies. Our credit grades are not intended to replicate external credit grades (where these are available), and ratings assigned by external rating agencies are not used in determining our internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

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 - 7.00	Marginal
Very High Risk	CCC- to D	7.00 - 10.00	Special attention

The credit quality of the Corporation's financial assets with exposure to credit risk that are neither past due nor impaired is detailed below:

	31 December 2019 US\$'000	31 December 2018 US\$'000
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA to BBB-)	1,871,171	1,731,767
Others (BB+, BB, BB-, B+, B, B-)	1,250,963	829,826
	3,122,134	2,561,593
Counterparties without international credit ratings		
Group 1	712,394	412,284
Group 2	1,377,693	879,340
	2,090,087	1,291,624
Total unimpaired nor past due loans, advances and debt securities	5,212,221	3,853,217
Past due but not impaired	-	-
Total unimpaired nor past due financial assets	5,212,221	3,853,217

Group 1 – New customers/related parties (less than 6 months).

Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.

Using the Corporation's internal credit rating, the credit quality of financial assets measured at amortised cost exposed to credit risk is detailed below:

Balances with banks at amortised cost:

US\$'000		20	019	
	Stage 1	Stage 2	Stage 3	Total
- Excellent	6,139	-	-	6,139
- Strong	1,821	-	-	1,821
- Good	41,460	-	-	41,460
Gross carrying amount	49,420	-	-	49,420
Loss allowance	-	-	-	-
Carrying amount	49,420	-	-	49,420

US\$'000	2018			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	11,006	-	-	11,006
- Strong	26	-	-	26
- Good	15,022	-	-	15,022
Gross carrying amount	26,054	-	-	26,054
Loss allowance	-	-	-	-
Carrying amount	26,054	-	-	26,054

Loans and advances to banks at amortised cost:

US\$'000		20	019	
	Stage 1	Stage 2	Stage 3	Total
- Excellent	1,597,868	-	-	1,597,868
- Strong	313,784	-	-	313,784
- Good	174,139	-	-	174,139
Gross carrying amount	2,085,791	-	-	2,085,791
Loss allowance	(2,355)	-	-	(2,355)
Carrying amount	2,083,436	-	-	2,083,436
US\$'000		20	018	
	Stage 1	Stage 2	Stage 3	Total
- Excellent	1,313,158	-	-	1,313,158
- Strong	274,500	-	-	274,500
- Good	11,961	-	-	11,961
Gross carrying amount	1,599,619	-	-	1,599,619
Loss allowance	(1,218)	-	-	(1,218)
Carrying amount	1,598,401	-	-	1,598,401

Loans and advances to customers at amortised cost:

US\$'000		2	019	
	Stage 1	Stage 2	Stage 3	Total
Project finance				
- Excellent	426,107	-	-	426,107
- Good	598,375	16,200	-	614,575
- Fair	94,265	-	-	94,265
- Marginal	452,752	-	-	452,752
- Special attention	-	147,789	-	147,789
- Default	-	-	39,903	39,903
Gross carrying amount	1,571,499	163,989	39,903	1,775,391
Loss allowance	(68,417)	(33,115)	(16,595)	(118,127)
	1,503,082	130,874	23,308	1,657,264
Trade finance				
- Good	317,114	-	-	317,114
- Fair	-	-	-	-
- Marginal	-	45,685	-	45,685
	317,114	45,685	-	362,799
Loss allowance	(8,002)	(2,038)	-	(10,040)
	309,112	43,647	-	352,759
Gross loans to other customers	1,888,613	209,674	39,903	2,138,190
Carrying amount	1,812,194	174,521	23,308	2,010,023

Loans and advances to customers at amortised cost (cont'd):

Carrying amount	1,109,868	194,076	35,825	1,339,769
Gross loans to other customers	1,141,734	232,381	52,567	1,426,682
	360,209	-	-	360,209
Loss allowance	(9,380)	-	-	(9,380)
	369,589	-	-	369,589
- Marginal	-	-	-	-
- Fair	15,916	-	-	15,916
- Good	353,673	-	-	353,673
Trade finance				
	749,659	194,076	35,825	979,560
Loss allowance	(22,486)	(38,305)	(16,742)	(77,533)
Gross carrying amount	772,145	232,381	52,567	1,057,093
- Default	-	-	52,567	52,567
- Special attention	-	164,953	-	164,953
- Marginal	93,627	67,428	-	161,055
- Fair	135,841	-	-	135,841
- Good	542,677	-	-	542,677
Project finance				
	Stage 1	Stage 2	Stage 3	Total
US\$'000		20	18	

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

Loans and advances to customers at amortised cost – gross carrying amount

US\$'000		2	019	
	Stage 1	Stage 2	Stage 3	Total
Current	1,888,613	209,674	-	2,098,287
Overdue 30 - 90 days	-	-	-	-
Overdue 90 - 180 days	-	-	-	-
Overdue > 180 days	-	-	39,903	39,903
Total	1,888,613	209,674	39,903	2,138,190
US\$'000			2018	
	Stage 1	Stage 2	Stage 3	Total
Current	1,141,734	232,381	-	1,374,115
Overdue 30 - 90 days	-	-	-	-
Overdue 90 - 180 days	-	-	-	-
Overdue > 180 days	-	-	52,567	52,567
Total	1,141,734	232,381	52,567	1,426,682

Investment securities at amortised cost:

US\$'000		20:	19	
	Stage 1	Stage 2	Stage 3	Total
Corporate debt securities				
- Excellent	-	-	-	-
- Strong	45,507	-	-	45,507
- Good	57,594	-	-	57,594
- Fair	40,782	-	-	40,782
- Marginal	61,235	23,926	-	85,161
- Special attention	-	-	-	-
·	205,118	23,926	-	229,044
Loss allowance	(6,788)	(1,709)	-	(8,497)
	198,330	22,217	-	220,547
Government debt securities				
- Strong	440,405	-	-	440,405
- Good	-	-	-	-
	440,405	-	-	440,405
Loss allowance	(4,504)	-	-	(4,504)
	435,901	-	-	435,901
Carrying amount	634,231	22,217	-	656,448
US\$'000	Stage 1	20 Stage 2	18 Stage 3	Total
Corporate debt securities	- Cargo I	otage =	- Juge 3	10001
- Excellent	125,640	-	-	125,640
- Good	125,249	_	_	125,249
- Fair	41,011	-	-	41,011
- Marginal	66,491	-	-	66,491
- Special attention	-	-	-	-
	358,391	-	-	358,391
Loss allowance	(8,860)	-	_	(8,860)
	349,531	-	-	349,531
Government debt securities				
- Strong		_	_	_
- Good	300,452	-		300,452
- G000	300,452 300,452			300,452 300,452
Loss allowance		-	-	
LOSS dilowdrice	(3,460) 296,992	<u> </u>	<u> </u>	(3,460) 296,992
Carrying amount		_	-	
Carrying amount	646,523	-		646,523

Pledged assets:

US\$'000		201	19	
	Stage 1	Stage 2	Stage 3	Tota
Corporate debt securities				
- Good	124,239	-	-	124,239
	124,239	-	-	124,239
Loss allowance	(2,428)	-	-	(2,428
	121,811	-	-	121,811
Government debt securities				
- Strong	50,727	-	-	50,727
- Good	-	-	-	
	50,727	-	-	50,727
Loss allowance	(125)	-	-	(125
	50,602	-	-	50,602
Carrying amount	172,413	-	-	172,413
Carrying amount US\$'000	172,413	-		172,413
	172,413 Stage 1			
		20:	18	
US\$'000		20:	18	Tota
US\$'000 Corporate debt securities	Stage 1	20) Stage 2	18 Stage 3	Tota 65,797
US\$'000 Corporate debt securities	Stage 1 65,797	20) Stage 2 -	18 Stage 3 -	Tota 65,797 65,797
US\$'000 Corporate debt securities - Good	Stage 1 65,797 65,797	20: Stage 2 - -	18 Stage 3 -	Tota 65,797 65,797 (1,745
Corporate debt securities - Good Loss allowance	Stage 1 65,797 65,797 (1,745)	20: Stage 2 - - -	18 Stage 3 - - -	Tota 65,797 65,797 (1,745
US\$'000 Corporate debt securities - Good	Stage 1 65,797 65,797 (1,745)	20: Stage 2 - - -	18 Stage 3 - - -	65,797 65,797 (1,745 64,05 2
Corporate debt securities - Good Loss allowance Government debt securities	65,797 65,797 (1,745) 64,052	20: Stage 2 - - - -	18 Stage 3	Tota 65,797 65,797 (1,745) 64,052
Corporate debt securities Good Government debt securities Strong	5tage 1 65,797 65,797 (1,745) 64,052	20: Stage 2 - - - -	18 Stage 3	Tota 65,797 65,797 (1,745) 64,052

Other assets:

Carrying amount

US\$'000		2019					
	Stage 1	Stage 2	Stage 3	Total			
Account receivable							
- Good	26,208	-	-	26,208			
Fee receivable							
- Good	20,924	-	-	20,924			
	47,132	-	-	47,132			
Loss allowance	-	-	-	-			
Carrying amount	47,132	-	-	47,132			

94,855

158,907

94,855

158,907

Other assets (cont'd):

- Good 12,301 Fee receivable	-	-	12,301
	-	-	12,301
0 1			40.704
Account receivable			
US\$'000 Stage 1	Stage 2	Stage 3	Total

Debt Commitments:

US\$'000		2019					
	Stage 1	Stage 2	Stage 3	Total			
Debt							
- Good	44,313	-	-	44,313			
- Fair	157,080	-	-	157,080			
- Marginal	217,949	-	-	217,949			
Carrying amount	419,342	-	-	419,342			
Loss allowance on commitments	1,397	-	-	1,397			

US\$'000	2018					
	Stage 1	Stage 2	Stage 3	Total		
Debt						
- Good	46,384	-	-	46,384		
- Fair	182,880	-	-	182,880		
- Marginal	-	-	-	-		
Carrying amount	229,264	-	-	229,264		
Loss allowance on commitments	1,133	-	-	1,133		

Using the Corporation's internal credit rating, the credit quality of financial assets measured at fair value exposed to credit risk is detailed below:

	2019	2018
	US\$'000	US\$'000
Derivative financial assets:		
- Good	22,548	5,322
Financial assets at fair value		
Hybrid instruments (convertible debt)		
- Fair	36,376	35,816
- Marginal	137,730	29,986
Asset under management (debt securities)		
- Good	20,003	19,829
	194,109	85,631
Investment securities		
Corporate debt securities		
- Good	-	4,195

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 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 2019, as a result of the enforcement of collateral (2018: Nil).

The types of collateral held includes fixed and floating charge on companies' assets and securities and a charge on the commodities financed for trade transactions. The Corporation

also uses insurance by a counterparty which is more creditworthy than the original counterparty, as a means of credit enhancement. The Corporation has portfolio insurance cover over the loans and advances to other customers and investment securities portfolios.

Percentage of exposure secured by collateral and other credit enhancements:

	2019	2018	
Type of credit exposure	%	%	Type of collateral held
Loans and advances to			
other customers			
- Project finance	96	92	charge on securities/
			company assets
- Trade finance	46	64	charge on commodities
			financed
Hybrid instruments	50	38	charge on company
			assets/insurance
Investment debt securities	-	5	Portfolio insurance

Expected Credit Loss ('ECL')

The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. The Corporation's policies for determining if there has been a significant increase in credit risk are set out in note 2.8.

The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime ECL and 12 months ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 2.8 for a description of how the Corporation determines when a significant increase in credit risk has occurred.

 If the financial instrument is credit-impaired, the financial instrument is moved to 'Stage 3'. Please refer to note 2.8 for a description of how the Corporation defines credit-impaired and default.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to 'measurement of ECL' below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. An explanation of how forward-looking information is incorporated in the ECL model is included under 'incorporation of forward-looking information' below.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition.

Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Corporation uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades

The Corporation allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the:

- Information obtained during periodic review of the obligor e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes;
- Data from credit reference agencies, press articles, changes in external credit ratings;
- Quoted bond and credit default swap (CDS) prices for the borrower where available;

- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities;
- Payment record this includes overdue status as well as a range of variables about payment ratios;
- Requests for and granting of forbearance;
- Existing and forecast changes in business, financial and economic conditions.

The indicative mapping of how the Corporation's internal credit risk grades relate to PD to external credit ratings of is shown in note 3.1.6 above.

Generating the term structure of PD

Credit risk grades are primary inputs into the determination of the term structure of PD for exposures. The Corporation collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The Corporation employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Definition of default

The Corporation considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Corporation;
- or it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Corporation considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Corporation; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Corporation incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Based on advice from the Corporation's Risk Management and economic experts and consideration of a variety of external actual and forecast information, the Corporation formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Corporation invests, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Corporation for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Corporation carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Corporation has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on externally compiled data comprising both quantitative and qualitative factors published by International Rating Agencies. Where it is available, market data may also be used to derive the PD for counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. For the purpose of determining LGD, external benchmark information from rating agencies were used to supplement the internally available data. The Moody's Investors Service Default and Recovery rates study was an input into determining the LGD for the Corporation's portfolios.

EAD represents the expected exposure in the event of a default. The Corporation derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Corporation measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Corporation considers a longer period.

The maximum contractual period extends to the date at which the Corporation has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- Credit risk gradings;
- date of initial recognition;
- remaining term to maturity; sector or industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

The Corporation has limited historical data with no loss experience and external benchmark information is used to supplement the internally available data. This includes: Moody's Investors Service Default and Recovery Rates for the LGD models and Fitch Ratings' Transition and Default study for the PD models.

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL:
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs,
 EADs and LGDs in the period, arising from regular refreshing of inputs to models:
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange translation for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and writeoffs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loans and advances to banks at amortised cost:			2019		
	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	1,218	-	-	-	1,218
Net remeasurement of loss allowance	1,137	-	-	-	1,137
Balance at 31 December	2,355	-	-	-	2,355

Loans and advances to banks at amortised cost:			2018		
	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	-
Impact of adopting IFRS 9	2,245	-	-	-	2,245
Net remeasurement of loss allowance	(1,027)	-	-	-	(1,027)
Balance at 31 December	1,218	-	-	-	1,218

Loans and advances to customers at amortised cost:			2019		
	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2019	31,866	38,305	16,742	-	86,913
Transfer to Stage 1	12,179	(12,179)	-	-	-
Transfer to Stage 2	(280)	280	-	-	-
Transfer to Stage 3	(2,602)	-	2,602	-	-
Net remeasurement of loss allowance	35,256	8,747	31,485	-	75,488
Financial assets that have been derecognised	-	-	(34,234)	-	(34,234)
Balance at 31 December	76,419	35,153	16,595	-	128,167

Loans and advances to customers at amortised cost:			2018		
	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	63,198	-	-	-	63,198
Impact of adopting IFRS 9	(32,984)	34,760	-	-	1,776
Transfer to Stage 1	1,502	(1,502)	-	-	-
Transfer to Stage 2	(630)	630	-	-	-
Transfer to Stage 3	-	(4,590)	4,590	-	-
Net remeasurement of loss allowance	780	9,200	12,152	-	22,132
Financial assets that have been derecognised	-	(193)	-	-	(193)
Balance at 31 December	31,866	38,305	16,742	-	86,913

Loans and advances to customers at amortised cost:			2019		
	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
Project finance loans	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	22,486	38,305	16,742	-	77,533
Transfer to Stage 1	12,179	(12,179)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	(2,602)	-	2,602	-	-
Net remeasurement of loss allowance	36,354	6,989	31,485	-	74,828
Financial assets that have been derecognised	-	-	(34,234)	-	(34,234)
Balance at 31 December	68,417	33,115	16,595	-	118,127

Loans and advances to customers at amortised cost:			2018		
	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
Project finance loans	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	56,648	-	-	-	56,648
Impact of adopting IFRS 9	(36,072)	34,566	-	-	(1,506)
Transfer to Stage 1	1,502	(1,502)	-	-	-
Transfer to Stage 2	(630)	630	-	-	-
Transfer to Stage 3	-	(4,590)	4,590	-	-
Net remeasurement of loss allowance	1,038	9,201	12,152	-	22,391
Balance at 31 December	22,486	38,305	16,742	-	77,533

Loans and advances to customers at amortised cost:			2019		
	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
Trade finance loans	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	9,380	-	-	-	9,380
Transfer to Stage 2	(280)	280	-	-	-
Net remeasurement of loss allowance	(1,098)	1,758	-	-	660
Balance at 31 December	8,002	2,038	-	-	10,040

Loans and advances to customers at amortised cost:			2018		
	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
Trade finance loans	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	6,550	-	-	-	6,550
Impact of adopting IFRS 9	3,088	193	-	-	3,281
Net remeasurement of loss allowance	(258)	-	-	-	(258)
Financial assets that have been derecognised	-	(193)	-	-	(193)
Balance at 31 December	9,380	-	-	-	9,380

			2019		
Investment securities at amortised cost:	Stage 1	Stage 2	Stage 3	Purchased	
		-		credit- impaired	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	12,320	-	-	-	12,320
Net remeasurement of loss allowance	681	-	-	-	681
Balance at 31 December	13,001	-	-	-	13,001
			2018		
Investment securities at amortised cost:	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Tota
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	-
Impact of adopting IFRS 9	11,146	-	-	-	11,146
Net remeasurement of loss allowance	1,174	_	_	-	1,174
Balance at 31 December	12,320	_	_	-	12,320
					,
			2019		
Investment securities at amortised cost:	Stage 1	Stage 2	Stage 3	Purchased	
Comparate dabt assisting	USĆIOOO	LICCIONO	US\$'000	credit-impaired	Total US\$'000
Corporate debt securities	US\$'000	US\$'000	05\$ 000	US\$'000	
Loss allowance as at 1 January	8,860	-		<u>-</u>	8,860
Net remeasurement of loss allowance	(363)	-		<u>-</u>	(363)
Balance at 31 December	8,497	-	-	-	8,497
			2018		
Investment securities at amortised cost:	Stage 1	Stage 2	Stage 3	Purchased	
0	11041000	LICATO DO	11041000	credit-impaired	Total
Corporate debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	-
Impact of adopting IFRS 9	8,260	-	-	-	8,260
Net remeasurement of loss allowance	600	-	-	-	600
Balance at 31 December	8,860	-	-	-	8,860
			2019		
Investment securities at amortised cost:	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Total
Government debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	3,460	-	-	-	3,460
Impact of adopting IFRS 9	-	-	_	-	
Net remeasurement of loss allowance	1,044	-	_	-	1,044
Balance at 31 December	4,504	-	-	-	4,504
			2010		
Investment securities at amortised cost:	Stage 1	Stage 2	2018 Stage 3	Purchased	
		9	33-0	credit-impaired	Total
Government debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	-
Impact of adopting IFRS 9	2,886	-	-	-	2,886
Net remeasurement of loss allowance	574	-	-	-	574
Balance at 31 December	3,460				3,460

			2019		
Investment securities at FVOCI:	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Tota
Corporate debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	78	-	-	-	78
Financial assets that have been derecognised	(78)	-	_	-	(78
Balance at 31 December	-	-	-	-	
	0: 1	0:	2018		
Investment securities at FVOCI:	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Tota
Corporate debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	
Impact of adopting IFRS 9	78	-	-	-	78
Net remeasurement of loss allowance	-	-	-	-	
Balance at 31 December	78	-	-	-	78
			2019		
Pledged assets:	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Tota
Debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	2,577	-	-	-	2,57
Net remeasurement of loss allowance	(24)	-	-	-	(24
Balance at 31 December	2,553	-	-	-	2,55
Diodeod occate:	Stage 1	Store 2	2018	Purchased	
Pledged assets:	Stage 1	Stage 2	Stage 3	credit-impaired	Tota
Debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'00
Loss allowance as at 1 January	-	-	-	-	
Impact of adopting IFRS 9	4,275	-	-	-	4,27
Net remeasurement of loss allowance	(1,698)	-	-	-	(1,698
Balance at 31 December	2,577	-	-	-	2,577
			2019		
Pledged assets:	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Tota
Corporate debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	1,745	-	-	-	1,74
Net remeasurement of loss allowance	683	-	_	-	683
Balance at 31 December	2,428	-	-	-	2,428
			2018		
Pledged assets:	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Tota
Corporate debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	
Impact of adopting IFRS 9	3,353	-	-	-	3,353
Net remeasurement of loss allowance	(1,608)	-	-	-	(1,608
Balance at 31 December	1,745	-	-	-	1,74

			2019		
Pledged assets:	Stage 1	Stage 2	Stage 3	Purchased	
				credit-impaired	Tota
Government debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	832	-	-	-	832
Net remeasurement of loss allowance	(707)	-	-	-	(707)
Balance at 31 December	125	-	-	-	125
			2018		
Pledged assets:	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Government debt securities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January	-	-	-	-	_
Impact of adopting IFRS 9	922	-	-	-	922
Net remeasurement of loss allowance	(90)	-	-	-	(90)
Balance at 31 December	832	-	-	-	832
			2019		
Commitments:	Stage 1	Stage 2	Stage 3	Purchased	
	US\$'000	US\$'000	US\$'000	credit-impaired USS'000	Total US\$'000
Laca elleviance as at 1 January	1.133	-	05\$ 000	- 05\$ 000	1.133
Loss allowance as at 1 January	,				,
Net remeasurement of loss allowance	264	-		-	264
Balance at 31 December	1,397	-	-	-	1,397
			2018		
Commitments:	Stage 1	Stage 2	Stage 3	Purchased	
	US\$'000	US\$'000	US\$'000	credit- impaired US\$'000	Total US\$'000
Laca ellavianas as at 1 Januari	-	-	-	-	-
Loss allowance as at 1 January					
Impact of adopting IFRS 9	678	-	-	-	678
· · · · · · · · · · · · · · · · · · ·	678 455	-	-	-	678 455

Credit-impaired financial assets

See accounting policy in note 2.8. Credit-impaired loans and advances are graded 10 in the Corporation's internal credit risk grading system (see Note 3.1.6 above).

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired loans and advances to customers.

	2019	2018
	Total	Total
	US\$'000	US\$'000
Credit-impaired loans and advances to customers at 1 January	35,825	-
Classified as credit-impaired during the year	39,903	52,567
Derecognised during the year	(36,367)	-
Transferred to not credit-impaired during the year	(16,200)	-
Change in allowance for impairment	147	(16,742)
Balance at 31 December	23,308	35,825

Modified financial assets

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

	2019	2018
Financial assets modified during the period	Total	Total
	US\$'000	US\$'000
Amortised cost before modification	115,167	17,424
Net modification loss	8,271	651

Write-off policy

In the normal course of business, financial assets (including loans, debt securities and receivables) may become unrecoverable when the likelihood of repayment by a counterparty is non-existent and the financial asset cannot be realized. Circumstances which may lead to financial assets becoming unrecoverable include but not limited to:

- insolvency of the counterparty / guarantor;
- permanent diminution in the value of collateral;
- unenforceable debt recovery actions; and
- debts that are uneconomical to pursue for recovery.

Management must demonstrate that appropriate and sufficient effort has been made to recover the financial assets. Financial assets will be recommended for write-off only after recovery efforts have proved unsuccessful and further action is either not cost effective or highly unlikely to succeed.

The Chief Risk Officer, together with the responsible division head will recommend the write-off to the Board Risk and Investment Committee for approval.

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 2019. The Corporation has allocated exposures to regions based on the country of domicile of its counterparties.

31 December 2019	West Africa US\$'000	Rest of Africa US\$'000	Outside Africa US\$'000	Total US\$'000
Cash and balances with banks:				
Balances with banks	41,460	1,821	6,139	49,420
Loans and advances to banks:				
- Placements with banks	61,318	236,776	1,785,342	2,083,436
Derivative financial assets	4,688	7,998	9,862	22,548
Loans and advances to other customers:				
- Project finance	1,161,596	495,668	-	1,657,264
- Trade finance	160,290	192,469	-	352,759
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	137,730	36,376	-	174,106
- Asset under management (debt securities)	-	-	20,003	20,003
Investment securities:				
- Corporate debt securities	160,872	59,675	-	220,547
- Government debt securities	246,565	189,336	-	435,901
Pledged assets:				
- Corporate debt securities	96,578	25,233	-	121,811
- Government debt securities	-	50,602	-	50,602
Other assets:				
- Account receivable	1,208	-	25,000	26,208
- Fee receivable	7,903	13,021	-	20,924
	2,080,208	1,308,975	1,846,346	5,235,529
Commitments	333,971	85,371	-	419,342

31 December 2018	West Africa	Rest of Africa	Outside Africa	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks:				
Balances with banks	7,250	-	18,804	26,054
Loans and advances to banks:				
- Placements with banks	46,068	50,467	1,501,866	1,598,401
Derivative financial assets	568	2,774	1,980	5,322
Loans and advances to other customers:				
- Project finance	575,432	404,128	-	979,560
- Trade finance	182,312	177,897	-	360,209
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	29,986	35,816	-	65,802
- Asset under management (debt securities)	-	-	19,829	19,829
Investment securities:				
- Corporate debt securities	208,025	70,591	75,111	353,727
- Government debt securities	175,201	121,790	-	296,991
Pledged assets:				
- Corporate debt securities	64,052	-	-	64,052
- Government debt securities	32,393	62,462	-	94,855
Other assets:				
- Account receivable	12,301	-	-	12,301
- Fee receivable	11,939	-	-	11,939
	1,345,527	925,925	1,617,590	3,889,042
Commitments	215,916	13,348	-	229,264

Credit Concentration by Industry

31 December 2019	Natural	Heavy Industry &			Financial Services	
	Resources	Telecoms	Power	Transport	& Others	Total
Cash and balances with banks:	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
					40, 400	40, 400
Balances with banks	-	-	-	-	49,420	49,420
Loans and advances to banks:						
- Placements with banks	-	-	-	-	2,083,436	2,083,436
Derivative financial assets	-	725	7,363	2,800	11,660	22,548
Loans and advances to other customers:						
- Project finance	369,686	726,184	247,558	202,547	111,289	1,657,264
- Trade finance	79,897	43,648	-	-	229,214	352,759
Financial assets at fair value through profit or loss:						
- Hybrid instruments (convertible debt)	135,730	37,876	500	-	-	174,106
- Asset under management (debt securities)	-	-	-	-	20,003	20,003
Investment securities:						
- Corporate debt securities	-	38,951	36,493	21,571	123,532	220,547
- Government debt securities	-	-	-	-	435,901	435,901
Pledged assets:						
- Corporate debt securities	-	-	-	-	121,811	121,811
- Government debt securities	-	-	-	-	50,602	50,602
Other assets:						
- Account receivable	25,000	-	-	-	1,208	26,208
- Fee receivable	3,633	-	1,483	15,521	287	20,924
	613,946	847,384	293,397	242,439	3,238,363	5,235,529
Commitments	26,000	1,500	245,231	146,611	-	419,342

Credit Concentration by Industry cont'd

31 December 2018		Heavy			Financial	
	Natural	Industry &			Services	
	Resources	Telecoms	Power	Transport	& Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	26,054	26,054
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,598,401	1,598,401
Derivative financial assets	-	-	-	-	5,322	5,322
Loans and advances to other customers:						
- Project finance	295,961	291,834	250,850	140,915	-	979,560
- Trade finance	93,789	15,636	-	-	250,784	360,209
Financial assets at fair value through profit or loss:						
- Hybrid instruments (convertible debt)	29,986	35,816	-	-	-	65,802
- Asset under management (debt securities)	-	-	-	-	19,829	19,829
Investment securities:						
- Corporate debt securities	-	39,060	22,794	-	291,873	353,727
- Government debt securities	-	-	-	-	296,991	296,991
Pledged assets:						
- Corporate debt securities	-	-	-	-	64,052	64,052
- Government debt securities	-	-	-	-	94,855	94,855
Other assets:						
- Account receivable	-	-	-	-	12,301	12,301
- Fee receivable	-	-	-	-	11,939	11,939
	419,736	382,346	273,644	140,915	2,672,401	3,889,042
Commitments	20,000	-	175,325	14,431	19,508	229,264

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.

The Corporation's portfolio comprises majorly of non-trading portfolios. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having preapproved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Management Unit in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the

Corporation's interest rate exposures, which include the impact of the Corporation's outstanding or forecast debt obligations.

3.2.1 Foreign exchange risk

In the normal course of business, the Corporation is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Corporation has exposure to currencies other than the United States Dollars, its functional currency, which include the Nigerian Naira (NGN), Euro (EUR), South African Rand (ZAR), Japanese Yen (JPY) and Swiss Francs (CHF). These exposures, which are hedged in accordance with the Corporation's hedging policy, are insignificant when considered individually and collectively. No individual exposure exceeds 8% of total assets and 5% total liabilities while in aggregate they amount to 14% (2018: 11%) of financial assets and 12% (2018: 7%) of financial liabilities. The Board sets limits on the level of exposure by currency, which are monitored. The table below summarises the Corporation's exposure to foreign exchange (FX) rate risk at 31 December 2019. Included in the table are the Corporation's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk – financial instruments

31 December 2019

	US dollars	Others	Total
	US\$'000	US\$'000	US\$'000
Assets			
Cash and balances with banks	9,031	40,406	49,437
Loans and advances to banks	2,019,958	63,478	2,083,436
Derivative financial assets	22,548	-	22,548
Loans and advances to other customers	1,496,455	513,568	2,010,023
Financial assets at fair value through profit or loss	954,005	48,969	1,002,974
Investment securities	511,208	207,637	718,845
Pledged assets	172,413	-	172,413
Other assets	42,935	4,197	47,132
Total financial assets	5,228,552	878,256	6,106,808
Borrowings	3,828,872	518,470	4,347,342
Derivative financial liabilities	11,067	-	11,067
Accrued expenses and other liabilities	32,126	18,282	50,408
Total financial liabilities	3,872,065	536,752	4,408,817
Net financial position	1,356,487	341,504	1,697,991
Commitments	240,622	178,720	419,342

The following analysis shows the Corporation's sensitivity to increases or decreases in exchange rates. The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity of profit or loss to changes in the

exchange rates arises mainly from monetary financial instruments and investments in equity securities carried at fair value through profit or loss and the impact on other components of equity arises from investments classified as fair value through OCI.

31 December 2019

Impact on Profit or loss	US dollars US\$'000	Others US\$'000	Total US\$'000
Sensitivity at 200bp US dollar depreciation	-	6,718	6,718
Sensitivity at 400bp US dollar appreciation	-	(12,660)	(12,660)
Impact on Equity			
Sensitivity at 200bp US dollar depreciation	-	252	252
Sensitivity at 400bp US dollar appreciation	-	(475)	(475)

31 December 2018

Net financial position	1,240,730	306,749	1,547,479
Total financial liabilities	2,737,815	194,838	2,932,653
Accrued expenses and other liabilities	18,695	8,310	27,005
Derivative financial instruments	3,707	-	3,707
Borrowings	2,715,413	186,528	2,901,941
Total financial assets	3,978,545	501,587	4,480,132
Other assets	13,459	10,781	24,240
Pledged assets	158,907	-	158,907
Investment securities	594,292	130,585	724,877
Financial assets at fair value through profit or loss	505,766	96,770	602,536
Loans and advances to other customers	1,097,259	242,510	1,339,769
Derivative financial instruments	5,322	-	5,322
Loans and advances to banks	1,586,440	11,961	1,598,401
Cash and balances with banks	17,100	8,980	26,080
Assets			
	US\$'000	US\$'000	US\$'000
	US dollars	Others	Total

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

31 December 2018

	US dollars	Others	Total
Impact on Profit or loss	US\$'000	US\$'000	US\$'000
Sensitivity at 200bp US dollar depreciation	-	6,135	6,135
Sensitivity at 400bp US dollar appreciation	-	(12,270)	(12,270)
Impact on Equity			
Sensitivity at 200bp US dollar depreciation	-	527	527
Sensitivity at 400bp US dollar appreciation	-	(993)	(993)

Currency exposures emanating from the investment portfolio are hedged in line with the Corporation's policy on hedging. As at 31 December 2019, the net open FX position was US\$1.6 million (2018: US\$1.1 million) representing 0.1% (2018: 0.1%) 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.

31 December 2019 Repricing dates

Replicing dates	Up to 3	Above 3	Non-Interest	
	months	months	Bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Assets	337 333	004 000	557 555	
Cash and balances with banks	400	-	49,037	49,437
Loans and advances to banks	2,083,436	-	-	2,083,436
Derivative financial instruments	-	-	22,548	22,548
Loans and advances to customers	1,409,672	600,351	-	2,010,023
Financial assets at fair value through profit or loss	-	188,109	814,865	1,002,974
Investment securities	123,303	533,144	62,398	718,845
Pledged assets	_	172,413	_	172,413
Other assets	-	_	47,132	47,132
Total financial assets	3,616,811	1,494,017	995,980	6,106,808
Liabilities				
Borrowings	1,662,482	2,684,860	-	4,347,342
Derivative financial instruments	-	-	11,067	11,067
Other liabilities		50,408	50,408	
Total financial liabilities	1,662,482	2,684,860	61,475	4,408,817
Total interest repricing gap	1,954,329	(1,190,843)	934,505	1,697,991
31 December 2018 Repricing dates	Up to 3	Above 3	Non-Interest	
Repricing dates				
	months	months	Bearing	Total
Accepta	US\$'000	US\$'000	US\$'000	US\$'000
Assets			25,000	26.000
Cash and balances with banks		100 755	26,080	26,080
Loans and advances to banks	1,489,046	109,355	5,322	1,598,401
Derivative financial instruments Loans and advances to customers			5,322	5,322
	658,411	681,358		1,339,769
Financial assets at fair value through profit or loss Investment securities	35,815	49,815	516,906	602,536
	75,050	575,667 158,907	74,160	724,877 158,907
Pledged assets Other assets		156,907	24 240	
		1 575 102	24,240	24,240
Total financial assets	2,258,322	1,575,102	646,708	4,480,132
Liabilities				
Borrowings	1,296,646	1,605,295	-	2,901,941
Derivative financial instruments	-	-	3,707	3,707
Other liabilities	-	-	27,005	27,005
Total financial liabilities	1,296,646	1,605,295	30,712	2,932,653
Total interest repricing gap	961,676	(30,193)	615,996	1,547,479

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	50 bp parallel
	increase	decrease
Sensitivity of reported Profit or Loss for the year		
2018	4,603	(4,603)
2019	9,352	(9,352)
Sensitivity of reported Equity for the year		
2018	4,603	4,603
2019 *	-	-

^{*} There were no interest-bearing financial asset measured at FVOCI as of 31 December 2019.

3.3 LIQUIDITY RISK

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay lenders and fulfil commitments to lend.

The Corporation's liquidity management process includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- monitoring statement of financial position liquidity ratios against internal requirements; and
- managing the concentration and profile of debt maturities.

The Corporation holds a diversified portfolio of cash and High-Quality Liquid Assets ("HQLA") to support financial obligations and contingent funding in a stressed market environment. HQLA generally include cash, inter-bank placements and certain marketable securities backed by sovereigns and central banks.

These assets are typically of the highest quality and the most liquid, and there is no limit on the extent to which these assets are held to meet the Liquidity Coverage Ratio ("LCR"). Other HQLA assets include government securities and corporate debt securities. The assets held for managing liquidity risk comprise:

	20	019
	Carrying Amount US\$'000	Fair Value US\$'000
Cash and balances with banks	49,437	49,437
Loans and advances to banks	2,083,436	2,083,436
Investment securities	143,631	144,727
Total liquidity reserves	2,276,504	2,277,600
	20	018
	Carrying	Fair
	Amount	Value
	US\$'000	US\$'000
Cash and balances with banks	26,080	26,080
Loans and advances to banks	1,598,401	1,598,401
Investment securities	152,830	153,744
Total liquidity reserves	1,777,311	1,778,225

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 cover its Minimum Liquidity Level ("MLL") at twelve and eighteen months under 'stress' and business as usual ("BAU") conditions respectively. MLL, for the purpose of the Corporation, is defined as the level of liquidity that is available to meet the Corporation's financial obligations (repayment of borrowing, operating expenses and other non-cancellable debt and equity commitments). Similar to the provisions of the 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 2019, the LCR was under stress scenario 180% (December 2018: 354%) and under normal circumstances 137% (December 2018: 143%).

The table below analyses the Corporation's financial instruments into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which include estimated

interest payments, non-derivative financial liabilities and financial assets. Commitments are disclosed on the basis of the earliest possible contractual maturity while the contractual undiscounted cash flows are disclosed for derivative assets and liabilities. That is the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

As at 31 December 2019

All figures in US\$'000	Carrying Amount	Within 1 Month	1 to 3 Months	3 to 6	6 to 12 Months	1 to 2 Years	2 -5 Years	Above 5	Gross Nominal Amount
<u> </u>	7.11.10								7
Cash and balances with banks	49,437	49,437	-	-	_	-	-	-	49,437
Loans and advances to banks	2,083,436	1,958,361	128,922	-	-	-	-	-	2,087,283
Derivative assets:									
- Forward contracts	5,448	-	3,130	2,318	-	-	-	-	5,448
- Interest Rate Options	3,735	-	-	784	-	1,177	-	1,961	3,922
- Interest Rate Swaps									
Inflows -	7,324	-	52	70	180	440	1,833	3,975	6,550
Outflows -	-	-	-	-	-	(8)	(249)	(2,013)	(2,270)
- Cross currency swaps									
Inflows -	6,041	-	-	-	1,105	1,099	209,137	-	211,341
Outflows -	-	-	-	-	(6,075)	(6,041)	(213,765)	-	(225,881)
Financial assets at fair value through profit or loss	1,002,974	1,375	2,424	32,066	2,750	25,503	156,920	808,865	1,029,903
Loans and advances to other customers	2,010,023	60,643	192,653	179,352	213,043	406,577	855,896	1,462,358	3,370,522
Investment securities	718,845	1,695	93,934	71,725	59,031	86,650	374,730	581,165	1,268,930
Pledged assets	172,413	-	1,219	2,813	4,032	31,748	126,111	53,656	219,579
Other assets	47,132	47,132	-	-	-	-	-	-	47,132
Total financial assets	6,106,808	2,118,643	422,334	289,128	274,066	547,145	1,510,613	2,909,967	8,071,896
Other liabilities	50,408	50,408							50,408
Borrowings	4,347,342	164,884	36,643	423,417	350,581	558,445	2,002,124	1,953,014	5,489,108
Derivative liabilities:									
- Forward contracts	176	-	-	176	-	-	-	-	176
- Interest Rate Options	3,735	-	-	784	-	1,177	-	1,961	3,922
- Interest Rate Swaps									
Inflows -	-	-	-	-	-	8	249	2,013	2,270
Outflows -	4,840	-	(70)	(94)	(240)	(588)	(2,452)	(5,315)	(8,759)
- Cross currency swaps									
Inflows -	-	192	214	163	197	38,779	9,282	-	48,827
Outflows -	2,316	(829)	(985)	(820)	(985)	(41,466)	(9,640)	-	(54,725)
Total financial liabilities	4,408,817	214,655	35,802	423,626	349,553	556,355	1,999,563	1,951,673	5,531,227
Commitments	477,428	-	-	-	165,722	115,000	123,948	72,758	477,428
Funding gap		1,903,988	386,532	(134,498)	(241,209)	(124,210)	(612,898)	885,536	2,063,241
Cumulative funding gap		1,903,988	2,290,520	2,156,022	1,914,813	1,790,603	1,177,705	2,063,241	-

As at 31 December 2018

As at 31 December 2018									
									Gross
All Servers in LICCION	Carrying	Within 1	1 to 3	3 to 6	6 to 12	1 to 2	2 -5	Above 5	Nominal
All figures in US\$'000	Amount	Month	Months	Months	Months	Years	Years		Amount
Cash and balances with banks	26,080	26,080	-	-	-	-	-	-	26,080
Loans and advances to banks	1,598,401	1,428,847	4,878	45,535	129,575	-	-	-	1,608,835
Derivative assets:									
- Forward contracts	850	-	173	677	-	-	-	-	850
- Interest Rate Options	1,158	-	-	183	447	359	-	-	989
- Interest Rate Swaps									
Inflows -	-	8	136	-	-	404	2,164	6,191	8,903
Outflows -	2,774	-	(137)	-	-	(423)	(2,976)	(2,969)	(6,505)
- Cross currency swaps									
Inflows -	-	-	-	775	890	7,157	3,634	-	12,456
Outflows -	540	-	(308)	(261)	(598)	(7,386)	(3,677)	-	(12,230)
Financial assets at fair value through profit or loss	602,536	-	19,829	-	-	-	65,802	516,905	602,536
Loans and advances to other customers	1,339,769	78,833	178,502	208,891	129,976	167,421	431,599	743,561	1,938,783
Investment securities	724,877	675	87,850	163,549	32,918	20,247	364,926	166,279	836,444
Pledged assets	158,907	1,820	19,489	9,243	6,765	13,529	101,642	69,321	221,809
Other assets	24,240	24,240	-	-	-	-	-	-	24,240
Total financial assets	4,480,132	1,560,503	310,412	428,592	299,973	201,308	963,114	1,499,288	5,263,190
Other liabilities	27.005	_	_	27,005					27.005
Borrowings	27,005 2,901,941	8,524	35,982	79,986	227,832	1,120,452	1.121.695	661,316	27,005 3,255,787
Derivative liabilities:	2,901,941	0,324	33,902	79,900	227,032	1,120,432	1,121,095	001,310	3,233,767
- Forward contracts	477			477					477
- Interest Rate Options	1.157			183	447	359			989
- Interest Rate Swaps	1,137			103	447	333			303
Inflows -	312		(1)			(19)	(813)	(5,673)	(6,506)
Outflows -	-		102	_	_	302	1,618	4,630	6,652
- Cross currency swaps			102			302	1,010	4,030	0,032
Inflows -	1.761	_	(241)	(270)	(106,392)	(996)	(38,950)		(146,849)
Outflows -		_	805	3,474	105,835	3,002	35,339	_	148,455
Total financial liabilities	2,932,653	8,524	36,647	110,855	227,722	1,123,100	1,118,889	660,273	3,286,010
Commitments	246,960	-	-	21,808	-	-	20,000	205,152	246,960
Funding gap	-	1,551,979	273,765	295,929	72,251	(921,792)	(175,775)	633,863	1,730,220
Cumulative funding gap	_	1,551,979	1,825,744	2,121,673	2,193,924	1,272,132	1,096,357	1,730,220	
Cumulative fulluling gap		1,331,373	1,023,744	2,121,0/3	2,133,324	1,2/2,132	1,030,337	1,730,220	

Financial assets available to support future funding

The following table sets out the availability of the Corporation's financial assets to support future funding.

31 December 2019

		Encumbered	Unencumbered	Total
	Note	US\$'000	US\$'000	US\$'000
Cash and balances with banks	15	-	49,437	49,437
Loans and advances to banks	16	-	2,083,436	2,083,436
Loans and advances to customers	18	-	2,010,023	2,010,023
Financial assets at fair value through profit or loss		-	194,109	194,109
Investment securities		-	656,448	656,448
Pledged assets	21	172,413	-	172,413
Other assets	22	-	47,132	47,132
Total assets		172,413	5,040,585	5,212,998

31 December 2018

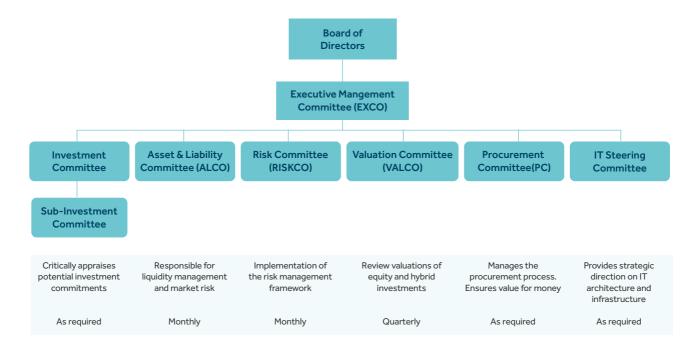
		Encumbered	Unencumbered	Total
	Note	US\$'000	US\$'000	US\$'000
Cash and balances with banks	15	-	26,080	26,080
Loans and advances to banks	16	-	1,598,401	1,598,401
Loans and advances to customers	18	-	1,339,769	1,339,769
Financial assets at fair value through profit or loss		-	85,631	85,631
Investment securities		-	650,718	650,718
Pledged assets	21	158,907	-	158,907
Other assets	22	-	24,240	24,240
Total assets		158,907	3,724,839	3,883,746

3.4 CAPITAL MANAGEMENT & GOVERNANCE STRUCTURE

The Board of Directors has ultimate responsibility for policy formulation, strategy and decision making, with specific authority delegated to three subsidiary committees and Executive Management for day-to-day operations. The chart below represent the reporting structures of the various Board committees within the Corporation.



In carrying out its oversight functions, EXCO through various committees manages the day to day operations of the Corporation. Below is a chart of the various sub committees of EXCO and their mandates.



The Corporation's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- to comply with the capital requirements set by the Board of Directors of the Corporation;
- to safeguard the Corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy is monitored regularly by the Corporation's management, employing techniques derived from the guidelines developed by the Basel Committee. The Corporation's Capital Adequacy Framework requires the business to maintain a ratio of total risk capital to the risk-weighted asset (the Basel ratio) at a minimum of 30%. To allow for a proactive management of any issue with its capital position, the Corporation has further defined an internal trigger at 40% that would necessitate the activation of a remedial action.

The Corporation's capital is managed by the Finance Division and currently comprises of Tier 1 (93%) and Tier 2 (7%) 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 2019. 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 2019	31 December 2018
	US\$'000	US\$'000
Tier 1 capital		
Share capital	1,125,807	1,096,395
Share premium	25,301	4,713
Retained earnings	550,182	425,899
Total qualifying Tier 1 capital	1,701,290	1,527,007
Tier 2 capital		
Net fair valuation gain on FVOCI assets	6,875	25,652
Expected credit loss impairment allowance	130,878	87,496
Total qualifying capital	1,839,043	1,640,155
Risk-weighted assets:		
On-balance sheet	5,347,838	4,122,332
Off-balance sheet	238,714	66,288
Total risk-weighted assets	5,586,552	4,188,620
Basel ratio	32.9%	39.2%

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 reperformance 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 2019, 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 2019

	Level 1	Level 2	Level 3
	US\$'000	US\$'000	US\$'000
Assets			
Derivatives assets			
- Forward contracts	-	5,448	-
- Cross currency swaps	-	6,041	-
- Interest rate options	-	3,735	-
- Interest rate swaps	-	7,324	-
Financial assets at fair value through profit or loss:			
- Assets under management (debt securities)	20,003	-	-
- Hybrid instrument (convertible debt)	-	33,182	140,924
- Equity securities	-	-	808,865
Investment securities:			
- Equity securities (FVOCI)	-	-	62,397
Total	20,003	55,730	1,012,186
Liabilities			
Derivatives Liabilities:			
- Forward contracts	-	176	-
- Interest rate options	-	3,735	-
- Cross currency swaps	-	2,316	-
- Interest rate swaps	-	4,840	-
Total	-	11,067	-

31 December 2018

	Level 1	Level 2	Level 3
	US\$'000	US\$'000	US\$'000
Assets			
Derivatives assets			
- Forward contracts	-	851	_
- Cross currency swaps	-	1,157	-
- Interest rate options	-	540	_
- Interest rate swaps	-	2,774	-
Financial assets at fair value through profit or loss:	-		_
- Assets under management (debt)	19,829	-	
- Hybrid instrument (convertible debt)		35,816	29,986
- Equity securities		-	516,905
Investment securities:	-		
- Equity securities (FVOCI)	-	-	74,159
- Corporate debt securities	4,195	-	-
Total	24,024	41,138	621,050
Liabilities			
Derivatives Liabilities:			
- Forward contracts	-	477	_
- Interest rate options	-	1,157	-
- Cross currency swaps	-	1,761	-
- Interest rate swaps	-	312	-
Borrowings at fair value	-	9,195	_
	-	12,902	-

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 (2018: 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 2019 US\$'000	31 December 2018 US\$'000
At beginning of year	621,050	747,358
Unrealised (losses)/gains:		
- in OCI	(18,367)	(10,426)
- in Profit or loss	78,673	(11,913)
Cancellation of promissory note	-	(126,857)
Repayment/disposal	(12,500)	(3,883)
Additions	343,475	28,844
Exchange gains	(145)	(2,073)
At end of year	1,012,186	621,050

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2019 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

31 December 2019

31 December 2013						
Type of financial instrument	Fair value as at 31 Dec 2019 (US\$'000)	Valuation technique	Significant unobservable input		Fair value measurement sensitivity to unobservable inputs	
Unquoted equity	074.262	Discounted	Cost of equity	7.3% - 16.4%	Significant increases in the cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values.	
securities	871,262	cashflow	cashflow	Terminal growth rate	0% - 2.6%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values.
Hybrid instruments	140,924	Option Pricing Model	Credit Spread	3.7% – 7.9%	Significant increases in credit spread, in isolation, would result in lower fair values. Significant reduction would result in higher fair values.	
Total	1,012,186					

31 December 2018

31 December 2016	9					
Type of financial instrument	Fair value as at 31 Dec 2018 (US\$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs	
Unquoted equity	501.064	Discounted	Cost of equity	8.70% - 16.1%	Significant increases in the cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values.	
securities	591,064	cashflow	cashflow	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	29,986	Option Pricing Model	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.	
Total	621,050					

Significant unobservable inputs in the discounted cash flow technique applied are developed as follows:

The Corporation applied the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.

The risk-free rate was determined using the yield on the US Government bond and Germany Government bond (for Eurodenominated assets) of the appropriate tenor and this was adjusted for country risk premium (for unquoted securities denominated in US Dollars and Euros).

Equity risk premium was determined based on data obtained from Damodaran Online and expert judgment.

Beta estimates were obtained from Damodaran Online and illiquidity and minority discounts applied in line with valuation best practices.

The effect of unobservable inputs on fair value measurement

The Corporation believes that its estimates of fair values are appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the cost of equity or terminal growth rate by a reasonable possible value, in isolation, would have the following effects on Other Comprehensive Income and profit or loss for the year as follows:

US\$'000 - 2019	Other			
	Comprehensive Inco			
	1%	1%		
Key Assumption	Increase	Decrease		
Cost of equity	(46,315)	52,495		
Terminal growth rate	7,969	(6,203)		
US\$'000 - 2019	Profit or Loss			
	1%	1%		
Key Assumption	Increase	Decrease		
Cost of equity	(1,900)	1,994		
Terminal growth rate	-	-		
US\$'000 - 2018	C	Other		
	Comprehen	sive Income		
	1%	1%		
Key Assumption	Increase	Decrease		
Cost of equity	(19.089)	23.615		

US\$'000 - 2018	Profit	or Loss	
	1%	1%	
Key Assumption	Increase	Decrease	
Cost of equity	(17,363)	21,828	
Terminal growth rate	3,834	(6,900)	

3.834

(6,900)

Terminal growth rate

For the Corporation's hybrid instruments, the following highlights the sensitivity of the fair value of these instruments to key input factors as at reporting date:

	Effect on Profit or L	oss (US\$'000)
Key Assumption	2019	2018
2% increase in Credit Spread	(11,968)	(2,947)
2% decrease in Credit Spread	7,097	3,125

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

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

Financial instruments not measured at fair value

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

- i. Cash and bank balances: The carrying amount of cash and bank balances is a reasonable approximation of the fair value. Cash and bank balances are disclosed in note 33.
- **ii.** Loans and advances to bank: Loans to banks are short-term money market placements, therefore the fair values are not significantly different from the carrying amount.
- iii. 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.
- iv. Treasury bills are short-term securities, therefore the fair values are not significantly different from the carrying amount.
- v. 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.

Total

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

31 December 2019

				Total fair	carrying
	Level 1	Level 2	Level 3	values	values
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'00 0
Assets					
Loans and advances to other customers:					
- Project finance	-	-	1,657,264	1,657,264	1,657,264
Investment securities:					
- Corporate debt securites	114,071	-	119,200	233,271	220,547
- Government debt securities	453,886	-	-	453,886	435,901
Pledged assets:					
- Corporate debt securites	135,701	-	-	135,701	121,811
- Government debt securities	52,654	-	-	52,654	50,602
Total	756,312	-	1,776,464	2,532,776	2,486,125
Liabilities					
Borrowings	2,560,911	1,872,903	-	4,433,814	4,347,342
Total	2,560,911	1,872,903	-	4,433,814	4,347,342
31 December 2018					
31 December 2018				Total fair	carrying
31 December 2018	Level 1	Level 2	Level 3	Total fair	
31 December 2018	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000		values
Loans and advances to other customers:				Total fair values	values
				Total fair values	values US\$'000
Loans and advances to other customers:	US\$'000	US\$'000	US\$'000	Total fair values US\$'000	values US\$'000
Loans and advances to other customers: - Project finance	US\$'000	US\$'000	US\$'000	Total fair values US\$'000	values US\$'000 979,560
Loans and advances to other customers: - Project finance Investment securities:	US\$'000 -	US\$'000 -	US\$'000 979,560	Total fair values US\$'000	979,560 353,726
Loans and advances to other customers: - Project finance Investment securities: - Corporate debt securites	U\$\$'000 - 200,888	US\$'000 - -	979,560 148,623	Total fair values US\$'000 979,560 349,511	979,560 353,726
Loans and advances to other customers: - Project finance Investment securities: - Corporate debt securites - Government debt securities	U\$\$'000 - 200,888	US\$'000 - -	979,560 148,623	Total fair values US\$'000 979,560 349,511	979,560 353,726 296,992
Loans and advances to other customers: - Project finance Investment securities: - Corporate debt securites - Government debt securities Pledged assets:	US\$'000 - 200,888 213,823	US\$'000 - -	979,560 148,623 30,118	Total fair values U\$\$'000 979,560 349,511 243,941	979,560 979,560 353,726 296,992 64,052
Loans and advances to other customers: - Project finance Investment securities: - Corporate debt securites - Government debt securities Pledged assets: - Corporate debt securites	200,888 213,823	US\$'000 - - -	979,560 148,623 30,118	Total fair values U\$\$'000 979,560 349,511 243,941 67,129	979,560 979,560 353,726 296,992 64,052 94,855
Loans and advances to other customers: - Project finance Investment securities: - Corporate debt securites - Government debt securities Pledged assets: - Corporate debt securites - Government debt securities	200,888 213,823 67,129 93,451	US\$'000 - - - -	979,560 148,623 30,118	Total fair values US\$'000 979,560 349,511 243,941 67,129 93,451	979,560 979,560 353,726 296,992 64,052 94,855
Loans and advances to other customers: - Project finance Investment securities: - Corporate debt securites - Government debt securities Pledged assets: - Corporate debt securites - Government debt securites - Government debt securities Total	200,888 213,823 67,129 93,451	US\$'000 - - - -	979,560 148,623 30,118	Total fair values US\$'000 979,560 349,511 243,941 67,129 93,451	carrying values US\$'000 979,560 353,726 296,992 64,052 94,855 1,789,185

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

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

3.6 FINANCIAL INSTRUMENTS BY CATEGORY

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2019

Assets as per Statement of Financial Position

	Mandatorily FVTPL US\$'000	Designated at FVTPL US\$'000	FVOCI - Debt Instruments US\$'000	FVOCI - Equity Instruments US\$'000	Amortised Cost US\$'000	Carrying Amount US\$'000
Assets					•	·
Cash and balances with banks	-	-	-	-	49,437	49,437
Loans and advances to banks:						
- Placements with banks	-	-	-	-	2,083,436	2,083,436
Derivatives	22,548	-	-	-	-	22,548
Loan and advances to other Customers:						
- Project finance	-	-	-	-	1,657,264	1,657,264
- Trade finance	-	-	-	-	352,759	352,759
Financial assets at fair value through profit or loss:						
- Hybrid instruments	174,106	-	-	-	-	174,106
- Equity securities	808,865	-	-	-	-	808,865
- Assets under management	-	20,003	-	-	-	20,003
Investment securities:						
- Debt securities	-	-	-	-	656,448	656,448
- Equity securities	-	-	-	62,397	-	62,397
Pledged assets:						
- Debt securities	-	-	-	-	172,413	172,413
Other assets:						
- Account receivable	-	-	-	-	26,208	26,208
- Fee receivable	-	-	-	-	20,924	20,924
Total financial assets	1,005,519	20,003	_	62,397	5,018,889	6,106,808

	FVOCI Mandatorily FVTPL US\$'000	FVOCI Designated at FVTPL US\$'000	Amortised Cost US\$'000	Carrying Amount US\$'000
Liabilities				
Other liabilities	-	-	50,408	50,408
Derivatives	11,067	-	-	11,067
Borrowings	-	-	4,347,342	4,347,342
Total financial liabilities	11,067	-	4,397,750	4,408,817

31 December 2018

- Account receivable					12,301	12,301
Other assets:					130,307	130,307
- Debt securities				_	158,907	158,907
Pledged assets:				, , , , , ,		,
- Equity securities	-	-	-	74,159	-	74,159
- Debt securities	-	_	4,195	_	646,523	650,718
Investment securities:						
- Assets under management	-	19,829	-	-	-	19,829
- Equity securities	516,905	-	-	-	-	516,905
- Hybrid instruments	65,802	-	-	-	-	65,802
Financial assets at fair value through profit or loss:						
- Trade finance	-	-	-	-	360,209	360,209
- Project finance	-	-	-	-	979,560	979,560
Loan and advances to other Customers:						
Derivatives	5,322	-	-	-	-	5,322
- Placements with banks	-	-	-	-	1,598,401	1,598,401
Loans and advances to banks:						
Cash and balances with banks	-	-	-	-	26,080	26,080
Assets						
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	FVTPL	Designated at FVTPL	Instruments	- Equity Instruments	Cost	Carrying Amount
	FVOCI Mandatorily	FVOCI	- Debt	- Equity	Amortised	Commin

		FVOCI	FVOCI	
	Mandatorily	Designated	Amortised	Carrying
	FVTPL	at FVTPL	Cost	Amount
	US\$'000	US\$'000	US\$'000	US\$'000
Liabilities				
Other liabilities	-	-	27,005	27,005
Derivatives	3,707	-	-	3,707
Borrowings	-	9,195	2,892,746	2,901,941
Total financial liabilities	3,707	9,195	2,919,751	2,932,653

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(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 ended 31 December 2019 is set out in note 3.5 (fair value of financial assets and liabilities) in relation to the fair value of financial instruments, and in the following notes in relation to other areas.

(b) Impairment losses on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL:
- Establishing the number and relative weightings of forwardlooking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Assumptions used in estimating recoverable cashflows.

In measuring credit risk of loans and advances to various counterparties, the Corporation considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default – PD), the portion of the loan expected to be irrecoverable at the time of loan default (loss given default – LGD) and carrying amount of the loan that is outstanding as at reporting date (exposure at default – EAD). The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD, across the Corporation's risk asset portfolio.

31 December 2019

	Probability of Default US\$'000	Loss given Default US\$'000
Increase/(decrease)		
Effect of a 1% increase:	(1,212)	(1,475)
Effect of a 1% decrease:	1,212	1,475
31 December 2018		
	Probability	Loss given
	of Default	Default
	US\$'000	US\$'000
Increase/(decrease)		
Effect of a 1% increase:	(395)	(395)
Effect of a 1% decrease:	714	714

(c) 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 permits investments held by venture capital organisations and similar financial institutions to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9, with changes in fair value recognised in the income statement in the period of the change. The Corporation's operational activities typically entail provision of equity finance to unquoted companies and taking an active role in helping to build and develop such companies by having a representation on the Board of the investee companies. The equity business of the Corporation is managed and appraised with the objective of earning capital return on its venture capital investments upon exit in the medium term. The Corporation is also a member of the Africa Private Equity & Venture Capital Association (AVCA).

5. REPORTING SEGMENTS

The Corporation's primary objective is to finance infrastructure projects across Africa and to provide advisory, project development and other services related thereto.

Operating units are reported in a manner consistent with the internal reporting provided to the Executive Management Committee (EXCO) and Board of Directors. The EXCO is responsible for assessing the financial performance and position of the Corporation and makes strategic decisions. The EXCO, which has been identified as being the chief operating decision maker, consists of the (a) President and Chief Executive Officer, (b) Executive Director and Chief Investment Officer, (c) Executive Director, Financial Services, (d) Director & Chief Financial Officer, (e) Director & Chief Risk Officer, (f) Director & General Counsel (Acting) and (g) Director & Head of Corporate Services (Acting). The information is provided on the basis of business units as the Corporation manages its affairs and business through these areas. The business units presented reflect the management structure of the Corporation and the way in which the Corporation's management reviews performance.

The Corporation evaluates the performance of its operating units primarily based on unit operating profit, as defined below:

1) Investment Division

The Corporation's Investment division is responsible for the end-to-end project development, origination, structuring and execution of investments. This division is further divided into groups based on sector classifications, with each group responsible for customer relationship management and investments within its sector. The Investment division also works closely with Risk Management to perform portfolio management functions for the Corporation's investment portfolio. The Investment division offers a diverse range of financing products, such as loans, quasi-equity financing, equity and arranging services to infrastructure projects in Africa. It also provides technical and economic advisory services to projects that are in the early stage of project development.

2) Financial Services Division

The Corporation's Financial Services division is divided into three groups, (i) treasury and funding, (ii) financial institutions and syndication, and (iii) financial advisory. The treasury and funding group is responsible for the Corporation's capital raising and covers both debt and equity. Its function is to seek to ensure that the Corporation has adequate capital and the appropriate capital structure.

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

The information provided to the Corporation's Board for the reportable units for the year ended 31 December 2019 is as follows:

nent	Financial Services	Total
000	US\$'000	US\$'000
888	173,278	310,166
311	-	2,311
597	10,193	68,790
779	-	12,779
176	(6,675)	71,501
090)	(378)	(77,468)
947)	(66,830)	(204,777)
714	109,588	183,302
480	2,673,332	6,118,812
452	4,392,195	4,410,647
011	1,622	4,633
661	895	2,556
nent '000	Financial Services US\$'000	Total US\$'000
512	131,516	260,028
912	-	15,912
961	1,973	14,934
744	-	15,744
920)	3,950	(970)
394)	1,551	(20,843)
116)	(42,105)	(156,221)
699	96,885	128,584
785	2,685,693	4,487,478
904	2,909,915	2,934,819
639	393	1,032
745	459	1,204

Geographic information: The geographic information analyses the Corporation's revenue and non-current assets by the Corporation's country of domicile and other countries. In

presenting the geographic information below, segment revenue is based on the geographic location of customers and segment assets are based on the geographic location of the assets.

31 December 2019	West Africa	Rest of Africa	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Interest income	209,287	87,028	13,851	310,166
Dividend	838	1,473	-	2,311
Fee and commission income	42,249	26,249	292	68,790
Gain on disposal of financial assets	279	12,500	-	12,779
Net (loss)/gain on financial instruments at fair value through profit or loss	(6,589)	85,399	(7,309)	71,501
Loan insurance expenses	(109)	(2,826)		(2,935)
Interest expenses	(7,228)	(4,566)	(135,752)	(147,546)
External Revenue	238,727	205,257	(128,918)	315,066
Total Assets	2,424,298	1,848,150	1,846,364	6,118,812
71 December 2019	West Africa	Post of Africa	Othors	Tetal

	US\$'000	US\$'000	US\$'000	US\$'000
Interest income	182,303	62,334	15,391	260,028
Dividend	-	15,912	-	15,912
Fee and commission income	13,217	1,606	111	14,934
Gain on disposal of financial assets	15,744	-	-	15,744
Net (loss)/gain on financial instruments at fair value through profit or loss	(22,941)	13,212	8,759	(970)
Loan insurance expenses	(127)	(2,730)	-	(2,857)
Interest expenses	(7,554)	(5,033)	(96,456)	(109,043)
External Revenue	180,642	85,301	(72,195)	193,748
Total Assets	1,641,101	1,221,424	1,624,953	4,487,478

6. INTEREST INCOME AND INTEREST EXPENSE

	2019 US\$'000	2018 US\$'000
Interest income		
Loans and advances to other customers	139,108	140,072
Loans and advances to banks	45,578	44,609
Financial assets at FVTPL	9,814	6,878
Investment securities:		
- Financial assets at amortised cost	115,620	68,219
- Financial assets at fair value through OCI	46	250
	310,166	260,028
Interest expense		
Borrowings from financial institutions	63,885	44,468
Corporate bonds	83,588	64,575
Interest expense on borrowings	147,473	109,043
Lease liability	73	-
	147,546	109,043
Net interest income	162,620	150,985

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities:

	2019	2018
	US\$'000	US\$'000
Financial assets measured at:		
- amortised cost	300,306	252,900
- FVTPL	9,814	6,878
- FVOCI	46	250
Total interest income	310,166	260,028
Financial liabilities measured at		
amortised cost	147,298	108,635
Financial liabilities measured at FVTPL	248	408
Total interest expense	147,546	109,043

7. DIVIDEND INCOME

	2019 US\$'000	2018 US\$'000
Equity securities at:		
- FVOCI	1,473	4,334
- FVTPL	838	11,578
	2,311	15,912

8. FEES, COMMISSIONS AND OTHER INCOME

	2019	2018
	US\$'000	US\$'000
Risk participation and commitment fees	7,996	1,508
Advisory and structuring fees	50,253	11,649
Facility and other fees	5,644	1,216
Development fees	4,897	561
	68,790	14,934

- a) Disaggregation of fee, commission and other income In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fee and commission income with the Corporation's reportable segments (see Note 5).
- b) The fees and commission presented in this note include income of US\$25.7 million (2018: US\$10.9 million) relating to financial assets not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets.

- c) Performance obligations and revenue recognition policies
- Risk participation and commitment fees: these are fees
 earned on various unfunded risk participation programmes
 with financial institutions, to facilitate trade transactions.
 Commitment fees are fees earned on commitments to
 provide debt or equity financing to counterparties and are
 recognised over the commitment period.
- ii. Advisory fees: these are fees earned on mandates in which the Corporation acts in an advisory capacity. Revenue related to advisory mandates are recognised on a milestone basis, and success fees are recognised once the service under a given mandate is rendered.
- iii. Structuring fees: these are fees earned on project finance transactions in which the Corporation plays a mandated lead arranger role, in a loan syndication finance arrangement. These fees are recognised at a point in time when the loan syndication is finalised.
- iv. Facility and other fees: these are fees earned on agency services rendered by the Corporation. Revenue from facility and other fees is recognised as the services are provided.
- v. Development fees: these are fees earned for developing a project and it is often a multiple of the amount spent on development costs. The fees are recognised when the development phase of the project is completed.

US\$'000						
Major service lines	Inve	stment	Financia	l Services	Tot	:al
	2019	2018	2019	2018	2019	2018
- Risk participation and commitment fees	7,927	1,369	69	139	7,996	1,508
- Advisory fees	15,180	1,429	8,695	1,834	23,875	3,263
- Structuring fees	26,059	8,386	319	-	26,378	8,386
- Facility and other fees	4,534	1,216	1,110	-	5,644	1,216
- Development fees	4,897	561	-	-	4,897	561
Fee and commission income (Note 5)	58,597	12,961	10,193	1,973	68,790	14,934

9. NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018	
	US\$'000	US\$'000	
Mandatorily measured at FVTPL:			
Derivatives held for risk management purposes:			
- Interest rate	73	2,664	
- Cross currency swap	(7,396)	3,208	
- Share warrants	-	(4,240)	
- Foreign exchange	(164)	2,168	
Equity investments	81,588	3,791	
Hybrid instruments	(3,412)	(8,711)	
Designated at FVTPL:			
Asset under management	812	150	
	71,501	(970)	

10. IMPAIRMENT CHARGE ON FINANCIAL ASSETS

	2019 US\$'000	2018 US\$'000
Loans and advances to customers (Note 18(a))	75,488	21,939
Loans and advances to banks (Note 16(a))	1,137	(1,027)
Investment securities at amortised cost		
(Note 20(b))	681	1,174
Pledged assets at amortised cost (Note 21(a))	(24)	(1,698)
Off-balance sheet commitments (Note 25(b))	264	455
Write back of impairment on FVOCI bonds	(78)	-
	77,468	20,843

11.GAIN ON DISPOSAL OF FINANCIAL ASSETS

	2019 US\$'000	2018 US\$'000
Equity securities:		
- Gain on disposal	12,779	15,744

Amount represents income realised from the sale of the investments in certain equity securities during the year, in line with the Corporation's exit strategy.

12. OPERATING EXPENSES

	2019	2018
	US\$'000	US\$'000
) Operating expenses		
Staff cost:		
Wages and salaries	36,812	28,633
Post-employment benefits	1,138	1,195
Other employee benefits	1,160	2,367
Other operating expenses:		
- Rent, rates and utilities	146	1,093
- Insurance	78	91
- Advertising and business promotion	2,149	1,121
- Auditor's remuneration	220	220
- Communication	835	429
- Travel	1,326	927
- Board expenses, including Directors' fees	1,007	1,082
- Training, seminars and conferences	706	641
- Repairs and maintenance	76	49
- Project and other transaction expenses	3,035	2,315
- Consultancy fees	1,811	1,326
- Other expenses	1,241	1,744
- Depreciation and amortisation	2,556	1,088
	54,296	44,321
) Credit risk insurance		
- Credit risk insurance premium	2,935	2,857

The Corporation uses credit risk insurance (CRI) as a risk mitigation tool, to protect the Corporation against borrower defaults.

13. TAXATION

Under the Headquarters Agreement between AFC and the Government of the Federal Republic of Nigeria signed in May 2007, AFC is exempt from tax on all its income arising from operations in the host country.

14. EARNINGS PER SHARE

Basic

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.

	2019	2018
Profit attributable to equity holders of the Corporation from continuing		
operations (US\$'000)	183,302	128,584
Weighted average number of ordinary shares in issue ('000)	1,101,633	1,096,225
Basic earnings per share from continuing operations (expressed in	16.64	11 77
US cents per share)	16.64	11.73

Basic and diluted earnings per share are the same as the Corporation has no potentially dilutive ordinary shares.

15. CASH AND BALANCES WITH BANKS

	2019 US\$'000	2018 US\$'000
Cash in hand	17	26
Balances with banks	49,420	26,054
	49,437	26,080

All cash and balances with commercial banks are current.

16. LOANS AND ADVANCES TO BANKS

	2019 US\$'000	2018 US\$'000
Placements with banks	2,085,791	1,599,619
Less: Allowance for impairment (See (a) below)	(2,355)	(1,218)
	2,083,436	1,598,401

All loans and advances to banks are current.

a) The movement in ECL allowance is shown below:

	2019 US\$'000	2018 US\$'000
Opening	1,218	-
Opening IFRS 9 ECL adjustment	-	2,245
Net Impairment allowance (Note 10)	1,137	(1,027)
	2,355	1,218

17. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Assets US\$'000	Liabilities US\$'000	Notional US\$'000
5,448	176	460,176
6,041	2,316	263,945
3,735	3,735	532,000
7,324	4,840	112,180
22,548	11,067	1,368,301
5,487	215	
17,061	10,852	
Assets	Liabilities	Notional
US\$'000	US\$'000	US\$'000
851	477	152,322
540	1,761	111,719
1,157	1,157	270,000
2,774	312	114,520
5,322	3,707	648,561
1,390	2,239	
3,932	1,468	
	US\$'000 5,448 6,041 3,735 7,324 22,548 5,487 17,061 Assets US\$'000 851 540 1,157 2,774 5,322 1,390	US\$'000 5,448 176 6,041 2,316 3,735 3,735 7,324 4,840 22,548 11,067 5,487 215 17,061 10,852 Assets US\$'000 851 477 540 1,761 1,157 2,774 312 5,322 3,707 1,390 2,239

The Corporation uses derivatives to manage its exposure to market risks.

18. LOANS AND ADVANCES TO OTHER CUSTOMERS

	2019 US\$'000	2018 US\$'000
Project finance loans	1,775,391	1,057,093
Advances under trade finance	362,799	369,589
	2,138,190	1,426,682
Impairment allowance (see note (a) below):		
- Project finance	(118,127)	(77,533)
- Trade finance	(10,040)	(9,380)
	(128,167)	(86,913)
	2,010,023	1,339,769
Current	267,451	497,476
Non-current	1,742,572	842,293

a) The movement in impairment allowance is shown below:

	2019 US\$'000	2018 US\$'000
Balance as at 1 January	86,913	63,198
Opening IFRS 9 ECL adjustment	-	1,776
Assets that have been derecognised	(34,234)	-
Net measurement of impairment		
allowance (Note 10)	75,488	21,939
Closing balance	128,167	86,913

See Note 3.1.6 for a detailed analysis.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 US\$'000	2018 US\$'000
Hybrid instruments (convertible debt) (a)	174,106	65,802
Equity securities (b)	808,865	516,905
Assets under management		
(debt securities) (c)	20,003	19,829
	1,002,974	602,536
Current	56,380	19,829
Non-current	946,594	582,707

- a) The hybrid instruments include a conversion option which results in no closely related risks inherent in the host contract. The Corpo-ration 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:

	2019	2018	2019	2018
	US\$'000	US\$'000	% Share	holding
MainOne Cable Company (i)	11,442	15,140	23%	23%
Vigeo Power Limited (ii)	1,010	1,010	20%	20%
Cenpower Operations Company	74	74	25%	25%
Ncondezi (iii)	10	10	23%	23%
Société Concessionaire du Pont				
Riviera-Marcory (iv)	44,727	47,290	26%	26%
Singrobro (v)	10,823	10,103	49%	40%
Gabon Special Economic Zone (vi)	269,963	220,180	21%	21%
Anergi Holdings Limited (vii)	221,550	170,900	44%	38%
Bakwena Platinum Concession				
Company (viii)	50,948	49,480	22%	22%
Infrastructure Credit Guarantee				
Company Limited (ix)	2,718	2,718	50%	50%
Nouvelle Gabon Mining SA (x)	172,333	-	28%	-
Danakali Limited (xi)	21,528	-	17%	-
Djibouti Wind Limited				
Partnership (xii)	1,739	-	56%	-
	808,865	516,905		

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 2019. The summarised financial information for MainOne is presented below:

	2019	2018
	US\$'000	US\$'000
Current assets	43,996	42,462
Non-current assets	184,555	181,527
Current liabilities	61,223	41,348
Non-current liabilities	52,690	55,237
Revenue	43,976	58,685
Loss after tax	(7,080)	(7,262)
Total comprehensive loss	(6,370)	(7,598)

- (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) Ncondezi: a power development company with an integrated thermal coal mine and power plant project located near Tete Province, Northern Mozambique.
- (iv) 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.

	2019	2018
	US\$'000	US\$'000
Current assets	49,825	44,884
Non-current assets	411,164	338,050
Current liabilities	141,094	19,230
Non-current liabilities	189,018	338,050
Revenue	40,646	30,378
(Loss)/Profit after tax	(3,973)	33

(v) Singrobro: a 44MW hydroelectric power plant development project in Côte d'Ivoire.

(vi) 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. The summarised financial information for GSEZ is presented below:

	2019	2018
	US\$'000	US\$'000
Current assets	544,579	591,588
Non-current assets	1,164,521	863,778
Current liabilities	248,012	127,327
Non-current liabilities	98,648	847,178
Revenue	385,605	265,226
Profit after tax	102,515	95,325

(vii) 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. 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 summarised financial information for Anergi Holdings Limited is presented below:

	2019 US\$'000	2018 US\$'000
Current assets	71,305	1
Current liabilities	-	-
Non-current assets	448,173	572,877
Non-current liabilities	11,148	3,441
Loss after tax	(1,414)	(2,501)

During the year 2019, the Corporation increased it's stake in the company to 44% (2018: 38%).

(viii) Bakwena Platinum Concession Company: Consists of a 95 km section of the N1 highway running from Pretoria northwards, and a 290 km section for the N4 highway running from Pretoria westwards to the Botswana border. The route was designed as

part of intercontinental axis to stimulate agriculture, manufacturing, mining and tourism traffic, with combined urban and intercity tolling. The project led to significant reductions in travel times and vehicle operating costs through improved road surfaces.

	2019	2018
	US\$'000	US\$'000
Current assets	5,207	3,369
Non-current assets	215,966	223,824
Current liabilities	10,275	5,452
Non-current liabilities	23,210	30,156
Revenue	10,630	30,530
Profit after tax	11,364	25,478

(ix) Infrastructure Credit Guarantee Company Limited: This is a company established as a commercial institution with the specific objective of providing guarantees to enhance the credit quality of local currency debt instruments issued by creditworthy entities to finance eligible infrastructure projects in Nigeria, in order to attract a pool of long-term capital from organisations such as the pension funds and insurance companies.

(x) Nouvelle Gabon Mining SA holds the rights to two producing manganese mine assets in Gabon ("Franceville" and "Okondja"). The two mines are expected to have a combined nameplate production capacity of 2.4 million tons per annum when fully implemented.

	2019	2018
	US\$'000	US\$'000
Current assets	24,323	18,223
Non-current assets	320,380	237,870
Current liabilities	23,870	11,072
Non-current liabilities	76,686	99,352
Revenue	93,450	72,903
Profit after tax	6,260	12,341

(xi) Danakali Limited is a potash company focused on the development of the Colluli Sulphate of Potash Project (the Project). The Project is 100% owned by the Colluli Mining Share Company (CMSC), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (ENAMCO). The Project is located in the Danakil Depression region of Eritrea, East Africa, and is approximately 75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Danakali Limited is listed on the Australian Securities Exchange and the London Stock Exchange.

(xii) Djibouti Wind Limited Partnership (DWLP) is a special purpose vehicle, which was set up by the limited partners, to construct and operate a 60 megawatts windfarm in the Ghoubet area, near Lake Assal, Djibouti (the Project). DWLP owns 90% of the project company which gives the Corporation an effective stake of about 50% in the project company.

The Corporation acquired stakes in these companies with the intention to exit at a future date. As of 31 December 2019, 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.

 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

	2019	2018
	US\$'000	US\$'000
At amortised cost:		
- Corporate debt securities		
- at amortised cost	229,044	358,391
- Sovereign debt securities		
- at amortised cost	440,405	300,452
	669,449	658,843
Less: Allowance for impairmen		
(see note (b) below)	(13,001)	(12,320)
	656,448	646,523
At FVOCI:		
- Corporate debt securities – at FVOCI	-	4,195
- Equity securities – unlisted at FVOCI		
(see note (c) below)	62,397	74,159
	718,845	724,877
Current	181,437	262,495
Non-current	537,408	462,382

a) As at 31 December 2019, 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 2018: Nil).

b) The movement in ECL allowance is shown below:

	2019 US\$'000	2018 US\$'000
Opening	12,320	-
Opening IFRS 9 ECL adjustment	-	11,146
Allowance for impairment (Note 10)	681	1,174
	13,001	12,320

c) Equity securities at FVOCI		
	2019	2018
	US\$'000	US\$'000
Equity securities – unlisted		
(see note (i) below)	62,397	74,159

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

	2019 US\$'000	2018 US\$'000
At beginning of the year	74,159	134,471
Additions	6,750	-
Net loss on fair valuation through		
other comprehensive income	(18,367)	(9,899)
Reclassified to FVTPL investments		
(See note (ii) below)	-	(49,886)
Foreign exchange gain	(145)	(527)
At end of the year	62,397	74,159

(ii) In 2018, the Corporation, having acquired additional stake in the Bakwena Toll Road Project, reclassified the investment from equity investments at FVOCI to equity investments at FVTPL, in line with its business model of carrying all investments in which the Corporation has significant influence at FVTPL.

21. PLEDGED ASSETS

	2019	2018
	US\$'000	US\$'000
Corporate debt securities	124,239	65,797
Sovereign debt securities	50,727	95,687
	174,966	161,484
Less: Allowance for impairment		
(see note (i) below)	(2,553)	(2,577)
	172,413	158,907
Current	-	23,017
Non-current	172,413	135,890

i) The movement in ECL allowance is shown below:

	2019 US\$'000	2018 US\$'000
Opening	2,577	-
Opening IFRS 9 ECL adjustment	-	4,275
Impairment writeback (Note 10)	(24)	(1,698)
	2,553	2,577

(ii) Pledged assets comprise debt securities used to secure the Corporation's borrowings that were not derecognised in the consolidated financial statements. These are transactions in which the Corporation uses its investment securities to collaterise some of its bilateral borrowings. The Corporation continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The Corporation does not have the ability to use the transferred assets during the term of the arrangement. These transactions were conducted under terms that are usual and customary to standard lending and repurchase activities. Details are as below:

	2019 US\$'000	2018 US\$'000
Carming amount of the assets	172,413	158,907
Carrying amount of the assets	1/2,413	150,907
Carrying amount of the associated		
liabilities (See note 26(iii))	100,226	114,245
Fair value of the assets	188,355	160,580
Fair value of the liabilities	(100,226)	(114,245)
Net fair value	88,129	46,335

22. OTHER ASSETS

	2019 US\$'000	2018 US\$'000
Account receivable	26,208	12,301
Fee receivable	20,924	11,939
	47,132	24,240
Prepayments	4,292	4,864
	51,424	29,104
Current	51,424	28,774
Non-current	-	330

23. PROPERTY AND EQUIPMENT

	Right- of-	Motor	Leasehold	Furniture	
	Use Asset US\$'000	Vehicles US\$'000	improvement US\$'000	& Equipment US\$'000	Total
As at 01 January 2018	05\$ 000	05\$ 000	05\$ 000	05\$ 000	US\$'000
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
Year ended 31 December 2018		,			,
Opening net book value	-	1,771	18	662	2,451
Additions	-	780	1	177	958
Disposal – cost	-	(728)	-	(30)	(758)
Disposals – accumulated depreciation	-	555	-	30	585
Depreciation charge	-	(716)	(7)	(259)	(982)
Closing net book amount	-	1,662	12	580	2,254
As at 01 January 2019					
Cost	-	3,223	1,616	4,187	9,026
Accumulated depreciation	-	(1,561)	(1,604)	(3,607)	(6,772)
Reclassification of Right of Use Assets	3,154	-	-	-	3,154
Net book amount	3,154	1,662	12	580	5,408
Year ended 31 December 2019					
Opening net book value	3,154	1,662	12	580	5,408
Additions	1,875	1,031	69	1,259	4,234
Disposal – cost	-	(380)	-	(24)	(404)
Disposals – accumulated depreciation	-	380	-	21	401
Depreciation charge	(1,303)	(823)	(10)	(280)	(2,416)
Closing net book amount	3,726	1,870	71	1,556	7,223
As at 31 December 2019					
Cost	5,029	3,874	1,685	5,422	16,010
Accumulated depreciation	(1,303)	(2,004)	(1,614)	(3,866)	(8,787)
Net book amount	3,726	1,870	71	1,556	7,223

- i. There were no impairment losses on any class of property and equipment during the year (2018: Nil).
- ii. As a result of the adoption IFRS 16: Leases during the year, the Corporation has recorded right-of-use assets for the first time in 2019. See Note 2.1.1.
- iii. There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2018: Nil).
- iv. There were no restrictions to the title held by the Corporation, in respect of its property and equipment during the year (2018: Nil).
- v. The depreciation charge and interest on lease liabilities (included in interest expense) on right-of-use assets for the year was US\$1.3 million (2018: Nil) and US\$73,000 (2018: Nil) respectively.

24. INTANGIBLE ASSETS

	2019 US\$'000	2018 US\$'000
Software cost	489	228

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:

	2019 US\$'000	2018 US\$'000
At 1 January	228	259
Additions	399	75
Amortisation	(138)	(106)
At 31 December	489	228

25. ACCRUED EXPENSES AND OTHER LIABILITIES

	2019 US\$'000	2018 US\$'000
Accruals	25,772	14,303
Accounts payable	21,741	11,702
Lease liability (See note (a) below)	1,908	-
Margin deposit	987	1,000
	50,408	27,005
Unearned fees	433	1,033
Allowance for loan commitments		
(See note (b) below)	1,397	1,133
	52,238	29,171
Current	51,688	29,171
Non-current	550	-

a) The movement in lease liability during the year is as follows:

	2019 US\$'000	2018 US\$'000
Balance as at 1 January	-	-
Opening IFRS 16 adjustment	1,835	-
Interest on lease liabilities	73	-
Closing balance	1,908	-

An amount of US\$1.9 million (2018: Nil) was recognised in the statement of cashflows representing the total cashflows for leases during the year.

b) Amount relates to the provision set aside for expected credit losses on the Corporation's equity and debt commitments (see note 27 (c)).

The movement in allowance for loan commitments during the year is as follows:

	2019 US\$'000	2018 US\$'000
Balance as at 1 January	1,133	-
Opening IFRS 9 ECL adjustment	-	678
Net measurement of impairment		
allowance (Note 10)	264	455
Closing balance	1,397	1,133

26. BORROWINGS

	2019 US\$'000	2018 US\$'000
At amortised cost:		
Corporate bonds issued (note (I))	2,474,439	1,605,465
Other borrowings (note (ii))	1,872,903	1,287,281
At fair value:		
Corporate bonds issued (note (I))	-	9,195
	4,347,342	2,901,941
Current	810,870	259,044
Non-current	3,536,472	2,642,897

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

Bond issued	YTM/ Year of Maturity	Coupon (%)	Coupon Type
US\$ 750 million GMTN (See (a) below)	2020	4.3750	Fixed
US\$ 50 million GMTN	2020	4.1360	Floating
US\$ 150 million GMTN	2020	4.5240	Floating
US\$ 45 million GMTN	2021	4.0860	Floating
CHF 200 million GMTN See (b) below)	2023	0.5225	Fixed
US\$ 500 million GMTN	2024	3.8750	Fixed
US\$ 650 million GMTN	2026	4.3750	Fixed
US\$ 500 million GMTN	2029	3.7500	Fixed

- a) In April 2019, the Corporation issued a US\$650 million Eurobond and as part of its liability management programme redeemed US\$375 million out of its US\$750 million bond which matures in April 2020.
- b) The proceeds of the Swiss Francs bond was swapped to US Dollars, the functional currency of the Corporation. Corporate bonds issued which include an embedded derivative are designated at fair value with fair value changes recognised in the

consolidated statement of comprehensive income. At 31 December 2019, there were no corporate bonds measured at fair value through profit or loss. At 31 December 2018, the difference between the carrying amount of corporate bonds measured at fair value through profit or loss and the amount the Corporation expects to settle at maturity was a loss of US\$894,000.

- (ii) Other borrowings comprise loans 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\$100.2 million (2018: US\$114.2 million) which has been secured using Corporate and Sovereign securities with a carrying value of US\$172.4 million (2018: US\$158.9 million). See note 21(ii).
- (iv) The Corporation has not had any defaults of principal, interest or other covenant breaches with respect to its borrowings.
- (v) The maturity profile of borrowings are as follows:

	2019 US\$'000	2018 US\$'000
Less than 1 year	810,870	259,044
1 – 3 years	1,051,125	1,707,416
Over 3 years	2,485,347	935,481
	4,347,342	2,901,941

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

	2019 US\$'000	2018 US\$'000
At beginning of the year	2,901,941	2,483,392
Proceeds from corporate bonds	1,343,188	-
Proceeds from other borrowings	701,610	766,678
Transaction costs related to borrowings	(7,983)	(6,948)
Fair value changes	894	(100)
Interest expense (see note 6)	147,473	109,043
Interest paid	(127,850)	(103,996)
Repayment of borrowings	(612,610)	(339,673)
Effects of changes in foreign		
exchange rates	679	(6,455)
At end of the year	4,347,342	2,901,941

Currency exposures arising from borrowing transactions are hedged in line with the Corporation's policy on hedging (see Note 3.2.1 Foreign exchange risk).

27. CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal proceedings

As at 31 December 2019, there was one legal proceeding against the Corporation. The Directors believe that, based on currently available information and advice of the Corporation's legal counsel, the outcome from the proceeding will not have a material adverse effect on the financial position of the Corporation. No provision has been made in respect of this legal proceeding, for the year ended 31 December 2019 (2018: Nil).

b) Equity commitments

These commitments relate to equity financing commitments to third parties (See (c) below).

c) Debt commitments

These commitments relate to unfunded risk participation arrangements and loan commitments on transactions.

Commitments details as at 31 December 2019 are as follows:

	2019 US\$'000	2018 US\$'000
Equity commitments	58,086	17,696
Debt commitments (note (i) below)	419,342	229,264
	477,428	246,960
(i) Debt commitments	2019 US\$'000	2018 US\$'000
Unfunded risk participation arrangements	24,192	21,808
Loan commitments	395,150	207,456
	419,342	229,264

28. 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

	2019	2018
	No. of shares	No. of shares
	In thousands	In thousands
At 1 January	1,096,395	1,095,343
Addition during the year		
(note 29(i) below)	29,412	1,052
At 31 December	1,125,807	1,096,395

Issued and fully paid capital (cont'd)

	2019	2018
	US\$'000	US\$'000
At 1 January	1,096,395	1,095,343
Addition during the year(note 29 (i) below)	29,412	1,052
At 31 December	1,125,807	1,096,395

29. SHARE PREMIUM

At 1 January	4,713	3,765
Addition during the year (note (i) below)	20,588	948
At 31 December	25,301	4,713

(i) The Africa Development Bank became a shareholder of the Corporation during the year, investing a total of US\$50 million dollars into the Corporation's equity capital.

30. RETAINED EARNINGS

	2019 US\$'000	2018 US\$'000
At beginning of the year	425,899	372,088
Dividend declared and paid during the year	(59,019)	(54,575)
Initial application of IFRS 9	-	(20,198)
Profit for the year	183,302	128,584
At end of the year	550,182	425,899

31. FAIR VALUE RESERVES

	2019 US\$'000	2018 US\$'000
At 1 January	25,652	36,111
Initial application of IFRS 9	-	78
	25,652	36,189
Net loss on FVOCI financial assets:		
- Foreign exchange loss	(145)	(527)
- Fair value loss - Equity Securities	(18,367)	(9,899)
- Fair value loss - Debt Securities	(265)	(111)
	(18,777)	(10,537)
At end of the year	6,875	25,652

The fair value reserves comprise:

- a) the cumulative net change in the fair value of equity securities measured at FVOCI; and
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased/(decreased) by the amount of impairment allowance/(writeback).

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 4.265 US cents per share (2018: 5.383 US cents per share), amounting to approximately US\$49,362,514 (2018: US\$59,018,960). The resolution on payment of dividend will be tabled before the Annual General Meeting scheduled for 23 April 2020 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:

	2019 US\$'000	2018 US\$'000
Cash in hand and balances with		
banks (Note 15)	49,437	26,080
Placements with other banks (Note 16)	2,085,791	1,599,619
At end of the year	2,135,228	1,625,699

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

AFC Equity Investments Limited: a wholly owned entity incorporated in Mauritius, which was set up to hold equity investments on behalf of the Corporation (2018: 100%).

Associates and joint venture operations

Associated entities comprise of equity investments that result in the Corporation having significant influence by being able to participate in the financial and operating policy decisions of the investee companies. These investments are carried in the statement of financial position at fair value through profit or loss, rather than accounted for using the equity method. See Note 19 for details of these investments.

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 associated entities. The outstanding related party transactions at year end and the related income for the year are as follows:

a) Balances with related parties:

		2019 US\$'000	2018 US\$'000
i.	Loans:		
	Shareholders	130,089	149,934
	Associate companies	125,944	82,171
ii.	Placements/investments in		
	debt securities:		
	Shareholders	127,246	138,979
iii.	Cash and bank balances:		
	Operating account balances	24,992	8,156

b) Interest income earned:

	2019 US\$'000	2018 US\$'000
Shareholders	47,304	46,687
Associate companies	6,513	4,319

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	3% - 8%	Fixed
Corporate debt securities	3 years	7% – 15%	Fixed/floating

(c)) Key management compensation

	2019 US\$'000	2018 US\$'000
Salaries and other short-term benefits	4,326	3,965
Post-employment benefits	448	518

Key management staff refers to members of the Executive Management Committee, which are: (a) President and Chief Executive Officer, (b) Executive Director and Chief Investment Officer, (c) Executive Director, Financial Services, (e) Director & Chief Financial Officer, (e) Director & Chief Risk Officer, (f) Director & General Counsel (Acting) and (g) Director & Head of Corporate Services (Acting).

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

CORPORATE INFORMATION

AFRICA FINANCE CORPORATION

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WE ARE UNIQUELY POSITIONED AS AFRICA'S INFRASTRUCTURE SOLUTIONS LEADER

COMBINING OUR STRONG LOCAL KNOWLEDGE WITH A HIGH QUALITY BALANCE SHEET TO DELIVER MORE INVESTMENTS ACROSS THE AFRICAN CONTINENT.

