Africa Finance Corporation

Shaping an African Era of Transformation

Annual Report 2022

Instrumental Infrastructure.
Instrumental Africa.

Africafc.org

Financial Highlights

Increased profit by
36%
US$285.9m
(2021: US$209.7m)
Passing the US$0.25 billion mark for the first time in its history.

Increased total assets by
23%
US$10.53bn
(2021: US$8.56b)
Passing the US$10 billion mark for the first time in its history.

Total equity up
21%
US$2.69bn
(2021: US$2.24b)

Net interest income up
49%
US$327.9m
(2021: US$220.7m)

Operating income up
54%
US$400.4m
(2021: US$259.5m)

Total comprehensive income up
52%
US$285.3m
(2021: US$188.2m)

Liquidity coverage ratio
202%
(2021: 199%)

Capital adequacy ratio
34.3%
(2021: 33.2%)

Return on average equity
12.1%
(2021: 9.7%)

Cost-to-income ratio
22.7%
(2021: 22.9%)

Earnings per share up
35%
US$0.2437
(2021: US$0.1809)

Shaping an African Era of Transformation

with a focus on our ambition to drive localisation and Africa's structural transformation

Annual Report 2022

Contents

1

About us

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

Our Vision

To become Africa's leading infrastructure solutions provider.

Our Mission

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

Our Positioning

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

Instrumental Infrastructure:

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

Instrumental Africa:

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

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

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

Background

- Founded in 2007 by an agreement between African sovereign states as a multilateral financial institution.
- Structured as a partnership between public and private investors to consistently increase the role of public-private sector partnerships in infrastructure investment.
- AFC's private sector majority shareholders include leading African multilaterals and financial institutions.
- Specialist knowledge in key priority sectors which include power, transport and logistics, natural resources (mining, oil and gas), heavy industries, telecommunications and technology.
- A leading equity, mezzanine and debt financing Corporation, combined with unrivalled leadership in public and private sector advisory and project development expertise in Africa.
- Synergies with a unique network of global and regional investments and advisory partners, which include lenders, project sponsors, co-investors and consultants.
- Strong partnerships with government and a strong infrastructure focused sovereign lending business.
- Investment grade rating of A3 (long-term issuer) / P-2 (short-term issuer) from Moody's Investors Service.
- Over 150 experienced, multilingual and multicultural employees operating on a pan-African basis.
- Broad investment footprint with a cumulative US$10.5 billion disbursed across 36 African countries.

Our business

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

- Strong, sustained historical financial performance and robust growth pipeline.
- Core ethical values and organisational principles.
- One of the highest-rated institutions in the African market.
- Launched Africa's first Infrastructure Climate Resilient Fund through our asset management arm, AFC Capital Partners, which recently secured a first-loss investment of US$253 million from the Green Climate Fund (GCF).
- Issued the first-ever Green Bond by an African supranational.

What we offer

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

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

3. **Deploying multiple products across the capital structure**
   Providing transaction advisory, deal structuring, project development and principal investment services. We leverage on our wide range of products across the capital structure, from early stage to greenfield and brownfield projects and platforms, all designed to unlock maximum value and deliver pragmatic solutions across the continent.

4. **Unrivalled ability to raise capital**
   Capacity to mobilise capital to drive the development of infrastructure and industrial solutions.

5. **Unique ecosystem investment approach**
   Focus on building integrated infrastructure to integrate ecosystems across multiple sectors in order to develop end-to-end value chains that will promote value addition and drive accelerated growth and development across the continent.

Our Investment Philosophy

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

Our Investment Approach

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

Investment Instruments

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

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

Advisory:
Restructuring, capital raising, syndication and distribution

Project Development Equity and Loans

Principal Investing:
Equity;
Mezzanine and Subordinated Debt;
Senior Debt;
Stream; and
Royalty;

Product Solutions:
Sovereign Lending;
Guarantees;
Trade Finance;
Corporate Finance; and
A/B Bond.

Treasury:
Liquidity solutions, Bespoke Derivatives Solutions

Credit enhancements:
Derivatives, preferred creditor status, hedging products

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

2 Chairman's Statement

Dr. Kingsley Obiora
Chairman, Africa Finance Corporation

Dear Stakeholders,

I am pleased to announce that 2022 was a successful year for the Africa Finance Corporation ("AFC" or "Corporation"), and I am confident that we are well positioned to be the leading financier and enabler of African infrastructure projects.

AFC increased Total Comprehensive Income ("TCI") and Total Assets by 51.6% and 22.9% respectively, to US$285.3 million and US$10.5 billion, with total assets exceeding the US$10 billion mark for the first time. Operating income in 2022 was US$400.4 million and shareholders total equity ended the year at US$2.7 billion, reflecting increases of 54.3% and 20.6% respectively. During 2022, we welcomed five new equity shareholders who made a combined US$235 million equity injection. In addition, two existing shareholders upsized their equity contributions by an additional US$13 million, bringing the total equity injection in 2022 to US$248 million.

Our strong performance was achieved despite the significant ongoing global geopolitical and economic challenges due to rising inflation, interest rates and energy prices; the war in Ukraine; supply chain disruptions; an increasing focus on energy transition; food security issues in parts of Africa; and the ongoing recovery from the COVID-19 pandemic.

A Global Context Defined by Uncertainty

Global economies entered 2022 with an air of confidence as they continued to recover from the costly disruptions caused by the COVID-19 pandemic. However, this optimism proved to be short-lived as multiple shocks buffeted the global economy, significantly weakening the outlook.

- Russia's invasion of Ukraine on 24 February 2022 interrupted the strengthening recovery from the COVID-19 pandemic, triggering significant disruptions in global trade, and shocks to food and energy prices. The war occurred against a backdrop of elevated but slowly fading inflationary pressures globally, which had, in turn, stemmed from pandemic-driven supply bottlenecks and continuing COVID-19 restrictions in China. Over the past year, the conflict in Ukraine has driven an acceleration in global inflation to levels not seen in several decades, which in turn squeezed households' disposable incomes and adversely affected business confidence and global economic activity.
- The escalating and broadening inflationary pressures triggered a rapid and synchronised tightening of global monetary policy, led by the US Federal Reserve ("Fed"), and in turn financial conditions. Moreover, the Fed's aggressive interest rate hikes resulted in a sharp strengthening of the US dollar, which rose by more than 12% against major currencies in 2022 and hit a two-decade high in September 2022. Emerging and frontier market policymakers faced additional complexities in controlling import-driven inflation, as rising food and fuel prices triggered second-round inflationary effects. Some central banks intervened to slow the depreciation of their currencies.
- As many central banks raised interest rates, financial conditions began tightening sharply for public and private sector borrowers alike. This contributed to a further deceleration in economic activity as higher borrowing costs weighed on domestic credit, private consumption and investment. Emerging markets experienced capital outflows and an increase in external borrowing costs.

> AFC increased Total Assets by 22.9% to US$10.5 billion, with total assets exceeding the US$10 billion mark for the first time.


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- Financial market participants revised upwards their expectations for further monetary policy tightening over the coming months. Government bond yields rose significantly, credit spreads widened, and equity prices declined. Volatility in global financial markets also increased, particularly in bond markets. In late September and early October, bond market volatility in the United Kingdom was amplified by the selling of long-dated government bonds and other assets by pension liability-driven investment funds to cover margin calls. To restore market functioning and preserve financial stability, the Bank of England ("BoE") undertook temporary bond purchases.
- Frequent lockdowns under China's zero-COVID policy weighed heavily on that country's economic growth, especially in the second quarter of 2022. Furthermore, the property sector, which accounts for about one-fifth of economic activity in China, continued to weaken rapidly. Given the size of China's economy and its importance for global supply chains, this presented an additional major headwind for global economic growth.
- China's economic growth slowed to 3%, its worst annual growth performance since 1976, excluding the 2.2% COVID-driven growth rate in 2020, on the back of the government's stringent COVID-19 restrictions, which sharply curtailed economic activity, as well as rising stress in the property market.
- In the US, tighter monetary policy contributed to economic growth moderating. According to the US Bureau of Economic Analysis ("BEA"), real gross domestic product increased at an annual rate of 2.7% in the fourth quarter of 2022, after increasing by 3.2% in the third quarter. This primarily reflected increases in inventory investment and consumer spending that were partly offset by decreases in housing investment and exports. As a result, real GDP increased by 2.1% in 2022, compared to an increase of 5.9% in 2021. Tighter monetary policy was expected to contribute to very weak GDP growth in the United States over the coming quarters.
- European economies were frontline spectators of the war in Ukraine and grappled with substantial increases in energy prices and the need to ration energy demand. This led to a drop in real GDP growth, from 5.2% in the Euro area and 5.4% in the European Union in 2021, to 3.5% and 3.6% respectively. European economies were expected to continue contracting over the coming quarters, notwithstanding the significant fiscal support provided by governments to support consumers facing higher energy costs.

In summary, 2022 was marked by a broad-based slowdown in global economic activity and higher-than-projected inflation.

2023 Outlook

The outlook for global economic growth remains subdued, with growth in 2023 and 2024 expected to be below average. However, recent changes in the global economy may improve the outlook.

The prospects of improvement to global supply chains because of the reversal of China's zero-COVID policy could boost output. This has increased expectations for near-term economic growth in China, as stronger Chinese demand may also spill over into stronger demand for China's trading partners. Against this backdrop, the full reopening of China is likely to improve global demand over 2023. In addition, Chinese consumption is also expected to increase, particularly for labour intensive service sectors. Increased activity and economic confidence are likely to increase global demand for commodities, including crude oil. Additionally, the resilience of most European economies in the face of significant natural gas supply cuts by Russia could also improve the global outlook.

As a result, The IMF World Economic Outlook (January 2023) has forecast global growth for 2023 at 2.9%, from 3.4% in 2022, improving moderately to 3.1% in 2024. Growth in the Advanced Economies (AEs) is projected to moderate to 1.2% in 2023 from 2.7% in 2022, and to improve moderately to 1.4% in 2024. In the Emerging Market and Developing Economies (EMDEs), growth is projected to rise to 5.3% in 2023 and moderate to 5.2% in 2024.

The ongoing Russia-Ukraine war, sustained tightening of global monetary policy with the stronger dollar raising debt servicing pressures, as well as rising tensions between the US and China continue to pose risks to the global economy.

On prices, global inflation is expected to remain above pre-pandemic levels throughout 2023 and to decelerate into 2024. This moderation is expected on the back of declining international prices of fuel and non-fuel commodities as global demand weakens. Global inflation is therefore forecast to decline to 6.6% in 2023 and further to 4.3% in 2024, compared with 8.8% in 2022. The moderating impact, therefore, on prices of the coordinated tight monetary policy stance of several central banks is also expected to contribute to the lowering of inflation in 2023.

Central banks across the globe are expected to continue with interest rate hikes, albeit at a slower pace and size to bring down inflation in line with long-run policy objectives. The relatively high interest rates will continue to constrain external financing conditions. Consequently, emerging markets and developing economies continue to face the challenge of slower capital flows, weakening external reserves positions and continued pressure in the foreign exchange market. In addition, most economies within the same group are already confronted with the risk of sovereign default and weak productivity.

Global financial markets in turn seem to be shifting back to a risk-off mode after starting the year assuming that the end of rate hikes was in sight. Financial markets have further repriced the interest rate outlook higher on the back of persistent inflation pressures. Yields on US treasuries (and other advanced economy bonds) have risen as investors now expect interest rates to remain higher for even longer.

> These investments will help to create the millions of jobs required for the continent's rapidly growing youth population.

Progress with AFC's mandate

Since AFC was founded 16 years ago, we have invested over US$11.5 billion in 36 countries across the African continent in a range of instruments and assets, with the objective of bridging Africa's infrastructure deficit and fostering the industrial development of African states, whilst financing projects with high development impact.

Infrastructure

AFC is focused on investing in the core infrastructure sectors of power, natural resources (oil, gas and mining), transport and logistics, heavy industry and telecommunications, which are the critical pillars for economic growth and sustainable development across the African continent. These investments will help to create the millions of jobs required for the continent's rapidly growing youth population, add value to Africa's raw materials and stimulate economic growth.

Our approach leverages Africa's many advantages, which include:

- The African Continental Free Trade Area agreement, which has created a single market of almost 1.4 billion people, the world's largest;
- The world's biggest reserves of the critical minerals and metals required for the global energy transition;
- A workforce that is projected to exceed that of China and India by 2034; and a population that is forecast to reach 2.5 billion by 2050; and
- Returns on African infrastructure investments often exceeding those in other emerging markets.

Industrialisation

In the natural resources sector, we have built a portfolio of value-added assets across the value chain by taking an early equity financier role in operational or near-operational upstream assets. Africa's heavy industry sector offers significant opportunities for the expansion of large companies.

These investments also deliver transformational economic benefits such as direct and indirect job creation, easing entry into value chains, and boosting trade, exports and value-added processing. For governments, developing this sector improves the balance of payments and their tax receipts.

AFC sees a number of significant growth opportunities for Africa including:

- Technology and Digital Transformation - Digital technology contributed more to Nigeria's economy in 2021 than the oil and gas sector. By 2025, the internet economy has the potential to contribute US$180 billion to Africa's economies, growing to US$712 billion by 2050 (Accenture, 2020). While COVID-19 has disrupted Africa's growth, recovery is largely reliant on the resilience of the internet economy as well as private consumption. Companies in the internet economy have generally outperformed other sectors of the economy. An increase in digital

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Since being founded 16 years ago AFC has invested over

$11.5bn

connectivity is inevitable on the back of a rising population and urbanisation and will directly boost Africa's economic value. Potential initiatives include:

- Building an African Silicon Valley: Arguably, the development of such hubs is already underway in Lagos and Nairobi. Nigerian startups raised US$663 million from venture capital in 2019, rising to US$1.65 billion in 2021 (more than any other country in Africa).
  - Investing in fintech, data centres and other transformational digital businesses that create jobs on the African continent.
- Battery minerals opportunity: annual passenger electric vehicle sales are forecast to enjoy spectacular global growth in the 2020's and beyond. A 2022 study by Bloomberg predicted that sales will more than triple to 20.6 million by 2025. Africa has huge opportunities in the lithium-ion battery value chain across mining, metals, precursor production, cell production, cell assembly and electric vehicles. Indeed, almost half of Africa's countries are known to host metals necessary for making these batteries. Currently most exports from Africa's manganese, nickel, cobalt and graphite mines go to China. Investing in the construction of a precursor plant in Africa could change the value chain narrative to Africa's benefit.

Climate change

AFC remains committed to promoting the transition to a green economy, reducing GHG emissions and enhancing the capacity of projects to achieve climate change mitigation/adaptation, while pursuing long-term sustainable development.

Our approach includes:

- Reinvigorating or scaling up low carbon energy sources (renewable, efficient, cleaner) in the power sector;
- Promoting resource efficiency, cleaner technologies and pollution prevention (life-cycle inventory) in the heavy industry and telecommunications sectors;
- Pursuing sustainable mining of battery minerals to drive the electric vehicle revolution in the natural resources sector;
- Building sustainable and carbon neutral resource based industrial zones in the transport, logistics and heavy industry sectors; and
- Supporting mitigation efficiency in the transport and logistics sector (cleaner technologies, green energy and modal shift).

Our wholly owned subsidiary, AFC Capital Partners, has focused on its flagship Infrastructure Climate and Resilience Fund ("ICRF") which is an innovative and first of its kind fund on the continent looking to build much needed resilience in the continent's infrastructure. We believe ACP will be a key player in closing the 'new infrastructure' gap on the continent.

AFC's projects, such as the 26MW Cabeolica Wind Farm in Cape Verde, the 60MW Djibouti Wind Farm and the 44MW Singrobo Hydro Project in Côte d'Ivoire, have been enabled through climate finance solutions. They are making significant contributions to their national grids and are pioneering developments in the energy sector that will be the blueprint for future projects.

In May, AFC published its 'Roadmap to Africa's COP: A Pragmatic Path to Net Zero' report, advocating for consideration of Africa's energy deficit and the need for quantum leaps in industrialisation for job creation and reducing poverty, as well as climate-proofing built infrastructure and protecting our powerful carbon sinks. While cutting emissions is vital for the more developed and highest polluting wealthier nations, there is a more limited universal impact to be gained from reducing the far lower emissions of sub-Saharan Africa. We believe African nations will have a far greater effect in combatting global warming by focusing instead on the following three significant areas of change:

> To mark our 15th anniversary, AFC rebranded with 'Instrumental Infrastructure. Instrumental Africa' as its strapline.

- Localise: Africa must focus on developing local industries by putting processing and manufacturing at the centre of sustainable circular economies. Doing so will eliminate emission-spewing shipments of Africa's minerals and other commodities to Asia for manufacturing and processing, only to be shipped again as finished goods to consumer markets. This requires closing Africa's energy deficit. While renewable sources are the ultimate goal, in the near-term Africa must exploit its abundant reserves of natural gas. Since much of Africa is already at net zero, such development can be achieved without contributing substantially to global carbon emissions. Resultant job creation and economic growth will enable African nations to invest further in renewable sources and commence local manufacturing of the components of renewable energy technology, using resource-efficient sustainable mining techniques for the metals to minimise pollution.
- Rebuild: Africa is the most exposed region to the ravages of global warming largely because its infrastructure is ill equipped to withstand climate shocks. Without intervention, the cost of structural damage caused by natural disasters in Africa will increase to US$415 billion a year by 2030, from between US$250 billion to US$300 billion now, according to the UN Office for Disaster Risk Reduction. The continent needs strong and resilient building: to re-build ocean and river defences, and infrastructure in transport, construction, electricity grids and off-grid energy, which will in turn help the development of sustainable mining and the circular economies that drive growth and job creation.
- Finnovate: The key to effecting change is ensuring that African-based institutions such as the AFC get access to essential climate funds through financial innovation to support resilient building and investment in localised mass-scale manufacturing and processing. Financing is also needed to help preserve Africa's vast carbon sinks, which absorb more carbon dioxide annually than any other region's rainforests. These continue to be depleted by local populations for use as firewood for cooking and heating. Working with development finance institutions, governments and institutional investors, AFC's many projects over the course of 16 years demonstrate that it is possible to mobilise financing at scale by crowding in private sector investment. Through leveraging financial input from governments and NGOs, we have the tools to de-risk climate investments and offer strong returns to incentivise funding from institutional investors. These efforts can help ensure that capital flows to the frontlines of the fight against climate change: Africa.

Our report clearly has resonance, as arguments contained in it were referenced by US President Joe Biden in his speech at the UN Climate Change Conference ("COP27").

Rebrand

To mark our 15th anniversary, AFC rebranded with 'Instrumental Infrastructure. Instrumental Africa' as its strapline. Our new logo embodies our mission to be the bridge to a prosperous African future, as we relentlessly strive to advance our continent's instrumental position as it takes its place on the global stage.

Dividend

Thanks to AFC's strong performance during 2022, I am delighted to announce to shareholders that the Board of Directors is recommending a dividend payout of 6.6315 US cents per share (a cumulative US$85,581,299). This translates to a dividend pay-out ratio of 30% at a share price of US$2.1, and a dividend yield of 3.2%. The resolution on the payment of dividend will be tabled before the Annual General Meeting on 4 April 2023 and, if approved, the dividend will be paid to all qualifying shareholders on the register of shareholders as at the cut-off date.

Membership

During 2022, our membership continued to grow, this time by 6 to 40, as we were very pleased to welcome the accession of Tunisia. Post-year end, we welcomed Ethiopia as our 40th Member State. AFC seeks to deliver on bankable infrastructure projects in sectors with high growth potential and great development impact. Tunisia's strategic geographic position means it is an important transit route for natural gas exports from Africa to Europe. In Angola – which recently became Africa's largest oil producer - AFC is poised to help drive the country's next growth and development phase. In Cameroon, the aim is to deepen integration, enable import substitution and develop manufacturing and industrial capacity to account for 40% of GDP, as part of the government's Vision 2035 programme.

Board Updates

Six new appointees joined the Board in 2022. Mr. Bolaji Lawal, Regional Executive and Managing Director at Ecobank Nigeria, and Mr. Ini Ebong, Executive Director, Treasury and International Banking, First Bank of Nigeria, were appointed in April and May, respectively. Both are experienced banking executives with over 20 years of expertise in different areas of banking. In September, Mr. Mudassir Amray, Managing Director/Chief Executive Officer at Union Bank, and Dr. Hassan Mahmud, Director, Monetary Policy Department of the Central Bank of Nigeria, also joined as independent Non-Executive Directors. In December, Anthony Ogunranti, Executive Director at Zenith Bank, and Muyiwa Akinyemi, Deputy Managing Director at the United Bank for Africa, were appointed as Independent Non-Executive Directors.

Outlook

Despite the prevailing global geopolitical tensions, I am confident that AFC is well positioned to further drive Africa's infrastructure and industrial development. With our intense African purpose and focus, our ability to bring projects to bankability, thus creating a pipeline of projects, our established access to capital markets, and our supportive shareholders and stakeholders, AFC is becoming an increasingly major player in facilitating pan-African commercial and economic development. At AFC, we remain steadfastly determined to have sustainability and maximum impact at the core of our decision-making as we progressively address Africa's infrastructure deficit. Having surpassed over US$10 billion in total assets – a year ahead of target - we are firmly established as a leading investment grade Africa-focused multilateral financial institution.

3 President & CEO's Statement

Mr. Samaila Zubairu
President & Chief Executive Officer, Africa Finance Corporation

Dear Shareholders,

I am pleased to report that the Africa Finance Corporation performed strongly during 2022. This was achieved despite the turbulent geopolitical tensions and challenging global and African economic conditions, occasioned by the Russia-Ukraine conflict, as well as rising inflation and interest rates, amongst other issues. AFC's strategic focus, robust resilience and pragmatic execution focused mindset enabled us to successfully navigate the challenges and grasp the opportunities.

I applaud all AFC's employees for their commitment and hard work throughout the year which was instrumental in delivering both Africa's infrastructure agenda and the Corporation's impressive results.

Amidst a complex and rapidly changing global landscape, AFC remains focused on accelerating structural transformation and industrialisation that will create jobs and usher in Africa's era of prosperity. Historically, structural change has been the force behind countries sustained economic growth, driving large-scale job creation and productivity growth. Industrialisation - the rapid transformation towards a greater share of manufacturing and value addition - is key for structural transformation and therefore, economic growth and development. The Corporation's infrastructure investments have the ultimate objective of driving Africa's industrialisation, which we believe offers the most viable path for Africa's economic development and progress.

Buffeted by a series of major crises, the world is in urgent need of alternatives to its current supply chain architecture. Greater supply chain diversification will respond to climate threats by locating production closer to the raw material sources, which will reduce CO_2 emissions from shipping and from processing Africa's raw materials in China . Furthermore, global companies and countries are increasingly focused on reducing their single-source dependencies and excess concentration on a region or supplier.

A 2021 study by the World Bank found that participation rates of African countries in global value chains is over 40%, which is comparable to South Asian economies such as Bangladesh, Cambodia, Indonesia and Vietnam.

This indicates that a significant share of the region's trade occurs along value chains, particularly for Africa's oil, minerals and metals exporting countries. Nevertheless, and contrary to the same benchmark group of South Asian economies, Africa's participation in global value chains is dominated by exports of primary products rather than imports of intermediate goods for further upgrading and export. Hence the challenge is to fundamentally shift these dynamics.

Africa has a unique opportunity to position itself as the new manufacturing hub for the world, which would also serve to deepen the continent's value capture of its abundant commodity resources.

[1] China's manufacturing sector – an energy intensive sector – is the largest source of greenhouse gases globally and contributed 12.23% of the 33 billion tons of global energy-related carbon dioxide emissions in 2019. For context, the second-largest CO2 emitter was the United States (14% of total emissions), followed by India (7.1%).


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African Operating Landscape in 2022 and 2023 Outlook

African economies faced several challenges in 2022. After the region's strong real GDP growth rebound to 7% in 2021, economic growth decelerated to an estimated 4% in 2022, amidst the uncertain external environment.

Real GDP growth also varied between regions, with, for example, the West and Central Africa sub-region growing by 4%, while the East and Southern Africa region registered 7.7% and 3% growth respectively. The North African region experienced an economic contraction, with a real GDP decline of 2.2%.

Four key factors drove the abrupt interruption in Africa's growth recovery: the Russia-Ukraine war, rising inflation, weaker growth in China and tightening global financial conditions.

The Russia-Ukraine War

Russia's invasion of Ukraine occurred against a backdrop of global supply chain disruptions triggered by the COVID-19 pandemic, triggering major disruptions in global food, fertiliser and energy markets, while also stoking an increase in inflationary pressures globally.

- Russia and Ukraine are critical for global agricultural and energy markets. Together, they have accounted for 10% and 3% respectively of global wheat production on average over the past five years. Russia and Ukraine are the first and fifth largest wheat exporters, accounting for 20% and 10% of global exports respectively. Both countries play a critical role in supplying wheat to global markets, including to the Middle East and the North Africa region, where wheat is the main staple food. Globally, Russia and Ukraine account for 5% of maize production, 20% of barley production and 50% of sunflower seed production.
- Russia also plays an important role in the global energy and fertiliser markets. It is the world's top natural gas exporter, second-largest oil exporter and the third largest coal exporter - accounting for 20%, 11% and 15% of global exports respectively in 2019. Russia is also the world's top exporter of nitrogen fertilisers, and the second and third leading supplier of potassic and phosphorous fertilisers (FAO), respectively, accounting for over 15% of global fertiliser exports in 2020 (UNCTAD).
- Pre-crisis, several African countries received over half their wheat imports from Russia and Ukraine, leaving them highly exposed to the supply disruptions caused by the war in

Rising Inflation

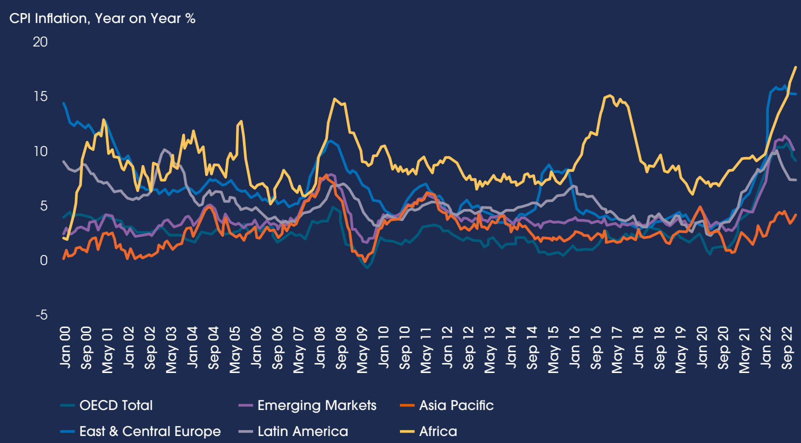
Since the start of the pandemic, external developments have shaped the path of inflation across much of the African region, including global supply chain disruptions, the sharp increase in commodity prices and exchange rate movements.

In fact, rising inflation was already a problem across Africa even before the Russia-Ukraine war

That said, as elsewhere in the world, the war has pushed domestic prices even higher across Africa, with the impact significantly larger because inflation was already higher, coupled with food and energy accounting for a disproportionately high share of the consumer food basket. Rising prices of food, energy and tradable (especially imported) goods form the bulk of price increases in many African countries. With food and energy accounting for 50-70% of household consumption baskets across Africa, living costs have spiralled unsustainably. Weighted average inflation for African countries accelerated to 17.6% year-on-year in January 2023, the highest for more than two decades. Furthermore, Africa is the only region in the world where inflation is not yet moderating.

Twelve African countries experienced double digit inflation - or triple digit in the case of Sudan – in 2022: Sudan (245.1%); Zimbabwe (86.7%); Ethiopia (34.5%); Angola (23.8%); Sierra Leone (17.3%); Ghana (16.3%); Nigeria (16.1%); South Sudan (16%); Zambia (15.7%); São Tomé and Principe (14.5%); Guinea (12.7%); and Malawi (10.7%). High inflation disproportionately affects the poor and vulnerable as they spend a greater proportion of their income on food, which increases poverty, food insecurity, hunger and malnutrition.

Figure 3: Africa's Inflation rates are high even by global standards



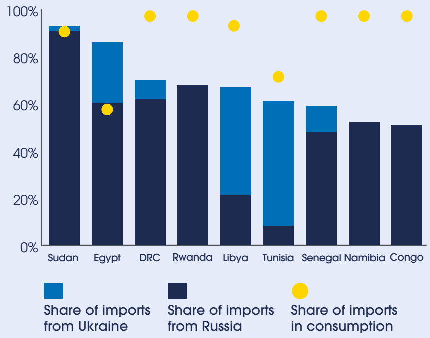
Source(s): Haver Analytics, AFC Research

Ukraine. Sudan had one of the highest exposures of any African country, with over 90% of total wheat imports coming from Russia and Ukraine, and 90% of domestic wheat consumption reliant on imports, followed by Egypt, the Democratic Republic of Congo, Rwanda, Libya, Tunisia, Senegal, Namibia and the Republic of Congo (Figure 1). Most of these countries have no domestic wheat production of their own and are therefore entirely reliant on imported wheat.

- As an indication of the extent of the food price shock arising from the war in Ukraine, the FAO Food Price Index (FFPI) which measures the monthly change in international prices of a basket of food commodities rose to its highest level on record since 1990, peaking at 159.7 points in March 2022. The FFPI has since retreated but remains near to record highs (Figure 2). Vulnerable populations in many African countries, who spend a large proportion of their income on food, are particularly vulnerable to these price hikes.

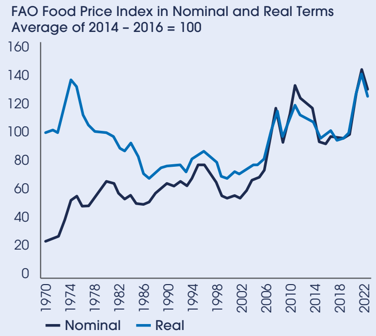
As a result, Africa, which was already the region of the world with the most under-nourished populations, is experiencing an increase in the prevalence of food insecurity. The IMF estimated that 12% of the region's population will face acute food insecurity by the end of 2022.

Figure 1: Several African countries have a high dependence on wheat imports from Russia and Ukraine



Source: UN Comtrade

Figure 2: Global food prices have risen to a record high.



Source: FAO
Notes: The FAO Food Price Index (FFP)is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of five commodity group price indices weighted by the average export shares of each of the groups over 2014-2016

With the urgent need to tackle rising inflation across Africa, many central banks maintained a tightening stance on monetary policy and, with others, also raised interest rates to stem capital outflows and local currency depreciation pressures stemming from tighter monetary policy in advanced economies. Looking ahead, central banks will need to balance further rate hikes with the impacts of higher borrowing costs on spending, investment and economic growth. In some countries, such as Nigeria, Egypt and Ghana, nominal interest rates are already at very high levels even as inflationary pressures continue unabated.

Food security is worsening due to the Ukraine conflict-induced grain and energy price inflation, an increase in weather/climate shocks and, in places, violence disrupting food supply chains. There are solutions for Africa which could and should be a net exporter of food, but it requires massive investment. The continent has about 60% of the world's uncultivated arable land and the preponderance of subsistence farmers across sub-Saharan Africa overtly illustrates the need for increasing productivity and efficiencies through investments in fertilisers, irrigation, mechanisation, agtech, storage, transport and co-operative marketing and sales, with the latter perhaps leveraging upon export trading companies. There are also significant opportunities to expand Africa's agro-processing sector.

Weaker than expected 2022 China Growth

For Africa's export-dependent economies, the effects of a slowing global economy in 2022 were amplified by weakening Chinese demand.

China's growth slowdown dampened demand for industrial commodities, with prices declining for industrial metals such as iron ore, copper, aluminium, tin, nickel and zinc. Overall, the S&P Industrial Metals Index declined by more than 40% from its peak in March to its July trough in 2022. Most adversely affected were Africa's metal producing countries, e.g. Zambia, Namibia and South Africa, which experienced a decline in metals export values.

Tighter Global Financial Conditions

Against a backdrop of rising interest rates globally and sharply tightening financial conditions, African sovereigns and other issuers faced a sharp increase in external borrowing costs.

Even as higher rated issuers avoided the Eurobond market, lower-rated African sovereigns with large external financing needs found they were unable to tap global capital markets for the financing they have been accustomed to since 2012.

Crucially, capital outflows and the stronger US dollar weakened African currencies significantly. This exacerbated a debt affordability picture that had been steadily deteriorating amidst fiscal and liquidity difficulties for a number of sovereigns, plunging some countries into debt distress. Sovereign debt had increased sharply through the COVID-19 pandemic as governments' expenditure increased while tax receipts reduced. Fitch Rated sub-Saharan African sovereign debt service repayments (excluding South Africa, Zambia and Ghana) were US$21.4 billion in 2022 and are expected to be US$22.3 billion in 2023. As at the end of January 2023, the Republic of Congo, Malawi, Mozambique, São Tomé and Principe, Somalia, Sudan, Zambia and Zimbabwe were in debt distress, while a further 13 African countries were deemed to be at high risk of becoming so. This does not bode well for governmental spend on infrastructure.

Since the COVID-19 pandemic Zambia and Ghana have defaulted on their external debt obligations. Several more African sovereigns - Nigeria, Cameroon, Côte d'Ivoire, Gabon and Rwanda - face elevated rollover risks with Eurobond maturities during 2023 at a time of prevailing high interest rates.

Reflecting these fiscal and external pressures facing African sovereign credit profiles, sovereign credit worthiness has come under significant pressure, and the outlook is negative. Over the past year, credit ratings and/or rating outlooks have been downgraded for the largest African sovereigns: Egypt, Ethiopia, Kenya, Nigeria, Rwanda, Tunisia and South Africa. All indications are that downward pressure on credit profiles and ratings will continue during 2023.

Looking ahead, the African region is expected to maintain its growth momentum in 2023, with the majority of countries projected to have positive growth. But risks abound, as external pressures weigh on reserves and policy buffers. Public debt levels have risen to record highs, and weaker currencies versus the US dollar are adding to debt servicing costs. Against a backdrop of limited growth globally and sharply tighter and high inflationary global financial conditions, African economies face a turbulent 2023. But trajectories will differ fundamentally depending on the following key factors:

- Gross financing needs: do countries have the intrinsic buffers (i.e. reserves and domestic revenue generating capacity) needed to weather a challenging external financing environment where the cost of borrowing is prohibitively high.
- Macro imbalances and public sector balance sheets: In 2022, we saw financial markets punish countries deemed risky on the basis of their fundamentals, e.g. Ghana and Zambia.
- Commodity prices: the outlook is particularly challenging for net-oil importers who face the double whammy of volatile oil prices and the aftershocks from tighter global financial conditions.

For Africa, the good news is that on average, economic growth is projected to remain in positive territory, meaning that the region could recover its pre-COVID trend by 2024. Equally positive is per capita income growth, which had decelerated steadily during the pre–COVID period but rebounded in 2021-22 and is expected to remain reasonably strong. The bad news is that rising and persistent inflationary pressures will act as a drag on growth by squeezing consumer income and spending in the period ahead, which over time will reduce real incomes and consumer wealth.

It is pleasing to note that 20 African economies - accounting for 32% of the continent's gross domestic product - are projected to post annual growth rates in excess of 5% in 2022. Apart from Libya, whose economy is rebounding strongly (+17.9% real GDP growth forecast for 2023) following a deep contraction in 2022, these economies are continuing a strong growth trend from 2022. The other top ten African performers for real GDP growth forecast for 2023 are: Senegal (8.1%), Niger (7.3%), DR Congo (6.7%), Rwanda (6.7%), Côte d'Ivoire (6.5%), Benin (6.2%), Togo (6.2%), The Gambia (6%) and Uganda (5.9%). Africa's largest three economies, South Africa, Nigeria and Egypt, accounted for about 47% of 2021 continental GDP, and are expected to post weak to modest growth rates of 1.1%, 3% and 4.4% respectively in 2023.

Corporate Strategy

2022 was the penultimate year of the Corporation's existing five-year corporate strategy (covering 2018 – 2023). A key anchoring objective for the 2018-23 strategy was to scale up AFC's development impact across Africa through investments in transformational infrastructure projects, thereby increasing the size and geographical distribution of our balance sheet. Thus, in 2018, we set out to more than double the Corporation's total assets from US$4.5 billion to US$10 billion, improve our Return on Equity (ROE) from circa 7% to over 12% and to broaden our investment footprint on the continent in terms of geography and sector concentration, all within the five-year period.

I am pleased to report that we have met and, in some cases, exceeded our targets on all of these pillars, well ahead of our end-2023 date for achieving the strategy's objectives. We have increased total assets to US$10.5 billion, grown our membership to 40 countries, with Ethiopia having become a member state post year-end, our investment base to 36 countries and broadened our sector coverage in the process. These achievements have been delivered despite significant headwinds from events such as the US–China Trade War, the COVID-19 pandemic, the Russia-Ukraine conflict, and multiple external economic and commodity price shocks.

We have begun work on a successor strategy which will shape our approach to investing on the continent for the next decade. Our new strategy will be developed against the backdrop of a fast-changing operating landscape which has been impacted by many factors, most especially the crystallisation of climate-related risks and a tectonic shift in the existing global geopolitical structure. These changes pose great risks for our continent but also hold great opportunities for Africa to be more instrumental on a global stage if harnessed properly.

> Total assets grew by 23% from US$8.6 billion to US$10.5 billion, realising the Corporation's 2018 five-year growth target one year early.

With this in mind, our strategy for the next 10 years is anchored on our belief that Africa holds the solutions to the world's greatest challenges: from climate change and the global energy transition, supply chain diversification and security, as well as food and energy security. Therefore, the following key pillars will be instrumental in our ambition to activate Africa`s solutions to the world's challenges, whilst creating and preserving value and prosperity at home: (i) Mobilising African capital towards solving Africa's challenges; (ii) Closing the crippling energy deficit on the continent in the most responsible and efficient manner which factors in the continent's development aspirations and resources; (iii) Ensuring optimal value addition for the continent's vast resources; and (iv) Building resilience in the continent's existing and future infrastructure.

Financial Performance

The Corporation recorded a strong financial performance in 2022.

- Total comprehensive income closed the year at US$285.3 million, up by 52% from US$188.2 million in 2021. Total assets grew by 23% from US$8.6 billion to US$10.5 billion, realising the Corporation's 2018 five-year growth target one year early. Key prudential ratios closed the year as follows: Return on Equity at 12.1%, up from 9.7% in 2021; Capital Adequacy Ratio at 31.5%, up from 30% in 2021 excluding the Tier II capital borrowings; Cost-to-Income Ratio at 22.5%, down from 22.7% in 2021; and the leverage ratio at 2.8x, unchanged from 2021. As at 31 December 2022, the Corporation recorded Liquidity Coverage Ratios of 202% and 157% under normal circumstances and stress scenario respectively.
- This strong financial performance reflected tactical balance sheet positioning going into the current rising yield environment which led to an increase in the net interest margin. Net Interest Income (NII) was up by 48.5% from 2021 and ahead of the budget by 1.8% on a straight-line basis, reflecting a higher yield on interest-earning assets (7.4% compared to 5.9% recorded in 2021). This exceeded the increase in funding costs, as rising global interest rates affected both sides of the balance sheet. Interest income for the period grew by 39% for the 2022 financial year, while interest expense grew by 26.8%.
- In addition, key strategic transactions, helped to drive robust 50.4% growth in income from fees and commissions, from project development transactions such as West African Energy and FG Gold Ltd and innovative structuring products such as the guarantee on the Bank of Industry transaction.

What AFC is Doing - Key Highlights

Investments

AFC's investment footprint spans 36 countries across Africa and a pipeline of projects that blend positive social and environmental impact with superior risk-adjusted returns

The Corporation's A3 investment-grade rating from Moody's enables beneficial access to global capital markets and underscores the confidence of Africa's decision makers in AFC's role as a key institution for sustainable economic development.

In Senegal, AFC played a leading role in financing the turnaround and capacity upgrade of Senegal's only petroleum refinery, which is owned and operated by Société Africaine de Raffinage (SAR). This transaction will unlock a 25% increase in production capacity for the refinery complex and increase operational efficiency through the implementation of an extensive turnaround maintenance programme. AFC acted as a mandated lead arranger on a total financing package of €650 million, mainly comprising a debt financing facility as part of SAR's successful long-term restructuring and capacity upgrade plan. Further funding from AFC is going into the construction of the 300-MW Cap des Biches project, which will not only become Senegal's first combined cycle project but also its largest single power plant. The dual fuel (natural gas and naphtha), combined cycle power project will increase Senegal's overall power capacity by a third while paving the way for local ownership of key infrastructure assets in the county. By replacing Senegal's current reliance on heavy fuel oil for electricity generation, the project will reduce CO_2 emissions by close to 1,000 tons per annum as well as lowering generation costs, in turn reducing the already high end-user tariffs.

AFC is also a lead investor in Côte d'Ivoire's Integrated Industrial Platform (IIP), an industrial platform focused on agro-processing - notably cocoa, cotton and cashew - partnering with ARISE Integrated Industrial Platform (IIP), an investee company of AFC, and the Ivoirian government. This project is part of the continued expansion of ARISE IIP, which seeks to develop an end-to-end value chain around a particular country's natural resource and is an expression of AFC's ambition to enable value addition and structural transformation across the African continent.

The Corporation became a co-developer and early-stage investor in Nyanza Light Metals' 80,000 tpa titanium dioxide pigment (TiO2) plant in South Africa. South Africa is the world's second largest producer of titanium ores but imports almost all its value-added titanium products. This transformational project will be the first of its kind in South Africa and in the African continent producing titanium dioxide pigment for international and South African manufacturers of products including paints, plastics, pharmaceuticals and building materials. AFC's investment in this project derisks the opportunity and is in turn expected to facilitate follow on investments of up to US$550 million. In addition to its role as a co-developer, AFC is also a co-Mandated Lead Arranger alongside the African Export-Import Bank which is co-funding the project.

In July, AFC and Egypt's Infinity Group, a leading renewable energy company, agreed to acquire 100% of Lekela Power, which is Africa's largest renewables-focused independent power producer. This deal, which was subsequently finalised in March 2023, will make Infinity Group the largest renewable energy company on the continent. The acquisition includes Lekela Power's portfolio of operational wind power projects, which have a combined installed capacity of over 1 gigawatt (GW), mainly located in South Africa, Egypt and Senegal. It also includes Lekela's 1.8 GW pipeline of greenfield projects, the majority of which are anticipated to reach financial close in the near future. The plan is to more than double the capacity of the operating assets in the next four years.

I strongly believe that deepening our global partnerships and collaboration with like-minded investors and governments will have an exponential impact on our ability to execute on AFC's mandate, while adding significant value to our projects across the African continent. To this end, AFC signed a collaboration agreement with AD Ports Group in December, which is a leading global facilitator of trade, logistics and industry. This provides the basis to join forces on identifying, financing, developing and investing in much-needed ports, warehouses, maritime and logistics infrastructure projects across Africa. Both parties will bring their technical expertise and strong financial capacity and networks to a range of development initiatives, focusing on brownfield and greenfield opportunities.

In May, as a response to the economic challenges created by the global pandemic and the Russia-Ukraine conflict, AFC launched a US$2 billion facility to support recovery and resilience in Africa. We have committed to funding up to 50% of the new African Economic Resilience Facility and mobilising the remainder through our network of international partners and investors. This facility will be disbursed through loans from AFC to selected commercial banks, regional development banks and central banks in various African countries, providing them with much needed hard currency liquidity to finance trade and other economic activities in their jurisdictions. These institutions will be able to leverage upon AFC's proven access to global funding to receive financing at competitive rates.

€650m

AFC was mandated lead arranger for Société Africaine de Raffinage total financing package of €650 million

Funding

Our ability to tap global financial markets continues unabated, demonstrating investor confidence in AFC's strong credit risk profile and broadening global appeal.

We agreed a debut €100 million loan from Cassa Depositi e Prestiti SpA, the Italian development finance institution, to facilitate investments in renewable power, energy efficient projects and climate-resilient infrastructure, with the aim of combatting and adapting to global warming, as well as catalysing industrialisation, creating jobs and reducing poverty.

In the Asian capital markets, we successfully closed a US$160 million three-year Kimchi Term Loan Facility, with Mizuho Bank Ltd and Shinhan Bank as Bookrunners and Mandate Lead Arrangers. We also successfully closed a five-year US$100 million loan facility from the Korea Development Bank and a US$389 three-year Samurai dual currency loan facility (US$382 million and JPY ¥1 billion) with Mizuho Bank Ltd, for which MUFG Bank Ltd and Sumitomo Mitsui Banking Corporation acted as Mandated Lead Arrangers and Bookrunners; other participating financial institutions included Bank of Yokohama, Norinchukin Bank, Shiga Bank and Gunma Bank.

AFC raised US$400 million in a new syndicated loan to support the post-pandemic recovery through the critical development of infrastructure. The three-year facility – the first from AFC since 2018 – was increased from its initial target of US$300 million as strong interest from investors led to the offering being 2.5 times oversubscribed. The proceeds will facilitate upcoming infrastructure projects that address the continent's developmental challenges.

On 27 February 2023, Moody's announced a rating action to AFC's (A3 Stable) rating – changing the outlook to negative from stable and affirming AFC's long-term issuer and senior unsecured ratings at A3, as well as AFC's short-term issuer rating at P-2. The negative outlook reflects Moody's assessment of the declining credit quality of AFC's operating environment reflected in recent ratings downgrades of key economies which account for a sizable share of AFC's development assets: Nigeria (Caa1 stable) and to a lesser extent in Ghana (Ca stable), in addition to Gabon (Caa1 stable). AFC has in place a number of mitigants to protect the Corporation's asset quality, despite the deteriorating operating environment, which have been tried and tested during previous crises. Nevertheless, we are also focused on the diversification of AFC's shareholder base with a pipeline of higher-rated potential shareholders, which will raise the average rating of AFC's equity capital and help cure the negative outlook.

New and existing shareholders subscribe US$248 million

During 2022, AFC secured US$248 million in capital injections from a range of African equity investors. We welcomed four African sovereigns as new shareholder.s

The equity investment of African sovereign shareholders is of particular significance as it not only signals a firm commitment to AFC's mandate, but also a conviction in AFC as a key part of the solution to Africa's development.

We were also encouraged by the equity injections of new pension fund shareholders, which are a welcome step in channeling Africa's multi-billion-dollar pool of treasury, retirement and insurance assets to help address the continent's infrastructure and industrial development needs.

In particular:

- The government of Egypt made a US$95 million equity investment.
- The government of Sierra Leone invested US$10 million.
- The Democratic Republic of Congo (DRC) invested US$5 million.
- AFC also received a US$25 million equity investment from the government of Mauritius, via the National Pension Fund (NPF) and National Savings Fund (NSF).
- In a significant milestone for African pension capital being deployed for domestic infrastructure and industrial development, the Public Investment Corporation, Africa's largest asset manager, announced its inaugural US$100 million equity investment in AFC.
- Additionally, two existing shareholders, Africa Reinsurance Corporation (AfricaRe) and the United Bank for Africa (UBA), invested a further US$3 million and US$10 million, respectively.

AFC now has 37 equity investors.

> In a significant milestone for African pension capital being deployed for domestic infrastructure and industrial development, the Public Investment Corporation, Africa's largest asset manager, announced its inaugural US$100 million equity investment in AFC.

AFC now has

37

equity investors

Forces Shaping AFC's Investment & Funding Outlook

The Need for African Capital to Work for Africa

While Foreign Direct Investment (FDI) remains a vital driver for Africa's industrialisation, diversification, and infrastructure development, it is imperative to mobilise African capital to the same purpose – working for Africa and to Africa's priorities, which also include facilitating intra- and extra-African trade, exports, import substitution, beneficiation, economic growth, employment creation, upskilling and, of course, world-class infrastructure.

In respect of infrastructure, the massive scale of Africa's investment needs coupled with the shifting external environment and unpredictable global capital markets, mean that Africa will need to solicit capital investments from every possible source, including inward, to finance its next phase of infrastructure development. Activating local funding has many advantages, not least because local currency financing of infrastructure projects can avoid the arising currency risk when a project generates revenues in the domestic currency but has foreign currency-denominated debt service requirements.

It has been estimated that:

- African banks had assets of US$2.9 trillion at the end of 2021.
- African pension funds collectively manage US$700 billion of assets in sub-Saharan Africa alone. Yet pension assets remain heavily invested in government bonds and listed equities, contributing little to long-term funding for the real economy and economic growth, as well as delivering potentially lower investment returns. Based on a sample of 33 African pension funds (excluding South Africa), a 2017 Brookings Institution study estimated that African pension funds could potentially invest about US$11.7 billion annually in infrastructure projects. For African infrastructure to attract pension fund investments it would require several barriers to be overcome which include:
  - Regulatory framework: currently there are restrictions across the continent on pension funds' liquidity as well as limits on how much they can invest in assets such as infrastructure projects; and
  - Pension funds need access to appropriate infrastructure investment vehicles.
- African Sovereign Wealth Funds have a combined wealth of US$100 billion.
- Africa's insurance industry is valued at about US$68 billion in terms of gross written premium (GWP) and is the eighth largest in the world, although this is not evenly distributed across the continent.

Clearly asset class diversification and investment term duration will be major determinants for these organisations in assessing the proportion of their assets that could or should be attracted/invested into African infrastructure projects.

The attractions of infrastructure as an asset class will vary according to its type, but as a generalisation could include the following for long-term institutional investors:

- Long life asset - the lifespan of the underlying asset typically has a long duration and may operate or provide infrastructure services for over 30 years.
- Lower volatility than broader equity markets - historically, infrastructure returns have proven to be less volatile than many other traditional asset classes in terms of reported returns, thereby offering the potential to deliver diversification benefits at the portfolio level.
- Monopolistic assets - many infrastructure assets have high barriers to entry as the large capital requirements, illiquidity and strict regulations make it difficult for competitors to enter the market.
- Asset/liability duration-matching - the long-term nature of infrastructure investments can prove to be a good match for investors who have long-term liabilities, thereby reducing reinvestment risk.
- Current income - infrastructure assets, specifically operational assets, can generate relatively attractive levels of current income compared to other asset classes.
- Inelastic demand - many infrastructure assets provide essential services that tend to be resistant to economic downturns due to inelastic user demand.
- Predictable revenue and inflation protection - the contractual nature of the revenues of many infrastructure assets is attractive, especially when combined with the ability to pass on higher costs, due to inflation adjustment clauses in the pricing mechanism of many infrastructure projects, thereby providing a return that grows in line with inflation. This is an attractive feature for institutions that require real returns.
- Historically low default rates - the cumulative default rates on infrastructure investments tend to flatten out over the first ten years of a project and are consistent with investment grade corporate bonds.
- Socially responsible investments - these may provide opportunities to enhance the investor's reputation in responsible investing.

There is also scope to attract the African diaspora to invest in infrastructure bonds.

Responding to Continental Challenges – AFC as a resilient and reliable partner

The African continent faces many challenges and opportunities, but it also has a unique set of factors in its favour that, if grasped, have the potential to deliver spectacular commercial and economic growth.

These include the newly created single market's acceleration of intra-African trade; young demographics and forecast population growth and the resultant spur to both workforce and consumer demand; immense and attractive industrialisation, diversification, beneficiation and infrastructure investment opportunities; receptive energy supply opportunities to Europe; agricultural, technology, renewable energy and electric vehicle battery mineral opportunities, and so much more.

African countries face many challenges including cyclical macroeconomic threats from high inflation, rising interest rates and elevated sovereign debt levels; a high vulnerability to the impacts of climate change; and a low level of development, reflected in high poverty rates, food and health insecurity; a shortage of the millions of jobs needed for Africa's growing population; and the large infrastructure deficit.

Against this backdrop, AFC - and our Africa purpose - stands as a resilient and reliable partner to a prosperous African future, turning infrastructure into an instrument for change:

- We consistently deliver fast and sustainable solutions to close the infrastructure gap and unleash Africa's prosperity.
- We play a developmental role in unlocking the potential of Africa's key sectors by finding solutions to the challenges of infrastructure investing. both real and perceived.
- We advance the economic growth and industrialisation of the continent, helping to transform lives.
- We develop and invest in commercially viable infrastructure projects that will deliver meaningful development impact.
- We elevate Africa's instrumental role as an engine of growth in a changing world as a supplier of beneficiated resources, goods and services; as the primary source of metals and minerals for the global energy transition; while leveraging upon the benefit of being the continent with the largest and youngest workforce and consumer class.

Outlook

I am confident that AFC is well-positioned to continue playing a key role in delivering on our African-wide development mandate and helping to close the continent's infrastructure gap. I extend my heartfelt gratitude to our shareholders, Member States, colleagues, investors, clients, strategic partners, and other stakeholders for their continued support to AFC during 2022

> AFC - and our Africa purpose - stands as a resilient and reliable partner to a prosperous African future, turning infrastructure into an instrument for change.

Our Key Strengths

Our solutions-driven culture enables us to deliver on our promise to be the reliable and resilient bridge to a prosperous African future:

We are Purpose-Driven

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

We are Innovative

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

We are Collaborative

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

We are Entrepreneurial

Our concept-to-execution view of projects underlines our enhanced entrepreneurial mindset. We always aim to participate through the entire project life cycle, from concept inception and design to construction and operation.

We are Exponential

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

4 Governance

The Governance report explains who we are as an organisation, our leadership, governance controls and the core areas of focus in 2022.

Who We Are

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

Over the last 16 years, we have actively acted as an investor, lead developer and financier of various strategic infrastructure projects across Africa, using a range of sophisticated tailor-made product offerings including debt, equity and mezzanine instruments within the project finance, trade and structured finance and equity investment space.

In addition, we offer our valued clients and stakeholders, financial advisory, project development and technical advisory services across our core focus sectors namely: Power with a renewed focus on renewable and climate resilient power projects; Natural Resources (oil, gas and mining); Transport; Heavy Industries; Telecommunications; and Technology.

In furtherance of our mandate, AFC continues to act as a strategic catalyst to create and foster conditions that are conducive to the greater inflow of investment funds into the African continent for increased infrastructure development and export-oriented industrialisation. In the 16 years of our existence, the Corporation has gained recognition as the benchmark institution for financing the development of Infrastructure projects in Africa. As at 31 December 2022, the Corporation has invested US$10.5 billion in various projects across 36 African countries.

AFC Equity Investments Limited (AFC Equity) is a wholly owned subsidiary of AFC, which was established in Mauritius in 2013 as an investment vehicle for the purpose of holding AFC's equity investments.

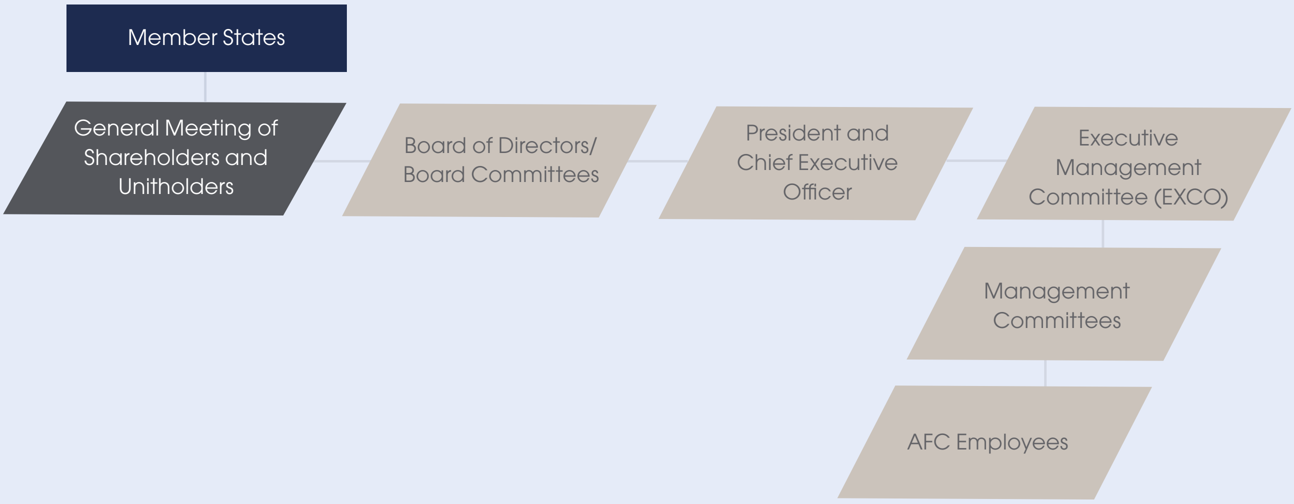
AFC Capital Partners (ACP) is the wholly owned asset management subsidiary of AFC, incorporated in Mauritius in 2021 to mobilise and manage third party funds to unlock new sources of capital to fund the African infrastructure investment gap. ACP leverages the scale and breadth of AFC's investment track record to offer institutional investors unique access to attractive, de-risked investment opportunities in climate resilient infrastructure with strong returns.

The board of AFC Equity is responsible for promoting the success of the entity by directing and supervising its affairs in accordance with the policies and objectives approved by AFC and in compliance with applicable laws and regulations in Mauritius.

In executing their mandates, AFC, ACP and AFC Equity (collectively, the Group) operate within a corporate governance structure developed on high standards and in line with international best practice. The Group's governance culture is pivotal in driving performance and ensuring ethical conduct in all the affairs of the Group. Hence corporate governance is a crucial enabler and the foundation of the successes achieved by the Group to date. We continue to be increasingly conscious that strengthening and enhancing good governance practices on an ongoing basis in the way we do business, results in sustainability and good performance over the longer term.

Corporate and Governance Structure of AFC

AFC has a strong governance structure in place, which is comprised of AFC's Member States, Shareholders, Board of Directors, Board Committees, Executive Management, Management Committees and Employees.



The Corporation was established in 2007 pursuant to the Agreement for the Establishment of Africa Finance Corporation (the "AFC Establishment Agreement"), which was entered into between two African states. As at the date of this Report, 40 African states have signed or acceded to the AFC Establishment Agreement (the "Member States"). The AFC Establishment Agreement sets forth, amongst other things, the Corporation's purpose and functions, legal status, scope of membership and the operations in which it may engage, and confers certain immunities, exemptions, privileges, facilities and concessions on the Corporation. The AFC Establishment Agreement has the status of a treaty under public international law, and the Corporation is a creation of, and subject to, international law. The Corporation's existence, powers, privileges, immunities, liabilities and operations are subject to, and governed by, the AFC Establishment Agreement. Being a supranational, the Corporation is not subject to domestic laws or regulation by any Member State. In this respect, under Article 14 of the Establishment Agreement, the Corporation enjoys freedom from restrictions, regulations, supervision or controls, moratoria and other legislative, executive, administrative, fiscal and monetary restrictions of any nature in the Member States.

The AFC Charter is operative among the shareholders (Shareholders) of the Corporation. The AFC Charter provides guidelines for the governance and management of the Corporation and defines the roles of the Shareholders, Board of Directors and Executive Management.

The Corporation is headquartered in Lagos, Nigeria, by virtue of a Host Country Agreement entered into with the Federal Republic of Nigeria. The Establishment Agreement accords the Corporation several privileges, immunities and exemptions, and the Host Country Agreement facilitates such privileges, immunities and exemptions, providing further details in connection with the Corporation's physical presence in Nigeria.

Although the Corporation is not regulated by any monetary and/or financial authority, the Corporation seeks to ensure that its corporate governance standards conform to best practices for multilateral development institutions.

The AFC Establishment Agreement and the AFC Charter provide the basis for the corporate governance ecosystem of the Corporation.

AFC's Member States

As at 31 December 2022 we have 40 Member States as follows:

Angola
Benin
Burkina Faso
Botswana
Cameroon
Cape Verde
Chad
Côte d'Ivoire
Congo
Democratic Republic of Congo
Djibouti
Egypt
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea-Bissau
Guinea
Kenya
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Morocco
Nigeria
Niger
Namibia
Rwanda
Sierra Leone
Senegal
South Sudan
Somalia
Togo
Tunisia
Uganda
Zimbabwe
Zambia.

In 2022, our Membership increased with the joining of six additional African countries: Tunisia, Angola, South Sudan, Cameroon, Botswana and Somalia. Post year-end, Ethiopia became our 40th Member State.

African Member States.
An increase of 6 Members since 2021

40

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

Shareholders

AFC's current authorised share capital is US$2.0 billion with paid-in capital of US$1.2 billion. As at 31 December 2022 total shareholder funds were US$2.69 billion.

AFC has 38 Shareholders, comprised mainly of some Member States, major financial institutions and development financial institutions. As part of our drive to diversify our shareholder base, the Corporation welcomed new shareholders to AFC. In 2022, the Bank of Sierra Leone, (representing the Government of Sierra Leone), the Government of Mauritius (via the National Pension Fund and the National Savings Fund), the Public Investment Corporation of South Africa (the PIC) and the Arab Republic of Egypt (through its Central Bank), the Ministry of Economic and Finance of the Republic of Benin acquired shares in AFC, thereby increasing and further diversifying the Corporation's shareholder base. With the entry of these new shareholders, we are pleased to report that the impact of AFC is spreading rapidly across the Continent and that more investors and Member States are lending support to the vision and mission of AFC.

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

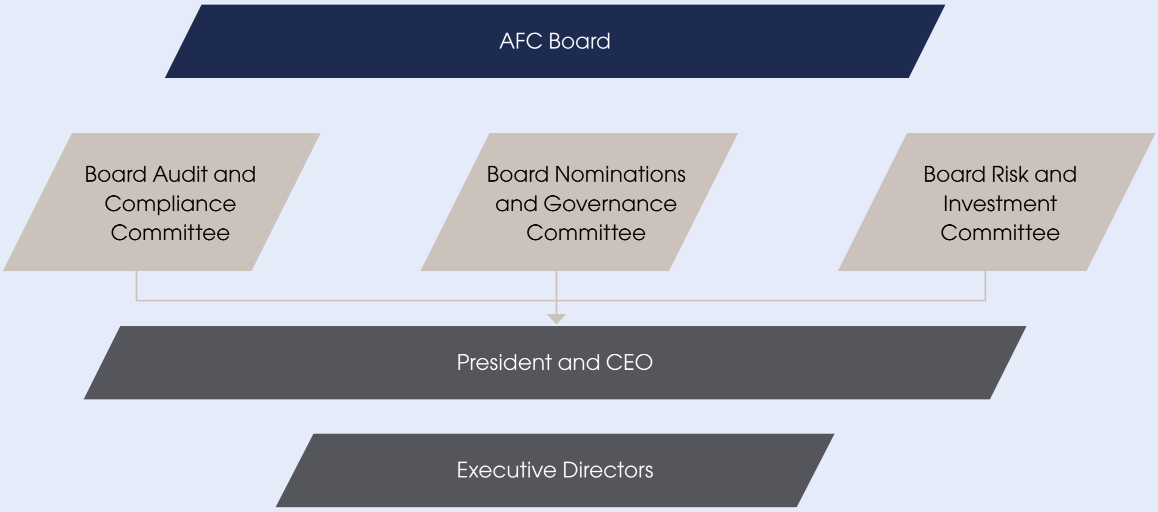
Changes to the AFC Charter

Prior to the amendment of the Charter at the 14th Annual General Meeting on Friday, 1 April 2022 (the 14th AGM), Article 26.5 of the Charter required management to make available to all Shareholders the annual Audited Financial Statements not less than one month before the date of the Annual General Meeting (AGM). At the 14th AGM, Article 26.5 of the Charter was amended to provide for a shorter period from "not less than one month" to "not less than 21 days" before the date of the AGM. We believe that the reduced timeline remains in alignment with general notice periods and provides shareholders with sufficient time to review the Corporation's Annual Report. It also allows the Corporation to have access to the capital markets at the opportune time to raise funds as soon as the Audited Financial Statements are approved by the AGM.

Shareholder and Warrant-holder Returns

The Board has recommended a dividend payment of 6.6315 US cents per share (US$ US$85,581,299 in aggregate) as payment to Shareholders, and a return on share warrants of US$6,980,526 to warrant holders at 6.6315 US cents per share warrant, subject to the approval of the 2023 Annual General Meeting.

Board of Directors



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

The Board is assisted by the three committees it has created: the Board Nominations and Corporate Governance Committee (BNGC), the Board Risk and Investment Committee (BRIC) and the Board Audit and Compliance Committee (BACC).

Board Composition

Under the Charter, AFC's Board must consist of a minimum of eight (8) and a maximum of twenty-one (21) Directors, provided that at least two (2) are independent directors. The Board currently consists of thirteen (13) non–executive directors (Non-Executive Directors) including three (3) independent directors (Independent Directors) and three (3) executive directors (Executive Directors).

The Board meets once every three months, and additionally as often as the business of the Corporation may require, at the headquarters of the Corporation or at any other place specified in the convening notice.

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

Board Director Changes

During 2022, Dr. Adesola Adeduntan, Mr. Ahmad Abdullahi, Mr. Henry Oroh and Mr. Victor Osadolor retired from the Board after meritorious service. The Board and Corporation are ever grateful to them for their valuable contribution to the business of the Corporation. The Corporation welcomed Mr. Bolaji Lawal; Mr. Ini Ebong; Dr. Hassan Mahmud; Mr. Mudassir Amray; Mr. Anthony A. Ogunranti; and Mr. Olumuyiwa Akinyemi to the Board as Non-Executive Directors. The appointments further expand the diversity and complementary experience and skills that are critical to addressing the interests of the Corporation and its stakeholders.

The Board, through its Nominations and Corporate Governance Committee (BNGC), constantly evaluates the balance of skills, knowledge and experience on the Board. In 2022, the Board, on the recommendation of the BNGC, elected Mr. Emeka Emuwa as an Independent Non-Executive Director of the Corporation by co-option. The Board acknowledged Mr. Emuwa's wealth of experience and that he possessed adequate character and judgment to provide the impartiality that is associated with Independent Directors.

Duties of the Board

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

Our Board subscribes to the principles of good governance and remains committed to setting and maintaining superior standards of corporate governance. The Corporation has in place well defined corporate policies, business practices and internal controls to help safeguard the Corporation's interests, whilst pursuing the Corporation's developmental mandate.

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

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

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

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

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

2022 Activities of the Board

In 2022, the Board met every quarter and held intensive strategy sessions to evaluate the Corporation's plans and aspirations, taking into account critical factors such as the impact of COVID-19 pandemic, global economy and climate change.

The Board extensively discussed the "AFC Next Decade Strategy", the Corporation's successor strategy which will guide AFC in executing its mandate on the African continent over the next decade. This strategy will begin in 2024 once the current strategy comes to an end in 2023.

During the year, the Board also embarked on the inspection of an asset invested in by AFC as part of the Board Strategy Session. The Board visited the renewable energy asset – the Benban Solar Park in Aswan Egypt - which forms part of AFC's approved investment in the Lekela power company. The Lekela acquisition includes seven operational wind power projects, which have a combined installed capacity of over 1 gigawatt (GW), mainly located in Egypt, Senegal and South Africa. It also includes Lekela's 1.8 GW pipeline of greenfield projects across the continent.

The Board considered and approved the budget and financing plan for the fiscal year 2023. The Board also considered investment proposals above specified thresholds, on the endorsement and recommendation of the Board Risk and Investment Committee, as well as investment proposals with related parties of the Corporation in accordance with the Corporation's Related Party and Associates Policy. To support the Corporation's Equity Raise Strategy, the Board approved a rights issue to AFC's Shareholders as of 30 September 2022. With this rights issue, shareholders can increase their equity position in the Corporation. The Board also approved the country investment limits and methodology with a view to maintaining the Corporation's positioning for the Next Decade Strategy. This was considered necessary in order to adequately meet the Corporation's mandate of addressing the infrastructure gap in countries with deficiencies and also to manage the risk of investment. Various other corporate policies reviewed and endorsed by the relevant Board Committees were approved by the Board. The Board also assessed the financial performance of the Group. The Board maintained its oversight of the Corporation's processes in order to evaluate the adequacy of internal controls, risk management, financial reporting and compliance.

Board Nominations and Corporate Governance Committee (BNGC)

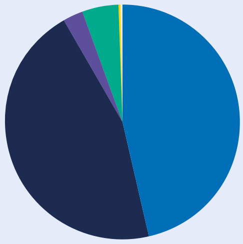
The BNGC considers and reviews policies on the Corporation's governance structure and framework, shareholder matters, country membership of the Corporation, the Corporation's equity raise, human resources matters and the appointment and re-appointment of Non-Executive Directors and Executive Directors.

During the year, the BNGC was made up of nine members and met four times in the year, and sub-committee of the BNGC, set up regarding an in-depth review and implementation of the Board Performance Evaluation report, met on a further three occasions.

During 2022, the Committee amongst other matters, considered:

- And endorsed the six new countries to the Corporation's membership - Tunisia, Angola, South Sudan, Cameroon, Botswana and Somalia – as mentioned above.
- The engagement of the new directors (mentioned above) onto the Board and recommended the same to the Board for approval.
- The inclusion of the new Human Resources Director, Patricia Aderibigbe to AFC's Executive Management Committee. Patricia Aderibigbe replaced Anthony Arabome, the Corporation's Head of Human Resources and Director of Corporate Services who retired from the Corporation in September 2022 after 13 years of service at AFC.
- The equity investment in the Corporation by the Public Investment Corporation of South Africa, The Arab Republic of Egypt, the National Pensions Fund of Mauritius, the National Savings Fund of Mauritius and the Bank of Sierra Leone as new Shareholders. The chart on this page shows the shareholding structure of the Corporation by sector as at 31st December 2023.

AFC Shareholding structure
As of 31 December 2021



Board Risk & Investment Committee (BRIC)

The BRIC reviews and approves the Corporation's investment decisions and risk management framework.

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 and at least eight times a year.

During 2022, the BRIC:

- Approved the 2022 Investment Strategy, which was focused on building upon the execution of the various strategic plans from the 2021 strategy and to prioritise consolidation and development of pipelines. The Corporation expanded the Investment Strategy to include two new initiatives of (a) technology where AFC will play a catalyst role in evolving from physical infrastructure to include digital services and technology; and (b) forestry with AFC aiming to grow its involvement in climate conservation through expanding on the existing activity - forestry, and acquisition of complex ecosystems to offset hydrocarbon emissions of AFC's portfolio and generate carbon credits from forestry concessions.
Other strategic focus areas continue to be beneficiation, product solutions and partnerships.
- Endorsed the Country Investment Limit Methodology, Investment Strategy on the Technology Sector, Financial Institutions Limit Review, AFC Environmental & Social -Grievance Redress Policy, Environmental & Social Environment Risk Management Policy and the Credit Risk Management Policy - Bank Regulatory Supervision.
- Considered 24 investment proposals spanning its five focus sectors.
- Approved the Corporation's inaugural project in the technology sector.
- Approved the first Islamic financing of sovereign trade facilities for some African countries.
- Approved the acquisition of Lekela Power BV, the entity with renewable power assets in a number of African countries.
- Approved the Corporation's various borrowings including the Corporation's inaugural facility from Exim India; the Cassa Depositi e Prestiti financing; a loan facility from KfW – IPEX, a dual currency syndicated Samurai Term Loan facility; the Korea Development Bank facility; the syndicated Kimchi facility; cross-currency swaps as well as various other treasury transactions
- Approved the revisions to the various policies on: Treasury Trading Policy, Liquidity Policy, Contingency Funding, and Hedging and Derivatives. These policies were aligned with market realities, as well as international best practice.;
- Endorsed the strategy of the Corporation's newly incorporated Climate focused asset management company, ACP, focusing primarily on the legal structure of ACP, product offerings, corporate governance, conflicts management and the ongoing fundraising exercise of ACP. ACP forms a core part of the Corporation's five-year strategy, as set out in 2018 to expand its suite of pragmatic and innovative funding solutions by mobilising capital to drive the development of infrastructure that is resilient to the impact of climate change. The ACP's inaugural fund is the Infrastructure Climate Resilient Fund (ICRF), which will act as a direct investor and a co-investment fund to enhance the quality of African ports, roads, bridges, rail, telecommunications, clean energy

and logistics in the face of rising temperatures and sea levels due to climate change. The Fund looks to combine concessional and commercial capital to deliver attractive returns for institutional investors.

- At each meeting of the BRIC, the Committee rigorously reviewed the risk profile of the Corporation's portfolio of assets, while also taking account of the impact of the COVID-19 pandemic and the slowing global economy, monitored the various sector limits and reviewed and approved the Corporation's investment decisions. The Committee also periodically assessed the Corporation's investment strategy and the activities of the newly constituted AFC Capital Partners. All geographic regions in Africa were covered, with investment footprints in several countries across all regions of the African continent.

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

Board Audit & Compliance Committee (BACC)

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

In 2022, in line with its oversight responsibility and compliance monitoring, the BACC met the external auditors to review and approve the External Audit Plan & Strategy, as well as the Audited Financial Statements for the year ending 31 December 2022. The BACC reviewed the Internal Audit reports on the Corporation's operations including the activities of all departments of the Corporation during the year. The BACC also approved the implementation of the 2023 Internal Audit Plan as proposed by the Head of Internal Audit.

The BACC assessed the Corporation's Performance and Business Planning, compliance with prudential requirements including capital adequacy as well as compliance management in line with its compliance function. Certain procurements made by the Corporation above a specified threshold were also approved by the BACC. The Committee considered and made recommendations to the Board on the 2022 external auditor's fees.

The Committee also considered the revision of the AFC Procurement Manual, which has been updated to align the Corporation's procurement guidelines with international procurement standards and the Corporation's enhanced operating strategy. Other policies considered by BACC include the AFC Expense Management Policy, the Information Security Management Systems (ISMS) policies and Information Technology Service Management System (ITSMS) policies.

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

Board and Climate Change

The Board continues to extensively consider the impact of energy emissions on the continent and the attendant effect on the Corporation's mandate and business. Based on the outcome of the discussions from the various strategy sessions held by Board and Management, the Corporation has taken critical steps to continue to move to a new level of leadership in development impact by reducing emissions and achieving better sustainability, in respect of the projects which the Corporation develops and finances. The Corporation will continue to facilitate the development of greener economies with visible landmark projects that provide solutions as well as champion Africa's sustainable development across renewables, energy transition, import substitution and value-accretive beneficiation projects that enhance job creation.

During the year, AFC published a Climate white paper "A Pragmatic Path to Net Zero: Roadmap to Africa's COP" on Africa's perspective of climate change. AFC's work on the climate issue helped to shape the conversation on the role of Africa in the global energy transition. AFC was influential at the UN Climate Change Conference (COP27), where the Corporation engaged in thought leadership sessions on the impact of the energy emissions on the climate, as well as its effect on the African Continent.

Remuneration

The remuneration of the Board was reviewed and approved by the Shareholders at the 2022 Annual General Meeting in line with the Corporation's vision to attract experienced professionals with vast experience across the Corporation's sectors.

Board Performance Evaluation

An evaluation of the performance of the Board is conducted every two years. In 2020 the Board engaged the Sirdar Global Group (SIRDAR) to conduct the performance assessment of Directors, individually and collectively. SIRDAR also assessed the corporate governance practices, procedures and policies of the Board. SIRDAR presented its report in 2021. The results from the evaluation process indicate that Board performance, governance and compliance are in good health, with no major areas of concern. The report was extensively considered at the 2021 Board Strategy Session. The Board constituted a sub-Committee to carry out a deep delve into the implementation of the performance evaluation recommendations from the consultant's report. In 2022, the sub-Committee developed an implementation plan which was approved by the Board. The Corporation continues to implement the recommendations. The Board also had the benefit of the expertise of governance experts from Dalberg Global Development Advisors Limited, with whom the Board discussed the post-COVID-19 Board focus.

Board Induction, Training and Development

On appointment, Board Directors undergo a formal induction programme to enable them to have an in-depth understanding of the Corporation's operations. Board Directors are also introduced to high-level organisational structures, governance and AFC's strategic plan. The induction programme covers the various departments of AFC. A Board Induction session was held in August 2022 for two newly appointed Directors.

Board Members also undergo leadership and governance training externally, to enable them to form networks and refresh on various international best practices. The Board approved the 2022 Training Plan with reputable training institutions.

Responsibilities of Directors (Financial Statements and Annual Report)

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

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

Independence

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

Attendance at Board and Board Committee Meetings

	Board of Directors	BACC	BNGC	BRIC	Apologies
Number of meetings in 2022	4	4	3	9	
Non-Executive Directors					
Kingsley Obiora	4		4		
Adesola Adeduntan	Nil		Nil	Nil	Retired in April 2022
Ahmad Abdullahi	3	3	1	5	Retired in September 2022
Batchi Baldeh	4				
Emeka Emuwa	4		4	9	
Henry Oroh	4	4		6	Retired in December 2022
Kevin Amugo	4	4	4		
Kirstine Damkjaer	4	4	2	9	BNGC member from Sept 2022
Roosevelt Ogbonna	4		4	5	
Soula Proxenos	4		4	9	
Victor Osadolor	4		4	9	Retired in December 2022
Bolaji Lawal	3	3	3		Appointed in April 2022
Ini Ebong	3		3	5	Appointed in May 2022
Dr. Hassan Mahmud	1				Appointed in September 2022
Mudassir Amray	1				Appointed in September 2022
Anthony Ogunranti					Appointed in December 2022
Muyiwa Akinyemi					Appointed in December 2022
Executive Directors					
Samaila Zubairu*	4	✔	✔	✔	
Sameh Shenouda*	4	✔	✔	✔	
Sanjeev Gupta*	4	✔	✔	✔	

* In attendance at all Board committee meetings

Executive Management

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

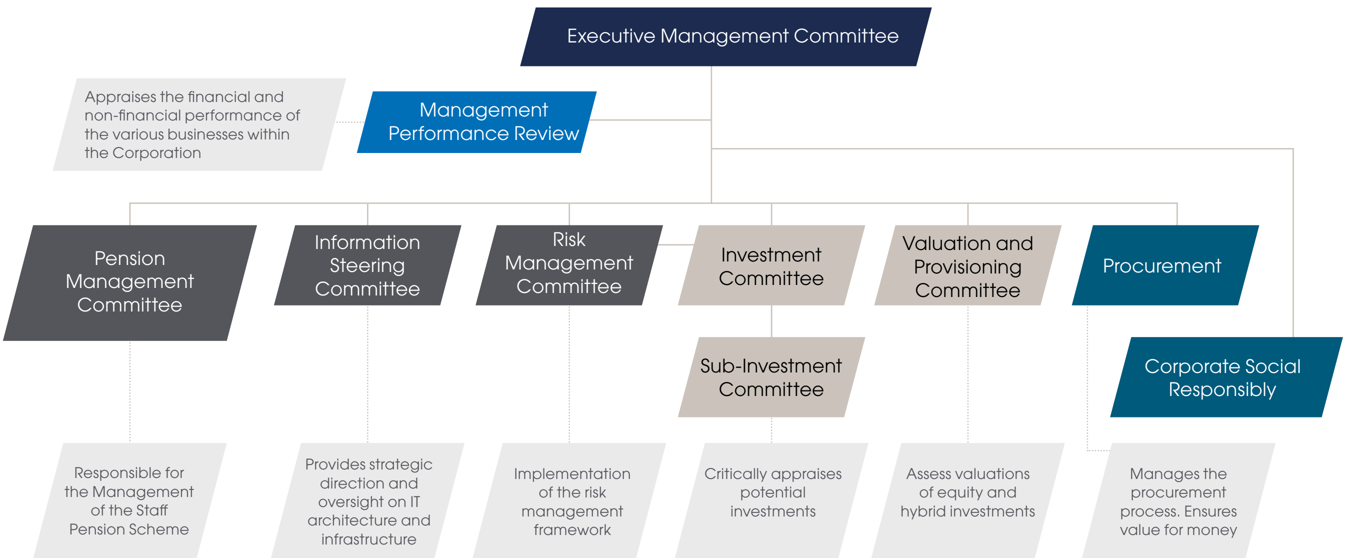
In accordance with the AFC Charter, Executive Management, led by the CEO, oversaw the day-to-day management of the Group during the year. Executive Management ensured compliance with all Board and Board Committee policies, monitored the financial performance of the Corporation, maintained compliance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

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

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

Management Committees

Executive Management is supported by various Management Committees.



People

The AFC core values lie at the heart of our business operations and remain the basis of how we interact and do business.

The work and impact of AFC staff continues to be recognised both in Africa and globally, with staff continuing to deliver superior results. The Corporation currently has 151 staff comprising 24 different nationalities with a male:female gender split of 64:36. Management continues to embed diversity in the recruitment and selection processes. Following assessment during the year, it was determined that there is no gender pay disparity at AFC.

In order to promote employee voice and strengthen employee engagement, the Peoples' Consultative Forum, an employee-managed forum with representatives across all levels of employment and departments, continues to assist Management with the means of identifying and managing staff-related matters.

Code of Ethics

Our Code of Ethics, which is signed up to by all employees, clearly states the expectations for 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 great importance to the Board and Management across all the jurisdictions and markets in which AFC operates. The Directors, Management and staff adhere to the highest standards of ethics.

Whistleblower Policy

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

There was no reported incident of unethical conduct in 2022. The Corporation continues to hold annual Anti-Harassment, Discrimination and Intimidation Workshops, and continues to train staff on whistleblowing and reporting. The People's Consultative Forum provides an additional platform for staff to report any matter of concern. The Chairman of the People's Consultative Forum reports directly to the Chairman of the Executive Management Committee.

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

The Corporation's policy is to comply with sanctions to the extent they are applicable to its operations and/or specific transactions, including those administered and enforced by the African Union, United Nations Security Council and other relevant internationally recognised sanctions authorities as are in force from time to time. As part of its approach to ensuring that its activities and business are carried out in compliance with sanctions and its general commitment to seek to observe international best practices, the Corporation has put in place systems, processes and controls.

The Corporation adheres to the global efforts directed at fighting money laundering and terrorist financing. In 2022, Management ensured that all staff underwent training on detecting and combatting money laundering transactions. Such training and testing of knowledge is carried out annually.

The Corporation continues to maintain a gift register. The Board-approved gift policy requires that all employees declare to their line managers, with a copy to Human Resources and the Chief Risk Officer in his capacity as the Chief Compliance Officer, all gifts above a threshold amount, received in connection with the business of the Corporation.

The Corporation's Anti Money Laundering policy makes it mandatory to fully identify and verify information on all potential clients. These include partner financial institutions, credit customers, services providers, suppliers, investors and any other third parties that the Corporation engages. The process includes without limitation identifying and verifying the legal establishment status, address, shareholding, corporate governance, sources of funds etc. The Corporation will not establish any relationship until KYC requirements are satisfactorily met.

Independent External Auditors

The Board approved KPMG Professional Services (KPMG) as the Corporation's external auditors, subject to the confirmation of the General Meeting of Shareholders. External auditors provide independent assessment of the financial statements prepared by the Corporation and give an objective opinion on whether the financial statements give a true and fair view of the operations of the Corporation.

Governance & Technology

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

In view of this, the Corporation switched to alternative solutions to having face-to-face meetings, through the use of technology. The AFC Charter was amended to allow for virtual meetings of Shareholders, the Board and Management. The 2022 Annual General Meeting was held as a hybrid meeting, with some representatives of the Shareholders attending the meeting physically and others participating remotely. With the easing down of COVID-19 restrictions, the Corporation introduced a managed and seamless return to the office. In 2022, staff continued to work effectively through this transition period, attending physically in specific months and working remotely in other months. Most meetings were held virtually, facilitated by technological solutions.

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

Annual General Meeting

Pursuant to the provisions of the AFC Charter, an Annual General Meeting will be held on 4 April 2023. A copy of the Notice is available on our website.

Leadership Profiles

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

> In 2022, the Board met every quarter and held intensive strategy sessions to evaluate and strategise on the Corporation's plans and aspirations, taking into account critical factors such as the impact of COVID-19 pandemic, global economy and climate change.

Dr. Kingsley Obiora
Chairman of the Board of Directors

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

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

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

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

Emeka Emuwa
Chairman BRIC & Independent Non-Executive Director

Emeka Emuwa is the Chairman of the Board Risk and Investment Committee and was appointed a Non-Executive Independent Director of the Corporation in September 2022.

Mr. Emuwa is an accomplished Pan African banker with over 30 years of experience leading and transforming financial institutions. He was the Group Managing Director and Chief Executive Officer of Union Bank of Nigeria. He retired from the Bank at the end of his tenure in 2021 having led its transformation following the bank's recapitalisation by Union Global Partners Limited - an international consortium of private equity investors.

Mr. Emuwa joined Union Bank in 2012 after a distinguished 25-year career with Citibank where he was Country Officer and Managing Director of Citibank in Nigeria -the first Nigerian to be appointed to the position-following several senior roles across Anglophone and Francophone Africa.

An experienced non-executive director, Mr. Emuwa also serves as the Chairman of Tangerine Financial. He was the Chairman of Union Bank UK and is a Fellow of the Institute of Directors (U.K.).

Mr. Emuwa graduated from the University of Lagos with a BSc degree in Finance and holds an MSc in Management from Purdue University's Krannert School of Management. He is a Fellow of the Chartered Institute of Bankers.

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

Kirstine Damkjaer
Chairperson BACC & Independent Non-Executive Director

Kirstine was appointed as an Independent Non-Executive Director of the Corporation and the current Chairperson of the AFC Board Audit and Compliance Committee. Kirstine is the immediate past Chief Executive Officer of EKF Denmark's Export Credit Agency. She has vast global experience having worked for several years at the International Finance Corporation (IFC) and the World Bank in various senior capacities, including as the Global Industry Head of Equity and Chief Investment Officer, Global Infrastructure and Natural Resources, and Global Administrative Manager. She joins the AFC Board with significant experience sitting on global boards. She currently sits on the boards of Pension Denmark, Danish–Chinese Business Forum, Copenhagen Infrastructure Partners New Markets Fund. Kirstine holds Postgraduate degrees on Leading and Working Across Cultures from INSEAD, and IMD on High Performance Boards. She is a qualified Chartered Financial Analyst (CFA). Kirstine is multilingual with proficiency in English, Dutch and Mandarin.

Ahmad Abdullahi
Non-Executive Director
(Retired in September 2022)

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

He was a Lecturer at Usman Danfodiyo University, Sokoto, Nigeria, from 1985 to 1990. During his career, Mr. Abdullahi developed competencies in the areas of Financial Regulation, Banking Services, Business Reengineering and Performance Improvement, Teaching and Research, Corporate Governance as well as Ethics and Compliance.

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

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

Dr. Adesola Kazeem Adeduntan, FCIB, FCA,
Non-Executive Director
(Retired in April 2022)

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

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

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

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

Roosevelt Ogbonna
Non-Executive Director

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

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

Mr. Ogbonna sits on the board of several institutions including Access Holdings, Access Bank UK Limited, Access Bank (South Africa) Ltd, African Finance Corporation, Central Securities Clearing System PLC and Shared Agent Network Expansion Facilities Limited (SANEF). He is also a member of the High-Level Advisory Committee (HLAC) on Women's Economic Empowerment.

Soula Proxenos
Independent Non-Executive Director

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

Ms. Proxenos was formerly Managing Director of International Housing Solutions (January 2017). She led the effort in founding South African Workforce Housing Fund. As founder, she developed the concept, was responsible for staffing, raising the capital, strategy and government relations. She was co-chair of the investment committee and was with the group for eleven years. She remains on the group's advisory board. Prior to this, she was Managing Director of Fannie Mae's International Housing Financial Services for seven years. She had responsibility for the P+L of Fannie Mae's international consulting services and training programmes, assisting in the development of market-based housing finance systems in over 35 countries.

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

Victor Osadolor
Non-Executive Director
(Retired in December 2022)

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

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

Mr. Osadolor also worked for several other organisations. He was a Group Director, Heirs Holdings (HH) Limited from 2014 - 2015. His other roles have included Chief Operating Officer for Corporate and Investment Banking, and Chief Strategist for Ecobank Transnational Incorporated (ETI); Executive Director, Standard Trust Bank; Deputy Managing Director, CTB; Chief Finance Officer, Ecobank Nigeria; Chief Finance Officer, Guaranty Trust Bank; and Auditor, Coopers & Lybrand (now PriceWaterhouseCoopers).

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

Mr. Victor Osadolor's illustrious career in banking has spanned over 30 years.

Henry Paul Batchi Baldeh
Non-Executive Director

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, under the Vice-Presidency for Power, Energy, Climate and Green Growth at the African Development Bank (AfDB), which he joined in May 2017.

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

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

Mr. Baldeh holds an MBA from Boston University (USA) and BSc. Honours in Electrical & Electronic Engineering from Newcastle-upon-Tyne University (UK); and is a Fellow of the Institute of Directors (South Africa).

Henry Oroh
Non-Executive Director
(Retired in December 2022)

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. Mr. Oroh has almost 20 years' experience in the banking industry. He is a Chartered Accountant and an honorary member of the Chartered Institute of Bankers, Nigeria. He also holds an LLB from the University of London, a Bachelor's in Accounting from the University of Benin, Edo State, and an MBA from Lagos State University, as well as an LLB Degree from the University of Lagos.

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

Dr. Kevin Amugo
Non-Executive Director

Dr. Kevin Amugo joined the Central Bank of Nigeria as a Senior Supervisor in 1990 and has worked across numerous departments including Accounts, Banking, Treasury, Banking Supervision, Financial Policy and Regulation.

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

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

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

Bolaji Lawal
Non-Executive Director

Bolaji Jubril Lawal is the new Managing Director/Chief Executive Officer of Ecobank Nigeria Limited. He has over 28 years deep involvement and experience in Digital and Retail Banking, Corporate and Commercial Banking, Credit Risk Management and Corporate Finance.

Prior to his appointment, Mr. Lawal served in different capacities at GT Bank Plc, including as a General Manager and Executive Director, where he led the team that envisioned and implemented GT Bank Plc's Retail and Digital Banking strategy to achieve industry wide leadership over a 10-year period and introduced new products and solutions that have helped deepen payments and access to digital financial services in Nigeria.

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

Ini Ebong
Non-Executive Director

Ini Ebong is the Executive Director overseeing the Treasury and International Banking business of First Bank of Nigeria Limited ("FirstBank"). His responsibilities encompass the treasury business, international banking franchise across six sub-Saharan African countries (Democratic Republic of Congo, The Gambia, Ghana, Guinea Conakry, Senegal and Sierra Leone), Custody business servicing local and international clients, the Structured Trade and Commodity Finance team, amongst others. Before joining FirstBank as the Group Treasurer in 2011, Mr. Ebong was the Head of African Fixed Income and Local Markets Trading at Renaissance Securities Nigeria Limited, the Nigerian registered subsidiary of Renaissance Capital. He also worked at Citigroup for 14 years, starting in Sales and Trading in the Treasury Group, before rotating through a wide variety of trading roles across most treasury products, asset and liability management, treasury sales and marketing, treasury risk management, before becoming Country Treasurer and Sales and Trading Business Head in June 2003.

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

Dr. Hassan Mahmud
Non-Executive Director

Dr. Hassan Mahmud is an economist and central banker with over 30 years of public service experience. Currently, he is Director, Monetary Policy Department, at the Central Bank of Nigeria. In this capacity, he supervises and coordinates the formulation of technical inputs for the design and implementation of monetary policy.

Prior to this, he was Group Head, Macro-prudential Analysis in the Financial Policy and Regulation Department of the Central Bank of Nigeria, where he oversaw the conduct of off-site macro-prudential surveillance, appraisal of banking industry financial soundness indicators, and evaluation of industry stress test.

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

Mudassir Amray
Non-Executive Director

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

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

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

Anthony A. Ogunranti
Non-Executive Director

Anthony Ogunranti is an Executive Director, at Zenith Bank Plc with a vast wealth of experience spanning over three decades across the following areas: Corporate Banking, Commercial and Retail Banking, Public Sector Banking, Structured/Project Finance and strong relationship with Multilateral and Export Credit Agencies. Prior to his current appointment, He was the Managing Director of Zenith Bank, Ghana.

He is an Honorary Senior Member of the Chartered Institute of Bankers (HCIB), Nigeria and a Member of the Nigerian Institute of Management (Chartered), and Honorary Fellow of the Chartered Institute of Credit Management, Ghana (FCICM). Until his appointment to the board of Zenith Bank, he was a member of the Board/Governing Council of the National Banking College, Ghana (NBC) and Executive Member of the Ghana association of Bankers (GAB). Mr. Ogunranti holds a BSc (Hons.) in International Relations, from the Obafemi Awolowo University, Ile-Ife, an MBA in Marketing, and an MSc (Hons.) Banking and Finance from the University of Ibadan.

Olumuyiwa Akinyemi
Non-Executive Director

Olumuyiwa Akinyemi is the Deputy Managing Director of United Bank for Africa (UBA). He oversees the bank's business in Southern Nigeria and coordinates the corporate banking arm of the institution. Prior to this, Akinyemi, who joined UBA in 2005, drove the bank's energy bank business and was the General Manager, Corporate and Commercial Banking. He also headed the Wholesale banking arm between 2013 and 2015, where he was responsible for the bank's business activities in various geographies where UBA was present at the time.
He also headed UBA Kenya as the CEO/MD between 2010 and 2011.

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

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

Executive Directors

In 2022, AFC supported a range of projects in crude refining, liquified natural gas, cement, ammonia/urea and phosphates across West Africa, East Africa, Central Africa and Southern Africa.

Mr Samaila Zubairu
President & Chief Executive Officer

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

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

Prior to his appointment, Samaila was 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.

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

Sanjeev Gupta
Executive Director & Head of Financial Services

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

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

Sameh Shenouda
Executive Director and Chief Investment Officer

Sameh Shenouda is the Executive Director and Chief Investment Officer. He leads origination, execution and portfolio management of transactions across a wide range of sectors and products. With over 27 years of experience in infrastructure investments, project development and fundraising in international capital markets, Mr. Shenouda has a deep knowledge of African markets, with specific experience in Power, Transport & Logistics, Industrial and Oil & Gas sectors.

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

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

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

Sameh holds an MBA in Financial Management from the University of Exeter, UK and degrees from the American University in Cairo, Egypt in Development Studies and Economics. He is a graduate of INSEAD's International Executive Program and a member of the institute of Directors, United Kingdom.

Other members of the Executive Management Team

> Industrialisation remains a central objective for African countries with the industrial sector potentially contributing significantly to Africa's development by creating jobs.

Ayotunde Anjorin
Senior Director & Chief Financial Officer

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

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

Ayaan Adam
Senior Director and CEO of AFC Capital Partners

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

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

Nana Eshun
Director and General Counsel

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

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

David Johnson
Director & Chief Risk Officer

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

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

Anthony Arabome
Director, Corporate Services
(Retired in September 2022)

Anthony Arabome is Director, Corporate Services, with oversight responsibility for human resources, administration, information technology and procurement. He has over 35 years' experience, at both technical and managerial levels, in human resources management, across the oil and gas and financial services sectors, having worked for leading global and multilateral institutions throughout his career. Prior to joining the Corporation in 2009, he was Human Resources Executive and Board Director of Royal Dutch Shell Nigeria's Deepwater Exploration & Production business (SNEPCo), and the Talent, Resourcing and Development Manager for Royal Dutch Shell Africa Exploration & Production regional business.

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

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

Dr Rita Babihuga-Nsanze
Chief Economist and Director of Research and Strategy

Rita is a global macro-economist, sovereign credit research analyst and financial markets economist with over 22 years' experience in the financial services industry, international development and policymaking institutions.

Rita holds a double honours degree (BSc. & BA) in Computer Science and Economics from Smith College, Massachusetts, USA. In addition, she holds MA and PhD degrees in Economics from Clark University, Massachusetts, USA. Rita was Director and Chief Economist, sub-Saharan Africa at Barclays Investment Bank, London, UK, (October 2017 – December 2019). Before that appointment, she was Vice President and Senior Analyst at Moody's Investors Service (September 2014 – September 2017), Senior Economist on secondment at the Bank of England (November 2011 – April 2014), Desk Economist & Senior Economist at the International Monetary Fund (April 2003 – November 2011) and a Desk Economist at the World Bank Group (January 2002 – April 2003).

Patricia Aderibigbe
Human Resources Director

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

She has 24 years' experience in organisations across Africa and Europe. Prior to joining the Corporation, Patricia was the Group Head Human Resources for United Bank for Africa (June 2016 – August 2022). Patricia played a key role in developing and implementing the People strategy, creating a diverse, multicultural and inclusive environment, leading the bank's learning academy through digital transformation and employee 1st institution, with innovation in proprietary Learning Management System (cloud-based & mobile solutions), proprietary curriculum and contents with emphasis on learning culture rather than training, transcribing the bank's customer 1st philosophy to employee experience strategies, and building a culture of appreciation in alignment with the bank's expansion across Africa, Europe and the Middle East.

Prior to this, she was Chief Operating Officer at Tenoil Energy (September 2014 – May 2016) and COO/Director of Integration and Synergy at Heirs Holding (January 2013 – September 2014), having previously had a 13-year career stint at ELAN IT, a UK-based international Management Consultancy firm.

5 Sustainability

AFC's approach to sustainability is driven by two areas of impact: development and climate challenges, both of which are integral to the African continent's future.

With a mandate to close the infrastructure gap in Africa, the intersection of these two areas as they relate to our business is where we can have the most relevant impact. It remains AFC's continued goal to develop sustainable infrastructure by embedding development and climate considerations throughout our innovative infrastructure products and solutions.

Our Sustainable Investing Principles ("SIPs") outline our initial framework which was borne out of the need to articulate our commitment to developing infrastructure solutions that robustly consider the significant development and climate challenges across Africa. Mapping across the Sustainable Development Goals ("SDGs") as well as climate mitigation and adaptation challenges, our SIPs cut across seven key areas: gender equality; access to clean water and sanitation; access to affordable and clean energy; availability of decent work and the facilitation of economic growth; facilitation of industrial innovation and infrastructure; development of sustainable cities and communities; and climate action. Our investments will ensure, where applicable, that a net positive impact is always demonstrated in one or more of these areas.

> In 2022 AFC continued to focus on investments with a net positive sustainability impact.


The Mahathi project in Uganda has the potential to reduce greenhouse gas emissions by over 95%
95%

Sustainability Impact – Case Studies

In 2022 AFC continued to focus on investments with a net positive sustainability impact. In so doing, AFC supported the environment, reinforced sustainability tenets and adopted the good international industry practice (GIIP) in its financing, as evidenced in the case studies of transactions involving the transport and power sectors set out alongside.

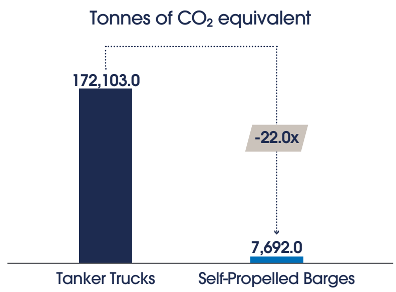
> The jobs supported by AFC in 2021 comprised of 759,710 direct jobs, 4,107,907 supply chain and induced jobs and 280,813 power enabled jobs.

TRANSPORT
Project Mahathi

Project Mahathi involved financing the development of a transformational alternative for transporting petroleum product in Uganda which will significantly reduce the cost, time and carbon emissions than the current method of transporting products from Kisumu in Kenya to landlocked Kampala in Uganda – a 310 km journey. AFC's total investment of US$95.25 million is composed of a US$75 million senior loan and US$20.25 million in equity and will be used to build two self-propelled barges. One trip by barge on Lake Victoria is equivalent to 200 trucks transporting fuel by road, reducing transportation costs by 50%, from US$60/cubic metre (CUM) for trucking to US$30/CUM via barges. The project's key infrastructure is in Bugiri-Bukasa, Uganda, and includes two barges, 14 petroleum storage tanks, 20 truck loading bays, a jetty and a 50-truck capacity parking lot.

Uganda is a net importer of petroleum products, primarily through the Mombasa Port in Kenya. Project Mahathi's self-propelled barges will transport fuel from Kisumu to Kampala on Lake Victoria, reducing pollution and congestion, and increasing road security.

The project has the potential to reduce greenhouse gas (GHG) emissions by over 95%, from 172,103 tonnes of CO2 equivalent for tanker trucks to 7,692 tonnes of CO2 by barges. This is on the basis that: a) one self-propelled barge has the equivalent storage capacity of approximately 200 tanker trucks; and b) the road route between Kisumu and the Mahathi Bulk Fuel Storage Facility is approximately 350 km, whilst the distance to travel via barge (in a straight-line over Lake Victoria) from Kisumu to the Bulk Fuel Storage Facility is significantly less at 250 km. The barges are double haul vessels to prevent water pollution, which will contain any fuel leaks as the barges have a concrete wall around the tanks for primary containment. The area within the fuel storage tanks will be paved and all drainage will be channelled through the Oil Water Separator (OWS). AFC's investment will increase the total number of barges from two to four and once the facility is operating at full capacity, Mahathi's staff will grow from 22 to 100, of which 30% will be women. Barge transport is an effective means of reducing traffic, product adulteration and/or pilferage and accidents – all of which are prevalent historic issues across the northern road transport corridor. With one barge immediately replacing the equivalent of 200 trucks on the road, given Uganda's annual consumption of 2.1 million cubic metres (CBM), that is the equivalent of 100,000 less trucks each year on the road from Kisumu to Kampala. The Project will also reduce working capital requirements for small and medium distributors who will be able to buy products at the Mahathi storage facility instead of at Kisumu, from which the product takes at least seven days to reach Kampala.



HEAVY INDUSTRIES
Project Cabinda

involves the development of a 60,000 barrels per day (bpd) refinery in Angola to reduce the country's reliance on the importation of refined products. The project was designed utilising carbon abatement and carbon elimination strategies in alignment with the country's net zero transition plan. It will contribute to the net reduction of Angola's GHG footprint by 184,102 MT in phase 1, by 578,053 MT by phase 2 and will deliver further reductions in subsequent phases.

[1] The Northern Corridor is the busiest transport route in the region and it links the landlocked countries of Uganda, Rwanda, Burundi, South Sudan and Eastern DR Congo to the maritime port of Mombasa in Kenya. It also provides links to Ethiopia and Northern Tanzania. The Corridor consists of the road network from Mombasa through Nairobi to Kampala, Kigali, Bujumbura, Juba, Goma, Beni and Kisangani. It also includes the rail network from Mombasa to Kampala, the oil pipeline from Mombasa to Nairobi, Eldoret and Kisumu, and the inland waterway system around Lakes Victoria, Kivu and Tanganyika.

Sustainability Impact – Case Studies

AFC's Development Impact

The net developmental impact (DI) of AFC's investments has continued to grow, as evidenced in our latest 2021 Development Impact report.

Overall, AFC's portfolio in 2021 contributed approximately US$38 billion to Africa's Gross Domestic Product (GDP) and supported the creation of 5,148,430 jobs. The US$38 billion value addition to GDP (i.e. the contribution of borrowers and investee companies in AFC's portfolio to GDP) was made up of US$11.4 billion of salaries and supply chain value transfer, US$10.2 billion in taxes to African governments and US$16 billion in profit to investors. This implies that for each US$1 in profit made by AFC portfolio borrowers and sponsors, they paid US$0.385 in taxes.

Creating jobs is essential for reducing poverty in Africa. In 2021, borrowers and investee companies in AFC's portfolio supported 5,148,430 jobs. This is a 547% increase in comparison to the 796,068 jobs supported in 2020. The jobs supported by AFC in 2021 comprised of 759,710 direct jobs, 4,107,907 supply chain and induced jobs and 280,813 power enabled jobs. The 759,710 direct jobs are actual figures reported by borrowers/sponsors in AFC's portfolio. 4,107,907 supply chain and induced jobs are due to AFC portfolio companies and their staff purchasing goods and services worth US$26 billion. This implies that one direct job supported the creation of an additional 5.4 jobs in the supply chain.

AFC portfolio companies reported that 16% (121,553 direct jobs) of their work force in 2021 were women. While this is lower than the 50% (25,117 direct jobs) reported in 2020, in absolute terms it is almost 4.8 times the number of female jobs supported in 2020. This is attributable to more projects in the portfolio providing data for 2021 compared to 2020.

The AFC portfolio's Scope 1 and Scope 2 emissions[1] fell by 32% from 26,748,091 tonnes of carbon dioxide equivalent (tCO2e) in 2020 to 18,252,925 tCO2e in 2021. At the same time, AFC's renewable energy investments avoided 5,696,985 tCO2e of emissions. AFC's portfolio of renewable energy projects will continue to grow in line with the Corporation's strategy to build a 3 GW renewable energy platform.

Image: Lekela, South Africa

[2] Scope 1 are the direct GHG emissions by an AFC borrower or investee company, and Scope 2 are the GHG emissions by electricity suppliers to an AFC borrower or investee company.
[3] The Sectors are Natural Resource, Transport, Power, Heavy Industry, Telecommunications and Sovereign.

Stimulating ESG in AFC

This section presents insights into the AFC's environmental, social and governance (ESG) practice, which is an integral part of the Corporation's sustainability stewardship. It outlines how the Corporation considers environmental and social concerns in making investment decisions and at the same time, how ESG issues continue to shape AFC responsibilities to society, beyond 'the big numbers'. The section also links the investment appetite with AFC's commitment to combatting climate change, ensuring low carbon development as well as accelerating socio-environmental governance nexus issues.

AFC is progressively decarbonising its portfolio towards Net Zero Emissions (NZE), with its innovative financing shedding light on the Corporation's strides in promoting energy accessibility and availability through investments in the renewable energy projects. It also touches on AFC's new investments in Fintech to stimulate financial inclusion.

Building on its commitment to connect and advance regional infrastructure finance in Africa, AFC's thought leadership and knowledge sharing on developmental issues cement AFC's position as a sustainable finance institution. Illustrating this are the case studies detailed below involving the President and CEO of AFC at COP 27; the launch of the AFC policy paper on Climate defining Africa's position prior to COP 27 in Egypt; and the appointment of the Chief Executive Officer of AFC Capital Partners (ACP), Ayaan Z. Adam, as a Rapporteur of the European Commission's High-Level Expert Group on Sustainable Finance.

The concluding section presents an overview of AFC's procedures for its environmental and social risk management; and case studies on how AFC is tackling key environmental and social issues through biodiversity and gender mainstreaming in its investments. Finally, AFC's ESG outlook for 2023 is geared towards helping the business to transform environmental and social risks into viable opportunities.

Overview of portfolio assets contribution towards environmental and social financing

Investment drive:

AFC is committed to playing an effective role in the economic growth and development of Africa by progressively bridging the financing gaps in the infrastructure sectors. AFC increased its total investments in 2021 by 23.65% to US$4,922,397 million, from US$3,981,022 million in 2020, across 64 portfolio assets in diverse sectors.

AFC's objective is to make investments happen in alignment with its commitment to creating profound linkages between a healthy financial system, the transition to green economy and the pursuit of long-term sustainability through the strategic integration of socio-economic and environmental factors in decision-making. The Corporation requires satisfactory evidence of project compliance with environmental and social safeguards, such as environmental and/social related permits/certificates. This is to ensure that any cost of compliance will not obstruct repayment obligations nor undermine investment and associated benefits.

Innovative Infrastructure financing:

As a leading infrastructure solutions provider in Africa, AFC's approach to infrastructure financing is underpinned by project viability and stability towards a low carbon development, adoption of renewable energy, scaling up of energy efficiency, in addition to the creation of a virtuous cycle. This approach balances the need for emissions reduction with critical development imperatives.

In 2022, the AFC Board approved 24 transactions across diverse sectors and sub-sectors, which included US$238 million for acquiring Lekela Power B.V, a renewable energy asset which will continue to provide alternative, reliable and climate friendly energy sources across Africa.

Investing in a Fintech business will create opportunities to harness and extend financial services to unbanked and underbanked communities, thus driving financial inclusion, contributing to poverty reduction, and extending the Corporation's impact in rural and peri urban development.

Overall, AFC's financing objectives are to help reduce African countries' vulnerability to infrastructural challenges by increasing private investments, promoting robust growth, responding to climate change and strengthening the capacity of stakeholders to implement the approved projects.

Number of transactions approved by AFC across diverse sectors and sub-sectors in 2022:

24

The 24 Transactions approved by AFC's Board by Sector & Sub-Sectors in 2022

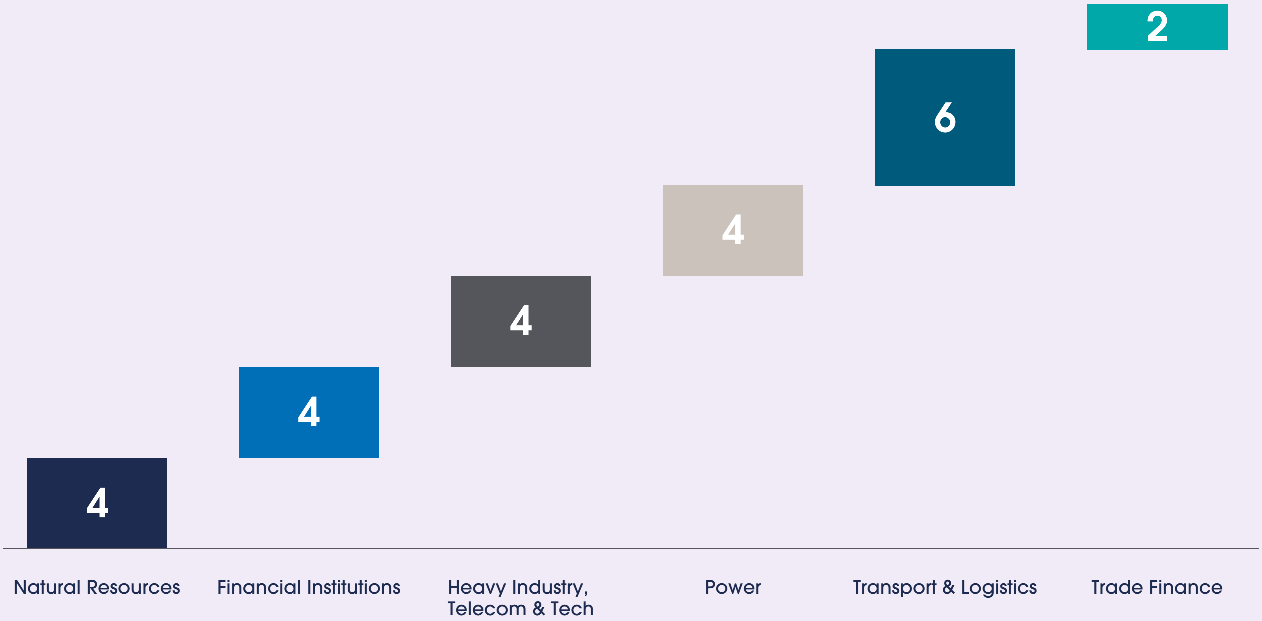


Image:
Kangnas Wind Farm, South Africa

AFC Thought Leadership

AFC's thought leadership in sharing knowledge and exchanging ideas towards transformative development and the low carbon agenda has been externally recognised at national, regional and global levels. In 2022, AFC management and executives took part in a number of forums and conferences as keynote speakers and/or panellists on topical issues critical to catalysing the private financing for low carbon developmental imperatives.

> In September 2022, AFC launched its policy paper 'Roadmap to Africa's COP: A Pragmatic Path to Net Zero', defining Africa's position ahead of COP 27.

Mr. Samaila Zubairu, President & CEO of AFC led the AFC delegation to the 2022 United Nations Climate Change Conference and Conference of the Parties of the UNFCCC held from 6 – 20 November 2022 in Sharm El Sheikh, Egypt. The theme of the event was 'Delivering for People and the Planet'.

Commonly referred to as COP 27, the 27th United Nations Climate Change conference, took place under the Presidency of the Egyptian Minister of Foreign Affairs, Sameh Shoukry, with more than 92 heads of state and an estimated 35,000 representatives and delegates from 190 countries attending. It was the fifth climate summit held in Africa, and the first since 2016.

AFC's President and CEO exchanged ideas with leading development finance practitioners, in which he discussed AFC's perspective on a pragmatic path to Africa's net zero - as set out in AFC's 2022 Climate White Paper - and also unveiled AFC's strategic vision to catalyse private financing for climate action through AFC Capital Partners' Infrastructure Climate Resilient Fund. As a panellist he highlighted the need for financial institutions, such as development finance institutions, multilateral development banks and commercial banks, to refine the objective and focus on creating a better world, while translating global needs and desires into development solutions across all sectors. He also stressed the importance of critical infrastructure financing in helping to achieve the 2016 agendas: the United Nations Sustainable Development Goals (SGDs) and the Paris Climate Agreement.

In September 2022, AFC launched its policy paper 'Roadmap to Africa's COP: A Pragmatic Path to Net Zero', defining Africa's position ahead of COP 27. The paper focused on Africa developing local industries to minimise ocean voyages incurred by the current practice of outsourcing the value addition of Africa's natural resources; rebuilding infrastructure to withstand climate shocks; and accessing essential climate funds through financial innovation to support resilient building and investment to drive localised mass-scale manufacturing and processing. It was backed by African leaders, including Ghana's President and Nigeria's Vice President, in addition to being endorsed by the African Group of Negotiators at COP 27.

AFC's Roadmap paper took account of Africa having borne, and continuing to bear, the brunt of the most devastating impacts of climate change, while having contributed little to global emissions. The paper called for a realistic agenda for addressing climate change, while allowing Africa to continue advancing its industrial base. The President and CEO of AFC made it clear that Africa is unlike any other continent when it comes to global net zero and that the continent must have a common negotiating stance that reflects this. He added that "We are advocating for consideration of Africa's energy deficit and the need for quantum leaps in industrialisation for job creation and reducing poverty, as well as climate proofing-built infrastructure and protecting our powerful carbon sinks."

Ms. Ayaan Adam, Senior Director and CEO, AFC Capital Partner (ACP), was appointed as a Rapporteur of the European Commission's High-Level Expert Group on Sustainable Finance in August 2022, with responsibility for monitoring, promoting, raising awareness and facilitating dialogue towards scaling up sustainable finance. The appointment recognised AFC's and Ms. Adam's personal commitment to scaling up sustainable financing in the global south, particularly Africa.

The High-level expert group on sustainable finance (HLEG) was established in 2016. It comprises 20 senior experts from civil society, the finance sector, academia and observers from European and international institutions.

Top Image:
The Africa Renewable Energy Forum hosted by AFC in November 2022 at COP 27 in Sharm El-Sheikha, Egypt.

Inset:
AFC White paper:
Roadmap to Africa's COP:
A Pragmatic Path to Net Zero

Approach to the environmental and social management system (Overview)

Under the auspices of the Chief Risk Officer (CRO), AFC integrates environmental and social considerations and objectives in its business strategies and actively manages environmental and social risks from its business engagements. In doing so, the Corporation mitigates risks and contributes to positive change as it supports clients to seek continuous improvement in their environmental and social practices.

Environmental and Social Risk Management (ESRM) Policy:

In making ESRM happen, AFC has developed an Environmental and Social Risk Management (ESRM) Policy, which reflects the Corporation's risk appetite, organisational structure, market dynamics and regulatory regimes. The Policy was developed on the basis of AFC's values and underlying commitment to respecting human rights and the environment.

Scope of application of the Policy:

The Policy applies to all business conduct and has been developed to ensure informed decision-making that is consistent with AFC's values and its commitment to providing responsible investments for critical infrastructure and development. AFC is working with clients to promote environmental and social improvements and will not enter into business engagements in which AFC's Environmental and Social Risk Management Policy are not expected to be met.

ESRM Framework Manual:

Under ESRM policy, AFC has also developed a framework manual that helps to identify, assess and manage business engagement in certain activities, and in sectors that are more vulnerable to environmental and social risks and impacts. The Framework manual offers guidance on the approach and scope of application of the ESRM Policy, which may differ on the basis of the types of business. In some cases, such as trade finance and financial services, the application of the ESRM Policy can be more simplified but will still follow the inherent guidelines of the ESRM Policy.

The application of the ESRM policy requires the involvement of:

a. Investment - the departments which have direct client contact and originate transactions (leading to potential Environmental & Social risk);

b. Risk Management – the departments which provide control over the Investment activities; and

c. Legal - the department which ensures adherence to all relevant clauses.

Implementation of ESRM Policy:

When entering into investment and business engagement, AFC screens both the client and its transaction. The client screening is performed as part of the client onboarding process and is usually carried out by Investment and Legal teams with support from Risk Management. The screening check is to ascertain whether the client activity is in line with AFC's values and its stance on human rights, gender, environmental management and its ESRM Policy Exclusion List. The Exclusion List is a set of No-Go areas for AFC and restricts funding participation in certain activities

The ESRM Policy applies to AFC's business sectors, including:

- Power.
- Transport and Logistics.
- Heavy Industries Telecommunications and Technology (HITT).
- Natural Resources.

When AFC engages in a transaction with a client in the above sectors, a transaction ESRM sector assessment is performed to understand the environmental and social risks associated with the transaction. The nature of the engagement with the transaction will determine the depth of the ESRM assessment and ESRM due diligence for that specific transaction. For example, when financing projects, AFC applies its standard ESG reference frameworks.

Approach to globally recognised ESG frameworks:

To achieve long-term sustainable development, AFC responsibly manages environmental and social risks and has established an ESRM policy that sets out the standards that the Corporation expects of clients. This includes the application of the International Finance Corporation Performance Standards on social and environmental sustainability (IFC PS); the World Bank Environmental, Health, and Safety Guidelines (EHS Guidelines); the Equator Principles (EP); the International Labour Organization (ILO) Conventions; and the African Development Bank Integrated Safeguard Systems (AfDB ISS).

Approach to Categorisation:

The outcome of the ESRM screening will determine whether the engagement is categorised as "low, "medium" or "high" risk under the ESRM Policy. In the case of low-risk (Category C) transactions, Investment and Risk Managers proceed with the engagement. However, if the transaction is considered medium (Category B) or high risk (Category A), further ESRM assessment will be undertaken by the ESRM team. This may result in acceptance subject to minor enhancement; conditional acceptance with recommendation for enhancement; or room for improvement feedback from the ESRM team. The recommendations and feedback are subject to further review by the CRO.

Approach to ESRM assessment:

AFC's approach to managing Environmental and Social Risk is in line with global best practice and applies to all sectors and financing instruments. Therefore, all of AFC's business engagements are subject to the following assessments:

a. Client ESRM assessment, which measures the client's capacity and track record to manage environmental and social issues.

b. Project transaction ESRM assessment, which measures the environmental and social risks associated with a specific transaction.

A combination of the Client and the Transaction ESRM assessments provide the overall ESRM profile associated with the business engagement. In practice, the Client ESRM Assessment is designed to allow an overall understanding of the client's approach to managing environmental and social issues associated with their business activities. It is benchmarked against industry standards, taking account of the international standards and best practice guidance. The Client ESRM Assessment is undertaken as part of the client onboarding procedure in the Know Your Client (KYC) process, which also addresses checks with the ESRM Exclusion List. For existing clients, the assessment takes place during ongoing KYC client reviews. The assessment uses questionnaires that address environmental and social performance, reporting requirements, track record and the countries in which the company operates.

ESG Advisory:

AFC has a responsibility to ensure that its clients conduct their businesses in an environmentally friendly, socially acceptable and culturally viable manner. AFC works with its clients to optimise their operations and practices to align with global best practices in ESG as well as Global International Institution Practice (GIIP). In some instances, AFC helps clients to identify and screen ESG firms for consulting services towards their ESG compliance. In so doing, the Corporation drives value, earns and sustains the trust of its clients, while also charting forward its corporate sustainability stewardship.

Process Automation:

Recognising the need to simplify the ESMS process for ease of reference, in order to improve accuracy and reliability, in addition to boosting the productivity associated with repetitive tasks, AFC has developed an Automated Content for Compliance, Environmental and Social Systems (ACCESS). ACCESS is primarily designed for environmental and social risk management with a focus on compliance features such as Know Your Client (KYC). The tool is being enhanced to be more user friendly and to help the automated functions work more efficiently.

Applying the International Development Finance Club (IDFC) objective:

AFC plays an active role in IDFC, and the Corporation is poised to mainstream the IDFC climate finance objectives, such as the Nature Based Solutions (NBS) in AFC's ESMS Policy implementation, monitoring and reporting. AFC will remain an active advocate of IDFC and recognises IDFC's ability to contribute positively to both society and sustainable finance.

Training and capacity building on ESRM:

AFC's risk assessment processes are centralised and all AFC employees are required to be familiar with the AFC's Environmental and Social framework and must pass a mandatory ESRM online training test. In 2022, all AFC staff passed the online test. In the same vein, focused and enhanced ESRM training was delivered to the Investment team and was attended by 36 colleagues.

Reporting to Partners and Lenders:

In part fulfilment of contractual facility agreement obligations with AFC lenders, all the required annual and periodic environmental and social risks performance monitoring, as well as incident reports, were prepared and submitted to the lenders on time.

> AFC is working with clients to promote environmental and social improvements and will not enter into business engagements in which AFC's Environmental and Social Risk Management Policy are not expected to be met.

Lessons learnt in tackling biodiversity and gender mainstreaming

Case Study: Partnering with lenders to tackle biodiversity and nature loss

AFC is involved in a transnational Hydro Electricity Power (HEP) project with installed power generation capacity of 128 MW and a total investment of €500 million, of which AFC invested US$50 million, and tenor ranges of 15 -20 years, involving four West African countries in a sensitive ecosystem and rich biodiversity area.

The project has the potential to create 1,200 jobs. AFC, together with other lenders - export credit agencies and commercial banks - recognises that biodiversity destruction and the threat of habitat loss to endangered species are serious environmental concerns.

The preservation of biodiversity is an absolute priority for the project. This is in line with the internationally recognised ESG frameworks, which include the International Finance Corporation Performance Standard; the Equator Principles; the World Bank Environmental Health Safety (EHS); the African Development Bank Integrated Safeguard System (AfDB ISS). Lenders, including AFC, are working with the project proponent, the independent environmental and social consultant and communities. An environmental and social action plan has been formulated and action has been taken for the preservation of nature, including the habitat of western chimpanzees and sanctuaries for wild animals in the project's area of influence.

Mainstreaming Gender development in a community:

In a transaction involving the building of a shipyard and a jetty alongside the bank of a lake, AFC recognised that the impact of the project's activities would disproportionately affect women and girls more than men and boys. The Corporation is committed to ensuring that gender considerations remain a priority consideration as an integral aspect of its environmental and social risk assessment. AFC ensures that adequate information is available to women and men alike to create awareness and to guarantee their meaningful participation in the stakeholder engagement process. This helps to identify grievances, the provision of solutions, the formulation of capacity building and the creation of decent employment to earn income which will beneficially improve local livelihoods.


Image: Sambangalou Hydropower, Senegal

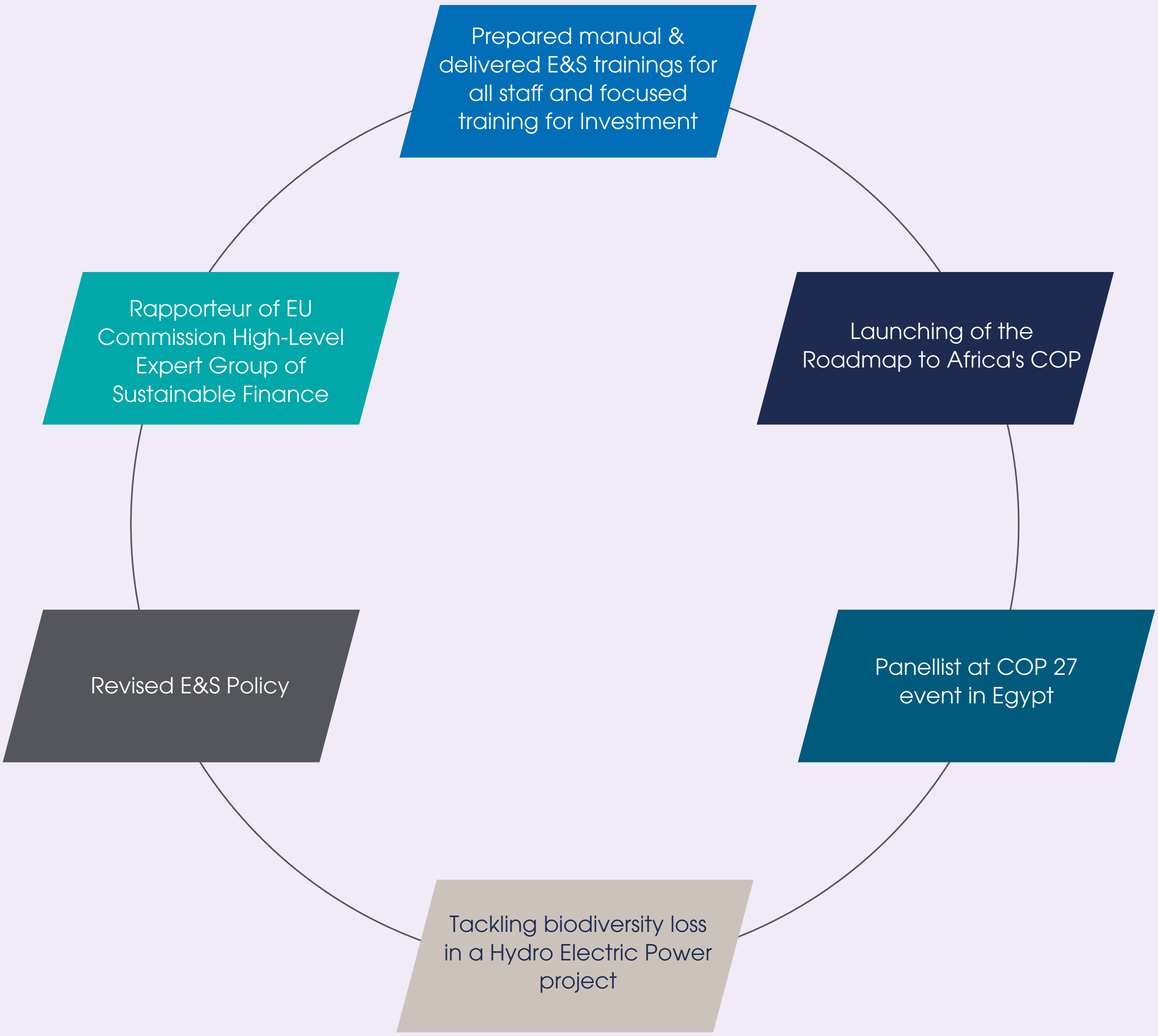
Outlook:

In 2023, AFC will continue to focus on ESRM as an integral part of its responsibility to transform environmental and social risk into opportunities.

Therefore, the Corporation will explore business opportunities taking account of the risk issues. In doing so, AFC will endeavour to play a leading role in helping to drive the transition to a low carbon economy through its business decisions and activities, which is also in the interests of its clients. AFC will reinforce its internal ESRM process to help promote efficiency in delivering on its targets and objectives.

Key environmental and social activities in 2022 are presented in the chart below:

> AFC will endeavour to play a leading role in helping to drive the transition to a low carbon economy through its business decisions and activities.



6 People & Organisation

As the world emerged from the COVID-19 pandemic, AFC showed resilience in navigating complexities and deploying strategic responses to deal with the unpredictable business terrain.

With remote working arrangements prevalent during the pandemic, the world of work shifted as organisations gradually returned to physical working arrangements. AFC implemented a short-term hybrid working arrangement and then eased into a seamless post-pandemic return to physical work premises, while prioritising employee well-being and safety.

The Corporation has focused on executing its five-year strategy, and the people function fostered a high-performance and inclusive culture. The Performance Linked Pay (PLP) programme facilitated quarterly performance reviews and motivated employees to consistently drive the achievement of strategic objectives. AFC continues to expand the business and harness new frontiers, necessitating a small increase in headcount from 138 to 151. There are now 146 full time staff and five contract staff. The Corporation has a diverse workforce, with representation from 24 nationalities and a 64:36 male-to-female ratio.

AFC held its second annual long service award ceremony to honour employees who have now been contributing to the Corporation's success for five, 10 and 15 years. The Corporation's recognition framework continues to facilitate high levels of commitment, engagement and retention of talented employees. The AFC people management function experienced a change of leadership with the retirement of the pioneer Human Resource Director, Mr. Anthony Arabome, and the appointment of Mrs. Patricia Aderibigbe as his successor, with effect from 1 September 2022. Under the new leadership, the AFC People Strategy continues to be implemented to ensure close alignment with the Corporation's strategic imperatives, while also sustaining the drive for attracting, retaining and engaging top talent.

In the same vein, AFC has strengthened and streamlined talent management processes and practices to drive efficiencies and effectiveness, while ensuring appropriate focus on its critical resource – people. Changes have been made to talent onboarding processes to ensure exceptional employee experience while sustaining transparency in recruitment. The learning needs assessment process has been revised to provide high-quality and cost-effective learning and upskilling interventions tailored to employees' needs, gaps and progression, in addition to directly supporting the Corporation's strategic objectives.

AFC continues to provide bespoke leadership development programmes at the emerging leadership levels in the organisation. The Corporation remains committed to providing career progression opportunities to its employees and demonstrated this through promotions, secondments and redeployment opportunities. In June 2022, 32 employees - 22% of the workforce - were promoted.

AFC fosters a healthy work environment by creating opportunities for open communication and partnering with the HR function and executive management in employee consultation, HR policy review and development.

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

> AFC has strengthened and streamlined talent management processes and practices to drive efficiencies and effectiveness, while ensuring appropriate focus on its critical resource – people.

7 Operating Review

There was a challenging economic operating landscape in 2022 with global tensions coupled with high interest rates and surging inflation.

Africa was in no way immune to the economic malaise as Russia's war in Ukraine led to supply chain disruptions for energy, grain and fertiliser, spiralling prices, volatile commodity markets and, in some African countries, severely threatened food security.

Meantime, central banks globally tightened monetary policy to combat inflation, further feeding secondary inflation for emerging markets due to the strengthening US dollar effectively increasing the cost of imports. This was hot on the heels of the ongoing recovery from the COVID-19 pandemic which had heightened sovereign debt concerns as African governments' expenditure increased during the coronavirus just as their tax revenue declined. Indeed, eight African countries are in debt distress and a further 13 are deemed to be at high risk of being so. Against this backdrop, African countries generally resumed GDP growth from their pre-pandemic trajectory - albeit at a lower rate – and the majority are forecast to maintain their growth momentum in 2023.
AFC's resilience, strong performance and sound financials, enabled us to further drive Africa's infrastructure and economic development during 2022.

AFC's resilience, strong performance and sound financials, enabled us to further drive Africa's infrastructure and economic development during 2022.

Power

According to the International Energy Agency's 2022 Africa Energy Outlook report, over three-quarters of all the people in the world that lack access to electricity and over a third of those that lack access to clean cooking fuels and/or technologies are in Africa.

Further, these proportions have increased in recent years. Most of the 600 million people without electricity and the 970 million that relied on harmful fuels for cooking in 2021 were sub-Saharan Africans. Almost half of them are concentrated in five countries: the Democratic Republic of the Congo, Ethiopia, Nigeria, Tanzania and Uganda. At the beginning of 2022, Africa was already behind in the required progress necessary to reach the United Nations Sustainable Development Goal (SDG) of universal access to modern energy by 2030 (SDG7), with the COVID-19 pandemic having set this back even more.

Despite the urgent need for solutions to address the energy production and distribution gaps across Africa, projects in the sector continued to face numerous challenges. These included unpredictable cost overruns, rising interest rates, foreign currency shortages and currency convertibility problems. AFC continued to originate and close transactions in a climate where our competitors were offering increasingly lower cost financing. The increase in interest rates globally made funding for renewable and hydropower projects more difficult, often necessitating concessionary finance or financing projects at very low margins. Despite these hurdles, there remain many attractive investment opportunities in Africa's power sector - particularly in the commercial and industrial sectors with credible private customers - as well as rehabilitation and asset concession initiatives for hydropower projects.

AFC has a strong track record of investing in baseload thermal power generation across the African continent, through the deployment of a range of financial instruments. Of particular note in 2022 were the 44-megawatt (MW) Singrobo Hydro Independent Power Plant (IPP) in Côte d'Ivoire, achieving senior debt financial close, following AFC's project development and construction bridge debt investments in recent years; and the 60 MW Red Sea Wind IPP in Djibouti and the 366 MW combined cycle gas fired IPP in Senegal both signing senior debt financing documents.

Overall, AFC invested US$222 million in the power sector in 2022, bringing the total on-balance sheet value of AFC's power sector investments to US$782 million. Additional disbursements of about US$200 million which were initially planned for 2022 are expected to close in 2023. These disbursements will add to a promising 2023 for AFC's power sector, building on an AFC consortium's Q1 2023 financial close of the 1,022MW Lekela acquisition.

Projects that the AFC project development team advanced through the development stages, in addition to ensuring viability for project financing, included the 366 MW Senegal Gas IPP and the 33 MW Guinea Solar IPP.

Despite the challenges posed by the deteriorating operating environment, which also weakened the financial position of many national utilities, AFC saw significant growth in our power sector related assets. Much of this progress was concentrated in countries whose economies were minimally impacted by the COVID-19 pandemic, devaluation in national currencies and inflationary pressures, such as Côte d'Ivoire and Senegal. An additional driver for the growth in AFC's power sector assets was the acquisition of operational assets, which had been developed in a more benign economic climate.

Amount AFC invested in power sector in 2022

US$222m

Renewable energy portfolio/ platform 2022 highlights

- AFC's renewable energy equity portfolio grew by 1.3 GW (gigawatt) year-on-year, from 130 MW to 1.4 GW. This increase was largely attributable to AFC's strategic acquisition of minority equity interests in Infinity Energy Africa and Lekela. Infinity Energy, an AFC investee company, signed a Memorandum of Understanding (MOU) with the Egyptian government, Masdar and Hassan Allam to build a 10 GW wind farm, which will be one of the largest wind farms on the African continent.
- In Q3 2022, AFC announced the acquisition of Lekela's wind power portfolio of over 1 GW, owned by Actis and Mainstream Renewable Power, with operating assets in Egypt, South Africa and Senegal, and a pipeline of 1.7 GW. AFC partnered with Masdar, Infinity and EBRD to sign a Share Purchase Agreement for Lekela. The consortium reached financial close in Q1 2023.
- Cabeólica S.A., the owner of four wind farms on the islands of Santiago, São Vicente, Sal and Boa Vista in Cape Verde, signed an MOU with AFC for the expansion of its facilities. The MOU targets an expansion of the Santiago facility at Monte São Filipe by 13 MW, along with the installation of two 5 MW energy storage batteries on the islands of Santiago and Sal.
- AFC signed a Term Sheet to provide senior debt funding to Mainstream Energy Solutions Limited for the rehabilitation and capacity recovery of 240 MW at the Kainji hydropower plant in Nigeria. AFC expressed interest in providing support to some of the bidders for the Zungeru hydropower project in Nigeria. This will increase our presence in the power sector of AFC's host country following successful completion of the concession process by the relevant agencies in Nigeria.

In the non-renewable energy sector, AFC provided financing to the 366 MW West Africa Energy IPP Project in Senegal to accelerate project development and construction.

Projects under construction included:

- 44 MW Singrobo-Ahouaty Hydropower Project: The Singrobo hydro power project achieved long-term lender financial close in 2022, despite facing various obstacles, which included stringent environmental regulations, COVID-19 restrictions, and government changes in Côte d'Ivoire. This project represents a key proof of concept for AFC and demonstrates the success of our bridge financing approach, in addition to how we further accelerate development impact through a combination of project development expertise and funding. €149.6 million in funding was provided to accelerate construction given the long lead times for hydro power projects, while working towards

AFC's 2023 Power Sector Strategy

Looking ahead, our focus will be on investing in renewable energy projects with attractive returns through AFC's renewable energy platform, as well as filling funding gaps for bankable power projects through well-structured financial instruments.

AFC's objective in the power sector is to close Africa's energy deficit. Anchoring this objective is our strategy to build out a 3 GW renewable energy platform, which was accelerated in 2022 with our acquisition of the Lekela Wind Platform. This is a portfolio of operational renewable energy projects with a combined installed capacity of over 1 GW, mainly located in South Africa, Egypt and Senegal.

As a result, AFC now has the largest renewable energy platform in Africa, with operational, construction and development wind, solar and hydro assets that are further boosted by Lekela's 1.7 GW pipeline of greenfield projects, the majority of which are anticipated to reach financial close in the near future. The acquisition has also allowed AFC to diversify into new African countries, such as Egypt and South Africa, where the Corporation previously had no power sector footprint.

In addition, one of AFC's investee companies, Infinity Power Holding - a joint venture between Infinity, Masdar and the European Bank for Reconstruction and Development (EBRD) - signed an agreement with the Egyptian government at COP27, in partnership with Masdar and Hassan Allam, to develop one of the largest wind farms globally, a 10 GW wind farm in Egypt.

Key focus areas for 2023

- Building the AFC Renewable Energy Platform through the acquisition of operating assets, and the development of pipeline assets, which will deliver stable cash flows to the platform; and building and closing the pipeline of development projects in high growth markets offering strong returns.
- Growing our non-Renewable Energy portfolio, especially gas IPP projects, in recognition of the role of gas as a transition fuel.
- Diversifying the portfolio by increasing investments in transmission infrastructure and regional interconnectors to optimise the value of generating assets on the continent.
- Enhanced focus on captive power opportunities for mines, commercial and industrial operators.
- Collaborating with utilities, developers, EPC contractors and financiers to identify, fund and revive the capacity of existing hydropower projects (rehabilitation) and hydropower project concessionaires.
- Collaborating with the recently established US$2 billion Infrastructure Climate Resilience Fund, managed by AFC Capital, which is AFC's wholly owned third-party asset management company dedicated to investing in profitable, de-risked climate resilient infrastructure assets over the next three years.

long-term lender financial close. With 70% of the construction complete, the project is on track to achieve commercial operations this year, significantly ahead of the original 2027 target. The senior lenders include the African Development Bank, AFC, Emerging Africa Infrastructure Fund and German Investment Corporation (DEG). Singrobo is AFC's first equity investment in a hydro IPP and expands our reach in Francophone Africa.

- 60 MW Red Sea Power Wind Farm Project: Construction of Red Sea Power in Djibouti, is nearing completion, with commercial operations targeted for H1 2023. Funded by shareholders with equity bridge financing in 2019 led by AFC alongside FMO and Climate Investor One, the project will replace diesel gensets as well as propelling the country towards its net zero target and establishing a self-sufficient energy future.
- In December 2022, the project's facility agreements with lenders - including AFC, FMO and EAIF - were signed, effectively refinancing the project while solidifying the project's place as Djibouti's first IPP.
- 366 MW Senegal IPP Project: In December 2022, AFC approved a €250 million underwriting facility and signed the debt financing documents for the Senegal IPP project in Cap des Biches, Senegal, as the mandated lead arranger. This follows AFC's project development financing and structuring support that enabled the project to commence construction in 2019 ahead of debt financial close, which accelerated the project's delivery to meet the Senegal government's infrastructure development goals. 50% of construction is complete and the project is on track for commercial operations in early 2024.
- Upon completion, the Senegal IPP project will be the largest and most cost-effective power facility in the country, providing a steady source of baseload power to the nation.
- 80 MW Hakan Peat-fired Project: This Rwanda-based project made good process in 2022 with the two units now fully commissioned and providing testing electricity to the national grid. The project is working hard to augment the fuel supplies necessary for achieving commercial operations during 2023.

AFC's objective is to build out a renewable energy platform of

3 GW

> AFC announced the acquisition of Lekela's wind power portfolio of over 1 GW, with operating assets in Egypt, South Africa and Senegal, and a pipeline of 1.7 GW.

Natural Resources

AFC's objective in 2022 for the Natural Resources sector was primarily to catalyse capital to the sector, through the deployment of innovative financial products that support the sustainable development of Africa's vast resources, whilst retaining value on the continent.

African mining is constrained by a lack of capital. Despite being home to 30% of the world's mineral reserves, Africa receives only 5% of global mining financing. In response to this gap, in 2022 AFC assumed the role of catalysing capital flowing into the African mining sector, through the provision of alternative financing solutions. These included the increased deployment of royalty and streaming financing alongside debt and equity investments, for precious and critical metal projects which require additional investment to complete development and commence construction.

Despite Africa being endowed with significant natural resources, the lack of access to early-stage financing for project sponsors looking to develop attractive projects has stunted the growth of the sector. AFC's interventions have sought to close this critical gap by deploying our in-house project development expertise and structuring capabilities to support sponsors in de-risking projects for bankability, as well as supporting the preparation of project construction. As a result, in 2022 our project development approach served as an important origination source of high-quality transactions for principal investment.

For several African countries, the oil and gas sector will remain the single most important contributor to economic development, energy access and poverty reduction. AFC continued to provide support in this endeavour, with investments in oil and gas. Nevertheless, in 2022, we commenced a gradual realignment of our portfolio to focus more narrowly on gas development and monetisation opportunities, as well as financing projects which utilise decarbonisation technology to reduce the emissions associated with hydrocarbon production.

In 2022 AFC assumed the role of catalysing capital flowing into the African mining sector, through the provision of alternative financing solutions.

Africa's share of the world's mineral reserves

30%

Operating Environment – Oil and Gas

Russia's invasion of Ukraine in February 2022 triggered a war that has now lasted over a year and significantly reconfigured global energy markets with implications for global food and energy security.

As noted by the International Energy Agency, regions around the world have experienced soaring prices that have hit consumers hard, all against a geopolitical backdrop with energy security at its heart. Moreover, the world's dependence on fossil fuel consumption, including the price and resource volatility that this entails, has come into sharp focus. The war has led to a re-routing of Russian exports from European markets to Asia, resulting in shortfalls that have contributed to the increase in prices.

Reflecting the ongoing recovery from the COVID-19 pandemic's impact on commodity prices, Brent crude oil prices started 2022 at US$78/barrel (bbl) before peaking at c.US$140/bbl in March 2022, and averaging c.US$100/bbl for the year. Similarly, West Texas Intermediate (WTI) spot prices averaged c.US$95/bbl in 2022. Russia's invasion of Ukraine exacerbated supply pressures in the market, leading to a further escalation in oil prices.

In October 2022, in an effort to stablilise crude oil prices with the growing prospect of a global economic recession, OPEC and its partners (OPEC+) resumed production cuts by setting a 2 million barrels of oil per day (bopd) target for member countries. Saudi Arabia and the United Arab Emirates accounted for the bulk of the 2 million bopd production cuts. These supply cuts followed a gradual price decline from US$[illegible]0/bbl in March 2022 to circa US$80/bbl in October.

In 2022 our project development approach served as an important origination source of high-quality transactions for principal investment.

Operating Environment – Mining

The global mining sector witnessed volatility during 2022 arising from the more challenging global macroeconomic environment including depressed demand from China due to its zero-COVID policy, and also tightening global financial conditions as a result of the heightened inflationary environment and slower economic growth. These factors contributed to volatility in the prices of key mineral commodities.

Precious metal commodities experienced the most fluctuation, starting the year off strongly and then shedding the bulk of the price gains in Q3 2022 with the strengthening of the US dollar. Gold prices surpassed US$2,000/Oz in March 2022, before shedding over 20% of its price, to hit an 18-month low of US$1,619/Oz in September 2022. This coincided with the US dollar hitting a 20-year high as a result of Central Bank inflation reduction efforts. By year end, gold price posted marginal gains of about 11%, to settle at US$1,805/Oz.

In the case of Electric Vehicle ("EV") critical minerals and metals, copper prices were under pressure in 2022, trending downwards during the second half of the year. Similar to gold prices, copper prices started the year, trading at US$9,720/tonne, before spiking at US$10,400/tonne in March 2022. This 7% rise in price was primarily driven by the geopolitical tensions in Europe, as Russia is the world's seventh largest producer of copper. Prices began to drop, losing about US$2,000/tonne in Q2 2022 and ending the year at US$8,391/tonne, driven by a weaker-than-expected economic recovery in China. Cobalt prices performed in a similar manner to copper in 2022, starting off the year with an average price of US$40/lb in Q1, as traded volumes reduced in the global markets due to reduced supply from Russia. About 7,600MT of cobalt supply was displaced from global supply as a result of the ongoing geopolitical tensions. Cobalt prices also trended downwards from Q2 2022, as demand from China slowed as a result of the reinstituted COVID-19 restrictions which culminated in shutdowns of vehicle manufacturing plants. Cobalt ended the year at US$23.35/lb (41% down from the 2022 high recorded in Q1 2022). Lithium prices hit an all-time high of US$74,475/ton in Q4 2022 (a 123% increase from Q4 2021), as the global transportation sector continued its ongoing shift towards electrification. Lithium price performance in 2022 continued to be supported by the inability of miners to rapidly scale up supply. Finally, graphite prices slipped from its early 2022 highs, reflecting both a resumption of normal production and shipments from producers in China and Africa. Graphite mesh consequently ended the year at US$635/tonne, a 20% drop from its peak price of US$797/tonne in Q2 2022.

In terms of bulk metals, Iron ore followed a similarly volatile price trend as precious and EV metals, with prices rallying and hitting a record high of US$171/MT in Q1 2022, before falling to as low as US$81/MT in Q2 and Q3 2022, on the back of renewed worries over COVID-19 restrictions in China, which accounts for about 75% of seaborne iron ore demand, plus concerns over the country's property sector and cooling economic growth. Iron ore prices rebounded marginally to about US$100/MT at the end of 2022, following the faster-than-expected COVID-19 policy relaxation in China. Aluminum followed the same trend, plummeting

According to Rystad Energy, upstream investments in 2022 are forecast to have surpassed US$500 billion, representing a 20% increase on 2021. This growth was primarily driven by US$112 billion of greenfield upstream investments across the world, of which Africa was estimated to account for 30%, or US$34 billion, whilst North America and the Middle East were estimated to have accounted for 22% (US$25 billion) and 19.6% (US$22 billion) respectively.

In the case of natural gas, the curtailment of Russian gas exports to mainland Europe, drove LNG prices to record highs, peaking at US$90/MMbtu in August 2022. After reaching this peak, the natural gas market commenced a bearish streak due to tapered demand resulting from a mild start to the European winter, and record LNG imports which allowed Europe to build storage to nearly 95% of capacity by mid-November 2022. LNG prices subsequently ended the year at about US$30/MMbtu.

The upstream African oil and gas industry experienced a significant boost in 2022, with stand-out discoveries in offshore Namibia, as well as the continued active mergers and acquisitions ("M&A") activity as a result of strategic divestments by international and national oil companies. However, gas and liquids output on the continent fell from the previous year, due to a suite of challenges. These included gas supply bottlenecks in Algeria and Egypt, and unprecedented crude oil theft in Nigeria. Africa's crude oil production fell to an average of 7.5 mbopd in 2022, slightly below the 7.7 mbopd production recorded in 2021.

Africa's average crude oil production in 2022

7.5 mbopd

from a high of c.US$4,000/MT in Q1 2022, to a low of US$2,079/MT in Q3 2022. The drop in aluminum prices was driven by numerous production cuts in China and Europe as a result of the ongoing energy crisis. However, bauxite prices trended upward during FY2022 and ended the year at c.US$59/ton (a 24% growth from FY2021), supported by constrained supply as a result of an export ban for the commodity by the Indonesian Government. Finally, potash prices were also impacted by the ongoing geopolitical tensions between Russia and Ukraine, rising to over US$1,200/ton (CFR Brazil) in February 2022. Prices in the potash market began to gradually decline from Q2 2022, as the market recorded increased supply from Canada, in response to the supply deficit from Europe, and the decreased demand from fertiliser producers due to the record prices. Potash ended FY2022 trading at just US$600/ton, representing a 50% fall from record-high prices in February 2022.

Oil and Gas Sector Outlook

Rystad Energy forecasts average crude prices between US$85/bbl. to US$90/bbl. in 2023, driven by the continued uncertain macroeconomic sentiments which included uncertainty about China's economic recovery. Key risks to the forecast include the G7 price caps on Russian production in Q1 2023, which could potentially weaken prices.

For natural gas, particularly liquefied natural gas (LNG), Standard and Poor's (S&P) forecast that global supply growth will be limited in 2023 despite the sustained high price environment for LNG, due to a lack of new liquefaction facilities coming online in the near term. This will require LNG markets to balance again on an induced reduction in demand, as countries across the globe continue to pursue more cost-effective means of power generation, rather than supply growth from recently announced LNG projects across the globe. This dynamic will be particularly apparent in Europe, where there will be even less Russian gas supply in 2023 than in 2022, requiring considerable demand destruction.

A key takeaway from COP27 in 2022, was renewed appreciation for the complexity involved in rapidly transforming global energy systems, and the need for broader collaboration in arriving at sustainable net-zero solutions. In particular, there was a broad consensus that a 'just energy transition' requires that all sources of energy be considered to ensure access and security. The oil and gas sector has notably been recognised as an important contributor to the ambitions of the United Nations' Sustainable Development Goals given the sector's contribution of over 50% of the global energy mix. In 2023 and beyond, it is expected that there will be a more balanced perspective on energy transition.

2023 continues to present opportunities for increased participation by African independents in the oil and gas sector, with the international oil companies (IOC) and national oil companies (NOC) divestment programmes, most notably in Nigeria (Total Energies, Addax Petroleum etc.) and Angola (Sonangol). Energy transition considerations and increasing environmental requirements from the international financial markets will continue to be foremost in the minds of potential asset acquirers.

Mining: Key Drivers, Trends, and Sector Outlook

2022 saw a sharp escalation in project and operational costs in the mining sector, on the back of rising input costs, including labour, fuel and electricity, which were impacted by the inflationary environment.

A survey conducted by S&P on project costs found that capital expenditure inflation was trending at about 25% for new mine developments, resulting in budgetary re-evaluations for many mining projects globally.

S&P reports that M&A activity in the mining sector started the year strongly, capitalising on high commodity prices across all metal groups. However, M&A activity then moderated from Q2 2022, as commodity prices began to fluctuate, with a total of 1,402 deals worth US$75 billion. This represented a 34% drop from 2021 in terms of deal value. Similar to 2021, gold accounted for 31%of the total number of M&A deals, and 52% of deal value in the mining sector.

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

Global macroeconomic conditions are expected to deteriorate in 2023, presenting downside risks to the metals and mining sector. With interest rates rising globally, producers will be impacted by narrowing margins, while the exploration sector may limit activity amid tighter financing conditions. S&P forecasts that 2023 prices of key commodities will average lower than in 2022, with year-on-year price declines ranging from 7% for copper to 33% for lithium.

Lower activity levels in 2023 will reinforce the importance of the metals and mining industry's role in the global energy transition. Supply constraints across critical minerals which are important for the energy transition are forecast to emerge as early as 2024, with demand expanding on rising electric vehicle sales, and the broader shift towards renewable energy technologies, driven by government incentives and policy mandates. Similar to EV metals, the World Bank expects precious metal prices to face headwinds in 2023, as a more aggressive tightening of monetary policy in response to elevated inflation would dampen prices.

> 2023 continues to present opportunities for increased participation by African independents in the oil and gas sector, with the international oil companies (IOC) and national oil companies (NOC) divestment programmes.

AFC's key achievements for 2022:

Dynamic Mining – Bon Ami Bauxite Project, Guinea:

In 2022, AFC, as Mandated Lead Arranger, alongside Africa Export-Import Bank ("Afreximbank") and the Arab Bank for Economic Development in Africa ("BADEA") achieved financial close on the US$90 million senior debt funding to Dynamic Mining Limited ("Dynamic"), for the construction and development of the Bon Ami Bauxite Project ("Bon Ami") in the Boke Region in Western Guinea.

The senior debt investment followed the US$10 million Early Works Facility ("EWF") and US$60 million equity and mezzanine investments provided by AFC between 2019 and 2021.

The project is an integrated direct shipping ore bauxite mine with JORC reserves of 106.1 million tons, and associated logistics infrastructure consisting of a 45 km haul road, a 15,000 DWT river export terminal and an offshore transshipment facility.
As at year-end 2022, overall project construction had progressed to 24.7% with the support of AFC's equity and mezzanine investment.
The first ore shipment is targeted for Q4 2023, following the closure of the senior debt financing.

The Bon Ami project represents AFC's first Project Development-to-Investment case in the mining sector. The project is expected to increase Guinea's bauxite production, exports and attract further Foreign Direct Investment towards the further development of integration opportunities within the sector. At full production, the mine is expected to create an additional 1,700 jobs in Guinea, providing more opportunities for skills development and technology transfer to the host communities.

FG Gold – Baomahun Gold Project, Sierra Leone:

In 2022, AFC fully disbursed its US$45 million stream investment to FG Gold Limited ("FG Gold"), for the development and construction of the Baomahun Gold Project ("Baomahun") in Sierra Leone.

The infill drilling and late development works funded by the stream gave rise to a significant increase in the project's ore resources from 3.67 Moz to 4.55 Moz, culminating into the completion of the project's definitive feasibility study in December 2022.

As Global Financing Coordinator, AFC continues to work with other financial institutions to secure a comprehensive construction financing package for the project. The mine is expected to significantly contribute to Sierra Leone's development through the creation of opportunities for skills development and technology transfer to the host communities. This will be achieved through the implementation of on-the-job training schemes and mentorship programmes.

A Corporate Social Investment Programme ("CSIP"), which consists of education and health-focused community projects, has also been incorporated into the project. Under the CSIP, construction of a community primary school has commenced, and an education foundation to administer a three-year tertiary scholarship for 10 students annually will be created, in conjunction with the host communities.

Sociedade National de Combustives de Angola E.P., Angola:

AFC acted as Senior Mandated Lead Arranger, alongside Standard Chartered, Standard Bank of South Africa, Société Générale, Afreximbank and Absa Bank, to provide a US$1.3 billion Receivables Purchase Facility to Sociedade National de Combustives de Angola E.P. ("Sonangol"), the state-owned oil company of Angola, towards the financing of its capital and operating expenditure requirements.

This transaction represents AFC's first investment in Angola since it became a Member State in 2022. Through this transaction, AFC has deepened its strategic relationship with Sonangol and has lent support to the company's portfolio diversification strategy of leveraging income generated from its Oil and Gas assets. The investment supports Sonangol's objective to realise Angola's energy transition objectives, and the Angolan Government's strategic efforts to restructure and reposition the key player in the country's oil and gas sector for future growth.

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AFC Natural Resources Business Model and Strategy 2023:

The advancement of modern technology in energy storage, renewable energy generation and electric vehicles, has created a growing demand for critical energy transition minerals.

The growing demand positions Africa at an advantage, given the significant quantities of key transition-enabling metals such as copper, cobalt, graphite, lithium and platinum group metals on the continent. There is now increased global focus on Africa to play a leading role in providing the critical mineral resources required for a successful energy transition. Therefore, increased upstream mining activities and in-continent resource beneficiation, which would ramp up the supply of critical minerals, have become a critical pillar for AFC's mining business model and strategy in 2023 and beyond.

In 2023, AFC will sharpen its focus on catalysing investments to support the bankability of early-stage EV metals projects, while adopting innovative financing products including royalty finance, streaming and project development investments. AFC will simultaneously scale up the deployment of alternative financing for the precious metals and bulk commodities. Additionally, AFC's intervention in the natural resources sector will include the provision of comprehensive financing packages for African sovereigns, to execute resource mapping projects for the procurement of the high-quality geological data required to attract investments into emerging mining jurisdictions across the continent.

> The world's dependence on fossil fuel consumption, including the price and resource volatility that this entails, has come into sharp focus.

In 2023 AFC will continue to invest in high quality oil and gas transactions for environmentally sustainable projects and in assets that contribute to achieving energy security on the continent. AFC will work with sponsors in the oil and gas sector to achieve the decarbonisation of upstream operations through the financing of production optimisation and gas flaring reduction initiatives. Projects which seek to drive the mass utilisation of gas for industrial and domestic purposes will also be actively pursued. This is underpinned by the need for cleaner and more affordable energy to spur industrial development and economic activity in Africa.

The natural resources business model and strategy will continue to be supported by innovative transaction structuring, collaboration with project sponsors during project conceptualisation, strategic partnerships with co-financiers and in-house collaboration with other sectors.

Transport & Logistics

2022 Transport Strategy: Focus on platform expansion and development in the special economic zones (SEZ), gas and petroleum products industries.

The COVID-19 pandemic accelerated Africa's urgency to increase the resilience and self-sufficiency of its economies, by putting in place the right infrastructure for securing the continent's supply chains.

Furthermore, Russia's invasion of Ukraine and the subsequent global inflation crisis weighed heavily on many African economies, underscoring once again the region's vulnerability from its reliance on imports. The challenging macro environment forced public and private sector stakeholders to re-prioritise the delivery of African-led solutions to secure the region's food and energy security.

Africa's economic resilience – including its food and energy security – is at the heart of AFC's evolving strategy in the Transport and Logistics sector. In 2022, we focused primarily on developing long term infrastructure solutions that improve the resilience and sustainability of cost-efficient supply chain logistics. This is underpinned by the aggregation of agricultural products for value addition in Special Economic Zones ("SEZ") under our Arise Integrated Industrial Platform (IIP) to enable African economies to extract more value from local resources; more efficient gas and fuel transportation, storage and distribution to reduce carbon footprint of energy supply; and ports through the Arise Ports & Logistics' platform.

Overall, in 2022, AFC's main achievements in the transport and logistics segment have included: (i) expanding the Integrated Industrial Platform ("IIP") into new geographies and products; (ii) increasing the number of ports in operation by completing construction and operationalisation of two new ports; (iii) setting the foundation for the development of a gas and petroleum storage, transportation and distribution infrastructure platform, and (iv) delivering impactful, sustainable solutions for the transportation and storage of petroleum products.

> In 2022, we focused primarily on developing long term infrastructure solutions that improve the resilience and sustainability of cost-efficient supply chain logistics.

Revenue growth of Arise IIP's seed asset NKOK SEZ in 2022

143%

Integrated Industrial Platform ("IIP")

- ARISE IIP (pan African Integrated Industrial Platform) – ARISE IIP grew its geographical spread from three to nine countries, by adding new concessions in six new IIPs in the Democratic Republic of Congo (timber processing); the Republic of Congo (timber processing) Rwanda (cassava, maize, plantains); Côte d'Ivoire (cashew, cassava, rubber); Chad (meat and agro-processing); and Nigeria (cassava and light manufacturing).
- Arise IIP's seed asset, NKOK SEZ in Gabon recorded a strong financial performance with revenue and EBITDA growth of 143% and 70% respectively. The SEZs in Togo and Benin started operations during the year.

To develop and fund the business plan, Arise IIP launched a US$500 million convertible loan programme anchored by a new investment of US$135 million in the platform to support the execution of these projects, starting from 2023. The development of these IIPs will help the beneficiation of local resources in target countries capture more value and build local capacity and employment. As part of this project, a textile training centre was established.

Ports

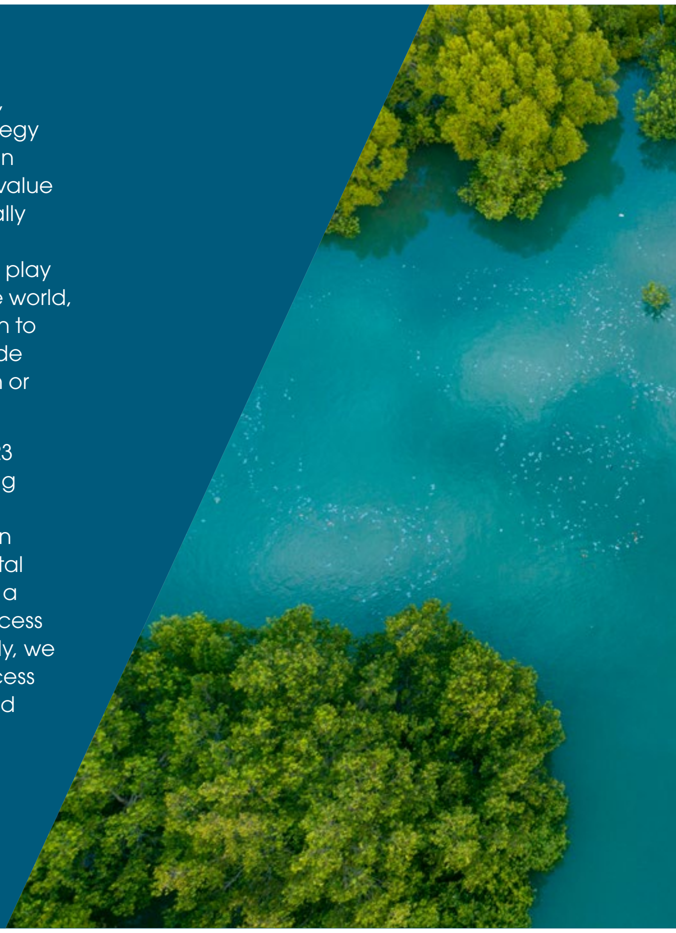
- ARISE Mauritania (newly constructed and operational port in Mauritania): We achieved commercial operations and also increased our stake in the asset to 50% by completing the acquisition of Olam's stake, setting the foundation to gain scale for our proposed strategy of building a platform of port investments. The company is making progress with increasing its market share, including exploring options for inorganic growth through M&A.
- San Pedro (TIPSP) Multipurpose Industrial Terminal – AFC, through our investee company, ARISE Ports & Logistics (Arise P&L) recently inaugurated the Multipurpose Industrial Terminal in San Pedro ("TIPSP") in Côte d'Ivoire. TIPSP is an extension and upgrade of the Port Autonome de San Pedro, and is fitted with cutting-edge, high-performance equipment that will significantly improve the performance of the port. The modernised terminal will serve as a processing hub for battery metals that are key to the global energy transition including manganese, nickel, lithium and iron as well as other products such as cement, petroleum products and fertilisers. The port will create over 3,000 direct and indirect jobs at full operations and position Côte d'Ivoire as a vital commercial hub in the region. After starting operations in 2022, TIPSP handled 5 million tons of products mainly consisting of nickel exported to China and Greece.

Outlook

Looking ahead, AFC will continue implementing its strategy to develop and expand sub-sector platforms in various industries, including ports, integrated industrial platforms, gas storage, transportation and distribution infrastructure, petroleum products storage, and the development of logistics across the agriculture value chain to include cold storage to improve the quality and shelf life of local production to strengthen Africa's food security and resilience.

A sector of interest for AFC is the forestry and carbon credits area, where we are developing a strategy that builds on our forestry assets in Gabon, aiming to enhance the value of these resources. This is especially important given Africa's vast endowment of rainforests, which play a vital role as carbon sinks for the world, absorbing an estimated 1.1 billion to 1.5 billion tonnes of carbon dioxide annually, more than the Amazon or any other region's rainforests.

Emerging complexities in the 2023 macro environment, notably rising interest rates and energy prices, as well as continued supply chain disruptions, call for prudent capital deployment and so there will be a more stringent and selective process for new opportunities. Importantly, we are commencing an active process of partial exit from some identified matured assets in our portfolio, to recycle our capital.



- Other assets in the ARISE ports and logistics portfolio achieved strong performance in 2022:
  - The mineral port (OMP) in Gabon recorded strong volumes, revenues and EBITDA, of 13%, 22% and 20% respectively, for the year.
  - The container port (NOIP) in Gabon, made good strides in implementing a turnaround plan.

Energy Storage and Transportation

- Access LNG (LNG storage and transportation in Ghana) – a US$57 million investment towards the completion of its upgrade and operationalisation of a 127,500 m3 Liquified Natural gas (LNG) Floating Storage Unit (FSU), to support the Tema LNG terminal in Ghana. The latter is a state-of-the-art advanced LNG terminal project to deliver 250 mmscfd natural gas, as well as facilities to bunker, reload or break-bulk LNG. This is a landmark transaction in Africa which will not only help Ghana to diversify and stabilise its energy supply but will also provide a cleaner and cheaper source of energy for industrial clients across West Africa, replacing dirtier fuels such as diesel, heavy fuel oil, light cycle oil etc., with gas. The combustion of natural gas generates 30% less carbon dioxide (CO_2) than fuel oil and 45% less than coal.
- Mahathi (Fuel transportation via barge in Uganda) – AFC's Board approved a US$120 million investment in the Mahathi project in Kenya and Uganda which will close in the first quarter of 2023. The project creates a low carbon transport mode via barges on Lake Victoria between Kenya and Uganda using barges to transport petroleum products across the lake rather than trucks around the lake. One barge displaces the equivalent of 200 trucks annually, given Uganda's annual consumption and it is estimated that the project will result in equivalent of 100,000 fewer trucks on the road from Kisumu to Kampala. The self-propelled barges also generate 22x less greenhouse gases emissions compared to trucks.

AFC investment in Mahathi fuel transportation via barge project

US$120m

> ARISE IIP grew its geographical spread from three to nine countries, by adding new concessions in six new IIPs in the Democratic Republic of Congo (timber processing); the Republic of Congo (timber processing) Rwanda (cassava, maize, plantains); Côte d'Ivoire (cashew, cassava, rubber); Chad (meat and agro-processing); and Nigeria (cassava and light manufacturing).

Heavy Industry

At the core of AFC's mandate is providing capital and expertise for the development, expansion and operation of projects and companies that deliver diversification, industrialisation and modernisation benefits for Africa and drive sustainable long-term growth for the continent.

In 2022, AFC supported a range of projects in crude refining, liquified natural gas, cement, ammonia/urea and phosphates across West Africa, East Africa, Central Africa and Southern Africa.

> The rising interest rates allowed AFC to offer flexible and innovative hedging solutions. Local currency depreciation reinforced the importance of launching import substitution and export-oriented projects. Supply chain disruptions bolstered the case of domestic and regional industrial companies to undertake vertical integration projects.

Operating Context

The key themes affecting AFC's industrial clients in 2022 were linked to the global trend of rising interest rates, accelerated local currency depreciation, supply chain disruptions and the increasing importance of decarbonising the global economy. AFC focused on the opportunities created by each of these themes. The rising interest rates allowed AFC to offer flexible and innovative hedging solutions. Local currency depreciation reinforced the importance of launching import substitution and export-oriented projects. Supply chain disruptions bolstered the case of domestic and regional industrial companies to undertake vertical integration projects. Finally, the global focus on decarbonisation introduced a number of battery mineral processing projects into AFC's pipeline which are expected to reach fruition over the next 18 to 24 months.

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

In terms of notable developments within the operating landscape, 2022 was marked by dislocations in fertiliser markets, coupled with the adverse impacts of the Ukraine-Russia war on domestic food security, which heightened policymakers' concerns about the affordability of fertilisers. Global fertiliser markets were already in a tightened state by the end of 2021, reflecting COVID-19 pandemic driven supply disruptions to key inputs coupled with rising post-pandemic demand. But the war in Ukraine added geopolitically driven disruptions to a fragile market, curtailing supplies from major producing countries and sharply raising prices. Several large-scale industrial projects were already being developed across Africa in the fertiliser sector, reflecting governments' shifting policies towards supporting local companies that are critical for their food security.

Annual absorption of carbon dioxide by Africa's rainforests

1.3 bn tonnes

In 2022, AFC delivered the following transformational investments in the industrial sector:

- BUA Industries Limited ("BIL"), Nigeria: AFC provided a US$200 million corporate facility to BIL to part finance the development of a backward integrated sugar refinery and ethanol plant. Over its lifetime, the project is forecast to reduce Nigeria's sugar imports by approximately US$2 billion and to create 15,000 direct and indirect jobs.
- Gemcorp Working Capital, Liberia: Through a US$45 million revolving facility to Gemcorp Commodities Trading, AFC is part financing the importation of crude oil for the Conex modular refinery in Liberia. The Conex refinery will help deliver job creation and petroleum product sufficiency in Liberia.
- Société Africaine De Raffinage ("SAR"), Senegal: AFC provided a €90 million term loan facility to SAR to expand its refining capacity, augment the refinery process to refining newly discovered Senegalese crude and construct additional storage facilities. The Facility will help SAR implement an expansion programme that will allow the national refinery to have the technical and financial capacity to use local oil production to meet domestic demand and to supply neighbouring countries with petroleum products.
- Nigeria LNG ("NLNG"), Nigeria: AFC provided a US$100 million commitment as part of a US$3 billion senior secured corporate loan to part finance the construction of NLNG's seventh liquefaction train and associated facilities. The project will increase NLNG's nameplate capacity by 35%, from 22 mpta to 29 mtpa, making Nigeria the fourth largest LNG exporter globally.

> The project is forecast to reduce Nigeria's sugar imports by approximately US$2 billion and to create 15,000 direct and indirect jobs.

Outlook

AFC will continue to focus on developing its pipeline of beneficiation projects across refineries and transition metals in partnership with the natural resources team. In addition, AFC will seek to catalyse projects in the agri-linked sectors such as fertiliser production and agricultural goods processing.

AFC is keen to reverse the current trend in the market where African countries export primary products, such as agricultural goods, minerals and metals, and import final goods at a significant premium. We see the need to continue to support corporate businesses across various industries to back key sponsors that require liquidity for expansion. Given heightened constraints across many African countries in accessing foreign currency from local financial institutions, AFC has an important role to play in helping clients source FX internationally. AFC will continue to leverage on partnerships as a key strategic tool to achieve the scale of capital required to support our clients' realisation of their growth plans.

- Dangote Group, Nigeria: AFC provided US$300 million in senior debt to Dangote Industries to part-finance the construction of a 650,000 barrel per day crude oil refinery and a 2.8 million tonnes per annum urea fertiliser plant in Nigeria. The refinery will have the capability to double Nigeria's current refining capacity, making Nigeria self-sufficient in fuel. It is estimated that the refinery's operations will improve Nigeria's trade balance by US$8.8 billion, boost GDP by US$13 billion (2.3% of the total) and increase government revenue by US$3.3 billion when up and running.
- Société Ivoirienne de Raffinage ("SIR"), Côte d'Ivoire: As sole Mandated Lead Arranger, AFC successfully raised a €577 million facility for SIR to repay historical obligations on crude supply, provide a long tenor facility and reduce the interest rate of SIR's stock debt. SIR is currently the largest and most sophisticated operational refinery in West Africa. The facility was integral to the conditionality of the International Monetary Fund's (IMF) financial programme, as the IMF considers SIR to be a strategic asset for the country.

AFC funding for construction of Dangote Industries crude oil refinery.

US$300m

> The refinery will have the capability to double Nigeria's current refining capacity.

Telecommunications & Technology

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

In addition, the mobile ecosystem supported about three million formal and informal jobs and made a significant contribution to the funding of the public sector, with almost US$15 billion raised through taxes. Through its expansive solutions, the mobile economy is expected to drive productivity in several sectors, including fintech and manufacturing.

Adoption of 3G/4G network services has been expanding gradually with significant unused capacity. At present, 4G connections account for only 13% of all connections in SSA, compared to an average of over 95% in most North American and European countries.

The coverage gap in SSA is one of the highest as 67% of the population is not covered by a mobile network. Key issues surrounding the low adoption of the 4G network in Africa include the difficulty in accessing rural communities, the cost effectiveness of deploying the network in rural areas due to lower population density, the affordability of 4G enabled devices and inadequate infrastructure.

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


Mobile ecosystem has paid taxes of almost
US$15bn

AFC's Telecommunications and Technology Activities

- AFC continues to support the telecommunication sector with a key focus on network connectivity. As a result of the ongoing COVID-19 pandemic, AFC supported MTN Nigeria and Airtel Nigeria to expand and modernise their network capacity to meet the rising demand for data services. Our tailored US dollar loan solutions to the telecommunications sector in 2022 enabled operators to continue investing in infrastructure to meet skyrocketing data demand during a period of extreme hard currency scarcity in certain African markets.
- As a result, MTN Nigeria ("MTNN") witnessed a dramatic increase in demand for data services during the coronavirus pandemic. Consequently, data revenues increased by high double digits, substantially outstripping voice revenue increases. Although the initial spike in growth was sparked by coronavirus containment policies, customers continue to increase broadband utilisation at unprecedented levels even as the pandemic subsides. Data usage growth was primarily driven by video conferencing and streaming services. Strong investment in improving network capacity during the last three years enabled MTNN to capitalise on consumer demand.
- In Q1 2022, AFC and other shareholders completed their sale of a 100% stake in MainOne Cable Co. Ltd to Equinix Inc. Equinix is the global leader in digital infrastructure with over 237 data centres. It chose to enter the African market through MainOne as a trusted partner to pursue the growing mobile broadband data adoption and greater connectivity opportunities. In addition, the transaction provides MainOne with access to capital to bolster its expansion plans and bridge the digital divide on the continent.
- In Q4 2022, AFC funded its first technology services business. AFC partnered with a global billion-dollar impact funds investment manager to participate in the next fundraising round of a pan-African digital asset finance company.

In Q1 2022, AFC and other shareholders completed their sale of a 100% stake in MainOne Cable Co. Ltd to Equinix Inc. Equinix is the global leader in digital infrastructure with over

237 data centres

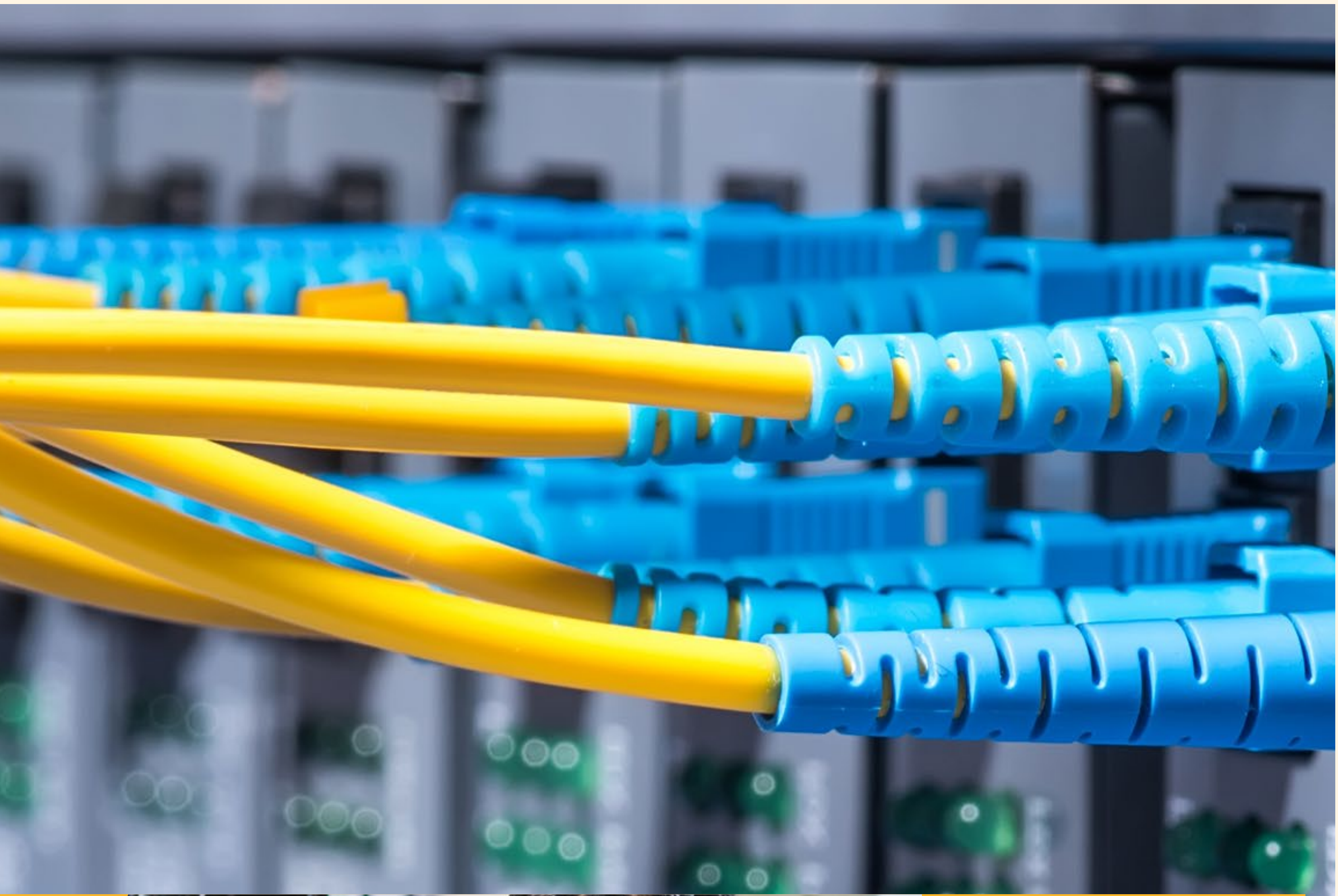
Outlook

According to GSMA data, mobile technologies and services generated more than US$130 billion of economic value added (8% of GDP) in sub-Saharan Africa ("SSA") in 2020, and it is expected to reach US$155 billion by 2025.

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

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

Sub-Saharan Africa's trajectory as one of the fastest growing fintech regions looks set to continue. This is boosted by fast growing mobile subscriptions, several markets having taken steps to accelerate financial inclusion and the ongoing shift towards a cashless society agenda. To be a globally competitive economy, Africa needs regional digital services champions. These companies have the potential to enable African economic development that leapfrogs hurdles and slow growth, for example by driving financial inclusion. In 2023, AFC intends to accelerate its expansion into digital infrastructure, digital services, technology, supporting technology and telecommunications businesses.



"AFC partnered with a global billion-dollar impact funds investment manager to participate in the next fundraising round of a pan-African digital asset finance company."

Project Development

In 2022, AFC's Project Development ("PD") team continued to play a key role in setting the institution apart by supporting transformative projects across a variety of sectors in almost every sub-region of the continent.

The PD team focused on delivering on transactions approved by the Board Risk and Investment Committee ("BRIC") and management, whilst building a strong pipeline of transformational projects in markets that diversify AFC's asset base and demonstrate AFC's capacity to be at the forefront of delivering infrastructure solutions on the African continent.

Objectives for 2022

The PD team continued to make inroads on origination, with a particular focus on AFC priority countries with urgent infrastructure needs. This differentiated AFC's PD offering in an increasingly saturated infrastructure development space, whilst building a pipeline of assets to seed the broader platform investment strategy of the Corporation. In previous years, the PD portfolio has had a heavy concentration of transactions in the Power sector, however, a concerted effort has been made to diversify and originate impactful projects in Natural Resources (with particular emphasis on mining), Transport, Logistics and Heavy Industries. 2022 also saw PD mining come into focus with the objective of building a battery metals portfolio whilst working closely with the Natural Resources team. To be able to deliver on these strategic objectives, the team added another full-time employee that added both gender diversity and augmented the linguistic capacity of the team.

Operating Environment

The market for project development funding has become increasingly competitive, as sponsors are able to target more commercial funders using a mix of concessional development funding available for projects that score high on environmental sustainability indicators. Although available funding has increased, this has placed downward pressure on pricing for fewer qualifying early-stage transactions. This is particularly the case in the renewable energy space, but also varies by sub-region, with North Africa being amongst the most competitive markets to penetrate in that sector. In mining, the market has trended towards cheaper capital willing to take more early-stage risk for a delayed upside. In Transport and Logistics, the post-COVID-19 world has led to a rebasing of traffic volumes and gaps in historical information, requiring developers to be more hands-on in navigating development activities. In Heavy Industries, we continue to see ground-breaking firsts, but a dearth of sponsor capacity persists in addition to balance sheets being thin. Despite these challenges, the team has been able to chalk up an impressive list of accomplishments.

> The PD team continued to make inroads on origination, with a particular focus on AFC priority countries with urgent infrastructure needs.

AFC is Mandated Lead Arranger for West African Energy's Senegalese thermal power project of

300 MW

Key achievements during 2022

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

Projects in Financing/Construction

West African Energy 300MW Thermal Power Project – Senegal

On 7 December 2022, AFC, as Mandated Lead Arranger, executed the financing agreements with the project company West African Energy, for a 300 MW thermal power project in the Republic of Senegal. This came as a result of successfully implementing the Joint Development Agreement (JDA) that was executed between the project company and AFC in 2019, for which AFC provided US$3 million to support the project's development activities up until financial close. In addition to the initial US$3 million PD investment, AFC provided technical support with the development process that allowed for fast-track development and allowed the project to achieve a Limited Notice to Proceed ("LNTP") nine months after the commencement of the project. The project will be the single largest, cheapest power facility in Senegal when commissioned and will provide a reliable baseload power resource to the country.

Red Sea Power 60MW Wind Power Project – Djibouti

Since 2017, AFC has led the development of a 60 MW wind farm project in Djibouti called Red Sea Power. The project received equity bridge financing from the shareholders in 2019 for the financing and construction of the project. It has now completed 99% of construction and is awaiting energisation and commissioning. In December 2022, the facility agreements with the lenders led by AFC, FMO and EAIF were signed. The project will displace diesel gensets and help put the country on its path to achieving its target of 100% renewable energy on the grid and being self-sufficient with its energy needs. The project is the country's first independent power project and has helped to develop the non-existent regulatory framework in Djibouti.

Key Projects in Development

Nyanza Titanium Dioxide Pigment Plant – South Africa

The Nyanza project is a Titanium Dioxide ("TiO2") Pigment Plant in the Richard's Bay Industrial Development Zone in South Africa. Once implemented, it will be the first TiO2 plant in Africa with an estimated cost of US$550 million. AFC provided US$2 million in PD funding in 2022, to help take the project to financial close. In 2022, Nyanza significantly progressed its Bankable Feasibility Studies ("BFS"). It completed the technical studies, Front End Engineering Loading ("FEL-3"), which resulted in Nyanza being able to identify and appoint an experienced engineering, procurement and construction contractor. Also, during 2022, it completed the construction of its US$15 million Product Testing and Development Centre ("PTDC"). This has enabled it to start producing product samples which its future customers are now trialling. Nyanza is projecting to complete BFS by March 2023 and achieve financial close in Q3 2023.

AFC is part-financing the construction of Africa's first Titanium Dioxide Pigment Plant which has a project cost of

US$550m

Key Projects in Development

MetroKin Rail Project - DRC

Post year-end, on 6 January 2023, AFC entered into a JDA with Trans Connexion Congo (TCC), to jointly develop the urban train for mass transportation covering a linear route of 300 km of railway in Kinshasa, Democratic Republic of Congo. This urban train is to be executed in four phases, with an immediate focus on phase 1 which involves a 25 km rail connection from the central station of Kinshasa to the Ndjili airport. The project includes the construction of two large stations (Central Station and Ndjili Airport) and six smaller stations. It aims to provide a modern urban train for mass transportation and to improve transport times, particularly between the suburbs and the city centre, whilst taking polluting vehicles off the road and reducing GHG emissions.

Highway Development and Management Initiative - Nigeria

Under the Highway Development and Management Initiative (HDMI), the Federal Government of Nigeria is appointing private sector concessionaires to develop, finance, operate and maintain vital road corridors across the country. On 22 February 2022, the AFC Consortium, comprising AFC and Mota-Engil, was selected as the Preferred Bidder for Lot 5 Shagamu-Benin Expressway (248 km) and Lot 12 Lagos – Badagry - Seme Expressway (79 km). After a period of conducting additional studies and successful negotiations with the government, on 18 January 2023 the Federal Executive Council (FEC) approved the awarding of these two highway concessions to the AFC Consortium. These transport corridors will provide a much-needed boost to economic activities by facilitating the flow of goods and reducing travel times and vehicle operating costs for road users.

Kipushi Tailings – Democratic Republic of Congo (DRC)

Kipushi Tailings is a 1 million ton per annum copper and cobalt tailings project in the DRC which will reprocess the copper and cobalt tailing in the Kipushi tailings storage facility. It will help reduce the size of tailings in the Kipushi region and serve as AFC's first venture into battery minerals. The project is targeting financial close for Q3 2023.

> Kipushi Tailings is a 1 million ton per annum copper and cobalt tailings project in the DRC.

Key Projects in Development

Blackrose Methanol Plant – Nigeria

AFC recently signed a JDA to develop the Blackrose Methanol Project. The project involves the development of a US$1.6 billion, 1.9 MTPA natural gas to methanol production facility (phase 1) in gas rich Akwa Ibom, Nigeria. The project will be implemented in two equal phases of 1.9 MTPA, with phase 1 comprising the production of Methanol only, and phase 2 intended to introduce the co-production of ammonia. Through innovations in design, the project aims to achieve lower CO_2 emissions, lower natural gas consumption and lower excess steam production than conventional plants.

Uganda Refinery - Uganda

The project is a 60,000 barrel-per-day refinery, which seeks to monetise Uganda's crude oil reserves, eliminate the need for the importation of refined product into Uganda and to export refined products to countries in East Africa. The project has made considerable progress in 2022, having completed its Environmental and Social Impact Assessment and is nearing conclusion on the crude supply agreement. The project secured insurance cover for the development phase, which was a significant milestone and an innovative feature of the transaction. It is targeting Final Investment Decision in H1 2024.

Kainji-Jebba Solar Project - Nigeria

AFC entered into a JDA with the sponsors Nemoante and Green Continent Partners for the development of a 500 MW solar project within the concession area of the Mainstream Energy Solutions Limited ("MESL"), the concessionaire for the Kainji and Jebba hydro project. The project's objective is to complement the hydro resources of the dam and enhance the power production output of MESL, which is the offtaker of the project. AFC is co-developer and will be providing US$3 million in PD funding for the project development activities, with the objective of achieving financial close in Q4 2024.

Outlook

There is an active pipeline of projects that will drive our activities during 2023, ranging from battery metals in West, Central and East Africa; solar power in West and Central Africa; and wind power in West Africa.

In 2023, the team will focus on continuing to drive the projects in its portfolio to financial close. These projects are critical pipeline deals for AFC principal investment and are strategically spread across each of our four key sectors. AFC signed strategic MOUs in 2022 covering mining with the Solid Mineral Development Corporation in Nigeria, and for ports and logistics with Abu Dhabi Ports Group that will be operationalised in 2023 to strengthen the pipeline in an ever-changing environment.

Product Solutions

Product solutions provides lending solutions, including budgetary support, to governments and quasi-government entities, supporting the financing of key infrastructure projects across AFC's core sectors.

The sovereign assets in the Product Solutions portfolio include facilities for the governments of Côte d'Ivoire, Kenya, Senegal and Tanzania.

Overall, AFC was largely successful in its active portfolio management approach. The dedicated PMO Unit worked closely with the investment teams with deep sector expertise. AFC staff seconded our investee companies, as well as AFC representatives on the Boards of the investee companies in order to deliver the objective of continually enhancing the value of AFC's investments.

The key priorities for 2023 will be:

- Active Portfolio Management: We will strive to continue to develop and refine our capabilities in active portfolio management.
- Data and Analytics: Complete work on our ongoing efforts to develop early warning signals of portfolio deterioration as well as building robust data analytics to enhance portfolio reporting.
- Automate Portfolio Risk-Weighted Rating Model: Finalise the digitisation of the portfolio risk-weighted rating model to proactively track developments in the Corporation's portfolio risk profile.
- Climate Risk and ESG: Continue our ongoing efforts to incorporate ESG and climate considerations related to both risks and opportunities into portfolio frameworks, analytics and decision-making.

> There is an active pipeline of projects that will drive our activities during 2023.

Product Solutions

Structured Product Solutions complements AFC's investment activities, which have historically been focused on supporting private sector-led projects and obligors, by offering debt solutions to governments, quasi government entities and corporates across each of AFC's core sectors.

These debt solutions range from vanilla and structured term and trade finance solutions to more complex and/or flexible lending solutions, such as guarantees, that take advantage of AFC's high credit rating and Preferred Creditor Status to crowd-in banks and financial institutions, as well as non-traditional pools of funding.

Since its inception in the second half of 2019, the Structured Products Solution portfolio has steadily increased to its current size of US$900 million spread across eleven borrowers and seven jurisdictions. It is a well-performing and well-balanced portfolio overlaid, where appropriate, with credit risk insurance from investment grade counterparts.

In 2022, we set out to:

- Build on the early successes achieved by the sovereign lending programme. We continue to see this programme as an avenue to directly supporting governments in their ambitions to ramp up infrastructure spending as the public sector remains responsible for 95% of all investment in infrastructure. In turn, this programme helps AFC to build deeper relationships and partnerships with African governments. Specifically for our Member Countries, our aim is (i) to provide bridging facilities to shorten the development cycle of infrastructure projects; and (ii) to provide longer-dated instruments that better match the useful life of the infrastructure assets and contribute directly to efforts to improve debt sustainability.
- Bring more impetus to our trade and corporate finance activities. It remains our view that supporting businesses that are helping Africa move away from exporting raw materials to exporting processed goods is the only way to structurally transform the African economy. Furthermore, we believe that focusing on this segment will, in turn, deliver new revenue streams to the Corporation.

> Directly supporting governments in their ambitions to ramp up infrastructure spending.

Current size of AFC's Structured Products Solution portfolio

US$900m

Operating Environment

2022 was a difficult year for sovereign and corporate borrowers alike. Central Banks across the world raised interest rates severally to combat the inflationary environment arising from the extraordinary measures provided in 2020 and 2021 to stimulate their economies.

The inflationary environment resulted in a direct cost-of-living squeeze and a related reduction in profit margins. For African governments, the combination of higher interest rates and the strengthening of the United States dollar in particular, had severe impacts on balance of payments, debt servicing costs and access to credit. For most borrowers, access to the capital markets for instruments such as Eurobonds was simply not an option.

Equally important, has been the consequences of the Russia-Ukraine war. Not only has the war driven energy and commodity prices to their highest levels in recent memory, but whilst there had been some expectation that the pandemic would lead to a substantial repositioning of African economies to enhance self-reliance, the Russia-Ukraine war has resulted in geopolitics and an ongoing realignment of supply chains and trading partners, evidenced by the emergence of buzzwords such as near-shoring, friend-shoring, etc., which sees Africa at a crossroads once again.

Against this backdrop of severe liquidity constraints and uncertain trade dynamics, African borrowers placed increasing reliance on the loan markets and providers such as AFC to be able to reopen and reposition their economies, mitigate the lingering health and social impacts of the pandemic and boost critical infrastructure spending.

> AFC, via the Structured Product Solutions team, contributed to arranging approximately US$2 billion in facilities for a diverse range of clients and borrowers.

AFC's key achievements for 2022:

In 2022, AFC, via the Structured Product Solutions team, contributed to arranging approximately US$2 billion in facilities for a diverse range of clients and borrowers including the Ministry of Economy, Planning and Regional Development of Cameroon, the Ministry of Finance of Egypt, the Federal Ministry of Finance, Budget and National Planning of Nigeria, the Ministry of Economy, Planning and Cooperation of Senegal, Transnet State Owned Company Limited, and Africa Industries Group.

Sambangalou Hydropower Plant

This project is the construction of a 3.8 km^3 reservoir gravity dam with capacity of 128 MW along with interconnection transmission lines which will link the project to the electric grids of The Gambia, Guinea, Guinea-Bissau and Senegal. The dam itself is in Senegal, 930 km upstream from the mouth of the Gambia river and about 25 km south of Kédougou and is managed by The Organization pour la Mise en Valeur du fleuve Gambie. The project, expected to generate 402 GWh per year, will reduce the power deficit in the region upon completion.

In addition, drinking water treatment plants will be installed to supply drinking water to surrounding districts and improve the irrigation of farmlands, thereby supporting food security.

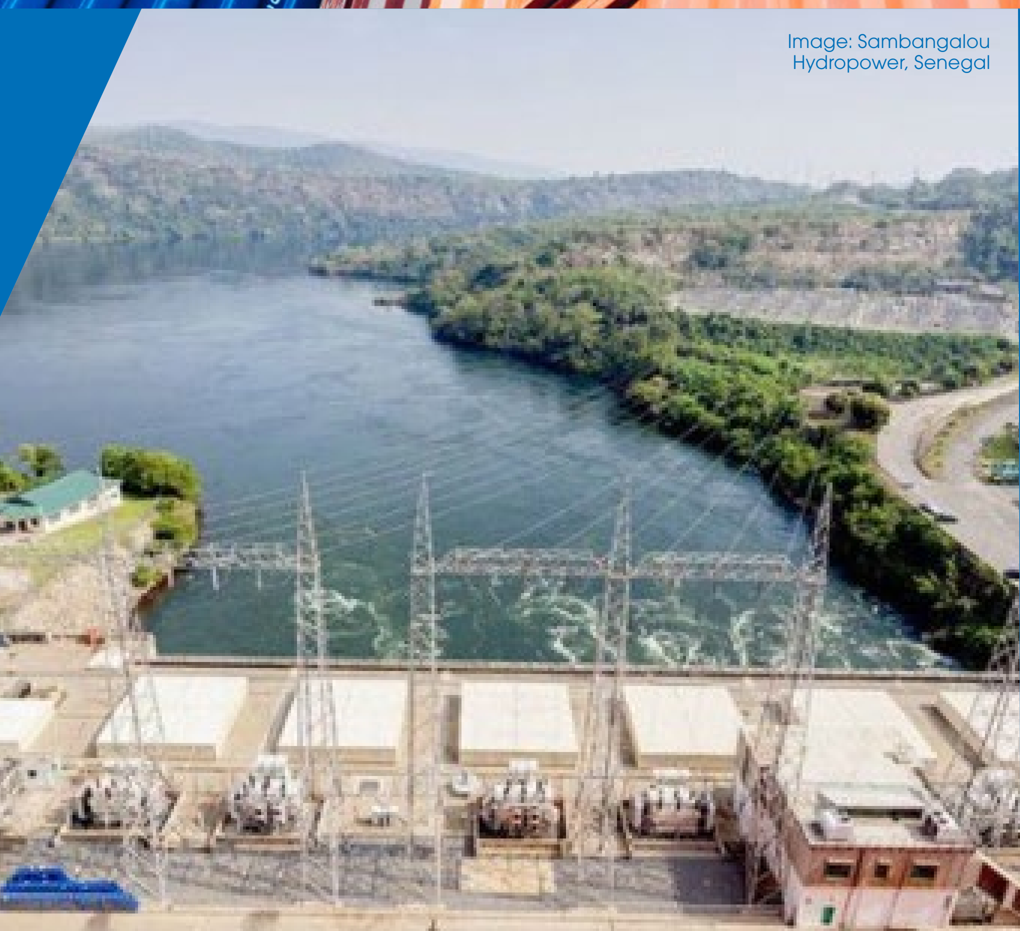


Image: Sambangalou Hydropower, Senegal

> The construction of a 3.8 km³ reservoir gravity dam with capacity of 128 MW along with interconnection transmission lines which will link the project to the electric grids.

AFC's key achievements for 2022:

Fonds d'Entretien Routier Autonome ("FERA")

The project covers revamping and reconstruction of 6,415 km of roads across the country at a total cost of up to €730 million. The project covers roads in Dakar, Thiès, Saint Louis and the Kédougou region to name a few.

The project will be managed by FERA and Agence des Travaux et de Gestion des Routes ("Ageroute"). They are both state owned entities that fall under the Ministère Des Infrastructures, Des Transports Terrestres Et Du Dèsenclavement ("Ministry of Infrastructure, Land Transport and Opening up" or "MITTD") of Senegal. The revamping and reconstruction of the major road networks are expected to improve urban and rural mobility and promote trade and boost economic activity across the country.

African Industries Group

African Industries Group ("AIG") is a Nigerian business with interests ranging from the manufacturing of steel, glass and chemicals and generation of power to the trading of chemicals and commodities.

Our facility is being utilised to support AIG's Letter of Credit issuances to allow for the importation of raw materials from their key suppliers. The goods imported include various steel products such as rebars, galvanised sheets, galvanised pipes, hot rolled coils, seamless pipes and others. The facility allows for the bulk importation of goods boosting manufacturing and processing in Nigeria, further deepening AFC's localisation strategy

Our facility is being utilised to support AIG's Letter of Credit issuances to allow for the importation of raw materials from their key suppliers. The goods imported include various steel products such as rebars, galvanised sheets, galvanised pipes, hot rolled coils, seamless pipes and others.

Kano Maradi Rail Line

The Federal Republic of Nigeria ("FGN") acting through the Federal Ministry of Finance, Budget and National Planning ("FMoF"), is developing a US$2.1 billion railway project comprising of a 284 km Kano-to-Maradi Main Line from Nigeria to Niger Republic and the 93 km Kano-to-Dutse Branch Line. The rail will connect three Federal States in northern Nigeria, namely Kano, Jigawa and Katsina, and will finish in the Republic of Niger.

The strategic rail line, set to be one of few operational rail infrastructures in Nigeria, will stimulate economic development and support the manufacturing and agricultural industries in the region, and result in more robust public transportation, regional integration and trade between neighbouring countries. The improved accessibility of the region will result in stronger regional integration and trade between neighbouring countries, particularly, in light of the African Continental Free Trade Area. The construction of the Project is expected to take three years.

Transnet

Transnet is one of South Africa's most strategic state-owned entities, and AFC supported the company's 2022/23 year capital expenditure plan of both maintenance and expansionary capex targeted towards its rail, ports and pipeline segments. Transnet Freight Rail maintains and manages a complex rail network across South Africa, comprising about 31,000 km of tracks, of which 1,500 km are heavy-haul lines and 3,928 km are branch feeders to the main lines. Transnet Ports Authority is responsible for the functioning of the national ports that span the South African coastline of circa 2,800 km and manages about 750 leases across the ports.

Over the next five years the company is expected to enhance terminal performance by creating greater efficiencies and optimising marine operations to alleviate delays, enhance terminal performance models and reduce downtime.

Transnet has 55,827 employees contributing towards lowering unemployment in the country and nine of the commodities moved by Transnet contribute 42.9% to national GDP. Given South Africa's export of bulk commodities, freight railways are vital to the economy and provide a solid and reliable business base for Transnet.

The largest users of freight rail and ports are the extractive and manufacturing industries, including steel manufacturers and mining houses. With countries continuing to seek alternative sources of commodities, South Africa stands to benefit as a key supplier of goods such as palladium and platinum.

Transnet is one of South Africa's most strategic state-owned entities, and AFC supported the company's 2022/23 year capital expenditure plan of both maintenance and expansionary capex targeted towards its rail, ports and pipeline segments.

The Fonds d'Entretien Routier Autonome to revamp 6,415 km of roads will cost up to

€730 m

Image: Transnet

Outlook and Strategy

We expect the themes for 2023 to echo those of 2022. Even though many economies have now re-opened, and the economic trajectory appears to be improving, there is still, largely, no sense of normality.

Further, whilst interest rate expectations have moderated somewhat, which is supportive for markets, there is an expectation that we will end 2023 with higher interest rates.

Therefore, against the backdrop of higher costs-of-living, lower growth, margin compression, depressed revenue mobilisation, higher interest rates and constrained liquidity, we expect 2023 to be a challenging year and intend to approach it with caution.

On the sovereign front, we will continue to support our sovereign partners and, in particular, our Member Countries. In this environment of higher interest rates and constrained liquidity, it is incumbent on us to work with African governments to find other solutions, besides debt rescheduling and debt forgiveness, to meeting Africa' funding requirements. That is the only sustainable way to get access to financing volumes anywhere close to the scale required for Africa's needs. Solutions that provide access to immediate sources of financing to deal with the urgent requirements of the pandemic are vital.

These include vanilla and well-tested solutions that provide access to long-term capital and reduce the cost of borrowing and debt servicing obligations; innovative solutions based on climate financing principles on the basis that Africa holds the renewal energy resources and mineral deposits that are required by the entire world to realise a future driven by sustainable energy; finally, solutions that are attractive to commercially-driven investors so that they can be scaled in order to meet Africa's very large funding needs. We believe the success of our work in 2022 demonstrates investors' willingness to support and reward countries that have a proven track record of meeting their debt servicing obligations, and to penalise countries that have failed to do so.

On the trade and corporate front, we remain firm believers in the transformative power of the African Continental Free Trade Area. This is on the basis that moving from exporting raw materials to exporting processed goods is the only way to structurally transform the African economy and create the economically empowering jobs that are required for growing populations. We believe that supporting and providing capital to entities - whether private or public sector - that are at the forefront of energy production, industrialisation and transportation/logistics is key and we will explore new ways of supporting and expanding trade and corporate finance.

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

Portfolio Management

Over the past two years, the Portfolio Management & Optimisation ("PMO") Unit's function and mandate have expanded from predominantly portfolio reporting, data gathering and analysis, to increased active credit portfolio management.

The PMO Unit is primarily responsible for proactively managing and monitoring the Corporations' Investment assets. The Unit strives to optimise and enhance the value of these investments through efficient management, including preparing assets for exit through trade sales and other liquidity events.

> PMO's top priority for 2022 was active management of AFC's large and growing portfolio of investment assets.

The Unit is tasked with preventing and/or minimising potential portfolio losses or diminution in asset values through restructuring or renegotiating challenged assets. The Unit also acts as a single point of contact for other departments on the investment portfolio; providing support from deal structuring to closure for the sector teams; and helps to develop the pipeline strategy, including identifying potential additional business from existing clients.

PMO's top priority for 2022 was active management of AFC's large and growing portfolio of investment assets. The PMO team worked proactively with our customers and other stakeholders, in proffering solutions, actively managing emerging risks related to their projects, as well as macroeconomic headwinds. One of these macro-headwinds was the rising interest rate environment, for which we were able to provide interest rate hedge solutions to willing clients via AFC's Treasury team. These interest rate hedging products met our customers' needs as they provided greater certainty over future loan repayments. The PMO Unit also worked closely with the Treasury and Legal Departments to ensure that the transition from LIBOR to SOFR is smooth and seamless for all our clients.

During the year under review, the Corporation again demonstrated its ability to pursue and achieve the resolution of credit or operationally challenged assets, which improved the credit quality of the portfolio. One such resolution is the facility to a Central African State-Owned National Oil Company ("NOC"), which continues to outperform its restructuring terms by prepaying a portion of the facility and shortening the facility tenor. Consequently, following the improved credit risk profile of the facility to the NOC, the asset was upgraded to IFRS stage 1 (from Stage 2).

Other facilities that were successfully restructured included (i) a prepayment facility to a state-owned refinery in Central Africa that was co-financed with an international oil company ("IOC"). Following an unfortunate accident at the refinery, AFC and the IOC worked with the Government to provide solutions towards bringing the refinery back into operation and restructuring the prepayment facility. The restructured facility is performing in line with its restructuring terms; and (ii) a project finance loan to a cement manufacturing company in Central Africa that was having cash flow challenges due to the sharp reduction in cement prices in the country. AFC, in collaboration with two co-financiers, successfully restructured the facility by matching the loan amortisation with the cash flow capacity of the company.

The PMO Unit continues to monitor all restructured facilities to ensure that they continue to perform in line with their restructuring terms.

Number of transport sector assets in AFC's portfolio

16

Portfolio Overview

- **Natural Resources Sector Portfolio**
  The Natural Resources portfolio comprises 22 oil and gas and mining sector assets spread across 13 countries: Angola (1), Botswana (1), Chad (1), Congo Republic (1), Côte d'Ivoire (1), Egypt (2), Eritrea (1), Gabon (1), Ghana (1), Guinea (2), Nigeria (8), Sierra Leone (1) and Tunisia (1).

  The range of assets in the portfolio includes onshore and offshore oil-producing assets, and oil and gas services. Our mining assets include bulk products (bauxite and manganese), precious metals (gold and diamonds) and industrial products (potash). The implementation status of the mining assets included producing assets, assets under construction and assets under development.

- **Power Sector Portfolio**
  The power portfolio consists of 10 assets, four of which are under construction, spread across 10 countries: Cameroon (1), Cape Verde (1), Côte d'Ivoire (1), Djibouti (1), Ghana (1), Kenya (1), Nigeria (1), Rwanda (1), Togo (1) and Zambia (1).

  The assets in the portfolio include hydroelectric power plants, a mine-mouth coal plant, a peat-fired power plant, combined-cycle plants, wind plants, transmission, and distribution assets.

Transport Sector Portfolio
The Transport Sector portfolio is made of 16 assets operating in nine countries: Benin (1), Gabon (5), Côte d'Ivoire (1), Ghana (2), Liberia (1), Mauritania (1), Senegal (1), Togo (1) and South Africa (3).

The Transport Sector portfolio comprises of three Special Economic Zones (SEZs) and three ports, all of which recovered strongly in 2021 and 2022 from their pandemic lows. Other exposures were in the aviation sub-sector (3), petroleum logistics (1) and roads (4).

Outlook

The key priorities for 2023 will be:

- Active Portfolio Management: We will strive to continue to develop and refine our capabilities in active portfolio management.
- Data and Analytics: Complete work on our ongoing efforts to develop early warning signals of portfolio deterioration as well as building robust data analytics to enhance portfolio reporting.
- Automate Portfolio Risk-Weighted Rating Model: Finalise the digitisation of the portfolio risk-weighted rating model to proactively track developments in the Corporation's portfolio risk profile.
- Climate Risk and ESG: Continue our ongoing efforts to incorporate ESG and climate considerations related to both risks and opportunities into portfolio frameworks, analytics and decision-making.

Heavy Industries, Telecoms & Technology Sector Portfolio

The Heavy Industries, Telecoms & Technology Sector portfolio comprises 11 assets spread across seven countries: Cameroon (1), Côte d'Ivoire (1), DR Congo (1), Egypt (1), Guinea (1), Liberia (1), Nigeria (5), as well as one asset where the multinational company has operations in West, East and Southern Africa (1).

The portfolio is made up of projects in fertiliser production, petrochemical industry, petroleum refining, cement production and telecommunications.

> The Corporation again demonstrated its ability to pursue and achieve the resolution of credit or operationally challenged assets.

Number of power sector assets in AFC's portfolio

10

8 Financial Services

Funding

In 2022, Central Banks globally, led by the US Federal Reserve Bank (the Fed), began an aggressive monetary policy tightening to curb the highest level of inflation in more than two decades.

The Fed increased its benchmark federal funds rate seven times in 2022, something it had not done since the 1980s. Rising interest rates brought unfamiliar volatility to bond prices and significantly increased yields. With global interest rates at high levels, emerging markets in general, and Africa in particular, suffered from significant capital outflows from investors.

Despite the challenging macro-economic backdrop, AFC's balance sheet remained healthy, with a robust liquidity buffer to support our operations. The Corporation focused on exploring new and existing bilateral relationships in the international loan market to diversify its funding sources, successfully recording over US$1.5 billion in net borrowings during the year.

During the period, the Corporation reviewed its funding programme, pivoting mainly towards the loan market rather than the bond market. Funding activities began in the first quarter with the successful closure of US$100 million with Cassa Depositi e Presititi S.P.A. ("CDP"). This transaction marked the beginning of a relationship with the Italian development finance institution ("DFI") and represents a major inroad for the Corporation to access the Italian capital market. The ten-year €100 million term loan is to support private sector projects related to renewable energy, energy efficiency and infrastructure.

Subsequently, the Corporation negotiated and closed a five-year US$€100 million facility with the Korea Development Bank ("KDB"), which is a state-owned policy development bank in South Korea. The single-tranche loan marked a deepening of our relationship with KDB, which was engaged as a Mandated Lead Arranger in the Corporation's US$400 million syndicated facility executed in 2021. The transaction also represented the Corporation's first effort at executing a Risk Free Rates (RFR)-based loan transaction, with the reference rate being Term SOFR.

In September, we executed a three-year US$389 million dual currency Samurai term loan facility, split into US$382 million and ¥1 billion. The transaction marked the Corporation's second foray into the Japanese capital markets, following an inaugural Samurai loan facility in 2019 when the Corporation raised US$233 million and JPY1 billion. The transaction was particularly notable because it was the first to employ the new benchmark interest rates of JPY TONAR and SOFR. Additionally, through an Accordion option that allowed late participants to the transaction, the Corporation secured an additional US$30 million from one of the new banks that could not join the syndication before closure, thus bringing the total dollar issuance to US$412 million. Altogether, six new institutions were added to our pool of lenders, significantly increasing our Japanese market access and enabling the Corporation to consolidate its profile in the market.

In the fourth quarter, we issued a three-year US$160 million Kimchi term loan facility, successfully executed on the back of an extensive investor engagement in South Korea. It was led by eight financial institutions, five of which were new relationships, and followed the inaugural US$140 million facility in 2019.

Both Asian facilities were essential in building a coalition of investors to diversify our funding sources, which now includes more institutional capital from Asia and existing partners in Europe, North America, Middle East and Africa.

In the same quarter, we executed a ten-year €150 million loan facility with European development finance institutions, Deutsche Investitions-und Entwicklungsgesellschaft mbH ("DEG") and Proparco. The transaction builds on AFC's partnership with DEG which began in 2012 and has resulted in several loans, including a US$170 million twelve-year loan in 2021.

Lastly, we secured a loan from the OPEC Fund for International Development. The three-year US$50 million loan marks a repeat partnership with the DFI, following a previous US$50 million ten-year loan facility in 2020.

AFC executed a three-year dual currency Samurai term loan facility of

US$389m

Asset And Liability Management

As part of our innovative approach to raising financing in the global markets, we successfully closed a total of about US$285 million through several repo transactions with different international financial institutions.

This financing comprised US$170 million from J.P. Morgan Securities plc split across 1-year, and 3-year tenors, and US$115 million executed with Standard Bank of South Africa Limited across various tenors ranging from 1 year to 2 years. These financing transactions, which leverage our fixed-income portfolio, represent one of the ways that we generate liquidity periodically to support our balance sheet growth. They also reflect the Corporation's solid ties to global financial institutions.

In line with 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 issued by African issuers. 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 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 the capital to support the funding requirements of African borrowers for the development of the continent.

AFC closed repo transactions with international financial institutions totalling

US$285m

Treasury Client Solutions

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

Cross Asset Hedging

During the year, our TCS business supported African projects by providing cross-asset hedging solutions via derivatives including cross currency swaps, total return swaps, interest rate swaps and options. A notable solution implemented during the year was our support to an African crude oil producer to address its inherent price risk by providing a crude oil Asian put option as part of a commodity hedging programme for the project to mitigate those risks. These put option contracts limit the downside risk for the crude oil producer by providing protection below an agreed minimum crude oil price. The hedging structure allows the producer to mitigate its exposure to declining crude oil prices while retaining the ability to benefit from potentially higher prices.

Furthermore, we executed interest rate swaps with our clients to assist them in managing their exposure to interest rate risks. In addition, the business continues to use swaps and other derivatives to provide innovative solutions to clients and to hedge the financial risks on the Corporation's own balance sheet.

Innovative Financing Solutions

The TCS desk also successfully provided several innovative financing solutions to some key African central banks, using cross-currency swaps to provide hard currency funding to these institutions, and securing the funding with local securities. The cross-currency swaps are uniquely designed for the central banks to leverage their local currency cash and securities to access hard currency funding for reserve management purposes and to stimulate their domestic financial markets. We continue to engage in dialogues with various central banks in Africa to ramp up efforts to bring innovative funding solutions to more central banks and financial institutions as part of the Corporation's efforts to play a leading role in developing Africa's capital markets.

Credit Intermediation

During the course of the year, the TCS business expanded its product offering by launching a derivative distribution platform that allows the Corporation to distribute African sovereign credit risk to global financial institutions. The latter seek to leverage AFC's origination capabilities and preferred creditor status with African countries (that are our member states) to access African sovereign credits. By establishing this platform, AFC is able to mobilise and channel global capital at scale to African countries and support African central banks, particularly in times of global economic volatility.

> The business continues to use swaps and other derivatives to provide innovative solutions to clients.

Debt/Syndications

AFC's Syndications unit is focused on mobilising third-party financing from various sources and types of investors into mainly private sector led infrastructure projects across Africa.

2022 was a pivotal year for AFC's syndication programme as we witnessed exponential growth of 74% in our mobilisation volume from $984 million in FY2021 to $1.71 billion in FY2022.

This momentous growth was achieved despite the lacklustre investor appetite for emerging markets, precipitated by the impacts of the COVID-19 pandemic and the Russian-Ukraine war. The latter led to an environment fraught with high inflation, a disruption to global supply chains, interest rate hikes, currency volatility and other financial market uncertainties.

Notwithstanding these market disruptions and headwinds, as a strategic imperative the AFC syndications programme focused on playing a counter-cyclical role by creating new partnerships, deploying innovative structures and de-risking transactions via several insurance structures. Following AFC's first foray into the repack financing space in 2021, when we successfully closed a €187.5 million term loan facility to a West African government, this year we expanded our partnerships and relationships with various providers of capital.

We particularly focused on institutional investors and asset managers, to unlock the trillions of pent-up liquidity housed within these investors while we continued to develop and implement our bespoke mobilisation products.

Through our A/B bond structure (repack programme), loans are repacked into note format through a credit enhanced Special Purpose Vehicle ("SPV"). The ultimate effect is to de-risk and to transform non-investment grade loans into investment grade notes issued to institutional investors.

The A/B bond programme complements our traditional B-Loan programme, our credit enhanced B loan, Parallel loans, Unfunded Risk Participations (URP), Partnership Loans (P-Loan) and our Portfolio Insurance programme, all in a bid to crowd in capital from various classes of investors globally.

Through our counter-cyclical role and innovation, we were instrumental in arranging and mobilising €1 billion for Bank of Industry's ("BOI") senior term facility which was fully guaranteed by AFC and in which we acted as a co-global coordinator, co-initial mandated lead arranger and underwriter. Our multifaceted role in this transaction enabled BOI to tap into new sources of liquidity, widen its lending relationship banks and gain access to 11 new lending relationship banks. Most importantly, through AFC's full unconditional on-demand guarantee, the BOI transaction benefited from a credit enhancement which allowed it to benefit from a lower cost of funding in comparison to its legacy syndicated loan facilities. This landmark transaction demonstrates AFC's innovative and solutions-oriented approach to mobilising global capital for the development of Africa and our ability

Through our counter-cyclical role and innovation, we were instrumental in arranging and mobilising €1 billion for Bank of Industry's senior term facility which was fully guaranteed by AFC.

to underwrite, syndicate and distribute multi-billion transactions for our clients.

In lockstep, we also successfully arranged and closed a US$325 million dual-tranche syndicated term loan facility for Ecobank Transnational Incorporated (ETI), in which we acted as a co-mandated lead arranger. The facility is designed to support the liquidity needs of ETI's subsidiaries for on-lending for project finance, capex finance and trade finance across the continent, hence complementing our financing activities to the private sector.

Through our Unfunded Risk Participation and Insurance programmes, we mobilised about US$300 million in unfunded participations in our role as a Co-mandated lead arranger in AFC's US$250 million participation in Transnet SOC Ltd's US$685 million term loan facility to finance its capital expenditure needs. In our role as a mandated lead arranger for our €90 million participation in Société Africaine de Raffinage ("SAR") to increase SAR's existing refining capacity, augment the refinery to process Senegalese crude, undertake turnaround maintenance costs, construct an additional four storage tanks and partially repay its existing debt obligations. The amounts mobilised allowed AFC to leverage its balance sheet and enabled us to provide larger ticket sizes to our clients to support and accelerate their development of critical infrastructure projects.

Additionally, through funded participations, we mobilised and reached financial close on a US$90 million syndicated loan facility for Dynamic Mining SAS to develop a bauxite mine project in the Republic of Guinea; a €150 million syndicated loan facility for the construction of road infrastructure projects for the Government of Côte d'Ivoire; and a US$300 million syndicated bridge loan facility for the Federal Republic of Nigeria as part of its US$2 billion development and financing of a 378 km standard gauge railway project linking Northern Nigeria with the neighbouring Niger Republic, the Kano-Maradi rail project.

Our insurance products play a critical role in our syndications programme as we continue to grow and expand our relationships with the insurance market, having mobilised US$1.3 billion to date, in unfunded risk participations and non-payment insurance covers, across 30 insurers globally. Furthermore, because of the fruitful relationship established with Liberty Specialty Markets over the years, AFC signed a US$300 million PRI framework Agreement with Liberty Specialty Markets, which will allow AFC to work together with Liberty in a programmatic manner to provide Political Risk Insurance (PRI) capacity to AFC originated and structured transactions in Africa.

From FY 2018, AFC syndications has mobilised over US$4.05 billion (US$2.75 billion through funded participation and US$1.3 billion in unfunded participations and non-payment insurance) from over 70 institutions across seven distribution structures positioning the syndication business as a renowned and formidable syndication and distribution house.

From FY 2018, AFC syndications has mobilised over US$4.05 billion (US$2.75 billion through funded participation and US$1.3 billion in unfunded participations and non-payment insurance) from over 70 institutions.

AFC arranged and closed a dual-tranche syndicated term loan facility for Ecobank Transnational Incorporated

US$325m

Financial Advisory

In 2022, AFC continued to deliver high-quality strategic, corporate finance and technical advice to private and public sector clients across Africa, aimed at projects with high transformational, economic and developmental impact.

We remained focused on bridging Africa's infrastructure gap through the provision of general corporate finance and project development advisory; transaction management services; project finance advisory; fund management services; debt and equity capital raising; mergers and acquisitions; and restructuring services

Operating Context

The infrastructure financing landscape on the African continent was affected by global geopolitical and capital market disruptions during the year in review. The war between Russia and Ukraine resulted in significant supply chain disruptions and price inflation across many key commodity and equipment markets, creating additional hurdles for governments and project sponsors requiring financing solutions from their banks and advisers. Further, interest rate hikes in the United States led to increased cost of financing, weaker project economics in many instances and tighter liquidity, challenging the bankability of many projects. Given the overall operating environment, our operating strategy focused on closing existing deals in our portfolio, originating new mandates with our existing clients, developing innovative financing structures, undertaking project and corporate finance restructurings and pursuing opportunities with new clients across Africa.

In 2022, our Financial Advisory team recorded remarkable success across the board, ending the year managing a mandated portfolio of over US$10 billion by closing deal value. This was driven by the addition of new client mandates across the continent. The new mandates from our clients brought the total number of live transactions under execution by the team to 30 project and corporate finance deals across Angola, Ghana, Guinea, Nigeria, Sierra Leone and Zambia.

In 2022, we demonstrated the team's tenacity to meet its revenue objectives whilst focusing on AFC's core objective of being the leading infrastructure solutions provider on the continent. In addition, despite the challenging global financing landscape, the team closed five major transactions across the Power, Oil and Gas, Mining, Telecommunications and Transportation sectors, with a cumulative deal value of about US$3.6 billion and earning pure advisory fees of roughly US$7 million in the process.

> During 2022, the Financial Advisory team strengthened its mergers and acquisitions capabilities, leading the provision of advice and execution services on four M&A transactions.

AFC was Transaction Adviser to FGN Power Company for Nigeria's Presidential Power Initiative which is expected to cost

US$2bn

In recognition of our commitment to excellence and impact on Africa's infrastructure development, BUA Industries Limited's ("BUA") US$200 million corporate finance facility for its vertically integrated sugar facility in Nigeria was awarded the 2022 African Banker Magazine's deal of the year award in Agriculture. This landmark transaction originated within our Financial Advisory Department and was subsequently executed by AFC as the sole financial adviser and mandated lead arranger. The transaction was internationally recognised for its innovative structuring, with the credit profiled around future dividend flows within the borrower's conglomerate. This also created a template for unlocking sizable capital in similar infrastructure projects.

During 2022, the Financial Advisory team strengthened its mergers and acquisitions ("M&A") capabilities, leading the provision of advice and execution services on four M&A transactions. Of particular note, the team advised the Nigerian National Petroleum Corporation Limited ("NNPC") on its successful acquisition of OVH Energy Marketing ("OVH") from international investors Helios LP and Vitol. This strategic acquisition of a well-established business that is now being merged with the NNPC retail business, positions NNPC as the largest and fastest-growing commercial energy company in West Africa. The transaction is aimed at ensuring energy security for Nigeria's growing population. In addition, it provided market entry to the Togolese market for NNPC, diversified its revenues and makes it a major player in the downstream oil and gas sector within the region.

Our support for NNPC also included capital raising and restructuring. For example, AFC acted as a Financial Adviser to the Nigerian Petroleum Development Company ("NPDC") and Neconde Energy Limited ("NEL") in successfully restructuring and raising US$1.8 billion through a Financing and Technical Services Arrangement ("FTSA"). This is to finance further development, exploration, appraisal, production, operations and transportation of crude oil, condensate and natural gas from their jointly owned landmark asset, OML 42. AFC is pleased to have played an instrumental role in this notable project, as its successful implementation is already contributing to critical royalty income for the Government as well as a much-needed increase in Government revenue via petroleum taxes.

During the year, our team of financial advisers continued its role as Transaction Advisers to the FGN Power Company Limited, the Government of Nigeria's implementation vehicle for the Presidential Power Initiative ("PPI") which is being executed in partnership with Siemens Energy. The project recorded its first major milestone with the commencement of the delivery of ten mobile transformers and ten mobile substations under the pilot phase of the US$2 billion PPI programme. AFC has provided end-to-end transaction advisory support towards the establishment of the global financing programme and secured the €60 million Export Credit Agency-backed term facility for the pilot programme. AFC is pleased to have played an instrumental role in implementing the first phase of the PPI, which is targeted at quick wins in the Nigerian Power Sector to increase operational capacity to 7 GW and providing much needed infrastructure solution for the country's economic development.

We also continued our work with the Government of Nigeria and its international partner, the leading global construction company, Mota Engil, on the US$2 billion development and financing of the 378 km railway project linking Northern Nigeria with the neighbouring Niger Republic. This project has been a testimony to AFC's ability to provide comprehensive financing support to countries, clients and projects. Specifically, AFC - through close cross-divisional collaboration between the Financial Advisory, Investments, Syndications and Treasury Departments - played a critical role in the development and financing of this project, providing financial structuring, capital raising advice, mandated lead arranger and syndication services.

AFC acted as a Financial Adviser to the Nigerian Petroleum Development Company and Neconde Energy Limited in successfully restructuring and raising US$1.8 billion.

Top: AFC Financial Advisory Team

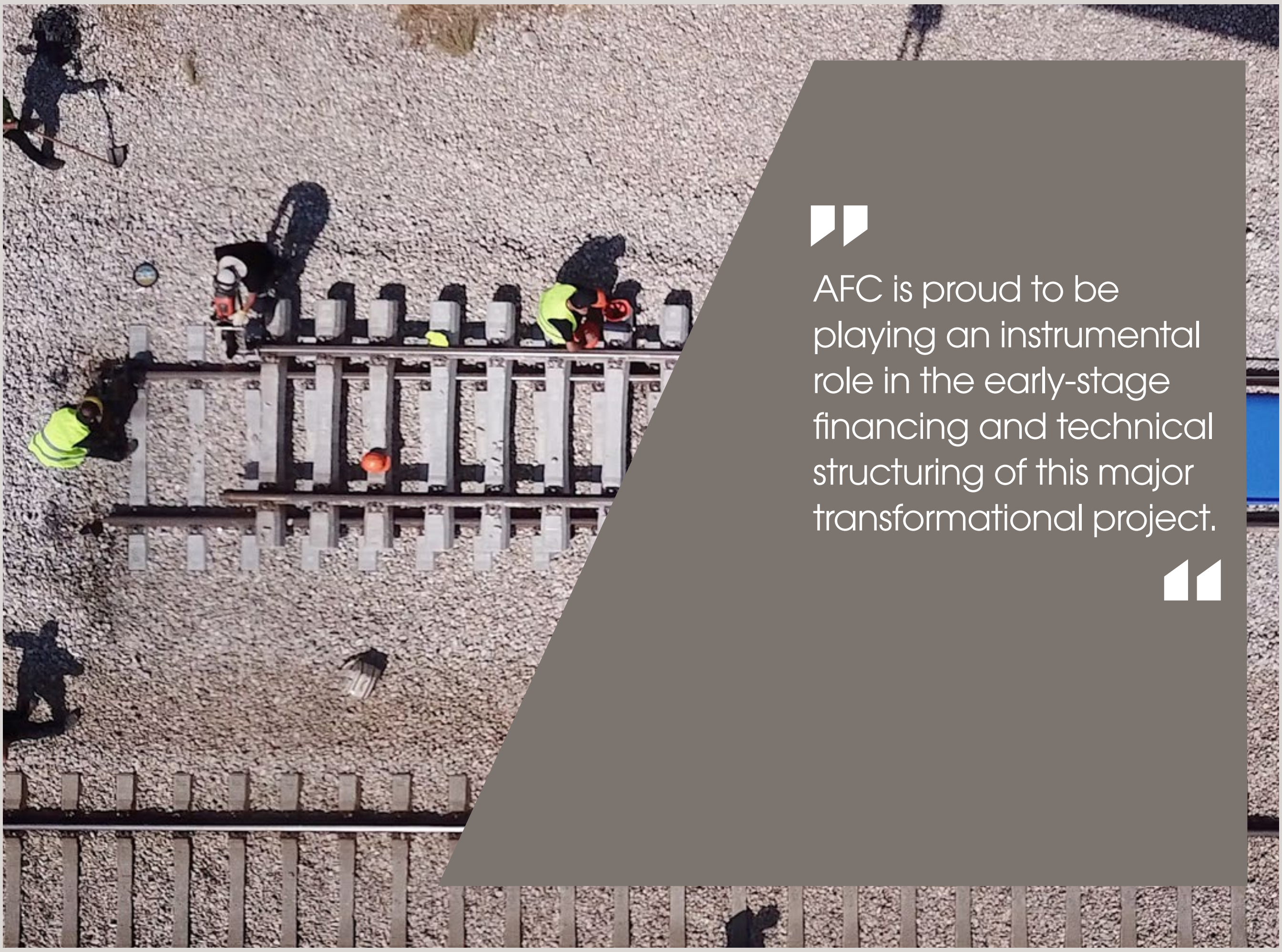
Bottom: Financial Advisory Team on cross-divisional site visit to the Aluminum Company of Cameroon

During 2022, we successfully closed a US$300 million bridge financing facility for the project. Since then, a significant amount of the project's construction work has been completed, with a positive transformational impact on host communities within the project area. Once completed, the project will reduce the greenhouse gases emitted from other forms of transportation. It has been estimated that savings in greenhouse gases will be US$0.001 per ton-Kilometer. AFC is pleased to have played an instrumental role in the origination, structuring, development and financing of this project, which is expected to have numerous economic and industrial benefits for the region.

In respect of transportation, AFC also recognises that solving Africa's supply chain challenges is critical to the continent's next growth stage. During 2022, we commenced providing financial advisory services to a consortium comprising Mota Engil Africa, Trafigura and Vecturis (a leading railway services operator), for the financing of a Public Private Partnership ("PPP") under a Concession Contract regime with the Government of Angola for the upgrade and operation of a 1,290 km rail project along the Lobito Railway Corridor. This is part of the Lobito to Dar es Salaam Railway Line, a planned narrow gauge railway line that will connect the Angolan port city of Lobito to the Tanzanian port city of Dar es Salaam, through the Copperbelt region of Zambia and the Democratic Republic of Congo ("DRC"). AFC is proud to be playing an instrumental role in the early-stage financing and technical structuring of this major transformational project, which is intended to be instrumental in lowering transportation costs and enhancing export earnings for Zambia, DRC and Tanzania.

AFC is providing financial advisory services for the financing of an Angolan railway project of

1,290km



> "AFC is proud to be playing an instrumental role in the early-stage financing and technical structuring of this major transformational project."

In Sierra Leone, our Financial Advisory Department is providing transaction support to FG Gold, a leading developer, in respect of a US$500 million capital raise for the development of a transformational 2.5 million tons per annum ("MTPA") gold mine, a carbon-in-leach gold processing plant and ancillary infrastructure. During 2022, our work in this area led to the successful closure of a US$45 million Stream Financing Facility, which enabled the Sponsor to commence early works. AFC is proud to have played an instrumental early-stage financial advisory role in this project, which will enable Sierra Leone to expand the export potential of its rich gold deposit while also developing important processing capabilities.

AFC remains committed to Africa's growth and development through support for developing critical infrastructure projects to chart Africa's unique path to Net Zero. During the year, we supported the development of gas-based projects on the continent. In Ghana, we are providing capital-raising advisory services to the Gas Gathering Project Consortium ("GPP2"), who are working with the state-owned Ghana National Gas Company ("GNPC") to develop a 300 MMSCF gas processing facility in Atuabo, Ghana. AFC is pleased to be playing a leading role in this highly developmental project, which aims to harness the country's natural resources for its industrial and economic growth, despite the difficult macroeconomic and fiscal headwinds currently being experienced by Ghana.

In Nigeria, we also onboarded two new mandates focused on gas monetisation activities. These included advising a sponsor on the capital raising for the development of a 1.8 MTPA methanol plant in the gas-rich region of the south-eastern axis of the Niger Delta; and supporting a sponsor in the development of a 1.0 MTPA Floating Liquefied Natural Gas ("FLNG") project including a gas processing and natural gas liquids hub located offshore Lagos.

Our Financial Advisory work also continued supporting our Nigerian fund manager clients in offering efficient, long-term, local currency financing choices for critical infrastructure. In this context, we are providing ongoing advice to several local currency funds on transaction structuring and risk management, with over US$600 million (local currency equivalent) of assets currently under management by these client funds.

In Sierra Leone, our Financial Advisory Department is providing transaction support to FG Gold, a leading developer, in respect of a US$500 million capital raise for the development of a transformational 2.5 million tons per annum gold mine, a carbon-in-leach gold processing plant and ancillary infrastructure.

Outlook

AFC's Financial Advisory business continues to grow and make tremendous progress with the developmental mandates that our clients, partners and member countries have entrusted to us. This is in line with AFC's strategic goal of remaining instrumental to the infrastructural and industrial development of Africa, while delivering a competitive return on capital for our stakeholders.

Looking ahead, the team remains committed to enabling transformational infrastructure solutions in Africa and aims to widen the number of countries in its mandate portfolio during 2023. Sustainable projects with strong sponsors that strengthen Africa's supply chain, promote a fair energy transition for the continent, expand the continent's production capacity and advance innovation will continue to receive priority. Overall, our Financial Advisory business remains focused on developing new financing products to suit our clients ever evolving needs and will continue to serves as a leading tool in delivering AFC's transformative impact on the economies and lives of all Africans in our focus markets.

Financial Institutions & Trade Finance

2022 provided a challenging economic environment for African borrowers, with global banks continuing to reduce their African exposure since the COVID-19 pandemic. Against this backdrop, AFC continued to play a critical role in promoting intra-African trade and the objectives of the African Continental Free Trade Area.

AFC's Financial Institutions & Trade Finance ("FIT") unit provides support to African financial institutions, which encompass short-term trade loans, medium and long-term trade financing, and other general liquidity requirements.

Given its pan-African mandate, AFC started the year by increasing its capacity to support financial institutions across the continent. This led to the creation of more than US$650 million in credit lines cumulatively.

Despite the challenging economic conditions, AFC launched a US$2 billion facility in 2022 which was availed to African financial institutions to boost their liquidity in financing Africa's international trade, as well as enhancing trade finance capacity. Through this facility, AFC approved the creation of annual revolving lines for banks across the continent, providing more than US$1 billion in funding and risk participation support. This channeled much needed funding from the global financial markets to support African financial institutions.

In 2022, despite the challenges in the global capital markets, AFC continued to offer support to our clients as we kept all our revolving financial institutions facilities available to support eligible clients. In a time when interest rates kept spiking, AFC continued to create innovative structured facilities for our financial institutions clients, thereby offering them low costs of funding.

> AFC launched a US$2 billion facility in 2022 which was availed to African financial institutions to boost their liquidity in financing Africa's international trade, as well as enhancing their trade finance capacity.

At the start of 2022 AFC increased its capacity to support financial institutions by

US$650m

To affirm our commitment to the sustainable economic development of the continent, in May 2022, AFC launched a US$2 billion African Economic Resilience Facility.

The Facility is designed to support the economic resilience of African countries by providing liquidity to finance Africa's international trade, as well as enhancing trade finance capacity for financial institutions and subsequently for corporates and small enterprises.

The Facility was borne out of the need to support the economies of African countries in becoming more resilient to, and to accelerate their recovery from, the economic challenges created in part by the global COVID-19 pandemic and the Russia-Ukraine conflict.

The Facility is intended to be disbursed via loans and trade finance support to financial institutions (commercial banks, regional development banks and central banks) domiciled in Africa that have demonstrable economic impact.

AFC has committed to funding up to 50% of the Facility, while the remainder is intended to be mobilised through its global network of institutional partners and investors.

Looking ahead to 2023, AFC will aim to play an even greater role in supporting the continued recovery of African economies by channeling financing through key strategic partners to relevant economic players - especially small and medium-sized enterprises (SME) - considered to have significant development multipliers.

AFC's FIT will particularly focus its activities on expanding our geographical reach, while also continuing to grow our trade and Line of Credit (LC) products.

Such LCs are aimed at providing medium term on-lending facilities to African financial institutions for trade finance, capex finance and even general liquidity requirements.

AFC will also ramp up engagements with central banks and non-bank financial institutions across Africa to mobilise excess reserves from these institutions for long term infrastructure financing, while providing comparably higher yields than they would otherwise have earned from similarly rated financial institutions outside Africa.

> AFC will aim to play an even greater role in supporting the continued recovery of African economies by channelling financing through key strategic partners to relevant economic players – especially small and medium-sized enterprises.

9 Country Relations

Country membership and equity mobilisation continued to be driving factors in our operations over the past year, underpinned by strategic partnership and bilateral cooperation initiatives.

In line with AFC's mandate to foster the economic growth of African countries by catalysing key investments in the infrastructure and industrial sectors, our membership activities picked up in 2022 and continental representation was deepened further.

Firstly, in respect of equity mobilisation and membership drive, our focus was to diversify AFC's shareholder base and enable African Sovereigns to strengthen their stake in unlocking the potential of the continent. Secondly, we targeted regional institutional investors by offering AFC as a platform to implement their increasing allocations to infrastructure as an asset class. Our efforts proved successful despite global changing landscapes driven by today's emerging post-COVID-19 reality, the Russia-Ukraine war and the challenges of climate change (particularly in Africa). This outcome in supporting African sovereigns can be credited to our holistically applied intense focus on our problem-solving culture which is built solidly on innovation and agility.

Key Highlights

With Tunisia, South Sudan, Somalia, Cameroon, Angola and Botswana joining AFC in 2022, we onboarded the highest number of member states since our inception. The Corporation welcomed six new member states and now has a well-diversified footprint with 72% (40 out of 54) African countries now being AFC members.

In terms of Tier 1 capital raising, the Corporation mobilised approximately US$240 million in new equity from diverse and high-quality investors, including sovereigns, pension funds and fund managers.

Our partnerships drive, which is pivotal to our operational success, was significantly enhanced in 2022 as we extended our footprint beyond the continent into Asia, the Middle East and the United States of America. We also reinforced our cooperation with the diplomatic community situated in AFC's host country, Nigeria, while leveraging on global networks and platforms to introduce AFC to non-regional governments and supranational entities.

> Our partnerships drive, which is pivotal to our operational success, was significantly enhanced in 2022 as we extended our footprint beyond the continent into Asia, the Middle East and the United States of America.

Image:
AFC President and CEO
Somaila Zubairu at COP 27

Number of African countries that are AFC Member States

40

Country Membership

AFC positioned itself as the premier support institution for African sovereigns navigating the macroeconomic uncertainties of the year. This created great traction with our membership accession engagements.

Amount of new equity raised by AFC in 2022

US$248m

The Republic of Tunisia became our third North African member after the Arab Republic of Egypt and the Kingdom of Morocco. AFC's increasing presence in North Africa bodes well for the Corporation's keen interest to foster closer collaboration with prospective Arab and Gulf Cooperation Council members interested in Africa.

In addition, we diversified our Central and Southern Africa membership base with the onboarding of the Republic of Cameroon, the Republic of Angola and the Republic of Botswana. Finally, the onboarding of the Republic of South Sudan and the Republic of Somalia in the North-Eastern region created the opportunity to further expand AFC operations in the region, while solidifying our existing interventions with regional stakeholders. Fifteen years after its establishment, AFC's membership now has representation in all regions of Africa.

This significant milestone clearly demonstrates the instrumental nature of our mission and our progress as the leading solutions provider for Africa.

Currently, AFC's Member States are Nigeria (Host Country), Angola, Benin, Botswana, Burkina Faso, Cameroon, Congo Brazzaville, Cape Verde, Chad, Côte d'Ivoire, Djibouti, Democratic Republic of Congo, Eritrea, Egypt, Gabon, The Gambia, Ghana, Guinea-Bissau, Guinea-Conakry, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Rwanda, Sierra Leone, Senegal, South Sudan, Somalia, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

Discussions are in various stages of progression to onboard Burundi, Ethiopia, Equatorial Guinea, Mozambique and Tanzania in the near-term.

Equity Mobilisation

AFC's equity raising programme was successful in 2022. In alignment with the continued growth requirements of the Corporation as we firmly seek to support the continent to adapt and navigate increasing macro-economic complexity, approximately US$248 million of new equity was raised from diverse and high-quality investors.

The key highlights are as follows:

- The Public Investment Corporation of South Africa (PIC), the largest asset manager in Africa, subscribed to US$100 million in fully paid shares in the Corporation. This subscription signals clearly that the continent has begun to wake up to the transformational role that pension funds can play in its wider economic development, an agenda for which the Corporation continues to be a strong advocate.
- The Arab Republic of Egypt, via the Ministry of Finance, subscribed to US$95 million in fully paid shares, becoming the largest sovereign shareholder after the Central Bank of Nigeria.
- The Republic of Mauritius, through the National Pensions Fund of Mauritius and the National Savings Fund of Mauritius, subscribed to a combined US$25 million in fully paid shares, becoming the first investment from an investment-grade rated member country (Baa3 by Moody's as of reporting date), while further expanding our pension fund shareholder base.
- The Democratic Republic of Congo subscribed to US$5 million fully paid shares.
- The Republic of Côte d'Ivoire deposited US$2.2 million as part of its US$10 million subscription to fully paid shares.
- The Africa Reinsurance Corporation (AfricaRe) increased its existing investment by US$3 million, bringing its total equity investment in AFC to US$5 million.
- The United Bank of Africa upsized its existing investment with US$10 million.
- The Republic of Sierra Leone, via the Central Bank of Sierra Leone, completed its US$10 million Callable Capital subscription in AFC.

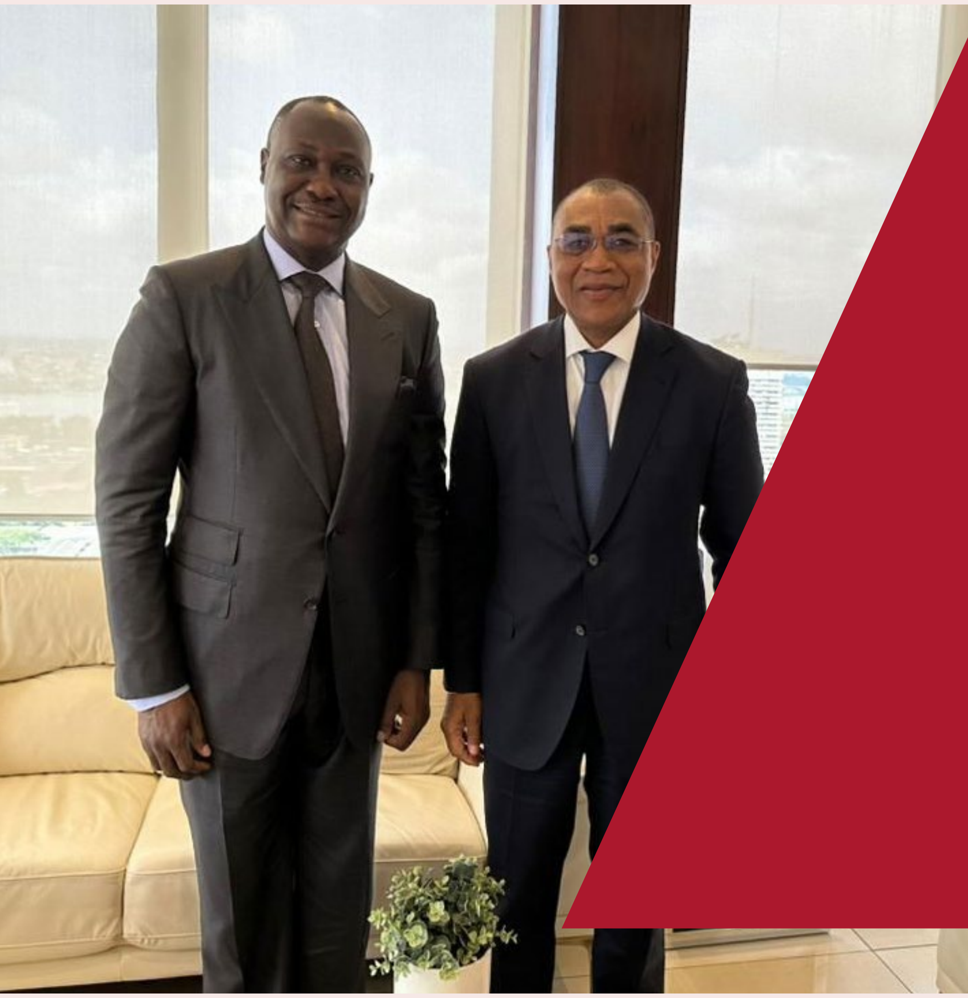
As part of AFC's capital raise strategy, the Corporation also plans to onboard non-regional shareholders. We are currently in active discussions with India, Ireland, Kuwait, Saudi Arabia, Taiwan, Turkey, the United Arab Emirates and the United States to become shareholders in the Corporation.

Finally, with the primary objective of strengthening the equity and balance sheet, in line with the recent rebranding, to deliver more and better for the continent, the Corporation announced its first right issue programme. In September 2022, the AFC Board of Directors approved a rights issue offer to raise net proceeds of US$557.5 million through the issuance of 293.4 million new shares. The offer is expected to close on 10 March 2023. Currently, a number of shareholders have either exercised their rights or expressed interest in exercising their rights by the closing date.

AFC with Tunisia Minister of Economy and Planning, H.E. Samir Saied

Top: AFC with Tunisia Minister of Transport H.E. Rabie Majidi

Bottom: AFC mission in Cameroon following membership



> The Public Investment Corporation of South Africa, the largest asset manager in Africa, subscribed to US$100 million in fully paid shares in the Corporation.

Image:
AFC President & CEO Samaila Zubairu with Hon. Adama Coulibaly, Honourable Minister, Ministry of Economy and Finance, Cote d'Ivoire

Partnerships

Global visibility for AFC remains a priority for Country Relations. Consequently, we we pursued partnerships with strategic regional and non-regional institutions that support country membership, capital subscription and coverage and origination.

We signed Partnership Agreements with the following institutions:

- World Economic Forum ("WEF"), an international organisation for Public-Private cooperation that engages global leaders at the highest level. The agreement provides the opportunity for AFC to engage with high-level networks of global and influential leaders, institutions, heads of governments and international organisations that play a critical role in Africa's affairs.
- African Union ("AU"), a continental body consisting of the 55 member states that make up the countries of the African continent with a mission to increase cooperation and integration of African states to drive Africa's growth and economic development. This was a step in the right direction to formalise and solidify the existing relationship between the AFC and the AU. By signing a Memorandum of Understanding (MOU), both institutions agree to partner on mutual interests and identify specific areas of collaboration for infrastructure development. The agreement also positions AFC as the Commission's partner for its implementation agencies AUDA-NEPAD; Programme Infrastructure Development for Africa (PIDA); and Presidential Infrastructure Champion Initiative (PICI) etc.
- The Islamic Corporation for the Development of the Private Sector ("ICD"), a multilateral development financial institution (and part of the Islamic Development Bank Group). AFC and ICD have agreed to co-finance critical infrastructure to promote private sector development in both institutions' common member countries.
- China Overseas Engineering Group Co., Ltd. ("COVEC"), a state-owned company based in Beijing and a subsidiary of China Railway Group Limited performing the relevant duties and obligations on its behalf in the East, West and Central Africa regions. Both institutions agreed to co-operate on deal origination (especially for engineering, procurement, construction and financing), co-investment and financing of projects, membership drive for AFC as well as capital subscription drive from the Chinese government and/or state-owned entities.
- United States Exim ("US Exim"), the official export credit agency of the United States. The MOU was signed when President Joe Biden hosted the US Africa Leader's Forum ("USALS") and US Africa Business Leaders Forum ("USABLF"). It aims to harmonise efforts for economic development, the promotion of U.S.-Africa trade and to enhance opportunities for collaboration on projects in key sectors such as renewable energy and critical minerals, which are AFC's forte.

Our strategy for non-regional sovereigns and supranational engagements afforded us the opportunity to meet with and establish bilateral relationships with key institutions in the Middle East and Asia, while also advancing our networks in Europe and the United States. Our virtual and physical roadshows took us to Japan, Saudi Arabia, Taiwan, Turkey, the United Arab Emirates and the United States of America.

Finally, in deepening our bilateral relationships with the diplomatic community in our Host Country, Nigeria, we held strategic engagements with the embassies of Burundi, Egypt, France, Germany, India, South Africa, Sudan and Turkey.

AFC MOU with Islamic Corporation for the Development of the Private Sector


US Export Import Bank President Reta Jo Lewis
AFC President & CEO Samaila Zubairu


AFC MOU with The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the insurance arm of the Islamic Development Bank (ISDB)

> We pursued partnerships with strategic regional and non-regional institutions.

Events

- AFC Country and Stakeholder Symposium: The second edition of the Country and Stakeholder Symposium ("CSS") was held in April 2022. The Symposium is part of the Corporation's engagement strategy to interact and better understand our members, non-member countries and stakeholders. It provides them with the opportunity to learn from each other, leverage on AFC's case studies, while also expanding our outreach to potential members and shareholders. This year's hybrid event recorded about 400 participants, up by over 50% from 2021).
- World Economic Forum ("WEF"): in 2022, the WEF provided a platform for the Corporation to engage with industry leaders, policy makers and impact agents to further voice the continent's role in the global agenda. We had curated engagements with high level government and private sector officials. These concerted engagements are part of AFC's strategy to be a bridge in fostering an equitable South-South Cooperation building on the historical trade blocks that can play a critical role in the continent development.
- COP 27: COP 27 immediately followed the successful launch of, and the subsequent wide acceptance of the AFC's White Paper "Roadmap to Africa's COP: A Pragmatic Path to Net Zero." The Corporation's attendance at COP27 reinforced the need to further advocate for the position of Africa as a solutions provider in the agenda to reduce global emissions. AFC participated in high level meetings and a wide range of key panel sessions that focused on the argument for achieving global net zero, while securing Africa's necessary industrialisation future.
- US Africa Leaders' Summit and US Africa Business Forum: AFC participated in activities to operationalise the United States' new strategy towards Africa which included engagements with various US agencies such as US Exim, US Trade & Development Agency, US Department of Commerce, the US Department of State, Power Africa, Prosper Africa, Biden's Advisory Council on Doing Business in Africa, the Office of the U.S. Special Presidential Envoy for Climate, as well as various Washington, D.C. think-tanks who are working on key policy initiatives in Africa.

Other events that we participated in during the year included the IMF/World Bank Annual General Meetings, as well as those of our peers, the United Nations General Council ("UNGA"), the Africa CEO Forum, Financial and Investment Trade in Africa ("FITA"), the 5th Pensions & Alternative Investments Forum ("PIAFRICA") and the Africa Investment Forum ("AIF").

Image below:
The Africa Renewable Energy Forum hosted by AFC in November 2022 at COP 27 in Sharm El-Sheikh, Egypt

Outlook

With our solid membership base and increased pan-African representation, we plan to deepen our country coverage and government relations efforts by facilitating cross divisional country collaboration on policy priorities and early-stage business development opportunities.

Building on the calibre of our recently onboarded shareholders, we will cement the rationale for investment in the Corporation and set the stage for a successful equity mobilisation effort. The primary target remains being to convert the continent's best performing economies to shareholders, strengthen the path for African institutional investors' role in bridging the infrastructure funding gap, and attracting non-regionals into AFC's capital structure, while conservatively maintaining our pan-African DNA.

The department will continue to operationalise existing partnerships and develop new ones geared towards fostering regional cooperation and trade. We will advocate for initiatives that present the attractiveness of the region - a vast and natural hotspot for commercial investments - for international investments. AFC will champion dialogues that prioritise project development as a key component of developing sustainable and viable infrastructure base. Part of our strategy rests on our value propositions of leveraging our technical and financial advisory expertise, lending our voice in shaping regulatory policies, advocating for increased private sector involvement, working more closely with other investors,aligning with government priorities and supporting such initiatives from the initial stages.

10 AFC Capital Partners

In 2022, Africa Capital Partners ("ACP") launched its first product, the Infrastructure Climate Resilient Fund ("ICRF"). The ICRF, which is managed by ACP, will invest in resilient infrastructure after analysing the risks identified by the Intergovernmental Panel on Climate Change ("IPCC").

The IPCC reports several urgent factors necessitating climate resilient infrastructure development, such as rising sea levels, increased drought and increased precipitation, amongst other risks posed by the changing climate.

ICRF will use its own proprietary climate modelling and scientific research to integrate the appropriate adaptation measures to reduce physical risks in the design, construction and maintenance of the built infrastructure.

ICRF has a target fund size of US$750 million and is the inaugural fund on the African continent with a key focus on driving investments into climate resilient infrastructure projects by integrating scientifically derived impacts of climate change in AFC's core sectors: Transport and Logistics, Power, Telecommunications and Industrial Parks. ICRF is also a catalyst fund to prove the case that private sector adaptation can work, especially when the risks are mapped out at an early stage, such as during the design phase.

In 2022, every region of the world, including Africa, witnessed the severe impacts of climate change on built infrastructure. Countries in West and Central Africa experienced the worst flooding in years - which affected 3.4 million people - while severe droughts occurred in both the Southern and Eastern regions of the African continent. Although there is significant awareness about adaptation, there has been insufficient progress by developed nations in fulfilling the commitments they made at COP 26. Post COP 27, we expect the momentum to accelerate in 2023.

Throughout 2022, AFC Capital Partners intensified its fundraising efforts by focusing on mobilising both concessional and commercial capital at scale for ICRF. We are delighted to announce that the Green Climate Fund (GCF), in the recently concluded March 2023 meeting of its Board in Songdo, approved a US$240 million junior equity first-loss investment into ICRF, and also granted technical assistance and programme fees of US$13.8 million. This landmark investment marks the single largest equity investment in Africa to date by the GCF and also represents GCF's largest commitment to an Africa-wide multi-country programme. It also helps to position AFC's innovative introduction of climate-resilient infrastructure as a new asset class in the African investment landscape.

ACP's continued vision is to be Africa's leading infrastructure asset manager with a strategic focus on sustainable and climate investment themes. The fund manager will leverage on the scale and breadth of AFC's investment track record to mobilise third party equity capital to co-invest alongside AFC in climate-resilient infrastructure projects.

"ACP's continued vision is to be Africa's leading infrastructure asset manager with a strategic focus on sustainable and climate investment themes."


Target fund size of
Infrastructure Climate
Resilient Fund
US$750m

Key Objectives

ACP's key objective in 2022 was primarily on securing concessional financing that would unlock capital commitments from institutional investors, particularly targeting Pension Funds, Insurance Companies, Sovereign Wealth Funds and Development Finance Institutions.

Through diligent work, ACP is now at the tail-end of finalising the investment approval process with the concessional investor, which will be completed by 31 March 2023.

In 2022, ACP achieved the following milestones:

1. Institutional Building
   - The Team expanded its capacity through additional recruitments.
   - Constitution of the first ACP board.
2. ACP conducted an ICRF due diligence event with six potential African investors for the commercial equity that commenced with their investment approval processes.
3. Strengthened ACP's funding proposal to include baseline and more in-depth assessments of priority sectors of the Non-Objection Letter countries, as well as climate scenario analysis on selected infrastructure assets. This was executed to showcase how current and future climate change will exacerbate negative economic and financial impacts on ICRF beneficiary countries and their infrastructure assets.
4. ACP engaged strongly with ICRF's beneficiary countries and relevant stakeholders to increase their understanding of the purpose of the ICRF programme and how it aligns with their Nationally Determined Contributions and infrastructure development plans. We received documentation in the form of official support letters from Ministries and governmental departments to corroborate our strong engagement with stakeholders. On our country visits, ACP also received key pipeline information across all sectors from the relevant Ministries.
5. In March 2023, the Green Climate Fund approved a US$253 million investment into ICRF, with additional grants of US13.8 million for technical assistance to incorporate climatic risks and scenarios into built infrastructure environment.

Outlook

Going into 2023, ACP is shifting gear to reach the first close of ICRF, with a mix of African and global investors that will have access to attractive, de-risked investment opportunities in climate resilient infrastructure assets which offer commercial returns and significant positive climate impacts that support Africa's sustainable development goals.

ACP is aware of the challenges ahead but remains focused and optimistic that the team will make considerable progress in 2023.

Image: Ayaan Z. Adam. CEO of AFC Capital Partners

> In March 2023, the Green Climate Fund approved a US$253 million investment into ICRF.

11 Financial Report

Statement of directors' responsibilities

The Directors are responsible for the preparation of the consolidated financial statements for each financial years, 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 and other comprehensive income. The Directors are also responsible for ensuring that the Corporation keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards (IFRS 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 147 to 231, were approved by the Board of Directors on 3 March 2023 and were signed on its behalf by:

Chairman	President & CEO

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

In compliance with the provisions of Article 28 of the Charter of the Africa Finance Corporation and pursuant to the terms of the Audit and Compliance Committee (the "Committee") statute concerning the establishment, membership, functions and powers of the Audit Committee of the Africa Finance Corporation, the Committee considered the audited consolidated financial statements for the year ended 31 December 2022, at its meeting held on 24 February 2023.

In our opinion, the scope and planning of the audit for the year ended 31 December 2022 were adequate.

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

After due consideration, the Committee accepted the report of the auditors to the effect that the consolidated financial statements were prepared in accordance with the IFRS standards and gave a true and fair view of the state of affairs of the Corporation's financial condition as at 31 December 2022.

The Committee, therefore, recommended that the audited financial statements of the Corporation for the financial year ended 31 December 2022 and the auditor's report thereon be approved by the Board of Directors and presented for consideration by shareholders at the annual general meeting.

The Committee accepted the provision made in the financial statements for the remuneration of the auditors and recommended that the Board of Directors accept same. Furthermore, the Committee recommended to the shareholders, the reappointment of KPMG as the Corporation's external auditors for the 2023 financial year.

Ms Kirstine Damkjaer
Chairperson
Audit & Compliance Committee

Members of the Committee
Mr. Akin Ogunranti
Mr. Bolaji Lawal
Dr. Hassan Mahmud
Dr. Kevin Amugo
Mr. Mudassir Amray

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Africa Finance Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

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

- the consolidated statement of financial position as at 31 December, 2022;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Corporation as at 31 December, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the 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 risk for loans and advances to customers, the ECL allowance is recognized based on an estimate of the losses expected to result from default events within 12 months after the reporting date. The estimate of the expected credit losses is an output of the model, with the key judgements and assumptions such as the:

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

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

How the matter was addressed in our audit

Our procedures included the following:

- We evaluated the design, implementation and operating effectiveness of the key controls over the impairment assessment process such as:
  — The Board Risk and Investment Committee's review and monitoring of the performance loans and advances to customers;
  — Management review of the model assumptions and inputs; and the resultant ECL allowance arising from the model
  — Management review and approval of the expected credit losses arising from the model.

- We examined the staging of loans and advances to customers by assessing whether the staging analysis used in the ECL allowance measurement are consistent with the Corporation's credit risk management policy and is accurate and complete. We assessed the appropriateness of the Corporation's determination of significant increase in credit risk and the resultant classification of loans into the various stages by examining the performance of loans and advances to customers as at 31 December 2022. For loans and advances to customers which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors such as available industry information about the obligors to determine whether the Corporation should make an estimate based on the losses expected to result from default events within a year or defined default events over the life of the facilities. We also agreed significant loans and advances to customers to relevant documentation such as loan agreements, repayment schedules and the bank statements.

- With the assistance of our Financial Risk Management specialists, we tested the key data and assumptions input into the ECL model used by the Corporation and the accuracy of the expected credit loss charged by:
  — Challenging the reasonableness of the Corporation's ECL methodology, considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonableness and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition;
  — Assessing the appropriateness of the Corporation's forward-looking assumptions by corroborating management's assumptions with publicly available information from external sources;

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- — 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 2022 using the Corporation's ECL allowance models on loans and advances to customers.

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

Fair valuation of investments in unquoted equities

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

How the matter was addressed in our audit

Our audit procedures to assess the reasonableness of the valuation of unquoted equity instruments as at 31 December 2022 included the following:

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

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

Other Information

The Directors are responsible for the other information. The other information comprises the statement of Directors' responsibilities and Report of the Audit and Compliance Committee, which we obtained prior to the date of the auditor's report, but does not include the consolidated financial statements and our auditor's report thereon. Other information also includes the Corporate information, Chairman's statement, Chief Executive Officer's (CEO) Letter to Shareholders, Financial highlights, Corporate Governance Summary, Risk management Report, Environmental & Social Risk Management, People & Organization and Operating Review (together "outstanding reports") which we expect to obtain after the date of the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Directors for the consolidated financial statements

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

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

Auditor's Responsibilities for the Audit of the consolidated financial statements

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

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

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

KPMG

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
08 March 2023
Lagos, Nigeria

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2022

	Note*	2022 US$'000	2021 US$'000
Interest income	6	535,289	384,303
Interest expense	6	(207,401)	(163,561)
Net interest income		327,888	220,742
Credit risk insurance	12(b)	(17,580)	(19,200)
Dividend income	7	8,392	3,581
Fees, commissions and other income	8	81,709	54,337
Operating income		**400,409**	**259,460**
Net gain on financial instruments at fair value through profit or loss (FVTPL)	9	33,243	62,820
Net impairment charge on financial assets	10	(50,657)	(39,475)
Gain on sale of financial assets	11	1,257	1,565
Operating expenses	12(a)	(98,333)	(74,196)
Profit for the year from continuing operations		**285,919**	**210,174**
Loss for the year, from discontinued operations	25(a)	-	(448)
Profit for the year		**285,919**	**209,726**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net loss on FVOCI financial assets (equity instruments)	33	(646)	(21,523)
Items that are or may be reclassified to profit or loss:			
Net loss on FVOCI financial assets (debt instruments)		-	-
Other comprehensive income		**(646)**	**(21,523)**
Total comprehensive income for the year		**285,273**	**188,203**
Earnings per share			
-Basic/diluted (United States cents)	14	24.37	18.09
Earnings per share - continuing operations	14	24.37	18.13
Earnings per share - discontinued operations		-	(0.04)

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

Consolidated Statement of Financial Position

As at Year Ended 31 December 2022

	Note*	2022 US$'000	2021 US$'000
ASSETS			
Cash and balances with banks	15	122,682	49,296
Loans and advances to banks	16	1,372,568	1,841,697
Derivative financial instruments	17	184,370	107,098
Loans and advances to other customers	18	3,612,264	2,980,856
Financial assets at fair value through profit or loss	19	1,623,954	1,488,564
Investment securities	20	2,920,560	1,607,923
Pledged assets	21	611,209	409,485
Other assets	22	72,593	70,761
Property and equipment	23	7,046	8,070
Intangible assets	24	566	1,135
Total assets		**10,527,812**	**8,564,885**
LIABILITIES			
Accrued expenses and other liabilities	26	187,890	126,303
Derivative financial instruments	17	72,281	13,799
Borrowings	27	7,568,205	6,186,020
Total liabilities		**7,828,376**	**6,326,122**
EQUITY			
Share capital	29	1,290,527	1,171,176
Share premium	30	184,018	66,432
Share warrants	31	200,000	200,000
Retained earnings	32	1,049,190	824,808
Fair value reserves	33	(24,299)	(23,653)
		2,699,436	2,238,763
Total equity		**2,699,436**	**2,238,763**
Total liabilities and equity		**10,527,812**	**8,564,885**

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2022

	Note*	Share Capital US$'000	Share Premium US$'000	Share Warrants US$'000	Retained Earnings US$'000	Fair Value Reserves US$'000	Total US$'000	Non-Controlling interests US$'000	Total US$'000
As at 1 January 2021		1,157,386	53,722	200,000	666,345	(2,147)	2,075,306	725	2,076,031
Profit for the year		-	-	-	209,726	-	209,726	-	209,726
Other comprehensive income	33	-	-	-	-	(21,523)	(21,523)	-	(21,523)
Transfer to retained earnings		-	-	-	(17)	17	-	-	-
Total comprehensive income		**-**	**-**	**-**	**209,709**	**(21,506)**	**188,203**	**-**	**188,203**
Transactions with owners:									
Issued during the year	29-30	13,790	12,710	-	-	-	26,500	-	26,500
Disposed during the year		-	-	-	-	-	-	(725)	(725)
Dividends paid during the year	32	-	-	-	(46,975)	-	(46,975)	-	(46,975)
Dividends paid on share warrants		-	-	-	(4,271)	-	(4,271)	-	(4,271)
As at 31 December 2021		**1,171,176**	**66,432**	**200,000**	**824,808**	**(23,653)**	**2,238,763**	**-**	**2,238,763**
As at 1 January 2022		**1,171,176**	**66,432**	**200,000**	**824,808**	**(23,653)**	**2,238,763**	**-**	**2,238,763**
Profit for the year		-	-	-	285,919	-	285,919	-	285,919
Other comprehensive income	33	-	-	-	-	(646)	(646)	-	(646)
Transfer to retained earnings		-	-	-	-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**285,919**	**(646)**	**285,273**	**-**	**285,273**
Transactions with owners:									
Issued during the year	29-30	119,351	117,586	-	-	-	236,937	-	236,937
Disposed during the year		-	-	-	-	-	-	-	-
Dividends paid during the year	32	-	-	-	(56,462)	-	(56,462)	-	(56,462)
Dividends paid on share warrants	32	-	-	-	(5,075)	-	(5,075)	-	(5,075)
As at 31 December 2022		**1,290,527**	**184,018**	**200,000**	**1,049,190**	**(24,299)**	**2,699,436**	**-**	**2,699,436**

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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

	Note*	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Interest and similar income received		507,534	407,167
Interest paid		(183,160)	(145,903)
Fee and commission receipts		77,783	61,027
Dividend received		6,622	4,029
Cash payments to employees and suppliers		(97,489)	(52,891)
Loans and advances disbursed to customers		(632,349)	(695,313)
Net cash used in operating activities		**(321,059)**	**(421,884)**
Cash flows from investing activities			
Purchase of debt securities		(1,246,876)	(1,533,139)
Capital repayments of debt securities		1,197,264	535,473
Purchase of financial assets at fair value through profit or loss (FVTPL)		(106,012)	(186,325)
Proceeds on disposal of equity securities		26,209	21,463
Proceeds on disposal of property and equipment		103	167
Purchase of property and equipment	23	(1,919)	(766)
Purchase of software/Intangibles	24	(54)	(177)
Net cash used in investment activities		**(131,285)**	**(1,163,304)**
Cash flows from financing activities			
Proceeds from issued corporate bonds	27(vi)	-	936,617
Proceeds from borrowings from other fin. institutions	27(vi)	1,991,820	872,287
Transaction costs related to borrowings	27(vi)	(8,743)	(11,016)
Repayment of borrowings	27(vi)	(607,015)	(696,549)
Payment of Dividends	34	(56,462)	(46,975)
Dividends paid on share warrants		(5,075)	(4,271)
Proceeds from share issue		239,750	26,500
Share issue expenses		(3,063)	-
Deposit for shares	26	2,276	250
Net cash generated from financing activities		**1,553,488**	**1,076,843**
Net increase/(decrease) in cash and cash equivalents		1,101,144	(508,345)
Cash and cash equivalents, beginning of the year		**1,893,962**	**2,402,307**
Cash and cash equivalents, end of the year	**35**	**2,995,106**	**1,893,962**

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

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2022

1. General information

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

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

The Corporation's shareholders principally comprise African States and corporate entities, such as major commercial banks, other financial institutions and other private sector commercial entities. There are thirty nine (2021: thirty three) member states as listed in table below:

Member Countries	
Angola	Malawi
Benin	Mali
Botswana	Mauritania
Burkina Faso	Mauritius
Cameroon	Morocco
Cape Verde	Namibia
Chad	Niger
Congo	Nigeria
Cote d'Ivoire	Rwanda
Dem. Rep. of Congo	Senegal
Djibouti	Sierra Leone
Egypt	Somalia
Eritrea	South Sudan
Gabon	The Gambia
Ghana	Togo
Guinea Bissau	Tunisia
Guinea Conakry	Uganda
Kenya	Zambia
Liberia	Zimbabwe
Madagascar	

Thirty-seven (37) shareholders have subscribed and paid for shares in AFC in accordance with the terms of the AFC Charter (2021:Thirty-one (31)) . As at 31 December 2022, the list of shareholders holding more than 5% of the issued share capital of the Corporation is as follows:

Name of Shareholder	Shareholding (%)	
	2022	2021
Central Bank of Nigeria	38.0	41.9
United Bank for Africa Plc	9.0	10.0
Access Bank Plc	8.6	9.5
First Bank of Nigeria Plc	7.8	8.5
Zenith Bank Plc	7.7	8.5

See Note 29 for additional information on shareholding of the Corporation.

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

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

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

AFC Capital was setup as an investment management entity, which is also domiciled in the Republic of Mauritius. AFC Capital was created to mobilise and manage third party funds to unlock new sources of capital to fund the African infrastructure investment gap. AFC Capital leverages the scale and breadth of AFC's investment track record to offer institutional investors unique access to attractive, de-risked investment opportunities in climate resilient infrastructure with strong returns.

Arise PCC, which is also domiciled in the Republic of Mauritius, is a special purpose vehicle set up solely to hold the Corporation's investment in Terminal à Conteneurs de Nouakchott ("TCN"). TCN, formerly known as Arise Mauritania S.A., is a port project in the Islamic Republic of Mauritania. The Corporation acquired a 100% stake in Arise PCC during the year leading to an increase in the Corporation's interest in TCN to 50%, from 10.5%. The operations of AFC, AFC Equity and Arise PCC are managed solely by AFC's management team as AFC Equity and Arise PCC do not have separate management teams.

Accordingly the group is referred to as "the Corporation" for financial reporting purposes.

The financial statements for the year ended 31 December, 2022 were authorized and approved for issue by the Board of Directors on 3 March 2023.

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 IFRS standards as issued by the International Accounting Standards Board (IASB). The financial statements are presented in United States dollars (US$) rounded to the nearest thousand.

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

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

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

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

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

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

The global inflation and the threatening global recession have all had an impact on the global markets and Africa as a whole. The measures adopted by several governments in countries around the world to cope with the crisis has had a significant impact on the global economy. However, the Corporation continues to support its clients to weather the turbulent macroeconomic environment whilst having adequate resources to continue operations in the next 12 months. Hence, the going concern basis of accounting remains appropriate.

2.1.1 Changes in accounting policy and disclosures

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

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

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

Amendments to IFRS 3 Business Combination - Reference to Conceptual framework

Amendment updates a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for Business Combinations. The amendment adds an exception for the recognition of liabilities within the scope of IAS37, provisions, contingent and contingent assets and Interpretation 21 Levies. It also specifies that contingent assets should not be recognised at acquisition date. The amendment was effective for annual periods beginning on or after 1 January 2022.

Amendments to IAS 16 Property Plant and Equipment

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

Annual Improvements of IFRS standards 2018-2020

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

- IFRS 1 First time adoption of international Financial Reporting Standards: To ease the transition of IFRS standards for subsidiaries applying the optional exemptions.
- IFRS 9 Financial Instruments: Amendment clarifies fees to be included in the performance of the 10 percent test for the derecognition of financial liabilities
- IFRS 16 Leases: Amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The amendments listed above, adopted on the 1 January 2022 did not have a significant impact on the consolidated financial statements.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Corporation has not early adopted them in preparing these consolidated financial statements. Those Standards and Interpretations which may be relevant to the Corporation are set out below:

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

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

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

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

(c) Amendment to IAS 1, Presentation of financial statements, and IFRS Practice statement 2, making materiality judgements

The amendment aims to clarify the concept of materiality. It requires entities to disclose the following:

- Disclosure of material accounting policies instead of significant accounting polices.
- Clarifies that accounting policies relating to immaterial transactions, other events, transactions or conditions are themselves immaterial and do not need to be disclosed.
- Clarifies that not all accounting policies that relate to material transactions , other events or conditions are themselves material.

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

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

2.2 Basis of consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

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

From 1 January 2021, in determining whether a particular set of activities and assets is a business, the Corporation assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Corporation has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

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

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

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

(iii) Loss of control

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

(iv) Acquisitions under common control

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

(v) Transactions eliminated on consolidation

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

(vi) Non-controlling interests

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

(vii) Interests in associates and joint ventures

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

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

2.3 Foreign currency

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

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

iii) Foreign operations

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

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

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

2.4 Financial assets and liabilities

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

Initial recognition and measurement

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

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

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

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2.4.1 Financial assets

Classification and subsequent measurement

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

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

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

Debt instruments

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

(i) the Corporation's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest ('SPPI'), and that are not designated at 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 carrying amount of the financial assets.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

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

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

Business model

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

Solely Payment of Principal and Interest (SPPI)

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

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

Reclassifications

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

Equity instruments

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

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

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

Modification of loans

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

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

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

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

Interest rate benchmark reform

If the basis for determining the contractual cashflows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform , then the Corporation updates the effective interest rate of the financial asset or liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cashflow is required by interest rate benchmark reforms if the following conditions were met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cashflow is economically equivalent to the previous basis - i.e. the basis immediately before the change.

If changes are made to the financial asset or financial liability in addition to changes to the basis for determining the contractual cashflows required by interest benchmark reforms, then the Corporation first updates the effective interest rate of the financial asset or financial liabilities to reflect the change that is required by interest benchmark reform. After that the Corporation, applies the policies on accounting for modifications set out above to the additional changes.

Derecognition other than on a modification

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

(a) the Corporation transfers substantially all the risks and rewards of ownership, or

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

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

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

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

2.4.2 Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. This classification is applied to derivatives and other financial liabilities designated as such at initial recognition.

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

Derecognition

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

The exchange between the Corporation and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability and a gain or loss is recognised in profit or loss accounts. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, significantly differs from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, then the amortised cost of the liability is recalculated by discounting the modification cash flow at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

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

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

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

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

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

Derivatives

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

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

(i) Their economic characteristics and risks are not closely related to those of the host contract;

(ii) A separate instrument with the same terms would meet the definition of a derivative

(iii) The hybrid contract is not measured at fair value through profit or loss.

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

Offsetting

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

Determination of fair value

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

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

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

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

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

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

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

2.5 Interest income and expense

Effective interest rate

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

Presentation

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

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

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

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

2.6 Fees, commission and other income

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

2.7 Assets pledged as collateral

Financial assets transferred to external parties and which do not qualify for 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

Impairment of financial assets

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

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

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

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Lifetime 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; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve in OCI.

2.9 Impairment of non-financial assets

Intangible assets not available for use and those that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value, and are used by the Corporation in the management of its short-term commitments.

2.11 Loans and advances to banks

Loans and advances to banks are deposits held with other banks to facilitate correspondent banking relationships as well as manage the Corporation's liquidity and interest rate risks. These financial assets measured at amortised cost using the effective interest rate method. At initial recognition they are recognised at fair value plus the incremental direct transaction costs.

2.12 Investment securities

Investment securities include the following:

- debt securities initially measured at fair value plus incremental direct transaction costs and subsequently at amortised cost using the effective interest rate method
- debt and equity securities mandatorily measured at FVTPL or designated at FVTPL, fair value changes are recognised immediately in profit or loss
- debt securities measured at FVOCI, and;
- equity securities designated at FVOCI.

For the debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest rate
- ECL and reversals
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Corporation elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument by instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

2.13 Property 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 an d maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

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

2.14 Employee Benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Post-employment employee benefits

Defined contribution plan

The Corporation established a defined contributory pension scheme in 2012. This is a pension plan under which the Corporation pays fixed contributions (7.5% of annual basic salary) and employees contribute a minimum of 5% of their annual basic salary into a separate entity. The Corporation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense in the statement of comprehensive income when they fall due.

Defined benefit plan

The Corporation commenced an End of Service scheme for its employees in 2021, the attainment of this benefit is conditional for employees that serve meritoriously till attainment of their contract term limit, normal retirement age, or resignation after a minimum service period. The Corporation's net obligation in respect of its defined benefit plans is calculated separately by estimating the amount of future benefit that the employees have earned in the current period and prior periods, discounting that amount to present value.

The calculation of the defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Where the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum applicable funding requirements.

Remeasurements of the net defined benefit liability which comprise the actuarial gains/losses and the returns on plan assets are recognized immediately in OCI. The Corporation determines the net interest expense (income) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changes or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Corporation recognizes gains or losses on the settlement of the defined benefit plan when the settlement occurs.

2.15 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method. Where the Corporation designates certain borrowings upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently.

2.17 Share capital

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

b) Share premium
Premiums from the issue of shares are reported in share premium that is where the price paid for acquiring shares of the Corporation is higher than the nominal amount of each share.

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

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

e) Share warrants
Share warrants issued by the Corporation are only redeemable at the option of the issuer and bear an entitlement to returns at the discretion of the Corporation. Accordingly, they are presented within equity. Distributions thereon are recognised in equity.

2.18 Retained earnings

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

2.19 Fair value reserve

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

2.20 Dividend payment

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

2.21 Contingent liabilities, guarantees and commitments

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

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

Debt commitments comprise;

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

Guarantees are financial contracts that require the issuer to make specific payments to reimburse the holder for a loss incurred if the specified debtor fails to make a payment in accordance with the terms of the original or modified terms of the debt instrument. They are measured at fair value initially and subsequently are recorded at higher of the loss allowance determined and the premium amount initially recognised less income recognised in accordance with IFRS 15.

2.22 Dividend income

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

2.23 Net gain/(loss) on financial instruments at fair value through profit or loss (FVTPL)

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

2.24 Intangible assets

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

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

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

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

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

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

2.25 Earnings per share (EPS)

The Corporation presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of the share warrants outstanding, during the period.

2.26 Leases

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Corporation acting as a lessee

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

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

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

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

Corporation acting as a lessor

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

When the Corporation acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

"The Corporation applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Corporation further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.27 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on disposal is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to the measured in accordance with the Corporation's other accounting policies.

Impairment losses on initial recognition are recognized in profit or loss. Once classified as held-for sale, intangible assets and property and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

When the Corporation acquires a subsidiary exclusively with a view to resell, it is accounted for as held for sale and consolidated using the short cut method under by IFRS 5. Initially, the Corporation measures the identifiable liabilities and the acquired assets at fair value. At the reporting period, the Corporation measures the disposal group at the lower of its cost and fair value less cost to sell and the assets and liabilities are recognised separately in the statement of financial position. In the statement of comprehensive income, the Corporation discloses a separate line for the loss on discontinued operations. Further analysis of the assets and liabilities is not required and no further disclosures are made.

2.28 Discontinued operation

A discontinued operation is a component of the Corporation's business, the operations and cashflows of which can be clearly distinguished from the rest of the Corporation and which:

- Represents a separate major line of business or geographic area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary exclusively acquired with a view to resell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

2.29 Asset under management

These are portfolio investments managed by a designated Asset Management Company on a fair value basis. Changes in fair value are recognised in profit or loss net of management fees of the portfolio manager.

2.30 Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Corporation's components, whose operating results are regularly reviewed by the Corporation's President/CEO (Chief Operating Decision Maker-CODM) to make decisions on resource allocation and performance and for which discrete financial information is available.

Segment results are reported to the Corporation's CODM, include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3. Financial Risk Management

The Corporation's business philosophy recognises that risks are an inevitable consequence of being in business. The Corporation's aim, therefore, is not to eliminate all risks, but to design policies, processes and procedures that will enable it achieve an appropriate balance between risk and return. The Corporation believes that a strong risk management function is key to its successful long-term operations.

The Corporation operates a multi-layered risk management governance structure, with the Board of Directors at its apex, exercising and assuming ultimate authority and responsibility for the Corporation's risk management. Other layers in the risk management governance structure are: (i) the Board Risk and Investment Committee (BRIC), responsible for oversight and approval of risk policies, and credit approvals above management's authority levels; (ii) Executive Management Committee (EXCO), responsible for review of investment proposals, and exercise of management's delegated authority for investment approvals; (iii) Management Risk Committee, responsible for the risk policy review and implementation; (iv) Asset and Liability Committee (ALCO), responsible for monitoring and management of the Corporation's liquidity and interest rate market risks; (v) Risk Management Department, responsible for risk policy development, management and monitoring; and (vi) Business Units, responsible for the creation and management of risk assets.

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

In managing those risks, Risk Management's independence and accountability is sustained by the Chief Risk Officer's direct reporting line to both the President & CEO and to the Chairman of the Board Risk and Investment Committee and the Policy requires the Chief Risk Officer's affirmative vote before a transaction can be approved.

In order to regularly monitor the risks in the Corporation's portfolio, Risk Management generates a number of reports, including a Daily Risk Report for the Executive Management Committee (EXCO) and a Portfolio Risk Dashboard for each meeting of the BRIC. In addition to these reports, Risk Management also provides independent risk assessment to transaction monitoring reports, which are prepared by the Business Originators on a quarterly basis.

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

The principal collateral types acceptable to the Corporation are: commercial properties; charges over business assets such as premises, inventory and plant and machinery; financial instruments such as debt securities, and guarantees received from third parties. The Corporation maintains appetite guidelines on the acceptability of specific classes of collateral. Collateral held as security for financial assets other than loans and advances is determined by the nature of the underlying exposure. Debt securities, including treasury, bonds and other bills are generally unsecured. Collateral is generally not held against loans and advances to banks/placements; however, securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement.

Derivative transactions with financial counterparties are typically collateralised under a Credit Support Annex (CSA), in conjunction with the International Swaps and Derivatives Association (ISDA) Master Agreement. Derivative transactions with non-financial customers are not usually supported by a CSA. The Corporation considers risk concentrations by collateral providers with a view to ensuring that any potential undue concentrations of risk are identified and suitably managed. Generally, the concentratio n of collateral follows a similar pattern as the geographical and sectoral split of the Corporation's portfolio of loans and advances to customers.

In order to manage the risk of portfolio concentration, the Corporation has limits approved by the BRIC in respect of Countries, Sectors (e.g. Power, Natural Resources, etc.), Single Obligor and Sector Single Obligor.

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

3.1 Credit Risk

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

3.1.1 Project and Investment Credit Risk

The Corporation has developed a comprehensive Credit Risk Management Policy (CRMP) that details its risk philosophy and metrics. The CRMP defines the level and type of credit exposures that the Corporation is prepared to accept in order to achieve its business goals and objectives. It defines the Corporation's risk appetite along three key metrics; Capital Adequacy Framework, Exposure Limits Framework and Credit Risk Acceptance criteria.

The Corporation's Capital Adequacy Framework creates a quantifiable link between the risks assumed and the amount of risk capital required to support those risks. The capital adequacy framework ensures that the Corporation holds adequate levels of capital to support its investment operations.

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

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

The risk appetite is determined by the Board of Directors, with delegated authority to the BRIC and EXCO. The Corporation has a policy that only the entity that sets a limit or condition may amend the limit. For example, EXCO may only decrease limits but not increase limits set by the higher authorities of BRIC and the Board due to evolving market conditions. While the Board, or BRIC may increase or decrease limits set by EXCO. The Board specifies that risk appetite is consistent with the Corporation's rating, and eclipsed by the Corporation's capital.

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

3.1.2 Counterparty Credit Risk

The Corporation invests its liquid assets in different financial instruments to generate income. These financial instruments involve, to some degree, the risk that the counterparty to the transaction may be unable to meet its obligation to the Corporation when it falls due. The Corporation manages this counterparty risk by executing transactions within a prudent framework of approved counterparties, counterparty credit rating standards and counterparty risk exposures limits. The risk exposure limit for each counterparty is a function of the counterparty's credit rating and its shareholders' funds (unimpaired by losses). The risk limits are proposed by the Risk Management Division and approved by the Executive Management Committee.

3.1.3 Assessing Credit Risk

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

The Corporation has developed models to support the quantification of credit risk. These rating and scoring models are in use for all key credit portfolios and 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 BRIC.

3.1.5 Maximum exposure to credit risk

	Maximum Exposure	
	31 December 2022 US$'000	31 December 2021 US$'000
Balances with banks	122,639	49,263
Loan and advances to banks:		
- Placements with banks	1,372,568	1,841,697
Derivative financial assets	184,370	107,098
Loan and advances to other customers:		
- Project finance loans	3,065,325	2,499,311
- Trade finance loans	546,939	481,545
Financial assets at fair value through profit or loss:		
- Hybrid instruments (convertible debt)	538,070	542,751
- Asset under management (debt securities)	19,837	20,996
Investment Securities:		
- Corporate debt securities	330,327	420,399
- Government debt securities	2,537,313	1,133,948
Pledged Assets:		
- Corporate debt securities	330,577	128,397
- Government debt securities	280,632	281,088
Other assets:		
- Account receivable	39,854	6,159
- Fee receivable	12,325	8,680
- Advance for investment	14,700	51,179
Total	**9,395,476**	**7,572,511**
Off-balance sheet commitments	**1,684,408**	**281,352**

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

3.1.6 Credit quality analysis

General Risk Rating Process

Investment risk rating and acceptance criteria represent a vital aspect of the Corporation's risk appetite definition process. Before credit risk can be managed, it must first be identified and measured. A 10-point credit risk rating methodology with 23 notches, from "1" (excellent, very low risk) to "10" (expected loss, very high risk) is applied by the Corporation. The methodology encompasses the analysis of a client's fundamental financial strength, adjusted with obligor risk control factors, and further adjusted by facility risk control factors. The risk rating process measures the expected loss of a credit facility over its tenor and it integrates assessments of the probability of default, the exposure at default, and the loss given default of the facility. The 10-point risk rating scale is further collapsed into five generic risk classes, of "very low risk (excellent)", "low risk (strong)", "moderate risk (good)", "high risk (fair/marginal)", and "very high risk (special attention)". Generally, transactions rated "5" (acceptable, high risk) or better would be considered for financing by the Corporation.

The risk ratings are a primary tool in the review and decision making in the credit process and ratings are reviewed quarterly for each obligor or when credit sensitive information is received. The integrity of the Corporation's portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. Ratings are also reviewed as a result of expectation of credit weaknesses. After disbursement, monitoring phase of each investment commences. A quarterly monitoring report is prepared for each investment; this report is reviewed by Risk Management and presented to the Management Investment Committee. The monitoring report acts as an early warning signal for closer monitoring of credits with a higher probability of facing stress in the short to medium term.

In the event that an asset goes into default, an interdepartmental team comprising of Risk Management, Risk Assurance, Portfolio Management and Legal would collaborate with other lenders or sponsors to maximize recovery. This team will give a weekly update on recovery efforts to the Management. A default would also lead to prevention of further drawdown while steps are taken to recover the outstanding balance and/or realise collaterals.

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

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

Credit Rating of Counterparty/Obligor

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

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

Risk Buckets and Definition

Description	Rating bucket	Range of scores	Risk range description
Very Low Risk	AAA to A-	1.00 – 1.60	Excellent
Low Risk	BBB+ to BBB-	1.70 – 1.90	Strong
Low to Moderate Risk	BB+ to BB-	2.00 - 2.60	Good
Moderate Risk	BB to B-	2.90 - 4.00	Fair
High Risk	CCC+ to CCC	5.00 – 6.00	Marginal
Very High Risk	CCC- to D	7.00 - 10.00	Special attention

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

	31 December 2022 US$'000	31 December 2021 US$'000
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA to BBB-)	3,273,343	1,877,800
Others (BB+, BB, BB-, B+, B, B-)	3,070,531	2,556,780
	6,343,874	**4,434,580**
Counterparties without international credit ratings		
Group 1	237,021	241,526
Group 2	2,756,894	2,846,269
	2,993,915	**3,087,795**
Total unimpaired nor past due loans, advances and debt securities	9,337,789	7,488,991
Past due but not impaired	-	33,384
Total unimpaired nor past due financial assets	**9,337,789**	**7,522,375**

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	2022			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	83,795	-	-	83,795
- Strong	21,473	-	-	21,473
- Good	17,371	-	-	17,371
Gross carrying amount	122,639	-	-	122,639
Loss allowance	-	-	-	-
Carrying amount	**122,639**	**-**	**-**	**122,639**

US$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	13,277	-	-	13,277
- Strong	33,838	-	-	33,838
- Good	2,148	-	-	2,148
Gross carrying amount	49,263	-	-	49,263
Loss allowance	-	-	-	-
Carrying amount	**49,263**	**-**	**-**	**49,263**

Loans and advances to banks at amortised cost:

US$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	1,164,743	-	-	1,164,743
- Strong	102,225	-	-	102,225
- Good	107,965	-	-	107,965
Gross carrying amount	1,374,933	-	-	1,374,933
Loss allowance	(2,365)	-	-	(2,365)
Carrying amount	**1,372,568**	**-**	**-**	**1,372,568**

US$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
- Excellent	1,133,988	-	-	1,133,988
- Strong	531,637	-	-	531,637
- Good	179,041	-	-	179,041
Gross carrying amount	1,844,666	-	-	1,844,666
Loss allowance	(2,969)	-	-	(2,969)
Carrying amount	**1,841,697**	**-**	**-**	**1,841,697**

Loans and advances to customers at amortised cost:

US$'000	2022			
Project finance	Stage 1	Stage 2	Stage 3	Total
- Excellent	245,430	-	-	245,430
- Good	1,601,129	-	-	1,601,129
- Strong	128,414	-	-	128,414
- Fair	285,754	-	-	285,754
- Marginal	463,144	387,562	-	850,706
- Special attention	-	-	-	-
- Default	-	-	125,576	125,576
Gross carrying amount	**2,723,871**	**387,562**	**125,576**	**3,237,009**
Loss allowance	(77,835)	(25,960)	(67,889)	(171,684)
	2,646,036	**361,602**	**57,687**	**3,065,325**
Trade finance				
- Strong	3,027	-	-	3,027
- Good	523,161	-	-	523,161
- Fair	362	-	-	362
- Marginal	-	41,790	-	41,790
Gross carrying amount	**526,550**	**41,790**	**-**	**568,340**
Loss allowance	(15,814)	(5,587)	-	(21,401)
	510,736	**36,203**	**-**	**546,939**
Gross loans to other customers	**3,250,421**	**429,352**	**125,576**	**3,805,349**
Carrying amount	**3,156,772**	**397,805**	**57,687**	**3,612,264**

US$'000		2021		
Project finance	Stage 1	Stage 2	Stage 3	Total
- Excellent	182,058	-	-	182,058
- Good	1,155,897	-	-	1,155,897
- Strong	146,944	-	-	146,944
- Fair	274,655	33,384	-	308,039
- Marginal	344,754	383,719	-	728,473
- Special attention	-	37,315	-	37,315
- Default	-	-	93,505	93,505
Gross carrying amount	**2,104,308**	**454,418**	**93,505**	**2,652,231**
Loss allowance	(62,154)	(47,397)	(43,369)	(152,920)
	2,042,154	**407,021**	**50,136**	**2,499,311**
Trade finance				
- Good	453,764	-	-	453,764
- Fair	-	-	-	-
- Marginal	-	42,960	-	42,960
Gross carrying amount	**453,764**	**42,960**	**-**	**496,724**
Loss allowance	(13,807)	(1,372)	-	(15,179)
	439,957	**41,588**	**-**	**481,545**
Gross loans to other customers	**2,558,072**	**497,378**	**93,505**	**3,148,955**
Carrying amount	**2,482,111**	**448,609**	**50,136**	**2,980,856**

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		2022		
	Stage 1	Stage 2	Stage 3	Total
Current	3,250,421	429,352	-	3,679,773
Overdue 30 - 90 days	-	-	-	-
Overdue 90 - 180 days	-	-	-	-
Overdue > 180 days	-	-	125,576	125,576
Total	**3,250,421**	**429,352**	**125,576**	**3,805,349**

US$'000		2021		
	Stage 1	Stage 2	Stage 3	Total
Current	2,558,072	463,994	-	3,022,066
Overdue 30 - 90 days	-	33,384	-	33,384
Overdue 90 - 180 days	-	-	-	-
Overdue > 180 days	-	-	93,505	93,505
Total	**2,558,072**	**497,378**	**93,505**	**3,148,955**

Investment securities at amortised cost:

US$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate debt securities				
- Excellent	-	-	-	-
- Strong	-	-	-	-
- Good	39,241	-	-	39,241
- Fair	101,261	-	-	101,261
- Marginal	208,423	-	-	208,423
- Special attention	-	-	-	-
	348,925	**-**	**-**	**348,925**
Loss allowance	(18,598)	-	-	(18,598)
	330,327	**-**	**-**	**330,327**
Government debt securities				
- Excellent	1,497,491	-	-	1,497,491
- Strong	76	-	-	76
- Good	1,040,820	-	-	1,040,820
- Special attention	-	20,038	-	20,038
	2,538,387	**20,038**	**-**	**2,558,425**
Loss allowance	(20,300)	(812)	-	(21,112)
	2,518,087	**19,226**	**-**	**2,537,313**
Carrying amount	**2,848,414**	**19,226**	**-**	**2,867,640**

US$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate debt securities				
- Excellent	-	-	-	-
- Strong	23,071	-	-	23,071
- Good	156,793	-	-	156,793
- Fair	181,663	-	-	181,663
- Marginal	71,798	-	-	71,798
- Special attention	-	-	-	-
	433,325	**-**	**-**	**433,325**
Loss allowance	(12,926)	-	-	(12,926)
	420,399	**-**	**-**	**420,399**
Government debt securities				
- Strong	-	-	-	-
- Good	1,148,839	-	-	1,148,839
	1,148,839	**-**	**-**	**1,148,839**
Loss allowance	(14,891)	-	-	(14,891)
	1,133,948	**-**	**-**	**1,133,948**
Carrying amount	**1,554,347**	**-**	**-**	**1,554,347**

Pledged assets:

US$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate debt securities				
- Excellent	57,240	-	-	57,240
- Strong	50,577	-	-	50,577
- Good	229,189	-	-	229,189
	337,006	**-**	**-**	**337,006**
Loss allowance	(6,429)			(6,429)
	330,577	**-**	**-**	**330,577**
Government debt securities				
- Excellent	30,933	-	-	30,933
- Strong	50,554	-	-	50,554
- Good	201,163	-	-	201,163
	282,650	**-**	**-**	**282,650**
Loss allowance	(2,018)	-	-	(2,018)
	280,632	**-**	**-**	**280,632**
Carrying amount	**611,209**	**-**	**-**	**611,209**

US$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate debt securities				
- Strong	47,813	-	-	47,813
- Good	82,296	-	-	82,296
	130,109	**-**	**-**	**130,109**
Loss allowance	(1,712)			(1,712)
	128,397	**-**	**-**	**128,397**
Government debt securities				
- Strong	50,663	-	-	50,663
- Good	232,787	-	-	232,787
	283,450	**-**	**-**	**283,450**
Loss allowance	(2,362)	-	-	(2,362)
	281,088	**-**	**-**	**281,088**
Carrying amount	**409,485**	**-**	**-**	**409,485**

Other assets:

US$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Account receivable				
- Good	39,854	-	-	39,854
Fee receivable				
- Good	12,325	-	-	12,325
Advance for investment				
- Good	14,700	-	-	14,700
	66,879	**-**	**-**	**66,879**
Loss allowance	-	-	-	-
Carrying amount	**66,879**	**-**	**-**	**66,879**

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2022

US$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Account receivable				
- Good	6,159	-	-	6,159
Fee receivable				
- Good	8,680	-	-	8,680
Advance for investment				
- Good	51,179	-	-	51,179
	66,018	**-**	**-**	**66,018**
Loss allowance	-	-	-	-
Carrying amount	**66,018**	**-**	**-**	**66,018**

Off-balance sheet commitments:

US$'000	2022			
	Stage 1	Stage 2	Stage 3	Total
Debt and financial guarantees				
- Strong	21,000	-	-	21,000
- Good	1,548,096	-	-	1,548,096
- Fair	28,502	-	-	28,502
- Marginal	86,810	-	-	86,810
Carrying amount	**1,684,408**	**-**	**-**	**1,684,408**
Loss allowance on commitments	**12,486**			**12,486**

US$'000	2021			
	Stage 1	Stage 2	Stage 3	Total
Debt				
- Good	106,279	-	-	106,279
- Fair	155,673	-	-	155,673
- Marginal	19,400	-	-	19,400
Carrying amount	**281,352**	**-**	**-**	**281,352**
Loss allowance on commitments	**2,477**	**-**	**-**	**2,477**

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

	2022	2021
	US$'000	US$'000
Derivative financial assets:		
- Good	**184,370**	**107,098**
Financial assets at fair value through profit or los		
Hybrid instruments: convertible debt		
- Good	21,968	5,000
- Fair	212,974	47,805
- Marginal	73,678	444,869
- Special attention	229,450	45,077
Asset under management: debt securities		
- Good	19,837	20,996
	557,907	**563,747**

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 2022, as a result of the enforcement of collateral (2021: Nil).

The types of collateral held includes fixed and floating charge on companies' assets and securities and a charge on the commodities financed for trade transactions. The Corporation also uses insurance by a counterparty which is more creditworthy than the original counterparty, as a means of credit enhancement. The Corporation has portfolio insurance cover over the loans and advances to other customers and investment securities portfolios.

Volume of exposure secured by collateral and other credit enhancements:

	2022	2021	
Type of credit exposure	**%**	**%**	**Type of collateral held**
Loans and advances to other customers - Project finance	92	93	charge on securities/ company assets
- Trade finance	76	76	charge on commodities financed
Hybrid instruments	83	67	charge on company assets/ insurance
Investment debt securities	-	-	Portfolio insurance

Expected Credit Loss ('ECL')

The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. The Corporation's policies for determining if there has been a significant increase in credit risk are set out in note 2.8.

The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both life time ECL and 12 months ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

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 write-offs 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:

	2022				
Loans and advances to banks 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	2,969	-	-	-	2,969
Net remeasurement of loss allowance	(604)	-	-	-	(604)
Balance at 31 December	**2,365**	**-**	**-**	**-**	**2,365**

	2021				
Loans and advances to banks 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	3,818	-	-	-	3,818
Net remeasurement of loss allowance	(849)	-	-	-	(849)
Balance at 31 December	**2,969**	**-**	**-**	**-**	**2,969**

	2022				
Loans and advances to customers 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	75,961	48,769	43,369	-	168,099
Transfer to Stage 1	10,227	(10,227)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	(2,399)	2,399	-	
Net remeasurement of loss allowance	7,461	(4,596)	22,121	-	24,986
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	**93,649**	**31,547**	**67,889**	**-**	**193,085**

			2021		
Loans and advances to customers at	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased**	
amortised cost:				**credit- impaired**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loss allowance as at 1 January	48,404	87,347	16,339	-	152,090
Transfer to Stage 1	5,788	(5,788)	-	-	-
Transfer to Stage 2	-	16,339	(16,339)	-	-
Transfer to Stage 3	-	(20,143)	20,143	-	-
Net remeasurement of loss allowance	26,695	(28,986)	43,369	-	41,078
Financial assets that have been derecognised	(4,926)	-	(20,143)	-	(25,069)
Balance at 31 December	**75,961**	**48,769**	**43,369**	**-**	**168,099**

			2022		
Loans and advances to customers at	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased**	
amortised cost:			**credit- impaired**	**Total**	
Project finance loans	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loss allowance as at 1 January	62,154	47,397	43,369	-	152,920
Transfer to Stage 1	10,227	(10,227)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	(2,399)	2,399	-	-
Net remeasurement of loss allowance	5,454	(8,811)	22,121	-	18,764
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	**77,835**	**25,960**	**67,889**	**-**	**171,684**

			2021		
Loans and advances to customers at	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased**	
amortised cost:				**credit- impaired**	**Total**
Project finance loans	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loss allowance as at 1 January	33,826	85,740	16,339	-	135,905
Transfer to Stage 1	5,788	(5,788)	-	-	-
Transfer to Stage 2	-	16,339	(16,339)	-	-
Transfer to Stage 3	-	(20,143)	20,143	-	-
Net remeasurement of loss allowance	24,946	(28,751)	43,369	-	39,564
Financial assets that have been derecognised	(2,406)	-	(20,143)	-	(22,549)
Balance at 31 December	**62,154**	**47,397**	**43,369**	**-**	**152,920**

			2022		
Loans and advances to customers at	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased**	
amortised cost:				**credit- impaired**	**Total**
Trade finance loans	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loss allowance as at 1 January	13,807	1,372	-	-	15,179
Transfer to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	2,007	4,215	-	-	6,222
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	**15,814**	**5,587**	**-**	**-**	**21,401**

			2021		
Loans and advances to customers at amortised cost:	**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	14,578	1,607	-	-	16,185
Transfer to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	1,749	(235)	-	-	1,514
Financial assets that have been derecognised	(2,520)	-	-	-	(2,520)
Balance at 31 December	**13,807**	**1,372**	**-**	**-**	**15,179**

			2022		
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	27,817	-	-	-	27,817
Transfer to Stage 2	(812)	812	-	-	-
Net remeasurement of loss allowance	11,893	-	-	-	11,893
Balance at 31 December	**38,898**	**812**	**-**	**-**	**39,710**

			2021		
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	18,406	-	-	-	18,406
Transfer to Stage 1	-	-	-	-	-
Net remeasurement of loss allowance	9,411	-	-	-	9,411
Balance at 31 December	**27,817**	**-**	**-**	**-**	**27,817**

			2022		
Investment securities at amortised cost:	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased credit- impaired**	**Total**
Corporate debt securities	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loss allowance as at 1 January	12,926	-	-	-	12,926
Transfer to Stage 1-	-	-	-	-	
Net remeasurement of loss allowance	5,672	-	-	-	5,672
Balance at 31 December	**18,598**	**-**	**-**	**-**	**18,598**

			2021		
Investment securities at amortised cost:	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased credit- impaired**	**Total**
Corporate debt securities	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Loss allowance as at 1 January	14,033	-	-	-	14,033
Transfer to Stage 1	-	-	-	-	
Net remeasurement of loss allowance	(1,107)	-	-	-	(1,107)
Balance at 31 December	**12,926**	**-**	**-**	**-**	**12,926**

Investment securities at amortised cost:	2022				
	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	14,891	-	-	-	14,891
Transfer to Stage 2	(812)	812	-	-	-
Net remeasurement of loss allowance	6,221	-	-	-	6,221
Balance at 31 December	**20,300**	**812**	**-**	**-**	**21,112**

Investment securities at amortised cost:	2021				
	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	4,373	-	-	-	4,373
Net remeasurement of loss allowance	10,518	-	-	-	10,518
Balance at 31 December	**14,891**	**-**	**-**	**-**	**14,891**

Investment securities at FVOCI:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
Corporate debt securities	US$'000	US$'000	US$'000	US$'000	US$'000
Loss allowance as at 1 January	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	**-**	**-**	**-**	**-**	**-**

Investment securities at FVOCI:	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
Corporate debt securities	US$'000	US$'000	US$'000	US$'000	US$'000
Loss allowance as at 1 January	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-
Balance at 31 December	**-**	**-**	**-**	**-**	**-**

Pledged assets:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
Debt securities	US$'000	US$'000	US$'000	US$'000	US$'000
Loss allowance as at 1 January	4,074	-	-	-	4,074
Net remeasurement of loss allowance	4,373	-	-	-	4,373
Balance at 31 December	**8,447**	**-**	**-**	**-**	**8,447**

Pledged assets:	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
Debt securities	US$'000	US$'000	US$'000	US$'000	US$'000
Loss allowance as at 1 January	4,831	-	-	-	4,831
Net remeasurement of loss allowance	(757)	-	-	-	(757)
Balance at 31 December	**4,074**	**-**	**-**	**-**	**4,074**

Pledged assets:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
Corporate debt securities	US$'000	US$'000	US$'000	US$'000	US$'000
Loss allowance as at 1 January	**1,712**	**-**	**-**	**-**	**1,712**
Net remeasurement of loss allowance	4,717				4,717
Balance at 31 December	**6,429**	**-**	**-**	**-**	**6,429**

Pledged assets:	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
Corporate debt securities	US$'000	US$'000	US$'000	US$'000	US$'000
Loss allowance as at 1 January	**2,408**	**-**	**-**	**-**	**2,408**
Net remeasurement of loss allowance	(696)				(696)
Balance at 31 December	**1,712**	**-**	**-**	**-**	**1,712**

Pledged assets:	2022				
	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	**2,362**	**-**	**-**	**-**	**2,362**
Net remeasurement of loss allowance	(344)	-	-	-	(344)
Balance at 31 December	**2,018**	**-**	**-**	**-**	**2,018**

Pledged assets:	2021				
	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	**2,423**	**-**	**-**	**-**	**2,423**
Net remeasurement of loss allowance	(61)	-	-	-	(61)
Balance at 31 December	**2,362**	**-**	**-**	**-**	**2,362**

Commitments:	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Loss allowance as at 1 January	**2,477**	**-**	**-**	**-**	**2,477**
Net remeasurement of loss allowance	10,009				10,009
Balance at 31 December	**12,486**	**-**	**-**	**-**	**12,486**

Commitments:	2021				
	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	**6,959**	**-**	**-**	**-**	**6,959**
Net remeasurement of loss allowance	(4,482)				(4,482)
Balance at 31 December	**2,477**	**-**	**-**	**-**	**2,477**

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.

	2022	2021
	Total	Total
	US$'000	US$'000
Credit-impaired loans and advances to customers at 1 January	50,136	22,605
Classified as credit-impaired during the year	32,071	99,989
Derecognised during the year	-	-
Transferred to not credit-impaired during the year	-	(22,605)
Interest income	-	(4,580)
Net repayments	-	(1,904)
Change in allowance for impairment	(24,520)	(43,369)
Balance at 31 December	**57,687**	**50,136**

Modified financial assets

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

Financial assets modified during the period	2022	2021
	Total	Total
	US$'000	US$'000
Amortised cost before modification	90,308	49,274
Net modification gain/(loss)	(8,462)	406

Write-off policy

In the normal course of business, financial assets (including loans, debt securities and receivables) may become unrecoverable when the likelihood of repayment by a counterparty is non-existent and the financial asset cannot be realized. Circumstances which may lead to financial assets becoming unrecoverable include but not limited to:

- insolvency of the counterparty / guarantor
- permanent diminution in the value of collateral
- unenforceable debt recovery actions; and
- debts that are uneconomical to pursue for recovery.

Management must demonstrate that appropriate and sufficient effort has been made to recover the financial assets. Financial assets will be recommended for write-off only after recovery efforts have proved unsuccessful and further action is either not cost effective or highly unlikely to succeed.

The Chief Risk Officer, together with the responsible division head will recommend the write-off to the Board Risk and Investment Committee for approval. There were no write-offs recognised during the financial year.

3.1.7 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Corporation manages concentration risk using the Exposure Limits Framework (ELF) as part of its credit risk management policies. The ELF proposes a portfolio diversification strategy for the Corporation in order to avoid excessive portfolio concentration either in single projects or groups of projects, or in particular sectors that could be simultaneously affected by similar exogenous events. The ELF defines sector exposure limits, single obligor exposure limits and single country exposure limits. In line with best practices, the exposure limits are linked to the Corporation's total investable fund, that is the shareholders' funds plus retained earnings plus borrowings with a remaining maturity exceeding one year, and the pace at which these Board approved limits are consumed is dependent on the Corporation's risk appetite. The following table analyses the Corporation's main credit exposures at their carrying amounts, categorised by geographical region, as at 31 December 2021. The Corporation has allocated exposures to regions based on the country of domicile of its counterparties.

31 December 2022	West Africa US$'000	Rest of Africa US$'000	Outside Africa US$'000	Total US$'000
Cash and balances with banks:				
Balances with banks	17,371	21,473	83,795	122,639
Loans and advances to banks:				
- Placements with banks	106,139	102,127	1,164,302	1,372,568
Derivative financial assets	133,727	-	50,643	184,370
Loans and advances to other customers:				
- Project finance	2,077,020	988,305	-	3,065,325
- Trade finance	365,077	181,862	-	546,939
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	353,656	184,414	-	538,070
- Asset under management (debt securities)	-	-	19,837	19,837
Investment securities:				
- Corporate debt securities	148,960	181,367	-	330,327
- Government debt securities	1,031,963	7,961	1,497,389	2,537,313
Pledged assets:				
- Corporate debt securities	280,114	50,463	-	330,577
- Government debt securities	63,221	217,411	-	280,632
Other assets:				
- Account receivable	39,854	-	-	39,854
- Fee receivable	12,325	-	-	12,325
- Advance for investments	-	14,700	-	14,700
	4,629,427	**1,950,083**	**2,815,966**	**9,395,476**
Off-balance sheet commitments	**1,513,768**	**170,640**	**-**	**1,684,408**

31 December 2021	West Africa US$'000	Rest of Africa US$'000	Outside Africa US$'000	Total US$'000
Cash and balances with banks:				
Balances with banks	2,148	33,838	13,277	49,263
Loans and advances to banks:				
- Placements with banks	177,255	261,282	1,403,160	1,841,697
Derivative financial assets	71,590	9,004	26,504	107,098
Loans and advances to other customers:				
- Project finance	1,878,381	620,930	-	2,499,311
- Trade finance	310,174	171,371	-	481,545
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	366,357	176,394	-	542,751
- Asset under management (debt securities)	-	-	20,996	20,996
Investment securities:				
- Corporate debt securities	331,795	88,604	-	420,399
- Government debt securities	1,122,028	11,920	-	1,133,948
Pledged assets:				
- Corporate debt securities	80,692	47,705	-	128,397
- Government debt securities	63,786	217,302	-	281,088
Other assets:				
- Account receivable	6,159	-	-	6,159
- Fee receivable	8,680	-	-	8,680
- Advance for investments	51,179	-	-	51,179
	4,470,224	**1,638,350**	**1,463,937**	**7,572,511**
Off-balance sheet commitments	**109,014**	**172,338**	**-**	**281,352**

Credit Concentration by Industry 31 December 2022	Natural Resources US$'000	Heavy Industry & Telecoms US$'000	Power US$'000	Transport US$'000	Financial Services & Others US$'000	Total US$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	122,639	122,639
Loans and advances to banks:						
- Placements with banks					1,372,568	1,372,568
Derivative financial assets	-	-	2,939	-	181,431	184,370
Loans and advances to other customers:						
- Project finance	656,437	728,529	355,524	582,418	742,417	3,065,325
- Trade finance	68,892	45,102	-	-	432,945	546,939
Financial assets at fair value through profit or loss:						
- Hybrid instruments (debt)	346,585	7,900	9,671	173,914	-	538,070
- Asset under management (debt)	-	-	-	-	19,837	19,837
Investment securities:						
- Corporate debt securities	-	-	189,130	132,244	8,953	330,327
- Government debt securities	-	-	-	-	2,537,313	2,537,313
Pledged assets:						
- Corporate debt securities	-	-	-	-	330,577	330,577
- Government debt securities	-	-	-	-	280,632	280,632
Other assets:						
- Account receivable	-	-	-	-	39,854	39,854
- Fee receivable	3,900	-	7,285	1,140	-	12,325
- Advance for investment	-	-	14,700	-	-	14,700
	1,075,814	**781,531**	**579,249**	**889,716**	**6,069,166**	**9,395,476**
Off-balance sheet commitments	**39,056**	**141,457**	**107,045**	**4,768**	**1,392,081**	**1,684,408**

31 December 2021	Natural Resources US$'000	Heavy Industry & Telecoms US$'000	Power US$'000	Transport US$'000	Financial Services & Others US$'000	Total US$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	49,263	49,263
Loans and advances to banks:						
- Placements with banks					1,841,697	1,841,697
Derivative financial assets	-	-	7,785	-	99,313	107,098
Loans and advances to other customers:						
- Project finance	494,649	789,225	353,379	552,733	309,325	2,499,311
- Trade finance	84,599	65,901	-	-	331,045	481,545
Financial assets at fair value through profit or loss:						
- Hybrid instruments (debt)	355,095	7,900	11,562	168,194	-	542,751
- Asset under management (debt)	-	-	-	-	20,996	20,996
Investment securities:						
- Corporate debt securities	412	38,652	150,018	55,487	175,830	420,399
- Government debt securities	-	-	-	-	1,133,948	1,133,948
Pledged assets:						
- Corporate debt securities	-	-	-	-	128,397	128,397
- Government debt securities	-	-	-	-	281,088	281,088
Other assets:						
- Account receivable	-	-	-	-	6,159	6,159
- Fee receivable	3,247	-	1,284	-	4,149	8,680
- Advance for investment	-	-	-	51,179	-	51,179
	938,002	**901,678**	**524,028**	**827,593**	**4,381,210**	**7,572,511**
Off-balance sheet commitments	**29,000**	**-**	**114,967**	**87,385**	**50,000**	**281,352**

3.2 Market Risk

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

The Corporation's portfolio comprises 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 pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Management Unit in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Corporation's interest rate exposures, which include the impact of the Corporation's outstanding or forecast debt obligations.

3.2.1 Foreign exchange risk

In the normal course of business, the Corporation is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Corporation has exposure to currencies other than the United States Dollars, its functional currency, which include the Nigerian Naira (NGN), Euros, South African Rand (ZAR), Japanese Yen (JPY), and the Swiss Francs (CHF) . These exposures, which are hedged in accordance with the Corporation's policy, are not significant when considered individually. The highest individual exposure did not exceed 14% (2021: 15%) of total assets and 10% (2021: 6%) of total liabilities while in aggregate they amount to 25% (2021: 28%) of financial assets and 16% (2021: 14%) of financial liabilities. The Board sets limits on the level of exposure by currency, which are monitored.

The table below summarizes the Corporation's exposure to foreign exchange rate risk at 31 December 2022. Included in the table are the Corporation's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk – financial instruments

31 December 2022

	US dollars	Others	Total
Assets	**US$'000**	**US$'000**	**US$'000**
Cash and balances with banks	34,821	87,861	122,682
Loans and advances to banks	1,040,412	332,156	1,372,568
Derivative financial assets	168,750	15,620	184,370
Loans and advances to other customers	2,840,196	772,068	3,612,264
Financial assets at fair value			
through profit or loss	1,540,808	83,146	1,623,954
Investment securities	1,587,719	1,332,841	2,920,560
Pledged assets	611,209	-	611,209
Other assets	11,080	55,799	66,879
Total financial assets	**7,834,995**	**2,679,491**	**10,514,486**
Borrowings	6,424,868	1,143,337	7,568,205
Derivative financial liabilities	37,441	34,840	72,281
Accrued expenses and other liabilities	113,254	74,636	187,890
Total financial liabilities	**6,575,563**	**1,252,813**	**7,828,376**
Net financial position	**1,259,432**	**1,426,678**	**2,686,110**
Off-balance sheet commitments	**512,945**	**1,171,463**	**1,684,408**

The following analysis shows the Corporation's sensitivity to increases or decreases in exchange rates. 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 2022

	US dollars	Others	Total
Impact on Profit or loss	**US$'000**	**US$'000**	**US$'000**
Sensitivity at 200bp depreciation	-	15,085	15,085
Sensitivity at 400bp appreciation	-	(84,861)	(84,861)
Impact on Equity			
Sensitivity at 200bp depreciation	-	635	635
Sensitivity at 400bp appreciation	-	(1,197)	(1,197)

31 December 2021

	US dollars	Others	Total
Assets	**US$'000**	**US$'000**	**US$'000**
Cash and balances with banks	45,099	4,197	49,296
Loans and advances to banks	1,661,947	179,750	1,841,697
Derivative financial instruments	78,258	28,840	107,098
Loans and advances to other customers	2,157,466	823,390	2,980,856
Financial assets at fair value			
through profit or loss	1,395,573	92,991	1,488,564
Investment securities	385,927	1,221,996	1,607,923
Pledged assets	409,485	-	409,485
Other assets	16,286	54,475	70,761
Total financial assets	**6,150,041**	**2,405,639**	**8,555,680**
Borrowings	5,398,280	787,740	6,186,020
Derivative financial instruments	-	13,799	13,799
Accrued expenses and other liabilities	77,104	49,199	126,303
Total financial liabilities	**5,475,384**	**850,738**	**6,326,122**
Net financial position	**674,657**	**1,554,901**	**2,229,558**
Off-balance sheet commitments	**40,485**	**240,867**	**281,352**

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

31 December 2021

	US dollars	Others	Total
Impact on Profit or loss	**US$'000**	**US$'000**	**US$'000**
Sensitivity at 200bp US depreciation	-	12,296	12,296
Sensitivity at 400bp US appreciation	-	(80,042)	(80,042)
Impact on Equity			
Sensitivity at 200bp US depreciation	-	638	638
Sensitivity at 400bp US appreciation	-	(1,203)	(1,203)

Currency exposures emanating from the investment portfolio are hedged in line with the Corporation's policy. As at 31 December 2022, the net open FX position was US$66.5 million (2021: US$84.3 million) representing 2.5% (2021: 3.8%) of shareholders' funds as of that date.

3.2.2 Interest rate risk

Interest rate benchmark reform

Overview

A reform of major interest rate benchmarks ('IBOR reform') is being undertaken globally, which involves the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Corporation has significant exposure to the London Interbank Offered Rate (LIBOR) that have been reformed as part of these market-wide initiatives.

The Corporation is exposed to the USD LIBOR and JPY LIBOR (collectively 'IBORs') which are referenced in derivatives and non-derivative financial assets and liabilities with various counterparties. The alternative reference rate of the USD LIBOR is the Secured Overnight Financing Rate (SOFR) while the alternative reference rate for the JPY LIBOR is the Tokyo Overnight Average Rate (TONAR).

Risks arising from the interest rate benchmark reform

The nature and extent of risks to which the Corporation is exposed as a result of IBOR reform is predominantly limited to interest rate basis risk.

i) Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Corporation has developed an appropriate strategy to ensure same-time transition of related instruments. The Corporation will also continue to monitor this risk against its interest rate risk management policy and transact additional basis interest rate swaps if required.

Interest rate basis risk may also arise if the bilateral negotiations with counterparties are not successfully concluded before the cessation of IBORs. This may create uncertainties relating to which interest rate would apply to the contract(s) and additional interest rate risk that was not anticipated when the contracts were entered into. For example, in some cases the fallback clauses in IBOR loan contracts may result in the interest rate becoming fixed for the remaining term at the last IBOR quote. The Corporation is working closely with all counterparties to ensure that bilateral negotiations are completed on a timely basis. The Corporation's interest rate risk management policy will also be applied to maintain the mix of floating rate and fixed rate assets/liabilities.

Progress on the transition to alternative benchmark interest rates

The Corporation has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by IBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition from IBOR. The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to IBOR.

In response to these announcements, the Corporation in 2021 established a cross-functional IBOR Transition Working Group (the "Working Group") to manage its transition to the alternative reference rates. As at 31 December 2022, the Working Group has evaluated and quantified the Corporation's financial assets and liabilities that reference LIBOR cashflows. The Working Group has also developed and finalised and started implementing its structured plan and roadmap for the transition and is currently managing communication about the LIBOR reform with clients and counterparties. The Working Group reports periodically to the Board and ALCO to support the management of interest rate risk and provide relevant information for key decisions relating to the LIBOR reform. They also collaborate with other business functions as needed.

Over the course of the transition, the IBOR reform has had operational, risk management, legal and accounting impacts across all of our business lines. This includes the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform.

The Corporation has upgraded its internal treasury, loan and risk management systems to support the transition to SOFR. The Corporation sill works closely with its system provider to ensure the relevant updates are made in good time with plans in place for alternative manual procedures with relevant controls to address any potential delay.

No newly originated floating-rate loan or instrument will reference IBOR from 1 January 2022. The Working Group is working closely with the business teams to establish pricing for new lending products to be indexed to alternative nearly risk-free rates.

For existing contracts that are indexed to an IBOR and mature after the expected cessation of the IBOR rate, the Working Group has established policies to transition the affected contracts either by amending the contractual terms to replace the IBOR rate and/or including appropriate fallback clauses specifying the alternative benchmark rate, spread adjustment and the trigger event on which the clauses are activated.

a. Non-derivative financial assets

The Corporation's IBOR exposures on floating-rate loans to customers is predominantly USD LIBOR. For these assets, the Corporation selected the Secured Overnight Financing Rate ('SOFR') as the replacement reference rate. This also consisted of a change to the underlying calculation methodology. SOFR is a broad measure of the cost of borrowing cash overnight collateralised by U.S. Treasury securities in the repurchase agreement (repo) market. This rate is robust, is not at risk of cessation, and it meets international standards. It is produced by the New York Fed in cooperation with the Office of Financial Research.

The publication of the one week and two-month USD LIBOR ceased on December 31, 2021 and all other USD LIBOR tenors (e.g., overnight, one month, three-month, six-month and twelve-month) will cease after June 30, 2023 (applicable to legacy contracts only).

As at 31 December 2022, the Corporation has transitioned derivatives and/or negotiated fallback clauses for its LIBOR-linked non-derivative financial assets.

The Working Group monitored the progress of transition from USD LIBOR to SOFR by reviewing the total amounts of impacted contracts and the amounts of such contracts that include an appropriate fallback clause. The Corporation considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The Corporation has commenced negotiations on fallback clauses on legacy contracts that will be impacted by the IBOR reform.

The following tables show the total amounts of unreformed non-derivative financial assets at 1 January 2021 and at 31 December 2021 and 31 December 2022. The amounts of these assets are shown at their gross carrying amounts.

Amounts in thousands of dollars	31 Dec 2022 USD LIBOR	31 Dec 2021 USD LIBOR	1 Jan 2021 USD LIBOR
Loans and advances to customers			
Trade Finance Loans	132,001	232,117	285,654
Project Finance Loans	1,455,153	1,457,266	1,107,978
	1,587,154	**1,689,383**	**1,393,632**

b. Non-derivative financial liabilities

The Corporation has floating-rate liabilities indexed to USD LIBOR and JPY LIBOR. The Working Group and the Corporation's treasury team have had several discussions with the counterparties of our financial liabilities to amend the contractual terms in response to IBOR reform. Based on the outcome of negotiations and industry working group recommendations, the counterparties have selected SOFR as the replacement for USD LIBOR and the Tokyo Overnight Average rate (TONA) for the exposures in JPY LIBOR.

The transition strategy for the JPY LIBOR exposure was to terminate the contract at the next reset date in the first quarter of the 2022 financial year. The Corporation has commenced negotiations on fallback clauses on other legacy contracts that will be impacted by the IBOR reform.

The following tables show the total amounts of unreformed non-derivative financial liabilities as at 1 January 2021, 31 December 2021 and 31 December 2022. The amounts shown in the table are the carrying amounts.

Amounts in thousands of dollars	31 Dec 2022 USD LIBOR	31 Dec 2022 JPY LIBOR	31 Dec 2021 USD LIBOR	31 Dec 2021 JPY LIBOR	1 Jan 2021 USD LIBOR	1 Jan 2021 JPY LIBOR
Floating rate Notes	-	-	25,014	-	25,010	-
Other Borrowings	1,233,488	-	1,767,019	8,704	1,675,417	9,721
	1,233,488	**-**	**1,792,033**	**8,704**	**1,700,428**	**9,721**

c. Derivatives

The Corporation holds derivatives for trading and risk management purposes (see Note 17). None of the derivatives held for risk management purposes are designated in hedging relationships. The exposures to IBORs are in interest rate caps and cross-currency swaps with floating legs that are indexed to IBORs. The Corporation's derivative instruments are governed by ISDA's 2006 definitions.

The following tables show the total amounts of unreformed derivative instruments and amounts that include appropriate fallback language at 1 January 2021, 31 December 2021 and as at 31 December 2022.

ISDA has reviewed its definitions in light of IBOR reform and issued an IBOR fallbacks supplement on 23 October 2020. This sets out how the amendments to new alternative benchmark rates (e.g. SOFR) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR.

The Corporation has adhered to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement. Where derivative counterparties also adhered to the protocol, then new fallbacks were implemented in existing derivative contracts. During the course of transition, the Corporation monitored whether its counterparties also adhered to the protocol and, where counterparties did not, then the Corporation negotiated with them bilaterally about inclusion of new fallback clauses.

a. For cross currency swaps, the Corporation used the notional amount of the receive leg of the swap. The Corporation expects both legs of cross-currency swaps to be reformed simultaneously.

Cashflow Interest rate risk

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

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

	31 Dec 2022 USD LIBOR	31 Dec 2022 JPY LIBOR	31 Dec 2021 USD LIBOR	31 Dec 2021 JPY LIBOR	1 Jan 2021 USD LIBOR	1 Jan 2021 JPY LIBOR
Amounts in thousands of dollars						
Derivatives held for risk management						
Interest rate swaps	258,786	13,701	258,786	-	198,807	-
Cross-currency swaps	-	-	28,533	9,342	13,903	9,342
	258,786	**13,701**	**287,319**	**9,342**	**212,710**	**9,342**

31 December 2022

Repricing dates Assets	Up to 3 months US$'000	Above 3 months US$'000	Non-Interest Bearing US$'000	Total US$'000
Cash and balances with banks	-	-	122,682	122,682
Loans and advances to banks	1,372,568	-	-	1,372,568
Derivative financial instruments	-	-	184,370	184,370
Loans and advances to customers	1,880,882	1,687,461	43,921	3,612,264
Financial assets at fair value through profit or loss	12,908	463,870	1,147,176	1,623,954
Investment securities	1,528,193	1,339,447	52,920	2,920,560
Pledged assets	-	611,209	-	611,209
Other assets	-	-	66,879	66,879
Total financial assets	**4,794,551**	**4,101,987**	**1,617,948**	**10,514,486**
Liabilities				
Borrowings	2,563,417	5,004,788	-	7,568,205
Derivative financial instruments	-	-	72,281	72,281
Other liabilities	-	-	187,890	187,890
Total financial liabilities	**2,563,417**	**5,004,788**	**260,171**	**7,828,376**
Total interest repricing gap	**2,231,134**	**(902,801)**	**1,357,777**	**2,686,110**

31 December 2021

Repricing dates Assets	Up to 3 months US$'000	Above 3 months US$'000	Non-Interest Bearing US$'000	Total US$'000
Cash and balances with banks	-	-	49,296	49,296
Loans and advances to banks	1,841,697	-	-	1,841,697
Derivative financial instruments	-	-	107,098	107,098
Loans and advances to customers	1,434,314	1,546,542	-	2,980,856
Financial assets at fair value through profit or loss	-	508,152	980,412	1,488,564
Investment securities	169,393	1,384,954	53,576	1,607,923
Pledged assets	-	409,485	-	409,485
Other assets	-	-	66,018	66,018
Total financial assets	**3,445,404**	**3,849,133**	**1,256,400**	**8,550,937**
Liabilities				
Borrowings	1,818,171	4,367,849	-	6,186,020
Derivative financial instruments	-	-	13,799	13,799
Other liabilities	-	-	126,303	126,303
Total financial liabilities	**1,818,171**	**4,367,849**	**140,102**	**6,326,122**
Total interest repricing gap	**1,627,233**	**(518,716)**	**1,116,298**	**2,224,815**

Interest rate sensitivities

The management of interest rate risk against interest rate gap limits is supplemented by the sensitivity of the Corporation's financial assets and liabilities to various standard interest rate scenarios. The table below shows an analysis of the sensitivity of the Corporation's Profit or Loss and Other Comprehensive Income to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant balance sheet position. However, for the purpose of sensitivity analysis, we have used a conservative assumption of 50 basis point (bp) parallel fall or rise in interest rates of the financial assets and liabilities.

In US$'000	50 bp parallel increase	50 bp parallel decrease
Sensitivity of reported Profit or Loss for the year		
2021	4,799	(4,799)
2022	1,163	(1,163)
Sensitivity of reported Equity for the year		
2021	-	-
2022	-	-

There were no interest-bearing financial asset measured at FVOCI during the period (2021: Nil).

3.3 Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay lenders and fulfil commitments to lend.

The Corporation's liquidity management process includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- monitoring statement of financial position liquidity ratios against internal requirements; and
- managing the concentration and profile of debt maturities.

The Corporation holds a diversified portfolio of cash and High-Quality Liquid Assets ("HQLA") to support financial obligations and contingent funding in a stressed market environment. HQLA generally include cash, inter-bank placements and certain marketable securities backed by sovereigns and central banks. These assets are typically of the highest quality and the most liquid, and there is no limit on the extent to which these assets are held to meet the Liquidity Coverage Ratio ("LCR") . Other HQLA assets include government securities and corporate debt securities. The assets held for managing liquidity risk are comprise:

	2022	
	Carrying Amount US$'000	**Fair Value US$'000**
Cash and balances with banks	122,682	122,682
Loans and advances to banks	1,374,933	1,374,933
Investment securities	1,497,491	1,497,392
Total liquidity reserves	**2,995,106**	**2,995,007**

	2021	
	Carrying Amount US$'000	**Fair Value US$'000**
Cash and balances with banks	49,296	49,296
Loans and advances to banks	1,841,697	1,841,697
Investment securities	1,309,778	1,344,718
Total liquidity reserves	**3,200,771**	**3,235,711**

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 - principal plus interest accruals, operating expenses and other non-cancellable debt and equity commitments). Similar to the provisions of Basel III Capital Accord on Liquidity, the Corporation has defined its Liquidity Coverage Ratio ("LCR") as its stock of HQLA as a proportion of its MLL, as defined above. Under both stress and BAU conditions, the LCR is required to be greater than 100%.

As at 31 December 2022, the LCR was under stress scenario 157% (December 2021: 156%) and under normal circumstances 202% (December 2021: 199%).

As at 31 December 2022

All figures in US$'000	Carrying Amount	Within 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	2 -5 Years	Above 5 Years	Gross Nominal Amount
Cash and balances with banks	122,682	122,682	-	-	-	-	-	-	122,682
Loans and advances to banks	1,372,568	899,013	762,151	-	-	-	-	-	1,661,164
Derivative assets:		-	-	-	-	-	-	-	
- Forward contracts	40,242	(586,503)	10,002	-	-	-	-	-	(576,501)
- Interest Rate Options	23,192	-	-	555	-	-	-	-	555
- Interest Rate Swaps		-	-	-	-	-	-	-	
Inflows -	8,791	42,746	-	654	1,632	2,873	5,470	1,045	54,420
Outflows -		-	(509)	-	(1,030)	(2,030)	(4,621)	(658)	(8,848)
- Cross currency swaps		-	-	-	-	-	-	-	
Inflows -	112,145	-	-	1,047,800	491,699	2,065	171,987	-	1,713,551
Outflows -		(291)	-	(976,373)	(467,886)	(5,415)	(174,419)	-	(1,624,384)
Financial assets at fair value through profit or loss	1,623,954	4,502	24,696	14,087	34,842	279,308	316,659	1,066,221	1,740,315
Loans and advances to other customers	3,612,264	19,121	371,538	195,398	645,392	754,246	1,883,507	1,263,400	5,132,602
Investment securities	2,920,560	1,552,188	1,121	845,652	297,294	109,918	70,117	814,213	3,690,503
Pledged assets	611,209	1,020	73,944	9,421	90,882	135,536	360,453	71,719	742,975
Other assets	66,879	66,879	-	-	-	-	-	-	66,879
Total financial assets	**10,514,486**	**2,121,357**	**1,242,943**	**1,137,194**	**1,092,825**	**1,276,501**	**2,629,153**	**3,215,940**	**12,715,913**
Other liabilities	164,104	164,104	-	-	-	-	-	-	164,104
Borrowings	7,568,205	2,468	42,943	153,875	1,029,498	2,090,598	2,906,202	2,476,273	8,701,857
Derivative liabilities:		-	-	-	-	-	-	-	
- Forward contracts	23,192	(11,701)	7,778	72	-	-	-	-	(3,851)
- Interest Rate Options	12,757	-	-	-	-	(4)	(742)	(2,551)	(3,297)
- Interest Rate Swaps		-	-	-	-	-	-	-	
Inflows -	-	(42,670)	(465)	-	(1,072)	(2,137)	(5,105)	(944)	(52,393)
Outflows -	9,678	42,746	654	-	1,632	2,873	5,470	1,045	54,420
- Cross currency swaps		-	-	-	-	-	-	-	
Inflows -	-	-	(1,216)	(233,548)	(2,615)	(4,719)	(59,664)	-	(301,762)
Outflows -	26,654	-	1,874	244,615	-	2,993	58,167	-	307,649
Total financial liabilities	**7,804,590**	**154,947**	**51,568**	**165,014**	**1,027,443**	**2,089,604**	**2,904,328**	**2,473,823**	**8,866,727**
Commitments	1,717,435	77,864	111,063	15,000	127,488	1,244,655	94,633	46,731	1,717,434
Funding gap		**1,888,546**	**1,080,312**	**957,180**	**(62,106)**	**(2,057,758)**	**(369,808)**	**695,386**	**2,131,752**
Cumulative funding gap		**1,888,546**	**2,968,858**	**3,926,038**	**3,863,932**	**1,806,174**	**1,436,366**	**2,131,752**	**-**

As at 31 December 2021

All figures in US$'000	Carrying Amount	Within 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	2 -5 Years	Above 5 Years	Gross Nominal Amount
Cash and balances									
with banks	49,296	49,296	-	-	-	-	-	-	49,296
Loans and advances									
to banks	1,841,697	1,469,108	375,558	-	-	-	-	-	1,844,666
Derivative assets:		-	-	-	-	-	-	-	
- Forward contracts	18,961	1,156	1,351	4,044	126,067	-	-	-	132,618
- Interest Rate Options	3,338	-	-	-	0	4	742	2,551	3,298
- Interest Rate Swaps		-	-	-	-	-	-	-	
Inflows -	8,024	-	-	490	529	1,208	3,694	5,771	11,693
Outflows -		-	-	(30)	(31)	(203)	(869)	(2,531)	(3,663)
- Cross currency swaps		-	-	-	-	-	-	-	
Inflows -	76,775	-	40	430,350	684,723	140,266	251,230	-	1,506,610
Outflows -	-	-	(388)	(414,643)	(673,626)	(136,142)	(250,007)	-	(1,474,805)
Financial assets at fair value									
through profit or loss	1,488,564	2,925	24,496	12,007	63,998	311,026	517,426	948,296	1,880,174
Loans and advances to									
other customers	2,980,856	25,840	77,736	137,156	469,251	618,832	1,115,937	1,273,295	3,718,049
Investment securities	1,607,923	20,251	20,931	444,620	760,336	(92,988)	509,642	778,263	2,441,055
Pledged assets	409,485	1,020	3,942	49,534	30,925	156,183	169,649	76,256	487,509
Other assets	66,018	66,018	-	-	-	-	-	-	66,018
Total financial assets	**8,550,937**	**1,635,615**	**503,666**	**663,528**	**1,462,173**	**998,187**	**2,317,445**	**3,081,902**	**10,662,517**
Other liabilities	122,946	122,946	-	-	-	-	-	-	122,946
Borrowings	6,186,020	3,636	47,217	133,050	617,755	924,884	2,985,581	2,323,817	7,035,940
Derivative liabilities:		-	-	-	-	-	-	-	-
- Forward contracts	5,095	-	2,809	1,377	-	-	-	-	4,186
- Interest Rate Options	3,338	-	-	-	(0)	(4)	(742)	(2,551)	(3,298)
- Interest Rate Swaps		-	-	-	-	-	-	-	-
Inflows -	-	-	-	-	(1)	(102)	(336)	(1,526)	(1,964)
Outflows -	4,646	-	-	293	322	725	2,079	3,186	6,605
- Cross currency swaps		-	-	-	-	-	-	-	
Inflows -	-	(7)	-	(8)	(13,908)	-	-	-	(13,923)
Outflows -	720	288	-	282	13,739	-	-	-	14,309
Total financial liabilities	**6,322,765**	**126,863**	**50,026**	**134,993**	**617,907**	**925,503**	**2,986,582**	**2,322,927**	**7,164,801**
Commitments	338,968	78,179	-	-	120,883	7,206	54,354	78,346	338,968
Funding gap	**-**	**1,430,574**	**453,640**	**528,535**	**723,383**	**65,478**	**(723,491)**	**680,629**	**3,158,748**
Cumulative funding gap	**-**	**1,430,574**	**1,884,213**	**2,412,748**	**3,136,132**	**3,201,610**	**2,478,119**	**3,158,748**	**-**

Financial assets available to support future funding

The following table sets out the availability of the Corporation's financial assets (excluding equity securities and derivative assets) to support future funding.

31 December 2022

	Note	Encumbered US$'000	Unencumbered US$'000	Total US$'000
Cash and balances with banks	15	-	122,682	122,682
Loans and advances to banks	16	-	1,372,568	1,372,568
Loans and advances to customers	18	-	3,612,264	3,612,264
Financial assets at fair value through profit or loss		-	557,907	557,907
Investment securities		-	2,867,640	2,867,640
Pledged assets	21	611,209	-	611,209
Other assets	22	-	66,879	66,879
Total assets		**611,209**	**8,599,940**	**9,211,149**

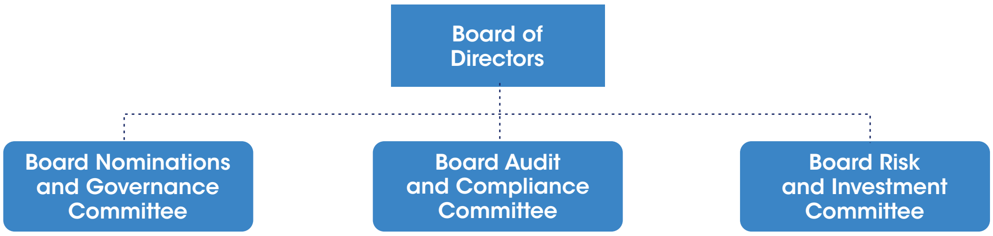
31 December 2021

	Note	Encumbered US$'000	Unencumbered US$'000	Total US$'000
Cash and balances with banks	15	-	49,296	49,296
Loans and advances to banks	16	-	1,841,697	1,841,697
Loans and advances to customers	18	-	2,980,856	2,980,856
Financial assets at fair value through profit or loss		-	563,747	563,747
Investment securities		-	1,554,347	1,554,347
Pledged assets	21	409,485	-	409,485
Other assets	22	-	66,018	66,018
Total assets		**409,485**	**7,055,961**	**7,465,44**

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2022

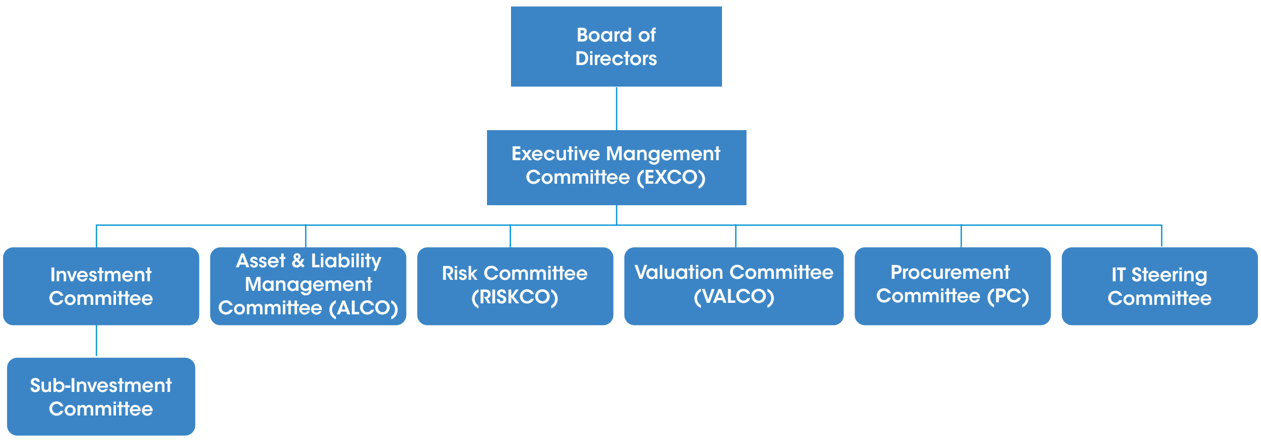
3.4 Capital Management & Governance structure

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



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

In carrying out its oversight functions, EXCO through various committees manages the day to day operations of the Corporation. Below is a chart of the various sub committees of EXCO and their mandates.



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

The Corporation's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- to comply with the capital requirements set by the Board of Directors of the Corporation;
- to safeguard the Corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy is monitored regularly by the Corporation's management, employing techniques derived from the guidelines developed by the Basel Committee. The Corporation's Capital Adequacy Framework requires the business to maintain a ratio of total risk capital to the risk-weighted asset (the Basel ratio) at a minimum of 30%. To allow for a proactive management of any issue with its capital position, the Corporation has further defined an internal trigger at 40% that would necessitate the activation of a remedial action.

The Corporation raised additional Tier 1 capital of US$236.9 million during the year from new and existing shareholders. As part of the long-term process to continually strengthen our capital base, callable capital was introduced into the capital structure of the Corporation. At 31 December 2022, the outstanding callable capital amounted to US$23 million (2021: US$15 million). The callable capital was credit enhanced using insurance cover from investment grade rated insurance companies.

At the end of the financial year, the capital adequacy ratio stood at 34.3% (2021: 33.2%) and 31.5% (2021:30%) excluding the Tier II capital borrowings. The Corporation's capital currently comprises of Tier 1- 89% (2020: 87%) and Tier 2 - 11% (2021: 13%) capital as shown below:

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

Tier 2: Comprises of unrealised gains arising from the fair valuation of equity instruments held at fair value through other comprehensive income, collective impairment allowance made on debt instruments and borrowings which meet the criteria for inclusion as tier 2 capital under Basel requirements.

The risk weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of (and reflecting an estimate of credit, market and other risks associated with) each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of capital and the ratios of the Corporation for the year ended 31 December 2022. 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 2022	31 December 2021
	US$'000	US$'000
Tier 1 capital		
Share capital	1,290,527	1,171,176
Share premium	184,018	66,432
Share warrants	200,000	200,000
Retained earnings	1,049,190	824,808
Total qualifying Tier 1 capital	**2,723,735**	**2,262,416**
Tier 2 capital		
Net fair valuation gain on FVOCI assets	(24,299)	(23,653)
Impairment allowance	111,556	96,185
Borrowings	250,000	250,000
Total qualifying capital	**3,060,992**	**2,584,948**
Risk-weighted assets:		
On-balance sheet	8,487,607	7,616,012
Off-balance sheet	436,881	169,484
Total risk-weighted assets	**8,924,488**	**7,785,496**
Basel ratio	**34.3%**	**33.2%**

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.

Current year valuation and sensitivity methodologies are consistent with those described within note 3.5, fair value of financial instruments in the Corporation's 2021 annual report.

(a) Valuation models

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

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

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

(b) Valuation framework

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

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

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

The following table analyses financial instruments measured at fair value as at 31 December 2022, 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 2022

	Level 1	Level 2	Level 3
Assets	**US$'000**	**US$'000**	**US$'000**
Derivatives assets			
- Forward contracts	-	40,242	-
- Cross currency swaps	-	112,145	-
- Interest rate options	-	23,192	-
- Interest rate swaps	-	8,791	-
Financial assets at fair value through profit or loss:			
- Assets under management (debt securities)	19,837	-	-
- Hybrid instrument (convertible debt)			538,070
- Equity securities	14,059	-	1,051,988
Investment securities:			
- Equity securities (FVOCI)	19,714	-	33,206
Total	**53,610**	**184,370**	**1,623,264**
Liabilities			
Derivatives liabilities:			
- Forward contracts	-	23,192	-
- Interest rate options	-	12,757	-
- Cross currency swaps	-	26,654	-
- Interest rate swaps	-	9,678	-
Total	**-**	**72,281**	**-**

31 December 2021

Assets	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Derivatives assets			
- Forward contracts	-	18,961	-
- Cross currency swaps	-	76,775	-
- Interest rate options	-	3,338	-
- Interest rate swaps	-	8,024	-
Financial assets at fair value through profit or loss:			
- Assets under management (debt)	20,996	-	-
- Hybrid instrument (convertible debt)			542,751
- Equity securities	16,362	-	908,455
Investment securities:			
- Equity securities (FVOCI)	19,714	-	33,862
Total	**57,072**	**107,098**	**1,485,068**

Liabilities			
Derivatives liabilities:			
- Forward contracts	-	5,095	-
- Interest rate options	-	3,338	-
- Cross currency swaps	-	720	-
- Interest rate swaps	-	4,646	-
Total	**-**	**13,799**	**-**

The Corporation's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 2 fair value measurements

The foreign exchange forward contracts and interest rate swaps were valued using widely recognised valuation models that use only observable market data and require little management judgement and estimation. The option contracts were valued using the Black Scholes option pricing model.

Assumptions and inputs used include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, foreign currency exchange rates, and expected price volatilities and correlations.

The hybrid instruments were valued using the binomial tree model. The zero rate curve used in the model was obtained from an observable financial market (2021: the zero rate curve obtained from an observable financial market was used to value the hybrid instruments).

Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Reconciliation of Level 3 items

	31 December 2022	31 December 2021
	US$'000	US$'000
At beginning of year	1,485,068	1,033,715
Unrealised (losses)/gains:		
- in OCI	(646)	(26,214)
- in Profit or loss	63,160	43,669
Repayment/disposal	(40,125)	(5,218)
Additions	115,817	158,785
Derecognised	(10)	-
Exchange gain/(loss)	-	-
Reclassifications	-	13,495
Transferred to level 3	-	266,836
At end of year	**1,623,264**	**1,485,068**

Transfer to level 3

There were no transfers to level 3 during the financial year (2021: US$ 266,836).

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2022 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

31 December 2022

Type of financial instrument	Fair value 31 December 2022 (US$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	1,085,194	Discounted cashflow	WACC	10.3% - 15.0%	Significant increases in the cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
			Terminal growth rate	1% - 3.3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
Hybrid instruments	538,070	Option Pricing Model	Credit Spread	3% – 5%	Significant increases in credit spread, in isolation, would result in lower fair values. Significant reduction would result in higher fair values.
Total	**1,632,264**				

31 December 2021

Type of financial instrument	Fair value as at 31 Dec 2021 (US$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	942,317	Discounted cashflow	Cost of equity	10.5% - 16.5%	Significant increases in the cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
			Terminal growth rate	1% - 3.3%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
Hybrid instruments	542,751	Option Pricing Model	Credit Spread	3% – 5%	Significant increases in credit spread, in isolation, would result in lower fair values. Significant reduction would result in higher fair values.
Total	**1,485,068**				

The valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as level 3 are consistent with note 3.5, fair value of financial instruments in the Corporation's 2021 annual report.

Significant unobservable inputs in the discounted cash flow technique applied are developed as follows:

i. The Corporation applied the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.

ii. The risk-free rate was sourced from Bloomberg and determined using the yield on the US Government bond and Germany Government bond (for Euro-denominated assets) of the appropriate tenor and this was adjusted for country risk premium (for unquoted securities denominated in US Dollars and Euros).

iii. Equity risk premium was determined based on data obtained from Damodaran Online and expert judgment.

iv. Beta estimates were obtained from Damodaran Online, while illiquidity and minority discounts were 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 - 31 December 2022	Other Comprehensive Income		Profit or loss	
Key Assumption	1% Increase	1% Decrease	1% Increase	1% Decrease
WACC	643	421	85,934	(72,232)
Terminal growth rate	-	-	753	(649)

US$'000 - 31 December 2021	Other Comprehensive Income		Profit or loss	
Key Assumption	1% Increase	1% Decrease	1% Increase	1% Decrease
Cost of equity	(691)	759	(8,941)	9,652
Terminal growth rate	-	-	753	(649)

For the Corporation's hybrid instruments, the following highlights the sensitivity of the fair value of these instruments to key input factors as at reporting date:

	Effect on Profit or Loss (US$'000)	
Key Assumption	2022	2021
2% increase in Credit Spread	(45,569)	(35,400)
2% decrease in Credit Spread	21,567	40,055

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

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

Financial instruments not measured at fair value

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

i. **Cash and bank balances:** The carrying amount of cash and bank balances is a reasonable approximation of the fair value. Cash and bank balances are disclosed in note 35.

ii. **Loans and advances to bank:** Loans to banks are short-term money market placements, therefore the fair values are not significantly different from the carrying amount.

iii. **Treasury bills** are short-term securities, therefore the fair values are not significantly different from the carrying amount.

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

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

31 December 2022

Assets	Level 1 S$'000	Level 2 US$'000	Level 3 US$'000	Total fair values US$'000	Total carrying values US$'000
Loans and advances to other customers:					
- Project finance	-	-	3,065,325	3,065,325	3,065,325
- Trade finance	-	-	546,939	546,939	546,939
Investment securities:					
- Corporate debt securities	7,682	-	321,375	329,057	330,327
- Government debt securities	2,573,626	-	-	2,573,626	2,537,313
Pledged assets:	-	-	-	-	-
- Corporate debt securities	291,598	-	-	291,598	330,577
- Government debt securities	240,249	-	-	240,249	280,632
Other assets					
- Account receivable	39,854	-	-	-	39,854
- Fee receivable	12,325	-	-	-	12,325
- Advance for investments	14,700	-	-	-	14,700
Total	**3,180,034**	**-**	**3,933,639**	**7,046,794**	**7,157,992**
Liabilities					
Borrowings	3,831,892	3,911,922	-	7,743,814	7,568,205
Other liabilities	187,890	-	-	187,890	187,890
Total	**4,019,782**	**3,911,922**	**-**	**7,931,704**	**7,756,095**

31 December 2021

Assets	Level 1 S$'000	Level 2 US$'000	Level 3 US$'000	Total fair values US$'000	Total carrying values US$'000
Loans and advances to other customers:					
- Project finance	-	-	2,499,311	2,499,311	2,499,311
- Trade finance	-	-	481,545	481,545	481,545
Investment securities:					
- Corporate debt securities	184,002	-	253,461	437,463	420,399
- Government debt securities	1,183,027	-	-	1,183,027	1,133,948
Pledged assets:					
- Corporate debt securities	136,077	-	-	136,077	128,397
- Government debt securities	296,699	-	-	296,699	281,088
Other assets					
- Account receivable	6,159	-	-	-	6,159
- Fee receivable	8,680	-	-	-	8,680
- Advance for investments	51,179	-	-	-	51,179
Total	**1,865,823**	**-**	**3,234,317**	**5,034,122**	**5,010,706**

Liabilities					
Borrowings	2,417,370	3,911,922	-	6,329,292	6,186,020
Other liabilities	126,303	-	-	126,303	126,303
Total	**2,417,370**	**3,911,922**	**-**	**6,329,292**	**6,186,020**

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 2022

Assets as per Statement of Financial Position

Assets	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
Cash and balances with banks					122,682	122,682
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,372,568	1,372,568
Derivatives	184,370	-	-	-	-	184,370
Loan and advances to other Customers:						
- Project finance	-	-	-	-	3,065,325	3,065,325
- Trade finance	-	-	-	-	546,939	546,939
Financial assets at fair value through profit or loss:						
- Hybrid instruments	538,070	-	-	-	-	538,070
- Equity securities	1,066,047	-	-	-	-	1,066,047
- Assets under management	-	19,837	-	-	-	19,837
Investment securities:						
- Debt securities	-	-	-	-	2,867,640	2,867,640
- Equity securities	-	-	-	52,920	-	52,920
Pledged assets:						
- Debt securities	-	-	-	-	611,209	611,209
Other assets:						
- Account receivable	-	-	-	-	39,854	39,854
- Fee receivable	-	-	-	-	12,325	12,325
- Advance for investment					14,700	14,700
Total financial assets	**1,788,487**	**19,837**	**-**	**52,920**	**8,653,242**	**10,514,486**

Liabilities	Mandatorily FVTPL US$'000	Designated at FVTPL US$'000	Amortised Cost US$'000	Carrying Amount US$'000
Other liabilities	-	-	164,104	164,104
Derivatives	72,281	-	-	72,281
Borrowings	-	-	7,568,205	7,568,205
Total financial liabilities	**72,281**	**-**	**7,732,309**	**7,804,590**

31 December 2021

Assets	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
Cash and balances with banks					49,296	49,296
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,841,697	1,841,697
Derivatives	107,098	-	-	-	-	107,098
Loan and advances to other Customers:						
- Project finance	-	-	-	-	2,499,311	2,499,311
- Trade finance	-	-	-	-	481,545	481,545
Financial assets at fair value through profit or loss:						
- Hybrid instruments	542,751	-	-	-	-	542,751
- Equity securities	924,817	-	-	-	-	924,817
- Assets under management	-	20,996	-	-	-	20,996
Investment securities:						
- Debt securities	-	-	-	-	1,554,347	1,554,347
- Equity securities	-	-	-	53,576	-	53,576
Pledged assets:						
- Debt securities	-	-	-	-	409,485	409,485
Other assets:						
- Account receivable	-	-	-	-	6,159	6,159
- Fee receivable	-	-	-	-	8,680	8,680
- Advance for investment					51,179	51,179
Total financial assets	**1,574,666**	**20,996**	**-**	**53,576**	**6,901,699**	**8,550,937**

Liabilities	Mandatorily FVTPL US$'000	Designated at FVTPL US$'000	Amortised Cost US$'000	Carrying Amount US$'000
Other liabilities	-	-	122,946	122,946
Derivatives	13,799	-	-	13,799
Borrowings	-	-	6,186,020	6,186,020
Total financial liabilities	**13,799**	**-**	**6,308,966**	**6,322,765**

4. Critical accounting estimates and judgements in applying accounting policies

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

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

1. Assumption and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is set out in note 3.5 (fair value of financial assets and liabilities) in relation to the fair value of financial instruments, and in the following notes in relation to other areas.

(a) Impairment losses on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL which also sets out key sensitivities of the ECL to changes in these elements.

(b) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To a practicable extent, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Exemption under IAS 28 – Investment in Associates and Joint Ventures

Equity investments that result in the Corporation having a significant influence, but not control, over the financial and operating policies of the investee companies are carried in the statement of financial position at fair value through profit or loss rather than accounted for as associates using the equity method of accounting.

This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by venture capital organizations and similar financial institutions to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9, with changes in fair value recognised in the income statement in the period of the change. The Corporation's operational activities typically entail provision of equity finance to unquoted companies and taking an active role in helping to build and develop such companies by having a representation on the Board of the investee companies. The equity business of the Corporation is managed and appraised with the objective of earning capital return on its venture capital investments upon exit in the medium term. The Corporation is also a member of the Africa Private Equity & Venture Capital Association (AVCA).

(d) Measurement of defined benefit obligation

The measurement of the Corporation's defined benefit obligation involves the use of key actuarial assumptions that include the discount rate, rate of future salary growth and inflation rates. Changes to these assumptions will impact the carrying value of pension obligations.

2. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements are set out below.

(a) Measurement of ECL

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL;

- 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 2022	
	Probability of Default	**Loss given Default**
	US$'000	**US$'000**
Increase/(decrease)		
Effect of a 1% increase:	1,975	2,561
Effect of a 1% decrease:	(1,975)	(2,561)

	31 December 2021	
	Probability of Default	**Loss given Default**
	US$'000	**US$'000**
Increase/(decrease)		
Effect of a 1% increase:	1,552	2,054
Effect of a 1% decrease:	(1,553)	(2,054)

(b) Classification of financial assets

Information about assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding are set out in note 2.4.

(c) Consolidation: whether the Corporation has control over an investee

The Corporation has exercised judgement in determining whether it has control over investee entities where the Corporation holds over 50% of the issued ordinary equity of the investee.

Arise Integrated Industrial Platforms (Arise IIP)

Although the Corporation holds 50.5% of the issued ordinary equity in Arise IIP, management has determined that the Corporation does not have control over the entity. The entity has two (2) shareholders, but based on the terms of agreements under which the entity was established, each shareholder has equal voting rights. This implies that both shareholders have substantive rights in the entity. Therefore, the entity has been carried at fair value through profit or loss (FVTPL) in accordance with the requirements of IAS 28.

Djibouti Wind Company Limited

Djibouti Wind Company Limited ("DWCL") is the general partner of the Djibouti Wind Limited Partnership ("DWLP"), a special purpose vehicle set up by the limited partners to hold a 90% interest in Red Sea Power Limited SAS. The Corporation has 56.67% interest in DWCL and DWLP. The partners have similar interests in DWCL and DWLP. Management has determined that the Corporation does not control DWCL because under the terms of agreements establishing the entity, the Corporation has 33.3% of the voting rights in the entity. Therefore, the entity has been carried at fair value through profit or loss (FVTPL) in accordance with the requirements of IAS 28.

Ivoire Hydro Energie S.A

Although, the Corporation holds a 51% interest in the ordinary equity of the Ivoire Hydro Energie S.A, management has determined that the Corporation does not control the entity. The entity has three (3) shareholders but based on the terms of agreements under which the entity was established, the Corporation's has voting rights of 50%. The Corporation is represented by three (3) directors on the board of the entity while the other shareholders are also represented by three (3) directors, giving a board with six (6) directors. Board decisions are based on a majority of votes. Therefore, management has concluded that the Corporation has significant influence over entity. The investment has been carried at fair value through profit or loss (FVTPL) in accordance with the requirements of IAS 28.

Terminal à Conteneurs de Nouakchott ("TCN")

During the year, the Corporation divested its interest in Terminal à Conteneurs de Nouakchott ("TCN") to 50%, from 10.5%. The entity has two (2) shareholders and based on the terms of agreements under which the entity was established, each shareholder has equal voting rights. This implies that both shareholders have substantive rights in the entity. Management has determined that the Corporation does not control TCN. Therefore, the entity has been carried at fair value through profit or loss (FVTPL) in accordance with the requirements of IAS 28.

5. Reporting Segments

The Corporation's primary objective is to finance infrastructure projects across Africa and to provide advisory, project development and other services related thereto.

Operating units are reported in a manner consistent with the internal reporting provided to the Executive Management Committee (EXCO) and Board of Directors. The EXCO is responsible for assessing the financial performance and position of the Corporation and makes strategic decisions. The EXCO, which has been identified as being the Chief Operating Decision Maker, consists of the (a) President and Chief Executive Officer, (b) Executive Director and Chief Investment Officer, (c) Executive Director, Financial Services, (d) Senior Director & Chief Financial Officer, (e) Director & Chief Risk Officer, (f) Director & General Counsel, (g) Director & Head of Corporate Services and (h) Director & Head, Economics, Research and Strategy. The information is provided on the basis of business units as the Corporation manages its affairs and business through these areas. The business units presented reflect the management structure of the Corporation and the way in which the Corporation's management reviews performance.

The Corporation evaluates the performance of its operating units primarily based on unit operating profit, as defined below.

1) Investment Division

The Corporation's Investment division is responsible for the end-to-end project development, origination, structuring and execution of investments. This division is further divided into groups based on sector classifications, with each group responsible for customer relationship management and investments within its sector.
The Investment division also works closely with Risk Management to perform portfolio management functions for the Corporation's investment portfolio. The Investment division offers a diverse range of financing products, such as loans, quasi-equity financing, equity and arranging services to infrastructure projects in Africa. It also provides technical and economic advisory services to projects that are in the early stage of project development.

2) Financial Services Division

The Corporation's Financial Services division is divided into three groups, (i) treasury and funding, (ii) financial institutions and syndication, and (ii) financial advisory. The treasury and funding group is responsible for the Corporation's capital raising and covers both debt and equity. Its function is to seek to ensure that the Corporation has adequate capital and the appropriate capital structure.

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

The information provided to the Corporation's Board for the reportable units for the year ended 31 December 2022 is as follows:

31 December 2022

	Investment	Financial Services	Total
	US$'000	US$'000	US$'000
Interest income	287,218	248,071	535,289
Dividend income	6,622	1,770	8,392
Fee commission and other income	51,037	30,672	81,709
Gain on sale of financial assets	1,257	-	1,257
Net gain/(loss) on financial instruments at fair value through profit or loss (FVTPL)	51,881	(18,638)	33,243
Net impairment charge on financial assets	(47,632)	(3,025)	(50,657)
Interest & administrative expenses	(271,708)	(51,606)	(323,314)
Operating profit	**78,675**	**207,244**	**285,919**
Total assets	**7,871,594**	**2,656,218**	**10,527,812**
Total liabilities	**140,485**	**7,687,891**	**7,828,376**
Expenditure on reportable segment:			
Non-current assets	1,480	493	1,973
Depreciation and amortisation	2,633	889	3,522

31 December 2021

	Investment	Financial Services	Total
	US$'000	US$'000	US$'000
Interest income	212,700	171,603	384,303
Dividend income	3,581	-	3,581
Fee commission and other income	46,395	7,942	54,337
Gain on sale of financial assets	-	1,565	1,565
Net gain on financial instruments at fair value through profit or loss (FVTPL)	46,022	16,350	62,372
Impairment charge	(31,670)	(7,805)	(39,475)
Interest & administrative expenses	(229,362)	(27,595)	(256,957)
Operating profit	**47,666**	**162,060**	**209,726**
Total assets	**4,277,493**	**4,287,392**	**8,564,885**
Total liabilities	**72,595**	**6,253,527**	**6,326,122**
Expenditure on reportable segment:			
Non-current assets	3,691	1,987	5,678
Depreciation and amortisation	2,334	1,257	3,590

Geographic information: The geographic information analyses the Corporation's revenue and non-current assets by the Corporation's country of domicile and other countries. In presenting the geographic information below, segment revenue is based on the geographic location of customers and segment assets are based on the geographic location of the assets.

	West Africa US$'000	Rest of Africa US$'000	Others US$'000	Total US$'000
31 December 2022				
Interest income	419,365	113,964	1,960	535,289
Dividend income	3,315	5,077	-	8,392
Fee commission and other income	61,630	18,926	1,153	81,709
Gain or loss on sale of financial assets	1,257	-	-	1,257
Net (loss)/gain on financial instruments at fair value through profit or loss (FVTPL)	(29,673)	62,916	-	33,243
External revenue	**455,894**	**200,883**	**3,113**	**659,890**
Credit risk insurance	(6,136)	(4,879)	(6,565)	(17,580)
Interest expenses	(651)	(3,185)	(203,565)	(207,401)
Segment net revenues	**449,107**	**192,819**	**(207,017)**	**434,909**
Total assets	**5,032,227**	**2,679,619**	**2,815,966**	**10,527,812**
31 December 2021				
Interest income	264,386	87,825	32,092	384,303
Dividend income	7	3,574	-	3,581
Fee commission and other income	31,383	22,727	227	54,337
Gain or loss on sale of financial assets	1,565	-	-	1,565
Net gain/(loss) on financial instruments at fair value through profit or loss (FVTPL)	85,372	(22,324)	(228)	62,820
External revenue	**382,713**	**91,802**	**32,091**	**506,606**
Credit risk insurance	(7,481)	(4,534)	(7,185)	(19,200)
Interest expenses	(1,205)	(2,264)	(160,092)	(163,561)
Segment net revenues	**374,027**	**85,004**	**(135,186)**	**323,845**
Total assets	**4,682,047**	**2,363,822**	**1,519,016**	**8,564,885**

6. Interest income and interest expense

	2022	2021
	US$'000	US$'000
Interest income		
Loans and advances to other customers	266,127	200,748
Loans and advances to banks	46,328	31,206
Financial assets at FVTPL	39,012	27,857
Investment securities:		
- Financial assets at amortised cost	183,822	124,492
	535,289	**384,303**
Interest expense		
Borrowings from financial institutions	84,086	50,186
Corporate bonds	123,298	113,375
Interest expense on borrowings	**207,384**	**163,561**
Lease liability (see note 26 (a))	17	-
	207,401	**163,561**
Net interest income	**327,888**	**220,742**

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:

	2022	2021
	US$'000	US$'000
Financial assets measured at;		
- Amortised cost	496,277	356,446
- FVTPL	39,012	27,857
Total interest income	**535,289**	**384,303**
Financial liabilities measured at amortised cost	207,401	163,561
Total interest expense	**207,401**	**163,561**

7. Dividend income

	2022	2021
	US$'000	US$'000
Equity securities at;		
- FVOCI	1,416	1,503
- FVTPL	6,976	2,078
	8,392	**3,581**

8. Fees, commissions and other income

	2022	2021
	US$'000	US$'000
Risk participation and commitment fees	32,004	9,511
Advisory and structuring fees	33,642	27,020
Facility and other fees	10,503	17,345
Development fees	5,560	461
	81,709	**54,337**

a) Disaggregation of fees, commission and other income

In the following table, fees, commissions and other income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fees, commissions and other income with the Corporation's reporting segments (see Note 5).

b) The fees and commission presented in this note include income of US$38.2 million (2021: US$17.1 million) relating to financial assets not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets.

US$'000

Major service lines	Investment		Financial Services		Total	
	2022	2021	2022	2021	2022	2021
- Risk participation and commitment fees	13,710	7,949	18,294	1,562	32,004	9,511
- Advisory fees	5,388	30	7,740	4,666	13,128	4,696
- Structuring fees	18,525	21,641	1,989	683	20,514	22,324
- Facility and other fees	7,854	16,314	2,649	1,031	10,503	17,345
- Development fees	5,560	461	-	-	5,560	461
Fees, commission and other income (Note 5)	**51,037**	**46,395**	**30,672**	**7,942**	**81,709**	**54,337**

c) Performance obligations and revenue recognition policies

i. **Risk participation and commitment fees:** risk participation fee are earned on various unfunded risk participation programs with financial institutions, to facilitate trade transactions. Commitment fees are fees earned on commitments to provide debt or equity financing to counterparties and are recognised over the commitment period.

ii. **Advisory fees:** these are fees earned on mandates in which the Corporation acts in advisory capacities. Revenue related to advisory mandates are recognised on a milestone basis, and success fees are recognised once the service under a given mandate is rendered.

iii. **Structuring fees:** these are fees earned on project finance transactions in which the Corporation plays a mandated lead arranger role, in a loan syndication finance arrangement. These fees are recognised at a point in time when the loan syndication is finalised.

iv. **Facility and other fees:** these are fees earned on agency services rendered by the Corporation. Revenue from facility and other fees is recognised as the services are provided.

v. **Development fees:** these are fees earned for developing a project and it is often a percentage of the amount spent on development costs as agreed with project sponsors. The fees are recognised when the development phase of the project is completed.

9. Net gain/(loss) on financial instruments at fair value through profit or loss

	2022	2021
Mandatorily measured at FVTPL:	**US$'000**	**US$'000**
Derivatives held for risk management purposes:		
- Interest rate	(4,945)	(94)
- Cross currency swap	68,906	44,626
- Foreign exchange	(92,978)	(30,060)
Equity investments	118,777	41,316
Hybrid instruments	(55,135)	7,290
Designated at FVTPL:		
Asset under management	(1,382)	(258)
	33,243	**62,820**

10. Net impairment charge on financial assets

	2022 US$'000	2021 US$'000
Loans and advances to customers (Note 18(a))	24,986	36,152
Loans and advances to banks (Note 16(a))	(604)	(849)
Investment securities at amortised cost (Note 20(b))	11,893	9,411
Pledged assets at amortised cost (Note 21(a))	4,373	(757)
Off-balance sheet commitments (Note 26(e))	10,009	(4,482)
	50,657	**39,475**

11. Gain on sale of financial assets

- Equity securities	1,257	-
- Debt securities	-	1,565
	1,257	**1,565**

Amounts represent income realised from the sale of the investments in certain securities during the year, in line with the Corporation's strategy.

12. Operating expenses

	2022 US$'000	2021 US$'000
(a) Operating expenses		
Staff cost:		
Wages and salaries	64,564	44,179
Post-employment benefits	7,867	8,564
Other employee benefits	3,166	5,022
Other operating expenses:		
- Rent, rates and utilities	287	180
- Insurance	128	88
- Advertising and business promotion (note (i) below)	6,558	1,504
- Auditor's remuneration	273	260
- Communication	1,533	1,469
- Travel	1,229	659
- Board expenses, including Directors' fees	1,988	2,176
- Training, seminars and conferences	1,477	683
- Repairs and maintenance	118	71
- Project and other transaction expenses	1,856	1,049
- Consultancy fees	2,229	1,617
- Other expenses	1,538	3,085
- Depreciation and amortisation	3,522	3,590
	98,333	**74,196**

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2022

	2022	2021
(b) Credit risk insurance	**US$'000**	**US$'000**
- Credit risk insurance premium	17,580	19,200

The Corporation uses credit risk insurance as a risk mitigation tool for the protection of the Corporation against borrower defaults. Insurance cover is provided by investment grade insurance companies.

i) During the year, the Corporation incurred expenses for the launch of its new brand, including branding related events, as well as the third AFC Live event, held as part of its mandate to bridge Africa's infrastructure gap.

13. Taxation

Under the Headquarters Agreement between AFC and the Government of the Federal Republic of Nigeria signed in May 2007, AFC is exempt from tax on all its income arising from operations in the host country.

14. Earnings per share

(i) Basic/Diluted

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Corporation by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share are the same as the Corporation has no potentially dilutive ordinary shares.

	2022	2021
Profit attributable to equity holders of the Corporation		
Profit attributable to equity holders of the Corporation from continuing operations (US$'000)	285,919	210,174
Profit attributable to equity holders of the Corporation from discontinued operations (US$'000) - see note 25(a)	-	(448)
	285,919	**209,726**
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares at 1 January ('000)	1,159,405	1,151,778
Effect of shares issued during the year ('000)	13,940	7,627
Weighted-average number of ordinary shares at 31 December ('000)	**1,173,345**	**1,159,405**

	2022	2021
Earnings per share		
Basic/diluted earnings per share from continuing operations (expressed in US cents per share)	24.37	18.13
Basic/diluted earnings per share from discontinued operations (expressed in US cents per share)	-	(0.04)
Total for the year	**24.37**	**18.09**

15. Cash and balances with banks

	2022	2021
	US$'000	**US$'000**
Cash in hand	43	33
Balances with banks	122,639	49,263
	122,682	**49,296**

All cash and balances with commercial banks are current.

16. Loans and advances to banks

	2022	2021
	US$'000	**US$'000**
Placements with banks	1,374,933	1,844,666
Less: Allowance for impairment (See (a) below)	(2,365)	(2,969)
	1,372,568	**1,841,697**

All loans and advances to banks are current.

a) The movement in impairment allowance is shown below:

	2022	2021
	US$'000	**US$'000**
Opening	2,969	3,818
Net remeasurement of ECL allowance (Note 10)	(604)	(849)
	2,365	**2,969**

17. Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	Assets	Liabilities	Notional
31 December 2022	**US$'000**	**US$'000**	**US$'000**
Forward contracts	40,242	23,192	692,583
Cross currency swaps	112,145	26,654	1,790,283
Interest rate options	23,192	12,757	544,975
Interest rate swaps	8,791	9,678	162,661
	184,370	**72,281**	**3,190,502**
Current	56,087	26,245	
Non-current	128,283	46,036	

	Assets	Liabilities	Notional
31 December 2021	**US$'000**	**US$'000**	**US$'000**
Forward contracts	18,961	5,095	764,328
Cross currency swaps	76,775	720	1,417,814
Interest rate options	3,338	3,338	546,706
Interest rate swaps	8,024	4,646	127,832
	107,098	**13,799**	**2,856,680**
Current	25,060	7,162	
Non-current	82,038	6,637	

The Corporation uses derivatives to manage its exposure to market risks.

18. Loans and advances to other customers

	2022	2021
	US$'000	**US$'000**
Project finance loans	3,237,009	2,652,231
Advances under trade finance	568,340	496,724
	3,805,349	**3,148,955**
Impairment allowance (see note (a) below):		
- Project finance	(171,684)	(152,920)
- Trade finance	(21,401)	(15,179)
	(193,085)	(168,099)
	3,612,264	**2,980,856**
Current	482,164	381,322
Non-current	3,130,100	2,599,534

a) The movement in impairment allowance is shown below:

	2022	2021
	US$'000	**US$'000**
Balance as at 1 January	168,099	152,090
Assets derecognised	-	(20,143)
Net measurement of impairment allowance (note 10)	24,986	36,152
Closing balance	**193,085**	**168,099**

See Note 3.1.6 for a detailed analysis.

19. Financial assets at fair value through profit or loss

	2022	2021
	US$'000	**US$'000**
Hybrid instruments: convertible debt (see note (a) below)	538,070	542,751
Equity securities (see note (b) below)	1,066,047	924,817
Assets under management: debt securities (see note (c) below)	19,837	20,996
	1,623,954	**1,488,564**
Current	41,491	75,134
Non-current	1,582,463	1,413,430

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

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

	2022	2021	2022	2021
	US$'000	US$'000	%	Shareholding
Terminal à Conteneurs de Nouakchott (i)	7,870	1,549	50%	11%
Arise Infrastructure Services (ii)	46,483	16,628	34%	34%
Arise Ports and Logistics Limited (iii)	207,751	144,149	25%	25%
Arise Integrated Industrial Platforms (iv)	247,908	230,719	51%	51%
South African Toll Road Company (Proprietary) Ltd (v)	17,807	23,610	29%	29%
Cabeolica S.A. (vi)	11,532	16,171	50%	50%
Cenpower Generation Company (vii)	22,832	67,109	32%	32%
Cenpower Operations Company (vii)	74	74	25%	25%
Danakali Limited (viii)	14,059	16,362	14%	17%
Djibouti Wind Company Limited (ix)	63	63	57%	57%
Djibouti Wind Limited Partnership (ix)	6,237	6,237	57%	57%
Infinity Energy Africa Investments Limited (x)	35,295	-	49%	-
Infrastructure Credit Guarantee Company Limited (xi)	43,102	29,572	31%	32%
International Gulf Mining Limited (xii)	223	223	43%	43%
MainOne Cable Company (xiii)	-	24,048	0%	23%
Ncondezi (xiv)	10	10	23%	23%
Nouvelle Gabon Mining SA (xv)	312,342	259,969	43%	43%
Ivoire Hydro Energie S.A (xvi)	24,390	17,583	51%	51%
Société Concessionaire du Pont Riviera-Marcory (xvii)	67,059	69,731	26%	26%
Vigeo Power Limited (xviii)	1,010	1,010	20%	20%
	1,066,047	**924,817**		

Details of the nature and operations of equity investments and the summarised financial information for those entities, which, in the opinion of the directors, are material to the Corporation are shown below:

(i) Terminal à Conteneurs de Nouakchott ("TCN"), formerly Arise Mauritania S.A, is a 30-year concession by the Government of Mauritania to design, build, finance and operate a new container terminal with an initial capacity of 250,000 Twenty-foot Equivalent Units (TEUs) and has the flexibility to expand capacity to 600,000 TEUs; and develop an oil jetty able to accommodate oil & gas vessels with capacity of 50,000 DWT. The scope of the project comprises the construction of a new wharf with capacity for two 4,200 TEU vessels at the same time, a storage area for exports & imports, a container freight station, and an administrative area including a one-stop shop of 1,000m for port authority and government entities.

During the year, the Corporation increased its interest in TCN from 10.5% to 50%. See Note 1 for information on the additional investment in TCN and Note 4 for information about judgements made in assessing whether the Corporation controls the entity.

(ii) Arise Infrastructure Services comprises of the Libreville Airport as well as the new airport which is under construction in Gabon. The summarized financial information for Arise Infrastructure Services is presented below.

	2022	2021
	US$'000	US$'000
Current assets	27,219	8,154
Non-current assets	130,826	85,318
Current liabilities	11,608	6,771
Non-current liabilities	72,160	289
Revenue	17,390	10,992
Profit/(loss) after tax	6	1,100

(iii) Arise Ports and Logistics Limited is a pan-African operator of integrated and multimodal ports & logistics ecosystems and infrastructures comprising: Gabon General Cargo Port, Gabon Mineral Port, which are both operational, and the San Pedro Port, Cote D'Ivoire which is under construction. The summarized financial information for Arise Ports and Logistics Limited is presented below:

	2022	2021
	US$'000	US$'000
Current assets	130,927	113,987
Non-current assets	1,057,064	1,053,774
Current liabilities	170,137	182,083
Non-current liabilities	313,160	264,976
Revenue	239,718	190,720
Profit after tax	34,047	15,956

(iv) Arise Integrated Industrial Platforms (Arise IIP): Arise IIP is an integrated operator of world-class economic zones across Africa comprising of the Nkok Special Economic Zone in Gabon, the Port Gentil Special Economic Zone, Benin Special Economic Zone and Togo Special Economic Zone (collectively, the "SEZ Assets") amongst others. The summarized financial information for Arise IIP is presented below:

	2022	2021
	US$'000	US$'000
Current assets	397,312	201,712
Non-current assets	215,032	360,729
Current liabilities	88,942	30,878
Non-current liabilities	442,048	89,517
Revenue	144,163	142,617
Profit after tax	17,828	35,359

(v) South African Toll Road Company (Proprietary) Limited (SATRC) is an investment company that holds investment in infrastructure and infrastructure related assets. It was set up as a special purpose vehicle to hold a stake in the Bakwena Platinum Corridor Concessionaire Proprietary Limited (BPCC). BPCC consists of a 95 km section of the N1 highway running from Pretoria northwards, and a 290 km section for the N4 highway running from Pretoria westwards to the Botswana border. Route designed as part of intercontinental axis to stimulate agriculture, manufacturing, mining and tourism traffic, with combined urban and intercity tolling. The project led to significant reductions in travel times and vehicle operating costs through improved road surfaces. The summarized financial information for SATRC is presented below:

	2022	2021
	US$'000	US$'000
Current assets	28	172
Non-current assets	89,166	109,847
Current liabilities	1	2,239
Non-current liabilities	-	-
Revenue	13,454	16,054
Profit/(loss) after tax	13,391	(4,487)

(vi) Cabeolica S.A.: This is a power company domiciled in Cape Verde which was acquired as part of the Corporation's exit from the investment in Anergi Holdings Limited. The project entails the construction of 30 wind turbines on four of the nine inhabited islands of the mid-Atlantic Archipelago.

The summarized financial information for Cabeolica SA is presented below:

	2022	2021
	US$'000	US$'000
Current assets	11,876	10,607
Non-current assets	30,575	36,038
Current liabilities	13,586	13,480
Non-current liabilities	14,169	19,378
Revenue	11,747	11,313
Profit/(loss) after tax	2,279	2,718

(vii) Cenpower Generation Company Limited (Cenpower or CGC) is a special purpose vehicle created to develop the Cenpower Kpone Independent Power Plant (KIPP) in the Tema industrial zone, close to Accra, Ghana's capital. The Kpone Independent Power Plant, which achieved commercial operations in June 2019, is amongst the largest IPPs in the country accounting for approximately 10% of Ghana's total installed capacity and approximately 15% of its available thermal generation capacity. The summarized financial information for Cenpower Generation Company Limited is presented below:

	2022	2021
	US$'000	US$'000
Current assets	349,174	285,938
Non-current assets	659,873	685,344
Current liabilities	134,450	36,140
Non-current liabilities	703,038	790,034
Revenue	252,811	235,322
Profit after tax	33,631	49,186

(viii) Danakali Limited is a potash company focused on the development of the Colluli Sulphate of Potash Project (the Project). The Project is 100% owned by the Colluli Mining Share Company (CMSC), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (ENAMCO). The project is located in the Danakil Depression region of Eritrea, East Africa, and is approximately 75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Danakali Limited is listed on the Australian Securities Exchange and the London Stock Exchange.

(ix) Djibouti Wind Limited Partnership (DWLP) is a special purpose vehicle, which was set up by the limited partners, to construct and operate a 60 megawatts windfarm in the Ghoubet area, near Lake Assal, Djibouti (the Project). **Djibouti Wind Company Limited (DWCL)** is the general partner of DWLP. DWLP and DWCL have the same partners and shareholding structure. The Corporation holds 56.67% interest in DWCL and

DWLP. DWLP owns 90% of the project company which gives the Corporation an effective stake of about 51% in Red Sea Power Limited SAS (the project company). The project consists of a 60-megawatt (MW) wind farm in Ghoubet, along with interconnection facilities located in the Arta Region (between Lake Assal and Djibouti City). See Note 4 for information about judgements made in assessing whether the Corporation controls the entities.

(x) Infinity Energy Africa is the lead investor in Infinity Power Holding, an energy company which owns 235MW solar assets in Egypt and has signed a sales and purchase agreement for acquiring the majority stake in 1022 MW of operating wind assets located in Egypt, South Africa and Senegal.

(xi) Infrastructure Credit Guarantee Company Limited: This is a company established as a commercial institution with the specific objective of providing guarantees to enhance the credit quality of local currency debt instruments issued by creditworthy entities to finance eligible infrastructure projects in Nigeria, in order to attract a pool of long-term capital such as the pension funds and insurance companies. The summarized financial information for Infrastructure Credit Guarantee Company Limited is presented below:

	2022	2021
	US$'000	US$'000
Current assets	15,564	161,896
Non-current assets	165,667	12,745
Current liabilities	3,339	-
Non-current liabilities	87,501	88,090
Revenue	18,331	12,338
Profit after tax	9,063	6,240

(xii) International Gulf Mining Limited is a mining and exploration company established in in Boke district of north-western Guinea, approximately 150 km north-northwest of Conakry and 20 km south of the provincial town of Boke. The project has been designed for rapid construction; bringing the mine into production in less than 13 months.

(xiii) 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. During the year, the Corporation divested from MainOne in line with it's exit strategy.

(xiv) Ncondezi a power development company with an integrated thermal coal mine and power plant project located near Tete Province, Northern Mozambique.

(xv) Nouvelle Gabon Mining SA holds the rights to two producing manganese mine assets in Gabon ("Franceville" and "Okondja"). The two mines are expected to have a combined nameplate production capacity of 2.4 million tons per annum when fully implemented. The summarized financial information for Nouvelle Gabon Mining SA is presented below.

	2022	2021
	US$'000	US$'000
Current assets	50,527	66,159
Non-current assets	350,011	344,188
Current liabilities	48,128	66,908
Non-current liabilities	352,514	75,591
Revenue	222,052	123,346
Profit after tax	33,886	2,382

(xvi) Ivoire Hydro Energie S.A: This is a 44MW hydro electric generating facility which is under construction in Ivory Coast. Currently, construction work on the project is 75% complete and the project will achieve commercial operations in twelve to eighteen months. When completed, the project will help diversify the energy mix in Cote Ivorie and assist the country towards achieving its renewable energy objectives.

(xvii) Société Concessionaire du Pont Riviera-Marcory (Socoprim) is a concessionaire company is responsible for the operation and management of the Henri Konan Bedie Bridge in Cote d'Ivoire.The Henri Konan Bedie Bridge consists of a 6.4km highway and 1.9km bridge with three lanes in each direction. The summarized financial information for Socoprim is presented below:

	2022	2021
	US$'000	US$'000
Current assets	8,850	38,040
Non-current assets	230,578	258,175
Current liabilities	14,732	895
Non-current liabilities	133,356	156,159
Revenue	50,659	31,741
Profit after tax	17,103	3,730

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

The Corporation acquired stakes in these companies with the intention to exit at a future date. As of 31 December 2022, the Corporation had no commitments to these entities except as disclosed in Note 28. There are no restrictions on the ability of these entities to pay cash dividends and repay outstanding obligations to the Corporation.

c) Assets under management represent funds managed by a third-party investment company on a discretionary basis. The portfolio comprises of marketable debt securities with observable prices and is managed on a fair value basis.

20. Investment securities

	2022	2021
At amortised cost:	**US$'000**	**US$'000**
- Corporate debt securities	348,925	433,325
- Sovereign debt securities (note i)	2,558,425	1,148,839
	2,907,350	**1,582,164**
Less: Allowance for impairment		
(see note (b) below)	(39,710)	(27,817)
	2,867,640	**1,554,347**
At FVOCI:		
- Corporate debt securities	-	-
- Equity securities – (see note		
(c) below)	52,920	53,576
	2,920,560	**1,607,923**
Current	2,585,014	1,281,564
Non-current	335,546	326,359

i) Included in sovereign debt securities are treasury bills issued by the government of United states of America which are highly liquid financial instruments.

a) As at 31 December 2022, the Corporation held no collateral, which it was permitted to sell or repledge in the event of default by the owner of the collateral (31 December 2021: Nil).

b) The movement in impairment allowance is shown below:

	2022	2021
	US$'000	**US$'000**
Opening	27,817	18,406
Net remeasurement of ECL		
allowance (Note 10)	11,893	9,411
Closing	**39,710**	**27,817**

c) Equity securities at FVOCI

	2022	2021
	US$'000	**US$'000**
Equity securities –		
(see note (i) below)	**52,920**	**53,576**

ii) The movement in equity securities from the preceding financial year is as follows:

	2022	2021
	US$'000	**US$'000**
At beginning of the year	53,576	75,126
(Disposals)/additions	-	(27)
Net loss on fair valuation through		
other comprehensive income	(646)	(21,523)
Written off	(10)	-
At end of the year	**52,920**	**53,576**

21. Pledged assets

	2022	2021
	US$'000	**US$'000**
Corporate debt securities	337,006	130,109
Sovereign debt securities	282,650	283,450
	619,656	**413,559**
Less: Allowance for impairment		
(see note (a) below)	(8,447)	(4,074)
	611,209	**409,485**
Current	143,986	62,825
Non-current	467,223	346,660

a) The movement in ECL allowance is shown below:

	2022	2021
	US$'000	**US$'000**
Opening	4,074	4,831
Net remeasurement of ECL		
allowance (Note 10)	4,373	(757)
Closing	**8,447**	**4,074**

(b) Pledged assets comprise debt securities used to secure the Corporation's borrowings but were not derecognised in the consolidated financial statements. These are transactions in which the Corporation uses its investment securities to collaterise some of its bilateral borrowings. The Corporation continues to recognise the securities in their entirety in the consolidated 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.

	2022	2021
	US$'000	US$'000
Carrying amount of the assets	611,209	409,485
Carrying amount of the associated liabilities (see note 27(iii))	504,571	306,681
Fair value of the assets	531,847	432,776
Fair value of the liabilities	(504,571)	(306,681)
Net fair value	**27,276**	**126,095**

22. Other assets

	2022	2021
	US$'000	US$'000
Financial assets		
Account receivable	39,854	6,159
Fee receivable	12,325	8,680
Advance for investment (see note (i) below)	14,700	51,179
	66,879	**66,018**
Non-financial assets		
Prepayments	5,714	4,743
	72,593	**70,761**
Current	72,593	70,761
Non-current	-	-

i) Advance for investment represents a payment held in escrow by the Corporation as part of an asset acquisition transaction. The transaction for which the deposit of US$51.2 million was advanced in 2021 was successfully closed during the year, while the related transaction for the outstanding advance is expected to close during the next financial year.

23. Property and equipment

	Right-of-Use Asset US$'000	Motor Vehicles US$'000	Leasehold improvement US$'000	Furniture & Equipment US$'000	Total US$'000
As at 1 January 2021					
Cost	5,029	3,877	2,204	5,382	16,492
Accumulated depreciation	(2,918)	(2,015)	(1,735)	(4,212)	(10,880)
Net book amount	**2,111**	**1,862**	**469**	**1,170**	**5,612**
Year ended 31 December 2021					
Opening net book value	2,111	1,862	469	1,170	5,612
Additions	4,735	578	16	172	5,501
Disposals – cost	-	(1,096)	-	(92)	(1,188)
Disposals – accumulated depreciation	-	1,025	-	86	1,111
Depreciation charge	(1,615)	(823)	(121)	(407)	(2,966)
Closing net book amount	**5,231**	**1,546**	**364**	**929**	**8,070**
As at 1 January 2022					
Cost	9,764	3,359	2,220	5,462	20,805
Accumulated depreciation	(4,533)	(1,813)	(1,856)	(4,533)	(12,735)
Net book amount	**5,231**	**1,546**	**364**	**929**	**8,070**
Year ended 31 December 2022					
Opening net book value	5,231	1,546	364	929	8,070
Additions	-	1,371	156	392	1,919
Disposals – cost	-	(538)	-	(63)	(601)
Disposals – accumulated depreciation	-	496	-	61	557
Depreciation charge	(1,600)	(796)	(136)	(367)	(2,899)
Closing net book amount	**3,631**	**2,079**	**384**	**952**	**7,046**
As at 31 December 2022					
Cost	9,764	4,192	2,376	5,791	22,123
Accumulated depreciation	(6,133)	(2,113)	(1,992)	(4,839)	(15,077)
Net book amount	**3,631**	**2,079**	**384**	**952**	**7,046**

i. There were no impairment losses on any class of property and equipment during the year (2021: Nil).

ii. There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2021: Nil).

iii. There were no restrictions to the title held by the Corporation, in respect of its property and equipment during the year (2021: Nil).

iv The depreciation charge and interest on lease liabilities (included in interest expense) on right-of-use assets for the year was US$1.6 million (2021: US$1.6 million) and US$17 thousand in 2022 (2021: nil), respectively.

v All items of property and equipment are non-current.

24. Intangible assets

	2022	2021
	US$'000	US$'000
Software costs	**566**	**1,135**

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

	2022	2021
	US$'000	US$'000
At 1 January	1,135	1,582
Additions	54	177
Amortisation	(623)	(624)
At 31 December	**566**	**1,135**

i. There were no impairment losses on any class of intangible assets during the year (2021: Nil).

ii. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2021: Nil).

iii. There were no restrictions to the title held by the Corporation, in respect of its intangible assets during the year (2021: Nil).

iv All items of intangible assets are non-current.

25. Non-current assets held for sale and discontinued operation

In 2020, the Corporation acquired controlling interests in Cabeolica S. A., a wind power company based in Cape Verde supplying about 20% of installed electricity capacity of the country, as part of the exit from Anergi Holdings Limited with the intention to resell the investment. As of 31 December 2020, the Corporation held 94% of the entity's issued ordinary equity and the investment was classified as held-for-sale following the commitment of the Corporation to its sale, as part of an agreement with a strategic partner.

In 2021, the Corporation partially disposed its interests in Cabeolica S. A. reducing the Corporation's interest to 50%. The financial result of the entity is reported in the current period as FVTPL in acc ordance with the Corporation's accounting policies (see note 19b). Financial information relating to the discontinued operation is set out below:

(a) Financial information of discontinued operation

	2022	2021
	US$'000	US$'000
Profit/(loss) for the year is attributable to:		
Parent	-	(448)
Non-controlling interests	-	-
Profit/(loss) for the year from discontinued operations	**-**	**(448)**

(b) Details of disposal

	2022	2021
	US$'000	US$'000
Consideration received	-	10,960
Less: Carrying value of net assets transferred	-	(11,857)
Loss on disposal	-	(897)
Less dividend earned	-	449
	-	**(448)**

26. Accrued expenses and other liabilities

	2022	2021
	US$'000	US$'000
Accrued expenses	57,492	43,133
Accounts payable	80,534	55,347
Lease liability (see note (a) below)	986	4,735
Defined benefit plan (see note (b) below)	12,516	6,731
Margin deposit (see note (c) below)	10,300	12,750
Deposit for shares (see note (d) below)	2,276	250
	164,104	**122,946**
Unearned fees	11,300	880
Allowance for debt commitments (See note (e) below)	12,486	2,477
	187,890	126,303
Current	163,665	113,993
Non-current	24,225	12,310

a) The movement in lease liability during the year is as follows:

	2022	2021
	US$'000	US$'000
Balance as at 1 January	4,735	-
Payments	(4,752)	-
Interest on lease liabilities (see note 6)	17	-
Additions to lease liabilities	986	4,735
Closing balance	**986**	**4,735**

b) **Defined benefit plan**

	2022	2021
	US$'000	US$'000
Defined benefit obligation	12,516	6,731
Fair value of plan assets	-	-
Net defined benefit liability	12,516	6,731
	-	-
Total employee benefit liability	**12,516**	**6,731**
Current	1,434	55
Non-current	11,082	6,676

The Corporation commenced an unfunded end of service defined benefit plan in 2021 where qualified employees receive a lump sum payment at completion of contract, attainment of retirement and or achievement of minimum service period of ten (10) years.

Employees are admitted into the scheme on respective dates of employment and benefits are determined based on number of meritorious years of service to the Corporation. The valuation of the defined benefit obligation was determined by Ernst & Young Actuaries.

The defined benefit plan exposes the Corporation to actuarial risks such as longevity risk, interest rate risk and market risks. Employees are not required to contribute to the plan.

i) Movement in net defined benefit (asset) liability

	2022	2021
	US$'000	US$'000
Balance as at 1 January	6,731	-
Included in profit or loss	-	6,731
- Current service cost	1,057	-
- Past service cost due to plan amendment	5,073	-
- Interest income	134	-
- Benefits paid	(479)	-
	12,516	**6,731**

Included in OCI		
Remeasurement loss/(gain)		
Actuarial gain arising from:		
- Financial assumptions	(3,216)	-
- Experience adjustments	3,216	-
Balance as at 31 December	**12,516**	**6,731**

ii) Actuarial Assumptions

The following were the principal actuarial assumptions used:

	2022	2021
Assumptions	**Rates**	**Rates**
Discount rate	3.85%	2%
Future salary growth rate	1%	1%
Inflation rate	1%	1%

Assumptions regarding the future longevity have been based on published statistics and mortality rates published in the A67/70 Ultimate tables, published jointly by the Institute and the Faculty of Actuaries in the UK.

Sample Age	Number of deaths in year of age out of 10,000 lives
25	7
30	7
35	9
40	14
45	26

iii) Sensitivity analysis

Reasonably possible changes at the reporting dates to one of the relevant assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

		2022		2021
	US$'000 Increase	US$'000 Decrease	US$'000 Increase	US$'000 Decrease
Discount rate movement (1% movement)	(1,310)	1,558	(766)	925
Future salary growth rate (1% movement)	1,659	(1,412)	961	(808)
Mortality experience (age rated movement by 1 year)	9	(11)	(1)	1

Although this analysis does not take into account the full distribution of cashflows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

c) As part of the Corporation's credit support arrangement with various counterparties on its derivative transactions, margin deposits are received from such counterparties in instances where the mark-to-market valuation of the derivative transactions is favourable to the Corporation.

These cash deposits are therefore recognised as margin deposits.

d) During the year, the Republic of Côte d'Ivoire made a deposit towards the Country's investment in the equity capital of AFC.

e) This is the amount set aside for credit losses on the Corporation's commitments which are exposed to credit risk. These commitments includes debt commitments, unfunded risk participation arrangements and guarantees (see note 28 (c)).

The movement in allowance for debt commitments during the year is as follows:

	2022	2021
	US$'000	US$'000
Balance as at 1 January	2,477	6,959
Net measurement of impairment allowance (See note 10)	10,009	(4,482)
Closing balance	**12,486**	**2,477**

27. Borrowings

	2022	2021
	US$'000	US$'000
At amortised cost:		
Corporate bonds issued (note (i))	3,736,313	3,768,650
Borrowings from other financial institutions (note (ii))	3,831,892	2,417,370
	7,568,205	**6,186,020**
Current	886,630	645,317
Non-current	6,681,575	5,540,703

(i) Amount represents outstanding balance on issuances made under the Corporation's Eurobond program. The Corporation's US$5 billion Global Medium-Term Note ("GMTN") programme. The terms and conditions of the notes issued under the Corporation's GMTN program are as follows:

Bond issued	Year Issued	Year of Maturity	Coupon (%)	Coupon Type	2022 Amount US$'000	2021 Amount US$'000
US$ 500 million	2017	2024	3.8750	Fixed	503,220	502,454
US$ 650 million	2019	2026	4.3750	Fixed	652,508	651,500
CHF 200 million	2019	2023	0.5225	Fixed	216,497	219,164
US$ 500 million	2019	2029	3.7500	Fixed	498,232	496,803
US$ 25 million	2020	2022	1.1995	Floating	-	25,014
EUR 15 million	2020	2038	1.6250	Fixed	15,595	16,548
EUR 35 million	2020	2041	1.7500	Fixed	37,039	39,334
EUR 15 million	2020	2047	1.6250	Fixed	15,440	16,389
CHF150 Million	2020	2025	1.2050	Fixed	162,665	164,649
US$ 700 Million	2020	2025	3.1250	Fixed	698,070	696,908
US$ 30 Million	2021	2023	0.8200	Fixed	30,067	30,052
US$ 750 Million	2021	2028	2.9900	Fixed	749,622	748,843
US$ 50 Million	2021	2031	2.9000	Fixed	50,269	50,224
US$ 50 Million	2021	2031	2.8700	Fixed	50,063	50,006
EUR 40 Million	2021	2031	1.3500	Fixed	42,659	45,619
EUR 15 Million	2021	2034	1.3000	Fixed	14,367	15,143
					3,736,313	**3,768,650**

(ii) Borrowings from other financial institutions comprise loans from commercial banks and development financial institutions within Africa, Europe, Asia and the United States. These are floating rate liabilities and repricing of these borrowings are between 3 and 6 months.

(iii) Included in borrowings from other financial institutions is an amount of US$504.6 million (2021: US$306.7 million) which has been secured using corporate and sovereign securities with a carrying value of US$611.2 million (2021: US$409.5 million). See note 21(b).

(iv) The Corporation has not defaulted on principal, interest or other covenant breaches with respect to its borrowings.

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

	2022	2021
	US$'000	US$'000
Less than 1 year	886,630	645,317
1 – 3 years	3,502,550	1,835,340
Over 3 years	3,179,025	3,705,363
	7,568,205	**6,186,020**

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

	2022	2021
	US$'000	US$'000
At beginning of the year	6,186,020	5,091,854
Proceeds from corporate bonds (issued)	-	936,617
Proceeds from other borrowings	1,991,820	872,287
Transaction costs related to borrowings	(8,743)	(11,016)
Interest expense (see note 6)	207,384	163,561
Interest paid	(183,126)	(145,903)
Repayment of borrowings	(607,015)	(696,549)
Effects of changes in foreign exchange rates	(18,135)	(24,831)
At end of the year	**7,568,205**	**6,186,020**

Currency exposures arising from borrowing transactions are hedged in line with the Corporation's policy (see Note 3.2.1 Foreign exchange risk).

28. Contingent liabilities and commitments

a) Legal proceedings

As at 31 December 2022, there were two legal proceedings against the Corporation. The Directors believe that, based on currently available information and advice of the Corporation's legal counsel, the outcome from these proceedings will not have a material adverse effect on the financial position of the Corporation. No provision has been made in respect of these legal proceedings, for the year ended 31 December 2022 (2021: Nil).

b) Equity commitments

These commitments relate to equity financing commitments to third parties.

c) Debt commitments

These commitments relate to unfunded risk participation arrangements under Trade Finance transactions and loan commitments on transactions which are yet to be disbursed.

d) Guarantees

These are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

	2022	2021
	US$'000	US$'000
Equity commitments	33,027	57,616
Debt commitments	537,137	230,173
Unfunded risk participation and guarantees	1,147,271	51,179
	1,717,435	**338,968**

In line with the provisions of International Financial Reporting Standards (IFRS 9), the Corporation has set aside an amount for expected credit losses on its debt commitments and guarantees (see note 26(e)).

29. Share capital

The total authorised number of ordinary shares is 2 billion units with a par value of US$1.00 per share.

Issued and fully paid capital

	2022	2021
	No. of shares	No. of shares
	In thousands	In thousands
At 1 January	1,171,176	1,157,386
Addition during the year (note (i) below)	119,351	13,790
At 31 December	**1,290,527**	**1,171,176**

	2022	2021
	US$'000	US$'000
At 1 January	1,171,176	1,157,386
Addition during the year (note(i) below)	119,351	13,790
At 31 December	**1,290,527**	**1,171,176**

(i) During the year, the following entities invested in the Corporation's equity share capital: the Public Investment Corporation (PIC) of South Africa- US$100 million, the Arab Republic of Egypt- US$95 million, the National Pensions Fund of Mauritius- US$20 million, the National Savings Fund of Mauritius- US$5 million, the Democratic Republic of Congo-US$5 million, and the Bank of Sierra Leone- US$10 million (US$2 million paid-in and US$8 million callable).

Also, the African Reinsurance Corporation (AfricaRE) increased its investment in the Corporation by US$3 million during the year.

In addition, the Board approved a rights issue program for existing shareholders on the basis of 1 new share for every 4 shares held. The Corporation received US$10 million from the United Bank for Africa (UBA) under the rights issue program, which is expected to close in the next financial year. Amounts are reflected in share capital and Share premium in note 30 below.

30. Share premium

	2022	2021
	US$'000	US$'000
At 1 January	66,432	53,722
Addition during the year (note 29 (i) above)	117,586	12,710
At 31 December	**184,018**	**66,432**

31. Share warrants

	2022	2021
	No. of warrants	No. of warrants
	In thousands	In thousands
At 31 December	**105,263**	**105,263**

	2022	2021
	US$'000	US$'000
At 31 December	**200,000**	**200,000**

(i) The Corporation issued 105,263,158 warrants in 2020, for an aggregate amount of US$200 million and credited the proceeds to the share warrant account. Share warrants are convertible into ordinary shares of the Corporation, if the warrants are not redeemed before maturity at the option of the Corporation. Payment of returns on warrants are at the sole discretion of the Corporation.

32. Retained earnings

	2022	2021
	US$'000	US$'000
At beginning of the year	824,808	666,345
Dividends paid to ordinary shareholders	(56,462)	(46,975)
Dividends paid to warrant holders	(5,075)	(4,271)
Profit for the year	285,919	209,726
Transferred from OCI reserve	-	(17)
At end of the year	**1,049,190**	**824,808**

33. Fair value reserves

At 1 January	(23,653)	(2,147)
Net loss on FVOCI financial assets:		
- Fair value loss on equity securities	(646)	(21,523)
	(646)	(21,523)
- Fair value loss - debt securities	-	-
	(646)	(21,523)
Transferred to retained earnings	-	17
At end of the year	**(24,299)**	**(23,653)**

The fair value reserves comprise the cumulative net change in the fair value of equity securities measured at FVOCI.

34. Dividends

The Board of Directors is proposing a dividend of 6.6315 US cents per share (2021: 4.821 US cents per share), amounting to approximately US$85,581,299 (2021: US$56,462,371). The resolution on payment of dividend will be tabled before the annual general meeting scheduled for 4 April 2023 and if approved, the dividend will be paid to all qualifying shareholders who are on the register of members as of the date the financial statements were approved and the Directors recommended the payment of dividend. The Board of Directors is also proposing a payment of 6.6315 US cents per share warrant (2021: 4.821 US cents per share). The resolution on payment of dividend to share warrant holders will be tabled before the annual general meeting.

35. Cash and cash equivalents

	US$'000	US$'000
Cash in hand and balances with banks (Note 15)	122,682	49,296
Placements with other banks (Note 16)	1,374,933	1,844,666
Investment securities (note (i) below)	1,497,491	-
At end of the year	**2,995,106**	**1,893,962**

i) Included in investment securities in Note 20 are treasury bills issued by the government of United states of America which are highly liquid financial instruments with less than three (3) months to maturity as at reporting date.

36. Group entities and related party transactions

Group entities

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

Subsidiaries

AFC Equity Investments Limited: a wholly owned entity incorporated in Mauritius, which was set up to hold equity investments on behalf of the Corporation (2021: 100%).

AFC Capital Partners: a wholly owned entity incorporated in Mauritius in 2021, set up as an investment management entity during the year with a global business License.

Arise PCC: a wholly owned special purpose vehicle, incorporated in Mauritius, to hold 50% interest in Terminal à Conteneurs de Nouakchott (TCN), a port project in the Islamic Republic of Mauritania. During the year, Arise PCC became wholly owned, increasing the Corporation's interest in TCN to 50%, from 10.5%. The Corporation has assessed its interest in Arise PCC under business acquisition in IFRS 3 and concluded that the acquisition does not meet the criteria for a business, rather the transaction represents an asset acquisition. The investment in TCN is measured at fair value through profit or loss (see note 19 (b)).

Associates and joint venture operations

Associated entities comprise of equity investments that result in the Corporation having significant influence by being able to participate in the financial and operating policy decisions of the investee companies. These investments are carried in the statement of financial position at fair value through profit or loss rather than accounted for using the equity method. See Note 19 for details of these investments.

See Note 4 for information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements in relation to group entities.

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint venture entities, significant shareholders and their companies as well as key management personnel.

a) Balances with related parties:

		2022	2021
		US$'000	US$'000
i.	Loans:		
	Shareholders	81,429	92,632
ii.	Placements/investments in debt securities:		
	Shareholders	51,781	285,209
	Associate companies and subsidiary	321,375	194,791
iii.	Cash and bank balances:		
	Operating account balances	10,195	1,709
b)	Interest income earned:		
	Shareholders	**34,075**	**30,247**
	Associated companies	**25,540**	**18,099**

These transactions were carried out in the normal course of business, under commercial terms. The terms and conditions of loans to related parties are as follows:

	Average Tenor	Coupon /Rate	Rate Type
Loans and advances	8 Months	6% - 6.5%	Fixed/floating
Corporate debt securities	11 Years	5% - 15%	Fixed/floating

	2022 US$'000	2021 US$'000
(c) Cross currency swap		
Notional amount	1,000,000	1,000,000
(d) Key management compensation		
Salaries and other short-term benefits	9,479	5,764
Post-employment benefits	1,647	530

Key management staff refers to members of the Executive Management Committee, which are: (a) President and Chief Executive Officer, (b) Executive Director and Chief Investment Officer, (c) Executive Director, Financial Services, (d) Senior Director & Chief Financial Officer, (e) Director & Chief Risk Officer and (f) Director & General Counsel, (g) Director & Head of Corporate Services (h) Director & Head, Economics, Research and Strategy.

37. Events after the statement of financial position date

There were no events after the statement of financial position date which materially affect these financial statements.

Notes

12 Corporate Information

Africa Finance Corporation

Headquarters

3a Osborne Road, Ikoyi
Lagos State
Nigeria

T: +234 1 279 9600
E: contact@africafc.org
www.africafc.org

Auditors

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos
Nigeria

Principal Bankers

Access Bank plc

Oyin Jolayemi Street
Victoria Island
Lagos State
Nigeria

Ecobank plc

Plot 21 Ahmadu Bello Way
Victoria Island
Lagos State
Nigeria

Guaranty Trust Bank plc

Plot 635, Akin Adesola
Victoria Island
Lagos State
Nigeria

JP Morgan Chase & Co.

270 Park Avenue
New York
NY 10017-2070 USA

Standard Chartered Bank

Head Office
1 Basinghall Avenue
London
EC2V 5DD
UK

United Bank for Africa

UBA House
57 Marina P.O. Box 2406
Lagos State
Nigeria

Zenith Bank plc

Plot 84
Ajose Adeogun Street
Victoria Island
Lagos State
Nigeria

Africa Finance Corporation

Instrumental Infrastructure.
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