

IMPORTANT NOTICE

THE BASE PROSPECTUS FOLLOWING THIS NOTICE (THE "BASE PROSPECTUS") IS AVAILABLE ONLY TO: (1) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW) THAT ARE ALSO QUALIFIED PURCHASERS (AS DEFINED BELOW); OR (2) CERTAIN PERSONS OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, the Arrangers and Dealers (each as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. AFRICA FINANCE CORPORATION HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE SECURITIES DESCRIBED IN THE BASE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTIONS OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("REGULATION S")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The Base Prospectus does not constitute an offer of the securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the securities. The Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iv) other persons to whom it may lawfully be communicated (all such persons in (i), (ii), (iii) and (iv) above together being referred to as "relevant persons"). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the Base Prospectus or any of its contents.

The attached document is only addressed to and directed at persons in member states of the European Economic Area that have implemented Directive 2003/71/EC, as amended (the "Prospectus Directive") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive ("Qualified Investors") and must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which the attached document relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

Confirmation of your representation: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the securities, investors must be either: (1) Qualified Institutional Buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) who are also qualified purchasers ("QPs") as defined in Section 2(a)(51) of the Investment Company Act; or (2) non-U.S. persons within the meaning of Regulation S outside the United States. The Base Prospectus is being sent at your request and by accepting the email and accessing the Base Prospectus, you shall be deemed to have represented to us that (1) you and any customers you represent are either: (a) QIBs who are also QPs; or (b) non-U.S. persons within the meaning of Regulation S outside the United States, (2) unless you are a QIB who is also a QP, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you are a person who is permitted under applicable law and regulation to receive the Base Prospectus and (4) you consent to delivery of the Base Prospectus by electronic transmission.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.

This Base Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arrangers and Dealers or any affiliate of the Arrangers or applicable Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arrangers or such Dealer or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

The attached document has not been and will not be registered with the Nigerian Securities and Exchange Commission pursuant to the Nigerian Investments and Securities Act, No. 29 of 2007. The attached document is not an offering circular or an invitation to the public within the meaning of the Nigerian Investments and Securities Act, No. 29 of 2007 and may not be utilised in connection with any offering to the public within Nigeria. Accordingly, the attached document is not directed to any persons within Nigeria other than the selected investors to whom the Prospectus has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the Nigerian ISA.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Arrangers and Dealers nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Arrangers and Dealers.

Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

BASE PROSPECTUS



AFRICA FINANCE CORPORATION

U.S.\$3,000,000,000

Global Medium Term Note Programme

Under this U.S.\$3,000,000,000 Global Medium Term Note Programme (the "**Programme**"), Africa Finance Corporation (the "**Issuer**" or the "**Corporation**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as provided for in the Programme Agreement described herein), subject to increase as described herein.

In respect of Bearer Notes, interests in a temporary global note will be exchangeable, in whole or in part, for interests in a global note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date, upon certification as to non U.S. beneficial ownership. Until the expiration of 40 days after the later of the commencement of the offering of a tranche of Regulation S Registered Notes (as defined below) and the issue date thereof, beneficial interests in a global note may be held only through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors" beginning on page 7.

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange Plc trading as Euronext Dublin ("**Euronext Dublin**") or on another regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") and/or that are to be offered to the public in any member state of the European Economic Area ("**EEA**") in circumstances that require the publication of a prospectus. This Base Prospectus supersedes and replaces the Base Prospectus dated 29 March 2017, as supplemented from time to time. Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the "**Official List**") and to trading on the regulated market of Euronext Dublin. References in this Base Prospectus to the Notes being "listed" (and all related references) shall mean that, unless otherwise specified in the relevant Final Terms (as defined below) or the relevant Drawdown Prospectus (as defined below), the Notes have been admitted to the Official List and to trading on the regulated market of Euronext Dublin. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

For each issue of Notes under the Programme, the information required to complete this Base Prospectus for the relevant issue will be set out in a final terms document (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" which, with respect to Notes to be listed on Euronext Dublin will be filed with the Central Bank of Ireland. Copies of such Final Terms and Drawdown Prospectus will also be published on the Central Bank of Ireland's website at www.centralbank.ie and on Euronext Dublin's website at www.ise.ie.

Notes issued under the Programme may be rated by Moody's Investors Service Ltd ("**Moody's**") or may be unrated. Where a Series of Notes is rated, such rating will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be). The Issuer's current long term rating by Moody's is A3. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. As of the date of this Base Prospectus, Moody's is established in the EEA and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**"). Whether or not a rating in relation to any Series of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (i) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (ii) the rating is provided by a credit rating agency established in the EEA which is certified under the CRA Regulation.

Amounts payable under the Notes may be calculated by reference to LIBOR or EURIBOR (each as defined in the Terms and Conditions of the Notes), as specified in the applicable Final Terms, which are provided by ICE Benchmark Administration Limited ("**IBA**") (in the case of LIBOR) or the European Money Markets Institute (the "**EMMI**") (in the case of EURIBOR). As at the date of this Base Prospectus, EMMI does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply such that EMMI is not currently required to obtain authorisation or registration. As at the date of this Base Prospectus, IBA appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Benchmark Regulation.

The Corporation has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**") and related rules, and investors will not be entitled to the benefits of that act. The Notes have not been, nor will they be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and any Notes issued in bearer form will be subject to U.S. tax law requirements. The Notes may be offered and sold only (i) outside of the United States to persons other than U.S. persons as defined in and in accordance with Regulation S under the Securities Act and (ii) in the United States to purchasers who are qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the Securities Act that are also qualified purchasers ("**QPs**") as defined in Section 2(a)(51)(A) of the Investment Company Act in each case acting for their own account of one or more QIBs that are also QPs in reliance on and in compliance with Rule 144A. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

The Issuer is a "**covered fund**" as defined in Section 13 of the Bank Holding Company Act (the "**Volcker Rule**"). However, the Issuer does not believe that an investment in the Notes issued under the Programme would constitute an acquisition of an "**ownership interest**" (as defined in the Volcker Rule regulation) in a covered fund. See "*Subscription and Sale and Transfer and Selling Restrictions—Covered Fund*".

The Issuer may agree with any Dealer and Citibank, N.A., London Branch (the "**Trustee**") that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Base Prospectus or a Drawdown Prospectus, as the case may be, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arrangers and Dealers

BofA Merrill Lynch
J.P. Morgan

MUFG

First Abu Dhabi Bank PJSC
Rand Merchant Bank

The date of this Base Prospectus is 5 April 2019.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Base Prospectus, including the Final Terms or Drawdown Prospectus (as applicable) relating to each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus has been filed with and approved by the Central Bank of Ireland as required by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**"). None of the Dealers and the Trustee nor any of their directors, affiliates, advisers or agents has made an independent verification of the information contained in this Base Prospectus in connection with the issue or offering of any Notes and no representation or warranty, express or implied, is made by the Dealers, the Trustee or any of their respective directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. No responsibility is accepted by the Dealers or the Trustee or any of their directors, affiliates, advisers or agents for any act of omission of the Issuer, or any other person (other than the relevant Dealer) in connection with the issue and offering of the Notes. Nothing contained in this Base Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Dealers, the Trustee or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Base Prospectus are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

Copies of the Final Terms and any Drawdown Prospectus will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

Certain information under the headings "*Risk Factors*", "*Description of the Corporation*", "*Management's Discussion and Analysis of Result of Operations and Financial Condition*" and "*Book Entry Clearance Systems*" has been extracted from information provided by the clearing systems, certain governmental and other third-party sources, referred to therein. Where such third-party information appears in this Base Prospectus, it has been cited as such. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has relied on the accuracy of this information without independent verification.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. None of the Dealers or the Trustee accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

Subject as provided in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as the relevant Dealer or the Managers, as the case may be.

No person is or has been authorised by the Issuer, any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither

this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve an adverse change, in the prospects or financial or trading position of the Issuer since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer throughout the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the "**Code**") and the U.S. Treasury regulations promulgated thereunder.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom). See "*Subscription and Sale and Transfer and Selling Restrictions*".

In particular, this Base Prospectus and any Notes issued under the Programme have not been and will not be registered with the Nigerian Securities and Exchange Commission (the "**Nigerian SEC**") under the Nigerian Investment and Securities Act, No. 29 of 2007 (the "**Nigerian ISA**") or the Securities and Exchange Commission Rules and Regulations, 2013 (as amended) (the "**Nigerian SEC Rules**") and the Nigerian SEC has not approved or recommended an investment in the Notes. This Base Prospectus may not be utilised in connection with any offering to the public within Nigeria. Accordingly, this Base Prospectus is not directed to, and the Notes are not available for subscription by, any persons within Nigeria other than the selected investors to whom the Prospectus has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the Nigerian ISA.

In making an investment decision, investors must rely on their own independent examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

None of the Dealers, the Issuer or the Trustee makes any representation to any investor regarding the legality of its investment under any applicable laws. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

STABILISATION

In connection with the issue of any Tranche of Notes, one or more relevant Dealers named as the Stabilising Manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

NOTICE TO U.S. INVESTORS

The Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**") except in certain transactions exempt from the registration requirements of the Securities Act). See "*Subscription and Sale and Transfer and Selling Restrictions*".

The Notes may be offered or sold within the United States only to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A ("**Rule 144A**") of the Securities Act who are also qualified purchasers ("**QPs**") as defined in Section 2(a)(51) of the Investment Company Act in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Notes is hereby notified that the offer and sale of any Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Rule 144A Global Note (as defined in "*Form of the Notes—Registered Notes*") or any Notes issued in registered form in exchange or substitution therefor (together, "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**"), any State securities commission in the United States or any other U.S. Regulatory Authority nor have any of the foregoing authorities passed upon or endorsed the merits of any offering of Notes or the accuracy or the adequacy of this Base Prospectus. Any representations to the contrary are a criminal offence in the United States.

The Issuer has agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish to each holder of such Notes in connection with any resale thereof and to any prospective purchaser of such Notes from such holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

NOTICE TO SOUTH AFRICAN INVESTORS

The Notes may not be, and accordingly are not being, offered or sold to the public in South Africa. Accordingly, any offer of Notes will not be an "offer to the public" as defined in section 95(1)(h) of the South African Companies Act, 2008 (the "SA Companies Act"). This Base Prospectus does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in section 95(1)(k) of the SA Companies Act) prepared and registered under the SA Companies Act. No Notes will be offered or sold to prospective investors in South Africa other than on a reverse-solicitation basis and pursuant to section 96(1) of the SA Companies Act.

NOTICE TO KINGDOM OF SAUDI ARABIAN INVESTORS

This document may not be distributed in the Kingdom except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorized financial advisor.

NOTICE TO SINGAPOREAN INVESTORS

The Final Terms in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA").

The relevant Issuer will make a determination in relation to each issue under the Programme of the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to each of the "relevant persons" for purposes of section 309B(1)(c) of the SFA.

BENCHMARKS REGULATION

Interest and/or other amounts payable under the Floating Rate Notes may be calculated by reference to certain reference rates. In the case of such Notes, any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "Benchmarks Regulation"). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

IMPORTANT – EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"), (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any

Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is an international organisation established by the Agreement for the Establishment of the Africa Finance Corporation dated 28 May 2007 (the "**Establishment Agreement**"). As at the date of this Base Prospectus, the Issuer has 21 members: the Federal Republic of Nigeria ("**Nigeria**"), the Republic of Ghana ("**Ghana**"), the Republic of Guinea-Bissau ("**Guinea-Bissau**"), the Republic of Sierra Leone ("**Sierra Leone**"), The Islamic Republic of the Gambia ("**The Gambia**"), the Republic of Liberia ("**Liberia**"), the Republic of Guinea ("**Guinea**"), the Republic of Chad ("**Chad**"), the Republic of Cabo Verde ("**Cape Verde**"), the Gabonese Republic ("**Gabon**"), the Republic of Côte d'Ivoire ("**Côte d'Ivoire**"), the Republic of Rwanda ("**Rwanda**"), the Republic of Uganda ("**Uganda**"), the Republic of Djibouti ("**Djibouti**"), the Republic of Kenya ("**Kenya**"), the Republic of Zambia ("**Zambia**"), the Republic of Benin ("**Benin**"), the Republic of Zimbabwe ("**Zimbabwe**"), the Republic of Malawi ("**Malawi**"), the Togolese Republic ("**Togo**") (together, the "**Member Countries**") and the Africa Reinsurance Corporation ("**Africa Re**").

As an international organisation, the Issuer is not incorporated under the laws of any state and it is a creature of, and subject to, public international law. In a situation where the United Kingdom is not a party to the agreement establishing an international organisation and no Order in Council has been made under the International Organisations Act 1968 of the United Kingdom in relation to the relevant organisation (as is currently the case for the Issuer), the English courts have held that an international organisation will be recognised as an entity with separate legal personality that can sue and be sued before the English courts where the organisation concerned has been incorporated in, or has separate legal personality otherwise conferred upon it by the laws of, at least one state which is recognised by the United Kingdom.

In this connection, the Establishment Agreement and the Charter of the Africa Finance Corporation dated 28 May 2007 (the "**Charter**") provide that the Issuer is an international institution with international legal capacity including the right to enter into international agreements within its competence and that the Issuer is recognised as a separate legal entity in its Member Countries, all of which are sovereign states recognised by the United Kingdom.

The Notes and the Trust Deed are governed by the laws of England, and the Issuer has agreed in the Trust Deed that disputes arising thereunder or in respect of the Notes shall be referred to and finally resolved by arbitration in accordance with the Rules of the London Court of International Arbitration. The courts of a Member Country may not enforce any judgment obtained in a court established in a country other than that Member Country unless there is in effect a treaty between such country and such Member Country providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between any of the Member Countries and the United Kingdom or the United States. Accordingly, judgments may be enforceable in Member Countries following compliance with certain procedural or other requirements. However, should a holder of the Notes be successful in obtaining a judgment against the Issuer in any jurisdiction other than a Member Country, no assurance can be given that such judgment will be enforced against the Issuer in such Member Country. However, each of the Member Countries (except for Chad, The Gambia, Guinea-Bissau, Malawi, Sierra Leone and Togo), the United States and the United Kingdom is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, also known as the New York Convention (the "**Convention**") and, accordingly, an award by an arbitration tribunal should be recognised and enforceable in a Member Country (except for Chad, The Gambia, Guinea-Bissau, Malawi, Sierra Leone and Togo) provided the conditions to enforcement set out in the Convention are met and such Member Country's procedures and laws relating to enforcement of arbitral awards are satisfied.

In the circumstances described in this paragraph, however, the enforcement in the Member Countries of an arbitral award obtained under the Convention cannot be assured. Provided any new Member Country which accedes to the Establishment Agreement in the future is a party to the Convention, an award by an arbitration tribunal should be recognised and enforced in the new Member Country provided the conditions to enforcement set out in the Convention are met and such new Member Country's procedures and laws relating to enforcement of arbitral awards are satisfied. If a Member Country is not a party to the Convention, an arbitration award may not be enforceable in that new Member Country.

As a substantial portion of the Issuer's property and assets are located in Member Countries, it may be difficult to effect service of process or enforce judgements against the Issuer. The Establishment Agreement provides that no judgement or award other than a final judgement or award may be enforced against the Issuer and all property and assets of the Issuer shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Issuer.

See "*Risk Factors—Risks relating to the market generally—It may be difficult to effect service of legal process and enforce judgments obtained in Member Countries against the Issuer and its officers*".

Most of the members of the Board of Directors of the Corporation ("**Board of Directors**") are residents of a Member Country. A substantial portion of the assets of the Issuer and most of such persons are located in the Member Countries. As a result, it may not be possible to effect service of process upon the Issuer or any such person outside the Member Countries to enforce against any of them, in courts of jurisdictions other than the Member Countries, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or to enforce against any of them, in the courts of the Member Countries, judgments obtained in jurisdictions other than the Member Countries, including judgments obtained on the Trust Deed in the courts of England.

FORWARD LOOKING STATEMENTS

Certain statements included herein may constitute forward looking statements that involve a number of risks and uncertainties. They may also constitute "*forward looking statements*" within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Act of 1934, as amended (the "**Exchange Act**"); however, this Base Prospectus is not entitled to the benefit of the safe harbour created thereby. Certain such forward looking statements can be identified by the use of forward looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and include statements regarding the Corporation's intentions, beliefs or current expectations concerning, amongst other things, the Corporation's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward looking statements are not guarantees of future performance and that the Corporation's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward looking statements contained in this Base Prospectus. In addition, even if the Corporation's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the anticipated growth of the Corporation's business; and
- expectations as to the Corporation's investments.

Factors that could cause actual results to differ materially from the Corporation's expectations are contained in cautionary statements in this Base Prospectus and include, among other things, the following:

- the Corporation may be negatively affected by significant political, legal, regulatory and social uncertainties in its jurisdictions of operation;
- the Corporation's growth strategy and performance is dependent on identifying appropriate investments in its target markets as well as the availability of external financing and capital. Failure to identify such investments or financing could have a material adverse effect on the Corporation's business, results of operations or financial condition;
- the Corporation may be materially adversely affected by economic instability and adverse business and operating conditions in the markets in which it conducts its investment operations;
- unlike other regulated financial institutions, the Corporation is not subject to external regulatory oversight;
- the Corporation is exposed to credit risks arising from its lending activities and its risk management strategies may not adequately address unidentified or unanticipated risks;
- the Corporation could be adversely affected by non-performing loans and other impaired investments;
- the Corporation may be subject to liquidity risk;
- Member Countries and existing shareholders have a low ability to support the Corporation, which could have a material adverse effect on the Corporation's operations if a capital request is initiated;
- Member Countries may take actions that will have direct or indirect adverse consequences for the Corporation's business or have interests that do not coincide with those of the Corporation;

- the Corporation has historically benefited from rights and immunities granted to it by its Member States, however there can be no assurance that it will continue to do so in the future;
- militant activity and terrorism in certain of the jurisdictions in which the Corporation operates may impact its business;
- the Corporation operates in jurisdictions with inherent risks relating to fraud, bribery and corruption which may have a material adverse effect on its business, results of operations or financial condition;
- currency fluctuations could materially adversely affect the Corporation's results of operations;
- the Corporation makes equity investments and this might potentially increase the volatility of earnings;
- the Corporation is exposed to fluctuations in interest rates;
- the Corporation is subject to competition from other lenders and investors. If the Corporation is not able to successfully maintain its competitive position, its financial performance and business prospects may be materially adversely affected;
- the Corporation is exposed to operational risk;
- the Corporation faces certain risks dealing with HIV/AIDS and with outbreaks, such as malaria and the Ebola virus, which could adversely affect the Corporation's business, results of operations and financial condition;
- the Corporation relies on its ability to recruit and retain qualified personnel, without whom it may not be able to manage its business effectively; and
- statistical information published by the governments in the jurisdictions that the Corporation operates may differ from that produced by other sources and may be unreliable, which may subject its operations to uncertainty.

The sections of this Base Prospectus entitled "*Risk Factors*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" and "*Description of the Corporation*" contain a more complete discussion of the factors that could affect the Corporation's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward looking events described in this Base Prospectus may not occur.

These forward-looking statements speak only as at the date of this Base Prospectus. Save as required by the Central Bank of Ireland, the Corporation does not undertake any obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Corporation or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial statements

The Corporation maintains its books of accounts in U.S. dollars in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Unless otherwise indicated, financial information set forth herein related to the Corporation has been extracted from the Corporation's financial statements as at and for the year ended 31 December 2018, including comparative information as at and for the year ended 31 December 2017 (the "**2018 Financial Statements**") and the Corporation's financial statements as at and for the year ended 31 December 2017, including comparative information as at and for the year ended 31 December 2016 (the "**2017 Financial Statements**" and together with the 2018 Financial Statements, the "**Financial Statements**"), each of which was prepared in accordance with IFRS.

The Financial Statements, all including the respective audit reports of KPMG Professional Services Chartered Accountants ("**KPMG**") and PricewaterhouseCoopers Chartered Accountants ("**PwC**") thereon, are set forth elsewhere in this Base Prospectus. The 2018 Financial Statements were audited by KPMG, located at KPMG Tower, 33 Bishop Aboyade Cole St, Victoria Island Lagos, Nigeria and the 2017 Financial Statements were audited by PwC, located at Landmark Towers, 5B Water Corporation Road, Victoria Island Lagos, Nigeria, in each case in accordance with the International Standards on Auditing ("**ISA**"). KPMG and PwC are independent auditors in accordance with regulations and guidance issued by the Financial Reporting Council of Nigeria, its interpretation, the rulings of the laws of the Federal Republic of Nigeria and the applicable rules and regulations thereof.

The Financial Statements in this Base Prospectus are not intended to comply with the SEC's reporting requirements and have been prepared in accordance with IFRS which differs in various significant respects from generally accepted accounting principles in the United States ("**U.S. GAAP**"). Additionally, compliance with such reporting requirements would require among other things, compliance with the requirements of Regulation S-X and the exclusion of certain non-IFRS measures. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in those Financial Statements. In making an investment decision, investors should rely upon their own examination of the terms of the Programme and the financial information contained in this Base Prospectus. Investors should consult their own professional advisors for an understanding of the differences between IFRS, on one hand, and U.S. GAAP on the other hand, and how those differences could affect the financial information contained in this Base Prospectus.

Third-party information

The Corporation obtained certain statistical and market information that is presented in this Base Prospectus from the International Monetary Fund (the "**IMF**"), Population Reference Bureau, World Health Organization, the United Nations and the World Bank. This third-party information is presented in the following sections of the Base Prospectus: "*Description of the Corporation*" and "*Management's Discussion and Analysis of Result of Operations and Financial Condition*". Where such third-party information appears in this Base Prospectus, it has been cited as such. The Corporation has accurately reproduced such information and, so far as the Corporation is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Neither the Corporation nor any of the Dealers have independently verified the figures, market data or other information on which third parties have based their studies. Certain statistical information reported herein has been reproduced from official publications of, and information supplied by, a number of government agencies and ministries, and other governmental and intergovernmental organisations.

Information under the heading "*Book-Entry Clearance Systems*" has been extracted from information provided by the clearing systems referred to therein. The Corporation confirms that such information has been accurately reproduced and that, so far as each of them is aware, and is able to ascertain from

information published by the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Rounding

Certain figures included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain defined terms

In this Base Prospectus:

- **"AFC"** or **"Corporation"** refers to the Africa Finance Corporation;
- **"BACC"** refers to the board audit and compliance committee of the Corporation;
- **"BNGC"** refers to the board nominations and corporate governance committee of the Corporation;
- **"Benin"** refers to the Republic of Benin;
- **"Board of Directors"** refers to the board of directors of the Corporation;
- **"BRIC"** refers to the board risk and investment committee of the Corporation;
- **"CAGR"** refers to compound annual growth rate, which is calculated for the compounding period 2016-2018 as the percentage of the square root of the ending value divided by the beginning value minus one;
- **"Cape Verde"** refers to the Republic of Cabo Verde;
- **"CBN"** refers to the Central Bank of Nigeria;
- **"Chad"** refers to the Republic of Chad;
- **"Charter"** refers to the Charter of the Corporation dated 28 May 2007;
- **"CNY"**, **"Chinese yuan"**, **"RMB"** or **"renminbi"** are to the Chinese yuan renminbi, the lawful currency of the PRC;
- **"Côte d'Ivoire"** refers to the Republic of Côte d'Ivoire;
- **"Djibouti"** refers to the Republic of Djibouti;
- **"EUR"**, **"euro"** or **"€"** refers to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- **"EXCO"** refers to the executive committee of the Corporation;
- **"Establishment Agreement"** refers to the agreement for the establishment of the Corporation dated 28 May 2007;
- **"Exchange Act"** refers to the U.S. Securities Exchange Act of 1934, as amended;
- **"Gabon"** refers to the Gabonese Republic;
- **"The Gambia"** refers to the Islamic Republic of the Gambia;
- **"Ghana"** refers to the Republic of Ghana;
- **"Guinea"** refers to the Republic of Guinea;

- **"Guinea-Bissau"** refers to the Republic of Guinea-Bissau;
- **"Headquarters Agreement"** refers to the agreement between the Corporation and the government of Nigeria regarding the headquarters of the Corporation dated 28 May 2007;
- **"IFRS"** refers to International Financial Reporting Standards as issued by the IASB;
- **"IMF"** refers to the International Monetary Fund;
- **"Investment Company Act"** refers to the U.S. Investment Company Act of 1940, as amended;
- **"Issuer"** refers to the Corporation;
- **"Kenya"** refers to the Republic of Kenya;
- **"Liberia"** refers to the Republic of Liberia;
- **"Malawi"** refers to the Republic of Malawi;
- **"Member Countries"** refers to the members of the Corporation, which as at the date of this Base Prospectus are Nigeria, Ghana, Guinea-Bissau, Sierra Leone, The Gambia, Liberia, Guinea, Chad, Cape Verde, Gabon, Côte d'Ivoire, Rwanda, Uganda, Djibouti, Kenya, Zambia, Benin, Zimbabwe, Malawi and Togo;
- **"Nigeria"** refers to the Federal Republic of Nigeria;
- **"Nigerian SEC"** refers to the Nigerian Securities and Exchange Commission;
- **"PRC"** refers to the People's Republic of China;
- **"Prospectus Directive"** refers to Directive 2003/71/EC (as amended, including by Directive 2010/73/EU);
- **"Relevant Member State"** refers to any Member State of the European Economic Area which has implemented the Prospectus Directive;
- **"Rwanda"** refers to the Republic of Rwanda;
- **"SEC"** refers to the U.S. Securities and Exchange Commission;
- **"Securities Act"** refers to the U.S. Securities Act of 1933, as amended;
- **"Sierra Leone"** refers to the Republic of Sierra Leone;
- **"South African rand"** refers to the lawful currency of the Republic of South Africa;
- **"Togo"** refers to the Togolese Republic
- **"Uganda"** refers to the Republic of Uganda;
- **"United States"** or the **"U.S."** refers to the United States of America;
- **"U.S. dollar"** or **"U.S.\$"** refers to the lawful currency of the United States of America;
- **"Zambia"** refers to the Republic of Zambia; and
- **"Zimbabwe"** refers to the Republic of Zimbabwe

Certain foreign language terms

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	Africa Finance Corporation.
Legal Entity Identifier (" LEI ") of the Issuer	213800LXFHRRXIJR9W97
Risk Factors:.....	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These factors are set out under " <i>Risk Factors</i> ". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are also set out under " <i>Risk Factors</i> " and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Global Medium Term Note Programme.
Arrangers:.....	First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc, Merrill Lynch International. MUFG Securities EMEA plc and Rand Merchant Bank, a division of FirstRand Bank Limited (London Branch).
Dealers:	First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc, Merrill Lynch International. MUFG Securities EMEA plc and Rand Merchant Bank, a division of FirstRand Bank Limited (London Branch) and any other Dealers appointed in accordance with the Programme Agreement.
Trustee:.....	Citibank, N.A., London Branch.
Certain Restrictions and Approvals:.....	The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 26 February 2015. All necessary corporate and regulatory approvals will be obtained by the Issuer prior to each issuance of Notes under the Programme. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "<i>Subscription and Sale and Transfer and Selling Restrictions</i>") including the following restrictions applicable at the date of this Base Prospectus:

Notes having a maturity of less than one year:

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale and Transfer and Selling Restrictions*".

Bearer Notes:

The Notes in bearer form are subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*".

Exchange Agent:	Citibank, N.A., London Branch.
Principal Paying and Transfer Agent for the Registered Notes:.....	Citibank, N.A., London Branch.
Registrar:	Citibank, N.A., London Branch.
Programme Size:	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) aggregate principal amount of Notes outstanding at any time. The Issuer may increase the size of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
	Payment in respect of Notes denominated in Renminbi may be made in U.S. dollars if RMB Currency Events are specified in the applicable Final Terms and a RMB Currency Event occurs. See " <i>Terms and Conditions of the Notes—Condition 6(i)</i> "
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Final Terms or Drawdown Prospectus:	Each Tranche will be the subject of a Final Terms or a Drawdown Prospectus which, for the purpose of that Tranche only, completes (in the case of Final Terms), amends and/or replaces (in the case of a Drawdown Prospectus) the Conditions and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes

are the Conditions as completed by the relevant Final Terms or as supplemented, amended and/or replaced by the relevant Drawdown Prospectus.

Form of Notes: The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Clearing Systems:..... Euroclear and Clearstream, Luxembourg for Bearer Notes. Euroclear, Clearstream, Luxembourg and/or the Depository Trust Company ("**DTC**") for Registered Notes or as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer. Interest on Fixed Rate Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 6(e) (*Payments – General provisions applicable to payments*).

Floating Rate Notes:..... Floating Rate Notes will bear interest at a rate determined:

- on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or
- on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Interest on Floating Rate Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 6(e) (*Payments – General provisions applicable to payments*).

If Floating Rate Notes provide for a rate of interest (or any component thereof) to be determined by reference to a reference rate and "Reference Rate Replacement" is specified in the applicable Final Terms as being applicable, upon such reference rate ceasing to exist or be published or the occurrence of another Benchmark Event in respect of such reference rate, then the Issuer shall use reasonable endeavours to appoint and consult an Independent Adviser (as defined in the Terms and Conditions of the Notes) with a view to the Issuer determining a successor or alternative reference rate for use in place of the original reference rate and to determine an adjustment margin (if any) (in each case acting in good faith and in a commercially reasonable manner). If the Issuer is unable to appoint and consult an Independent Adviser or, following consultation with an

	Independent Adviser so appointed, it fails to determine a successor or alternative reference rate (as applicable), then the Issuer (acting in good faith and in a commercially reasonable manner) is permitted to make such determinations. See Condition 5(b)(vi) for further information.
Other provisions in relation to Floating Rate Notes:	Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and redeemed at their nominal amount, or offered and sold at their nominal amount and redeemed at a premium to their nominal amount, as may be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and will not bear interest.
Redemption:	The relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders or upon a Put Event. The terms of any such redemption, including notice periods and the relevant redemption dates and prices will be indicated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), and in the case of any relevant conditions to be satisfied, will be specified in the Conditions or the relevant Drawdown Prospectus. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution. See "<i>Certain Restrictions and Approvals: Notes having a maturity of less than one year</i>" above.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see " <i>Certain Restrictions and Approvals: Notes having a maturity of less than one year</i> " above. Notes issued and to be listed on a regulated market pursuant to the Prospectus Directive shall have a minimum denomination of €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction to the extent provided in Condition 8 (<i>Taxation</i>). In the event that any such deduction is made, the Issuer will, save in certain circumstances provided in Condition 8 (<i>Taxation</i>), be

	required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4 (<i>Negative Pledge</i>).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10 (<i>Events of Default and Enforcement</i>).
Status of the Notes:	The Notes and any related Coupons are direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 4 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and rank and will at all times rank <i>pari passu</i> , without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' and depositors' rights.
Rating:	The Issuer's current long term rating by Moody's Investors Service Ltd ("Moody's") is A3. Notes issued under the Programme may be rated or may be unrated. Where a Series of Notes is rated, such rating will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made to the Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and traded on the regulated market of Euronext Dublin. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Unlisted Notes and/or Notes not admitted to trading on any market may also be issued. The relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.
Governing Law:	The Notes will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Nigeria, Hong Kong, Singapore, South Africa, Switzerland, the United Arab Emirates (excluding Dubai International Financial Centre), Dubai International Financial Centre, Qatar, Bahrain, Kingdom of Saudi Arabia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See

"Subscription and Sale and Transfer and Selling Restrictions".

United States Selling Restrictions: Regulation S (Category 2), Rule 144A and Section 4(a)(2). Bearer Notes will be issued in compliance with rules identical to those provided in: (a) U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) or substantially identical successor provisions ("**TEFRA D**") or (b) U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) or substantially identical successor provisions ("**TEFRA C**") such that the Bearer Notes will not constitute "*registration required obligations*" under section 4701(b) of the Code, as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be). Such rules impose certain additional restrictions on transfers of the Bearer Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*".

RISK FACTORS

Investment in the Notes involves a high degree of risk. Potential investors should carefully review this entire Base Prospectus and, in particular, should consider all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest. The risks highlighted below (individually or in aggregate) could have a material adverse effect on the Corporation's business, results of operations and financial condition, which, in turn, could have a material adverse effect on the Corporation's ability to pay interest, principal or other amounts on or in connection with any Notes issued under the Programme. In addition, the value of the Notes could decline due to any of these risks, and investors in the Notes may lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks that the Corporation may face. These are the risks that the Corporation currently considers to be material. There may be additional risks that the Corporation currently considers to be immaterial or of which the Corporation is currently unaware, and any of these risks could have similar effects to those set forth below. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risks relating to the Corporation and its jurisdictions of operation

The Corporation may be negatively affected by significant political, legal, regulatory and social uncertainties in its jurisdictions of operation.

The Corporation is exposed to the political, legal, regulatory and social environment of its Member Countries and the countries in which it has investment interests. A significant portion of the Corporation's investment operations are conducted in Africa. Any exposure that the Corporation has outside Africa is restricted to the investment of its liquid assets with international banks and funds under management, pending deployment of such funds for use in infrastructure projects in Africa, in accordance with the Corporation's mandate. Since the Corporation's inception, countries in which it had investment interests have included the Kingdom of Morocco ("**Morocco**"), Guinea, Côte d'Ivoire, Ghana, Cape Verde, Nigeria, the Republic of Cameroon ("**Cameroon**"), Chad, Gabon, the Federal Democratic Republic of Ethiopia ("**Ethiopia**"), Zimbabwe, Kenya, Malawi, Zambia, the Republic of Angola, the Republic of South Africa, the Republic of Congo, the Democratic Republic of Congo (the "**DRC**"), Republic of Botswana, Republic of Mauritius, Republic of Mozambique, Republic of Namibia, Republic of Senegal, the United Republic of Tanzania ("**Tanzania**"), Uganda, Republic of Tunisia ("**Tunisia**"), Rwanda, the Arab Republic of Egypt ("**Egypt**"), Liberia, the United Kingdom, the United States, Japan, the United Arab Emirates and the Netherlands. See "*Description of the Corporation—Lending—Loans by Geography*" for the countries in which the Corporation had investment interests as at 31 December 2018. The Corporation's business involves a high degree of risk which, despite a combination of experience, knowledge and careful evaluation, it may not be able to overcome. These risks include instability in political or financial systems, changes in government policy, the creation of new laws, labour unrest, uncertainty arising from underdeveloped legal and regulatory systems, corruption, civil strife, war, hostilities, armed conflict, guerrilla activities, terrorism, HIV-AIDS, the Ebola virus and outbreaks of other infectious diseases.

The Corporation's business and operations are susceptible to both weaker legal institutions and more complex and costly regulatory and governmental processes in Africa. Entities operating in developing economies face regulatory environments that are, on average, less business-friendly than economies classified as "high-income" by the Organisation for Economic Co-operation and Development. The legal framework with respect to private investment and private property in some countries in Africa is at a relatively early stage of development compared to countries with established market economies. In addition, the judicial systems of these countries may not be regarded as fully independent of outside social, economic and political forces, and therefore court decisions may be difficult to predict. Future legislative developments could have a negative impact on the Corporation's business, results of operations and financial condition. Therefore, the Corporation's clients may, for example, face higher costs and more bureaucratic procedures to register to do business, obtain construction permits and register or secure property. Additionally, these problems will not only result in higher costs and commitments of time to deal with governmental bureaucracy, but the Corporation will also be faced with weaker laws relating to enforcement of arrangements regarding collateral and weaker institutions such as courts, credit bureaus and collateral registries. Structural reforms are still needed in many sectors in many of the countries in which the Corporation has investment interests. While the energy and agriculture sectors are in need of such

reforms, most reforms concern labour and product markets. In addition, some of these countries will also require significant investment in infrastructure.

In addition, in many of the jurisdictions in which the Corporation operates, there is a history of civil and political conflict including civil war and government change by coup d'état. See also "*Militant activity and terrorism in certain of the jurisdictions in which the Corporation operates may impact its business*" below. The Corporation's operations could be negatively impacted if any of its Member Countries or the countries in which it has investment interests experiences a period of social and political unrest.

The region's operating environment remains one of the most difficult in the world because of the above described risks. All or any one of these risks could cause any of the Corporation's investments to fail, which could have a material adverse effect on its business, results of operations and financial condition.

The Corporation's growth strategy and performance is dependent on identifying appropriate investments in its target markets as well as the availability of external financing and capital. Failure to identify such investments or financing could have a material adverse effect on the Corporation's business, results of operations or financial condition.

The Corporation commenced operations in 2007 and, as at 31 December 2018, its total assets amounted to U.S.\$4.5 billion as compared to U.S.\$4.2 billion as at 31 December 2017 and U.S.\$3.4 billion as at 31 December 2016. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Changes in Financial Condition*". Continued growth of the Corporation's asset portfolio is contingent upon the Corporation finding appropriate investments to finance in its target markets. The Corporation spends time and resources developing projects to create potentially viable investment opportunities. However, the Corporation may not succeed in creating such opportunities, or such opportunities may not always result in an investment by the Corporation, which would result in the loss of already expended time and resources. As a result of the challenging economic conditions experienced over the last two years in the countries in which the Corporation invests, growth in the Corporation's loans and advances to other customers portfolio, which represents its "core" investing operations portfolio in Africa, has been relatively flat over the period, standing at U.S.\$1.3 billion, U.S.\$1.2 billion and U.S.\$1.2 billion as at 31 December 2018, 2017 and 2016, respectively. The Corporation's loans and advances to other customers portfolio represented 29.9% of its total assets as at 31 December 2018. There can be no assurance that growth rates in African economies will improve or that future growth rates will be in line with historical growth rates. In addition, a deterioration in the performance of the African economies in which it operates could affect the demand for projects, infrastructure and investments, which could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

The Corporation has thus far obtained financing for the growth of its portfolio from its paid up share capital and borrowings from the international loan market (bilateral syndicated loans, club loans and repurchase agreements), issuance of debt securities in the international capital markets and loans from a number of development finance institutions ("**DFIs**"). The Corporation relies on the wholesale funding market for its funding as it is not a deposit-taking institution and it does not have a callable capital mechanism. See "*Member Countries and existing shareholders have a low ability to support the Corporation, which could have a material adverse effect on the Corporation's operations if a capital request is initiated*" below. If the Corporation requires additional capital to implement its growth strategy, it may have to find new public or private shareholders.

The Corporation expects to continue to finance additional development projects through borrowing from banks and the issuance of debt securities in the international capital markets. The use of these sources of external financing could increase the Corporation's leverage and funding costs. The Corporation often seeks to match the duration of its assets and liabilities, which results in the Corporation's borrowings having various maturities. Commercial funding sources have historically provided funding to the Corporation with maturities of one to three years, while DFIs have provided longer term funding of up to ten to fifteen years. The Corporation continually seeks to lengthen the maturity profile of its liabilities as longer-term project finance loans become increasingly important in its asset portfolio. Longer term financing is used to match the relatively long tenors of loans in the loan portfolio, while shorter term financing is used to match shorter term assets, such as the trade finance portfolio. Despite the Corporation's efforts to minimise maturity mismatches between assets and liabilities, there can be no assurance that maturity mismatches will not occur. See "*The Corporation may be subject to liquidity risk*" below.

The Corporation's fundraising may also be affected by changes in rating agencies' and market professionals' assessment of it. Credit ratings are based upon information furnished by the Corporation or obtained from independent sources and are subject to revision, suspension or withdrawal by the rating agencies at any time. A downgrade in the credit ratings assigned to the Corporation or any of its Member Countries, or negative assessments made by market professionals in respect of the Corporation, could have an adverse effect on its business, results of operations and financial condition, including through increased funding costs and/or increased difficulty in raising funds, the termination or cancellation of existing agreements, and the need to provide additional collateral in connection with derivatives transactions.

The Corporation's ability to borrow from other financial institutions, to issue securities in the international capital markets or otherwise to obtain funding for transactions on favourable terms, or at all, could be adversely affected by adverse financial and economic market conditions, disruption in international capital markets or deteriorating investor sentiment. If the Corporation is unable at any time to obtain financing on acceptable terms to comply with its investment strategy and to meet ongoing liquidity requirements, it may not be able to pursue investment opportunities as planned or meet its growth targets and its business, results of operations and financial condition could be materially adversely affected.

The Corporation may be materially adversely affected by economic instability and adverse business and operating conditions in the markets in which it conducts its investment operations.

A significant portion of the Corporation's investment operations are conducted in Africa and the Member Countries of the Corporation are countries in Africa, with the majority currently located in West Africa, all of which are considered emerging markets. Any exposure that the Corporation has outside Africa is restricted to the investment of its liquid assets with international banks and funds under management, pending deployment of such funds for use in infrastructure projects in Africa. See "*Description of the Corporation—Lending*". African economies have historically experienced significant volatility characterised by slow or negative growth, significant inflation, weak fiscal and monetary policies, low foreign currency reserves, high external debts, currency depreciation, political uncertainty, declining investments, government and private sector debt defaults, high taxes, nationalisation issues, skilled labour shortages, inadequate legislation and bureaucratic red tape. In addition, African economies are often overly dependent on commodity exports, for example, Zambia is highly dependent on copper exports, Nigeria is highly dependent on oil exports and Ghana is highly dependent on oil exports, gold and cocoa exports. As a result, African economies are highly susceptible to global economic changes, such as fluctuations in commodity prices, U.S. dollar interest and exchange rate movements and the demand for commodities by developed and emerging market economies. This could adversely impact the quality of the Corporation's loan portfolio if borrowers suffer negative impacts from certain global economic changes that affect their creditworthiness and loan repayment abilities. Adverse trends in global commodity prices often put a strain on the fiscal position and balance of payments of African economies that are heavily dependent on commodity exports. This in turn puts severe pressure on the currencies of the countries that are heavily dependent on commodity exports.

Since 2014, the global price of crude oil has fallen significantly, which has put a strain on the fiscal position and the local currency of Nigeria, a market in which the Corporation conducts a significant portion of its investment operations. In June 2016, at the recommendation of the IMF and the private sector, the Central Bank of Nigeria ("CBN") abandoned its previous policy of pegging the Naira to the U.S. dollar and reintroduced market-driven currency trading under a flexible exchange rate system. Since 2016, the Naira has fallen in value by approximately 36% against the dollar as at 31 December 2018 and remains susceptible to global economic changes that could lead to a further decline in its value.

A depreciation of the local currencies of African countries and shortage of availability of foreign currency could put pressure on the Corporation's borrowers that earn local currency cash flows and negatively impact their ability to service their obligations to the Corporation, which could have a material adverse effect on its business, results of operations and financial condition. While the Corporation manages its currency risk exposures by seeking to lend mostly in hard currency to entities that have some form of foreign currency cash flows or entities whose local currency revenue may be adjusted upwards to account for local currency depreciation, the Corporation may also lend to entities that earn local currency cash flows without any form of exchange rate adjustment mechanism. In such a situation, the Corporation may be indirectly exposed to the risk of local currency depreciation (if the borrowers are unable to hedge their inherent currency risk) in addition to the risk of foreign currency unavailability. Foreign currency availability risk has been experienced recently by the Corporation's borrowers who earn local currency revenues in Nigeria and have an obligation to service foreign currency debts. While none of the borrowers have defaulted on their

payment obligations to the Corporation, the difficulty they have experienced in accessing foreign currency in a timely manner and the recent depreciation of the local currency has made it challenging for such borrowers to service their payment obligations. See "*—The Corporation could be adversely affected by non-performing loans, other impaired investments and realised losses on its investments*" below. A severe currency crisis that lingers for a long time in any of the countries where the Corporation operates could therefore have a material adverse effect on its business, results of operations and financial condition.

In addition, certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. For example, the growth of the Chinese economy has slowed down in recent years, which has corresponded with a reduction in Chinese investment in Africa and demand for African commodities exports. In addition, the current trade war between the United States and China may also contribute to a reduction in demand for African goods and services as more Chinese manufactured goods are available for sale in the global market. As has happened in the past, financial problems outside countries with emerging or developing economies or an increase in the perceived risks associated with investing in such economies could dampen foreign investment in and adversely affect the economies of these countries. Political and economic instability in Africa has resulted in a lower level of foreign direct investment in Africa compared to other regions in the world. For example, according to the United Nations Conference on Trade and Development, foreign direct investment into Africa decreased by approximately 21% in 2017 due to weak oil and commodity prices. See "*—The Corporation may be negatively affected by significant political, legal, regulatory and social uncertainties in its jurisdictions of operation*" above. For example, disruptions in the international capital markets could lead to reduced liquidity and increased credit risk premiums for certain market participants and could result in a reduction of available financing. Entities located in countries in the emerging markets may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

Unlike other regulated financial institutions, the Corporation is not subject to external regulatory oversight.

The Corporation is a multilateral development financial institution established by the Establishment Agreement and is not subject to external regulatory oversight. The Establishment Agreement has the status of a treaty under public international law and the Corporation is a creation of, and subject to, public international law. The Corporation's existence, powers, privileges, immunities, liabilities and operations are subject to and governed by the Establishment Agreement. The Corporation is not subject to regulation by any state. Accordingly, while the Corporation has established prudential policies and procedures to govern its internal operations in accordance with international standards, such as Basel II and III (for capital adequacy and liquidity), IFRS (for accounting) and international best practices (for corporate governance), the operations of the Corporation are not subject to external regulatory oversight, unlike other regulated financial institutions. There can be no assurance, in the absence of an independent regulatory or supervisory authority, that the Corporation will maintain its current capital adequacy and liquidity framework and/or adhere to its internal requirements. Failure to adhere to the current framework or changes to it could lead to negative market perceptions of the Corporation, which could have a material adverse effect on its business, results of operations and financial condition.

The Corporation is exposed to credit risks arising from its lending activities and its risk management strategies may not adequately address unidentified or unanticipated risks.

As a multilateral development financial institution established by treaty, the Corporation is required under its Establishment Agreement to finance infrastructure, trade and development transactions in Africa. Its exposure to counterparties outside Africa is restricted to the investment of its liquid assets with international banks and funds under management, pending deployment of such funds for use in infrastructure projects in Africa. As a result, the Corporation's loans to other customers portfolio, which represents its "core" investing operations portfolio, is geographically concentrated and therefore vulnerable to any potential deterioration in economic conditions in Africa, which could have a material adverse effect on the Corporation's business, results of operations and financial condition. For instance, changes in economic conditions may result in the deterioration of the value of the collateral held by the Corporation and increase the risk of loss in the event of a default by the Corporation's borrowers. As at 31 December 2018, 92% of the Corporation's project finance loans and 64% of the Corporation's trade finance loans were secured by collateral. Of the remaining unsecured balance of the Corporation's loan portfolio, short-term loans to financial institutions represented 66.7%.

In addition, as the Corporation focuses on investing in infrastructure, its asset portfolio includes and is likely to continue to include concentrations in certain specific sectors. As at 31 December 2018, 50.2% of the Corporation's loans portfolio was to banks primarily outside of Africa and the remaining 49.8% was to banks in Africa and other customers. Loans to banks are comprised of short-term money market placements held for liquidity purposes and loans to other customers made to non-bank customers to finance projects within the Corporation's focus sectors and trade finance transactions in Africa. As at 31 December 2018, the Corporation had U.S.\$1.3 billion in loans outstanding to 30 non-bank customers of which 29.1% was to customers in the natural resources sector (oil and gas and mining), 14.7% was to customers in the financial institutions sector, 22.9% was to customers in the heavy industry and telecommunications sector, 18.7% was to customers in the power sector and 10.5% was to customers in the transport sector. As at 31 December 2018, the Corporation's geographical exposures to non-bank customers were as follows: Côte d'Ivoire at 28.7%, Nigeria, at 16.7%, Gabon at 9.3%, Rwanda at 8.7%, Chad at 7.0%, Ghana at 4.6%, Kenya at 4.2%, Zambia at 3.8%, DRC and the Republic of Congo at 3.4% each, Tunisia at 2.6%, Mozambique at 1.6%, Cameroon at 1.4%, Egypt at 1.2%, Liberia at 0.3% and other exposures of 3.1% to customers with operations in various countries. As of 31 December 2018, the ten largest outstanding loans to non-bank customers accounted for 69.6% of its loans to other customers portfolio. Out of the ten largest outstanding exposures, the main exposures were to the natural resources sector at 33.6% and the heavy industry and telecommunications sector at 32.2%.

The Corporation's exposure to the financial institutions sector has historically been, and remains, high, in part because the Corporation's financing is primarily focused on infrastructure projects, which have long lead and closure times. Therefore, the Corporation places funds in the money market pending deployment of the designated funds to its core investment projects. To comply with the Corporation's liquidity requirements, it maintains a significant amount of cash in money market placements and other liquid assets. See "*—The Corporation may be subject to liquidity risk*" below. The Corporation also purchases medium term Eurobonds issued by financial institutions. The Corporation assumes direct credit risk on all transactions with financial institutions and is thus potentially exposed to both counterparty and regulatory risk in certain of the Corporation's countries of operations.

These concentrations could result in an adverse impact on the business, results of operations and financial condition of the Corporation if short term economic changes affect its clients in the business sectors or countries to which its asset portfolio is exposed, including potential difficulties in loan repayment and collection, with a potential for credit losses arising from these investments. The Corporation provides financing to entities in the Natural Resources (Oil and Gas and Mining) sector. While entities in the Natural Resources sector often earn foreign currency revenues and are therefore not exposed to the risk of local currency depreciation, a sharp drop in the global prices of commodities negatively impacts their cash flows and revenues. As at 31 December 2018, the Corporation had 13.9% of its total loans allocated to the natural resources sector (split into 11.1% to oil and gas (upstream) and 2.8% to oil and gas (downstream and mining)). While the obligors in the downstream oil and gas sector have benefited from a lower oil price regime, the obligors in the upstream oil and gas sectors have seen their cash flows negatively impacted by the fall in oil price prompting the Corporation to downgrade the credit rating assigned to such obligors pursuant to its internal rate grading system to "marginal" or "special attention assets". See also "*—The Corporation could be adversely affected by non-performing loans and other impaired investments*" below and "*Risk Management—Credit Risk—Credit Quality Analysis—Credit Rating of Counterparty/Obligor*". However, the negative impact of a fall in oil price on the revenues of some of the Corporation's upstream oil and gas borrowers has been somewhat offset by a substantial increase in their production levels. In some instances, upstream oil and gas borrowers have been able to ramp up and almost double their production levels thereby offsetting some of the negative impact of the drop in oil price on their revenues and cash flows. In addition, some of the Corporation's obligors in the upstream oil and gas sector also have hedges in place to manage their exposure to commodity price risk and these hedges have protected them from the recent drop in oil price and enhanced their profitability and ability to service their payment obligations. However, in instances where borrowers do not have hedges in place, the Corporation believes that if oil prices continue to drop or remain low for an extended period of time, these borrowers may begin to experience difficulties in servicing their payment obligations. While, in order to avoid potential credit deteriorations, the Corporation proactively engages in discussions with such borrowers with a view to potentially amend the repayment profile of the loans and to also ensure such borrowers put in place appropriate hedges to manage the risk of a fall in oil prices, there can be no guarantee such hedges will prevent the materialisation of such a risk. As at 31 December 2018, the total value of upstream oil and gas exposures without a crude oil price hedge in the Corporation's portfolio was U.S.\$148 million, representing 4.9% of the loan portfolio.

While the Corporation makes use of standard credit risk management techniques and strategies, including adherence to a broad range of limits for counterparties, corporations, industries and countries, conducting a due diligence process for each investment as part of its investment appraisal process, as well as IFRS compliant provisioning procedures and policies, there is no assurance that these techniques will prove sufficient to adequately mitigate credit risks inherent to its operations. As a result, the Corporation is potentially subject to credit risk and earnings volatility, which could materially adversely affect its business, financial condition and results of operations.

The Corporation could be adversely affected by non-performing loans, other impaired investments and realised losses on its investments.

The Corporation is exposed to credit risk relating to its loans and investments. If the financial condition of its obligors were to deteriorate as a result of changes in economic conditions or other factors, the value of assets held by the Corporation may deteriorate or be extinguished. In addition, as the Corporation continues to grow its balance sheet as part of its growth strategy, the asset quality of its loans and investments may deteriorate, which could lead to the incurrence of non-performing loans, other impaired investments and realised losses on its investments. The Corporation's total assets increased by 7.8% to U.S.\$4.5 billion as at 31 December 2018, compared to U.S.\$4.2 billion as at 31 December 2017. Despite this increase in the Corporation's total assets, as a result of the challenging economic conditions experienced over the last two years in the African countries in which the Corporation invests, growth in the Corporation's loans and advances to other customers portfolio, which represents its "core" investing operations portfolio in Africa, has been relatively flat over the period, standing at U.S.\$1.3 billion, U.S.\$1.2 billion and U.S.\$1.2 billion as at 31 December 2018, 2017 and 2016, respectively. See "*The Corporation is exposed to credit risks arising from its lending activities and its risk management strategies may not adequately address unidentified or unanticipated risks*" above.

While the Corporation has credit risk management policies in place to limit non-performing loans and other impaired investments, see "*Risk Management—Investment Approval Process*", the Corporation's non-performing loans, other impaired investments, realised losses on its investments, related credit costs and other costs could increase. This increase could occur if, among other things, the global economic environment deteriorates or economic conditions in the jurisdictions in which it operates deteriorate, its borrowers become insolvent, or face financial difficulties, require debt forgiveness or other debt relief arrangements to be made with regard to their debt, equity investments fail to make expected returns, project finance projects take longer to complete, the quality of its loan portfolio is adversely affected by other factors to an extent that is worse than anticipated, or corporate credibility issues among large-scale borrowers surface.

The Corporation had one non-performing loan as at 31 December 2018 but the Corporation did not have any non-performing loans as at 31 December 2017 and 2016. There can be no assurance that changes in the credit quality of the Corporation's clients and counterparties or arising from systematic risk in the financial system will not reduce the value of the Corporation's assets and necessitate impairment provisions. The Corporation made impairment provisions of U.S.\$20.8 million (2017: U.S.\$63.1 million, 2016: U.S.\$27.9 million) representing a specific impairment charge for the non-performing loan and a collective loan loss reserve against all loans on the Corporation's balance sheet. The Corporation's non-performing loan as at 31 December 2018 was a loan to ARM Cement Limited, a cement manufacturer, which comprised 3.7% of the Corporation's loans to other customers portfolio and 14.4% of the Corporation's loans to other customers portfolio in the heavy industry and the telecommunications sector. The Corporation's loan loss reserve ratio was 2.8% for the year ended 31 December 2018. In addition, for the year ended 31 December 2017, the Corporation had U.S.\$247.2 million of loans that were past due but not impaired and recorded a loss of U.S.\$44.8 million from the disposal of its debt securities investment in Sea Trucks Corporation Limited. While the loans that were past due but not impaired were each individually assessed as not being impaired, they did carry an unidentified impairment provision. In 2017, the Corporation fully wrote down its U.S.\$39.0 million equity investment in Notore Chemical Industries Limited and U.S.\$30.9 million equity investment in Seven Energy International Limited and in August 2018 it began the process of selling down its shares in Notore Chemical Industries Limited. While the Corporation has not made any new impairments of its equity investments in 2018, there is no assurance that the Corporation will not make future equity investments that may deteriorate in value, as nearly all the Corporation's equity investments are unlisted, and therefore their market value is not easily determined. See "*Description of the Corporation—Investments—Equity Portfolio*".

As at 31 December 2018, 22.9% of the Corporation's loans to other customers portfolio, which represents its "core" investing operations portfolio in Africa, and 57.7% of the Corporation's portfolio of loans to other customers in the natural resources sector specifically were assigned an internal credit rating by the Corporation of "marginal" or "special attention assets", reflecting the credit risks associated with loans to oil and gas customers operating in Nigeria due to, in particular, oil production disruption in the Niger Delta region of Nigeria. See "*Militant activity and terrorism in certain of the jurisdictions in which the Corporation operates may impact its business*" below and "*The Corporation is exposed to credit risks arising from its lending activities and its risk management strategies may not adequately address unidentified or unanticipated risks*" above. The amount was calculated using the Expected Credit Losses ("ECL") loss model in accordance with the requirements of IFRS 9. See "*Management's Discussion and Analysis of Results of Operation and Financial Condition—Factors Affecting the Corporation's Results of Operations—New IFRS Standards*" for more information on the ECL loss model.

There can be no assurance that the Corporation's impairment provisions will be adequate, that a number of risks will not crystallise and that the Corporation will not incur non-performing loans or larger impairment provisions in the future due to the expansion of its portfolio assets, which could have a material adverse effect on its business, results of operations and financial condition. High portfolio exposure to the natural resources sector and pressure on commodity prices could impact the Corporation's results of operations.

The Corporation may be subject to liquidity risk.

The Corporation is subject to liquidity risk, or the risk of having insufficient funds due to an excessive disparity between collection of funds and the Corporation's repayment obligations, or of failing to raise sufficient funds in the event of an emergency. See "*Member Countries and existing shareholders have a low ability to support the Corporation, which could have a material adverse effect on the Corporation's operations if a capital request is initiated*" below. Since the Corporation's obligations are not guaranteed or insured by any one sovereign or Member Country and the Corporation is also not a deposit-taking institution, the Corporation does not have a lender of last resort.

To ensure prudent management of liquidity risk, the Corporation operates a board-approved conservative liquidity policy that requires it to always hold adequate stock of liquid assets to meet its net funding obligations or minimum liquidity level ("MLL") over a succeeding 18-month period under a business as usual assumption and a 12-month period under stress assumptions. Under the stress assumption, the Corporation makes a very conservative assumption that it will not have any inflows over the 12-month horizon and that the ratio of the stock of liquid assets to the MLL should be at least 100%. Although the Corporation takes measures with regard to its liquidity such as careful management of future cash flows and the concentration and profile of debt maturities, careful maintenance of funds it has on hand and careful monitoring of the stock of liquid assets against internal prudential requirements, if circumstances relating to liquidity unforeseen by the Corporation were to occur, its funding costs and liquidity could be materially adversely affected.

Member Countries and existing shareholders have a low ability to support the Corporation, which could have a material adverse effect on the Corporation's operations if a capital request is initiated.

The Corporation is set up as a multilateral development financial institution with substantial private sector participation, where the concept of membership and shareholding are separate. See "*Description of the Corporation—Country Membership and Shareholding*". However, as at the date of this Base Prospectus, Nigeria, through the CBN, and Ghana, through its Ministry of Finance, are the Corporation's only Member Countries that are also shareholders. Ghana completed the process of subscribing to the Corporation's share capital in 2017.

The Corporation is currently engaging in initiatives to raise capital to diversify its shareholding, such as the Sovereign Financial Assistance Program ("SFAP") to assist Member Countries and prospective Member Countries in financing their acquisition of shares in the Corporation. However, there can be no assurance that these efforts will be successful. See "*Description of the Corporation—Country Membership and Shareholding*". While the Corporation's start-up capital of U.S.\$1.1 billion was fully paid-in by its shareholders at its inception, the Corporation's Member Countries and shareholders do not have any contractual obligation to provide additional capital to the Corporation and there is no joint and several support commitment from them. In addition, the average credit quality of the Corporation's shareholders is B2 (according to Moody's), which could mean that their ability to support the Corporation in a timely manner is low. The large concentration of Nigerian shareholders could also impact the quality of support

in case of a rating downgrade in Nigeria. Some of the Corporation's peer institutions (regional and other international development banks) have member countries or shareholders with higher-weighted median credit ratings and contractual commitments to providing capital in case of solvency or liquidity challenges. The Corporation does not currently have a callable capital mechanism in place.

In the event of a stress scenario, should the Corporation request its shareholders and/or Member Countries to provide more capital and such a capital request is not honoured, this could have an adverse impact on the Corporation's ability to pay all its liabilities, which could have a material adverse effect on its business, results of operations and financial condition.

Member Countries may take actions that will have direct or indirect adverse consequences for the Corporation's business or have interests that do not coincide with those of the Corporation.

Although the Corporation is an international organisation having a legal personality separate from its Member Countries, the Corporation and its business operations may be affected by decisions of the Member Countries in their relations with other nations. These decisions may result in adverse effects on the Corporation and the business environment in which the Corporation and its counterparties operate including the reduction or cessation of commercial activity by private counterparties as the result of perceived increases in operational risk, or more formal actions by countries or international organisations to limit or preclude business activity by their nationals or organisational participants with the Corporation or in the areas in which the Corporation operates.

Although the Corporation has not experienced any external pressure from its Member Countries to deviate from its credit and investment policies and procedures, requiring them to only make decisions that are relevant to the Corporation's purpose, functions and operations, there is no guarantee that the Corporation may not experience this type of pressure in the future. Any deviation from its credit and investment policies and procedures as a result of such pressure could have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Corporation has historically benefited from rights and immunities granted to it by its Member Countries, however there can be no assurance that it will continue to do so in the future.

The Corporation is an international organisation established by the Agreement for the Establishment of the Africa Finance Corporation dated 28 May 2007. As at the date of this Base Prospectus, the Corporation has 21 members, including Nigeria, Ghana, Guinea-Bissau, Sierra Leone, The Gambia, Liberia, Guinea, Chad, Cape Verde, Gabon, Côte d'Ivoire, Rwanda, Uganda, Djibouti, Kenya, Zambia, Benin, Zimbabwe, Malawi, Togo and Africa Re. The Establishment Agreement has the status of a treaty under international public law and the Corporation is the creation of, and subject to, international public law. Pursuant to the Establishment Agreement, the Corporation enjoys certain immunities, exemptions, privileges, facilities and concessions.

In particular, under the Establishment Agreement, in the territory of the Member Countries, the Corporation enjoys immunities and privileges granted to international and supranational financial institutions such as protection of its property and assets from any form of search, seizure, expropriation, inviolability of its archives, and tax exemption for its assets and operations. Furthermore, the Establishment Agreement provides that the archives of the Corporation and in general all documents belonging to it or held by it, shall be inviolable.

Notwithstanding these immunities and the absence of government interference up to the date of this Base Prospectus, there can be no assurance that the Member Countries will not interfere or seek to interfere with the Corporation's operations or that violation through unlawful or arbitrary actions by some of the Member Countries will not occur, which could lead to disruption in the Corporation's operations and adversely affect its results of operations, financial condition and business prospects.

Militant activity and terrorism in certain of the jurisdictions in which the Corporation operates may impact its business.

Militant activity and terrorism are major problems in certain of the jurisdictions and sectors in which the Corporation operates. Such acts may pose a threat to its investment activities, which could range from unanticipated delays in project timetables to being forced to abandon access to its assets. In recent years, several African countries have been subject to increasing numbers of terrorist attacks, including but not limited to high profile incidents over the last 12 months in Nigeria and Kenya. An increase in the number

of terrorist attacks or violent crimes, or the occurrence of a large-scale terrorist attack in Africa could have a negative impact on African economies and therefore the Corporation's business, results of operations and financial condition, if the Corporation's borrowers suffer from business disruption as a result of terrorist attacks.

In Nigeria, where the Corporation has significant investment interests, militant activity is a major problem in the Niger Delta region of Nigeria, where a range of militant groups with differing goals operate. The Corporation has certain oil and gas investments in the Niger Delta. The main militant group in the region is the ethnic Ijaw Movement for the Emancipation of the Niger Delta ("**MEND**"), which claims to be fighting for political power for the region's residents and a redistribution of oil revenues. Since MEND emerged in 2006, attacks and kidnappings have made the core states of Rivers, Delta and Bayelsa challenging operating environments for companies, particularly for companies in the oil and gas sector, which have been the main target of attacks. In 2016, another militant group called the Niger Delta Avengers emerged, which has been destroying oil installations in the Niger Delta. The group claims to be fighting for a well-funded amnesty programme for the southern region of Nigeria and has indicated a willingness to engage in dialogue. In 2017, following a visit from Vice President Yemi Osinbajo to the Niger Delta, militant activity in the region decreased significantly. However, the situation in the Niger Delta remains tense and any increase in disturbances could have an impact on oil revenue. In addition, between 2011 and 2016, Nigeria saw an upsurge in attacks on its North East territory by Boko Haram, an Islamic militia group. In April 2014, Boko Haram kidnapped 276 female students from Chibok, Borno, which attracted widespread international media interest and in late 2014, it started launching attacks into northern Cameroon, Niger and Chad. By 2016, an international coalition consisting of Nigeria, Niger, Chad and Cameroon appeared to have made significant progress in curbing the activities of the Boko Haram sect, but violence perpetrated by Boko Haram has escalated since late 2018, with attacks on Nigerian military bases on 20 July 2018, 8 October 2018 and 22 November 2018.

Since late 2011, Kenya has seen an upsurge in violent terrorist attacks by Al-Shabaab. In September 2013, armed gunmen linked to Al-Shabaab attacked the Westgate Shopping Mall in Nairobi, Kenya, killing at least 67 people. In late 2014, two attacks believed to have been carried out by Al-Shabaab killed 64 persons in Mandera County. In April 2015, an attack by Al-Shabaab at a university in north-east Kenya left at least 147 people, mostly students, dead and in March 2016 an attack in the Grand Bassam beach resort in the Côte d'Ivoire left 16 dead. In April 2017, Al-Shabaab attacked and killed eight police officers outside of Kibiti on the Tanzanian coast and in October 2017 an Al-Shabaab truck bomb killed 587 people in Mogadishu, Somalia. Al-Shabaab has also claimed responsibility for the 15 January 2019 attack on the DusitD2 luxury hotel in Nairobi, Kenya that left 21 dead. Unless resolved by their respective governments, these conflicts, whether provoked by disagreements regarding the spread of oil revenue, ethnic or religious differences, may adversely affect national stability.

While neither the Corporation nor its investments are the primary targets for any such incidents, there is a risk that it may be singled out. The security environment in such regions is likely to remain volatile as a result of continuing militant activity and terrorism. In addition, in conducting its business, the Corporation relies on telecommunication and other financial infrastructure. Any potential future terrorist or other attack or catastrophic event on the elements of the global financial infrastructure may have a material adverse effect on the Corporation, regardless of where any such attack or catastrophic event may occur. As the Corporation typically obtains collateral for its loans, a terrorist or similar attack, vandalism, or the occurrence of any natural disaster, affecting the collateral for any loan made by the Corporation, could adversely affect the value of such collateral. If the Corporation, its employees or its investments are the subject of any attacks, kidnappings or other security threats, such event could have a material adverse effect on the Corporation's assets, its ability to staff its operations adequately and could affect the Corporation's reputation.

The Corporation operates in jurisdictions with inherent risks relating to fraud, bribery and corruption which may have a material adverse effect on its business, results of operations or financial condition.

The Corporation operates in a number of jurisdictions that have from time to time experienced high levels of fraud, bribery and corruption. For example, certain jurisdictions have been allocated low scores on Transparency International's "Corruption Perceptions Index". Doing business in developing countries brings with it inherent risks associated with enforcement of the Corporation's legal and contractual rights and third party obligations, fraud, bribery and corruption. Fraud, bribery and corruption are more common in certain jurisdictions than in others.

While the Corporation has policies and procedures in place, and maintains training programmes covering anti-money laundering and counter terrorist financing as well as codes of conduct and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, it may not be possible for the Corporation to detect or prevent every instance of fraud, bribery or corruption in every jurisdiction in which it does business or where its employees or agents are located. The Corporation may therefore be subject to civil and criminal penalties and to reputational damage. The Corporation also has policies and procedures in place that are in line with international best practices to regulate its exposure to Politically Exposed Persons ("**PEPs**"). These policies and procedures assist the Corporation in identifying potential investments that are associated with PEPs, which are then subjected to heightened scrutiny and additional due diligence. Instances of fraud, bribery and corruption and violation of laws and regulations in the jurisdictions in which the Corporation operates surrounding either the Corporation's clients, investments or its activities could cause reputational damage. For example, in 2008, the Corporation was subject to intense public scrutiny over its legal status, ties to the CBN and internal operations over the investment of U.S.\$463 million in the Corporation by the CBN. Even though the CBN was subsequently exonerated from any alleged wrongdoing or impropriety and the Corporation's legal status in Nigeria was subsequently ratified by the President of Nigeria, this type of investigation (or any similar future investigation) could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Currency fluctuations could materially adversely affect the Corporation's results of operations.

The Corporation uses the U.S. dollar as its functional currency and its assets, liabilities, interest income and expenses are principally denominated in U.S. dollars, and non-U.S. dollar transactions are typically hedged. Accordingly, its reporting currency is also the U.S. dollar. The Corporation does, however, earn some interest income and incur some expenses in other currencies and there is thus a risk that currency fluctuations could have an adverse effect on the value of its cash flows. See "*—The Corporation may be materially adversely affected by economic instability and adverse business and operating conditions in the markets in which it conducts its investment operations*" above. As the Corporation undertakes certain transactions denominated in foreign currencies, exposure to exchange rate fluctuations arise. For instance, the Corporation has made investments denominated in South African rand and euro. While it is the Corporation's policy to hedge the foreign exchange risks arising from all its transactions, to the extent possible, in order to minimise exposure to exchange rate fluctuations, there is no assurance that the Corporation will, in the future, be successful in maintaining this policy. Although it is the Corporation's policy to manage its currency exposures as it considers appropriate, through the use of appropriate hedging instruments such as forward foreign exchange contracts and currency options, there can be no assurance that such hedging arrangements and products will be available for all currencies or effective at all times or that all of the Corporation's currency exposure will always be hedged.

In addition, the Corporation may also be indirectly exposed to currency risks experienced by its borrowers or investee companies. Adverse changes in local currency exchange rates (relative to the U.S. dollar) could have an impact on the cash flow of the Corporation's various borrowers and investee companies and their ability to meet their obligations to the Corporation, which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Corporation makes equity investments and this might potentially increase the volatility of earnings.

The Corporation invests in equities as part of its mandate as a development bank. As at 31 December 2018, the Corporation had an equity investments portfolio of U.S.\$591.1 million. Equity investments involve a higher degree of risk than traditional debt financing due to a variety of factors, including that such investments are subordinate to debt and are not secured. If the Corporation's portfolio of equity investments continues to grow as a proportion of its total investment portfolio, this could further increase the Corporation's risk exposure. In addition, as a majority of the Corporation's equity investments are of entities that are not publicly quoted or trade, it is more difficult for the Corporation to establish the market value or price of such investments, even though the Corporation carries out a sensitivity analysis of changes in key assumptions applied in its valuation models and the impact on its results of operations. Any revaluation of the Corporation's equity investments in order to better reflect their market value may lead to deterioration in the value of these assets, leading to impairments, lower than expected returns and realised losses. The variability in the valuation of the Corporation's equity investments could affect the Corporation's business, results of operations and financial condition.

Investments in equity securities are also subject to risks of: (i) limited liquidity in the secondary trading market, (ii) substantial value volatility resulting from changes in various macroeconomic and industry

factors that affect the issuer, and (iii) the declining creditworthiness and potential for insolvency of the issuer of such securities during periods of rising interest rates and economic downturn. These risks may adversely affect the value of equity securities that the Corporation invests in. The inclusion of equities among the assets of the Corporation subjects it to potential adverse movements in the market value of these investments, leading to greater potential volatility in earnings.

The Corporation is exposed to fluctuations in interest rates.

The profitability of the Corporation is dependent to a large extent on its net interest income. Net interest income, in turn, is fundamentally dependent on the interest rates earned and paid on the Corporation's assets and liabilities. These rates are highly sensitive to many factors beyond the Corporation's control, including general economic conditions, actions of competitors and monetary and fiscal policies of various government and regulatory authorities. Fluctuations in interest rates are not predictable or controllable.

The majority of the Corporation's loans and borrowings are at floating rates, linked to LIBOR. Increases in interest rates may affect the ability of the Corporation's borrowers to meet their debt obligations to the Corporation, which could lead to higher default and delinquency rates. Increases in interest rates would also increase the interest expense of the Corporation. The Corporation is further exposed to interest rate risks as, from time to time, maturities of assets and liabilities are not balanced and an increase or decrease in interest rates could have an adverse effect on the net interest margin and results of operations of the Corporation. The Corporation's net interest margin was 4.2%, 4.6% and 4.2% for the years ended 31 December 2018, 2017 and 2016, respectively. The decrease in 2018 was primarily due to a lag in the disbursement of borrowed funds to loans to customers in 2018, during which time such borrowed funds were invested in lower-yielding money market investments with investment grade banking institutions outside Africa, pending deployment of such funds for use in infrastructure projects in Africa as well as a slight increase in the average interest rate of the Corporation's liabilities in 2018. The Corporation continuously monitors its net interest exposure in accordance with its prudential guidelines, the Corporation's net interest margin could be adversely affected should the Corporation hold a significant portion of its loans with banks over the long-term. However, there can be no assurance that this policy will negate any adverse effects on the Corporation's net interest margin. Absolute changes in market interest rates, changes in the relationships between short term and long term market interest rates or between different interest rate indices may affect the interest rates charged by the Corporation on interest bearing assets differently than the interest rates paid on interest bearing liabilities. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting the Corporation's Results of Operations—Interest Rates*". This difference could result in an increase in interest expense relative to interest income and, therefore, reduce the Corporation's net interest income.

There can be no guarantee that future interest rate fluctuations will be effectively hedged by the Corporation's use of interest rate swaps or other hedging instruments to manage interest rate exposure on its borrowings. Furthermore, such hedging instruments may result in the Corporation paying higher interest rates than the prevailing variable interest rates from time to time. Movements in interest rates could have a material adverse effect on any unhedged borrowing exposure or on the returns generated by the Corporation's assets, either of which could adversely affect its business, results of operations and financial condition.

The Corporation is subject to competition from other lenders and investors. If the Corporation is not able to successfully maintain its competitive position, its financial performance and business prospects may be materially adversely affected.

Despite the size of Africa's infrastructure deficit, the provision of financing to infrastructure development projects is a competitive market, due to the lack of well-structured projects that are available for investment. The Corporation's principal competitors are infrastructure-focused funds, DFIs and private equity funds. Competitors in the provision of debt financing include commercial banks as well as regional and other continental DFIs. In addition to local commercial banks and other DFIs, foreign commercial banks also play an important role in providing financing to infrastructure projects in Africa. Foreign entries into the banking markets of the Member Countries of the Corporation may further increase competition in those countries. Some of these competitors could be more established, and have greater financial resources than the Corporation. In addition, in recent years, sovereign wealth funds, private equity funds and hedge funds have risen in prominence as alternative sources of financing.

The competition faced by the Corporation may also limit the growth and expansion of its balance sheet, its leadership roles in large scale projects, political access, geographic growth, pricing and tenor of its loans and project execution. These developments may increase competitive pressures on the Corporation, whose profitability depends principally on its ability to compete. There can be no assurance that the Corporation will be able to respond adequately to these multiple sources and forms of competition, whether from existing competitors or new market entrants. As a result of the above, or as a result of increasing competitive pressure due to factors beyond the Corporation's control, its business, results of operations and financial condition could be materially adversely affected.

The Corporation is exposed to operational risk.

The Corporation is exposed to various operational risks, including the risks of system disruptions or failures, fraud, errors and irregularities by employees and third parties and authorisation and documentation flaws. For example, unsuccessful fraud attempts were made in 2008 and 2012 on the Corporation's correspondent banking accounts held with international banks. The Corporation relies upon information technology and communication systems furnished by third party service providers to conduct its operations. Although the Corporation utilises several information technology and communication providers simultaneously to mitigate the risks of system failures, a failure or interruption or breach in security of a vendor's systems could occur, causing a failure or interruption in the Corporation's information technology or communication systems. Even though the Corporation has a disaster recovery plan, there is no assurance that any such event would not have an adverse effect on its business, results of operations and financial condition.

The Corporation maintains a system of controls designed to monitor and control operational risk. However, a control system, no matter how well designed and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system will be satisfied. Inherent limitations in any system of controls include the possibility that judgments in decision making could be faulty and that breakdowns could occur as a result of simple human error or mistake. The design of the Corporation's control system is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that the Corporation will not suffer losses from any failure of these controls to detect or contain operational risk in the future.

Consequently, the potential inadequacy of the Corporation's internal processes or systems may result in unauthorised transactions and errors not being detected, or the Corporation's insurance may not cover the Corporation's losses from such transactions or errors, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

The Corporation faces certain risks dealing with HIV/AIDS and with outbreaks, such as malaria and the Ebola virus, which could adversely affect the Corporation's business, results of operations and financial condition.

HIV/AIDS and associated diseases remain one of the major health care challenges faced by African countries. Malaria and other tropical diseases pose significant health risks at all of the Corporation's operations in central, west and east Africa where such diseases may assume epidemic proportions because of ineffective national control programs. Malaria is a major cause of death in young children and pregnant women but also gives rise to fatalities and absenteeism in adult men. In addition, in 2014 and the early part of 2015, there was an Ebola epidemic in Sierra Leone, Liberia and Guinea, which are all Member Countries. According to the June 2016 World Health Organisation Ebola Situation Report, over the course of the outbreak, nearly 30,000 confirmed, probable and suspected cases were reported in Sierra Leone, Liberia and Guinea, resulting in over 11,000 deaths. The DRC, where the Corporation has investments, has been in the midst of the second largest Ebola outbreak in history since 1 August 2018. As of January 2019, at least 680 people in DRC, have been infected with the Ebola virus, causing 414 deaths. The Corporation continues to explore investment opportunities in all African countries, including those that have faced recent challenges with the Ebola virus.

Such diseases impair the health of employees and negatively affect productivity and profitability as a result of employees' diminished focus or skill, absenteeism, treatment costs and allocated resources. Subsequently this may adversely affect the operations of the Corporation or those of the underlying businesses supporting the Corporation's portfolio assets. The Corporation is not able to quantify these costs accurately and no

assurance can be given that costs it will incur in connection with these health risks will not have a material adverse effect on its business, results of operations and financial condition.

The Corporation relies on its ability to recruit and retain qualified personnel, without whom it may not be able to manage its business effectively.

The Corporation's success depends, in part, on its ability to retain, motivate and attract qualified and experienced management and staff. If the Corporation continues to grow, it may need to hire more employees and may face challenges in recruiting qualified personnel. The Corporation is also dependent on members of its Board of Directors and other key members of the executive and senior management team for the development and implementation of its strategy. Should members of the current executive and senior management team opt to leave the Corporation, the operational efficiency of the management team may be compromised, which in turn may have an adverse effect on the Corporation's efficiency.

While the Corporation believes that it has effective staff recruitment, training, incentive and compensation programmes in place that are comparable to its competition, there can be no assurance that these will be sufficient to recruit and retain sufficient numbers of qualified personnel. The Corporation's failure to recruit, train and/or retain necessary personnel could have a material adverse effect on its business, results of operations and financial condition.

Statistical information published by the governments in the jurisdictions that the Corporation operates may differ from that produced by other sources and may be unreliable, which may subject its operations to uncertainty.

The Corporation has relied on official statistics and other data published by central banks, governments and non-governmental agencies in Africa, which may be substantially less complete or researched and, consequently, less reliable than those published by comparable bodies in other developed jurisdictions. Official data in most of these economies mainly reflects the state of the formal economy and may not adequately gauge the potential of the informal economy. In addition, some or all of the entities in Africa may have official data collection methods that are different from those used by comparable bodies in other jurisdictions.

There can be no assurance that these statistics are as accurate or as reliable as those published by more developed countries and that discussions of matters relating to the Corporation's operations may therefore be subject to uncertainty due to concerns about the completeness or the reliability of available official and public information.

Risks related to the Notes

Set out below is a brief description of certain risks relating to the Notes generally:

The Notes may not be a suitable investment for all investors.

Investors must determine the suitability of an investment in the Notes in light of their own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's home currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some of the Notes may be complex financial instruments. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are not guaranteed by any sovereign entity or agency.

Although established by treaty between its Member Countries, the Issuer is a legal entity separate from both the governments of its members and the agencies of such governments. Therefore, the principal of the Notes, and interest due or to become due in respect of the Notes, constitute obligations solely of the Issuer and do not constitute the obligation of, nor are they guaranteed or insured by any Member Country or sovereign entity or agency thereof. Holders of the Notes (the "Noteholders") will not have recourse to any one sovereign or Member Country, to enforce judgements against the Issuer.

Emerging markets are subject to greater risks than more developed markets and financial turmoil in any emerging market could cause the price of the Notes to decrease.

Investing in securities of issuers in emerging markets generally involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets, including in some cases significant economic risks. Investors should note that emerging markets are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly. All Member Countries are emerging market economies, and as such investors should consider the risks mentioned below before investing in the Notes. Accordingly, investors should exercise care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Modification, waivers and substitution.

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The terms and conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to: (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes; and (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such. Accordingly, matters affecting the interests of some Noteholders may be outside the control of such Noteholders.

As the Global Notes are held by or on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with (i) in the case of Bearer Notes, a common depositary for Euroclear and Clearstream, Luxembourg or (ii) in the case of Registered Notes, either (a) a custodian for, and registered in the name of a nominee of, DTC or (b) a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive notes. DTC, Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through DTC, Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system to receive

payments under the relevant Notes. The Issuer shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies.

Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act.

With respect to Notes issued after the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register (such applicable date the "**Grandfathering Date**"), the Issuer or any intermediary or agent may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**") to withhold U.S. tax at a rate of 30% on all or a portion of payments of principal and interest which are treated as "foreign passthru payments" made on or before the second anniversary of the date of publication of final regulations defining the term "foreign passthru payment" to an investor or any other non U.S. financial institution through which payment on the Notes is made that is not in compliance with FATCA. As of the date of this Base Prospectus, final U.S. Treasury regulations defining the term "foreign passthru payments" have not been filed with the U.S. Federal Register.

The Issuer has registered with the U.S. Internal Revenue Service ("**IRS**") and is treated as a "Participating FFI" within the meaning of FATCA. Accordingly, provided that the Issuer complies with the terms of its agreement with the IRS, it should not be subject to FATCA withholding on any payments it receives. The application of FATCA to interest, principal, or other amounts paid on or with respect to the Notes is not entirely clear. If any withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes pursuant to FATCA or an intergovernmental agreement, none of the Issuer, any intermediary or agent would, pursuant to the Terms and Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. Further guidance may affect the application of FATCA to the Notes, including the potential future release of an intergovernmental agreement between the United States and Nigeria to implement the provisions of FATCA.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

Bearer Notes where denominations involve integral multiples: definitive Bearer Notes.

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features:

Notes subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of these Notes. During any period when the Issuer may elect to redeem these Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption

period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such benchmarks

Interest rates and indices which are deemed to be benchmarks (such as, in the case of Floating Rate Notes, a Reference Rate) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied since 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Future discontinuance of certain benchmark rates (for example, LIBOR or EURIBOR) may adversely affect the value of Floating Rate Notes which are linked to or which reference any such benchmark rate

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. In a further speech on 12 July 2018, the Chief Executive of the United Kingdom Financial Conduct Authority emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Investors should be aware that, if a benchmark rate were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which are linked to or which reference such benchmark rate will be determined for the relevant period by the fallback provisions applicable to such Notes. The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)), such as LIBOR or EURIBOR, becomes unavailable or a Benchmark Event (as described in the Terms and Conditions of the Notes) otherwise occurs.

If Reference Rate Replacement is specified in the applicable Final Terms for any Series of Notes as being applicable (any such Notes, "**Relevant Notes**") and the circumstances described in the preceding paragraph occur in relation to a benchmark rate at any time when any rate of interest (or component thereof) remains to be determined by reference to such benchmark rate, such fallback arrangements will include the possibility that:

- (a) the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a successor reference rate or an alternative reference rate (as applicable) determined by the Issuer, following consultation with an Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser or, following consultation with an Independent Adviser so appointed, the Issuer fails to make such determination, the Issuer; and
- (b) such successor reference rate or alternative reference rate (as applicable) may be adjusted (if required) by the Issuer, following consultation with the relevant Independent Adviser (if applicable), in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders arising out of the replacement of the relevant benchmark, in any such case, acting in good faith and in a commercially reasonable manner as described more fully in the Terms and Conditions of the Relevant Notes.

In addition, the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) may also in its discretion specify that other changes to the Terms and Conditions of the Notes are necessary in order to follow market practice in relation to the relevant successor reference rate or alternative reference rate and to ensure the proper operation and comparability to the benchmark rate of the relevant successor reference rate or alternative reference rate (as applicable).

No consent of the Noteholders shall be required in connection with effecting any relevant successor reference rate or alternative reference rate (as applicable) or any other related adjustments and/or amendments described above.

In certain circumstances, the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor reference rates and alternative reference rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should note that, in the case of Relevant Notes, the Issuer, following consultation with the relevant Independent Adviser (if applicable), will have discretion to adjust the relevant successor reference rate or alternative reference rate (as applicable) in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholder, any such adjustment will be favourable to each Noteholder.

Investors should consider all of these matters when making their investment decision with respect to the relevant Floating Rate Notes.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

There is no active trading market for the Notes.

Notes issued under the Programme will be new securities, which may not be widely distributed and may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to depreciation or devaluation of the Specified Currency or, conversely, appreciation or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. In addition, such risks generally depend on economic and political events over which the Issuer has no control. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less principal or interest than expected, or no principal or interest. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available at such Note's maturity.

Interest rate risks.

In general, as market interest rates rise, notes bearing interest at a fixed rate generally decline in value. Consequently, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks.

The Issuer's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Notes. One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Base Prospectus, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the marketability of the Notes or any market price. The significance of each rating should be analysed independently from any other rating.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors. In

addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's results of operations, prospects or financial condition. Factors including increased competition, fluctuations in the Issuer's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters and armed conflict may have an adverse effect on the market price of the Notes.

It may be difficult to effect service of legal process and enforce judgments obtained in Member Countries against the Issuer and its officers.

Under its Establishment Agreement, the Issuer enjoys immunity from every legal process, subject to certain important exceptions. The exceptions comprise cases arising out of or in connection with the exercise of its powers to borrow money, to guarantee obligations, or to buy and sell or underwrite the sale of securities. In such cases actions may be brought against the Issuer in a court of competent jurisdiction in the territory of the Member Country in which the Issuer has its headquarters or in any country where the Issuer has appointed an agent for the purpose of accepting service or notice of process or has issued or guaranteed securities or by arbitration proceedings. See "*Service of Process and Enforcement of Civil Liabilities*".

The Establishment Agreement also provides that no judgement or award other than a final judgement or award may be enforced against the Issuer and all property and assets of the Issuer shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Issuer. The effectiveness of these provisions of the Establishment Agreement in any other country except in the Member Countries, would be a question of the laws of the relevant country.

The Notes and the Trust Deed are governed by the laws of England, and the Issuer has agreed in the Trust Deed that disputes arising thereunder or in respect of the Notes shall be referred to and finally resolved solely by arbitration in accordance with the Rules of the London Court of International Arbitration. The Issuer has not submitted to the jurisdiction of the courts in any jurisdiction.

Most of the members of the Issuer's Executive Committee (the "**EXCO**") and Board of Directors are residents of a Member Country. A substantial portion of the assets of the Issuer and most of such persons are located in the Member Countries. As a result, it may not be possible to effect service of process upon the Issuer or any such person outside the Member Countries to enforce against any of them, in courts of jurisdictions other than the Member Countries, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or to enforce against any of them, in the courts of the Member Countries, judgments obtained in jurisdictions other than the Member Countries, including judgments obtained on the Trust Deed in the courts of England.

In the terms and conditions of the Notes, the Issuer agrees that any documents required to be served in relation to any proceedings arising from or connected with the Notes may be served on it by being delivered to Law Debenture Corporate Services Limited. The Issuer's headquarters are located in Lagos, Nigeria.

Investors are relying solely on the creditworthiness of the Issuer.

Notes issued under the Programme will constitute direct, general, unconditional, unsubordinated and, subject to the provisions of Condition 4 (*Negative Pledge*), unsecured obligations of the Issuer and will rank at all times *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' and depositors' rights. If a prospective investor purchases such Notes, it is relying on the creditworthiness of the Issuer and no other person. In addition, an investment in such Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of such Notes.

Return on an investment in Notes will be affected by charges incurred by investors.

An investor's total return on an investment in any Notes will be affected by the level of fees charged by an agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

Adverse tax consequences of a substitution of the Issuer.

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder (as defined in *Taxation – United States*) in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. Adverse tax consequences for Noteholders in other jurisdictions may result in the event of a change in the obligor with respect to the Notes. Noteholders should consult their tax advisers concerning the tax consequences to them of a change in obligor with respect to the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

U.S. securities laws may restrict the transfer of Notes.

The Issuer is offering the Notes in reliance upon exemptions from registration under the Securities Act and applicable state securities laws. Therefore, the Notes may be transferred or resold only in transactions registered under, exempt from or not subject to the registration requirements of the Securities Act and all applicable state securities laws. See "*Subscription and Sale and Transfer and Selling Restrictions*".

Volcker Rule

The Issuer is relying on Section 3(c)(7) of the Investment Company Act for its exemption from registration thereunder and therefore is a "covered fund" under the Volcker Rule, which may negatively affect the liquidity and the value of the Notes. Section 619 of the Dodd-Frank Act (together with implementing regulations, the "**Volcker Rule**") generally prohibits covered banking entities and other entities subject to the Volcker Rule from, among other things, acquiring or retaining an "ownership interest" in a "covered fund" (each as defined for the purposes of the Volcker Rule).

The Volcker Rule includes as a "covered fund" any entity that would be an investment company but for the exemptions provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. As the Issuer is relying on Section 3(c)(7) of the Investment Company Act for its exemption from registration thereunder, unless the Issuer qualifies for an exemption under the Volcker Rule, it will be considered to be a covered fund. The Issuer does not currently intend to seek to qualify for any exemption to the Volcker Rule. There is no assurance that the Issuer will seek such an exemption in the future or that, if the Issuer did so, it would be successful. As the Issuer is a "covered fund" subject to the Volcker Rule, covered banking entities and other entities subject to the Volcker Rule would be restricted from acquiring and retaining any interests in the Issuer that qualify as "ownership interests" under the Volcker Rule. Limitations on the ability of banking entities to purchase or retain the Notes if they were deemed to be "ownership interests" for purposes of the Volcker Rule could, depending on market conditions, significantly and negatively affect the liquidity and market value of the Notes.

While the Issuer does not believe that an investment in the Notes would constitute acquiring or retaining an ownership interest in a "covered fund", each investor in the Notes must make its own determination as to whether the investor is a covered banking entity or otherwise subject to the Volcker Rule, whether the Issuer is a "covered fund" under the Volcker Rule, whether its investment in the Notes would or could in the future be restricted or prohibited by any provisions of the Volcker Rule, and the potential impact of the Volcker Rule on its investment, any marketability or liquidity in connection therewith and on its portfolio generally. The Volcker Rule and interpretations thereunder are still uncertain, may restrict or discourage the acquisition of Notes by covered banking entities, and may adversely affect the marketability or liquidity of the Notes. Investors in the Notes are responsible for analysing their own regulatory positions, and none of the Issuer, the Dealers, the Trustee or any of their affiliates makes any representation to any prospective

investor or purchaser of the Notes regarding the application of the Volcker Rule to the Issuer or to such investor's investment in the Notes on the Issue Date or at any time in the future.

Risks related to the Renminbi Notes

Renminbi is not completely freely convertible; there are still significant restrictions on remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not completely freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies despite significant reduction over the years by the PRC government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the IMF, there is no assurance that the PRC Government will continue to liberalise control over cross border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the relevant Issuer to source Renminbi to finance its obligations under Renminbi Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the relevant Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes

As a result of the restrictions imposed by the PRC Government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. While the People's Bank of China ("**PBOC**") has entered into agreements on the clearing of Renminbi business (the "**Settlement Agreements**") with financial institutions in a number of financial centres and cities (the "**RMB Clearing Banks**"), including but not limited to Hong Kong, and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi-denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the relevant Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available in certain circumstances as described in the terms and conditions applicable to Renminbi Notes, the relevant Issuer can make payments in U.S. dollars and other currencies as set out in the terms and conditions of the Notes.

Investment in Renminbi Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (as defined in the terms and conditions of the Notes), the relevant Issuer is unable, or it is impractical for it, to pay interest or principal in Renminbi, the terms and conditions of the Notes allow the relevant Issuer to make payment in U.S. dollars or other foreign currencies at the prevailing spot rate of exchange, all as provided in more detail in the terms and conditions of the Notes. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a holder's investment in U.S. dollar or other foreign currency terms will decline.

An investment in Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility.

The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than described in the terms and conditions of the Notes, the relevant Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws

Under the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The *PRC Enterprise Income Tax Law* levies EIT at the rate of 20% of the gains derived by such non-PRC resident enterprise or individual Holder from the transfer of Renminbi Notes but its implementation rules have reduced the enterprise income tax rate to 10%. The *PRC Individual Income Tax Law* levies IIT at a rate of 20% of the gains derived by such non-PRC resident or individual Holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the

PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Renminbi Notes.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

If the Issuer is not considered a PRC tax resident enterprise and any repayment of principal and payment of interest made on the Notes are not otherwise considered as income derived from the PRC, the Holders who are not PRC residents for PRC tax purposes and do not have any establishment or place of business in China (or the relevant incomes derived by the Holders are not effectively connected with their establishment or place of business in China) should not be subject to withholding tax or income tax imposed by any tax authority in the PRC in respect of gain on transfer of Notes or any repayment of principal and payment of interest made thereon. It is recommended that potential purchasers of the Notes consult with their legal and tax advisors or the local tax authorities regarding the relevant tax consequence.

Remittance of proceeds in Renminbi into or out of the PRC

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Base Prospectus:

- (a) the Terms and Conditions of the Notes set out on pages 29 to 62 of the Base Prospectus dated 8 April 2015 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**2015 Conditions**") as set out in the Base Prospectus dated 8 April 2015 (which can be viewed online at https://www.ise.ie/debt_documents/Base%20Prospectus_7586a23f-d940-4623-99f0-9adf9256d0ad.PDF);
- (b) the Terms and Conditions of the Notes set out on pages 32 to 67 of the Base Prospectus dated 29 December 2016 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**2016 Conditions**") as set out in the Base Prospectus dated 29 December 2016 (which can be viewed online at https://www.ise.ie/debt_documents/Base%20Prospectus_c4a7339e-fea8-4b63-9532-ee9425841385.PDF);
- (c) the Terms and Conditions of the Notes set out on pages 33 to 68 of the Base Prospectus dated 29 March 2017 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**2017 Conditions**") as set out in the Base Prospectus dated 29 March 2017 (which can be viewed online at https://www.ise.ie/debt_documents/Base%20Prospectus_2e1b6149-5003-4a72-a3bd-e3e5e480578c.PDF).

If documents which are incorporated by reference into the Base Prospectus themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents shall not form part of this Base Prospectus for the purpose of the Prospectus Directive, except where such information or other documents are specifically incorporated by reference into this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent and the website of Euronext Dublin (<http://www.ise.ie>).

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

OVERVIEW OF THE CORPORATION

Africa Finance Corporation is a multilateral development financial institution dedicated to infrastructure financing in Africa, primarily through debt and equity investments, project development and financial advisory services. It was established and commenced operations on 1 November 2007 and is headquartered in Lagos, Nigeria. The Corporation is focused on bridging Africa's large infrastructure deficit by financing projects that have high developmental impact on the economies of African countries. Its primary goal is to be the leading African institution for infrastructure financing and facilitation of international trade in Africa. The mission of the Corporation is to foster the economic growth and industrial development of African countries, while delivering a competitive return on investment to its shareholders. As part of its mandate, the Corporation focuses on lending to and investing in the core infrastructure sectors of power, natural resources, transport, heavy industry and telecommunication, which it believes are critical pillars for economic growth across Africa.

The Corporation was created by two constitutive legal instruments: (i) the Establishment Agreement and (ii) the Charter. The Establishment Agreement is made among sovereign states, which sign an instrument of accession and acceptance of membership, giving the Corporation its "supranational" status. The Corporation is set up with a hybrid structure where the concepts of membership and shareholding are separate. Membership is only open to sovereign African countries and African multilateral financial institutions while shareholding is open to both public and private sector investors.

As at the date of this Base Prospectus, the Corporation has 20 Member Countries: Nigeria, Ghana, Guinea-Bissau, Sierra Leone, The Gambia, Liberia, Guinea, Chad, Cape Verde, Gabon, Côte d'Ivoire, Rwanda, Uganda, Djibouti, Kenya, Zambia, Benin, Zimbabwe, Malawi and Togo, and one multilateral financial institution member, Africa Re. Member Countries are African countries that have acceded to the Establishment Agreement and Charter, which grants the Corporation certain immunities and privileges in those countries. Similar to other multilateral development banks, such as the African Development Bank ("**AfDB**"), membership confers a supranational status and certain benefits such as "preferred creditor status", which includes tax exemptions, preferential access to foreign currency and immunity from confiscation of its assets in its Member Countries. The Corporation has an authorised share capital of U.S.\$2 billion, of which U.S.\$1.1 billion was issued and fully paid in at the Corporation's inception in 2007. As at 31 December 2018, 25 shareholders had subscribed and paid for shares in the Corporation amounting to U.S.\$1.1 billion, in accordance with the terms of the Charter. The Corporation's capital has been principally provided by Nigeria, through the CBN, major commercial banks and financial institutions, other private sector commercial entities and individuals.

The Corporation acts as both a leading financier and adviser to its clients in Africa, offering project and structured debt finance, trade finance, greenfield and expansion equity, as well as acquisition capital. These products are complemented with advisory capabilities in areas such as project development, capital raisings and restructurings. The Corporation has a number of strategic partnerships aimed at establishing market presence and recognition, which also create deal flow for the Corporation. For example, partnerships have been established with the Nigerian Sovereign Investment Authority and *Banque Ouest Africaine de Development* to co-develop and finance infrastructure projects in Nigeria and Francophone West Africa, respectively, as well as the U.S. Power Africa Initiative, which covers investments in the power sector across Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania. The Corporation has also established partnerships with the International Finance Corporation, in order to foster greater cooperation among DFIs, increase efficiencies and streamline due diligence processes, as well as with the United Nation's Green Climate Fund ("**GCF**") and the Agence Française de Développement ("**AFD**"), which will improve the Corporation's competitive ability to provide financing for climate change related projects.

The Corporation's principal assets are loans to other customers predominantly in U.S. dollars to borrowers in Africa and investment securities including liquid assets that are placed with investment grade financial institutions that are mostly located outside Africa, pending deployment of such funds for use in infrastructure projects in Africa. The Corporation's total assets and interest income have increased from U.S.\$3,430.5 million and U.S.\$192.8 million, respectively for the year ended 31 December 2016 to U.S.\$4,487.5 million and U.S.\$260.0 million, respectively for the year ended 31 December 2018, demonstrating compound annual growth rates ("**CAGR**") over the period of 14.4% and 16.1%, respectively (calculated for the compounding period 2016-2018 as the percentage of the square root of the ending value divided by the beginning value minus one). For the year ended 31 December 2018, the Corporation realised a profit of U.S.\$128.6 million and total comprehensive income of U.S.\$118.0 million, which has increased

from U.S.\$110.9 million and U.S.\$115.3 million, respectively for the year ended 31 December 2016, demonstrating CAGR over the period of 7.7% and 1.2%, respectively.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth, in summary form, selected consolidated financial information as at and for the Corporation for the years ended 31 December 2018, 31 December 2017 and 31 December 2016, as derived from the Financial Statements, which are prepared in accordance with IFRS. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the related notes thereto and the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition" appearing elsewhere in this Base Prospectus.

Statement of Financial Position

	As at 31 December		
	2018	2017	2016
	(U.S.\$'000)		
Assets:			
Cash and balances with commercial banks.....	26,080	29,206	51,578
Loans and advances to banks	1,598,401	1,471,257	1,072,515
Derivative financial instruments.....	5,322	5,696	9,606
Loans and advances to other customers.....	1,339,769	1,162,422	1,180,421
Financial assets at fair value through profit or loss.....	602,536	656,175	226,481
Investment securities.....	724,877	569,067	815,557
Pledged assets	158,907	223,836	—
Other assets	29,104	41,443	11,612
Property and equipment	2,254	2,451	2,598
Intangible assets	228	259	255
Assets of disposal group held for sale	—	—	59,845
Total assets.....	4,487,478	4,161,812	3,430,468
Liabilities:			
Accrued expenses and other liabilities	29,171	28,750	23,848
Derivative financial instruments.....	3,707	10,444	7,730
Promissory note.....	—	131,919	—
Borrowings.....	2,901,941	2,483,392	1,907,793
Liabilities of disposal group held for sale.....	—	—	43,376
Total liabilities.....	2,934,819	2,654,505	1,982,747
Equity			
Share capital.....	1,096,395	1,095,343	1,089,067
Share premium	4,713	3,765	—
Retained earnings	425,899	372,088	329,495
Fair value reserves.....	25,652	36,111	27,265
Attributable to the Corporation's equity holders.....	1,552,659	1,507,307	1,445,827
Non-controlling interests.....	—	—	1,894
Total equity.....	1,522,659	1,507,307	1,447,721
Total liabilities and equity	4,487,478	4,161,812	3,430,468

Statement of Comprehensive Income

	For the year ended 31 December		
	2018	2017	2016
	(U.S.\$'000)		
Interest income.....	260,028	233,943	192,832
Interest expense	(109,043)	(91,214)	(74,998)
Net interest income	150,985	142,729	117,834
Dividend income	15,912	10,460	38
Fees, commissions and other income	14,934	19,310	21,866
Operating income	181,831	172,499	139,738
Net gain on financial instruments at fair value through profit or loss	(970)	57,265	40,278
Loss on disposal of financial assets.....	(20,843)	(23,247)	—
Impairment charge on financial assets.....	15,744	(63,077)	(27,862)
Operating expenses	(47,178)	(42,892)	(41,303)
Profit for the year from continuing operations.....	128,584	100,548	110,851
Loss for the year from discontinued operations.....	—	(235)	(1,459)
Profit for the year.....	128,584	100,313	109,392
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Net gain/(loss) on available-for-sale financial assets.....	—	8,846	5,953
Net (loss)/gain on FVOCI financial assets (equity instruments).....	(10,426)	—	—

	For the year ended 31 December		
	2018	2017	2016
	(U.S.\$'000)		
Items that are or may be reclassified to profit or loss:			
Net gain/(loss) on FVOCI financial assets (debt instruments).....	(111)	—	—
Total Comprehensive Income for the year	118,047	109,159	115,345

Key Ratios

	For the year ended 31 December		
	2018	2017	2016
	(%)		
Profitability ratios:			
Return on average assets ⁽¹⁾	3.0	2.6	3.4
Return on average equity ⁽²⁾	8.4	6.8	7.8
Net interest margin ⁽³⁾	4.2	4.6	4.2
Cost-to-income ratio ⁽⁴⁾	26	19	23
Earning assets to total assets ratio ⁽⁵⁾	99	99	99
Impaired assets to total asset ratio ⁽⁶⁾	0.8	—	0.3
Dividend payout ratio ⁽⁷⁾	50	50	50
Non-performing loans ⁽⁸⁾	1.7	0.0	0.0
Capital adequacy ratios:			
Basel II ratio ⁽⁹⁾	39	41	47
Liquidity coverage ratio ⁽¹⁰⁾	354	296	329

- ⁽¹⁾ Return on average assets is calculated as the Corporation's net profit for the year attributable to equity holders of the Corporation divided by the average of opening and closing balances of its total assets for the relevant year. The Corporation targets a return on average assets of 4%.
- ⁽²⁾ Return on average equity is calculated as the Corporation's net profit for the year attributable to equity holders of the Corporation divided by the average of opening and closing balances of equity attributable to equity holders of the Corporation. The Corporation targets a return on average equity of 8%.
- ⁽³⁾ Net interest margin is calculated as interest income earned less interest expense accrued, divided by the Corporation's average interest bearing assets for the period.
- ⁽⁴⁾ Cost to income ratio is calculated as operating expenses divided by operating income plus net gains on financial instruments at fair value through profit or loss for the applicable period.
- ⁽⁵⁾ Earning assets to total assets ratio is calculated as total assets minus other assets, derivative financial instruments, property and equipment, intangible assets divided by total assets. The Corporation targets an earning assets to total assets ratio of greater than 95%.
- ⁽⁶⁾ Impaired assets to total assets ratio is calculated as the net carrying value of the Corporation's impaired equity investment divided by total assets.
- ⁽⁷⁾ Dividend pay-out ratio is calculated as dividends proposed during the year divided by total comprehensive income for the year.
- ⁽⁸⁾ Non-performing loans ratio is calculated as the carrying value of the Corporation's non-performing loans divided by the total carrying value of the Corporation's loan portfolio. "Non-performing loans" are loans for which there is objective evidence that one or more events have occurred that have had or are expected to have a detrimental impact on the estimated future cash flows of the financial asset. Such events might include (i) significant financial difficulty of the borrower or issuer; (ii) a breach of contract such as a default or past due event; (iii) the restructuring of a loan or advance by the Corporation on terms that the Corporation would not consider otherwise; (iv) increased likelihood that the borrower will enter bankruptcy or other financial reorganisation; or (v) the disappearance of an active market for a security because of financial difficulties.
- ⁽⁹⁾ Basel II ratio is calculated as the Corporation's total risk capital to its risk weighted assets. See "*Risk Factors—Risks relating to the Corporation and its jurisdiction of operation—Unlike other regulated financial institutions, the Corporation is not subject to external regulatory oversight*".
- ⁽¹⁰⁾ Liquidity coverage ratio is calculated as the Corporation's stock of high quality liquid assets as a proportion of its minimum liquidity level.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not known at the date of this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in the Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purpose of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in this Base Prospectus as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.

SUPPLEMENTS

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The relevant Final Terms (or the relevant provisions thereof) or the relevant Drawdown Prospectus (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Final Terms" for a description of the content of the Final Terms.

This Note is one of a Series (as defined below) of Notes issued by Africa Finance Corporation (the "**Issuer**") constituted by an amended and restated trust deed (as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 5 April 2019 made between the Issuer and Citibank, N.A., London Branch, as trustee (the "**Trustee**", which expression shall include any successor trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and
- (iv) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated agency agreement (as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 5 April 2019 and made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), Citibank, N.A., London Branch as exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent) and Citibank, N.A., London Branch as registrar (the "**Registrar**" and which expression shall include any successor registrar) and a transfer agent, together with the other transfer agents named therein and together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

Interest-bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the relevant Final Terms or the relevant Drawdown Prospectus, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Each Tranche of Notes is the subject either of a final terms (the "**Final Terms**") which complete these Terms and Conditions (the "**Conditions**") or a drawdown prospectus (the "**Drawdown Prospectus**") which supplements, amends and/or replaces these Conditions for the purpose of that Tranche of Notes only. References to: (i) the "**relevant Final Terms**" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note; and (ii) the "**relevant Drawdown Prospectus**" are to the Drawdown Prospectus (or the relevant provisions thereof) attached or endorsed on this Note.

The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the several persons whose names are entered in the register of holders of the Registered Notes as the holders thereof and shall, in relation to any Notes represented by a Global Note, be construed as provided in Condition 1 (*Form, Denomination and Title*)), and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the "**Agents**"). Copies of the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) are available for viewing at the registered office of the Issuer and of the Principal Paying Agent. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) which is/are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) will prevail.

1. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form or in registered form as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and any Agent will (except as otherwise required by law and the Trust Deed) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the immediately succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with

and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

For so long as the Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Registered Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

2. **TRANSFERS OF REGISTERED NOTES**

(a) ***Transfers of interests in Registered Global Notes***

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) ***Transfers of Registered Notes in definitive form***

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or its or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as

may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor. The transfer of part of a Registered Note is not permitted if the principal amount of the balance of the Registered Note is not a Specified Denomination. No holder may require the transfer of a Registered Note in definitive form to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Note.

(c) ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 7 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) ***Costs of registration***

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) ***Transfers of interests in Regulation S Global Notes***

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB who is also a QP in a transaction meeting the requirements of Rule 144A; or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) ***Transfers of interests in Legended Notes***

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB who is also a QP in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend, the Registrar shall deliver only Legended Notes or refuse to remove the legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) ***Exchanges and transfers of Registered Notes generally***

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) ***Definitions***

In this Condition, the following expressions shall have the following meanings:

"Distribution Compliance Period" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non syndicated issue) or the relevant Lead Manager(s) (in the case of a syndicated issue);

"Extraordinary Resolution" has the meaning given in the Trust Deed;

"Indebtedness" means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

"Investment Company Act" means the Investment Company Act of 1940, as amended;

"Issue Date" has the meaning given in the relevant Final Terms;

"Legended Note" means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs who are also QPs in accordance with the requirements of Rule 144A;

"Material Subsidiary" means a Subsidiary of the Issuer:

- (i) which, for the most recent IFRS fiscal period, accounted for more than 5% of the consolidated net operating income of the Group; or which, as of the end of the most recent IFRS fiscal period, was the owner of more than 5% of the consolidated assets of the Group, each as set out in the most recent available consolidated financial statements of the Group for such IFRS fiscal period (with effect from the date of issuance of such statements); or
- (ii) to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction).

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"QIB" means a qualified institutional buyer within the meaning of Rule 144A;

"QP" means a qualified purchaser under the Investment Company Act;

"Regulation S" means Regulation S under the Securities Act;

"Regulation S Global Note" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"Rule 144A" means Rule 144A under the Securities Act;

"Rule 144A Global Note" means a Registered Global Note representing Notes sold in the United States or to QIBs; and

"Securities Act" means the U.S. Securities Act of 1933, as amended.

3. STATUS OF THE NOTES

The Notes and any related Coupons constitute direct, general and unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer, which will at all times rank *pari passu* among themselves and *pari passu* in right of payment with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4. NEGATIVE PLEDGE

So long as any Note remains outstanding the Issuer shall not, and shall not permit any Subsidiary to create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of such Indebtedness for Borrowed Money unless, at the same time or prior thereto, the Issuer's obligations under the Trust Deed and the Notes are secured equally and rateably therewith (to the satisfaction of the Trustee) or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution of Noteholders or as the Trustee in its discretion shall deem to be not materially less beneficial to the Noteholders.

In this Condition, the following expressions shall have the following meanings:

"Indebtedness for Borrowed Money" means, any Indebtedness of any Person for or in respect of (i) moneys borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with international financial reporting standards, be treated as finance or capital leases, (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (vi) amounts raised under any other

transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "**with recourse**" basis) having the commercial effect of a borrowing;

"Indebtedness Guarantee" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness;

"Permitted Security Interest" means any Security Interest:

- (a) granted in favour of the Issuer by any Subsidiary to secure Indebtedness for Borrowed Money owed by such entity to the Issuer;
- (b) which arises pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;
- (c) arising in the ordinary course of the Issuer's or a Subsidiary's business and (i) which are necessary in order to enable the Issuer or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Issuer's or such Subsidiary's business or (ii) limited to deposits made in the name of the Issuer or such Subsidiary to secure obligations of the Issuer's or such Subsidiary's customers or (iii) including sale and purchase agreements, and share, loan, and bond lending transactions **provided that** such Security Interest is limited to specified assets which are the subject of the relevant transactions;
- (d) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, **provided that** any such encumbrance secures only rentals and other amounts payable under such lease;
- (e) arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Issuer or any Subsidiary), in connection with (i) contracts entered into substantially simultaneously for sales and purchases at market prices of securities, (ii) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or precious metals or (iii) the Issuer's foreign exchange dealings or other proprietary trading activities including, without limitation in the case of (i), (ii) and (iii), Repos,;
- (f) granted upon or with regard to any property hereafter acquired by the Issuer or any Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), **provided that** the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (g) arising in connection with any securitisation of receivables, asset backed financing, or comparable secured loan financing or similar arrangement by which an entity acquires or provides finance against the security of certain assets or revenues and that entity funds such acquisition or financing from external funding sources (including, but not limited to, debt securities or banking facilities) on terms that such funding will be repaid primarily from such assets or revenues;
- (h) arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money secured by a Security Interest either existing on or before the Issue Date

of the Notes or permitted by any of the above exceptions, **provided that** the Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

- (i) any lien arising by operation of law and in the ordinary course of trading;
- (j) any Security Interest or Quasi-Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Issuer or any Subsidiary in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by the Issuer or any Subsidiary;
- (k) any collateral, margin, netting or set-off arrangement entered into by the Issuer or any Subsidiary in the ordinary course of its banking arrangements for the purposes of netting debit and credit balances;
- (l) any Security Interest over any cash deposit securing an obligation of the Issuer or any Subsidiary under any risk participation agreement;
- (m) any Security Interest over any Project Finance Equity Interests granted in favour of the lenders in a limited recourse project financing;
- (n) any Security Interest arising in the ordinary course of business in accordance with the AFC Establishment Agreement and Charter of the Issuer, excluding for the avoidance of doubt any Security Interest incurred by the Issuer or any Subsidiary securing:
 - (i) moneys borrowed and debit balances at banks or other financial institutions;
 - (ii) any amount raised by acceptance under any acceptance credit or bill facility or dematerialised equivalent;
 - (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
 - (iv) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
 - (v) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
 - (vi) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
 - (vii) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value will be taken into account, **provided that** such value is negative); and/or
- (o) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (p) any other Security Interest or Quasi-Security securing indebtedness the principal amount of which, when aggregated with the principal amount of any other indebtedness which has the benefit of Security Interest or Quasi-Security given by the Issuer or any Subsidiary (other than any permitted under this Condition 4), does not exceed 5% of the equity plus reserves of the Issuer in any financial year of the Issuer.

Where:

"Project Finance Equity Interests" means:

- (a) shares owned by the Issuer or any Subsidiary in any special purpose project company;
- (b) shareholder loans made by the Issuer or any Subsidiary in favour of any special purpose project company; and
- (c) any other interest of the Issuer or any Subsidiary in any special purpose project company which is construed as equity pursuant to the terms of the applicable project financing documents,

in each case, where such special purpose project company is the subject of a limited recourse project financing.

"Quasi-Security" means an arrangement or transaction to:

- (a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by it;
- (b) sell, transfer or otherwise dispose of any receivables on recourse terms;
- (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) enter into any other preferential arrangement having a similar effect,

in each case in circumstances where the arrangement or transaction is entered into primarily as a method of raising indebtedness or of financing the acquisition of an asset.

"Repo" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for purposes of this definition, the term **"securities"** means any capital stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multilateral organisation;

"Security Interest" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person;

"Subsidiary" means, in relation to any Person (the **"first Person"**) at a given time, any other Person (the **"second Person"**) (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50.0%, of the capital, voting stock or other right of ownership and **"Control,"** as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise.

5. **INTEREST**

(a) ***Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), amount to the Broken Amount so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

- (i) if "**Actual/Actual (ICMA)**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be):
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)) that would occur in one calendar year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "**30/360**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such

number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

In these Terms and Conditions:

"Determination Period" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"sub unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) ***Interest on Floating Rate Notes***

(i) ***Interest Payment Dates***

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be); or
- (B) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), each date (each such date, together with each Specified Interest Payment Date, an **"Interest Payment Date"**) which falls within the number of months or other period specified as the Specified Period in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "**Business Day**" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be); and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") which was launched on 19 November 2007 or any successor thereto is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)) the Margin (if any). For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

- (1) the Floating Rate Option is as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);
- (2) the Designated Maturity is a period specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be); and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**"), on the Euro zone interbank offered rate ("**EURIBOR**") or (ii) in any other case, as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

For the purposes of this subparagraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**", "**LIBOR**" and "**EURIBOR**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)) the margin (if any), all as determined by the Calculation Agent. If five or more offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

If the Relevant Screen Page is not available or if, in the case of (1) above, no offered quotation appears or if, in the case of (2) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus

(as appropriate) the margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the margin (if any), **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5(b)(ii)(B), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as being other than LIBOR or EURIBOR, the Rate of Interest in respect of the Notes will be determined as provided in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

If the Floating Rate Notes of any Series become immediately due and repayable under Condition 10 (*Events of Default and Enforcement*), the rate and/or amount of interest payable in respect of them will be calculated by the Calculation Agent at the same intervals as if such Notes had not become due and repayable, the first of which will commence on the expiry of the Interest Period during which the Notes of the relevant Series become so due and repayable *mutatis mutandis* in accordance with the provisions of this Condition 5 (*Interest*) except that the rates of interest need not be published.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii) above is less than such

Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Calculation Agent, in the case of Floating Rate Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the actual number of days in the Interest Period divided by 365;
- (iii) if "**Actual/360**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the actual number of days in the Interest Period divided by 360;
- (iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360X(Y_2 - Y_1)] + [30X(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (v) if "30E/360" or "Eurobond Basis" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360X(Y_2 - Y_1)] + [30X(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (vi) if "30E/360 (ISDA)" is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360X(Y_2 - Y_1)] + [30X(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, each other Paying Agent and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the third London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*). For the purposes of this subparagraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Reference Rate Replacement*

If:

- (i) Reference Rate Replacement is specified in the applicable Final Terms as being applicable; and
- (ii) a Benchmark Event occurs in relation to a Reference Rate at any time when any Rate of Interest (or component thereof) remains to be determined by reference to such Reference Rate, then (notwithstanding the provisions of Condition 5(b)(ii)(B)) the following provisions shall apply to the relevant Series of Floating Rate Notes:
 - (A) the Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser with a view to the Issuer determining (in each case acting in good faith and in a commercially reasonable manner): a Successor Reference Rate; or failing which, an Alternative Reference

Rate, and in each case, an Adjustment Spread (if any), no later than five Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component thereof) is to be determined by reference to the relevant Reference Rate (the "**Initial Issuer Determination Cut-off Date**"), for the purposes of determining the Rate of Interest applicable to the Notes for such next Interest Period and for all other relevant future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5(b)(vi) during any other future Interest Period(s));

- (B) if the Issuer is unable to appoint an Independent Adviser or, following consultation with an Independent Adviser so appointed, it fails to determine a Successor Reference Rate or an Alternative Reference Rate (as applicable) prior to the relevant Initial Issuer Determination Cut-off Date, the Issuer may determine (in each case acting in good faith and in a commercially reasonable manner): a Successor Reference Rate; or failing which, an Alternative Reference Rate, and, in each case, an Adjustment Spread (if any), no later than three Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component thereof) is to be determined by reference to the relevant Reference Rate (the "**Final Issuer Determination Cut-off Date**"), for the purposes of determining the Rate of Interest applicable to the Notes for such next Interest Period and for all other relevant future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5(b)(vi) during any other future Interest Period(s)). Without prejudice to the definitions thereof, for the purposes of determining any Alternative Reference Rate and/or any Adjustment Spread, the Issuer will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;
- (C) if a Successor Reference Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by the Issuer, following consultation with the relevant Independent Adviser (if applicable), in accordance with this Condition 5(b)(vi):
 - (1) such Successor Reference Rate or Alternative Reference Rate (as applicable) shall be the Reference Rate for all future Interest Periods for which the Rate of Interest (or any component thereof) was otherwise to be determined by reference to the relevant Reference Rate (subject to the subsequent operation of, and adjustment as provided in, this Condition 5(b)(vi));
 - (2) if the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner):
 - (I) determines that an Adjustment Spread is required to be applied to such Successor Reference Rate or Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Reference Rate or Alternative Reference Rate (as applicable) for all relevant future Interest Periods (subject to the

subsequent operation of, and adjustment as provided in, this Condition 5(b)(vi)); or

- (II) is unable to determine the quantum of, or a formula or methodology for determining, an Adjustment Spread, then such Successor Reference Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread for all relevant future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5(b)(vi));
- (3) the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) may in its discretion specify:
- (I) changes to these Conditions in order to follow market practice in relation to such Successor Reference Rate or Alternative Reference Rate (as applicable), including, but not limited to changes to (x) the Additional Business Centre(s), Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Reference Banks, Relevant Financial Centre, Relevant Screen Page and/or Specified Time applicable to the Notes; and/or (y) the method for determining the fallback to the Rate of Interest in relation to the Notes if such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available; and
 - (II) any other changes to the Conditions which the Issuer, following consultation with the relevant Independent Adviser (if applicable), determines are reasonably necessary to ensure the proper operation and comparability to the Reference Rate of such Successor Reference Rate or Alternative Reference Rate (as applicable),

which changes shall apply to the Notes for all relevant future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5(b)(vi)); and

- (4) promptly following the determination of (I) any Successor Reference Rate or Alternative Reference Rate (as applicable) and (II) if applicable, any Adjustment Spread, the Issuer shall give notice thereof and of any changes (and the effective date thereof) pursuant to this Condition 5(b)(vi) to the Agent, the Trustee, any stock exchange or listing authority on which the relevant Notes are for the time being listed (if required) and, in accordance with Condition 14, the Noteholders.

The Trustee shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and the Conditions as may be required to give effect to this Condition 5(b)(vi) and the Trustee shall not be liable to any party for any consequence thereof, save as provided in the Trust Deed; provided that the Trustee shall not be obliged to effect such consequential amendments if, in the sole opinion of the Trustee, doing so would impose more onerous obligations on it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or protective

provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental Trust Deed) in any way.

No consent of the Noteholders shall be required in connection with effecting the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) as described in this Condition 5(b)(vi) or such other relevant changes pursuant to Condition 5(b)(vi), including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Trust Deed and/or the Agency Agreement (if required).

For the avoidance of doubt, (i) if a Successor Reference Rate or an Alternative Reference Rate is not determined pursuant to the operation of this Condition 5(b)(vi) prior to the relevant Final Issuer Determination Cut-off Date, then the Rate of Interest for the next Interest Period shall be determined by reference to the original Reference Rate and the fallback provisions of Condition 5(b)(ii)(B) but (ii) in such circumstances, the Rate of Interest for any subsequent Interest Period(s) shall be subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(vi).

For the purposes of these Conditions:

"Adjustment Spread" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines is required to be applied to a Successor Reference Rate or an Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders as a result of the replacement of the Reference Rate with such Successor Reference Rate or Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the Reference Rate with such Successor Reference Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Reference Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by such Successor Reference Rate or Alternative Reference Rate (as applicable); or
- (iii) if neither (i) nor (ii) applies, the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) in its discretion determines to be appropriate;

"Alternative Reference Rate" means the rate that the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines has replaced the Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component thereof) in respect of notes denominated in the Specified Currency and of a comparable duration to the relevant Interest Period(s), or, if the Issuer, following consultation with the relevant Independent Adviser (if applicable), determines that there is no such rate, such other rate as the Issuer, following

consultation with the relevant Independent Adviser (if applicable), determines in its discretion is most comparable to the Reference Rate;

"Benchmark Event" means, with respect to a Reference Rate:

- (1) the Reference Rate ceasing to exist or be published; or
- (ii) the later of (A) the making of a public statement by the administrator of such Reference Rate that it will, on or before a specified date, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate) and (B) the date falling six months prior to the specified date referred to in (ii)(A); or
- (iii) the making of a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been permanently or indefinitely discontinued; or
- (iv) the later of (A) the making of a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (B) the date falling six months prior to the specified date referred to in (iv)(A); or
- (v) the later of (A) the making of a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (B) the date falling six months prior to the specified date referred to in (v)(A); or
- (vi) it has or will prior to the next Interest Determination Date become unlawful for the Issuer, the Agent, any other party specified in the applicable Final Terms as being responsible for calculating the Rate of Interest or any Paying Agent to calculate any payments due to be made to any Noteholder or Couponholder using such Reference Rate;

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed under Condition 3.2(g)(ii)(A) by the Issuer at its own expense;

"Relevant Nominating Body" means, in respect of a Reference Rate:

- (i) the central bank for the currency to which such Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which such Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of such Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof; and

"Successor Reference Rate" means the rate that the Issuer, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines is a successor to or

replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Calculation Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Currency Linked Determination for Floating Rate Notes***

- (i) Where Currency Linked Determination is specified as applicable in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be calculated as:

The product of:

1. the Quotient Rate for the relevant Valuation Date for such Interest Period; and
2. the Base Rate.

Where, for the purposes of this Condition 5(b)(ii)(c):

"Currency Rate" means, in respect of a Valuation Date, the rate expressed as the amount of the Reference Currency (to the nearest sub unit, half of any such sub unit being rounded upwards) that may be exchanged for a single currency unit of the Specified Currency, as determined by the Calculation Agent by reference to the offered quotation which appears on the Relevant Screen Page as at the Specified Time on the relevant Valuation Date(s) or as soon thereafter practicable;

Reference herein to a "unit" of a specified currency shall be to a single currency unit (for example in respect of U.S dollars, to a dollar) and reference to sub units, shall be to divisions of such unit (for example in respect of U.S. dollars, to a cent)

"Disruption Event" means Price Source Disruption;

"Initial Currency Rate" shall be as specified in the relevant Final Terms or relevant Drawdown Prospectus;

"Base Rate" shall be as specified in the relevant Final Terms or relevant Drawdown Prospectus;

"Maximum Days of Disruption" means the number of Business Days as specified in the relevant Final Terms or relevant Drawdown Prospectus;

"Price Source Disruption" means, in respect of a Valuation Date, it becomes impossible to obtain the Currency Rate on that Valuation Date (or, if different, the date on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source);

"Quotient Rate" means, in respect of a Valuation Date, the quotient of the Initial Currency Rate divided by the Currency Rate for such Valuation Date;

"Reference Currency" shall be as specified in the relevant Final Terms or relevant Drawdown Prospectus;

"Relevant Screen Page" shall be as specified in the relevant Final Terms or relevant Drawdown Prospectus (or any substitute or successor page as determined by the Calculation Agent);

"Specified Time" shall be as specified in the relevant Final Terms or relevant Drawdown Prospectus or as soon thereafter as practicable as determined by the Calculation Agent; and

"Valuation Date" means, subject to any Disruption Event, the date which is two business days prior to the relevant Interest Payment Date or the Maturity Date (as applicable).

(ii) *Consequences of a Disruption Event*

If a Disruption Event occurs on a Valuation Date, the Valuation Date shall be deemed to be the first succeeding Business Day on which the applicable Disruption Event ceases to exist (measured from the original date that, but for the occurrence of a Disruption Event, would have been the Valuation Date) for consecutive Business Days equal to the Maximum Days of Disruption. If the Disruption Event shall not cease to exist within the Maximum Days of Disruption, the Calculation Agent shall determine the Currency Rate in its discretion acting in good faith and taking into consideration all available information that it deems relevant.

(d) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (A) the date on which all amounts due in respect of such Note have been paid by the Issuer; and
- (B) as provided in Clauses 2.2(b) and (c) of the Trust Deed.

6. **PAYMENTS**

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Save as provided in Condition 8 (*Taxation*), payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer or the Agent agree to be subject and neither the Issuer nor the Agent will be liable for any taxes or duties of whatever nature imposed or levied

by such laws, regulations or agreements. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(b) ***Presentation of definitive Bearer Notes and Coupons***

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case only at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum of principal due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) ***Payments in respect of Bearer Global Notes***

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note only at the specified office of any Paying Agent outside the United States or its possessions. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) ***Payments in respect of Registered Notes***

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") at the close of business on the Record Date (as defined below). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at its address shown in the Register on the Record Date and at its risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for its share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) the Issuer delivers to the Trustee a legal opinion (in a form and substance satisfactory to the Trustee) to the effect that such payment is then permitted under United States law and will not result in adverse tax consequences to the Issuer or holders of such Notes (such opinion the Trustee will be able to rely upon absolutely).

(f) **Payment Day**

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) in the case of Notes in definitive form only, the relevant place of presentation;
 - (B) each Additional Financial Centre specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be);
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC

or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e) (*Redemption and Purchase – Early Redemption Amounts*)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(h) ***RMB Account***

All payments in respect of the Notes in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in Hong Kong or such other financial centre(s) as may be specified in the applicable Final Terms as RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of RMB in Hong Kong or any relevant RMB Settlement Centre).

(i) ***RMB Currency Event***

If RMB Currency Events are specified in the applicable Final Terms and a RMB Currency Event occurs and is continuing on a date for payment of any amount due in respect of any Note or Coupon, the Issuer's obligation to make payment in RMB under the terms of the Notes may be satisfied by payment of such amount in U.S. dollars converted using the Spot Rate for the Rate Calculation Date.

Upon the occurrence of a RMB Currency Event that is continuing, the Issuer shall give irrevocable notice to the Noteholders in accordance with Condition 15 not less than five nor more than 30 days before the relevant due date for payment or, if this is not practicable due to the time at which the relevant RMB Currency Event occurs, as soon as practicable following such occurrence, stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms (and subject in the case of any determination of the Calculation Agent, to the provisions of Condition 5(b)(vi)):

"Governmental Authority" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or

any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"PRC" means the People's Republic of China which, for the purposes of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"Rate Calculation Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and New York City;

"Rate Calculation Date" means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes;

"RMB Currency Events" means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

"RMB Illiquidity" means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient RMB in order to make a payment, if any amount, in whole or in part, under the Notes, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in Hong Kong;

"RMB Inconvertibility" means the occurrence of any event that makes it impossible for the Issuer to convert in the general RMB exchange market in Hong Kong any amount, in whole or in part, due in respect of the Notes into RMB on any payment date, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation);

"RMB Non-Transferability" means the occurrence of any event that makes it impossible for the Issuer to deliver RMB between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer due to an event beyond its control, to comply with such law, rule or regulation); and

"Spot Rate" means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter RMB exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including, among other things, pricing information obtained from the RMB non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

7. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the Issue Date of the first Tranche of Notes in the relevant Series, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*); and
- (ii) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' written notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their Early Redemption Amount together with interest accrued to but excluding the date of redemption, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the requirement referred to in (i) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Issuer shall have received an opinion from independent legal advisors of recognised standing confirming that the requirement (i) above will apply on the next Interest Payment Date. The Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If the Issuer Call is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*); and
- (ii) not less than 15 days before the giving of the notice referred to in (i), written notice to the Trustee and the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the relevant Final Terms or the relevant

Drawdown Prospectus (as the case may be). In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Bearer Notes or, in respect of definitive Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate nominal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate nominal amount of outstanding Notes on such date and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) at least five days prior to the Selection Date.

(d) ***Redemption at the option of the Noteholders (Investor Put)***

If the Investor Put is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), upon the holder of any Note giving to the Issuer, in accordance with Condition 14 (*Notices*), not less than 30 nor more than 60 days' notice, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7(d) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of a particular Note, the holder of such Note must, if the Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg and DTC, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during normal business hours of such Paying Agent, or as the case may be, the Registrar in accordance with the notice period specified in the paragraph immediately above, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, or as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of a partial redemption of Registered Notes, the nominal amount thereof to be redeemed and an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b) (*Transfers of Registered Notes in definitive form*). If the relevant Note is in definitive bearer form the Put Notice must be accompanied by this Note together with all unmaturing Coupons relating thereto. If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note, the holder of this Note must, within the notice period, give notice to any Paying Agent and the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any common depository, as the case may be, for any of them to any such Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and, if the relevant Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to such Paying Agent for notation accordingly.

Any Put Notice or other notice in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC given by a holder of any Note pursuant to this Condition 7(d) shall be irrevocable except where, prior to the due date of redemption, an

Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(d).

(e) **Early Redemption Amounts**

For the purpose of paragraph (c) above and Condition 10 (*Events of Default and Enforcement*), each Note will be redeemed at an amount (the "**Early Redemption Amount**") calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) or, if no such amount or manner is so specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a Day Count Fraction being one of 30/360, Actual/360 or Actual/365 as so specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), the numerator of which is equal to the number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the applicable Day Count Fraction denominator.

- (iv) in the case of a Note where the Rate of Interest is to be determined by Currency Linked Determination, the Early Redemption Amount shall be the amount per Calculation Amount equal to the product of the Quotient Rate and the Calculation Amount where the 'Valuation Date' shall, subject to any Disruption Event (as defined in Condition 5(b)(ii)(c)(i)) be the second London business day prior to the date of such early redemption.

(f) **Purchases**

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (**provided that**, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(g) **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes surrendered pursuant to paragraph (f) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(h) ***Late payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in subparagraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid by the Issuer; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

8. **TAXATION**

All payments in respect of the Notes and Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of or within any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders or Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect to any Note or Coupon:

- (a) presented or surrendered for payment (where presentation or surrender is required) in a Member Country; or
- (b) held by or on behalf of a holder who is liable to the Taxes in respect of the Note or Coupon by reason of its having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (c) presented or surrendered for payment (where presentation or surrender is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder would have been entitled to additional amounts on presenting or surrendering the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day (as defined in Condition 5 (*Interest*)).

As used herein:

- (i) "**Member Country**" means Nigeria, Ghana, Guinea Bissau, Sierra Leone, The Gambia, Liberia, Guinea-Conakry, Chad, Cape Verde and such other states that have become adherents to the Establishment Agreement in accordance with Article 5 of the Establishment Agreement;
- (ii) "**Relevant Date**" means the date on which the payment first becomes due, but if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 14 (*Notices*); and
- (iii) "**Relevant Jurisdiction**" means any Member Country or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to

tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes or Coupons.

Notwithstanding any other provisions contained herein, each of the Issuer or any other person making payments on behalf of the Issuer shall be entitled to deduct and withhold as required, and shall not be required to pay any additional amounts with respect to any such withholding or deduction imposed on or in respect of any Note, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly referred to as "**FATCA**"), any treaty, law, regulation or other official guidance enacted by any jurisdiction implementing FATCA, any agreement between the Issuer or any other person and the United States or any jurisdiction implementing FATCA, or any law of any jurisdiction implementing an intergovernmental approach to FATCA.

9. **PRESCRIPTION**

The Notes (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) (*Presentation of definitive Bearer Notes and Coupons*) or any Talon which would be void pursuant to Condition 6(b) (*Presentation of definitive Bearer Notes and Coupons*).

10. **EVENTS OF DEFAULT AND ENFORCEMENT**

(a) ***Events of Default***

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fourth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured to its satisfaction including by way of pre-funding) shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

- (i) the Issuer fails to pay any of the principal of any of the Notes when the same becomes due and payable either at maturity, by declaration or otherwise or the Issuer is in default with respect to the payment of interest or additional amounts on any of the Notes and such default continues for a period of 5 Business Days in the case of principal or 7 Business Days in the case of interest; or
- (ii) the Issuer is in default in the performance, or is otherwise in breach, of Condition 4 (*Negative Pledge*), any obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 10) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after written notice thereof has been given to the Issuer by the Trustee; or
- (iii) (a) any Indebtedness for Borrowed Money of the Issuer or any Material Subsidiary (i) becomes (or becomes capable of being declared) due and payable prior to the due date for payment thereof or (ii) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (b) any Indebtedness Guarantee given by the Issuer or any Material Subsidiary in respect of Indebtedness for Borrowed Money of any other Person is not honoured when due and called, **provided that** the aggregate principal amount of such Indebtedness for Borrowed Money exceeds U.S.\$50,000,000 (or its equivalent in other currencies (as determined by the Trustee)); or
- (iv) (A) any Person:

- (1) shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or any Material Subsidiary or all or (in the opinion of the Trustee) substantially all of their respective properties; and
- (2) such proceeding, decree or order shall not have been dismissed or vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or
- (B) the Issuer or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or any Material Subsidiary, as the case may be, or in respect of its property or (in the opinion of the Trustee) substantially all thereof, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due

and, in any case as is specified in this Condition 10(a)(iv) in relation to any Material Subsidiary, the event is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

- (v) the Issuer makes or threatens to make any substantial change in the principal nature of its business as presently conducted which is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or
- (vi) (a) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement or (b) all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement shall be or become unenforceable or invalid, and, following the occurrence of any of the events specified in this Condition 10(a)(vi), the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or
- (vii) (a) all or any substantial part of the undertaking, assets and revenues of the Issuer or any Material Subsidiary is condemned, seized, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government or (b) the Issuer or any Material Subsidiary is prevented by any such person from exercising normal control over all or substantially all its undertaking, assets and revenues and, following the occurrence of any of the events specified in this Condition 10(a)(ix), the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders.

(b) ***Enforcement***

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer to enforce the provisions of the Trust Deed unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise.

11. **REPLACEMENT OF NOTES, COUPONS AND TALONS**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, Registrar and/or Principal Paying Agent may require (**provided that** the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. **AGENTS**

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that**:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e) (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. **EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

14. **NOTICES**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and, if the Bearer Notes are admitted to the Official List of Euronext Dublin and/or admitted to trading on the regulated market of Euronext Dublin, if filed within the Companies Announcement Office of Euronext Dublin or published in a leading English language daily newspaper of general circulation in Ireland and approved by the Irish Stock Exchange (which

is expected to be the *Irish Times*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any other stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail (or its equivalent) or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, and, if the Registered Notes are admitted to the Official List of Euronext Dublin and/or admitted to trading on the regulated market of Euronext Dublin, if filed within the Companies Announcement Office of Euronext Dublin or published in a leading English language daily newspaper of general circulation in Ireland and approved by Euronext Dublin (which is expected to be the *Irish Times*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any other stock exchange or other relevant authority on which the Registered Notes are for the time being listed or by which they have been admitted to trading.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such delivery by mail or airmail the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a manner which complies with those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second business day (being, for the purposes of this paragraph of Condition 14, a day on which Euroclear, Clearstream, Luxembourg and DTC are open for business) after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matters relating to the Notes including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the aggregate nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including, without limitation, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two thirds in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one third in aggregate nominal

amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time, buy only insofar as the Trustee is satisfied that the interests of the Noteholders or Couponholders shall not be materially prejudiced thereby, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

16. **SUBSTITUTION**

The Trustee may at any time and without further notice or formality, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any of the Issuer's Subsidiaries or the Issuer's successor in business subject to certain conditions set out in clause 20 (*Substitution*) of the Trust Deed being complied with including the Issuer unconditionally and irrevocably guaranteeing all amounts payable under the Notes and the Trust Deed to the satisfaction of the Trustee.

17. **INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction and to be paid its costs and expenses in priority to the claims of the Noteholder and/or Couponholder.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or

Couponholders, (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith and (d) to act as trustee to the holders at any other securities issued or guaranteed by or relating to the Issuer or any subsidiary.

18. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes; **provided that**, if any Notes of the relevant Series are represented in whole or in part by a Rule 144A Global Note, further notes of such Series that are not issued pursuant to a "**qualified reopening**" for U.S. federal income tax purposes shall be issued under a separate ISIN or CUSIP number.

19. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. **GOVERNING LAW AND DISPUTE RESOLUTION**

(a) ***Governing law***

The Trust Deed, the Agency Agreement, the Notes and the Coupons (including any non-contractual obligations arising from or in connection with any of them) are governed by, and will be construed in accordance with, English law.

(b) ***Arbitration***

Any dispute, controversy or claim arising out of, relating to, or having any connection with the Trust Deed, the Notes and/or the Coupons (including any question regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**"), shall be referred to and finally resolved by arbitration in accordance with the Rules of the London Court of International Arbitration ("**LCIA**") for the time being in force (the "**Rules**"), which Rules are deemed to be incorporated by reference into the Trust Deed, the Notes and/or the Coupons, save that:

- (i) the number of arbitrators in the arbitral tribunal ("**Arbitral Tribunal**") shall be three;
- (ii) the claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and the third arbitrator (who shall act as Chairman) shall be appointed by the LCIA Court (as defined in the Rules);
- (iii) the place and seat of arbitration shall be London, England;
- (iv) the language to be used in the arbitral proceedings shall be English and the governing law of the arbitration shall be English law; and
- (v) any arbitral award made by the arbitration tribunal shall be final and binding on the parties and without right of appeal. Judgment upon such an award may be entered and enforced in any court of competent jurisdiction.

(c) ***No Immunity***

- (i) The Issuer confirms that: (1) it does not have any immunity from any proceedings, jurisdiction, execution or attachment arising out of or in connection with the Trust Deed, the Notes and the Coupons as a result of article 8 of the Establishment

Agreement; and (2) its entry into and performance of its obligations under the Trust Deed, the Notes and the Coupons forms part of its operations for the purposes of article 8 of the Establishment Agreement;

- (ii) To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, notwithstanding the terms of article 8 of the Establishment Agreement or any rights, privileges or immunities from proceeding, jurisdiction, execution or attachment derived from its status as a multilateral development financial institution, accorded by statute, international convention or otherwise, the Issuer irrevocably consents to the enforcement of any final judgment or award and agrees not to claim such immunity to the full extent permitted by the laws of such jurisdiction and:
 - (a) submits to the jurisdiction of the Arbitral Tribunal in relation to any Dispute to be resolved in accordance with the Rules and agrees not to claim any sovereign or other immunity from the jurisdiction of the Arbitral Tribunal, in relation to any Dispute to be resolved in accordance with the dispute mechanism set out at Condition 20(b) (*Arbitration*) above (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;
 - (b) submits to the jurisdiction of the English courts in respect of orders in support of arbitration and of the English courts and the courts of any other competent jurisdiction in enforcement proceedings, the recognition of any award in relation to any Dispute and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to the recognition of any such arbitral award and agrees to ensure that no such claim is made on its behalf;
 - (c) consents generally in respect of any proceedings to the giving of any relief or the issue of any process in connection with such arbitral proceedings including to the enforcement of any award made in connection with any Dispute and the giving of any relief in the English courts and/or the courts of any other competent jurisdiction including, without limitation:
 - (1) relief by way of final injunction or order for specific performance or recovery of any property;
 - (2) attachment of its assets; and
 - (3) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use), **provided that** in relation to any Dispute, relief or enforcement specified in this Condition 20(c): (a) no judgment or award other than a final judgment or arbitral award may be enforced against it; and (b) its assets may only be attached after delivery of final judgment or arbitral award against it.

Save as set out in this Condition 20(c), the Trust Deed, the Agency Agreement, the Notes and the Coupons are not intended, nor construed to waive, renounce or otherwise modify any rights, privileges, immunities and exemptions accorded to the Issuer under the AFC Establishment Agreement or from Issuer's status as an international financial institution, accorded by statute or international convention or otherwise.

(d) ***Appointment of process agent***

The Issuer appoints Law Debenture Corporate Services Limited at its registered office for the time being in England as its agent for service of process, and undertakes that, in the event of such agent ceasing so to act, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a "**Temporary Bearer Global Note**") or, if so specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be), a permanent global note (a "**Permanent Bearer Global Note**") which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the "**Common Depository**") for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

Bearer Notes will only be delivered outside the United States and its possessions.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will only be made (against presentation of the Temporary Bearer Global Note) outside the United States and its possessions and only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be)), in each case against certification of beneficial ownership as described above unless such certification has already been given. Notes in Bearer Form will only be delivered outside the United States. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made only outside the United States and its possessions through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification.

The relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10 (*Events of Default and Enforcement*)) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the

event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have a final maturity of more than 365 days (including unilateral roll-overs and extensions) and on all interest coupons or Talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE".

The sections of the Code referred to in the legend above provide that U.S. Holders (as defined in "*Taxation – United States*"), with certain limited exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non U.S. persons outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Notes*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs who are also QPs. The Registered Notes of each Tranche sold to QIBs who are also QPs will be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be). Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d) (*Payments – Payments in respect of Registered Notes*)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d) (*Payments – Payments in respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system satisfactory to the Trustee is available or DTC has ceased to constitute a clearing

agency registered under the Securities Exchange Act of 1934 (as amended) ("**Exchange Act**"), (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*".**

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a temporary common code and ISIN and, where applicable, a temporary CUSIP number which are different from the common code, ISIN and CUSIP assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) or as may otherwise be approved by the Issuer, the Agent and the Trustee.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The following Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes (at the option of the Issuer or the Noteholder):

"€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000".

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [The target market assessment indicates that Notes are incompatible with the needs, characteristics and objectives of clients which are [fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested]]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

AFRICA FINANCE CORPORATION

Legal Entity Identifier (LEI): 213800LXFHRRXIJRXW97

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$3,000,000,000
Global Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 5 April 2019 [and the supplemental Prospectus dated [•]] ([together,] the "**Base Prospectus**") which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (for the purposes of these Final Terms, Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and include any relevant implementing measure in the relevant Member Countries) (the "**Prospectus Directive**"). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5(4) of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus].¹ [This document does not constitute the Final Terms of the Notes described herein for the purposes of Article 5(4) of the Prospectus Directive, as these Notes are not being issued pursuant to the Prospectus Directive. This document must be read in conjunction with the Base Prospectus].² The Base Prospectus and Final Terms have been published on [the website of the Irish Stock Exchange trading as Euronext Dublin ("**Euronext Dublin**") (www.ise.ie) and] the website of the Central Bank of Ireland (www.centralbank.ie).]

¹ Include this wording where the Notes are to be issued pursuant to the Prospectus Directive.

² Include this wording where the Notes are not to be issued pursuant to the Prospectus Directive.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions set out on [pages 29 to 62 of the Base Prospectus dated 8 April 2015 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**2015 Conditions**") as set out in the Base Prospectus dated 8 April 2015 and the supplemental Base Prospectus dated 17 November 2015 (the "**2015 Base Prospectus**") [pages 31 to 64 of the Base Prospectus dated 29 December 2016 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**2016 Conditions**") [pages [●] to [●] of the Base Prospectus dated 29 March 2017 relating to the Programme under the heading "Terms and Conditions of the Notes" (the "**2017 Conditions**")]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 5 April 2019 [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive, save in respect of 2015 Conditions, the 2016 Conditions and the 2017 Conditions which are incorporated by reference in this Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

1. Issuer: Africa Finance Corporation
2. (a) Series Number: [•]
- (b) Tranche Number: [•]
- [(c) Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [[insert date]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [20] below [which is expected to occur on or about [insert date]].]
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount:
 - (a) Series: [•]
 - (b) Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount
[plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [•]
(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made) *(N.B. Where Bearer Notes with multiple denominations above €100,000 or equivalent are being used the following language should be used:*
"€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000")

- (b) Calculation Amount: [•]
- (If there is only one Specified Denomination, insert that Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. there must be a common factor in the case of two or more Specified Denominations)*
7. (a) Issue Date: [•]
- (b) Interest Commencement Date: [[specify]/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[•] per cent. Fixed Rate]
- [[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- (further particulars specified below – see "Provisions relating to Interest (if any) payable")*
10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•] per cent. of their nominal amount
11. Put/Call Options: [Not Applicable]
- [Investor Put]
- [Issuer Call]
- [(further particulars specified below – see "Provisions relating to redemption")]*
12. (a) Status of the Notes: Senior, unsecured
- (b) Date Board approval for issuance of Notes obtained: [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [•] per cent. per annum [payable [[annually/semi annually/quarterly] in arrear]]
- (b) Interest Payment Date(s): [[•],[•]] [and [•]] in each year, commencing on [•], up to and including the Maturity Date/[adjusted in accordance with [specify Business Day Convention]]

(N.B. This will need to be amended in the case of long or short coupons)

(c) Fixed Coupon Amount(s): [•] per Calculation Amount

(Applicable to Notes in definitive form.)

(d) Broken Amount(s): [[•] per Calculation Amount payable on the Interest Payment Date falling in/on [•]][Not Applicable]
(Applicable to Notes in definitive form.)

(e) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]

(f) Determination Date(s): [[•] in each year][Not Applicable]

(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration

N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))]

14. Floating Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Specified Period: [•]/[Not Applicable]

(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")

(b) Specified Interest Payment Dates: [[•], [•]. [•]] [and [•]] in each year, commencing on [•], up to and including the [Maturity Date/[•]]/[adjusted in accordance with [specify Business Day Convention]]/[Not Applicable]

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")

(c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(d) Additional Business Centre(s): [•]

(e) Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

(f) Party responsible for calculating the Rate of [•]

Interest and Interest
Amount (if not the Agent):

(g) Screen Rate Determination:

- Reference Rate: [[•] month][LIBOR/EURIBOR]
- Interest Determination Date(s): [Second London business day prior to the start of each Interest Period]/[First day of each Interest Period]

[Second day on which the TARGET2 System is open prior to the start of each Interest Period]

[Second Lagos business day prior to the start of each Interest Period]/[First day of each Interest Period]

(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second if EURIBOR or euro LIBOR)

[•]
- Relevant Screen Page: [•]

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- Reference Rate Replacement [Applicable/Not Applicable]

(h) Currency Linked Determination: [Applicable/Not Applicable]

- Base Rate: [•] per cent.
- Initial Currency Rate: [•]
- Valuation Date(s): [•]
- Reference Currency: [•]
- Relevant Screen Page: [•]
- Specified Time: [•]

(i) ISDA Determination:

- Floating Rate Option: [•]
- Designated Maturity: [•]

- Reset Date: [•]

(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period) (N.B. The fallback provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)

- (j) Margin(s): [+/-] [•] per cent. per annum
- (k) Minimum Rate of Interest: [[•] per cent. per annum][Not Applicable]
- (l) Maximum Rate of Interest: [[•] per cent. per annum][Not Applicable]
- (m) Day Count Fraction: [Actual/Actual]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]

15. Zero Coupon Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Accrual Yield: [•] per cent. per annum
- (b) Reference Price: [•]
- (c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(d) (Redemption and Purchase – Early Redemption Amounts) and 7(g) (Redemption and Purchase – Late payment on Zero Coupon Notes) apply]
[30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

16. [Investor Put: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount(s): [[•] per Calculation Amount]
- (c) Notice periods: [Minimum period: [15]/[•] days
Maximum period: [30]/[•] days
[[•] days]

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)]³

17.	Final Redemption Amount:	[[*] per Calculation Amount]
18.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[As set out in Condition 7(d) (<i>Redemption and Purchase – Early Redemption Amounts</i>)]/[[*] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

19.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes only upon an Exchange Event] [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes only upon an Exchange Event] <i>(N.B. The following Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by Temporary Global Note exchangeable for Definitive Notes:</i> <i>"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]"</i>.) [Registered Notes: [Regulation S Global Note ([U.S.\$][*] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg] which is exchangeable for Definitive Registered Notes only upon an Exchange Event] [Rule 144A Global Note (U.S.\$[*] nominal amount) registered in the name of a nominee for [DTC which is exchangeable for Definitive Registered Notes only upon an Exchange Event]]
20.	Additional Financial Centre(s):	[Not Applicable/give details] <i>(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub paragraph 15(c) relates)</i>
21.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, [a] Talon[s] may be required, if, on exchange into

³ To be updated upon agreement on terms.

definitive form, more than 27 coupon payments are still to be made/No]

22. RMB Currency Events: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Party responsible for [•] (the "Calculation Agent")
calculating the Spot Rate:

(b) RMB Settlement [[•]/Not Applicable]
Centre(s)

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on Euronext Dublin's regulated market and listing on the Official List of Euronext Dublin of the Notes described herein pursuant to the U.S.\$3,000,000,000 Global Medium Term Note Programme of Africa Finance Corporation.

[THIRD-PARTY INFORMATION]

[*Relevant third-party information*] has been extracted from [*specify source*]. The Issue confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

SIGNED on behalf of **Africa Finance Corporation**:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Euronext Dublin][Not applicable.]
- (ii) Admission to trading: [Application [has been made/is expected to be made] [by the Issuer/on behalf of the Issuer] for the Notes to be admitted to trading on the regulated market of Euronext Dublin with effect from [•].][Not applicable.]
- (iii) Estimate of total expenses related to admission to trading: [•]

2. BENCHMARKS REGULATION (*Floating Rate Notes*)

[Amounts payable under the Notes will be calculated by reference to [LIBOR / EURIBOR / *specify benchmark (as this term is defined in the Benchmarks Regulation)*] which is provided by [ICE Benchmark Administration Limited / European Money Markets Institute / *legal name of the benchmark administrator*]. As at the date of this Final Terms, [ICE Benchmark Administration Limited / European Money Markets Institute / *legal name of the benchmark administrator*] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**").

[As far as the Issuer is aware, [LIBOR / EURIBOR / *specify benchmark (as this term is defined in the Benchmarks Regulation)*] [does not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of the Benchmarks Regulation apply] such that [ICE Benchmark Administration Limited / European Money Markets Institute / *legal name of the benchmark administrator*] is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).]

3. RATINGS

- Ratings: [The Notes to be issued have not been rated.]
- [The Notes to be issued [have been rated/are expected to be rated]:
- [Moody's Investors Service Ltd: [•]]
- [[•]: [•]]
- [[Other]: [•]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*
- [[Insert credit rating agency] is established in the EEA and is registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]
- [[Insert credit rating agency] is not established in the EEA and has not applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[Insert credit rating agency] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[Insert credit rating agency] is not established in the EEA and has not applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") but the rating issued by it is endorsed by [insert endorsing credit rating agency] which is established in the EEA and [is registered under the CRA Regulation] [has applied for registration under the CRA Regulation, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority].]

[[Insert credit rating agency] is not established in the EEA and has not applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") but is certified in accordance with the CRA Regulation.]

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]**

[Save [for any fees payable to the [Managers/Dealers]] [as discussed in "*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.]/[Not Applicable]/[•]

[(When adding any other description consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

5. **YIELD** (Fixed Rate Notes only)

[Indication of yield: [•]

[Not Applicable] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **OPERATIONAL INFORMATION**

(i) ISIN Code(s): [•]

(ii) Common Code(s): [•]

(iii) CFI: [•]/[Not Applicable]

(iv) FISN: [•]/[Not Applicable]

(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")

(v) CUSIP: [•]/[Not Applicable]

(vi) CINS: [•]/[Not Applicable]

(vii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream [Not Applicable/give name(s) and number(s)]

Banking, *société
anonyme*/The Depository
Trust Company and the
relevant identification
number(s):

- (viii) Delivery: Delivery [against/free of] payment
- (ix) Names and addresses of additional Paying Agent(s) (if any): [•]
- (x) Name and address of Registrar [•]

7. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Date of [Subscription] Agreement: [•]
- (iv) Stabilising Manager(s) (if any): [Not Applicable/give name]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2][Rule 144A][Section 4(a)(2)][Rules identical to those provided in TEFRA C/TEFRA D/TEFRA not applicable]

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used by the Corporation for general corporate and financing purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Corporation's capitalisation and indebtedness as at 31 December 2018.

The information in this table should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements and the notes to those statements included elsewhere in this Base Prospectus.

	As at 31 December 2018 <i>(U.S.\$'000)</i>
Borrowings:	
Short term borrowings ⁽¹⁾	259,044
Medium term and long term borrowings	2,642,897
Total Borrowings	2,901,941
Equity:	
Share capital.....	1,096,395
Share premium.....	4,713
Retained earnings	425,899
Fair value reserves.....	25,652
Total Equity	1,552,659
Total capitalisation ⁽²⁾	4,454,600

⁽¹⁾ Includes interest payments and principal repayments which fall due within one year.

⁽²⁾ Total capitalisation is the sum of total borrowings and total equity.

CAPITAL STRUCTURE

The initial authorised share capital of the Corporation is U.S.\$2 billion, divided into two billion shares of U.S.\$1 each. The Corporation's shareholders subscribed for U.S.\$1.1 billion of the initial authorised share capital, which was paid up in full. The Corporation does not have different classes of shares. The Corporation is set up with a hybrid structure where the concepts of membership and shareholding are separate. Membership is only open to sovereign African countries and African multilateral financial institutions while shareholding is open to both public and private sector investors. As at 31 December 2018, Nigeria, making its equity investment through the CBN and Ghana, making its equity investment through its Ministry of Finance, were the only Member Countries of the Corporation that were also shareholders. In 2017, Guinea, acting through the Central Bank of Guinea, made an in-principle commitment to invest US\$1.0 million in the Corporation. In 2018, Uganda and Zimbabwe also made in-principle commitments to invest US\$1.0 million each in the Corporation and Africa Re became a member and shareholder of the Corporation with a U.S.\$2.0 million investment in the Corporation. It is expected that the AfDB will become a member and shareholder in 2019, as the Board of Directors and the board of AfDB have both approved a U.S.\$50.0 million investment in the Corporation.

In 2018, two former shareholders of the Corporation, WEMPCO and Gloria Investments Limited ("Gloria"), sold all of their shares in the Corporation as part of a corporate reorganization. In March 2018, following the approval by the Corporation's Board of Directors, WEMPCO sold all of its shares to Zenith Bank Plc and Gloria, an investment vehicle and related entity of WEMPCO, sold 27,661,458 units of its shares in the Corporation to the CBN and the outstanding 22,338,542 units of its shares in the Corporation to Coronation Trustees Limited. As a result of these transactions, Gloria and WEMPCO are no longer shareholders of the Corporation and the board seats held by their respective institutions have been vacated.

The following table sets forth the Corporation's shareholders subscribed and paid-up capital and percentage of shareholder as at 31 December 2018.

Shareholders	As at 31 December 2018		
	Subscribed Capital	Paid up Capital	% of Shareholding
		(U.S.\$'000)	
Central Bank of Nigeria	490,584	490,584	44.7
United Bank for Africa Plc.....	116,720	116,720	10.6
Access Bank Plc.....	111,250	111,250	10.1
First Bank of Nigeria Limited	100,119	100,119	9.1
Zenith Bank Plc.....	100,000	100,000	9.1
Ecobank Nigeria Limited	50,000	50,000	4.6
Union Bank of Nigeria Plc	50,000	50,000	4.6
Ghana (through its Ministry of Finance) ⁽¹⁾	31,250	6,276	0.6
Others ⁽²⁾	81,446	71,446	6.6
Total ⁽³⁾	1,131,369	1,096,395	100.0

⁽¹⁾ Going onward, Ghana will make its remaining investments in the Corporation through the Ghana Infrastructure Investment Fund instead of the Ministry of Finance.

⁽²⁾ Represents holdings by Coronation Trustees Limited, First City Monument Bank Plc, Fidelity Bank Plc, Sterling Bank Plc, United Capital Bank Asset Management Limited, Guaranty Trust Bank Plc, NOFEC Investment LTD, Leadway Assurance Company Limited, Africa Re, Ekulo International Limited, Megachem Nigeria Limited, Dyer & Blair Investment Bank, Kenya, APT Securities & Funds Ltd, Elka Investment Ltd, Capital Assets Limited, FBN Quest Limited, Dr. Mekwunye Dumbiri Charles and the Corporation's staff equity scheme.

⁽³⁾ The Corporation's staff equity scheme and Ghana's holdings account for the difference between subscribed capital and paid-up capital.

If an existing shareholder wishes to subscribe for additional shares, unless decided otherwise by the Board of Directors, all unissued shares (whether in the initial authorised share capital or any increases thereof) before issue, will be offered to all of the Corporation's shareholders in the proportion of their existing shareholding. However, if new shares are to be issued for the purpose of providing for the initial subscription of a Member Country, the existing shareholders of the Corporation do not have any pre-emptive rights.

The authorised share capital of the Corporation may be increased by the general meeting of the Corporation's shareholders, acting upon the recommendation of the Board of Directors, if it deems such an increase to be advisable. Unless the authorised share capital is increased solely to provide for the initial subscription of a Member Country, the resolution of the general meeting of the Corporation's shareholders

authorising the increase is to be passed by a two-thirds majority of votes of the Corporation's shareholders. Voting rights at general meetings of shareholders are proportional to the economic interests of the respective shareholder.

DESCRIPTION OF THE CORPORATION

Overview

Africa Finance Corporation is a multilateral development financial institution dedicated to infrastructure financing in Africa, primarily through debt and equity investments, project development and financial advisory services. It was established and commenced operations on 1 November 2007 and is headquartered in Lagos, Nigeria. The Corporation is focused on bridging Africa's large infrastructure deficit by financing projects that have high developmental impact on the economies of African countries. Its primary goal is to be the leading African institution for infrastructure financing and facilitation of international trade in Africa. The mission of the Corporation is to foster the economic growth and industrial development of African countries, while delivering a competitive return on investment to its shareholders. As part of its mandate, the Corporation focuses on lending to and investing in the core infrastructure sectors of power, natural resources, transport, heavy industry and telecommunication, which it believes are critical pillars for economic growth across Africa.

The Corporation was created by two constitutive legal instruments: (i) the Establishment Agreement and (ii) the Charter. The Establishment Agreement is made among sovereign states, which sign an instrument of accession and acceptance of membership, giving the Corporation its "supranational" status. The Corporation is set up with a hybrid structure where the concepts of membership and shareholding are separate. Membership is only open to sovereign African countries and African multilateral financial institutions while shareholding is open to both public and private sector investors.

As at the date of this Base Prospectus, the Corporation has 20 Member Countries: Nigeria, Ghana, Guinea-Bissau, Sierra Leone, The Gambia, Liberia, Guinea, Chad, Cape Verde, Gabon, Côte d'Ivoire, Rwanda, Uganda, Djibouti, Kenya, Zambia, Benin, Zimbabwe, Malawi and Togo, and one multilateral financial institution member, Africa Re. Member Countries are African countries that have acceded to the Establishment Agreement and Charter, which grants the Corporation certain immunities and privileges in those countries. Similar to other multilateral development banks, such as AfDB, membership confers a supranational status and certain benefits such as "preferred creditor status", which includes tax exemptions, preferential access to foreign currency and immunity from confiscation of its assets in its Member Countries. The Corporation has an authorised share capital of U.S.\$2 billion, of which U.S.\$1.1 billion was issued and fully paid in at the Corporation's inception in 2007. As at 31 December 2018, 25 shareholders had subscribed and paid for shares in the Corporation amounting to U.S.\$1.1 billion, in accordance with the terms of the Charter. The Corporation's capital has been principally provided by Nigeria, through the CBN, major commercial banks and financial institutions, other private sector commercial entities and individuals.

The Corporation acts as both a leading financier and adviser to its clients in Africa, offering project and structured debt finance, trade finance, greenfield and expansion equity, as well as acquisition capital. These products are complemented with advisory capabilities in areas such as project development, capital raisings and restructurings. The Corporation has a number of strategic partnerships aimed at establishing market presence and recognition, which also create deal flow for the Corporation. For example, partnerships have been established with the Nigerian Sovereign Investment Authority and *Banque Ouest Africaine de Development* to co-develop and finance infrastructure projects in Nigeria and Francophone West Africa, respectively, as well as the U.S. Power Africa Initiative, which covers investments in the power sector across Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania. The Corporation has also established partnerships with the International Finance Corporation, in order to foster greater cooperation among DFIs, increase efficiencies and streamline due diligence processes, as well as with the GCF and the AFD, which will improve the Corporation's competitive ability to provide financing for climate change related projects.

The Corporation's principal assets are loans to other customers predominantly in U.S. dollars to borrowers in Africa and investment securities including liquid assets that are placed with investment grade financial institutions that are mostly located outside Africa, pending deployment of such funds for use in infrastructure projects in Africa. The Corporation's total assets and interest income have increased from U.S.\$3,430.5 million and U.S.\$192.8 million, respectively for the year ended 31 December 2016 to U.S.\$4,487.5 million and U.S.\$260.0 million, respectively for the year ended 31 December 2018, demonstrating CAGR over the period of 14.4% and 16.1%, respectively (calculated for the compounding period 2016-2018 as the percentage of the square root of the ending value divided by the beginning value minus one). For the year ended 31 December 2018, the Corporation realised a profit of U.S.\$128.6 million and total comprehensive income of U.S.\$118.0 million, which has increased from U.S.\$110.9 million and

U.S.\$115.3 million, respectively for the year ended 31 December 2016, demonstrating CAGR over the period of 7.7% and 1.2%, respectively.

Country Membership and Shareholding

The Corporation was established with a hybrid structure: a multilateral development financial institution with substantial private sector participation, where the concepts of membership and shareholding are separate. Under Article 5 of the Establishment Agreement, membership in the Corporation is open to sovereign African countries and African multilateral financial institutions while shareholding is open to both public and private sector investors.

Member Countries are African countries that have acceded to the Establishment Agreement and Charter, which grants the Corporation certain immunities and privileges in those countries. A Member Country may or may not invest equity capital in the Corporation, although it is the Corporation's preference that Member Countries do so. For sovereign investors in the Corporation, it is the Corporation's preference that such investments be made through institutions of the government that are private sector oriented (such as central banks, pension funds and sovereign wealth funds). As at 31 December 2018, Nigeria and Ghana were the only Member Countries of the Corporation that were also shareholders. Nigeria made its equity investment in the Corporation through the CBN and Ghana made its initial equity investment of \$U.S.10.0 million through its Ministry of Finance and has committed to investing a further \$U.S.40.0 million in the Corporation. In 2017, Guinea, acting through the Central Bank of Guinea, made an in-principle commitment to invest US\$1.0 million in the Corporation. In 2018, Uganda and Zimbabwe also made in-principle commitments to invest US\$1.0 million each in the Corporation and Africa Re became a member and shareholder of the Corporation with a U.S.\$2.0 million investment in the Corporation. It is expected that the AfDB will become a member and shareholder in 2019, as the Board of Directors and the board of AfDB have both approved a U.S.\$50.0 million investment in the Corporation.

The Corporation's Member Countries and major shareholders with representation on the Board of Directors are listed below:

- **Member Countries** — Nigeria, Ghana, Guinea-Bissau, Sierra Leone, The Gambia, Liberia, Guinea, Chad, Cape Verde, Gabon, Côte d'Ivoire, Rwanda, Uganda, Djibouti, Kenya, Zambia, Benin, Zimbabwe, Malawi and Togo.
- **Major Shareholders** — CBN, United Bank for Africa Plc, Access Bank Plc, First Bank of Nigeria Limited, Union Bank of Nigeria Plc, Ecobank Nigeria Limited and Zenith Bank Plc. See "*Capital Structure*".

The initial authorised share capital of the Corporation is U.S.\$2 billion, divided into two billion shares of U.S.\$1 each. The Corporation's shareholders subscribed for U.S.\$1.1 billion of the initial authorised share capital, which was paid up in full. The Corporation does not have different classes of shares. As at the date of this Base Prospectus, Nigeria (through the CBN) currently owns 44.7% of the Corporation's share capital. The Corporation's remaining shareholders include African and multilateral financial institutions and sovereigns (54.8%), and other shareholders (0.5%). In addition, the Corporation recently received approval from the Board of Directors to increase its share capital up to an amount of U.S.\$500.0 million and plans to diversify its shareholder base with non-African financial, industrial and corporate institutions, to the extent it is able to obtain new equity financing. See "*Risk Factors—Member Countries and existing shareholders have a low ability to support the Corporation, which could have a material adverse effect on the Corporation's operations if a capital request is initiated.*"

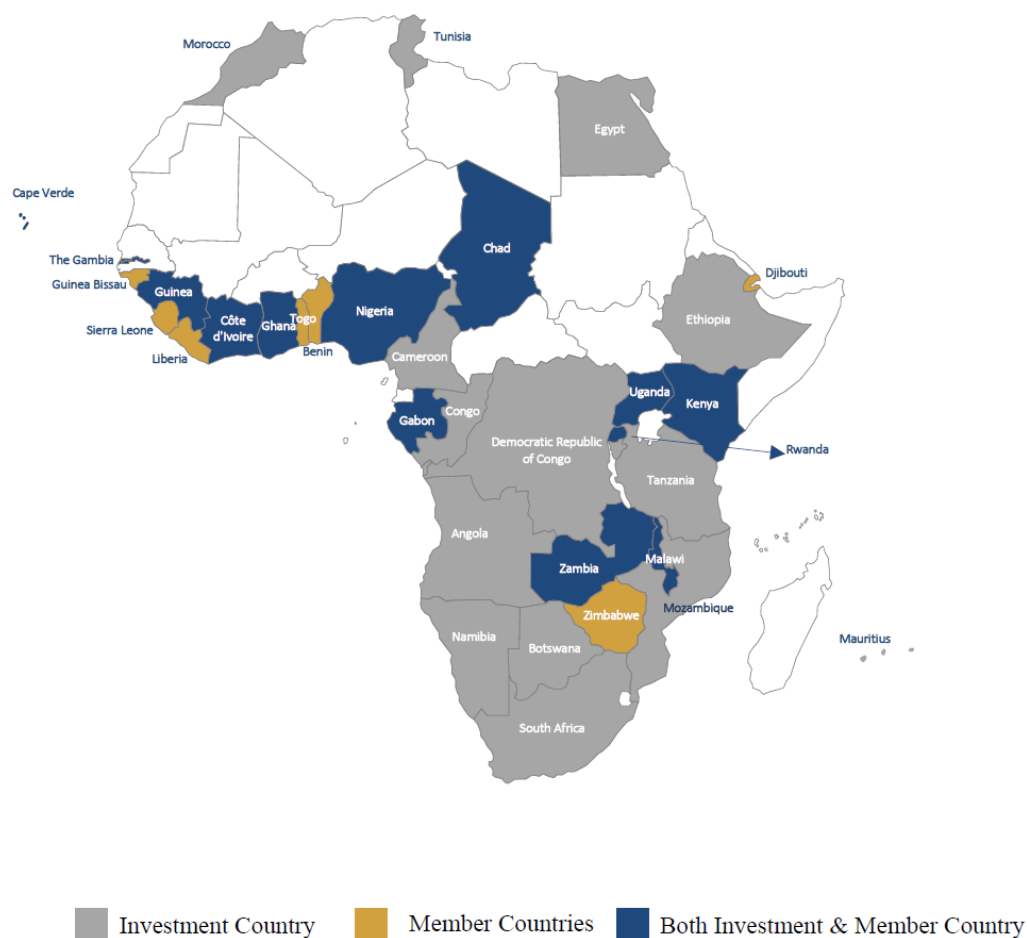
This public-private ownership structure distinguishes the Corporation from most other development banks. As the private sector holds a majority shareholding, the Corporation is able to maintain a degree of independence from political influence, which enables its business operations to remain commercially oriented. As it is private sector-led, the Corporation minimises public sector interference in its operations while exhibiting the private sector discipline necessary to support infrastructure investment in Africa. Given its public-private ownership structure, the Corporation also has adopted a balanced dividend policy whereby it has historically paid out a dividend amounting to between 40% and 60% of net income (calculated as dividends proposed during the year divided by total comprehensive income for the year), while retaining approximately 50% of earnings to support its capital growth. According to the Corporation's guidelines, it seeks to maintain a long-term stable dividend pattern while ensuring that it internally generates sufficient cash for future investments and growth without having to resort to expensive external financing. In 2016,

2017 and 2018, the Corporation declared and paid cash dividends of U.S.\$35.2 million, U.S.\$57.7 million and U.S.\$54.6 million, respectively. The Corporation declared a cash dividend of U.S.\$59.0 million on 28 March 2019. The Corporation has accumulated U.S.\$425.9 million in retained earnings as at 31 December 2018, or 38.7% of its paid up capital.

The Corporation is actively seeking to expand its country membership and shareholder base, particularly with respect to Member Countries that will also be shareholders. Prospective shareholders can subscribe for share capital either from existing shareholders who wish to sell down or from the initial authorised share capital or any increases thereof. Existing shareholders of the Corporation possess pre-emptive rights, except in the case where new shares are to be issued for the purpose of providing for the initial subscription of a Member Country. Discussions with other prospective Member Countries, multilateral organisations and shareholders are ongoing, notably with Morocco, Tunisia, Cameroon, Ethiopia, Egypt and the African Export-Import Bank ("**Afrexim Bank**"). A country becomes a Member Country upon acceding to the terms of the Establishment Agreement in accordance with that country's applicable legal and constitutional procedures. No assurances can be given as to if and when any prospective Member Countries will accede to the Establishment Agreement.

The Corporation is working with Kreditanstalt für Wiederaufbau to develop the SFAP to assist Member Countries and prospective Member Countries to finance their acquisition of shares in the Corporation. Under the SFAP, selected existing and prospective Member Countries will be able to borrow funds in order to partially finance their subscription for shares in the Corporation. The loan is designed to be repaid over an agreed time frame, primarily through the retention of dividends and distributions to shareholders.

The following map identifies the location of the Corporation's Member Countries and prospective Member Countries and the investment footprint of the Corporation.



⁽¹⁾ Prospective Members are countries with which the Corporation is currently conducting ongoing discussions to accede to the Establishment Agreement. No assurances can be given as to if and when any prospective members will accede to the Establishment Agreement.

Purpose

Under Article 5 of the Charter, the Corporation is established to foster economic growth and industrial development in African countries, collectively and individually, and in this regard, to:

- support and promote infrastructure development in Africa through the provision of investment funds;
- facilitate African trade generally and export-oriented trade by African countries;
- contribute to the development of the energy and extractive industries in Africa;
- provide on-lending and refinancing facilities to African financial institutions; and
- generally engage in any kind of banking and or financial business intended to promote investments in Africa.

Strengths

The Corporation believes that the following competitive strengths differentiate it from its competitors and will enable it to capitalise on growth opportunities and expand its operations in Africa.

Private sector led institution with a pan-African mandate

The Corporation has a pan-African mandate, which gives it the flexibility to assess projects and make investments in any African country. Unlike some other development finance institutions, the Corporation's investment mandate is not restricted to its Member Countries, which has allowed the Corporation to build synergies with other regional developmental partners, private sector entities and sponsors as it develops a robust pipeline of projects in Africa. Since its formation, the Corporation has reviewed over 600 projects in over 30 countries, which has allowed it to build a diversified investment portfolio. This array of investment opportunities from different African countries supports the Corporation's opportunity for growth. For example, for the year ended 31 December 2018, the Corporation approved investments in Cameroon and Côte d'Ivoire and made investments in Guinea. For the year ended 31 December 2018, the total value of projects that was reviewed by the Corporation for investment was in excess of U.S.\$900.0 million.

The advantage of having a pan-African mandate is further strengthened by the Corporation's hybrid nature as a multilateral development financial institution with substantial private sector participation, where the concepts of membership and shareholding in the Corporation are separate. Separating shareholding from country membership has also given the Corporation the flexibility to attract capital from the private sector while simultaneously benefiting from the preferred creditor status conferred on the Corporation by the Member Countries. Membership is only open to sovereign African countries and African multilateral financial institutions, while shareholding is open to both public (46.2%) and private sector (53.8%) investors. Africa Re became the first multilateral financial institution to become a member and shareholder of the Corporation after making an investment of U.S.\$2.0 million in 2018. Furthermore, the AfDB is currently in the final stages of the process of subscribing to shares and acceding to membership in the Corporation and Afrexim Bank has also expressed an interest in investing in the Corporation. The Board of Directors believe that the addition of these new shareholders to the Corporation will position it as an attractive investment vehicle for other multilateral and financial institutions in Africa.

By separating shareholding from country membership in the Corporation, the Corporation is able to minimise political interference in its governance and operations. The Corporation seeks to ensure that its private sector shareholders hold a majority of its shareholding. This ownership structure provides the Corporation with a distinct competitive advantage as it has allowed the Corporation to remain a private sector-led and commercially focused institution. As a private sector-led institution, the Corporation has

instituted a three-tiered corporate governance structure that complies with international standards. Its corporate governance structure comprises of the Board of Directors (representing the shareholders), the various board committees (Board Audit and Compliance Committee ("**BACC**"), Board Nominations & Governance Committee ("**BNGC**") and the Board Risk and Investment Committee ("**BRIC**")) and the EXCO. The Chief Executive Officer ("**CEO**") who heads the EXCO is appointed by the Board of Directors, and is supported by an executive management team, as well as five key management committees. The Corporation's governance structure is further strengthened with an internal audit function which reports directly to the BACC and operationally to the CEO. See "*Management of the Corporation*".

Differentiated business model with a diversified service offering

The Corporation's differentiated business model is based on the premise that investments in infrastructure projects should be self-sustaining in that they should generate sufficient cash flows and returns to investors in order to achieve long-term sustainability. In addition, the Corporation's cash flow generation is sufficient to support its ability to broaden its shareholder base. Therefore, it seeks to ensure that its investments balance the need for developmental impact with adequate financial return. The Corporation believes that this business model has supported the growth of its earnings over the years. The Corporation has been profitable every year from its inception to 31 December 2018. It has been able to meet all of its obligations under its financial commitments in its lending and investing activities, thus building up its credibility and recognition.

The Corporation also has a diversified service offering that differentiates it from most other DFIs and commercial banks. The Establishment Agreement provides the Corporation with the flexibility to provide a broad range of financial services, allowing the Corporation to be innovative and develop a broad range of products and services that will provide appropriate financing solutions for projects. As a result, the Corporation has multiple sources of income, which it generates through the provision of financing to projects and corporate entities across the various layers of the capital structure, such as senior debt, subordinated debt, hybrids and equity and through the provision of various services, such as principal investing, project development and advisory. See "*—Operations—Products and Services*" below. In addition, the Corporation is able to offer longer term financing to its clients than most commercial banks. The Corporation's principal investment activities focus on five key sectors that it believes have the highest developmental impact and financial return. See "*—Sectors*" below. By focusing on five sectors, natural resources (comprising of oil, gas and mining), telecommunications, transport, power and heavy industry, the Corporation has been able to build up core expertise in those sectors. While the Corporation's current focus is on its principal services of principal investing, project development and advisory services, as its business expands and opportunities arise, the range of products and services that the Corporation can provide to its clients can be expanded.

Attractive growth region with a sizeable and growing infrastructure investment opportunity

The Corporation operates in one of the fastest growing regions globally. According to the IMF, Africa's gross domestic product grew at an annual rate of 3.3% between 2010 and 2015 and increased from 2.2% in 2016 to 2.7% in 2017 and to 3.1% in 2018, reflecting domestic policy adjustments, steady growth in the global economy, higher commodity prices and accommodative external financing conditions. In addition, the IMF also projects that in 2019, five of the top ten fastest growing economies in the world will be located in Africa, namely Ethiopia (8.5%), Ghana (7.6%), Cote d'Ivoire (7.0%), Senegal (6.7%) and Tanzania (6.6%). This can be attributed to its growing middle class with an increasing ability to pay for services and a young and growing population, of approximately 1.3 billion (expected to double to 2.5 billion by 2050 according to the United Nations) as reported by the Population Reference Bureau. Africa also has a large infrastructure deficit and the rate of infrastructure development is slower than other regions in the world. In 2018, the AfDB estimated that Africa's infrastructure needs amount to U.S.\$130 – 170 billion a year, with a financing gap in the range of U.S.\$68 – 108 billion per year. In addition, according to Moody's, Africa had the second lowest default rate for project finance transactions by region over a 31-year period (1983 – 2014). All of these factors provide numerous investment opportunities for the Corporation to continue to expand its operations.

Backed by supportive and diverse shareholders and Member Countries

The Corporation enjoys support from its shareholders through their participation at the board and board committee level. The Board of Directors comprises senior industry executives and professionals, representing major banks and industrial corporations. In addition, the Corporation enjoys support from its

Member Countries in the form of preferred creditor status in its Member Countries. For example, as a result of the Corporation's preferred creditor status in Cote d'Ivoire, the Corporation is not required to hold credit default insurance in connection with its €192.0 million commitment to the loan facility for the Société Ivoirienne de Raffinage. The Corporation's preferred creditor status reduces investment risks in Member Countries. For example, it is not subject to local foreign exchange controls in those countries, which enables the Corporation to provide more competitive financing solutions. In addition, the Corporation's diverse shareholder structure, includes African and multilateral financial institutions that have a broad local presence, which ensure the Corporation's proximity to projects and transactions flows and have the ability to facilitate connections in non-Member Countries.

Strong capitalisation and robust risk management framework

The Corporation believes it is well capitalised and is therefore in a strong position to finance projects in accordance with its strategic goals. At formation, the Corporation had fully paid in capital of U.S.\$1.1 billion, which gave it the ability to expand its operations rapidly and enhance its liquidity position. Its balance sheet provided income from the commencement of operations through its treasury investment management function. As at 31 December 2018, the Corporation's asset quality ratio, defined as its usable equity as a percentage of development operations (both lending and equity investment) and treasury assets (weighted by credit quality) and its Basel II ratio were 46.6% and 39.2%, respectively.

The Board of Directors have adopted a set of conservative prudential guidelines that govern its operations. These guidelines include capital adequacy, asset quality, management efficiency, earnings and liquidity ratios, where the Corporation's benchmarks are set to be conservative as compared to those at peer institutions (DFIs and private financial institutions). For example, the Corporation's prudential capital adequacy ratio limit is set at a level that is higher than 30%. However, if the Corporation's prudential capital adequacy ratio falls below 40%, the Corporation's financial policy requires mitigating actions to be considered, including the use of insurance to reduce risk assets, the management of growth of risk assets and working to attract new equity. See "*Capital Adequacy*" below. The Corporation's liquidity ratio is intended to ensure that the Corporation keeps adequate stock of liquid assets capable to meet its net obligations over an 18 month period under 'business as usual' assumptions and 12 month period under a stress assumption. See "*Risk Management—Liquidity Risk*". The Corporation's leverage ratio is set at a maximum of three times the amount of shareholders' funds. These conservative prudential guidelines that govern the Corporation's operations seek to ensure that it is able to continue to deliver strong financial performance and expand its operations.

Good asset quality and robust risk management framework

The Corporation believes it has a robust risk management framework, which maintains strict lending criteria and risk management policies. This has resulted in a high quality portfolio of assets, consistent profitability and sustained healthy financial ratios. See "*Risk Management*". Part of this risk management framework includes the Corporation's detailed investment appraisal process. See "*Lending—Loan Policies*" below. Each investment goes through a four or five stage approval process (depending on a number of factors) based on the size of the investment and the type of product that is contemplated. Furthermore, the Corporation's non-performing loans to total loans ratio target is set at 3% and its impaired assets to total assets ratio target is set at 5%. Approval limits are also clearly defined for various approving authorities, such as the EXCO, the BRIC and the Board of Directors. The Corporation's risk management framework is intended to enable it to maintain a strong balance sheet with good asset quality.

Diverse and experienced work force

The Corporation's multinational and multi-lingual employees have significant experience in banking and infrastructure financing across Africa and strong technical backgrounds and experience across the five sectors in which the Corporation focuses. See "*Employees*" below. For example, within the power sector team, the Corporation has staff members who have run power plants in an executive capacity and are able to provide the required technical input for projects that are being considered for investment, as well as technical advice to the Corporation's clients through various advisory mandates. The Corporation believes that the experience of its employees has helped it to deliver strong financial performance and growth.

Strategy

The Corporation's key strategies are based on achieving its goal of becoming the leading infrastructure financing solution provider in Africa. The main components of the Corporation's strategy are as follows.

Grow balance sheet through the expansion of geographical presence and products

The Corporation has a strategic plan (2019-2023) to grow the Corporation's balance sheet to approximately U.S.\$7.0 billion by 2023. As part of this five-year strategic plan, the Corporation intends to increase the geographic and sectoral diversity of its portfolio while actively maintaining high asset quality. Other elements of the Corporation's five-year strategy include plans to position its project development, advisory and country relations departments as originators of new investments; to increase the number and depth of country partnerships in order to improve access to proprietary pipelines and take full advantage of the Corporation's privileged position with Member Countries; to replicate early successes with permanent asset vehicles and partnerships, such as Anergi Holdings Limited, into institutional capabilities offered to the broader market; and to better adopt industry best-practices by further integrating and incorporating a more comprehensive use of data and analytics into the investment life cycle, including portfolio management, treasury and balance sheet management.

This targeted balance sheet growth is expected to enable the Corporation to play a lead role in investments that will be capable of transforming infrastructure in Africa. In order to achieve this growth, the Corporation will have to source and fund intra-Africa investments that underpin vertical industry integrations and holistic ecosystems and an average of U.S.\$500.0 million of new long term assets will have to be created per annum over the next three years with a corresponding growth in capital and funding. The Corporation's plans to broaden its origination and asset creation efforts in new geographical markets, such as Francophone Africa, East, Southern and North Africa, will further establish the Corporation's brand and help to increase its market share. The Corporation also plans to increase its development of attractive and well-structured investment projects, through its project development business, which could in turn create additional investment opportunities for its investment business. The Corporation also aims to be at the forefront in developing innovative financial products for financing infrastructure projects in Africa in order to fund a greater number of projects. At the same time, the Corporation is also looking to grow its country membership and broaden its shareholder base. See "*Country Membership and Shareholding*" above. In order to fund these additional projects, the Corporation's strategy is to maintain a flexible balance sheet with a debt to equity ratio of 3:1, by continuing to implement its funding strategy of diversifying its funding sources and to maintain and possibly improve on its credit rating, which is an important factor in determining its cost of funds and access to capital.

Build on strength in each core sector and leverage existing products and services

The Corporation has adopted a strategy of focusing and building expertise in five core sectors which have both a high developmental and financial impact. These sectors include natural resources (oil, gas and mining), power, transport infrastructure, heavy industry and telecommunications. Within these five sectors, the Corporation provides a broad range of products and services. The variety of choices and the longer tenor of loans that the Corporation can offer provide it with a competitive advantage over other DFIs and commercial banks. These include, among others, advisory (financial and technical) services, equity, debt, mezzanine, convertibles, syndications and acquisition financing. As part of its growth strategy, the Corporation plans on increasing its focus on advisory services.

Identify and deploy cost optimisation measures

The Corporation controls operating costs within its business through a number of measures and seeks to continue to improve its operational efficiency as it grows. For example, an annual cost budget is prepared by the Corporation's executive management, which is approved by the Board of Directors. The cost budget is tracked on a monthly basis and forms part of managements' key performance indicators. In addition, any cost saving initiatives are also measured and tracked with a view to improving cost efficiency and effectiveness. The Corporation also has an expense policy approved by the Board of Directors that covers the framework for incurring and approving all operating expenses. For example, delegated authorities have to be approved by the Board of Directors and there are certain expenses that can only be approved by the Chief Executive Officer upon the recommendation of the Chief Financial Officer.

In addition, the Corporation has a procurement committee that reviews significant expenses. Expenses above U.S.\$ 5,000 are reviewed by the procurement committee and a purchase order issued after evaluation of at least three independent quotes in a competitive bidding process. In instances where specialised services are required, the procurement committee will have to obtain executive management approval before issuing a purchase order if the cost of the service is under U.S.\$ 50,000 and independent quotes have to be obtained for evaluation if the cost will be over U.S.\$50,000. This single source procurement approach is typically used for assignments that are a natural continuation of previous work carried out by the service provider, if rapid selection is essential, for example in an emergency or response to disasters, for smaller assignments; and when only one service provider has the requisite experience and qualifications.

The Corporation's cost to income ratio has increased from 23% for the year ended 31 December 2016 to 26% for the year ended 31 December 2018. Its cost to income ratio target is 35%. The Corporation plans to continue conducting a systematic review of its cost base at all levels and to implement operational efficiencies where appropriate. The Corporation's goal is to provide its services with above market level efficiency.

Operations

The Corporation provides financing for infrastructure development and trade in Africa. The Corporation has established fundamental principles that guide the Corporation when considering investments. These principles are as follows:

- **Commercially oriented investments:** In order to attract the level of capital required to develop lasting infrastructure, the Corporation believes that projects should deliver returns to investors. Africa's infrastructure must be seen as a viable long-term asset capable of competing with global contemporaries in order to be sustainable.
- **Strong and long-term partnerships:** The scale of the investment deficit in African infrastructure is beyond the ability of any one institution, or nation, to bridge. Long term sustainability can only be achieved through the establishment and maintenance of strategic partnerships between local, national, regional and international stakeholders. Partnerships and innovation will be core drivers for change, between the public and private sector.
- **Environmental and social sustainability:** Environmental and social risk management must be at the core of all the Corporation's operations and projects. The Corporation is committed to ensuring that the costs of economic development do not fall disproportionately on those least able to bear those costs, that the environment is not degraded in the process and that natural resources are managed efficiently and in a sustainable manner.
- **Maintenance:** Long term sustainability requires a vigorous approach to the maintenance of existing and construction of new infrastructure assets. The Corporation is committed to ensuring that each of its projects, beyond the scope of its financing, incorporates a world class approach to maintenance and repair.

Following its recent corporate reorganisation, the Corporation is divided into two main business divisions, Investments and Financial Services.

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.

The Corporation's Financial Services division is divided into three groups, (i) treasury and funding, (ii) financial institutions and syndication, and (iii) financial advisory. The treasury and funding group is responsible for the Corporation's capital raising and covers both debt and equity. Its function is to seek to ensure that the Corporation has adequate capital and the appropriate capital structure. The treasury and funding group interfaces with the Corporation's shareholders, bankers, potential lenders, rating agencies

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

Products and Services

The Corporation offers three main complementary services: (i) investments, (ii) project development and (iii) financial advisory services, syndications and trade finance. These three services areas offer clients a range of products, such as project and structured debt finance, trade finance, greenfield and expansion equity, as well as acquisition capital. These products are complemented by advisory capabilities in areas such as project development, capital raisings and restructurings.

Investments

The Corporation provides financing to infrastructure projects and to existing businesses seeking expansion capital in Africa. Financial products offered by the Corporation include senior debt facilities, equity and hybrid investment products such as quasi-equity or subordinated debt facilities. The Corporation also provides trade finance to banks to enhance their capacity to finance trade transactions in or relating to Africa. It also provides trade facilities to major African corporate entities, either directly or in partnership with other financial institutions. As at 31 December 2018, 8.0% of the Corporation's total assets were attributable to trade finance, 23.3% to project finance facilities and 13.2% to equity investment.

The Corporation's equity business strategy is built around the following three principles: (i) using its local and industry knowledge and investment structuring capabilities to select attractively priced assets, (ii) helping to build these businesses by using the Corporation's network of contacts, its technical and financial expertise, and its existing relationships with governments, development finance institutions, international finance institutions and commercial banks as well as helping to seek to optimise such businesses' operations in close partnership with the management team and shareholders, and (iii) maximising value through timely and well-executed exit strategies. The Corporation occasionally deploys equity capital at the development stage of a project or to fund expansions or buy-outs of existing companies or assets. Equity investments typically range from U.S.\$10 million to U.S.\$50 million, although larger investments may be considered in certain projects. The Corporation generally seeks to take significant minority stakes. See "*Equity Portfolio*" below.

Project Development

The Corporation seeks to identify and guide infrastructure projects from conception through construction, either solely or by developing these projects jointly with other project sponsors. In return, the Corporation earns development fees or other similar returns, while the project development activities provide it with a pipeline of viable projects in which to invest. The Corporation also provides technical and financial advisory services to project sponsors and government entities on early stage project development work. For example, the Corporation provides techno-economic analysis, feasibility studies and detailed engineering assessments. The Corporation was the lead developer of the U.S.\$900.0 million project financing of the Cenpower General Company Limited Kpone independent power plant in Ghana that reached financial close in December 2014. The Corporation is also the lead developer of two 450MW regional power generation projects in Benin and Ghana, which is part of the West African Power Pool initiative and a 300MW coal-fired power plant and mine in the Tete Province, Mozambique. The Corporation's responsibilities included preparing a detailed project development plan and budget, procuring and coordinating third party advisers, contractors and suppliers, project execution, and developing, negotiating and implementing a project financing plan. Other notable projects include providing early stage project development funding for a 70 MW geothermal power plant to be developed by Akiira Geothermal in Olkaria, Kenya.

The Corporation also acted as technical adviser and mandated lead arranger in a U.S.\$350.0 million project financing of a 80 megawatt ("**MW**") peat-to-power plant in Rwanda, which reached financial close in March 2017. In addition, the Corporation together with other institutions such as African Infrastructure

Investment Managers, Climate Investor One and Eleqtra led the formation of the Africa Infrastructure Development Association, an association of project developers which seeks to promote and enable project development activities in Africa, with a view to ensuring that more projects in Africa receive funding from African banking institutions.

As at 31 December 2018, the Corporation had U.S.\$7.6 billion of approved financing transactions since its inception and approximately U.S.\$5.6 billion of disbursed investments. As of 31 December 2018, the Corporation had undrawn but committed lines of credit in the amount of U.S.\$247.0 million. For the year ended 31 December 2018, the Corporation made U.S.\$852.1 million of new investments.

Financial Advisory Services and Syndications

The Financial Advisory department provides financial and technical advice to public and private sector clients across Africa, in the areas of infrastructure project development, transaction management, policy formulation and implementation, project financing, mergers, acquisitions, fund management and corporate restructurings. The suite of advisory service offerings is structured around the Corporation's core areas of operational strength, which are: project conception and development, technical appraisal, investment structuring, capital raising and portfolio monitoring. In this capacity, the Corporation offers proven expertise and relationships in these core areas to selected external public and private clients in Africa.

The Corporation also partners with a broad range of international and local institutions focused on Africa, with a view to delivering high quality advisory input to sponsors, governments and corporate groups seeking to develop important infrastructure projects in Africa. Key projects have included advice and capital raising services for governments, private sponsors and state-owned enterprises working on transformational infrastructure projects in Nigeria, Guinea, Cote d'Ivoire, Rwanda, and Djibouti, as well as large multinational corporations undertaking or seeking to enter into large infrastructure investments in several African countries.

The Syndications department mobilises financing from various foreign and domestic sources for projects which have been structured and arranged by the Corporation in its key investment sectors. The Syndications department seeks to foster economic growth and development by facilitating syndicated trade and on-lending facilities to financial institutions in African countries. Financial services and products offered by the Syndications department include parallel loans, partnership loans, funded and unfunded risk participations, bi-lateral trade lines, pre-export and commodity trade financing and guarantees and reimbursement undertakings. The Corporation's syndication partners include commercial banks, institutional investors, DFIs, sovereign wealth funds and insurance companies, among others.

Recent milestones have included the successful syndication by the Corporation (as sole Mandated Lead Arranger) of a €577.0 million loan facility for Société Ivoirienne de Raffinage, the largest operational refinery in West Africa. The Corporation has also jointly led a mandate to raise US\$1.1 billion in debt financing for the vessel acquisition subsidiary of Nigeria Liquefied Natural Gas Limited, a mandate as financial arranger for a 340MW gas-fired Independent Power Producer ("**IPP**") in Ghana, a mandate as lead arranger in the development and finance of a 80MW IPP peat-to-power IPP in Rwanda, ongoing advice to a private sector consortium in the project development and funding of a US\$500.0 million greenfield international airport to be located in the Bugesera district of Rwanda, advising the Federal Ministry of Finance in Nigeria on the financing of critical infrastructure projects, advising the Federal Ministry of Transport in Nigeria on a private sector concession of its national railway infrastructure, providing financial advice to the Djibouti Port Free Zone Authority on a variety of financial transactions, providing advisory support to a private consortium developing a 60MW wind farm in Djibouti, advising the Corporation's Investment Division on the merger of its electricity sector assets into a new joint venture entity Anergi Holdings Limited ("**Anergi**"), advising the managers of the pioneer and largest local currency infrastructure fund focused on Nigeria, and an ongoing assignment to assist the CBN with deploying and monitoring a circa US\$2.0 billion infrastructure intervention facility for Nigeria's electricity and aviation sectors.

Sectors

The Corporation prioritises sectors that it believes have both a high profit potential and high developmental impact. Its current focus is on originating and executing transactions in five sectors: natural resources, heavy industry, power, transport and telecommunications. As at 31 December 2018, the Corporation had 13.9% of its total loans allocated to the natural resources sector (split into 11.1% to oil and gas (upstream) and 2.8% to oil and gas (downstream) and mining), 11.3% to the heavy industry and telecommunications

sector, 8.3% to the power sector, 4.7% to the transport sector. 61.9% of the Corporation's total assets were held at financial institutions as part of its treasury activities.

Natural Resources

The Corporation has acted as financier and adviser to a number of leading project sponsors that are looking to undertake transactions in the oil and gas and mining sectors in Africa. The Corporation has provided equity and debt in a number of divestment programmes by international oil companies in connection with rebalancing such companies' portfolios. Some of the transactions that the Corporation has supported in the natural resources sector since its inception include:

- acting as the mandated lead arranger of a U.S.\$1.3 billion syndicated limited recourse credit facility (and committing U.S.\$100.0 million) for Glencore Energy UK Ltd ("**Glencore**") that was used by Glencore to provide financing of U.S.\$1.45 billion to Société des Hydrocarbures du Tchad, the national oil company of Chad, an advance payment for future deliveries of crude oil to Glencore;
- the co-financing of a U.S.\$2.0 billion debt facility to Aiteo International Limited and a U.S.\$663 million debt facility to Eroton Exploration and Production Company Limited for the acquisition of assets being divested by international oil companies in Nigeria;
- the co-financing of the U.S.\$750.0 million project finance debt facilities to Kosmos Energy Limited for the phase-one development of the Jubilee Oil Field in Ghana;
- the provision of a U.S.\$65.0 million syndicated senior secured term loan facility for Depthwise Nigeria Limited, for the acquisition of new, and the upgrade of existing, swamp rigs;
- a U.S.\$30.9 million equity investment in Seven Energy International Limited, an oil and gas company with operations in Nigeria, as part of a U.S.\$200.0 million financing.
- a U.S.\$40.0 million pre-export finance syndicated loan facility to Shalina Resources Limited in the DRC, as part of a U.S.\$110.0 million financing;
- a U.S.\$35.0 million investment (as part of a U.S.\$205.0 million investment by an international consortium including Orion Mine Finance and Resource Capital Funds) in Alufer Mining Limited ("**Alufer**") used to fund pre-production capital expenditure in Guinea, which is expected to create over 3,500 jobs. The Corporation is the sole private investor in the largest foreign investment in Guinea since the West African Ebola outbreak;
- a U.S.\$28.0 million subordinated loan to Topic S.A., an offshore oil and gas company based in Tunisia for the purpose of funding pre-first oil capital expenditures;
- a U.S.\$7.5 million senior secured loan to Topic S.A.;
- a U.S.\$24.0 million commitment to a syndicated facility advanced to Assala General Holdings for the purpose of acquiring pre-production oil assets from the Gabonese operations of Shell Petroleum N.V.;
- the co-financing of the U.S.\$81.0 million acquisition of the Bonikro Gold Mine in Côte d' Ivoire via a mixture of debt and equity, in partnership with F&M Gold Resources Ltd, as part of a larger strategy to develop the mine for the benefit of its employees, the community and all Côte d' Ivoire stakeholders;
- a U.S.\$40.0 million commitment to a reserve-based lending facility to Svenska Petroleum Exploration, for the development of an oil and gas field in Cote D'Ivoire, which has been approved but not fully disbursed;
- a U.S.\$29.0 million commitment to a U.S.\$200.0 million term loan facility to the Egyptian General Petroleum Corporation to support its investment in the Middle East Oil Refinery Company;
- the provision of a U.S.\$125.0 million debt financing, comprising a U.S.\$100.0 million senior debt facility and U.S.\$25.0 million hedging facility, to Heirs Holdings Limited for the acquisition of

certain assets in the Niger Delta, including oil mining licenses 11 and 17, gas processing plants at Okoloma and Agbada, and the trans-Niger pipeline in Nigeria, which has been approved but not disbursed; and

- a U.S.\$100.0 million investment in the Reserve Bank of Zimbabwe, which has been approved but not disbursed.

Heavy Industry

The heavy industry sector in Africa is diverse and consists of manufacturing, petroleum processing, natural gas utilisation and conversion processes, cement production, iron and steel production, minerals beneficiation and processing (for example sourcing, copper, cobalt), chemicals and petrochemicals, and fertilisers. Projects undertaken by the Corporation since its inception include providing:

- a U.S.\$50.0 million investment in the form of convertible debt to ARM Cement Limited ("**ARM**"), located in Kenya, to support its future regional expansion initiatives in Tanzania and South Africa;
- a U.S.\$45.0 million commitment increase of an existing prepayment financing facility to SONORA, the national refinery of Cameroon;
- a U.S.\$30.0 million facility to Bosveld Phosphates (Pty) Ltd, with operations in South Africa;
- a U.S.\$39.0 million equity investment in Notore Chemical Industries Limited, a fertiliser company with a urea fertiliser plant in Nigeria;
- a U.S.\$30.0 million trade finance facility to Meridian Consolidated Investments Limited in Malawi
- a U.S.\$40.0 million debt facility to PPC Barnet DRC to build a cement plant in the Democratic Republic of Congo;
- a U.S.\$25.0 million, quasi-equity investment in Carbon Holdings Ltd, a mid-to-downstream petrochemical developer and operator operating in Egypt;
- a U.S.\$35.0 million facility to Waltersmith Limited to build a 5000bpd modular refinery in Nigeria;
- a U.S.\$200.0 million commitment to a US\$1.0 billion syndicated debt facility to Dangote Industries Limited to support the construction and operation of an oil refinery in Lagos, which has been approved but not yet disbursed;
- acting as sole mandated lead arranger for the €577.0 million syndicated debt facility (and committing €192.0 million) for Société Ivoirienne de Raffinage, to refinance its historical accrued debts and allow it to make investments in its current operations; and
- a U.S.\$45.0 million commitment increase of an existing prepayment financing facility to SONORA, the national refinery of Cameroon to finance the import of fertiliser and its sale in other African countries.

Power

The Corporation offers technical advisory and project development expertise to support governments in Africa who may lack project development structuring and capital raising expertise in the power sector. The Corporation invests across the power value chain, including renewable energy projects. Such recent investments since its inception include providing:

- the lead equity investment (an approximately 57% stake before the transfer of these interests to Anergi in 2017) in Cabeolica SA, a €61 million, 26 MW windfarm in Cape Verde, which supplies Cape Verde with approximately 20% of its power needs and has been fully operational since 2012;
- a U.S.\$92.3 million equity and project development financing to Cenpower Generation Company Limited ("**Cenpower**"), a 350MW independent power provider in Ghana to build a thermal power station as part of a U.S.\$900 million project financing, which will supply the country with approximately 10-15% of its power needs upon completion of the project;

- a U.S.\$25.0 million loan as part of a U.S.\$150.0 million senior unsecured syndicated loan facility to Kenya Power and Lighting Company Limited to rehabilitate and expand Kenya's power transmission and distribution network by increasing its capacity from 2,000MW to 5,000MW by 2020;
- technical and structuring expertise as well as U.S.\$141.0 million in debt and U.S.\$7.8 million in equity financing to various consortia under the Nigeria Power Privatisation Programme. The projects include: the Kainji Hydro Power Generation Company (1200MW), Ughelli Power Generation Company (900MW) and Benin Electricity Distribution Company;
- a U.S.\$350.0 million, 80 MW peat-to-power plant in the Gisagara District of Rwanda, one of its most remote areas, which reached financial close in March 2017 is expected to increase installed electrical generating capacity in Rwanda by 40% and will utilise the Rwanda's significant peat reserves. The Corporation as Mandated Lead Arranger, arranged U.S.\$245 million in senior debt, contributed U.S.\$75.0 million in loans and provided an underwriting commitment of U.S.\$35.0 million;
- a U.S.\$55.0 million facility to Maamba Collieries Limited for the construction of a 300MW power plant in Zambia;
- a U.S.\$5.0 million investment for a 22% stake in a 300MW coal-fired power plant and mine project in Tete Province, Mozambique;
- development services for a 60MW wind farm project in Djibouti, together with Great Horn Investment Holdings SAS, the 100% subsidiary of Djibouti Ports and Free Zones Authority;
- a €50.0 million debt investment (as part of larger equity and debt financing arrangements) in the 420MW hydroelectric power plant in Nachtigal, Cameroon (a project which won the 2018 Project Finance International Award), which has been approved but not fully disbursed;
- a €174.0 million investment, comprising an equity investment of €24.4 million, and a bridge loan facility of €149.6 million, in the 44MW Singrobo-Ahouaty hydroelectric power plant and associated infrastructure in Côte d'Ivoire, which has been approved but not fully disbursed; and
- US\$1.2 million equity investment in the development of a 60.5MW on-grid photovoltaic plant in Sokoto, Nigeria, which has been approved but not disbursed.

In 2017, the Corporation established the joint venture Anergî with Harith, via the merger of their power generating assets. Harith is a fund manager based in South Africa, managing a U.S.\$630.0 million African infrastructure fund that has been used to invest in projects across the health, energy, transport, information and telecommunications, and water and sanitation sectors. The Corporation transferred its interests in Cenpower and Cabeolica S.A. to Anergî in consideration for shares in the company. Anergî now owns long-term equity interests in seven power-generating assets, diversified by fuel type, with a total of 1,786MW generation capacity in Cape Verde, Ghana, Nigeria, Kenya and South Africa. Anergî also holds near-term investment rights from its founding shareholders, to invest or acquire interests in new projects under development with a further 500MW capacity. Going forward, the Corporation intends for Anergî to be its primary investment vehicle for equity investments in the African power sector. Anergî will continue to benefit from advice and support from the Corporation, as it seeks to increase its capital raising activities and operational capacity and its as well as strengthen its corporate governance.

Transport

The Corporation's transport sector strategy seeks a balanced and diversified portfolio of greenfield and brownfield projects across all regions and transport modes (maritime, road, aviation and rail). The Corporation's activities in transport sector projects since its inception include co-financing:

- a €270.0 million financing with other DFIs of the Henri Konan Bedie Bridge in Côte d'Ivoire, which connects Abidjan's residential Riviera district directly with the commercial district of Marcory (the Corporation provided an aggregate commitment of €40.0 million, comprising senior and junior loan facilities and an equity investment in the project company);

- a U.S.\$160 million acquisition financing for the Bakwena Toll Road in South Africa (the Corporation provided an equity investment of U.S.\$20.0 million and remains a shareholder in the project);
- a €250.0 million syndicated bridge financing facility to Port Autonome d'Abidjan for expansion works to the Abidjan Port complex in Côte d'Ivoire;
- a U.S.\$575.0 million senior secured bond issued by Sea Trucks Corporation Limited with operations in Nigeria;
- a provision of U.S.\$24.0 million of debt financing to Ethiopian Airlines for the purchase of five Boeing 777-260LR passenger jets, which expanded Ethiopian Airlines' capacity on long haul routes to and from the rest of Africa;
- a U.S.\$30.0 million debt facility for the construction of a state-of-the-art air navigation service centre to be built at the Kotoka International Airport in Ghana;
- a U.S.\$140.0 million investment in the Gabon Special Economic Zone ("GSEZ"), which was structured as a U.S.\$70.0 million equity investment for a 10.5% equity stake and a U.S.\$70.0 million convertible loan, which automatically converted into a 10.5% equity stake upon the achievement of certain milestones, for the development of an industrial park, a mineral port, a general cargo terminal and other industry enabling infrastructure;
- a U.S.\$70.0 million acquisition of South African Infrastructure Fund's equity stake in South African Toll Road Company Proprietary Limited; and
- a US\$90.0 million debt investment to finance the Government of Gabon's 38.5% equity holding in the GSEZ.

Telecommunications

Telecommunications infrastructure is important for regional economic development and the Corporation's investment portfolio includes investments in telecommunications operators, telecommunications infrastructure and shared telecommunications services. Projects undertaken by the Corporation since its inception include:

- acting as the lead investor in the Main One Cable Company, which established a 7000 km fibre optic cable between Portugal, Ghana and Nigeria, with branching units across West Africa which enhance West Africa's connectivity to Europe and other parts of the world; and
- acting as a participant in the provision of an expansion capital lending facility to Essar Telecom Kenya Limited, which enabled the funding of capital investments in infrastructure and working capital needs for its expansion in the Kenyan mobile telecommunications market;
- a U.S.\$20.0 million loan participation in a U.S.\$600.0 million senior syndicated debt facility to I.H.S. Nigeria Plc, a wholly owned subsidiary of I.H.S. Holdings Ltd, Africa's largest telecommunications tower company to acquire towers from Etisalat, and to construct Build-to-Suit sites for MTN; and
- a U.S.\$100.0 million cross currency swap with MTN Nigeria Plc for its network expansion needs.

Lending

Loan Policies

The Corporation provides loans for the purposes of infrastructure project financing, asset backed finance, structured trade finance and corporate lending, in accordance with the Corporation's credit risk management policy ("CRMP"). The CRMP describes the Corporation's investment approval policy, risk appetite and establishes infrastructural sector limits (i.e Natural Resources (35%), Power (35%), Transport (35%), Heavy Industry and Telecommunications (35%) and Others (10%), Country Limits, Debt Single Obligor Limit (35% of the sector limit) and Equity Single Obligor Limit (33% of the Debt Single Obligor Limit),

as well as approval limits for borrowers who are independently risk rated by the Corporation's risk management function. See "*Risk Management*".

To manage credit risks, the Corporation's lending typically covers only a portion of the financing requirement of a project. The balance of funding typically comes from loans made by other banks or financial institutions in the lending consortia, together with the portion of the financial risks borne directly by the borrower's shareholders.

The Corporation typically lends on a secured basis. As at 31 December 2018, 54.7% of its loans were secured. The type of security and security structure depends on the loan product. The security requirements for each loan product are detailed in the Corporation's investment manual, which is approved by the BRIC. The Corporation requires that the borrower provides adequate security, such as a first mortgage on land and buildings including the project site, but other forms of security without prior claim may also be accepted.

Since the establishment of the Corporation in 2007, it has expanded its investments across the African continent, having financed loans totalling approximately U.S.\$5.6 billion in 28 countries, across the continent from Cape Verde in the West to Kenya in the East, South Africa in the South to Morocco in the North. Of this amount, borrowers have repaid U.S.\$3.7 billion as at 31 December 2018. As at 31 December 2018, the undrawn but committed loan balances amounted to U.S.\$229.3 million and outstanding loan balances were U.S.\$3.0 billion, including accrued interest and fees of U.S.\$11.4 million.

Loan Terms

The Corporation typically offers loans on a floating rate basis. However fixed rate loans may also be considered in instances where the borrower expresses a strong preference for a fixed-rate loan. See "*Risk Management—Market Risk—Interest Rate Risk*" for more information on the Corporation's exposure to interest rate risks. With regards to the tenor of loans, the Corporation endeavours to maintain an appropriate mix in its portfolio. As at 31 December 2018, trade finance related loans had a tenor of between 1 – 3 years, while project finance loans had a tenor of between 8 – 15 years. Other terms such as grace periods and principal amortisation are decided on a case by case basis.

Loans by Sector

The following table sets forth, as at 31 December 2018, 2017 and 2016, the total amounts of outstanding loans made by the Corporation by industry of the borrowers:

	As at 31 December 2018			As at 31 December	
	Number	Value (U.S.\$'000)	Percentage of total loans	2017 Value (U.S.\$'000)	2016 Value (U.S.\$'000)
Sector					
Natural Resources:					
Oil and gas (upstream).....	7	334,941	11.1	448,539	437,663
Oil and gas (downstream) and mining	5	84,795	2.8	144,110	141,432
Financial Institutions.....	21	1,821,518	60.1	1,557,689	1,174,082
Heavy Industry.....	5	343,286	11.3	171,234	166,739
Power	7	250,850	8.3	246,693	223,436
Transport.....	5	140,915	4.7	90,841	100,706
Others ⁽¹⁾	3	53,721	1.8	72,997	75,910
Total	53	3,030,026	100.0	2,732,103	2,319,968

⁽¹⁾ Includes sovereign and commodity finance.

Loans by Geography

The following table sets forth, as at 31 December 2018, the total amounts of outstanding loans made by the Corporation by country:

	As at 31 December 2018		
	Number	Value (U.S.\$'000)	Percentage of total loans
Country			
United Arab Emirates.....	3	495,548	16.4%

As at 31 December 2018			
	<i>Number</i>	<i>Value (U.S.\$'000)</i>	<i>Percentage of total loans</i>
Nigeria	16	418,198	13.8%
United Kingdom.....	3	400,913	13.2%
Japan	2	365,111	12.0%
Côte d'Ivoire.....	5	328,260	10.8%
United States	2	201,409	6.6%
Gabon.....	2	106,253	3.5%
Egypt.....	3	100,523	3.3%
Rwanda	1	99,098	3.3%
Chad.....	1	79,549	2.6%
Ghana.....	4	60,811	2.0%
South Africa	1	49,904	1.6%
Various ⁽¹⁾	3	49,627	1.6%
Kenya	2	48,131	1.6%
Zambia	1	43,446	1.4%
Republic of Congo	1	38,678	1.3%
DRC	1	38,438	1.3%
Tunisia	1	30,087	1.0%
Guinea.....	1	29,986	1.0%
Mozambique	1	18,845	0.6%
Cameroon.....	1	15,636	0.5%
Mauritius.....	1	7,785	0.3%
Liberia.....	1	3,790	0.1%
Total	57	3,030,026	100.0

⁽¹⁾ Includes loans made to three investment companies with operations that are spread across a number of different countries.

Loans by Product

The following table sets forth, as at 31 December 2018, the total amounts of outstanding loans made by the Corporation by product:

As at 31 December 2018		
	<i>(U.S.\$'000)</i>	<i>Percentage of total loans</i>
Project Finance.....	1,045,362	34.5%
Trade Finance.....	360,209	11.9%
Placements with financial institutions	1,624,455	53.6%
Total	3,030,026	100.0

Maturity profile

The following table sets forth, as at 31 December 2018 the maturity profile of the Corporation's loan portfolio:

	As at 31 December 2018
	<i>(U.S.\$'000)</i>
Within 1 month	1,528,054
Between 1 and 3 months	155,429
Between 3 and 6 months	234,099
Between 6 and 12 months	204,351
Between 1 and 2 years.....	85,708
Between 2 and 5 years.....	293,900
Above 5 years.....	528,485
Total	3,030,026

Outstanding Portfolio Collateral

The Corporation holds collateral and other credit enhancements against certain of its credit exposures. Security includes various types of collateral, which depends on the loan product. The table below sets forth, as at 31 December 2018, the principal types of collateral held against different types of financial assets and amount and percentage of the portfolio that is subject to collateral requirements.

Type of credit exposure	As at 31 December 2018 (U.S.\$'000)	Principal type of collateral held	Percentage that is subject to collateral requirements (%)
Loans and advances to other customers:			
Project Finance.....	979,560	Charge on securities/company assets	92
Trade Finance.....	360,209	Charge on commodities financed	64
Hybrid instruments.....	65,802	Charge on company assets/insurance	38
Investment debt securities	650,718	Insurance	5

Investments

In line with its strategy to expand its geographical presence and products, the Corporation seeks to maintain a flexible balance in its investment portfolio with a debt to equity ratio of 3:1, by diversifying its funding sources.

Debt Securities Portfolio

The Corporation invests in debt securities as part of its treasury management function. Its debt securities portfolio consists predominantly of bonds issued by African sovereigns and African corporate issuers, such as high yield bonds and credit-linked notes denominated in U.S. dollars. Most of the Corporation's debt securities portfolio consists of bonds by African corporate issuers that are in the financial institutions sector. As at 31 December 2018, the Corporation held U.S.\$809.6 million in debt securities, of which U.S.\$417.8 million were corporate securities and U.S.\$391.8 million were sovereign securities. The Corporation invests in debt securities in order to further diversify its asset portfolio and thereby stabilise earnings.

Equity Portfolio

The Corporation's equity investments are managed with a view to profiting from the receipt of dividends and changes in the fair value of such investments. The Corporation's equity business strategy is built around using its local and industry knowledge and investment structuring capabilities to select attractively priced assets for investment, building these businesses and working to optimise their operations in partnership with an experienced management team, and maximising value through timely and well executed exit strategies.

Since the formation of the Corporation, the Board of Directors of the Corporation have approved a total of eleven equity investments. The majority of the Corporation's equity investments are unlisted and therefore, their market value is not easily determined. The Corporation has an established valuation framework in place to measure fair values. There is a valuation committee that is responsible for ensuring that the overall valuation process reflects the principles of independence, integrity, transparency and diligence. The valuation committee consists of the Chief Risk Officer as the chairman, the Chief Financial Officer as the alternate chairman, the Financial Controller, portfolio manager, market risk manager and a nominee of the Chief Executive Officer. All valuations are independently reviewed by the Corporation's product control function and presented to the valuation committee for deliberations and endorsement. Where the fair valuation adjustment of an investment is considered material, the valuation is subject to further independent review by external valuation consultants. The Corporation's fair valuation adjustments for its unlisted equity investments are approved by the Board of Directors through the BACC and the BRIC.

The following table sets forth, as at 31 December 2018, 2017 and 2016, the total amount of the Corporation's equity investments made by sector.

Sector	As at 31 December		
	2018	2017	2016
	(U.S.\$'000)		
Transport.....	342,780	323,560	208,571
Power	182,096	294,944	125,310
Telecoms.....	15,140	21,611	35,602
Natural Resources			
Oil and gas upstream	10	10	17,560
Oil and gas downstream and mining.....	42,850	50,080	33,393
Heavy Industry.....	8,188	11,463	21,383

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Total	591,064	701,668	441,819

The following table sets forth, as at 31 December 2018, the total amount of equity investments made by the Corporation by country.

Country	As at 31 December 2018		
	Number	(U.S.\$'000)	Percentage of total equity investment (%)
Gabon.....	1	220,180	37.3
Mauritius ⁽¹⁾	1	170,900	28.9
South Africa	3	75,310	12.7
Côte d'Ivoire.....	2	57,394	9.7
Guinea.....	1	42,850	7.2
Nigeria	6	24,346	4.1
Ghana.....	1	74	0.0
Mozambique	1	10	0.0
Total	16	591,064	100.0

⁽¹⁾ Represents investment in Anergi, a company registered in Mauritius, but operates across 5 African countries.

As at 31 December 2018, the Corporation's equity portfolio included direct equity investments of U.S.\$516.9 million, which are valued through profit or loss. This includes the following investments (i) MainOne Cable Company, a telecommunications company and a leading provider of innovative telecommunications services and network solutions for businesses in West Africa, (ii) Cenpower Generation Company, a power generating company in Ghana, (iii) Vigeo Power Limited, a power distribution company in south-west Nigeria, and (iv) Ncondezi Energy Limited, a power development company with an integrated 300MW thermal coal power plant and mine project in the Tete province, Mozambique, (v) Singrobo, a 44 MW hydroelectric plant in Côte d'Ivoire and (vi) Societe concessionnaire du pont riviera-Marcory ("**Socoprism**"), a concessionnaire company responsible for the operation and management of the Henri Konan Bedie Bridge in Côte d'Ivoire, (vii) the GSEZ, a portfolio of infrastructure projects across a variety of sectors, which includes a mineral terminal, cargo port, general logistics terminal, and (viii) Anergi, a joint venture with Harith that owns equity interests in power-generating assets across five African countries.

The following table sets forth as at 31 December 2018, the fair value through profit or loss of the Corporation's equity securities and percentage shareholding.

	As at 31 December 2018	
	(U.S.\$'000)	Percentage of shareholding (%)
MainOne Cable Company	15,140	23.0
Vigeo Power Limited	1,010	20.0
Cenpower Generation Company	74	25.0
Ncondezi Energy Limited.	10	23.0
Socoprism	47,290	26.0
Singrobo	10,103	40.0
GSEZ	220,180	21.0
Anergi	170,900	38.0
Bakwena Platinum Concession Company	49,480	22.0
Infrastructure Credit Guarantee Company Limited	2,718	50.0
Total	516,905	—

The Corporation also has available-for-sale equity investments measured at fair value through other comprehensive income. The following table sets forth as at 31 December 2018, the fair value through other comprehensive income of the Corporation's equity securities and percentage shareholding.

As at 31 December 2018		
	<i>(U.S.\$'000)</i>	<i>Percentage of shareholding (%)</i>
Capital Alliance Property Investment Company, L.P.	4,470	13
Seven Energy International Limited.....	10	4
Alufer.....	48,850	-
Notore Chemicals Industries Limited.....	1,000	5
Trans African Concessions (Pty) Ltd. ("TRAC").....	17,970	6
N3 Toll Concession (RF) (Pty) Ltd. ("N3TC").....	7,859	4
Total	74,159	—

The Corporation is currently exploring the idea of selling down its equity assets via a permanent capital vehicle and is in the early stages of developing plans to create a special purpose vehicle into which assets of the Corporation identified as appropriate for exit, sell-down or partial sell-down can be transferred for consideration while maintaining the income-generating capacities of such assets.

Sources of Funds

The Corporation's sources of funds consist of its capital, borrowings from other multilateral and bilateral development financial institutions, global and regional banks, debt issuances in the international capital markets and internally generated funds such as loan repayments from borrowers. The Corporation does not accept deposits. The Corporation's borrowing plan aims to ensure that the Corporation raises adequate debt funding to support its investment portfolio operations while achieving cost-efficient and effective borrowing.

In April 2015, the Corporation established the Programme and it issues medium term notes to investors under this Programme. Each of these notes have been repaid as they mature. As at 31 December 2018, the Corporation has seven issuances under the Programme that are outstanding to private investors in the aggregate amount of U.S.\$1.6 billion. In addition to notes issued under this Programme, in January 2017, the Corporation issued a three-year U.S.\$150.0 million sukuk bond on the Murabaha platform of Nasdaq Dubai, the international financial exchange serving the Middle East and Africa. The Corporation's sukuk bond is the first sukuk bond to be issued by an African supranational entity.

In addition to the issue of Notes under this Programme, the Corporation is also party to a number of bilateral loan facilities which it uses as a source of funding in the ordinary course of business in line with its funding strategy described above. In February 2016, the Corporation entered into a U.S.\$150.0 million 15-year term loan facility with KfW Development Bank (which was upsized to U.S.\$190.0 million in May 2016) that has enhanced the Corporation's ability to fund longer tenor infrastructure projects. The Corporation also entered into a U.S.\$30.0 million seven-year line of credit with Oesterreichische Entwicklungsbank AG (Development Bank of Austria). In December 2017, the Corporation entered into a U.S.\$200.0 million three-year club loan with the Bank of Tokyo-Mitsubishi UFJ, Ltd., First Abu Dhabi Bank PJSC, ICBC (London) Plc and First Rand Bank Limited, London (acting through its Rand Merchant Bank Division). In addition, in 2017, the Corporation entered into a €100.0 million 20-year term loan facility with AFD, that will only be drawn down for climate change related finance projects. In 2018, the Corporation entered into a US\$300.0 million 5-year loan facility financed by the Import-Export Bank of China. The facility comprised a US\$200.0 million 5-year term loan facility and a US\$100.0 million standby facility which will provide contingent funding for the Corporation. In 2018, the Corporation also entered into a US\$300.0 million international club loan facility with, among others, the Bank of Tokyo-Mitsubishi UFJ, Ltd., First Abu Dhabi Bank PJSC, ICBC (London) Plc.

The following table shows the Corporation's sources of funding for the year ended 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		<i>(U.S.\$'000)</i>	
Total equity	1,552,659	1,507,307	1,447,721
Borrowings.....	2,901,941	2,483,392	1,907,793
Total capitalisation	4,454,600	3,990,699	3,355,514

The following table shows the maturity of the Corporation's borrowings as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017 (U.S.\$'000)	2016
Short term borrowings (less than 1 year).....	259,054	280,340	291,740
Medium term borrowings (within 1 and 3 year).....	1,707,416	1,295,700	376,992
Long term borrowings (over 3 years)	935,481	907,352	1,239,061
Total borrowings	2,901,941	2,483,392	1,907,793

Capital Adequacy

The capital and reserves of the Corporation is U.S.\$1.6 billion against total assets of U.S.\$4.5 billion as at 31 December 2018. As at 31 December 2018, the Corporation's capital comprised Tier 1 (93.1%) and Tier 2 (6.9%) as shown below:

- **Tier 1:** Comprised share capital, retained earnings and reserves created by appropriations of retained earnings.
- **Tier 2:** Comprised unrealised gains arising on the fair valuation of equity instruments held as fair value through other comprehensive income and collective impairment allowance on loans.

The Corporation has no externally imposed capital requirements but has complied with its own internal capital adequacy requirements since its formation.

Capital adequacy is monitored regularly by the Corporation's Finance and Treasury Division and Risk Management, who employ techniques in line with international standards (Basel II). The Board of Directors requires the Corporation to maintain a prudential capital adequacy ratio, which is defined by the Corporation as total risk capital to the risk-weighted asset 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. As at the date of this Base Prospectus, the Corporation has not deviated from this guidance. As at 31 December 2018, the Corporation's Basel II ratio was 39.2%. While the Corporation is currently well-capitalised, it expects its capital adequacy to trend downwards over the next few years as it grows its risk asset portfolio. However, the Corporation will continue to be guided by the Board of Directors approved prudential capital adequacy ratio limit of above 30%.

The Corporation is currently assessing the impact that Basel III will have on its operation and has already incorporated certain of the Basel III standards, and is looking to adopt the Basel III standards at a date still to be determined.

The table below summarises the composition of capital and the Basel ratios of the Corporation as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017 (U.S.\$'000)	2016
Tier 1 Capital:			
Share Capital.....	1,096,395	1,095,343	1,089,067
Share Premium.....	4,713	3,765	—
Retained earnings	425,899	372,088	329,495
Total qualifying Tier 1 capital.....	1,527,007	1,471,196	1,418,562
Tier 2 Capital:			
Net fair valuation gain on available-for-sale assets	25,652	36,111	27,265
Collective impairment allowance	87,496	63,198	41,862
Total qualifying capital.....	1,640,155	1,570,505	1,487,689
Risk weighted assets:			
On-balance sheet	4,122,332	3,782,643	3,088,278
Off-balance sheet	66,288	56,533	70,609
Total risk-weighted assets.....	4,188,620	3,839,176	3,158,887
Basel ratio	39.2%	40.9%	47.1%

Environmental and Social Risk Management

The Corporation is committed to identifying, managing and monitoring environmental and social risk in all areas of its business activities. It recognises that the failure to identify and manage environmental and social risks can represent a serious threat to its reputation and business. The Corporation adheres to international standards and best practices in the assessment and management of environmental and social risks by incorporating standards developed and followed by other similar international institutions, into the Corporation's investment appraisal and decision making process (the "**Environmental and Social Risk Management Policy**"). The Environmental and Social Risk Management Policy is based on the International Finance Corporation's performance standards on social and environmental sustainability and on the World Bank's environmental, health, and safety guidelines. The Corporation believes that adherence to its Environmental and Social Risk Management Policy provides significant benefits to the Corporation, its clients and all stakeholders and will minimise the risk of damage to its reputation and business.

Adherence to the Corporation's Environmental and Social Risk Management Policy means among other things, the following:

- when national environmental and social standards in countries where the Corporation invest are below the standards set out in its policy, the Corporation will collaborate with its clients to attain such standards;
- the Corporation will not invest or fund activities that are listed on its exclusion list;
- environmental and social risk assessment is integrated into the entire investment process, including the investment life cycle;
- the Corporation's investments have appropriate structures that provide the requisite oversight in the areas of audit, risk management and potential conflicts of interest. The Corporation has a zero tolerance to bribery and other improper payments to public officials in compliance with various international laws such as U.S. Foreign Corrupt Practices Act, the OECD Anti-Bribery Convention and similar laws in other countries;
- encouraging entities in which it invests to educate their supply chain in managing environmental and social risks in accordance with international best practices; and
- the Corporation's investments are categorised into "A" High Risk, "B" Medium Risk and "C" Low Risk based on possible adverse environmental and social impacts and whether these impacts are site specific, diverse or unprecedented in order to make sure that resources for managing environmental and social risks are used efficiently and effectively. See "*Risk Management—Credit Risk—Credit Quality Analysis*".

The Corporation has developed an environmental and social risk manual that details how its environmental and social risk policy is to be implemented. The Chief Risk Officer has overall responsibility for the Corporation's environmental and social risk management. The Corporation provides periodic training on environmental and social risk management training to its management and staff. It also provides periodic investment monitoring reports to management and the Board of Directors, which include updates on environmental and social risks. The Environmental and Social Risk Management Policy is reviewed and approved annually by the BRIC.

Environmental and social risk management is an integral part of the investment approval process. See "*Risk Management—Investment Approval Process*". At the beginning of the investment approval process, an identification memorandum ("**ID Memo**") is prepared, where investment proposals are screened against the Corporation's exclusion list of investment activities, and an environmental and social risk management questionnaire is completed so that the Corporation can determine the environmental and social categorisation of the proposed project. If the ID Memo is approved, an Early Investment Memorandum ("**EIM**") is prepared, where an assessment of the gaps between the proposed project and the Corporation's Environmental and Social Risk Management Policy is undertaken. Any corrective actions necessary in order for the proposed project to comply with the Corporation's Environmental and Social Risk Management Policy is detailed in the proposed project's Environmental and Social Impact Assessment and Environmental and Social Action Plan ("**ESAP**"). When the Final Investment Memorandum ("**FIM**") is

prepared for final approval of the proposed project, the ESAP is integrated into the legal documentation for the project. Environmental and social risk management monitoring continues throughout the lifetime of each of the Corporation's projects.

Compliance Procedures

The Corporation is committed to the highest standards of compliance with global sanctions, anti-money laundering ("AML"), combating financing of terrorism ("CFT") and anti-bribery and anti-corruption ("ABAC") regimes. The Corporation has established governing principles and standards to protect the Corporation and its business from being used to evade sanctions, launder money, finance terrorism and the making of bribes and inappropriate payments. Compliance with the Corporation's sanctions, AML, CFT and ABAC requirements is the responsibility of all its employees. Once suspicious activity is detected, employees are expected to take immediate action by reporting the matter to their immediate supervisors and the Corporation's Chief Compliance Officer. Employees are required to undergo annual training on the Corporation's sanctions, AML, CFT and ABAC policies and procedures.

The Corporation's internal audit function also monitors the Corporation's compliance with its sanctions, AML, CFT and ABAC policies and the applicable laws. In addition, the Corporation has engaged a third party whistle blowing service, to inform senior management of misconduct without disclosing the identity of the whistleblower.

The Corporation monitors each of its investments' compliance with its AML, CFT and ABAC policies throughout the lifetime of the investment.

Sanctions Compliance

The Corporation complies with any sanctions to the extent they are applicable to its operations and/or specific transactions, including those administered and enforced by the United Nations Security Council ("UNSC"), the European Union ("EU"), Office of Foreign Assets Control of the U.S. Department of the Treasury, Her Majesty's Treasury and other relevant internationally recognised sanctions authorities, as the same are in force from time to time (collectively, "Sanctions"). 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 Bank has put in place systems, processes and controls, which include customer due diligence policies and procedures and "know your customer" ("KYC") checks.

AML, CFT and ABAC Policies

The Corporation examines its AML, CFT and ABAC policies annually, or on a more frequent basis if required, to seek to ensure it maintains an effective compliance framework for the Corporation's business that reflects the best practices for an international financial institution.

The AML, CFT and ABAC policies establish governing principles and standards to protect the Corporation and its business from being used to launder money and finance terrorism. The policies have been prepared with regard to the universal principles contained in various global laws and standards governing AML/CFT and ABAC, in particular the U.S. Foreign Corrupt Practices Act of 1977 and the U.K. Bribery Act 2010 or any equivalent sanctions or measures imposed by the UNSC and/or the EU. The Corporation's procedures are continuously benchmarked against best practices across major global jurisdictions to ensure that new developments and evolutions in regulation and legislation are reflected in its policies as soon as practicable.

Competition

The size of Africa's infrastructure deficit means that entities financing the infrastructure sector in Africa often cooperate and co-invest rather than compete aggressively. See "*Strengths— Attractive growth region with a sizeable and growing infrastructure investment opportunity*" above. However, due to the numerous challenges involved with operating in Africa, there is a lack of well-structured projects. The Corporation is able to find appropriate investment opportunities through its project development services. As the Corporation is involved at an early stage in the project's lifecycle, it can put in place the necessary requirements to attract appropriate financing.

Although the Corporation operates in a relatively competitive market for the provision of financing to infrastructure projects, it does not view other financial institutions offering financing as direct competition but rather endeavours to work in cooperation with them to provide value to its clients. For example, while

it may compete with other DFIs for the position of mandated lead arranger, the Corporation and the other DFIs usually end up working together to co-finance transactions, irrespective of the entity that won the lead mandate. It is the Corporation's policy to cooperate and coordinate with other DFIs and government agencies and to actively seek out partnerships with international financial institutions and official agencies in co-financing opportunities to meet its client needs. Other DFIs include the World Bank Group (including the International Bank for Reconstruction and Development), the International Finance Corporation and the African Development Bank Group. While these other DFIs invest in infrastructure development in Africa, some of them also invest in projects and activities outside Africa and the infrastructure sector (such as policy reform).

Related Party Transactions

The Corporation's related parties include its shareholders, directors and key management personnel. Loans to and investments in related parties are made at market interest rates and subject to arms' length commercial negotiations as to terms. Board members that are related parties to a particular transaction are required to excuse themselves from any board or committee discussions that relate to any investment in their respective institution.

The table below sets forth the outstanding related party transactions and related income as at and for the years ended 31 December 2018, 2017 and 2016.

	As at and for the year ended 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Loans outstanding as at the end of the year	232,105	169,049	152,779
Placements/investments in debt securities	138,979	290,641	238,026
Interest income earned	51,006	31,085	56,960

Legal Status, Immunities and Privileges

The Establishment Agreement sets out the Corporation's legal status and certain immunities, exemptions, privileges, facilities and concessions within each Member Country. It also obliges each Member Country to take all necessary legislative and executive action to accord the Corporation these immunities, exemptions, privileges, facilities and concessions. See *"Risk Factors—Risks relating to the market generally—It may be difficult to effect service of legal process and enforce judgments obtained in Member Countries against the Issuer and its officers"*. As at the date of this Base Prospectus, the Establishment Agreement has been ratified in Nigeria, Ghana, The Gambia, Guinea and Liberia, and other countries, such as Zambia, are in the advanced stages of formal ratification. The Corporation has the full capacity to contract, to acquire and dispose of immovable and movable property and to institute legal proceedings. The Corporation is headquartered in Lagos, Nigeria, subject to the terms of a headquarters agreement signed on 28 May 2007, between the Government of Nigeria and the Corporation (the **"Headquarters Agreement"**). The Government of Nigeria ratified the Headquarters Agreement by an Instrument of Ratification on 17 June 2010. The Establishment Agreement and the Headquarters Agreement give the following immunities, exemptions, privileges, facilities and concessions to the Corporation:

- immunity from every form of legal action or process, except in respect of the Corporation's operations;
- immunity from legal court action with respect to transactions governed by arbitration agreements or pending before an arbitral tribunal;
- immunity of the Corporation's property and assets from search, requisition, expropriation, confiscation, nationalisation and all other forms of seizure, taking or foreclosure by executive or legislative action
- immunity of the Corporation's property and assets from seizure, attachment or execution before the delivery of final judgment or award against the Corporation.
- Member Countries agree, to the extent necessary to implement the purpose of the Corporation, to waive and refrain from imposing any administrative, financial or other regulatory restrictions that

are likely to hinder in any manner the smooth functioning of the Corporation or impair its obligations;

- Member Countries also agree that the property, assets, operations and activities of the Corporation shall be free from restrictions, regulations, supervision or controls, moratoria and other legislative, executive, administrative, fiscal and monetary restrictions of any nature;
- the archives of the Corporation, and in general all documents belonging to the Corporation are inviolable except for documents required to be produced in the course of judicial or arbitral proceedings;
- official communications of the Corporation are accorded in Member Countries the same treatment and preferential rates accorded to the official communication of international organisations and shall be immune from censorship and any other form of interception or interference with their privacy.
- the Corporation's officers and employees are immune from legal process with respect to acts performed by them in their official capacity and are accorded immunities from immigration restrictions and alien registration requirements, from personal arrest or detention and, with the exclusion of salaries paid to Nigerian employees, domestic servants, locally recruited staff and permanent foreign residents of Nigeria, from any form of direct or indirect taxation on salaries, emoluments, indemnities and compensation;
- the property, assets, income, operations and transactions of the Corporation are exempt from all taxation and custom duties and from withholding or collection of any tax; and
- Member Countries are to grant the Corporation a status at least equal to that of a non-resident corporation and the Corporation shall enjoy all fiscal exemptions, financial facilities, privileges and concessions granted to international organisations, banking establishments and financial institutions.

Technology

The Corporation uses information technology ("IT") from global industry leaders, such as IBM, Microsoft, Hewlett-Packard, Cisco, Oracle and SAP. The core business applications currently used include SAP, Hewlett-Packard ("HP") Unix, Microsoft Office 365, Laserfitche Electronic Document Management System and Oracle Relational Database Management System. The Corporation's IT operations, processes and procedures are guided by an industry standard governance framework. For the efficient operation and management of IT-related issues, the Corporation has an IT service desk that logs, tracks, monitors and resolves any issues or incidents, end-to-end, in a timely manner.

In addition, the Corporation has in place a robust disaster recovery and business continuity plan implemented within and outside Nigeria. All business critical applications are implemented to automatically replicate data onto the remote servers through an efficient wide area network located at the Corporation's disaster recovery centres in Ikeja, Lagos, Nigeria and Accra, Ghana. This is in addition to the Corporation's cloud computing technology adopted for mission-critical applications. To ensure efficient functionality, business continuity and disaster recovery tests at the disaster recovery centres are carried out on the disaster recovery centres' infrastructure on a quarterly basis. Users' experience is monitored and properly documented with a view to making the business continuity system more robust.

The Corporation's IT systems are secured against internal and external cybersecurity attacks and vulnerabilities through the implementation of an industry standard information security management system, comprised of different levels of information security solutions on a modularised network. The British Standards Institute (BSI) UK, recently granted the Corporation with ISO27001 certification.

The Corporation carries out independent, biannual IT controls and security reviews, including vulnerability assessment and penetration tests ("VAPTs") to uncover any weaknesses or vulnerabilities in its network infrastructure. VAPTs benchmark the security infrastructure against the Standard of Good Practice. Reviewed areas include management practice and policies, review of security and controls around network infrastructure, end-points and applications, penetration testing, ethical hacking, internal and external vulnerability assessment and general risk assessment and management.

As a mobile institution, the Corporation has also implemented collaboration systems with embedded security to ensuring that its employees are able to collaborate in productive and agile ways. These systems also facilitate the monitoring and measuring of employee performance.

The Corporation continues to leverage the use of its IT infrastructure to drive efficiency and support its business and operations.

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Corporation is aware) which are expected to have or have had during the 12 months prior to the date of this Base Prospectus, significant effects on the Corporation's financial position or profitability.

Property

The Corporation's headquarters are located at 3A Osborne Road, Ikoyi, Lagos, Nigeria. Its telephone number is +234 1 279 9600.

Subsidiaries

On 18 September 2013, the Corporation incorporated a special purpose entity, AFC Equity Investments Limited ("**AFC Equity**"), in Mauritius, to undertake or hold certain equity investments as part of the Corporation's operational strategy. AFC Equity became operational on 18 March 2014. AFC Equity is a wholly owned subsidiary of the Corporation and is structured as an intermediary holding company. AFC Equity is led by a board of directors and a management partner. The board of directors of AFC Equity is currently composed of five members: three foreign directors and three resident directors (including one alternate director), who have oversight of its activities.

Employees

As of 31 December 2018, the Corporation had 88 full-time employees, all of whom (except for two) are based in Lagos, Nigeria. The Corporation's employees have previous work experience at other DFIs, investment banks and other multinational companies. They possess competency in banking, engineering, project development, investment, origination, advisory, syndications, project finance, management, and consulting, amongst other skill sets.

The Corporation offers a four-pronged value proposition to its employees, providing (i) the opportunity to participate in innovative and important projects in challenging and engaging roles (ii) competitive compensation; (iii) strong professional development and training opportunities; and (iv) a collegial, inclusive and stimulating work environment.

The Corporation operates a market-oriented staff compensation and benefits system designed to match the employment standards of other global financial institutions. The Corporation offers a defined contributory pension scheme to its employees, where it pays a fixed contribution of 7.5% of its employees' base salary and employees contribute a minimum of 5% of their basic salary into the scheme.

RISK MANAGEMENT

General

The Corporation's operations are subject to a variety of risks, some of which are not within its control, including risks relating to changes in interest rates, foreign exchange rates, declines in liquidity and deterioration in the credit quality of its loan and portfolios. The Corporation monitors and manages the maturities of its loans and borrowings, its interest rate and exchange rate exposure, its liquidity position and the credit quality of each individual loan and equity investment in order to minimise the effects of changes in them relative to the Corporation's profitability and liquidity position.

By virtue of its mandate, the credit risks inherent in the Corporation's investments are relatively high due to the geographic concentration of its operational portfolio in Africa. The Corporation seeks to ensure that credit risks are properly identified and managed while other risks resulting from its ordinary operations are mitigated to the extent possible.

In order to manage risks the Corporation has designed policies, processes and procedures that help it to achieve what it believes to be an appropriate balance between risk and return. The Corporation has established a multi-layered risk management governance structure that comprises: (i) the Board of Directors, (ii) the BRIC, which is responsible for oversight and approval of risk policies and investment approvals that are above management's authority levels; (iii) the EXCO, which is responsible for the review of investment proposals and investment approvals, (iv) the Management Risk Committee, which is responsible for risk policy review, implementation and monitoring; (v) the Asset and Liability Committee ("ALCO"), which is responsible for the management and monitoring of the Corporation's assets and liabilities, including liquidity and interest rate risks; (vi) weekly monitoring meetings to discuss interventions for borrowers that risk indicators have identified are likely to experience stress in the short to medium term; (vii) the Risk Management Department, which is responsible for the development, implementation management and monitoring of the Corporation's risk policy; and (viii) the Corporation's business units, which are responsible for the creation and management of the Corporation's risk assets. Together, these various organs within the Corporation are responsible for devising, implementing and monitoring its risk management policies, including financial, credit and market risks. The Corporation believes that its risk management policies are in line with international best practices.

Investment Approval Process

The Corporation's CRMP describes the Corporation's investment approval process. The investment approval process commences with the preparation of an ID Memo on any newly originated transaction. The ID Memo sets out an overview of the proposed transaction, an overview of the sponsors and their track record, strategic fit with the Corporation's corporate objectives, early risk issues and potential resource requirements. At this stage, the Corporation also initiates KYC checks and AML/ABAC due diligence. The KYC check will allow the Corporation to determine the identity of the borrower, the borrower's beneficial owners and shareholders, source of funds and reputation. If the Corporation subsequently determines that enhanced due diligence is necessary, the investment approval process will be paused until enhanced due diligence is completed and found to be satisfactory. See *"Description of the Corporation—Compliance Procedures"*. The ID Memo is approved by an investment director and the Chief Investment Officer, prior to the transaction being formally introduced into the Corporation's project pipeline.

A more detailed credit appraisal is then conducted, and early negotiations are held with the sponsors/promoters. Thereafter, an EIM is prepared, which contains the detailed information on the project, including an analysis of the expected returns from the investment. KYC, AML and ABAC processes at the EIM stage of the investment approval process are conducted to verify the information given by the prospective borrower from various referees. An initial risk rating is assigned by the Corporation's risk management department at this stage, and the transaction is then presented to the sub investment committee.

Following the approval of the EIM, the required due diligence is conducted, focusing on the issues or concerns raised during the presentation of the EIM. During this period, negotiations will be advanced with the sponsors, the transaction structure will be finalised, and a term sheet will be executed. A FIM is then prepared for final approval of the proposed transaction. The FIM contains detailed information, such as the financial and technical strength of the borrower or project sponsors, pricing and security structure, project feasibility and financial, legal, regulatory, environmental and social, macro-economic and political factors, as well as a detailed transaction risk profile. The FIM is independently reviewed by the Risk Management

department, which provides a risk assessment. The affirmative vote of the Chief Risk Officer is mandatory for all proposed investments that the Corporation considers for approval. Depending on the transaction size and risk rating, the FIM and the risk assessment will either be presented to the EXCO for final approval through its delegated management authority, the BRIC or the Board of Directors (upon the recommendation of the EXCO). Investments approved by the EXCO are also presented to BRIC for information purposes.

Credit Risk

The Corporation is exposed 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. It is anticipated that as the Corporation's portfolio of loans and investments increases, the credit risk on the portfolio will also increase. The Corporation's credit risks are managed within a framework of credit policies, guidelines and processes.

Project and Investment Credit Risk

The CRMP includes the Corporation's 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 the Corporation's management and approved by the BRIC.

The Corporation's Credit Risk Acceptance Criteria are a set of terms and conditions that have 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.

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 they fall 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 total shareholders' funds (net of losses) as well as the Corporation's shareholders' funds. The risk limits are proposed by the Risk Management Department and approved by the Executive Management Committee.

Credit Risk Measurement

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

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 the credit risk of loan and advances at a counterparty level, the Corporation considers three components: (i) the **"probability of default"** by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Corporation derives the **"exposure at default"**; and (iii) the likely recovery ratio on the defaulted obligations (the **"loss given**

default"). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

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. The Corporation's single obligor limit is 15% of shareholders' funds, while its limit for any one sector is 35% of investable funds (equal to shareholders' funds plus borrowings with a tenor of greater than one year). For debt investments, the maximum exposure allowed to a single obligor is 35% of the sector limit and for equity investments the maximum is one-third of the amount of debt exposure allowed. Such risks are monitored on a continuous basis. Limits on the level of credit risk by product, industry sector and country are approved by the BRIC on the recommendation of the Executive Management Committee. For the year ended 31 December 2018, the Corporation's largest master single obligor exposure was equal to 20.0% of shareholders' funds. The single obligor exposure represents the Corporation's direct equity investment in GSEZ and the loan granted to the Government of Gabon to finance its 38.5% equity holding in GSEZ. The Board of the Corporation approved these transactions, as they both exceeded the Corporation's single obligor limit for 12 months. The Corporation's highest sector exposure was 47% of the applicable sector limit, with its largest debt exposure to a single obligor recording 8% of the sector limit and its largest equity exposure was 51% of its equity limit for the sector.

Risk Concentration

The following table represents the maximum credit risk exposure of the Corporation as at 31 December 2018 and 2017 without taking account of any collateral held or other credit enhancements attached.

	As at 31 December	
	2018	2017
	<i>(U.S.\$'000)</i>	
Balances with banks.....	26,054	29,175
Loans and advances to banks:		
Placements with banks.....	1,598,401	1,471,257
Derivative financial instruments.....	5,322	5,696
Loans and advances to other customers:		
Project finance.....	979,560	797,711
Trade finance.....	360,209	364,711
Financial assets at fair value through profit or loss:		
Hybrid instruments (convertible debt).....	65,802	69,249
Assets under management.....	19,829	19,729
Investment securities:		
Corporate debt securities.....	353,727	345,346
Government debt securities.....	296,991	313,086
Pledged assets:		
Corporate debt securities.....	64,052	114,249
Government debt securities.....	94,855	109,587
Other assets:		
Account receivable.....	12,301	19,802
Fee receivable.....	11,939	14,122
Total	3,889,042	3,449,884
Off-balance sheet commitments		
Debt commitments	229,264	99,045

The Corporation's management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Corporation's loan and advances portfolio.

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 23-point credit risk rating methodology, 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 for debt investments 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 risk rating process for equity investments considers various factors, such as the internal rate of return on the investment, whether there are board observer and strong minority shareholder rights, whether the investment is self-liquidating and whether there are realistic exit plans. The 23 point risk rating scale is further collapsed into five generic risk classes, of "very low risk", "low risk", "moderate risk", "high risk", and "very high risk". 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 this is carried out quarterly for each obligor. 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. The rating is reviewed when there is a default and this is reflected in the management of such portfolio. 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 are identified based on factors such as: (i) ratings downgrade; (ii) missed payments; (iii) non-compliance with loan covenants; and (iv) 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. The Corporation's risk rating buckets and definitions are as set forth below:

Description	Rating bucket	Range of scores	Risk range description	
Very Low Risk	AAA to A-	1.00 — 1.60	Excellent	Acceptable risk range
Low Risk	BBB+ to BB+	1.70 — 2.00	Strong	
Moderate Risk	BB to B-	2.00 — 4.00	Good	
High Risk	CCC+	4.00 — 5.00	Fair	Unacceptable risk range
High Risk	CCC	5.00 — 7.00	Marginal	
Very High Risk	CCC- to D	7.00 — 10.00	Special attention	

The internal credit risk rating bucket has been calibrated to the S&P and Moody's rating grades for obligors. The Corporation's credit grades are not intended to replicate external credit grades (where these are available), and ratings assigned by external ratings agencies are not used in determining the Corporation's internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

The credit quality of the loans and advances to banks and other customers that are neither past due nor impaired is set forth below as at 31 December 2018 and 2017.

	As at 31 December	
	2018	2017
	(U.S.\$'000)	
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-) ⁽¹⁾	1,731,767	1,538,210
Others (BB+, BB, BB-, B+, B, B-).....	829,826	702,584
	2,561,593	2,240,794
Counterparties without international credit ratings:		
Group 1 ⁽²⁾	412,284	206,629
Group 2 ⁽³⁾	915,165	755,298
	1,327,449	961,927
Total unimpaired nor past due loans, advances and debt securities	3,889,042	3,202,721
Past due but not impaired	—	247,163
Total loans, advances and debt securities	3,889,042	3,449,884

⁽¹⁾ Consists largely of placements with banks, cash and bank balances and includes longer-dated securities.

(2) New customers/related parties (less than six months).

(3) Existing customers/related parties (more than six months) with no defaults in the past.

Counterparties are subject to the Corporation's internal rating process as part of its credit approval and review process. Using the Corporation's internal credit rating, the credit quality of financial assets measured at amortised cost exposed to credit risk is set forth below:

	As at 31 December	
	2018	2017
	<i>(U.S.\$'000)</i>	
Balances with banks at amortised cost:		
Excellent.....	11,006	15,737
Strong	26	13
Good.....	15,022	13,425
Carrying amount.....	26,054	29,175
Loans and advances to banks at amortised cost:		
Excellent.....	1,313,158	1,231,693
Strong	274,500	135,083
Good.....	11,961	104,481
Loss allowance.....	(1,218)	—
Carrying amount.....	1,598,401	1,471,257
Loans and advances to other customers at amortised cost:		
<i>Project finance:</i>		
Good	542,677	291,204
Fair	135,841	44,368
Marginal	161,055	241,247
Special Attention	164,953	220,892
Default.....	52,567	—
Loss allowance.....	(77,533)	(56,648)
<i>Trade finance:</i>		
Good.....	353,673	191,502
Fair	15,916	56,268
Marginal	—	123,491
Loss allowance.....	(9,380)	(6,550)
Carrying amount.....	1,339,769	1,162,422
Investment securities at amortised cost:		
<i>Corporate debt securities:</i>		
Excellent.....	125,640	—
Good.....	125,249	110,893
Fair	41,011	37,854
Marginal	66,491	82,350
Loss allowance.....	(8,860)	—
<i>Government debt securities:</i>		
Good.....	300,452	203,499
Carrying amount.....	646,523	434,596
Pledged assets:		
<i>Corporate debt securities:</i>		
Good	65,797	114,249
Loss allowance.....	(1,745)	—
<i>Government debt securities:</i>		
Strong	50,770	50,803
Good.....	44,917	58,784
Loss allowance.....	(832)	—
Carrying amount.....	158,907	223,836
Other assets:		
<i>Account receivable:</i>		
Good	12,301	19,802
<i>Fee receivable</i>		
Good.....	11,939	14,122
Carrying amount.....	24,240	33,924
Debt commitments		
<i>Debt:</i>		
Good.....	46,384	96,913
Fair	182,880	—
Marginal	—	2,132
Carrying amount.....	229,264	99,045

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

	As at 31 December	
	2018	2017
	(U.S.\$'000)	
Derivatives financial assets:		
Good.....	5,322	5,696
Financial assets at fair value through profit or loss		
<i>Hybrid instruments (convertible debt)</i>		
Good.....	—	27,799
Fair.....	35,816	
Marginal.....	29,986	41,450
<i>Assets under management (debt securities)</i>		
Good.....	19,829	19,729
	85,631	88,978
Investment securities		
<i>Corporate debt securities</i>		
Good.....	4,195	4,159

The Corporation holds collateral and other credit enhancements against certain of its credit exposures. For loans and advances to customers, the general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. 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.

The 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 balances with commercial banks, loans and advances to banks, debt securities and other assets.

In situations involving repossessed collateral, the assets are initially recognised at fair value when acquired and included in the relevant assets depending on the nature and the Corporation's intention in respect of recovery of these assets. They are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Concentration of Risks of Financial Assets with Credit Risk Exposure

The following tables set forth the Corporation's main credit exposures at their carrying amounts, categorised by geographical region, as at 31 December 2018 and 2017. The Corporation has allocated exposures to regions based on the country of domicile of its counterparties.

	As at 31 December 2018			Total
	West Africa	Rest of Africa	Outside Africa	
	(U.S.\$'000)			
Cash and balances with banks	7,250	—	18,804	26,054
Loans and advances to banks:				
Placements with banks.....	46,068	50,467	1,501,866	1,598,401
Derivative financial instruments.....	568	2,774	1,980	5,322
Loans and advances to other customers:				
Project finance	575,432	404,128	—	979,560
Trade finance	182,312	177,897	—	360,209
Financial assets at fair value through profit or loss:				
Hybrid instruments (convertible debt)	29,986	35,816	—	65,802
Assets under management.....	—	—	19,829	19,829

	As at 31 December 2018			
	West Africa	Rest of Africa	Outside Africa	Total
	(U.S.\$'000)			
Investment securities:				
Corporate debt securities.....	208,025	70,591	75,051	353,727
Government debt securities.....	175,201	121,790	—	296,991
Pledged assets:				
Corporate debt securities.....	64,052	—	—	64,052
Government debt securities.....	32,393	62,462	—	94,855
Other assets:				
Accounts receivable.....	12,301	—	—	12,301
Fee receivable.....	11,939	—	—	11,939
Total.....	1,345,527	925,925	1,617,530	3,889,042
Commitments	215,916	13,348	—	229,264

⁽¹⁾ Principally other African countries, Europe and the United States.

	As at 31 December 2017			
	West Africa	Rest of Africa	Outside Africa	Total
	(U.S.\$'000)			
Cash and balances with banks	13,425	—	15,750	29,175
Loans and advances to banks:				
Placements with banks.....	140,269	—	1,330,988	1,471,257
Derivative financial instruments.....	36	4,366	1,294	5,696
Loans and advances to other customers:				
Project finance.....	431,919	365,792	—	797,711
Trade finance.....	308,949	55,762	—	364,711
Financial assets at fair value through profit or loss:				
Hybrid instruments (convertible debt)	27,799	41,450	—	69,249
Assets under management.....	—	—	19,729	19,729
Investment securities:				
Corporate debt securities.....	325,113	20,233	—	231,097
Government debt securities.....	152,445	51,054	—	203,499
Pledged assets:				
Corporate debt securities.....	114,249	—	—	114,249
Government debt securities.....	46,742	62,845	—	109,587
Other assets:				
Accounts receivable.....	2,835	31,089	—	33,924
Total.....	1,449,532	632,591	1,367,761	3,449,884
Commitments	45,171	53,874	—	99,045

Credit Ratings

Credit ratings affect the cost and other terms, upon which the Corporation is able to obtain funding. These ratings assess the credit worthiness of the Corporation and are based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital adequacy, liquidity, governance and members support.

Market Risk

Market risk 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, 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, credit spreads, foreign exchange rates and equity prices.

The Corporation's portfolio is primarily comprised of non-trading portfolios. The principal risk these non-trading portfolios are exposed to is the risk of loss from fluctuations in the future cash flows or fair value 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 Department 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.

Foreign Exchange Risk

The Corporation may occasionally be exposed to the effects of fluctuations in the currency exchange rates on its financial position and cash flows. The Corporation's functional and reporting currency is the U.S. dollar. Foreign exchange risk arises when investments are made in any currency other than the U.S. dollar. It is the Corporation's policy to hedge its foreign currency exposures arising from its operations as much as practicable. The Board of Directors sets limits on the level of exposure by currency, which are monitored daily by the Risk Management Department. The tables below set forth the Corporation's balance sheet profile by currency and its exposure to foreign exchange rate risk as at 31 December 2018 and 2017.

	As at 31 December 2018		
	U.S. Dollar	Other ⁽¹⁾ (U.S.\$'000)	Total
Assets			
Cash and balances with banks	17,100	8,980	26,080
Loans and advances to banks	1,586,440	11,961	1,598,401
Derivative financial assets	5,322	—	5,322
Loans and advances to other customers	1,097,259	242,510	1,339,769
Financial assets at fair value through profit or loss	505,766	96,770	602,536
Investment securities	594,292	130,585	724,877
Pledged assets	158,907	—	158,907
Other assets	13,459	10,781	24,240
Total financial assets	3,978,545	501,587	4,480,132
Borrowings	2,715,413	186,528	2,901,941
Derivative financial liabilities	3,707	—	3,707
Accrued expenses and other liabilities	18,695	8,310	27,005
Total financial liabilities	2,737,815	194,838	2,932,653
Net financial position	1,240,730	306,749	1,547,479
Commitments	229,264	17,696	246,960

⁽¹⁾ Principally South African rand and euro.

	As at 31 December 2017		
	U.S. Dollar	Other ⁽¹⁾ (U.S.\$'000)	Total
Assets			
Cash and balances with banks	19,837	9,369	29,206
Loans and advances to banks	1,433,162	38,095	1,471,257
Derivative financial instruments	5,696	—	5,696
Loans and advances to other customers	1,158,531	3,891	1,162,422
Financial assets at fair value through profit or loss	610,220	45,955	656,175
Investment securities	371,271	197,796	569,067
Pledged assets	223,836	—	223,836
Other assets	29,016	4,908	33,924
Total financial assets	3,851,569	300,014	4,151,583
Borrowings	2,303,925	179,467	2,483,392
Derivative financial instruments	10,444	—	10,444
Accrued expenses and other liabilities	26,396	1,777	28,173
Promissory notes	131,919	—	131,919
Total financial liabilities	2,472,684	181,244	2,653,928
Net financial position	1,378,885	118,770	1,497,655
Commitments	113,066	—	113,066

⁽¹⁾ Principally South African rand and euro.

The following analysis shows the Corporation's sensitivity to increases or decreases in exchange rates as at 31 December 2018 and 2017.

As at 31 December 2018			
	U.S. Dollar	Other ⁽¹⁾	Total
		(U.S.\$'000)	
Impact on profit or loss:			
Sensitivity at 200bp U.S. dollar depreciation	—	6,135	6,135
Sensitivity at 400bp U.S. dollar appreciation	—	(12,270)	(12,270)
Impact on equity:			
Sensitivity at 200bp U.S. dollar depreciation	—	6,135	6,135
Sensitivity at 400bp U.S. dollar appreciation	—	(12,270)	(12,270)

⁽¹⁾ Principally South African rand and euro.

As at 31 December 2017			
	U.S. Dollar	Other ⁽¹⁾	Total
		(U.S.\$'000)	
Impact on profit or loss:			
Sensitivity at 200bp U.S. dollar depreciation	—	917	917
Sensitivity at 400bp U.S. dollar appreciation	—	(1,834)	(1,834)
Impact on equity:			
Sensitivity at 200bp U.S. dollar depreciation	—	2,375	2,375
Sensitivity at 400bp U.S. dollar appreciation	—	(4,751)	(4,751)

⁽¹⁾ Principally South African rand and euro.

Most currency exposures resulting from the Corporation's investment portfolio are hedged in line with its hedging policy. The Corporation's hedging policy states that (i) derivative transactions are not to be used for speculative purposes or to assume risks that are not prudent when considering the purposes of which the transaction is intended; (ii) open or unhedged derivative transactions are to be avoided, (iii) derivative contracts should only be entered into on an approved underlying risk, such that the exposure is within approved limits, (iv) preferred hedging transactions are those determined to be effective hedges; and (v) derivative instruments and contracts should be constructed to minimise liquidity and cash flow risks associated with hedging activities.

As at 31 December 2018, the Corporation's net open foreign exchange position was U.S.\$1.1 million representing 0.1% of shareholders' funds as of that date. (2017: U.S.\$30.5 million; 2.0% of shareholders' funds).

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 arising therefrom. Interest margins may increase as a result of such changes but losses may arise in the event that adverse movements occur.

The tables below set forth the Corporation's exposure to interest rate risks as at 31 December 2018 and 2017. It includes the Corporation's financial instruments at carrying amounts, categorised by the earlier of the contractual repricing or maturity dates.

As at 31 December 2018				
	Up to 3 months	Above 3 months	Non-Interest Bearing	Total
			(U.S.\$'000)	
Assets				
Cash and balances with banks	—	—	26,080	26,080
Loans and advances to banks	1,489,046	109,355	—	1,598,401
Derivative financial instruments.....	—	—	5,322	5,322
Loans and advances to customers.....	658,411	681,358	—	1,339,769
Financial assets at fair value through profit or loss.....	35,815	49,815	516,906	602,536
Investment securities.....	75,050	575,667	74,160	724,877

As at 31 December 2018				
	Up to 3 months	Above 3 months	Non-Interest Bearing	Total
	(U.S.\$'000)			
Pledged assets	—	158,907	—	158,907
Other assets	—	—	24,240	24,240
Total financial assets	2,258,322	1,575,102	646,708	4,480,132
Liabilities				
Borrowings.....	1,296,646	1,605,295	—	2,901,941
Derivative financial instruments.....	—	—	3,707	3,707
Other liabilities.....	—	—	27,005	27,005
Total financial liabilities	1,296,646	1,605,295	30,712	2,952,653
Total interest repricing gap	961,676	(30,193)	615,996	1,547,479

As at 31 December 2017				
	Up to 3 months	Above 3 months	Non-Interest Bearing	Total
	(U.S.\$'000)			
Assets				
Cash and balances with banks	—	—	29,206	29,206
Loans and advances to banks	1,471,257	—	—	1,471,257
Derivative financial instruments.....	—	—	5,696	5,696
Loans and advances to customers.....	980,292	182,130	—	1,162,422
Financial assets at fair value through profit or loss.....	—	88,978	567,197	656,175
Investment securities	—	434,596	134,471	569,067
Pledged assets	—	223,836	—	223,836
Other assets	—	—	33,924	33,924
Total financial assets	2,451,549	929,540	770,494	4,151,583
Liabilities				
Borrowings.....	819,414	1,663,978	—	2,483,392
Derivative financial instruments.....	—	—	10,444	10,444
Promissory notes	—	131,919	—	131,919
Other liabilities.....	—	—	28,173	28,173
Total financial liabilities	819,414	1,795,897	38,617	2,653,928
Total interest repricing gap	1,632,135	(866,357)	731,877	1,497,655

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 its obligations to repay lenders and fulfil its commitments to lend.

The Corporation's liquidity management process includes: (i) day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met; (ii) monitoring statement of financial position liquidity ratios against internal prudential requirements; and (iii) managing the concentration and profile of debt maturities.

The Corporation holds a diversified portfolio of cash and High-Quality Liquid Assets ("HQLA") to support financial obligations and contingent funding in a stressed market environment. The Corporation's assets held for managing liquidity risk comprise of the following: (i) cash and balances with commercial banks; (ii) loan and advances to banks (money market placements with banks); and (iii) sovereign and corporate securities with a liquid secondary market.

Monitoring and reporting take the form of daily cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Corporation has a Liquidity Policy and Contingency Funding Plan that defines extensively how liquidity risk is to be managed within the Corporation. The policy requires that the Corporation keeps HQLA to covers its Minimum Liquidity Level ("MLL") at twelve and eighteen months under 'stress' and 'business as usual' conditions respectively. MLL, for the purpose of the Corporation, is defined as the level of liquidity that is available to meet the Corporation's financial obligations (repayment of borrowing, operating expenses and other non-cancellable debt and equity commitments) less its projected cash inflows.

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 2018, the LCR was 354% (under a stress scenario) and 143% (under normal circumstances). As at 31 December 2017, the Corporation's LCR was 296% and 303% under stress scenario and normal circumstances, respectively.

The tables below set forth the Corporation's financial instruments into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date as at 31 December 2018 and 2017. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2018							
Carrying amount	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Above 5 years
(U.S.\$'000)							
Total Financial Assets	4,480,132	1,560,503	310,412	428,592	299,973	201,308	1,499,288
Total Financial Liabilities	2,932,653	8,524	36,647	110,855	227,722	1,123,100	660,273
Commitments	246,960	—	—	21,808	—	—	205,152
Funding gap	—	1,551,979	273,765	295,929	72,251	(921,792)	633,863
Cumulative funding gap	—	1,551,979	1,825,744	2,121,673	2,193,924	1,272,132	1,730,220

As at 31 December 2017							
Carrying amount	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Above 5 years
(U.S.\$'000)							
Total Financial Assets	4,151,583	1,155,255	247,688	347,815	542,353	420,432	1,151,621
Total Financial Liabilities	—	1,397	33,353	198,468	98,624	231,342	629,304
Commitments	113,066	—	8,196	—	20,979	11,574	—
Funding gap	—	1,153,858	206,139	149,347	422,750	177,516	522,317
Cumulative funding gap	—	1,153,858	1,359,997	1,509,344	1,932,094	2,109,610	1,770,647

The gap identified in the 6 – 12 months period will be funded with maturities from earlier periods as evidenced in the cumulative funding gap contained in the table above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Corporation's results of operations and financial condition. Historical results may not indicate future performance. Some of the information in this section, including information in respect of the Corporation's plans and strategies for its business and expected sources of financing, contains forward-looking statements that involve risk and uncertainties and is based on assumptions about the Corporation's future business. Actual results could differ materially from those contained in such forward-looking statements as a result of a variety of factors, including the risks discussed in "Risk Factors" included elsewhere in this Base Prospectus.

Potential investors should read "Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements and should also read "Risk Factors" for a discussion of certain factors that may affect the business, results of operations or financial condition of the Corporation. The following discussion should be read in conjunction with the Financial Statements, including accompanying notes, appearing elsewhere in this Base Prospectus. The financial information set out below and referred to in this section has been extracted without material adjustment from the Financial Statements or has been extracted without material adjustment from the Corporation's accounting records, which formed the underlying basis of the financial information included in the Financial Statements.

Overview

Africa Finance Corporation is a multilateral development financial institution dedicated to infrastructure financing in Africa, primarily through debt and equity investments, project development and financial advisory services. It was established and commenced operations on 1 November 2007 and is headquartered in Lagos, Nigeria. The Corporation is focused on bridging Africa's large infrastructure deficit by financing projects that have high developmental impact on the economies of African countries. Its primary goal is to be the leading African institution for infrastructure financing and facilitation of international trade in Africa. The mission of the Corporation is to foster the economic growth and industrial development of African countries, while delivering a competitive return on investment to its shareholders. As part of its mandate, the Corporation focuses on lending to and investing in the core infrastructure sectors of power, natural resources, transport, heavy industry and telecommunication, which it believes are critical pillars for economic growth across Africa.

The Corporation acts as both a leading financier and adviser to its clients in Africa, offering project and structured debt finance, trade finance, greenfield and expansion equity, as well as acquisition capital. These products are complemented with advisory capabilities in areas such as project development, capital raisings and restructurings. The Corporation has a number of strategic partnerships aimed at establishing market presence and recognition, which also create deal flow for the Corporation. For example, partnerships have been established with the Nigerian Sovereign Investment Authority and *Banque Ouest Africaine de Development* to co-develop and finance infrastructure projects in Nigeria and Francophone West Africa, respectively, as well as the U.S. Power Africa Initiative, which covers investments in the power sector across Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania. The Corporation has also established partnerships with the International Finance Corporation, in order to foster greater cooperation among DFIs, increase efficiencies and streamline due diligence processes, as well as with the GCF and the AFD, which will improve the Corporation's competitive ability to provide financing for climate change related projects.

The Corporation's principal assets are loans to other customers predominantly in U.S. dollars to borrowers in Africa and investment securities including liquid assets that are placed with investment grade financial institutions that are mostly located outside Africa, pending deployment of such funds for use in infrastructure projects in Africa. The Corporation's total assets and interest income have increased from U.S.\$3,430.5 million and U.S.\$192.8 million, respectively for the year ended 31 December 2016 to U.S.\$4,487.5 million and U.S.\$260.0 million, respectively for the year ended 31 December 2018, demonstrating CAGR over the period of 14.4% and 16.1%, respectively (calculated for the compounding period 2016-2018 as the percentage of the square root of the ending value divided by the beginning value minus one). For the year ended 31 December 2018, the Corporation realised a net income of U.S.\$128.6 million and total comprehensive income of U.S.\$118.0 million, which has increased from U.S.\$110.9 million and U.S.\$115.3 million, respectively for the year ended 31 December 2016, demonstrating CAGR over the period of 7.7% and 1.2%, respectively.

Factors Affecting the Corporation's Results of Operations

The Corporation principally derives income from net interest income and fees and commission income. Net interest income, or the difference between the interest income the Corporation receives on its interest-earning assets and the interest it pays on interest-bearing liabilities, is generated principally by the Corporation's lending and treasury activities. The Corporation generates fees and commissions mainly from its project development as well as project and trade finance related transactions. In addition, a portion of the Corporation's fee income is derived from one-off projects, and fees received when the project reaches its financial close, which can lead to certain income statement volatility, from year to year. The results of operations of the Corporation are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected its results in the periods presented and which the Corporation expects will affect its results in the future. Factors other than those set forth below could also have a significant impact on the results of operations and financial condition in the future. See "*Risk Factors*".

Economic and Political Environment in Africa

The economic environment in Africa is vulnerable to market downturns and economic slowdowns both within the continent and elsewhere in the world. Growth in global and advanced economies has been weak with divergent trends in high income countries and below long-run growth levels in developing countries. Despite weak growth and stable or declining commodity prices, according to the IMF, African economies are expected to continue expanding at a moderate pace, with sub-Saharan African GDP growth projected at 2.9% in 2019.

Growth in Africa has been supported by strong public investment in infrastructure, increased agricultural production and a growing services sector. Across the continent, there has been substantial investment in infrastructure, including in ports, electricity capacity, and transportation. The expansion of the services sector led by transport, telecommunications, financial services and tourism is also helping overall economic growth in a number of countries. Substantial infrastructure efforts in the energy sector (Mozambique, Tanzania), electricity capacity (Ethiopia, Rwanda, Uganda), transportation (Ethiopia, Niger), general infrastructure (Côte d'Ivoire) and the resumption of donor support (Mali) are expected to sustain high growth rates.

However, West Africa's Ebola outbreak severely disrupted activity in key economic sectors in Guinea, Liberia, and Sierra Leone. The slow growth experienced in these countries as a result of the Ebola outbreak could also affect neighbouring countries as transportation, cross-border trade, and supply chains are severely disrupted. In addition, risks associated with social and political unrest, and emerging security problems, remain a major threat to the economic prospects of a number of countries in the region. Despite the end of its civil war in 2003, the Democratic Republic of Congo continues to experience conflict in its eastern provinces as of 2019. Armed conflict between the DRC military and rebel militias continues to destabilise the Kivu region and implicate the neighbouring countries of Rwanda and Uganda, whose borders have been threatened by the violence. In South Sudan, a ceasefire, signed between the conflicting sides on 27 June 2014, remains tenuous, and sporadic violence resumed days later and has continued to disrupt oil production. In the Central African Republic, insecurity and large-scale displacement of persons are severely disrupting economic activity and livelihoods. In Nigeria, Boko Haram and the Niger Delta Avengers, both militant terrorist groups have resumed domestic attacks in late 2018 and continue to disrupt economic activity and stability in north-eastern Nigeria. Somalia has experienced some level of internal armed conflict continuously from 1991 through 2019, which recently includes ongoing attacks by the terrorist group Al-Shabaab. In October 2017, an Al-Shabaab truck bomb killed at least 587 people in Mogadishu. The activities of Al-Shabaab have also impacted its neighbouring countries, such as Kenya. The results of recent elections in Member Countries have also given rise to violence. There were widespread protests following the 2018 general elections in Zimbabwe and at one such protest the Zimbabwean army opened fire on opposition protesters, killing six people. In Nigeria, the general election scheduled for 16 February 2019 was delayed until 23 February 2019, inciting violence in opposition strongholds that has left at least 40 dead. Furthermore, following the re-election of the incumbent candidate Muhammad Buhari to a second term of the Nigerian presidency, the opposition candidate announced his intention to contest the election results, a process that may lead to further conflict in Nigeria. Upcoming national elections in several other African countries may result in similar episodes and slow the pace of much-needed structural reforms.

African economies are still dependent on commodity exports and susceptible to fluctuations in commodity prices. Commodity prices are influenced by many factors, including the supply of and demand for commodities, speculative activities by market participants, global political and economic conditions and related industry cycles and production costs in major producing countries. Commodity prices may move in response to changes in production capacity in a particular market, for example as a new asset comes online or when a large producer experiences difficult operational issues or is impacted by a natural disaster. Commodity prices have not yet recovered from sharp falls experienced in 2014. The current price of oil and many metals such as copper and iron ore are considerably lower than their pre-2014 levels.

In spite of the positive outlook of the African macroeconomic environment, the stability and growth of the economies of Africa depend on the continued positive effect of the factors discussed above, while some downside risks remain, which include areas of political instability on the continent that could adversely affect the economic performance of African economies and, ultimately, that of the Corporation. See *"Risk Factors—Risks relating to the Corporation and its jurisdictions of operation—The Corporation may be negatively affected by significant political, legal, regulatory and social uncertainties in its jurisdictions of operation"* and *"Risk Factors—Risks relating to the Corporation and its jurisdictions of operation—The Corporation may be materially adversely affected by economic instability and adverse business and operating conditions in the markets in which it conducts its investment operations"*.

Interest Rates

Changes in interest rates affect the Corporation's net interest income, borrowings and overall results of operations. For example, when interest rates in the United States or the Eurozone increase, the Corporation's cost of funding increases, which may reduce its net interest income or if there is a decreasing interest rate environment, investor credit risk appetite generally goes up and the Corporation would be able to incur borrowings at tighter credit spreads. Interest rates in the United States have increased seven times since 31 December 2016, most recently on 19 December 2018, and the U.S. Federal Reserve is expected to raise rates again three times in 2019 and once in 2020. In response to anticipated interest rate raises, the Corporation has begun to implement a strategy of increasing its liquid capital in the immediate term under relatively favourable rates. Interest rates are sensitive to many factors beyond the Corporation's control, including the policies of global central banks, and adverse African and international economic and political conditions. Furthermore, the Corporation's intentions to expand and diversify its funding sources by accessing international capital markets may increase these risks.

The Corporation is also exposed to risks resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. As at 31 December 2018, 33.4% of the Corporation's total interest bearing assets had floating interest rates as compared to 46.4% of the Corporation's total interest bearing liabilities and the ratio of floating rate assets to floating rate liabilities was 90.7%. As at 31 December 2018, 77.9% of the Corporation's loans and advances to customers were floating rate loans and 14.7% of its debt investment securities were floating rate securities. As a measure to manage interest rate risk, the Corporation seeks where possible to match the interest period of its assets and liabilities. However, it is not always possible for the Corporation to match the interest periods of its assets and liabilities and as a result, rising interest rates can lead to higher or lower interest margins, depending on whether the Corporation's interest-bearing assets reprice at a faster rate than its interest-bearing liabilities.

The Corporation's net interest margin (calculated as interest income received less interest expense paid, divided by the Corporation's average interest bearing assets for the period) was 4.2%, 4.6% and 4.2% for the years ended 31 December 2018, 2017 and 2016, respectively. Net interest margin has been consistent, though declined marginally in 2018 due to a lag in the disbursement of borrowed funds to loans to customers because of the Corporation's large volume of investment-grade securities of African financial institutions that had not yet reached maturity, which was partially offset by a slight increase in the average interest rate of the Corporation's liabilities in 2018. See *"Description of the Corporation—Lending—Maturity Portfolio"*. While the Corporation continuously monitors its net interest exposure in accordance with its prudential guidelines, the Corporation's net interest margin could be adversely affected should the Corporation hold a significant portion of its loans with banks over the long-term.

The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities of the Corporation for the year ended 31 December 2018, 2017 and 2016. The table also sets forth the amount of interest income earned and interest expense incurred by the Corporation for the same periods, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purposes of this table, the average balances of assets for the

Corporation have been calculated on the basis of yearly averages by calculating the average of opening and closing balances for each of the years presented. The average balances of liabilities for the Corporation have been calculated on the basis of quarterly averages by calculating the average of opening and closing balances for each quarter of the year presented. Average interest rate is calculated as the relevant interest income/expense amount divided by the average balance of corresponding asset/liability.

	For the year ended 31 December								
	2018			2017			2016		
	Average balance	Interest Income/Expense	Average Interest Rate	Average balance	Interest Income/Expense	Average Interest Rate	Average balance	Interest Income/Expense	Average Interest Rate
	(U.S.\$'000, except %)								
Interest-earning assets:									
Loans and advances to banks.....	1,534,829	44,609	2.91%	1,271,886	51,132	4.02%	1,024,323	38,274	3.74%
Financial assets at fair value through profit or loss	52,701	6,878	13.05%	42,485	5,561	13.09%	558	67	12.00%
Loans and advances to other customers	1,251,096	140,072	11.20%	1,171,422	134,448	11.48%	1,179,143	123,241	10.45%
Investment securities	738,189	68,469	9.35%	619,716	42,802	6.95%	541,482	31,250	5.77%
Total.....	3,576,815	260,028	7.29%	3,105,509	233,943	7.53%	2,745,505	192,832	7.02%
Interest-bearing liabilities:									
Borrowings	2,603,461	109,043	4.19%	2,341,357	91,214	3.90%	1,889,089	74,998	3.97%
Total.....	2,603,461	109,043	4.19%	2,341,357	91,214	3.90%	1,889,089	74,998	3.97%
Net interest margin			4.2%			4.6%			4.2%

Foreign Exchange Rate Fluctuations

The Corporation's functional currency is the U.S. dollar. However, it has investment securities portfolios denominated in other currencies, such as Euros, Nigerian Naira and South African Rand, representing 7.2%, 2.8% and 1.7% of the Corporation's total assets, respectively, as at 31 December 2018. The Corporation also funds itself in other currencies, specifically Euros, South African Rand and Swiss Francs. Fluctuations in the value of the U.S. dollar versus other currencies could affect the Corporation's results of operations. To the extent that the Corporation has liabilities that are not denominated in the same currency as related assets, this can give rise to translation gains and losses as currencies appreciate or depreciate against the U.S. dollar. However, currency exposures resulting from the Corporation's investment portfolio are hedged in line with its hedging policy. See "Risk Management—Market Risk—Foreign Exchange Risk". As at 31 December 2018, the net open foreign exchange position of the Corporation was U.S.\$1.1 million representing 0.1% of shareholders' funds, a decrease of U.S.\$29.4 million, or 96.4%, from U.S.\$30.5 million, representing 2.0% of shareholders' funds as at 31 December 2017. This decrease in the Corporation's net open foreign exchange position is mainly the result of the Corporation's hedging activities that are in line with its policy.

New IFRS Standards

New accounting standards can affect how the Corporation reports under IFRS and depending on when they are implemented will affect the comparability of current or future periods against prior period. The Corporation adopted a new accounting standard IFRS 9 Financial Instruments ("IFRS 9") replacing IAS 39 Financial Instruments: Recognition and Measurement, which became effective on 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

The key change arising from the adoption of IFRS 9 was that the Corporation's impairment losses on financial assets are now based on an ECL model rather than an incurred loss model. 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 twelve months' expected credit loss. The twelve-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 twelve months after the reporting date. Lifetime ECLs and twelve-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider 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 Department, 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.

The Corporation's adoption of IFRS 9 resulted in the recognition of a total remeasurement loss of U.S.\$20.2 million in its total assets as at 1 January 2018, which represented the additional impairment loss arising from applying the new ECL model and a reduction of U.S.\$19.4 million on its total assets as at 1 January 2018.

See "*Critical Accounting Policies—Impairment losses on loans and advances*" and notes 2.1 and 3.1.6 of the 2018 Financial Statements for more detail.

Results of Operations

The following table sets forth the Corporation's results of operations for the years ended 31 December 2018, 2017 and 2016.

	For the year ended 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Interest income.....	260,028	233,943	192,832
Interest expense.....	(109,043)	(91,214)	(74,998)
Net interest income.....	150,985	142,729	117,834
Dividend income.....	15,912	10,460	38
Fees, commissions and other income.....	14,934	19,310	21,866
Operating income.....	181,831	172,499	139,738
Net (loss)/gains on financial instruments at fair value through profit or loss.....	(970)	57,265	40,278
Gain/(loss) on disposal of financial assets.....	15,744	(23,247)	—
Impairment charge on financial assets.....	(20,843)	(63,077)	(27,862)
Operating expenses.....	(47,178)	(42,892)	(41,303)
Profit for the year from continuing operations.....	128,584	100,548	110,851
Loss for the year from discontinued operations.....	—	(235)	(1,459)
Profit for the year.....	128,584	100,313	109,392
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Net (loss)/gains on FVTPL financial assets.....	—	8,846	5,953
Net (loss)/gains on FVOCI financial assets (equity instruments).....	(10,426)	—	—
Net (loss)/gains on FVOCI financial assets (debt instruments).....	(111)	—	—
Total Comprehensive Income for the year.....	118,047	109,159	115,345

Year ended 31 December 2018 as compared to Year ended 31 December 2017

Interest Income

The following table sets forth the Corporation's interest income for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

	For the year ended 31 December	
	2018	2017
		(U.S.\$'000)
From:		
Loans and advances to other customers.....	140,072	134,448
Loans and advances to banks.....	44,609	51,132
Financial assets at FVTPL.....	6,878	5,561
Investment securities:		
Financial assets at amortised cost.....	68,219	42,552
Financial assets at fair value through OCI.....	250	250
Total.....	260,028	233,943

Interest income was U.S.\$260.0 million for the year ended 31 December 2018, an increase of U.S.\$26.1 million, or 11.2%, from U.S.\$233.9 million for the year ended 31 December 2017. Interest income increased mainly as a result of a larger volume of loans and advances to other customers, which increased

by 4.2% as compared to 31 December 2017. Interest income from investment securities also increased as a result of an increase in the average interest rate to 9.4% for the year ended 31 December 2018, as compared to 7.0% for the year ended 31 December 2017. The growth in interest income from loans and advances to customers and investment securities was partially offset by a reduction in interest income from loans and advances to banks due to a decrease in average interest rate to 2.9% for the year ended 31 December 2018 from 4.0% for the year ended 31 December 2017. The reduction in average interest rate on loans and advances to banks was mainly a result of a lower demand for U.S. dollar-denominated deposits in the markets in which the Corporation operates.

Interest Expense

The following table sets forth the Corporation's interest expense for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

	For the year ended 31 December	
	2018	2017
	<i>(U.S.\$'000)</i>	
Borrowings from financial institutions	44,468	35,694
Corporate bonds	64,575	55,520
Total	109,043	91,214

Interest expense was U.S.\$109.0 million for the year ended 31 December 2018, an increase of U.S.\$17.8 million, or 19.5%, from U.S.\$91.2 million for the year ended 31 December 2017. Interest expense increased mainly as a result of the increase in borrowings from U.S.\$2,483.4 million as at 31 December 2017 to U.S.\$2,901.9 million as at 31 December 2018, an increase of U.S.\$419.0 million or 16.9%. In addition, the Corporation's experienced the full year interest expense effect in 2018 of the Corporation's U.S.\$500.0 million debt issuance under this Programme in April 2017.

Net Interest Income

As a result of the foregoing, net interest income was U.S.\$151.0 million for the year ended 31 December 2018, an increase of U.S.\$8.3 million, or 5.8%, from U.S.\$142.7 million for the year ended 31 December 2017.

Dividend Income

The following table sets forth the Corporation's dividend income for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

	For the year ended 31 December	
	2018	2017⁽¹⁾
	<i>(U.S.\$'000)</i>	
Equity securities at FVOCI	4,334	296
Equity securities at FVTPL	11,578	10,164
Total	15,912	10,460

(1)

Dividend income was U.S.\$15.9 million for the year ended 31 December 2018, an increase of U.S.\$5.5 million, or 52.1%, from U.S.\$ 10.5 million for the year ended 31 December 2017. This increase in dividend income was mainly as a result of higher dividends received from the Corporation's equity investments in TRAC and N3TC during the year ended 31 December 2018.

Fees, Commissions and Other Income

The following table sets forth the Corporation's fees, commissions and other income for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

	For the year ended 31 December	
	2018	2017
	<i>(U.S.\$'000)</i>	
Risk participation and commitment fees	1,508	833
Advisory and structuring fees.....	11,649	11,750
Facility and other fees	1,216	3,267
Development fees.....	561	3,460
Total	14,934	19,310

Fees, commissions and other income was U.S.\$14.9 million for the year ended 31 December 2018, a decrease of U.S.\$4.4 million, or 22.7%, from U.S.\$19.3 million for the year ended 31 December 2017. This decrease was mainly as a result of a decrease in development fees in 2018, which were earned by the Corporation in connection with services rendered at the development stage of a project.

Operating Income

Operating income was U.S.\$181.8 million for the year ended 31 December 2018, an increase of U.S.\$9.3 million, or 5.4%, from U.S.\$172.5 million for the year ended 31 December 2017. Operating income increased mainly as a result of the increase in net interest income in 2018. See "*Net interest income*".

Net gain/losses on financial instruments at fair value through profit or loss

The following table sets forth the Corporation's net gains on financial instruments for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

	For the year ended 31 December	
	2018	2017
	<i>(U.S.\$'000)</i>	
Equity investments.....	3,791	44,860
Hybrid instruments.....	(8,711)	9,098
Assets under management.....	150	437
Derivatives held for risk management purposes:		
Interest rate.....	2,664	—
Cross currency swap.....	3,208	—
Share warrants.....	(4,240)	4,240
Foreign exchange	2,168	(1,370)
Total	(970)	57,265

Net gains/losses on financial instruments was a loss of U.S.\$1.0 million for the year ended 31 December 2018 as compared to a gain of U.S.\$57.3 million for the year ended 31 December 2017. This was mainly as a result of the lower fair value gains recorded on equity investments carried at fair value through profit and loss, which decreased by U.S.\$41.0 million in 2018 and the fair value loss recorded on hybrid instruments at 31 December 2018, which decreased by U.S.\$17.8 million from 31 December 2017 to 31 December 2018. This loss was partially offset by gains from the Corporation's equity investment in the GSEZ, which were valued using the discounted cash flow technique and an increase in the value of derivatives held for risk management purposes in 2018.

Impairment charge on financial assets

Impairment charges were U.S.\$20.8 million for the year ended 31 December 2018, a decrease of U.S.\$42.2 million, or 67.0% from U.S.\$63.1 million for the year ended 31 December 2017. For the year ended 31 December 2018, the impairment charges consisted of a specific impairment charge for its non-performing loans to ARM Cement Limited and a collective loan loss reserve against all loans on the Corporation's balance sheet. The decrease in the impairment charge on financial assets is mainly the result of the Corporation not taking additional impairments on its equity interests in Seven Energy International Limited and Notore Chemicals Industries Limited.

Gains/losses on disposal of financial assets

The Corporation registered a gain on disposal of equity securities at FVTPL of U.S.\$15.7 million for the year ended 31 December 2018 as compared to a loss of U.S.\$23.2 million for the year ended 31 December 2017. This was mainly as a result of the sale of the Corporation's interests in Afrique Gold and Cabeolica S.A.

Operating Expenses

The following table sets forth the Corporation's operating expenses for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

	For the year ended 31 December	
	2018	2017
	<i>(U.S.\$'000)</i>	
Staff cost:		
Wages and salaries	28,633	25,785
Post-employee benefits	1,195	1,164
Other employee benefits.....	2,367	1,915
Other operating expenses:		
- Rent, rates and utilities.....	1,093	1,150
- Insurance.....	91	121
- Advertising and business promotion	1,121	2,371
- Auditor's remuneration.....	220	226
- Communication.....	429	676
- Travel.....	927	732
- Board expenses, including directors' fees.....	1,082	1,137
- Training, seminars and conferences	641	676
- Repairs and maintenance	49	70
- Project and other transaction fees.....	2,315	1,091
- Loan insurance expense	2,857	2,070
- Consultancy fees	1,326	1,162
- Other expenses.....	1,744	1,227
- Depreciation and amortisation	1,088	1,319
Total	47,178	42,892

Operating expenses were U.S.\$47.2 million for the year ended 31 December 2018, an increase of U.S.\$4.3 million, or 10.0%, from U.S.\$42.9 million for the year ended 31 December 2017. The increase in operating expenses was mainly as a result of the recruitment of four new employees, increases in salary for the Corporation's existing employees, provision made for employee bonuses, the promotion of fourteen employees and the full year impact of the salaries of employees recruited towards the end of 2017.

Loss from discontinued operations

For year ended 31 December 2018, the Corporation recorded no losses from discontinued operations as compared to losses of U.S.\$0.2 million for the year ended 31 December 2017. This was mainly as a result of the sale of Cabeolica S.A. which was completed in 2017 but has been disclosed as a discontinued operation as required by IFRS accounting standards.

Profit for the year

Profit for the year was U.S.\$128.6 million for the year ended 31 December 2018, an increase of U.S.\$28.2 million, or 28.2%, from U.S.\$100.3 million for the year ended 31 December 2017. This increase was mainly as a result of lower impairment charges and higher gains recorded on disposal of financial assets in 2018.

Net gains/(loss) on financial assets at fair value through other comprehensive income

Net gains on financial assets at fair value through other comprehensive income were nil for the year ended 31 December 2018, as compared to a gain of U.S.\$8.8 million for the year ended 31 December 2017. This was mainly as a result of the adoption of IFRS 9 requirements in 2018 which, instead of "available for sale" classification, requires the Corporation to disclose its financial assets using "fair value through other comprehensive income."

Net loss on FVOCI financial assets (equity instruments)

Net loss on FVOCI financial assets (equity instruments) was U.S.\$10.4 million for the year ended 31 December 2018, as compared to nil for the year ended 31 December 2017. This was mainly as a result of

the adoption of IFRS 9 requirements in 2018, which requires the Corporation to account for its financial assets using a "fair value through other comprehensive income", instead of an "available for sale" method.

Total Comprehensive Income for the year

As a result of the foregoing, total comprehensive income for the year was U.S.\$118.0 million for the year ended 31 December 2018, an increase of U.S.\$8.9 million, or 8.1%, from U.S.\$109.2 million for the year ended 31 December 2017.

Year ended 31 December 2017 as compared to Year ended 31 December 2016

Interest Income

The following table sets forth the Corporation's interest income for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

	For the year ended 31 December	
	2017	2016
	<i>(U.S.\$'000)</i>	
From:		
Loans and advances to other customers.....	134,448	123,241 ⁽¹⁾
Loans and advances to banks	51,132	38,274
Financial assets at FVTPL.....	5,561	67
Investment securities.....	42,802	31,250
Total	233,943	192,832

⁽¹⁾ Prior to 1 January 2017, "Loans and advances to other customers" included the amounts now classified as "Financial assets at FVPTL." These line items have been disaggregated in accordance with the requirements of IFRS 9.

Interest income was U.S.\$233.9 million for the year ended 31 December 2017, an increase of U.S.\$41.1 million, or 21.3%, from U.S.\$192.8 million for the year ended 31 December 2016. Interest income increased mainly as a result of the higher yield on the Corporation's interest earning assets, which priced at more favourable rates in 2017 leading to an increase in the Corporation's average rate on interest bearing assets to 7.5% for the year ended 31 December 2017 from 7.0% for the year ended 31 December 2016. The increase in the Corporation's average rate on interest bearing assets was a result of a more favourable mix of floating rate loans and advances to other customers (increased to an average interest rate of 11.5% in 2017 from 10.5% in 2016) the investment of available funds into high-yield earning assets, and an increase in interest income from loans and advances to banks. The increase in interest income from loans and advances to banks was mainly a result of a 37.2% increase in loans and advances to banks for the year ended 31 December 2017 as compared to the year ended 31 December 2016, and an increase in the average interest rate to 4.0% for the year ended 31 December 2017 as compared to 3.7% for the year ended 31 December 2016.

Interest income from investment securities also increased as new investments in debt securities were made at higher yields. The Corporation's portfolio of investment securities increased by 15.0% for the year 31 December 2017 as compared to the year ended 31 December 2016 and the average interest rate on investment securities was 7.0% for the year ended 31 December 2017 as compared to 5.8% for the year ended 31 December 2016.

Interest Expense

The following table sets forth the Corporation's interest expense for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

	For the year ended 31 December	
	2017	2016
	<i>(U.S.\$'000)</i>	
Borrowings:		
Borrowings from financial institutions	35,694	42,420
Corporate Bonds	55,520	32,578
Total	91,214	74,998

Interest expense was U.S.\$91.2 million for the year ended 31 December 2017, an increase of U.S.\$16.2 million, or 21.6%, from U.S.\$75.0 million for the year ended 31 December 2016. Interest expense increased mainly as a result of the increase in borrowings from U.S.\$1,907.8 million as at 31 December 2016 to U.S.\$2,483.4 million as at 31 December 2017.

Net Interest Income

As a result of the foregoing, net interest income was U.S.\$142.7 million for the year ended 31 December 2017, an increase of U.S.\$24.9 million, or 21.1%, from U.S.\$117.8 million for the year ended 31 December 2016.

Dividend Income

The following table sets forth the Corporation's dividend income for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

	For the year ended 31 December	
	2017	2016
	<i>(U.S.\$'000)</i>	
Available-for-sale securities	296	38
Equity securities at FVTPL	10,164	—
Total	10,460	38

Dividend income was U.S.\$10.5 million for the year ended 31 December 2017, an increase of U.S.\$10.4 million from U.S.\$38,000 for the year ended 31 December 2016. This increase was mainly as a result of dividend received from the Corporation's equity investments in the GSEZ and Socoprism for the year ended 31 December 2017.

Fees, Commissions and Other Income

The following table sets forth the Corporation's fees, commissions and other income for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

	For the year ended 31 December	
	2017	2016
	<i>(U.S.\$'000)</i>	
Risk participation and commitment fees	833	721
Advisory and structuring fees	11,750	12,834
Facility and other fees	6,727	8,311
Total	19,310	21,866

Fee commissions and other income was U.S.\$19.3 million for the year ended 31 December 2017, a decrease of U.S.\$2.6 million or 11.7%, from U.S.\$21.9 million for the year ended 31 December 2016. This decrease was mainly as a result of a decrease in advisory and structuring fees and facility fees earned in 2017, reflecting fees earned by the Corporation in its role as lead arranger for multiple syndicated loan transactions in 2016. Facility and other fees also decreased in 2017 mainly due to the Corporation disbursing fewer loans.

Operating Income

Operating income was U.S.\$172.5 million for the year ended 31 December 2017, an increase of U.S.\$32.8 million, or 23.5%, from U.S.\$139.7 million for the year ended 31 December 2016. Operating income increased mainly as a result of increase in net interest income and dividend income and fee and commission income, which was partially offset by fees, commissions and other income.

Net gains on financial instruments at fair value through profit or loss

The following table sets forth the Corporation's net gains on financial instruments for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

	For the year ended 31 December	
	2017	2016
	<i>(U.S.\$'000)</i>	
Equity investments	44,860	30,020
Hybrid instruments	9,098	(903)
Assets under management	437	(23)
Derivatives held for risk management purposes:		
Interest rate	—	13,547
Share warrants	4,240	—
Foreign exchange	(1,370)	(2,363)
Total	57,265	40,278

Net gains on financial instruments were U.S.\$57.3 million for the year ended 31 December 2017, an increase of U.S.\$17.0 million, or 42.2%, from U.S.\$40.3 million for the year ended 31 December 2016. This increase was mainly a result of fair value gains recognised on the Corporation's investment in the GSEZ and the recognition of a one-time gain of U.S.\$9.4 million on a convertible debt instrument issued by Carbon Holdings.

Loss on disposal of financial assets

Loss on disposal of financial assets was U.S.\$23.2 million for the year ended 31 December 2017, an increase of U.S.\$23.2 million from nil for the year ended 31 December 2016. This was mainly as a result of the loss on sale of the Corporation's debt investment in Sea Trucks Corporation Limited, which was partially offset by a gain on the sale of its equity stake in Vivo Energy.

Impairment charge on financial assets

Impairment charges on financial assets were U.S.\$63.1 million for the year ended 31 December 2017, an increase of U.S.\$35.2 million, or 126.2%, from U.S.\$27.9 million for the year ended 31 December 2016. For the year ended 31 December 2017, the Corporation's impairment charges consisted of (i) U.S.\$21.3 million of portfolio impairments on loans, which did not reflect an increase in impaired loans but was recognised in order to increase the Corporation's portfolio impairment allowance; (ii) a U.S.\$39.9 million charge relating to the Corporation's equity investments in Notore Chemical Industries Limited and Seven Energy International Limited, which was comprised of a U.S.\$13.4 million reclassification of previously recognised fair value losses from other comprehensive income to the profit and loss account and an impairment charge of U.S.\$26.5 million; and (iii) U.S.\$1.9 million charge relating to specific impairments on debt securities. This increase in impairment charges on financial assets was mainly as a result of the increase in the Corporation's portfolio impairment allowance and the impairment charge on its equity investments in Seven Energy International Limited and Notore Chemical Industries Limited.

Operating Expenses

The following table sets forth the Corporation's operating expenses for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

	For the year ended 31 December	
	2017	2016
	<i>(U.S.\$'000)</i>	
Staff cost:		
Wages and salaries	28,864	27,185
Other operating expenses:		
Rent, rates and utilities	1,150	1,169
Insurance	121	107
Advertising and business promotion	2,371	1,746
Auditor's remuneration	226	228
Communication	676	756
Travel	732	952
Board expenses including Directors' fees	1,137	1,059
Training, seminars and conferences	676	971
Repairs and maintenance	70	81

	For the year ended 31 December	
	2017	2016
	(U.S.\$'000)	
Project and other transaction expenses	1,091	2,944
Loan insurance expense	2,070	—
Consultancy fees	1,162	1,704
Other expenses	1,227	963
Depreciation and software amortisation	1,319	1,438
Total	42,892	41,303

Operating expenses were U.S.\$42.9 million for the year ended 31 December 2017, an increase of U.S.\$1.6 million, or 3.9%, from U.S.\$41.3 million for the year ended 31 December 2016. This increase was mainly as a result of the insurance premium incurred to insure the Corporation's loans and advances to customers as well as costs incurred by the Corporation in hosting its hosting biennial "AFC Live" event in 2017.

Profit for the year

Profit for the year was U.S.\$100.3 million for the year ended 31 December 2017, a decrease of U.S.\$9.1 million, or 8.3%, from U.S.\$109.4 million for the year ended 31 December 2016. This decrease was mainly as a result of the loss on disposal of financial assets and the higher impairment charge on financial assets which was partially offset by the higher net interest income recorded in the year ended 31 December 2017.

Net gain on available-for-sale financial assets

Net gain on available-for-sale financial assets was U.S.\$8.8 million for the year ended 31 December 2017, as compared to U.S.\$6.0 million for the year ended 31 December 2016. This was mainly as a result of fair value gains on the Corporation's equity investment in Alufer.

Total Comprehensive Income for the year

As a result of the foregoing, total comprehensive income for the year was U.S.\$109.2 million for the year ended 31 December 2017, a decrease of U.S.\$6.1 million, or 5.4%, from U.S.\$115.3 million for the year ended 31 December 2016.

Changes in Financial Condition

The following table sets forth the Corporation's statement of financial position as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(U.S.\$'000)		
Assets:			
Cash and balances with commercial banks.....	26,080	29,206	51,578
Loans and advances to banks	1,598,401	1,471,257	1,072,515
Derivative financial instruments.....	5,322	5,696	9,606
Loans and advances to other customers.....	1,339,769	1,162,422	1,180,421
Financial assets at fair value through profit or loss.....	602,536	656,175	226,481
Investment securities.....	724,877	569,067	815,557
Pledged assets	158,907	223,836	—
Other assets	29,104	41,443	11,612
Property and equipment	2,254	2,451	2,598
Intangible assets	228	259	255
Assets of disposal group held for sale	—	—	59,845
Total assets.....	4,487,478	4,161,812	3,430,468
Liabilities:			
Accrued expenses and other liabilities	29,171	28,750	23,848
Derivative financial instruments.....	3,707	10,444	7,730
Promissory note.....	—	131,919	—
Borrowings.....	2,901,941	2,483,392	1,907,793
Liabilities of disposal group held for sale.....	—	—	43,376
Total liabilities.....	2,934,819	2,654,505	1,982,747
Equity			
Share capital.....	1,096,395	1,095,343	1,089,067
Share premium	4,713	3,765	—

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Retained earnings	425,899	372,088	329,495
Fair value reserves	25,652	36,111	27,265
Non-controlling interests	—	—	1,894
Total equity	1,522,659	1,507,307	1,447,721
Total liabilities and equity	4,487,478	4,161,812	3,430,468

Cash and balances with commercial banks

The following table sets forth the Corporation's cash and balances with commercial banks as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Cash in hand	26	31	13
Balances with commercial banks	26,054	29,175	51,565
Total	26,080	29,206	51,578

As at 31 December 2018, cash and balances with commercial banks were U.S.\$26.1 million, a decrease of U.S.\$3.1 million, or 10.7%, from U.S.\$29.2 million as at 31 December 2017, which arose in the normal course of the Corporation's operations.

As at 31 December 2017, cash and balances with commercial banks were U.S.\$29.2 million, a decrease of U.S.\$22.4 million, or 43.4%, from U.S.\$51.6 million as at 31 December 2016. This decrease was mainly because of the Corporation's decision to reduce the amount of non-interest bearing balances held with commercial banks.

Loans and advances to banks

As at 31 December 2018, 2017 and 2016, loans and advances to banks were U.S.\$1,598.4 million, U.S.\$1,471.3 million and U.S.\$1,072.5 million. The increase in loans and advances to banks in 2017 of 37.2% was mainly due to the proceeds of the Corporations borrowings obtained in 2017 that were held as loans and advances to banks while waiting to be deployed to the Corporation's investments. Loans and advances to banks continued to grow in 2018, and increased by 8.6% as the Corporation tried to retain liquidity to meet its minimum liquidity requirements in line with its prudential ratios and maintain the strategic ability to take advantage of new investment opportunities in its markets.

Financial assets at fair value through profit or loss

The following table sets forth the Corporation's financial assets at fair value through profit or loss as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Designated at initial recognition			
Hybrid instruments (convertible debt) ⁽¹⁾	65,802	69,249	15,467
Equity securities	516,905	567,197	192,751
Assets under management ⁽²⁾	19,829	19,729	18,263
Total	602,536	656,175	226,481

⁽¹⁾ 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.

⁽²⁾ Assets under management represent funds that are managed by a third party investment company on a discretionary basis. The market prices of these investments are observable.

As at 31 December 2018, financial assets at fair value through profit or loss were U.S.\$602.5 million a decrease of U.S.\$53.6 million or 8.2% from U.S.\$656.2 million as at 31 December 2017. This decrease

was mainly a result of U.S.\$8.7 million fair value loss on hybrid instruments that was recognised during 2018 and a decrease in equity securities. Equity securities decreased by 8.9% in 2018 mainly as a result of the cancellation of a U.S.\$131.9 million promissory note initially issued to Anergi in 2017 as part of the consideration for the acquisition of a 50% equity stake in the Company, which was partially offset by additional investments in Bakwena Platinum Concession Company and Infrastructure Credit Guarantee Company Limited.

As at 31 December 2017, financial assets at fair value through profit or loss were U.S.\$656.2 million, an increase of U.S.\$429.7 million, or 189.7% from U.S.\$226.5 million as at 31 December 2016 mainly as a result of the conversion of a U.S.\$70.0 million loan to the GSEZ to an equity investment, investment of U.S.\$284.2 million in Anergi which was comprised of a U.S.\$131.9 million promissory note, U.S.\$152.3 million of assets transferred to Anergi and U.S.\$41.5 million of additional hybrid investment in the form of convertible debt to Carbon Holdings, comprised of U.S.\$26.3 million and the recognition of an upward fair value adjustment of U.S.\$15.2 million in 2017.

For more information on the valuation of financial assets at fair value through profit or loss, see "*Critical Accounting Policies—Fair Value of Financial Instruments*."

Loans and advances to other customers

The following table sets forth the Corporation's loans and advances to other customers as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Project finance loans	1,057,093	854,359	835,581
Advances under trade finance	369,589	371,261	386,702
	1,426,682	1,225,620	1,222,283
Collective impairment (see note (a) below):			
- Project finance	(77,533)	(56,648)	(38,242)
- Trade finance	(9,380)	(6,550)	(3,620)
	(86,913)	(63,198)	(41,862)
Total	1,339,769	1,162,422	1,180,421

As at 31 December 2018, loans and advances to other customers were U.S.\$1,339.8 million, an increase of U.S.\$ 177.3 million, or 15.3%, from U.S.\$1,162.4 million as at 31 December 2017 mainly due to an increase in the Corporation's loan book, which was mainly driven by an increased amount of disbursements to project finance assets across Africa in 2018 and was slightly offset by the repayment of loans due in 2018.

As at 31 December 2017, loans and advances to other customers were U.S.\$1,162.4 million, a decrease of U.S.\$18.0 million, or 1.5%, from U.S.\$1,180.4 million as at 31 December 2016, mainly as a result of the additional impairment charge recognised on the Corporation's loan portfolio in 2017.

Loan growth for the years ended 31 December 2018 and 2017 was in line with the Corporation's strategy to build a stable portfolio base.

Investment securities

The following table sets forth the Corporation's investment securities as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Debt securities:			
Corporate debt securities – at amortised cost	358,391	226,938	444,016
Sovereign debt securities – at amortised cost	300,452	203,499	133,142
Corporate debt securities – at FVOCI	4,195	4,159	3,906
	663,038	434,596	581,064
Allowance for impairment	(12,320)	—	—

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Equity securities-unlisted at FVOCI.....	74,159	134,471	234,493
Total	724,877	569,067	815,557

As at 31 December 2018, investment securities were U.S.\$724.9 million, an increase of U.S.\$155.8 million, or 27.4%, from U.S.\$569.1 million as at 31 December 2017, in turn a decrease of U.S.\$246.5 million, or 30.2% from U.S.\$815.6 million as at 31 December 2016. This increase in investment securities in 2018 was primarily due to additional purchases of corporate, sovereign and other debt securities to stabilise its earnings and balance the yield book. The decrease in 2017 was mainly as a result of the reclassification of debt securities that were pledged in relation to secure the Corporation's bilateral borrowings to "Pledged assets", in accordance with IFRS 9 reporting requirements.

Pledged assets

The following table sets forth the Corporation's pledged assets as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Debt securities:			
Corporate debt securities – at amortised cost	65,797	114,249	—
Sovereign debt securities – at amortised cost	95,687	109,587	—
	161,484	223,836	—
Allowance for impairment.....	(2,577)	—	—
Total	158,907	223,836	—

As at 31 December 2018, pledged assets were U.S.\$158.9 million, a decrease of U.S.\$64.9 million, or 29.0%, from U.S.\$223.8 million as at 31 December 2017. The decrease in pledged assets in 2018 is mainly a result of the repayment of related borrowings in 2018.

Total Assets

As at 31 December 2018, the Corporation's total assets were U.S.\$4,487.5 million, an increase of U.S.\$325.7 million, or 7.8%, from U.S.\$4,161.8 million as at 31 December 2017. This increase was primarily attributable to growth in the Corporation's investment securities portfolio and loans and advances to banks and other customers during the year ended 31 December 2018, which was funded by growth in borrowings during the same period.

As at 31 December 2017, the Corporation's total assets were U.S.\$4,161.8 million, an increase of U.S.\$731.3 million, or 21.3%, from U.S.\$3,430.5 million as at 31 December 2016. This increase was primarily attributable to growth in the Corporation's 'financial assets at fair value through profit or loss' portfolio and loans and advances to banks during the year ended 31 December 2017, which was funded by growth in borrowings and issuance of promissory notes during the same period.

Borrowings

The following table sets forth the Corporation's borrowings as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Short term borrowings (less than 1 year).....	259,044	280,340	291,740
Medium term borrowings (within 1 and 3 years)	1,707,416	1,295,700	376,992
Long term borrowings (over 3 years)	935,481	907,352 ⁽¹⁾	1,239,061 ⁽¹⁾
Total	2,901,941	2,483,392	1,907,793

(1) Includes the U.S.\$750 million bond issued under the Programme due 2020.

As at 31 December 2018, borrowings were U.S.\$2,901.9 million, an increase of U.S.\$418.5 million, or 16.9%, from U.S.\$2,483.4 million as at 31 December 2017, mainly as a result of additional borrowings by the Corporation from global commercial banks and other DFIs, in order to finance balance sheet growth and further investments across Africa as the Corporation continued to diversify its borrowing base.

As at 31 December 2017, borrowings were U.S.\$2,483.4 million, an increase of U.S.\$575.6 million, or 30.2% from U.S.\$1,907.8 million as at 31 December 2016, mainly as a result of mainly as a result of the issuance of U.S.\$500.0 million in debt securities under the Programme, to finance the growth in its investment portfolio.

Total Liabilities

As at 31 December 2018, the Corporation's total liabilities were U.S.\$2,934.8 million, an increase of U.S.\$280.3 million, or 10.6%, from U.S.\$2,654.5 million as at 31 December 2017. This increase was primarily attributable to an increase in borrowings in 2018.

As at 31 December 2017, the Corporation's total liabilities were U.S.\$2,654.5 million, an increase of U.S.\$671.8 million, or 33.9%, from U.S.\$1,982.7 million as at 31 December 2016. This increase was primarily attributable to the issuance of U.S.\$500.0 million in debt securities by the Corporation under its Programme as well as the issuance of a U.S.\$131.9 million promissory note to Anergi during 2017.

Total Equity

The following table sets forth information regarding the Corporation's total equity as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Share capital.....	1,096,395	1,095,343	1,089,067
Share premium.....	4,713	3,765	—
Retained earnings.....	425,899	372,088	329,495
Fair value reserves.....	25,652	36,111	27,265
Non -controlling interests.....	—	—	1,894
Total equity.....	1,552,659	1,507,307	1,447,721

As at 31 December 2018, total equity amounted to U.S.\$1,552.7 million, an increase of U.S.\$45.4 million, or 3.0%, from U.S.\$1,507.3 million as at 31 December 2017, mainly as a result of the retention of U.S.\$118.0 million in profits earned in the year ended 31 December 2018, which was partially offset by dividend payments to shareholders in the amount of U.S.\$54.6 million. In 2018, Africa Re became a shareholder of the Corporation by investing U.S.\$2.0 million.

As at 31 December 2017, total equity amounted to U.S.\$1,507.3 million, a net increase of U.S.\$59.6 million, or 4.1% from U.S.\$1,447.7 million as at 31 December 2016, mainly as a result of the retention of U.S.\$109.2 million in profits earned in the year ended 31 December 2017, which was partially offset by dividend payments to shareholders in the amount of U.S.\$57.7 million. In 2017, the Republic of Ghana became a shareholder of the Corporation by investing U.S.\$10.0 million.

Total Liabilities and Equity

	As at 31 December		
	2018	2017	2016
		(U.S.\$'000)	
Total liabilities and equity.....	4,487,478	4,161,812	3,430,468

The Corporation is not subject to capital requirements by a regulatory body such as a central bank or equivalent institution. However, the Corporation has established a Capital Adequacy Framework that is based on the maintenance of certain capital adequacy ratios in line with the recommendations of the Basel Committee on Banking Supervision. For a further description, see "*Description of the Corporation—Capital Adequacy*".

Off-Balance Sheet Arrangements

The Corporation enters into off-balance sheet arrangements in the normal course of its business to facilitate its business and objectives. These arrangements, which may involve elements of credits in excess of amounts recognised on the balance sheet, primarily include debt and equity commitments. As at 31 December 2018, the Corporation had off-balance sheet obligations in the amount of U.S.\$229.3 million all of which related to debt commitments.

Critical Accounting Policies

The discussion and analysis of the Corporation's results of operations and financial condition are based on the Financial Statements, which have been prepared in accordance with IFRS as issued by the IASB. The preparation of these financial statements requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. The resulting accounting estimates could differ from the related actual results. All assumptions, expectations and forecasts used as a basis for certain estimates within the Financial Statements represent good-faith assessments of the Corporation's future performance for which management believes there is a reasonable basis. Estimates and judgments 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.

Detailed information regarding the Corporation's significant accounting policies is provided in note 2 to the 2018 Financial Statements included elsewhere in this Base Prospectus. Detailed information regarding the Corporation's critical accounting estimates and judgements in applying accounting policies is provided in note 4 to the 2018 Financial Statements included elsewhere in this Base Prospectus.

Assumption and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the year ending 31 December 2018 are set out in note 3.5(a) to the 2018 Financial Statements (determination of the fair value of financial assets and liabilities).

Impairment losses on loans and advances

Applicable from 1 January 2018

The measurement of the ECL allowance for financial assets measured at amortised cost and fair value through other comprehensive income ("FVOCI") is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour, for example, the likelihood of customers defaulting and the resulting losses.

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, and establishing groups of similar financial assets for the purposes of measuring ECL.

Applicable before 1 January 2018

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

methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

In measuring credit risk of loans and advances to various counterparties, the Corporation considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period, the portion of the loan expected to be irrecoverable at the time of loan default and carrying amount of the loan that is outstanding as at reporting date.

Impairment of equity investments measured at FVOCI

The Corporation determines that FVOCI (2017: available-for-sale) equity investments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. The Corporation regards decline in fair value in excess of 20% to be significant. In making this judgement, the Corporation evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial condition of the investee, its industry and sector performance, as well as, adverse changes in technology that negatively impact the operational and financing cash flows of the investee company.

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 financial models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All financial models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent possible, 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.

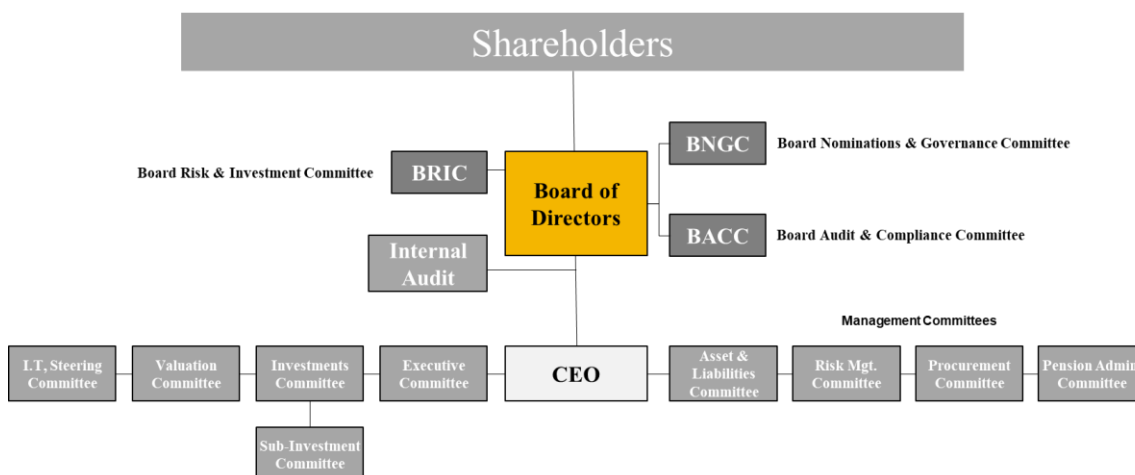
Exemption under IAS 28 – Investment in Associates and Joint Ventures

Equity investments that result in the Corporation having a significant influence, but not control, over the financial and operating policies of the investee companies are carried in the statement of financial position at fair value through profit or loss rather than accounted for as associates using the equity method of accounting. This treatment is permitted by IAS 28 – Investment in Associates and Joint Ventures, which requires investments held by venture capital organisations and similar financial institutions to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 (2017: IAS 39), with changes in fair value recognised in the income statement in the period of the change. The Corporation's operational activities typically entail provision of equity finance to unquoted companies and taking an active role in helping to build and develop such companies by having a representation on the Board of the investee companies. The equity business of the Corporation is managed and appraised with the objective of earning capital return on its venture capital investments upon exit in the medium term. The Corporation is also a member of the Africa Private Equity & Venture Capital Association.

MANAGEMENT OF THE CORPORATION

The management of the Corporation consists of the annual meeting of its shareholders (the "**Annual General Meeting**"), the Board of Directors and its executive management.

The following chart sets out the organisational structure of the Corporation.



Board of Directors

Under the provisions of the Charter, the Board of Directors is responsible for the general conduct of the business of the Corporation. The members of the Board of Directors are elected by the shareholders of the Corporation. The Board of Directors meets at least quarterly or as often as the business of the Corporation requires. Notwithstanding and in addition to the general powers conferred on it under the Charter, the Board also has responsibility for:

- ensuring the implementation of decisions resulting from the Annual General Meeting;
- submitting to the shareholders of the Corporation for consideration at each Annual General Meeting, the annual report of the Corporation and the annual financial statements, together with the report of the external auditors relating thereto;
- in conformity with the general directives of the shareholders issued in a general meeting, take decisions concerning particular trade-financing proposals, direct loans, guarantees, investments, the borrowing of funds and other operations of the Corporation.
- the establishment, transfer and closing down of branch offices, representative offices agencies and subsidiaries;
- the establishment of subsidiary organs or committees and delegate thereto any of its powers;
- approval of the annual budget of the Corporation;
- the appointment and removal, on the recommendation of the Chief Executive Officer and the Board Nomination and Corporate Governance Committee, officers of the Corporation and fixing their conditions of service in accordance with universally recognised principles.
- upon the recommendation of the Chief Executive Officer, the determination of the organisational structure, staffing level, remuneration and compensation of the Corporation and the prescription of staff regulations.

The Board has instituted three subsidiary committees and an *ad hoc* committee, which include:

- the BACC, which is currently composed of five board directors and meets at least once every quarter, however in the ordinary course of business there are seven committee members including a space filled by an independent director which is not currently occupied. Its role is to meet with the Corporation's external auditors, internal auditor and management to review the Corporation's financial statements, corporate and business units' financial performance, policies and recommend the annual budget to the full board for approval. The BACC has the power to review, examine and verify the proper applications of the Corporation's internal control and financial reporting policies and procedures, compliance mechanisms of the Corporation and the power to propose the appointment and remuneration of the Corporation's external auditors. The BACC also reviews, approves and monitors the implementation of the approved annual audit as proposed by the head of internal audit.
- the BRIC, which is currently composed of six board directors, however in the ordinary course of business there are seven committee members. The BRIC meets at least once every quarter or as the business of the Corporation may require. It is responsible for reviewing and approving the Corporation's investment decisions. It reviews and approves policies on prudential guidelines, asset and liability management, operational risk management, environmental and social risks and anti-money laundering policy. It also reviews various borrowings made by the Corporation to make sure that they comply with the authority given by the Board of Directors and monitors its financial performance through periodic reports from the Chief Executive Officer.
- the BNGC, which is composed of seven board directors and meets quarterly. The Board Nomination and Corporate Governance Committee is responsible for reviewing and approving several of the Corporation's corporate policies, including its corporate governance structure and framework, revised staff manual, revised procurement manual and business ethics code of conduct. It is also responsible for renewing the appointments of board directors. It has adopted standard assessment mechanisms and procedures to help assess the performance of the Board of Directors and the Corporation's management as a whole, as well as that of individual directors.

The following table sets out the name, representative shareholding institution and positions of the individuals who currently serve on the Board of Directors.

Name	Representative Shareholding Institution	Position
Dr. Okwu Joseph Nnanna.....	Central Bank of Nigeria	Chairperson of Board Non-Executive Director
Mr. Tunde Lemo	Lambeth Trust and Investment	Chairperson of Board Audit and Compliance Committee Non- Executive Director
Mr. Emeka Emuwa.....	Union Bank of Nigeria Plc	Chairperson of the Board Risk and Investment Committee Non- Executive Director
Mr. Ahmad Abdullahi	Central Bank of Nigeria	Non-Executive Director
Mr. Roosevelt Ogbonna	Access Bank Plc	Non- Executive Director
Mr. Adesola Kareem Adeduntan	First Bank of Nigeria Limited	Non- Executive Director
Mr. Ebenezer Onyeagwu.....	Zenith Bank Plc	Non- Executive Director
Mr. Victor Osadolor	United Bank for Africa	Non- Executive Director
Mr. Samaila Zubairu	—	President and Chief Executive Officer Executive Director
Mr. Oliver Andrews	—	Chief Investment Officer Executive Director
Mr. Sanjeev Gupta	—	Divisional Head of Financial Services Executive Director

The following is a summary of the business experience and principal outside business interests of the Board of Directors.

Dr. Okwu Joseph Nnanna. Dr. Nnanna is the non-executive Chairperson of the Corporation. He was appointed as the Deputy Governor, Financial System Stability at the CBN in 2015. Prior to this role, he was the Director of Research and Statistics at the CBN. He was previously the Alternate Executive Director of the African Constituency Group 1 at the IMF in Washington DC, USA, the Director-General of the West African Monetary Institute in Accra, Ghana and a part-time consultant to the United Nations Conference

on Trade and Development. Dr. Nnanna has served on the boards of many organisations and belongs to several professional societies. He is a life member of the Nigeria Economic Society. He has a BA in Banking and Finance and MA in Public Policy from William Paterson University in Wayne, New Jersey. He also has a PhD in Economics/Public Policy from the University of Houston, where he also served as a guest lecturer.

Mr. Tunde Lemo. Mr. Lemo is the Chairperson of the Board Audit and Compliance Committee and a non-executive director of the Corporation. He is a fellow of the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Bankers. He is also currently the Chairman of Lambeth Trust and Investment Company Limited. He holds a BSc in Accountancy from the University of Nigeria, Nsukka. Mr. Lemo was previously Deputy Governor at the CBN. Prior to his appointment as Deputy Governor, he was a Managing Director and Chief Executive Officer of Wema Bank Plc.

Mr. Emeka Emuwa. Mr. Emuwa is the Chairperson of the Board Risk and Investment Committee and a non-executive director of the Corporation. He is also the Group Managing Director and Chief Executive Officer of Union Bank of Nigeria Plc. Prior to joining Union Bank of Nigeria Plc, Mr. Emuwa was Chief Executive Officer and Managing Director of Citibank Nigeria Limited. He has a BSc in Finance from the University of Lagos, Nigeria and a MSc in Management from the Krannert School of Management at Purdue University.

Mr. Ahmad Abdullahi. Mr. Abdullahi is a non-executive director of the Corporation and the Director and Head of Banking Supervision Department at the CBN. Mr. Abdullahi joined the services of the CBN in 1990 as a Manager and rose to the position of a Director. He was a manager in charge of retail banking services in the CBN branches of the Ibadan, Kano and Katsina States of Nigeria before serving as a relationship manager, team lead and group head of off-site supervision of some of the pan-African banks in the banking supervision department of the CBN. He was promoted to the position of Director, Governor's Department in 2012 and thereafter moved to the Other Financial Institutions Supervision Department as Director in 2014. Mr. Abdullahi oversees the on-site and off-site supervision of commercial banks, merchant banks, specialized institutions and discount houses to ensure the safety and soundness of the financial system.

Mr. Roosevelt Ogbonna. Mr. Ogbonna is a non-executive director of the Corporation and the Group Deputy Managing Director of Access Bank Plc. He has over 18 years of experience in the financial services sector cutting across various functions. He joined Access Bank in 2002 from Guaranty Trust Bank. Mr. Ogbonna holds a Bachelor of Science in Banking & Finance from the University of Nigeria, Nsukka, and is a Fellow of the Institute of Chartered Accountants of Nigeria. He is an alumnus of the Senior Executives Fellows program at Harvard University's Kennedy School of Government and has attended various Executive Management Development programs organised by the Institute of Management Development (IMD), the Wharton School of Business, and INSEAD. He is a Non-Executive Director of Access Bank (Zambia) and the Access Bank (United Kingdom). He is also a member of the Institute of Chartered Financial Analysts, Chartered Institute of Bankers of Nigeria and the Future Leaders Group of the Institute of International Finance.

Dr. Adesola Kazeem Adeduntan. Dr. Adeduntan is a non-executive director of the Corporation and the Managing Director/Chief Executive Officer of First Bank of Nigeria Limited ("**First Bank**"). Prior to Dr. Adeduntan's appointment at First Bank, he was an executive director and the Chief Financial Officer at First Bank. Before joining First Bank, Dr. Adeduntan was a director and the inaugural Chief Financial Officer of the Corporation. He has also served as a Senior Vice-President and Chief Financial Officer at Citibank Nigeria Limited, a Senior Manager in the Financial Services Group of KPMG Professional Services and a Manager at Arthur Anderson Nigeria. Dr. Adeduntan is a graduate of the University of Ibadan, where he obtained a Doctor of Veterinary Medicine (DVM) degree. He holds an MBA from Cranfield University Business School in the United Kingdom and is a fellow of the Institute of Chartered Accountants of Nigeria.

Mr. Ebenezer Onyeagwu. Mr. Onyeagwu is a non-executive director of the Corporation. He is currently the Deputy Group Managing Director at Zenith Bank Plc. He was until his current appointment the Executive Director in charge of institutional banking. Mr. Onyeagwu is a Fellow of the Institute of Chartered Accountants of Nigeria and an alumnus of the University of Pennsylvania, Columbia Business School and Harvard Business School.

Mr. Victor Osadolor. Mr. Osadolor is a non-executive director of the Corporation. He is currently the Deputy Group Managing Director of United Bank for Africa Group, a director of UBA Capital Europe and the chairman of UBA Pensions Custodians Limited. Prior to his appointment as the Deputy Group Managing Director of UBA Group, Mr. Osadolor served as the Group Director of Heirs Holdings Limited, the Chief Operating Officer for Corporate and Investment Banking as well as the Chief Strategist for Ecobank Transnational Incorporated. Mr. Osadolor holds a Bachelor of Science with Honours in Accounting from the University of Benin. He has also served as an executive director of Risk and Compliance at Standard Trust Bank, Deputy Managing Director at Capital Trust Brokers, Chief Finance Officer at Ecobank Nigeria and Guaranty Trust Bank and an auditor at Coopers & Lybrand (now PriceWaterhouseCoopers). He is a Fellow of the Institute of Chartered Accountants of Nigeria, an alumnus of Harvard Business School's Advanced Management Program and an honorary life member of the Chartered Institute of Bankers of Nigeria.

Mr. Samaila Zubairu. Mr. Zubairu is the Corporation's President and Chief Executive Officer. Mr. Zubairu joined the Corporation in July 2018, succeeding the completion of the ten-year term of the Corporation's previous Chief Executive Officer. Prior to his appointment, Mr. Zubairu was the CEO of Africapital Management Limited and Chief Financial Officer for Dangote Cement Plc. Mr. Zubairu is an Eisenhower Fellow and sits on the Eisenhower Fellowship's Global Network Council and the President's Advisory Council. He holds several non-executive board positions including the Advisory board member for KSE Africa a leading operations and management provider of captive power plants in the mining sectors in Botswana and Nigeria. Mr. Zubairu is a Fellow of the Institute of Chartered Accountants, Nigeria (FCA) and holds a BSc in Accounting from Ahmadu Bello University, Nigeria.

Mr. Oliver Andrews. Mr. Andrews is an executive director and Chief Investment Officer of the Corporation. Prior to joining the Corporation, he was the Chief Executive Officer of TCI Infrastructure Limited and the Gambia Ports Authority. Mr. Andrews has an MBA from the University of Wales, is an electrical and electronic engineer, chartered marketer, and a member of the Chartered Institute of Transport and Logistics.

Mr. Sanjeev Gupta. Mr. Gupta is the executive director and Divisional Head of Financial Services of the Corporation. He is responsible for the treasury, syndication and advisory lines of business for the Corporation. Mr. Gupta has over 25 years of experience in investment management, private equity and corporate advisory services and with a focus on blending together divergent corporates, investors and governments to develop sustainable business and development models. Prior to joining the corporation, he was the managing partner in charge of emerging markets M&A at Ernst & Young Transaction Advisory Services. Mr. Gupta was also the Chief Executive Officer of Sanlam Investment Management, responsible for emerging markets as well as the founder and managing partner of emerging opportunity consulting. He has 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 (ICAI), and a member of the Institute of Investment Analysts of South Africa.

Executive Management

The following table sets out the name and positions of the Corporation's executive management that are not on the Board of Directors.

Name	Position
Ms. Nana Eshun	General Counsel and Corporate Secretary
Mr. David Johnson	Chief Risk Officer
Mr. Ayotunde Anjorin.....	Chief Financial Officer

The following is a summary of the business experience and principal outside business interests of the EXCO. The business address for each member of the EXCO is 3a Osborne Road Ikoyi, Lagos State, Nigeria.

Ms. Nana Eshun. Ms. Eshun is a Director and Acting General Counsel of the Corporation, with oversight responsibility for corporate governance, corporate secretariat, legal administration and support. She has over 30 years' experience in the legal profession with specialist expertise in infrastructure financing across Africa and Internationally. Prior to joining the Corporation in 2008, Ms. Eshun was Consultant Legal Counsel at the AfDB where she led on the legal aspects of financing of projects covering infrastructure and

economic development. She has previously represented the Ministry of Finance of the Government of Ghana as lead finance lawyer on the West African Gas Pipeline project. Ms. Eshun is dual-qualified as a Barrister-at-Law, Ghana (1987) and Solicitor, England & Wales (1994). She obtained her post-qualification experience with commercial law firms in London including Denton Wilde Sapte and Eversheds Solicitors. Ms. Eshun holds a Bachelor's Degree in Law & Sociology from the University of Ghana, BL (Barristers Law Practicing Certificate), Ghana School of Law, Law Society Finals, College of Law, Guildford (UK) and a Master of Laws LLM in International Business Law from the University of London.

Mr. David Johnson. Mr. Johnson is a Director and Chief Risk Officer. Before assuming this role, he was Vice President responsible for market risk management overseeing capital preservation, liquidity management, good corporate governance and ensuring risk limits are consistent with Board specified risk appetite and the Corporation's risk capacity. Prior to joining the Corporation, David spent fifteen years working as a risk manager, trader and deal structurer at various international banks in London. His career in the City of London included, most recently, roles at Rabobank and WestLB AG. At Rabobank he was a fund derivatives trader within a team of three traders managing a €3.0 billion portfolio. At WestLB he was a structured credit and fund derivatives trader managing a portfolio of €1.0 billion. David's academic background spans mechanical engineering, computing, mathematical trading and finance.

Mr. Ayotunde Anjorin. Mr. Anjorin is the Chief Financial Officer of the Corporation. Prior to his appointment as Chief Financial Officer, he was the head of finance and operations and the financial controller of the Corporation. Prior to joining the Corporation, he worked at Standard Chartered Bank Nigeria, where he held a number of national and regional positions within finance and internal audit, such as the regional head of wholesale banking finance. He has also previously worked as a consultant for KPMG Nigeria. He has a BSc in Management and Accounting from Obafemi Awolowo University.

Conflicts of Interest

There are no potential conflicts of interest between the duties owed by the Directors and Executive Management to the Corporation and their private interests and /or other duties.

BOOK ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book entry systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "**banking organisation**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book entry changes in the Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be

governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit the Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book entry ownership of and payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through,

records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Transfer Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Transfer Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed

at any time. None of the Issuer, the Trustee, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

CERTAIN ERISA AND RELATED CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "**employee benefit plans**" within the meaning of Section 3(3) of ERISA that are subject to Title I of ERISA, such as certain pension plans, profit-sharing plans, collective investment funds, separate accounts and entities whose underlying assets include the assets of such employee benefit plans (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. ERISA also imposes limits on transactions between ERISA Plans and their service providers or other "parties in interest".

Each ERISA Plan fiduciary should consider ERISA and the regulations and guidances thereunder when considering an investment in the Notes. Fiduciaries of ERISA Plans, as well as other "plans" and arrangements within the meaning of and subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**"), should also consider, among other items, the issues described below when deciding whether to invest in the Notes.

THIS BASE PROSPECTUS IS NOT WRITTEN FOR ANY PARTICULAR PROSPECTIVE INVESTOR, AND IT DOES NOT ADDRESS THE NEEDS OF ANY PARTICULAR PROSPECTIVE INVESTOR. NONE OF THE ISSUER, THE DEALERS, THE TRUSTEE AND THEIR RESPECTIVE AFFILIATES HAVE UNDERTAKEN TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, AND NONE OF THESE PARTIES HAVE OR SHALL PROVIDE ANY ADVICE OR RECOMMENDATION WITH RESPECT TO THE MANAGEMENT OF ANY INVESTMENT OR THE ADVISABILITY OF ACQUIRING, HOLDING, DISPOSING OR EXCHANGING OF ANY SUCH INVESTMENT. THE FOLLOWING DISCUSSION IS GENERAL IN NATURE, IS NOT INTENDED TO BE ALL INCLUSIVE AND SHOULD NOT BE CONSTRUED AS LEGAL ADVICE. EACH PLAN FIDUCIARY SHOULD TALK TO ITS LEGAL ADVISER ABOUT THE CONSIDERATIONS DISCUSSED IN THIS SECTION BEFORE INVESTING IN THE NOTES. APPLICABLE LAWS GOVERNING THE INVESTMENT AND MANAGEMENT OF THE ASSETS OF GOVERNMENTAL, CHURCH, NON-U.S. AND OTHER BENEFIT PLANS MAY ALSO CONTAIN FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION REQUIREMENTS. ACCORDINGLY, FIDUCIARIES OF SUCH PLANS, IN CONSULTATION WITH THEIR ADVISERS, SHOULD CONSIDER THE IMPACT OF SUCH LAWS ON AN INVESTMENT IN THE NOTES.

Fiduciary Duty of Investing ERISA Plans

Under ERISA, a person who exercises discretionary authority or control regarding the management or disposition of an ERISA Plan's assets is generally considered a fiduciary of such an ERISA Plan. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, which should be taken into account in the context of each ERISA Plan's particular facts and circumstances. In considering an investment in the Notes, an ERISA Plan fiduciary should consider, among other factors, (i) whether the investment would satisfy the diversification requirements of Section 404 of ERISA, (ii) whether the investment is prudent with respect to the Note's structure and the investment's potential risks and lack of liquidity, (iii) whether the investment would be consistent with the documents and instruments governing the ERISA Plan and (iv) whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (as discussed below).

When evaluating the prudence of investing in the Notes, an ERISA Plan fiduciary should consider the U.S. Department of Labor (the "**DOL**") regulation on investment duties, which can be found at 29 C.F.R. § 2550.404a-1. ERISA also requires an ERISA Plan fiduciary to maintain for the ERISA Plan's assets an indicia of ownership within the jurisdiction of the U.S. district courts.

Prohibited Transactions

Section 406 of ERISA and Section 4975 of the Code prohibit transactions involving the assets of Plans and persons (and their affiliates) who have certain relationships to such Plans, such as the Plan's fiduciaries and other service providers (referred to as "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code, and collectively, "**Parties in Interest**"). A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities.

Whether or not the underlying assets of the Issuer are deemed to include assets of a Plan, an investment in any interest in the Notes by a Plan, to the extent it is permitted, with respect to which any of the Issuer, the

Dealers, the Trustee and their respective affiliates (each, a "**Transaction Party**") is considered a Party in Interest may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (collectively, "**prohibited transactions**"), unless an administrative or statutory exemption is applicable to the transaction.

The Transaction Parties may be Parties in Interest with respect to many Plans. The applicability of any exemption to the prohibited transaction rules will depend, in part, on the circumstances under which any such decision is made. Included among the exemptions are the administrative exemptions of Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (for certain transactions determined or effected by independent qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts) and PTCE 96-23 (for plan asset transactions managed by in-house asset managers) and the statutory exemptions of Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (for the purchase and sale of securities and related lending transactions, **provided that** neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any plan involved in the transaction and **provided further that** the plan pays not more than adequate consideration in connection with the transaction).

The fiduciary of a Plan that proposes to acquire any interest in the Notes should consider, among other things, whether any such acquisition may involve (i) a direct or indirect extension of credit to a Party in Interest, (ii) a sale or exchange of any property between a Plan and a Party in Interest or (iii) a transfer to, or use by or for the benefit of, a Party in Interest of a Plan's assets. In this regard, there can be no assurance that any of these administrative or statutory exemptions will be available with respect to any transaction involving any interest in the Notes. Most of these exemptions do not provide relief from some or all of the self-dealing prohibitions under Section 406 of ERISA or Section 4975 of the Code. Each Plan fiduciary is responsible to ensure that any purchase and holding of any interest in the Notes does not and will not constitute or result in a non-exempt prohibited transaction.

Similar Plans

"Governmental plans" within the meaning of Section 3(32) of ERISA, "church plans" within the meaning of Section 3(33) of ERISA that have made no election under Section 410(d) of the Code, "non-U.S. plans" described in Section 4(b)(4) of ERISA and benefit plans that are not "Benefit Plan Investors" (as defined below) (any such plan, a "**Similar Plan**"), while not subject to the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to any U.S. federal, state, local, non-U.S. or other law or regulation that is substantially similar to the foregoing provisions of ERISA and the Code (any such law or regulation, a "**Similar Law**"). Fiduciaries of such Similar Plans should consult with their counsel before purchasing any interest in the Notes.

Representations and Warranties

The Notes issued under this Programme may generally be permitted to be held by a Plan or any person or entity whose underlying assets are deemed for purpose of Title I of ERISA or Section 4975 of the Code to include assets of any such Plan by reason of the DOL regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise (each, a "**Benefit Plan Investor**"), **so long as** the particular issuance of the Notes becoming considered as an investment by a Benefit Plan Investor will be treated as indebtedness without substantial equity characteristics for purposes of Title I of ERISA or Section 4975 of the Code. (any such permitted issuance, an "**ERISA-Permitted Issuance**").

Each purchaser or transferee of any interest in the Notes will be required to represent and agree or be deemed to have represented and agreed that either (i) it is not and for so long as it holds any interest in the Notes will not be a Benefit Plan Investor, a Similar Plan that is subject to any Similar Law or any entity whose assets are treated as assets of any such Benefit Plan Investor or Similar Plan or, (ii) provided that any interest in the Notes are purchased under an ERISA-Permitted Issuance, the purchase and holding of any interest in the Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, and in the case of a Similar Plan, a non-exempt violation of any Similar Law.

Moreover, each purchaser or transferee of any interest in the Notes that is a Benefit Plan Investor will be deemed to have represented by its acquisition of any interest in the Notes that (a) none of the Transaction

Parties (i) have provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor (a "**Plan Fiduciary**"), on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire any interest in the Notes, and (ii) are acting as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of any interest in the Notes and (b) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any fiduciary of a Benefit Plan Investor or a Similar Plan that is subject to any Similar Law who proposes to cause any such Benefit Plan Investor or Similar Plan to purchase any interest in the Notes to the extent permitted in the Final Terms should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any non-exempt violation of any applicable Similar Law.

TAXATION

United States

The following summary discusses certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Registered Notes treated as debt for U.S. federal income tax purposes;
- with a maturity of 30 years or less;
- purchased by U.S. Holders (as defined below);
- purchased on original issuance at their published offer price; and
- that are held as capital assets.

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances or to U.S. Holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding Notes as part of a hedging transaction, straddle, conversion transaction or other integrated transaction;
- U.S. Holders whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; or
- former citizens and residents of the United States.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations all as of the date of this Prospectus and any of which may at any time be repealed, revised or subject to differing interpretation, possibly retroactively so as to result in U.S. federal income tax consequences different from those described below. No rulings have been requested from the U.S. Internal Revenue Service (the "**IRS**") and there can be no guarantee that the IRS would not challenge, possibly successfully, the treatment described below. This discussion does not address any other U.S. federal tax laws (such as the alternative minimum tax, estate and gift tax, or the Medicare contribution tax on net investment income) nor does it address any non-U.S. tax rules. Moreover, this summary does not describe the U.S. federal income tax considerations relating to the purchase, ownership or disposition of a Note that is a dual currency note, an index linked interest note, an index linked redemption note, a Note treated as equity for U.S. federal income tax purposes, a Note otherwise treated as a "contingent payment debt instrument" (under applicable U.S. Treasury Regulations) or certain "variable rate debt instruments" (under applicable U.S. Treasury Regulations). Persons considering the purchase of the Notes should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under any other U.S. federal laws or the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organised in or under the laws of the United States or of any state thereof or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships considering an investment in the Notes should consult with their tax advisers regarding the U.S. federal tax consequences of an investment in the Notes.

Special Rules Applicable to Certain Accrual Method Taxpayers

Pursuant to recent legislation (which, in the case of Notes issued with original issue discount for U.S. federal income tax purposes, is applicable for taxable years beginning after 31 December 2018), an accrual method taxpayer that reports revenues on an "**applicable financial statement**" generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in the applicable financial statements. This rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to notes prior to the time such income otherwise would be recognized pursuant to the rules described below. U.S. Holders should consult their tax advisors regarding the potential applicability of these rules to their investment in notes.

Payments of interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes, **provided that** the interest is "qualified stated interest" (as defined below). Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the U.S. Holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisers about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount notes and foreign currency notes are described under "*Original issue discount*", and "*Foreign currency notes*".

Original issue discount

A Note that has an "**issue price**" that is less than its "stated redemption price at maturity" will be considered to have been issued with original issue discount for U.S. federal income tax purposes (and will be referred to as an "**original issue discount Note**") unless the Note satisfies a *de minimis* threshold (as described below) or is a short-term Note (as defined below). The "**issue price**" of a Note generally will be the first price at which a substantial amount of the Notes is sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). However, the issue price of Notes issued in an issuance of further Notes with the same ISIN or CUSIP number as previously issued Notes generally will be the issue price of the original Notes sold under that ISIN or CUSIP number. The "**stated redemption price at maturity**" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest". "Qualified stated interest" is stated interest unconditionally payable (other than in debt instruments of the Issuer) at least annually during the entire term of the Note at a single fixed rate of interest, at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., $\frac{1}{4}$ of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity (or weighted average maturity if any amount included in the stated redemption price at maturity is payable before maturity), the Note will not be considered to have original issue discount. U.S. Holders of the Notes with a *de minimis* amount of discount will include this discount in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

U.S. Holders of original issue discount Notes that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received. Under these rules U.S. Holders generally will have to

include in taxable income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any particular Note (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and generally may revoke such election only with the permission of the IRS (a "**constant yield election**"). If a U.S. Holder makes a constant yield election with respect to a Note with market discount (discussed below), the U.S. Holder will be treated as having made an election to include market discount in income currently over the life of all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies. U.S. Holders should consult their tax advisers about making this election in light of their particular circumstances.

A Note that matures one year or less from its date of issuance (a "**short-term Note**") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest regardless of issue price. In general, a cash method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. Cash method U.S. Holders who do not elect to accrue the discount should include stated interest payments on short-term Notes as ordinary income upon receipt. Cash method U.S. Holders who do elect to accrue the discount and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

The Issuer may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require the Issuer to redeem, a Note prior to its stated maturity date. Under applicable regulations, if the Issuer has an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilising any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, the yield on the Note would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require the Issuer to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Note would be higher than its yield to maturity. If it was presumed that an option would be exercised but it is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Market discount

If a U.S. Holder purchases a Note (other than a short-term Note) in an issuance of further Notes that has the same ISIN or CUSIP number as previously issued Notes for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its revised issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain nonrecognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the U.S. Holder to include market discount in income as it accrues. An election to include

market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Holder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

Market discount will accrue on a straight line basis unless a U.S. Holder makes an election with respect to a particular note to accrue on a constant yield basis (as described under "*—Original issue discount*"). Such election will result in a deemed election for all market discount bonds acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies.

Acquisition premium and amortisable bond premium

A U.S. Holder who purchases a Note for an amount that is greater than the Note's adjusted issue price but less than or equal to sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount that is greater than the stated redemption price at maturity, the U.S. Holder will be considered to have purchased the Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The U.S. Holder may elect to amortise this premium, using a constant yield method, over the remaining term of the Note. A U.S. Holder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the IRS. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note. Special rules limit the amortisation of bond premium in the case of Notes subject to certain options, including callable Notes. U.S. Holders should consult their tax advisers about these rules if applicable.

If a U.S. Holder makes a constant yield election (as described under "*—Original issue discount*") for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the U.S. Holder's debt instruments with amortisable bond premium.

Sale, exchange or retirement of the notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of original issue discount and market discount included in the Noteholder's gross income and decreased by any bond premium or acquisition premium previously amortised and by the amount of any payment received from the Issuer other than a payment of qualified stated interest. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid qualified stated interest on the Note. Amounts attributable to accrued but unpaid qualified stated interest are treated as payments of interest as described under "*—Payments of Interest*".

Gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange or retirement the U.S. Holder has held the Note for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "*—Original Issue Discount*" and "*—Market Discount*". In addition, other exceptions to this general rule apply in the case of foreign currency Notes; see "*—Foreign currency notes*". The deductibility of capital losses is subject to significant limitations.

Substitution of the Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. Depending on their issue price, the new notes may be issued with OID or premium for U.S. federal income tax purposes. Subject to a *de minimis* exception discussed above, the amount of OID, if any, would be equal to the excess of the stated principal amount of the new notes over the issue price of the new notes and generally would be includible in income over the term of the new notes on a constant-yield basis and in advance of cash payments attributable to such income. The amount of premium, if any, would be equal to the excess of the issue price of the new notes over the stated principal amount of the new notes, and a U.S. Holder could elect to amortise any such premium under a constant-yield method over the term of the new notes as an offset to interest income on the new notes. A U.S. Holder that makes such an election would have to reduce its tax basis in a Note by the amount of the premium amortised during its holding period. Any such election generally would apply to all obligations owned or acquired by the U.S. Holder in that taxable year and all subsequent taxable years and could not be revoked without the permission of the IRS.

U.S. Holders should consult their tax advisers concerning the tax consequences to them of a change in obligor with respect to the Notes.

Foreign currency notes

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of the Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are determined by reference to a currency other than the U.S. dollar ("**foreign currency Notes**").

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder (or cash method U.S. Holder with respect to original issue discount) will be required to include in income the U.S. dollar value of the amount of interest income, including original issue discount, that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year.

Alternatively, the U.S. Holder described in the preceding paragraph may elect to translate interest income, including original issue discount, into U.S. dollars at the spot rate on the last day in the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the partial accrual period in the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

A U.S. Holder that has accrued interest income as described in either of the two preceding paragraphs will recognise ordinary income or loss with respect to accrued income on the date the corresponding payment is actually received. The amount of ordinary income or loss recognised will equal the difference between

the U.S. dollar value of the foreign currency payment determined on the date the payment is received, and the U.S. dollar value that was accrued with respect to the accrual period.

Original issue discount, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above. Accrued market discount (other than market discount currently included in income) taken into account upon the receipt of any partial principal payment or upon the sale, retirement or other disposition of a Note is translated into U.S. dollars at the spot rate on such payment or disposition date.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as payments on the sale, exchange or retirement of the foreign currency Note, as described below. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss that will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the Note is disposed of, and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the foreign currency Note. The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale, exchange or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder on whose books the Note is properly reflected. Any gain or loss realised by these U.S. Holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of short-term Note, to the extent of any discount not previously included in the U.S. Holder's income. U.S. Holders should consult their tax advisers with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue and how to account for the U.S. dollar value of payments made or received upon the acquisition or disposition of Notes.

Information reporting and backup withholding

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisers about any additional reporting obligations that may apply as a result of the acquisition, holding or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A U.S. HOLDER'S PARTICULAR SITUATION. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE

OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL OR OTHER TAX LAWS.

Nigeria

No withholding taxes will be payable in Nigeria for any payments made in relation to the Notes.

The Proposed Financial Transaction Tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement dated 5 April 2019 (the "**Programme Agreement**"), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain Dealers participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such Dealers may over allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such Dealers may also elect to cover any such short position by purchasing Notes in the open market. In addition, such Dealers may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations stabilising activities may only be carried on by the Stabilising Manager and only for a limited period following the Issue Date of the relevant Tranche of Notes.

Certain of the Dealers have, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to the Issuer and its affiliates from time to time, for which they have received monetary compensation. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Transfer restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB who is also a QP, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs who are also QPs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person;
- (ii) that if it is a U.S. Person within the meaning of Regulation S, it is (a) not a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers, (b) not a participant-directed employee plan, such as a 401(k) plan, (c) not formed for the purpose of investing in the Notes or the Issuer, and (d) aware, and each beneficial owner of such

Notes has been advised, that the seller of such Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A;

- (iii) that it will, (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Global Notes in a principal amount that is not less than U.S.\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in the Issuer's securities from one or more book-entry depositories;
- (iv) that it understands that the Issuer has the power to compel any beneficial owner of Rule 144A Global Notes that is a U.S. person and is not a QIB and a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and a QP;
- (v) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (vi) that, unless it holds an interest in a Regulation S Global Note and is a non-U.S. person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so only: (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB who is also a QP purchasing for its own account or for the account of a QIB who is also a QP in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (vii) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (vi) above, if then applicable;
- (viii) that Notes initially offered in the United States to QIBs who are also QPs will be represented by one or more Rule 144A Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (ix) that it understands and acknowledges that its purchase and holding of such Notes or any interest therein constitutes a representation and agreement by it that, by its purchase and holding of such Notes or any interest therein, the purchaser and/or holder thereof and each transferee will be deemed to have represented and warranted at the time of its purchase and throughout the period that it holds such Note or any interest therein, that either (a) it is not and is not using assets of a Benefit Plan Investor, a Similar Plan that is subject to any Similar Law or any entity whose assets are treated as assets of any such Benefit Plan Investor or Similar Plan or, (b) provided that such Notes or any interest therein are purchased under an ERISA-Permitted Issuance, the purchase and holding of such Notes or any interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, and in the case of a Similar Plan, a non-exempt violation of any Similar Law. If it is a Benefit Plan Investor, it will be deemed to have represented by its purchase and holding of such Notes or any interest therein that (x) none of the Transaction Parties (i) have provided any investment recommendation or investment advice to the Benefit Plan Investor or Plan Fiduciary, on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire any interest in the Notes, and (ii) are acting as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of any interest in the Notes and (y) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction. Moreover, it will not sell or otherwise transfer such Notes or any interest therein to any person without first obtaining these same foregoing representations and warranties. It acknowledges that the Issuer, PSB, the Registrar, the Arrangers, the Dealers, and their respective affiliates, and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the

acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Global Notes is no longer accurate, it shall promptly notify the Issuer, the Registrar, the Arrangers and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.

- (x) that it understands that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect, unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THIS NOTE MAY NOT BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS A QUALIFIED PURCHASER ("**QP**") WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$200,000 PRINCIPAL AMOUNT OF NOTES, (2) IN AN OFFSHORE TRANSACTION TO A PERSON LOCATED OUTSIDE THE UNITED STATES WHO IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

IF THE BENEFICIAL OWNER HEREOF IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S, SUCH BENEFICIAL OWNER REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, EACH OF WHICH IS A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES AND (7) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB AND A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON WHO IS (I) A U.S. PERSON WHO IS A QIB AND A QP THAT IS, IN EACH CASE, OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) NOT A U.S. PERSON WITHIN THE MEANING OF

REGULATION S WHO IS LOCATED OUTSIDE THE UNITED STATES AND IS PURCHASING SUCH NOTE IN AN OFFSHORE TRANSACTION OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100% OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT, BUT RATHER INTENDS TO RELY ON AN EXEMPTION FROM REGISTRATION THEREUNDER WHICH LIMITS THE TYPE OF INVESTORS THAT MAY BE PERMITTED TO PURCHASE AN INTEREST IN THIS NOTE TO THOSE THAT ARE QPS.

EACH BENEFICIAL OWNER HEREOF OR OF ANY INTEREST HEREIN REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN EITHER (A) IT IS NOT AND IS NOT USING ASSETS OF A BENEFIT PLAN INVESTOR OR A SIMILAR PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (ANY SUCH LAW OR REGULATION, A "**SIMILAR LAW**") OR ANY ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH BENEFIT PLAN INVESTOR OR SIMILAR PLAN OR, (B) PROVIDED THAT THIS NOTE OR ANY INTEREST HEREIN IS PURCHASED UNDER AN ISSUANCE WHERE THIS NOTE OR ANY INTEREST HEREIN WILL BE TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY CHARACTERISTICS FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, THE PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, AND IN THE CASE OF A SIMILAR PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAW. IF IT IS A BENEFIT PLAN INVESTOR, IT WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN THAT (X) NONE OF THE ISSUER, THE DEALERS, THE TRUSTEE AND THEIR RESPECTIVE AFFILIATES (EACH, A "**TRANSACTION PARTY**") (1) HAVE PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR (A "**PLAN FIDUCIARY**"), ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO ACQUIRE ANY INTEREST IN THE NOTES, AND (2) ARE ACTING AS A "FIDUCIARY" WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S ACQUISITION OF ANY INTEREST IN THE NOTES AND (Y) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION. MOREOVER, IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THESE SAME FOREGOING REPRESENTATIONS AND WARRANTIES. "**BENEFIT PLAN INVESTOR**" INCLUDES (1) AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA, (2) A "PLAN" WITHIN THE MEANING OF SECTION 4975(E) OF THE CODE THAT IS SUBJECT TO SECTION 4975 OF THE CODE, INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND "KEOGH" PLANS, AND (3) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN DESCRIBED IN (1) OR (2) BY REASON OF THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE (INCLUDING, FOR THIS PURPOSE,

THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "*PLAN ASSETS*" UNDER SECTION 401(C) OF ERISA, OR A WHOLLY OWNED SUBSIDIARY THEREOF). "**SIMILAR PLAN**" MEANS (1) A "GOVERNMENTAL PLAN" WITHIN THE MEANING OF SECTION 3(32) OF ERISA, (2) A "CHURCH PLAN" WITHIN THE MEANING OF SECTION 3(33) OF ERISA THAT HAS MADE NO ELECTION UNDER SECTION 410(D) OF THE CODE, (3) A "NON-U.S. PLAN" DESCRIBED IN SECTION 4(B)(4) OF ERISA OR (4) A BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER OF THIS NOTE THAT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S TO CERTIFY PERIODICALLY THAT SUCH BENEFICIAL OWNER IS A QIB AND A QP".;

- (xi) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB who is also a QP in compliance with Rule 144A, in each case in accordance with all applicable U.S. state securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS OR OTHER JURISDICTIONS OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED INTO OR WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART. TERMS USED ABOVE WHICH ARE NOT OTHERWISE DEFINED HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

EACH BENEFICIAL OWNER HEREOF OR OF ANY INTEREST HEREIN REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN EITHER (A) IT IS NOT AND IS NOT USING ASSETS OF A BENEFIT PLAN INVESTOR, A SIMILAR PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (ANY SUCH LAW OR REGULATION, A "**SIMILAR LAW**") OR ANY ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH BENEFIT PLAN INVESTOR OR SIMILAR PLAN OR, (B) PROVIDED THAT THIS NOTE OR ANY INTEREST HEREIN IS PURCHASED UNDER AN ISSUANCE WHERE THIS NOTE OR ANY INTEREST HEREIN WILL BE TREATED AS INDEBTEDNESS WITHOUT SUBSTANTIAL EQUITY CHARACTERISTICS FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, THE PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, AND IN THE CASE OF A SIMILAR PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAW. IF IT IS A BENEFIT PLAN INVESTOR, IT WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN THAT (X) NONE OF THE ISSUER, THE DEALERS, THE TRUSTEE AND THEIR RESPECTIVE AFFILIATES (EACH, A "**TRANSACTION PARTY**") (1) HAVE PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT

PLAN INVESTOR (A "**PLAN FIDUCIARY**"), ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO ACQUIRE ANY INTEREST IN THE NOTES, AND (2) ARE ACTING AS A "FIDUCIARY" WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S ACQUISITION OF ANY INTEREST IN THE NOTES AND (Y) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION. MOREOVER, IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THESE SAME FOREGOING REPRESENTATIONS AND WARRANTIES. "**BENEFIT PLAN INVESTOR**" INCLUDES (1) AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA, (2) A "PLAN" WITHIN THE MEANING OF SECTION 4975(E) OF THE CODE THAT IS SUBJECT TO SECTION 4975 OF THE CODE, INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND "KEOGH" PLANS, OR (3) ANY PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN DESCRIBED IN (1) OR (2) BY REASON OF THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA (INCLUDING, FOR THIS PURPOSE, THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "**PLAN ASSETS**" UNDER SECTION 401(C) OF ERISA, OR A WHOLLY OWNED SUBSIDIARY THEREOF), OR OTHERWISE FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE. "**SIMILAR PLAN**" MEANS (1) A "GOVERNMENTAL PLAN" WITHIN THE MEANING OF SECTION 3(32) OF ERISA, (2) A "CHURCH PLAN" WITHIN THE MEANING OF SECTION 3(33) OF ERISA THAT HAS MADE NO ELECTION UNDER SECTION 410(D) OF THE CODE, (3) A "NON-U.S. PLAN" DESCRIBED IN SECTION 4(B)(4) OF ERISA OR (4) A BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR; AND

- (xii) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of a Rule 144A Global Note (as defined in "*Form of the Notes—Registered Notes*") or any Notes issued in registered form in exchange or substitution therefor (together, "**Legended Notes**") in the United States to any one purchaser will be for less than €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) principal amount of Registered Notes.

Selling restrictions

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury Regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided by Regulation S ("**Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager(s), of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States pursuant to Rule 144A only to persons whom they reasonably believe are Qualified Institutional Buyers ("**QIBs**") within the meaning of Rule 144A and qualified purchasers ("**QPs**") as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, who can represent that (a) they are QIBs who are also QPs, (b) they are not broker-dealers who own and invest on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers, (c) they are not a participant-directed employee plan, such as a 401(k) plan, (d) they are acting for their own account, or the account of one or more QIBs each of which is also a QP, (e) they are not formed for the purpose of investing in the Issuer or the Notes, (f) each account for which they are purchasing will hold and transfer at least U.S.\$200,000 in principal amount of Notes at any time, (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries, and (h) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

If it is a QIB that is also a QP purchasing the Notes pursuant to Rule 144A, it will not offer, sell, pledge or otherwise transfer the Notes except (i) (a) to the Issuer, (b) to a person whom the purchaser reasonably believes is a QIB that is also a QP in a transaction meeting the requirements of Rule 144A, (d) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (d) in a transaction that is otherwise exempt from the registration requirements of the Securities Act but only upon delivery to the Issuer of an opinion of counsel in form and scope satisfactory to the Issuer and (ii) in accordance with all applicable securities laws of the States of the United States.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme and each other Purchaser will be required to represent and agree, that with effect

from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of such Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

United Kingdom

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland, unless in compliance with applicable rules and regulations in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to **Article 1156 or Article 652a** of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or the rules of any other stock exchange or regulated trading facility in Switzerland, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

South Africa

Each Dealer has represented, warranted and agreed that:

- (a) it has not and will not offer for sale, subscription, sell or transfer, whether directly or indirectly, within the Republic of South Africa, any Notes to any person, company or other juristic person resident in the Republic of South Africa except in accordance with:
 - (i) all South African Reserve Bank Exchange Control Regulations or with the approval of the South African Reserve Bank (where applicable);
 - (ii) the Companies Act, 2008 (the "**Companies Act**");
 - (iii) the Banks Act, 1990 (the "**Banks Act**"), and the regulations promulgated in terms thereof (including but not limited to the Commercial Paper Regulations promulgated in Government Notice No. 2172 (Government Gazette 16167) of 14 December 1994 pursuant to the provisions of the Banks Act);
 - (iv) the Financial Advisory and Intermediary Services Act, 2002;
 - (v) the Financial Markets Act, 2012; and
 - (vi) in circumstances which would not constitute an offer to the public within the meaning of the Companies Act; and
- (b) it shall not offer any Notes for subscription or sell any Notes to any single addressee for an amount of less than R1 000 000.

United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (the "**UAE**") other than in compliance with any laws applicable in the UAE governing the issue, offering or sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business (COBS) Module of the DFSA rulebook.

Abu Dhabi Global Market

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to any person in the Abu Dhabi Global Market unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Financial Services Regulatory Authority (the "**FSRA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4 of the FSRA Conduct of Business (COBS) Module of the FSRA rulebook.

Qatar

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Notes in Qatar (including the Qatar Financial Centre), except (a) in compliance with all applicable laws and regulations of Qatar (including the Qatar Financial Centre) and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar. This Base Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange.

Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund)".

Nigeria

This Base Prospectus and the Notes have not been and will not be registered with the Nigerian SEC, or under the Nigerian ISA and the Nigerian SEC Rules. Further, neither this Base Prospectus nor any other offering material related to the Notes may be utilised in connection with any offering to the public within Nigeria, and the Notes may not be offered or sold within Nigeria to persons resident in Nigeria, except to the extent that the Notes have been registered with the Nigerian SEC and its written approval obtained in accordance with the provisions of the Nigerian ISA, the Nigerian SEC Rules and other Nigerian securities law and regulations.

Accordingly, this Base Prospectus is not directed at, and the Notes are not available for subscription by, any persons within Nigeria other than the selected investors to whom the Prospectus has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69(2) of the Nigerian ISA.

Hong Kong

This Base Prospectus has not been and will not be approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA;
- (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in Section 276(7) of the SFA; or
 - (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the board of the Saudi Arabian Capital Market Authority (the "**CMA**") pursuant to resolution number 3-123-2017 dated 27 December 2017 (the "**KSA Regulations**"), made through an authorised person licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 11 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer

appointed under the Programme will be required to represent and agree, that any offer of Notes by it to a Saudi Investor will be made in compliance with Articles 9 or 10 of the KSA Regulations.

The offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Notes are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee or the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in a supplement to this Base Prospectus.

Covered Fund

The Issuer is considered a "covered fund" as defined in Section 13 of the Bank Holding Company Act (the "**Volcker Rule**"). The definition of "covered fund" in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act of 1940, as amended (the "**1940 Act**"), but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuer relies on Section 3(c)(7) of the 1940 Act for its exemption from registration thereunder, (which limits sales of the Notes to "qualified purchasers" as such term is defined in the 1940 Act) it is considered to be a covered fund, hence certain entities may be prohibited under the Volcker Rule from, among other things, acquiring or retaining an "**ownership interest**" in the Issuer as a covered fund. Under the Volcker Rule, "ownership interest" is defined broadly to include any participation or other interest that entitles the holder of such interest to, amongst other things: (a) vote to remove management or otherwise other than as a creditor exercising remedies upon an event of default, (b) share in the income, gains, profits or excess spread of the covered fund or (c) receive underlying assets of the covered fund. The Issuer does not believe that an investment in the Notes issued under the Programme would constitute acquiring or retaining an ownership interest in a covered fund. See "*Risk Factors—Risks Related to the Notes—Volcker Rule*" for further information.

GENERAL INFORMATION

Authorisation

The establishment and update of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 26 February 2015 and 28 March 2019, respectively. All necessary corporate and regulatory approvals will be obtained by the Issuer prior to each issuance of Notes under the Programme.

LEI

The Legal Entity Identifier of the Issuer is 213800LXFHRRXIJR97.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the regulated market of Euronext Dublin will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on its regulated market.

Documents available

For the period of 12 months following the date of this Base Prospectus, electronic copies of the following documents will, when published, be available for inspection at the registered office of the Issuer:

- the constitutional documents of the Issuer;
- the audited annual financial statements of the Corporation in respect of the financial years ended 31 December 2018 and 2017, together with the audit reports prepared in connection therewith;
- the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- this Base Prospectus; and
- any future Base Prospectus, Drawdown Prospectuses, information memoranda and supplements including Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be). In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be). If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B 1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or material change

There has been no significant change in the financial or trading position of the Issuer since 31 December 2018 and there has been no material adverse change in the prospects of the Issuer since 31 December 2018.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Independent Auditors

The financial statements of the Issuer and its subsidiary as at and for the financial year ended 31 December 2018 have been audited by KPMG, Independent Auditors and members of the Institute of Chartered Accountants of Nigeria, in accordance with International Standards on Auditing as stated in their report appearing in this Base Prospectus.

PwC, members of the Institute of Chartered Accountants of Nigeria, audited the Issuer's financial statements in accordance with International Standards on Auditing as at and for each of the financial years ended 31 December 2017 and 2016.

Both KPMG and PwC do not have any material interest in the Issuer.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the notes and is not itself seeking admission of the notes to the Official List of Euronext Dublin or to trading on the Main Securities Market of Euronext Dublin.

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Statement of Directors' Responsibilities

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

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

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

Approval of Annual Financial Statements

The annual financial statements, presented on pages 9 to 121, were approved by the board of directors on 8 March 2019 and were signed on its behalf by:


Chairman


President & CEO

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

In compliance with the provisions of Article 28 of the Charter of the Africa Finance Corporation and pursuant to the terms of the Audit and Compliance Committee (the "Committee") statute concerning the establishment, membership, functions and powers of the Audit Committee of the Africa Finance Corporation, the Committee considered the audited financial statements for the year ended 31 December 2018, at its meeting held on 25 February 2019.

In our opinion, the scope and planning of the audit for the year ended 31 December 2018 were adequate.

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

After due consideration, the Committee accepted the report of the auditors to the effect that the financial statements were prepared in accordance with the International Financial Reporting Standards and gave a true and fair view of the state of affairs of the Corporation's financial condition as at 31 December 2018.

The Committee, therefore, recommended that the audited financial statements of the Corporation for the financial year ended 31 December 2018 and the auditor's report thereon be approved by the Board and presented for consideration by shareholders at the general meeting.

The Committee accepted the provision made in the financial statements for the remuneration of the auditors and recommended that the Board accept same. Furthermore, the Committee recommended to the shareholders, the reappointment of KPMG as the Corporation's external auditors for the 2019 financial year.



Tunde Lemo, OFR
Chairman
Audit & Compliance Committee

Members of the Committee

Dr. Adesola Adeduntan
Mr. Ahmad Abdullahi
Mr. Ebenezer Onyeagwu
Mr. Patrick Akinwuntan

**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 www.kpmg.com/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 ("the Corporation") which comprise the consolidated statement of financial position as at 31 December, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 9 to 121.

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, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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.

Impairment of Loans and Advances

During the year, the Corporation adopted a new and complex accounting standard, IFRS 9 *Financial Instruments* which became effective on 1 January 2018. For the Corporation, the key change arising from the adoption of IFRS 9 was that the Corporation's impairment losses on financial assets are now based on an Expected Credit Loss (ECL) model rather than an incurred loss model, with the most significant impact on impairment of loans and advances.

Partners:

Adebisi O. Lamikanra	Adekunle A. Elebute	Adedoke A. Oyelami	Adetola P. Adeyemi
Adeyemi K. Ajayi	Ajibola O. Olomola	Ayobami L. Salami	Ayodele H. Othihiwa
Ayodele A. Soyinka	Chibuzor N. Anyanechi	Ehile A. Aibangbee	Goodluck C. Obi
Ibitomi M. Adepoju	Ijeoma T. Emezio-Ezigo	Joseph O. Tegbe	Kabir O. Okunola
Lawrence C. Amadi	Mohammed M. Adama	Nneka C. Eluma	Ogunfayo I. Ogungbenro
Olabimpe S. Afolabi	Oludapo R. Okubadejo	Oludimeji I. Salaudeen	Olanike I. James
Olumide O. Olayinka	Olusegun A. Sowande	Olutoyin I. Ogunlowo	Oluwatemi O. Awotoye
Oluwatoyin A. Gbagi	Temitope A. Onitiri	Tolulope A. Odukale	Victor U. Onyenkpa



The determination of the impairment allowance using the ECL model 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.

Impairment allowance on loans and advances that have shown a significant increase in credit risk and credit impaired exposures is based on the Corporation's estimate of losses expected to result from default events over the life of the loans. Impairment allowance on loans and advances that have not shown a significant increase in credit risk 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 models, with the key assumptions being the:

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

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

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

How the matter was addressed in our audit

Our procedures included the following:

- We evaluated the design, implementation and operating effectiveness of the key controls over the impairment assessment process such as:
 - the Board Risk and Investment Committee's review and monitoring of the performance of loans and advances; and
 - the evaluation of relevant data used in the calculation of expected credit losses including forward looking macroeconomic data to be included in the impairment model.
- We tested the appropriateness of the Corporation's determination of significant increase in credit risk and credit impaired exposures and the resultant classification of loans and advances into groups by examining the loans and advances. We evaluated the level of past due obligations and qualitative factors such as publicly available information about the customer to determine whether the Corporation should estimate the expected credit loss over a period of 12 months or over the life of the loans and advances.
- With the assistance of our financial risk management specialists, we tested the key data and assumptions for the data input into the ECL model used by the Corporation and the accuracy of impairment allowance charged by:
 - challenging the reasonableness of the Corporation's ECL methodology, considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition. Information considered include: historical default rates and commodity index.

- assessing the appropriateness of the Corporation's forward looking assumptions comprising the Standard and Poor's Goldman Sach's Commodity Index (SPGCSI) used in the ECL calculations by using available information from external sources such as Bloomberg.
- 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 in line with the generally available data and assessing whether the Corporation's methodology is in line with IFRS 9 requirement; and
- re-performing the calculations of impairment allowance for loans and advances as at 1 January 2018 and 31 December 2018 using the Corporation's impairment model and validating key inputs to ensure compliance with the newly adopted standard.

The Corporation's accounting policy on impairment and related disclosures on credit risk are shown in notes 2.8, 2.1.2 and 3.1.6 of these financial statements.

Fair valuation of financial instruments measured at fair value (including derivatives and convertible financial instruments)

- Valuation of derivatives and convertible financial instruments

The Corporation's derivative instruments and convertible instruments comprise foreign currency swaps, interest rate swaps, options, futures and foreign exchange forward contracts, which are used to manage foreign exchange risk. The valuation of these instruments involves the use of future pricing parameters. Management applies significant judgment in the estimation of pricing details as at the reporting date, in order to determine the fair value of these instruments, which requires the use of valuation approaches or models to derive forward exchange rates and determine the appropriate discount rates to be applied on future cash flows.

Due to the significance of these instruments and the related judgmental estimation uncertainty, the valuation of the Corporation's derivatives and convertible financial instruments is considered a matter of most significance to the audit.

How the matter was addressed in our audit

Our procedures included the following, amongst others:

- We evaluated the design and implementation of key controls over the inputs used in determining the valuation of financial assets measured at fair value by checking that there was appropriate review over the accuracy of inputs such as the foreign exchange rates and the forward price.
- We engaged our KPMG valuation specialists to:
 - inspect all contracts to obtain an understanding of the respective transactions; and
 - recompute the fair value of the entire population of the derivatives and convertible instruments using validated inputs obtained from external sources and compare our results with the Corporation's results

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

- ***Valuation of investments in unquoted equities***

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

Our audit procedures to assess the reasonableness of the valuation of unquoted equity instruments as at 31 December 2018 included the following:

- Reviewed the valuation methodology and supporting documentation,
- Evaluated the competence, capabilities and objectivity of the independent valuation specialist engaged by management to assess the fair values of the investments;
- Involved our valuation specialists to assist in assessing the valuation methodologies adopted in the valuations with reference to the requirements of the relevant accounting standards.
- Challenged the key assumptions underlying the operational forecasts by comparison with external available information, investee company accounts and management information as applicable.
- Assessed the discount rates applied in the cash flow forecasts, with the assistance of our valuation specialists, by benchmarking against those of similar companies in the markets in which the investees operate;
- Re-performed 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 which comprises the Directors' report, Statement of Directors' responsibilities, Financial highlights, Chairman's statement, CEO's Letter to Shareholders, Leadership and Governance, Portfolio review, Sustainability report, and Corporate information (together "Outstanding reports") which we expect to obtain after the date of the auditors' report.

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

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

When we read the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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 International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The financial statements of Africa Finance Corporation for the year end 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 March 2018.

Oluwafemi O. Awotoye

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
08 March 2019
Lagos, Nigeria



Consolidated Statement of Comprehensive Income

	Note*	Year ended 31 December 2018 US\$'000	Year ended 31 December 2017 US\$'000
Interest income	6	260,028	233,943
Interest expense	6	(109,043)	(91,214)
Net interest income		150,985	142,729
Dividend income	7	15,912	10,460
Fees, commissions and other income	8	14,934	19,310
Operating income		181,831	172,499
Net (loss)/gain on financial instruments at fair value through profit or loss	9	(970)	57,265
Impairment charge on financial assets	10	(20,843)	(63,077)
Gain/(loss) on disposal of financial assets	11	15,744	(23,247)
Operating expenses	12	(47,178)	(42,892)
Profit for the year from continuing operations		128,584	100,548
Loss for the year from discontinued operations		-	(235)
Profit for the year		128,584	100,313
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net gain on available-for-sale financial assets	31	-	8,846
Net loss on FVOCI financial assets (equity instruments)		(10,426)	-
Items that are or may be reclassified to profit or loss:			
Net gain on FVOCI financial assets (debt instruments)		(111)	-
Other comprehensive income	31	(10,537)	8,846
Total comprehensive income for the year		118,047	109,159
Profit for the year is attributable to:			
Parent		128,584	100,313
Profit for the year		128,584	100,313
Total comprehensive income for the year is attributable to:			
Parent		118,047	109,159
Total comprehensive income for the year		118,047	109,159
Basic earnings/(loss) per share (United States cents)			
- from continuing operations	14	11.73	9.23
- from discontinued operations	14	-	(0.02)
		11.73	9.21

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

Consolidated Statement of Financial Position

	Note*	As at 31 December 2018 US\$'000	As at 31 December 2017 US\$'000
ASSETS:			
Cash and balances with banks	15	26,080	29,206
Loans and advances to banks	16	1,598,401	1,471,257
Derivative financial instruments	17	5,322	5,696
Loans and advances to other customers	18	1,339,769	1,162,422
Financial assets at fair value through profit or loss	19	602,536	656,175
Investment securities	20	724,877	569,067
Pledged assets	21	158,907	223,836
Other assets	22	29,104	41,443
Property and equipment	23	2,254	2,451
Intangible assets	24	228	259
Total assets		4,487,478	4,161,812
LIABILITIES:			
Accrued expenses and other liabilities	25	29,171	28,750
Derivative financial instruments	17	3,707	10,444
Promissory note	26	-	131,919
Borrowings	27	2,901,941	2,483,392
Total liabilities		2,934,819	2,654,505
EQUITY			
Share capital	29	1,096,395	1,095,343
Share premium	29	4,713	3,765
Retained earnings	30	425,899	372,088
Fair value reserves	31	25,652	36,111
Attributable to the Corporation's equity holders:		1,552,659	1,507,307
Total equity		1,552,659	1,507,307
Total liabilities and equity		4,487,478	4,161,812

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

Consolidated Statement of Changes in Equity

		Share capital	Share premium	Retained earnings	Fair value reserves	Total	Non-controlling interests	Total
	Note*	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2017		1,089,067	-	329,495	27,265	1,445,827	1,894	1,447,721
Profit for the year		-	-	100,313	-	100,313	-	100,313
Other comprehensive income	31	-	-	-	8,846	8,846	-	8,846
Total comprehensive income		-	-	100,313	8,846	109,159	-	109,159
Transactions with owners:								
Issued during the year	29	6,276	3,765	-	-	10,041	-	10,041
Disposed during the year		-	-	-	-	-	(1,894)	(1,894)
Dividends paid during the year		-	-	(57,720)	-	(57,720)	-	(57,720)
As at 31 December 2017		1,095,343	3,765	372,088	36,111	1,507,307	-	1,507,307
As at 1 January 2018		1,095,343	3,765	372,088	36,111	1,507,307	-	1,507,307
Impact of adopting IFRS 9 (see Note 2.1.2)	30,31	-	-	(20,198)	78	(20,120)	-	(20,120)
Restated balance at 1 January 2018		1,095,343	3,765	351,890	36,189	1,487,187	-	1,487,187
Profit for the year		-	-	128,584	-	128,584	-	128,584
Other comprehensive income	31	-	-	-	(10,537)	(10,537)	-	(10,537)
Total comprehensive income		-	-	128,584	(10,537)	118,047	-	118,047
Transactions with owners:								
Issued during the year	29	1,052	948	-	-	2,000	-	2,000
Dividends paid during the year		-	-	(54,575)	-	(54,575)	-	(54,575)
As at 31 December 2018		1,096,395	4,713	425,899	25,652	1,552,659	-	1,552,659

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

Consolidated Statement of Cash Flows

	Note*	Year ended 31 December 2018 US\$'000	Year ended 31 December 2017 US\$'000
Cash flows from operating activities			
Interest and similar income received		261,739	227,246
Interest paid	27(vi)	(103,996)	(82,308)
Fee and commission receipts		19,451	21,264
Dividend received		5,412	10,460
Cash payments to employees and suppliers		(47,382)	(38,091)
Loans and advances disbursed to customers		(204,991)	(40,664)
Net cash (used in)/generated from operating activities		(69,767)	97,907
Cash flows from investing activities			
Purchase of debt securities		(339,293)	(270,896)
Capital repayments of debt securities		176,903	42,769
Proceeds on disposal of debt securities		-	22,856
Purchase of financial assets at fair value through profit or loss		(23,099)	(27,417)
Purchase of available-for-sale equity securities		-	(4,905)
Proceeds on disposal/repayments of equity securities		13,883	17,153
Proceeds on disposal of property and equipment		185	107
Purchase of property and equipment	23	(958)	(1,051)
Purchase of software/Intangibles	24	(75)	(225)
Net cash used in investment activities		(172,454)	(221,609)
Cash flows from financing activities			
Proceeds from borrowings	27(vi)	766,678	845,000
Transaction costs related to borrowings	27(vi)	(6,948)	(3,107)
Repayment of borrowings	27(vi)	(339,673)	(284,101)
Dividend payments		(54,600)	(57,720)
Proceeds from share issue		2,000	-
Net cash generated from financing activities		367,457	500,072
Net increase in cash and cash equivalents		125,236	376,370
Cash and cash equivalents, beginning of the year		1,500,463	1,124,093
Cash and cash equivalents, end of the year	33	1,625,699	1,500,463

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

Notes to the Consolidated Financial Statements

1. General information

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

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

The Corporation’s shareholders principally comprise African States and corporate entities, such as major commercial banks, other financial institutions and other private sector commercial entities. There are twenty (2017: seventeen) member states comprising Benin Republic, Cape Verde, Chad, Cote d’Ivoire, Djibouti, Gabon, Ghana, Guinea-Bissau, Guinea-Conakry, Liberia, Kenya, Malawi, Nigeria, Rwanda, Sierra-Leone, The Gambia, Togolese Republic, Uganda, Zambia and Zimbabwe. Other prospective member states are going through the process of acceding to membership of the Corporation in accordance with their respective internal procedures.

Twenty-five (25) shareholders have subscribed and paid for shares in AFC in accordance with the terms of the AFC Charter. As at 31 December 2018, the list of shareholders holding more than 5% of the issued share capital of the Corporation is as follows:

Name of Shareholder	Shareholding (%)
Central Bank of Nigeria	44.7
United Bank of Africa Plc	10.6
Access Bank Plc	10.1
First Bank of Nigeria Plc	9.1
Zenith Bank Plc	9.1

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

The financial statements for the year ended 31 December, 2018 were authorised and approved for issue by the Board of Directors on 8 March, 2019.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are presented in United States dollars (US\$) rounded to the nearest thousand. This is the first set of the Corporation's financial statements in which IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customer have been applied, and their impact is disclosed in note 2.1.1.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss, which have been measured at fair value.

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

The statement of cash flows shows the change in cash and cash equivalents during the year from operating, financing and investing activities. Cash and cash equivalents include highly liquid investments. Note 33 shows which items of the statement of financial position are included in cash and cash equivalents.

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

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

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

2.1.1 *Changes in accounting policy and disclosures*

The Corporation has initially adopted IFRS 9 as issued by the IASB in July 2014 (see A) and IFRS 15 (see B) from 1 January 2018. The Corporation did not early adopt IFRS 9 (and any amendments) in previous periods. A number of other new standards are also effective from 1 January 2018, but they do not have a material effect on the Corporation's financial statements.

As permitted by the transitional provisions of IFRS 9, the Corporation elected not to restate comparative information but differences in the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and reserves as at 1 January 2018. Consequently, for notes

disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year. Accordingly, the information presented for the comparative period does not reflect IFRS 9 requirements and are not entirely comparable to the information presented for 31 December 2018.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Corporation. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets (see Note 2.1.2);
- additional disclosures related to IFRS 9 (see Notes 2.1.2 and 3.1.6);
- and additional disclosures related to IFRS 15 (see Note 8).

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.

A) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

The key changes to the Corporation's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Notes 2.1.2 and 3.1.6 below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is measured at fair value through profit or loss. For an explanation of how the Corporation classifies financial assets under IFRS 9, see Note 2.4.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income (OCI); and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Group classifies financial liabilities under IFRS 9, see Note 2.4.2.

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model also applies to all debt instruments, loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Corporation applies the impairment requirements of IFRS 9, see Notes 2.8 and 3.1.6.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
 - For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Corporation has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 2.1.2.

B) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The

Corporation initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments will continue to fall outside the scope of IFRS 15 and will be accounted for in accordance with the requirements of IFRS 9. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The following five step model is applied in determining when to recognise revenue and at what amount:

- (i) identify contracts with customers;
- (ii) identify the performance obligations in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to each of the performance obligations in the contract; and
- (v) recognise the revenue when or as each performance obligation is satisfied.

Transition

Changes in accounting policies resulting from the adoption of IFRS 15 have been applied retrospectively without any practical expedients.

The timing or amount of the Corporation's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15. The impact of IFRS 15 was limited to the new disclosure requirements (see Note 8).

2.1.2 Impact of the adoption of IFRS 9

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Corporation. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 2.4 below.

The following tables summarise the impact of transition to IFRS 9 for each individual line item. There was no impact on the statement of cash flows as a result of adopting the new standards.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
Financial Assets	Original measurement category	Carrying amount US\$'000	New measurement category	Carrying amount US\$'000
Cash and balances with banks:				
- Balances with banks	Amortised cost (Loans and receivables)	29,206	Amortised cost	29,206
Loans and advances to banks:				
- Placements with banks	Amortised cost (Loans and receivables)	1,471,257	Amortised cost	1,469,013

	IAS 39		IFRS 9	
Financial Assets	Original measurement category	Carrying amount US\$'000	New measurement category	Carrying amount US\$'000
Derivative financial assets	FVTPL	5,696	FVTPL	5,696
Loans and advances to other customers:				
- Project finance loans	Amortised cost (Loans and receivables)	797,711	Amortised cost	799,217
- Trade finance loans	Amortised cost (Loans and receivables)	364,711	Amortised cost	361,429
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt securities)	FVTPL	69,249	FVTPL	69,249
- Equity securities	FVTPL	567,197	FVTPL	567,197
- Asset under management (debt securities)	FVTPL	19,729	FVTPL	19,729
Investment Securities:				
- Debt securities (corporate bonds and sovereign debt)	Amortised cost (Held-to-maturity)	369,934	Amortised cost	361,773
- Debt securities (corporate securities)	Amortised cost (Loans & receivables)	60,503	Amortised cost	57,518
- Equity securities (unlisted)	Available-for-sale	134,471	FVOCI	134,471
- Debt securities	Available for sale	4,159	FVOCI	4,159
Pledged assets:				
- Debt securities (corporate bonds and sovereign debt)	Amortised cost (Held-to-maturity)	223,836	Amortised cost	219,561
Other assets:				
- Account receivable	Amortised cost (Loans and receivables)	19,802	Amortised cost	19,802
- Fee receivable	Amortised cost (Loans and receivables)	14,122	Amortised cost	14,122
Total financial assets		4,151,583		4,132,142

Financial liabilities

There is no change in the classification and measurement rules of financial liabilities between IAS 39 and IFRS 9, except in the recognition of fair value gains or losses due to changes in the Corporation's own credit risk for financial liabilities measured at fair value through profit or loss.

Fair value changes related to changes in the Corporation's own credit risk is presented separately in OCI and not recycled to profit or loss even when the liability is derecognised, and the amounts are realised. Own credit risk is determined as either the amount of fair value change not attributable to changes in market risk or using an alternative method that the Corporation believes more faithfully represents the changes in fair value due to 'own credit'. There was no quantitative impact on the financial liabilities as a result of adopting the new standard as the effect of own credit risk on financial liabilities measured at FVTPL was determined to be insignificant.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Corporation performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	Ref	IAS 39 carrying amount US\$'000	Reclassi- fications US\$'000	Remeasure- ments US\$'000	IFRS 9 carrying amount US\$'000
Amortised cost					
Cash and balances with banks					
Opening balance under IAS 39		29,206	-		
Remeasurement	(i)		-	-	
Closing balance under IFRS 9					29,206
Loans and advances to banks:					
- Placement with banks					
Opening balance under IAS 39		1,471,257	-		
Remeasurement	(i)		-	(2,244)	
Closing balance under IFRS 9					1,469,013
Loans and advances to Customers					
- Project finance					
Opening balance under IAS 39		797,711	-		
Remeasurement				1,506	
Closing balance under IFRS 9					799,217
- Trade finance					
Opening balance under IAS 39		364,711	-		
Remeasurement	(i)			(3,282)	
Closing balance under IFRS 9					361,429
Investment securities - amortised cost					
Held to maturity:					
Opening balance under IAS 39		369,934			
Reclassification from Held to Maturity (IAS 39)			(369,934)	-	
Reclassification to amortised cost (IFRS 9)			369,934	-	
Remeasurement	(i)			(8,161)	
Closing balance					361,773
Loans and receivables:					
Opening balance under IAS 39		60,503			
Reclassification from Loans and receivables (IAS 39)			(60,503)	-	
Reclassification to amortised cost (IFRS 9)			60,503	-	
Remeasurement	(i)			(2,985)	
Closing balance					57,518
Closing balance under IFRS 9					419,291

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	Ref	IAS 39 carrying amount	Reclassi- fications	Remeasure- ments	IFRS 9 carrying amount
Pledged Assets - amortised cost					
Held to maturity:					
Opening balance under IAS 39		223,836			
Reclassification from Held to Maturity (IAS 39)			(223,836)	-	
Reclassification to amortised cost (IFRS 9)			223,836	-	
Remeasurement	(i)			(4,275)	
Closing balance under IFRS 9					219,561
Other Assets					
- Accounts Receivable					
Opening balance under IAS 39		19,802			
Remeasurement			-	-	
Closing balance					19,802
- Fee Receivable					
Opening balance under IAS 39		14,122			
Remeasurement			-	-	
Closing balance					14,122
Closing balance under IFRS 9					33,924
Total financial assets measured at amortised cost		3,351,082	-	(19,441)	3,331,641

	Ref	IAS 39 carrying amount US\$'000	Reclassi- fications US\$'000	Remeasure- ments US\$'000	IFRS 9 carrying amount US\$'000
Fair value through profit or loss (FVTPL)					
Hybrid instruments (convertible debt)		69,249	-	-	69,249
Equity securities		567,197	-	-	567,197
Asset under management (debt securities)		19,729	-	-	19,729
Total financial asset measured at FVTPL		656,175			656,175

	Ref	IAS 39 carrying amount US\$'000	Reclassi- fications US\$'000	Remeasure- ments US\$'000	IFRS 9 carrying amount US\$'000
Investment securities - Available for sale financial assets					
Equity securities:					
Opening balance under IAS 39		134,471			
Reclassification from available for sale (IAS 39)			(134,471)		
Reclassification to FVOCI (IFRS 9)			134,471		
Closing balance					134,471
Debt securities:					
Opening balance under IAS 39		4,159			
Reclassification from available for sale (IAS 39)			(4,159)		
Reclassification to FVOCI (IFRS 9)			4,159		
Remeasurement	(i)			(78)	
Fair value reserve				78	
Closing balance					4,159
Total financial assets measured at FVOCI					138,630
	Ref	IAS 39 carrying amount US\$'000	Reclassi- fications US\$'000	Remeasure- ments US\$'000	IFRS 9 carrying amount US\$'000
Provision for debt commitments					
Remeasurement		-	-	(678)	(678)
Closing balance under IFRS 9					(678)

The total remeasurement loss of US\$20.2 million was recognised in opening reserves at 1 January 2018. This represents the additional impairment loss arising from applying the new expected credit loss model of IFRS 9 at 1 January 2018.

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Corporation as shown in the table above.

Reclassification from retired categories with no change in measurement

The following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

- (i) Those previously classified as available for sale are now classified and measured at FVOCI;
- (ii) Those previously classified as held to maturity are now classified and measured at amortised cost; and
- (iii) Those previously classified as loans and receivables and now classified as measured at amortised cost;

No financial assets and liabilities were reclassified to the amortised cost category from the fair value category as part of the transition to IFRS 9.

Reconciliation of opening equity from IAS 39 to IFRS 9

The following table summarises the impact of transition to IFRS 9 on the opening balance of the fair value reserve and retained earnings. There was no impact on other components of equity.

	Impact of adopting IFRS 9 1 January 2018 (US\$'000)
Fair Value Reserve	
Closing balance under IAS 39 (31 December 2017)	36,111
Recognition of expected credit losses under IFRS 9	78
Opening balance under IFRS 9 (1 January 2018)	36,189
Retained Earnings	
Closing balance under IAS 39 (31 December 2017)	372,088
Recognition of expected credit losses under IFRS 9	(20,198)
Opening balance under IFRS 9 (1 January 2018)	351,890

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39	Reclassi- fication	Remeasure- ment	Loan loss allowance - IFRS 9
	US\$'000	US\$'000	US\$'000	US\$'000
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Cash and balances with banks	-	-	-	-
Loans and advances to banks				
- Placement with banks	-	-	2,245	2,245
Loans and advances to customers				
- Project finance	56,648	-	(1,506)	55,142
- Trade finance	6,550	-	3,282	9,832
Investment securities				
- Corporate securities	-	-	2,985	2,985
Other assets				
- Accounts receivable	-		-	-
- Fee receivable	-		-	-
Total	63,198	-	7,006	70,204
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Investment securities	-	-	8,161	8,161

Measurement category	Loan loss allowance under IAS 39	Reclassification	Remeasurement	Loan loss allowance - IFRS 9
	US\$'000	US\$'000	US\$'000	US\$'000
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Pledged assets	-	-	4,275	4,275
Available for sale financial instruments (IAS 39) / Financial assets at FVOCI (IFRS 9)				
Investment securities	-	-	78	78
Loan commitments and financial guarantee contracts				
Loan commitments	-	-	678	678
Total	63,198	-	20,198	83,396

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

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

- i. IFRS 16 – Leases. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

This standard will have no significant effect on the Corporation’s financial statements when effective and adopted on 1 January 2019.

- ii. The following amended standards, which become effective are not expected to have a significant impact on the Corporation’s consolidated financial statements:

- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Amendments to References to Conceptual Framework in IFRS
- Amendments to IAS 1 and IAS 8 - Definition of Material

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

2.2 Basis of consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

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

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

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

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

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

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

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

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

(iii) Loss of control

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

(iv) Acquisitions under common control

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

(v) Transactions eliminated on consolidation

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

(vi) Non-controlling interests

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

(vii) Interests in associates and joint ventures

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

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

2.3 Foreign currency

a) Functional and presentation currency

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

b) Transactions and balances

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

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. 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 classified as available-for-sale (before 1 January 2018) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets (before 1 January 2018, or equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI from 1 January 2018), are included in the other comprehensive income.

2.4 Financial assets and liabilities

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

Policy applicable from 1 January 2018

Initial recognition and measurement

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

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

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

2.4.1 Financial assets

Classification and subsequent measurement

From 1 January 2018, the Corporation has applied 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 2.1.2. Interest income from these financial assets is included in interest income using the effective interest rate method over the gross carrying amount of the financial assets.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through 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.

Relassifications

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. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend income when the Corporation's right to receive payments is established.

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

Impairment of financial assets

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

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

Modification of loans

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

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

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

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

Derecognition other than on a modification

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

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

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

- (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 3.1.6); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

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

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

Derivatives and hedging activities

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

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

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

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

Offsetting

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

Determination of fair value

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its

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

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

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

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

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

Policy applicable before 1 January 2018

2.4.3 Financial Assets

The Corporation classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification at initial recognition. The Corporation uses trade date accounting

for regular way contracts when recording financial asset transactions (see note 3.6 on financial instruments by category).

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

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

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

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

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

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

Equity investments that result in the Corporation having significant influence by being able to participate in the financial and operating policy decisions of the investee companies are carried in the statement of financial position at fair value through profit or loss rather than accounted for using the equity accounted. This treatment is permitted under IAS 28 on Investment in Associates and Joint Ventures, which require investments held by Venture Capital Entities to be accounted for at fair value through profit or loss in accordance with IAS 39 with changes in fair value recognised in the income statement in the period of the change.

(b) Loans and receivables

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

- (a) those that the Corporation intends to sell immediately or in the short term, which are classified as held for trading, and those that the Corporation upon initial recognition designates at fair value through profit or loss; or
- (b) those that the Corporation upon initial recognition designates as available-for-sale; or

- (c) those for which the Corporation may not recover substantially all of its initial investment, other than because of credit deterioration.

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

(c) Held-to-maturity

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

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

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

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

(d) Available-for-Sale

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

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

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

2.4.4 Financial Liabilities

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

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

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

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

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

There were no financial liabilities classified as held for trading as at 31 December 2018 (2017: none).

(b) Other liabilities measured at amortised cost

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

2.4.6 Transfers of financial assets

The Corporation, in the ordinary course of business enters into transactions that result in the transfer of financial assets, primarily debt securities. The transferred financial assets continue to be recognised in their entirety or to the extent of the Corporation's continuing involvement, or are derecognised in their entirety. The Corporation transfers financial assets, that are not derecognised in their entirety or for which it has continuing involvement primarily through sale and repurchase of securities.

2.4.7 Derecognition

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

2.4.8 Reclassification of financial assets

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

2.4.9 Derivative financial instruments

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

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

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

2.5 Interest income and expense

Policy applicable from 1 January 2018

Effective interest rate

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

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

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

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

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

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

Policy applicable before 1 January 2018

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

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

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

2.6 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

Policy applicable from 1 January 2018

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

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

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

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

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

Measurement of Expected credit losses

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

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.

Any subsequent recovery in the fair value of an impaired equity security which is classified at FVOCI is recognised in 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 profit or loss and OCI.

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.

Policy applicable before 1 January 2018

a) Assets carried at amortised cost

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

impaired includes observable data that comes to the attention of the Corporation about the following loss events: -

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

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

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

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Corporation and historical loss experience for assets with credit risk characteristics similar to those in the Corporation. Historical loss experience is

adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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

b) Assets classified as available-for-sale

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

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Cash and cash equivalents

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

2.11 Property and equipment

All property and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

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

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

2.12 Employee Benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Post-employment employee benefits

Defined contribution plan

The Corporation established a defined contributory pension scheme in 2012. This is a pension plan under which the Corporation pays fixed contributions (7.5% of basic salary) and employees contribute a minimum of 5% of their basic salary into a separate entity. The Corporation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense in the statement of comprehensive income when they fall due.

2.13 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method. Where the Corporation designates certain borrowings upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently.

2.15 Share capital

a) Share issue costs

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

b) Share premium

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

c) Dividends on ordinary shares

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

d) Treasury shares

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

2.16 Retained earnings

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

2.17 Fair value reserve

Comprises fair value movements on equity instruments.

2.18 Dividend income and payment

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

2.19 Contingent liabilities and commitments

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

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

Debt commitments comprise;

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

2.20 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on disposal is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Corporation's other accounting policies. Impairment losses on initial recognition are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

When the Corporation acquires a subsidiary exclusively with a view to resale, it is accounted for as held for sale and consolidated using the short cut method under IFRS 5. Initially, the Corporation measures the identifiable liabilities and the acquired assets at fair value. At the reporting period, the Corporation measures the disposal group at the lower of its cost and fair value less cost to sell and the assets and liabilities are

recognised separately in the statement of financial position. In the statement of comprehensive income, the Corporation discloses a separate line for the loss on discontinued operations. Further analysis of the assets and liabilities is not required and no further disclosures are made.

2.21 Discontinued operation

A discontinued operation is a component of the Corporation's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary exclusively acquired with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

2.22 Intangible assets

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

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

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

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

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

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

2.23 Earnings per share

The Corporation presents basic 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.

3. Financial Risk Management

AFC's business philosophy recognises that risks are an inevitable consequence of being in business. The Corporation's aim, therefore, is not to eliminate all risks, but to design policies, processes and procedures that will enable it achieve an appropriate balance between risk and return. AFC believes that a strong risk management function is key to its successful long-term operations.

AFC operates a multi-layered risk management governance structure, with the Board of Directors at its apex, exercising and assuming ultimate authority and responsibility for the Corporation's risk management. Other layers in the risk management governance structure are: (i) the Board Risk and Investment Committee (BRIC), responsible for oversight and approval of risk policies, and credit approvals above management's authority levels; (ii) Executive Management Committee (EXCO), responsible for review of investment proposals, and exercise of management's delegated authority for investment approvals; (iii) Management Risk Committee, responsible for the risk policy review and implementation; (iv) Asset and Liability Committee (ALCO), responsible for monitoring and management of the Corporation's liquidity and interest rate risks; (v) Risk Management Department, responsible for risk policy development, management and monitoring; and (vi) Business Units, responsible for the creation and management of risk assets.

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

In managing those risks, Risk Management's independence and accountability is sustained by the Chief Risk Officer's direct reporting line to both the President & CEO and to the Chairman of the Board Risk and Investment Committee and the Policy requires the Chief Risk Officer's affirmative vote before a transaction can be approved.

In order to regularly monitor the risks in AFC's portfolio, Risk Management generates a number of reports, including a Daily Risk Report for the Executive Management Committee (EXCO) and a Portfolio Risk Dashboard for each meeting of the BRIC. In addition to these reports, Risk Management also provides independent risk assessment to transaction monitoring reports, which are prepared by the Business Originators on a quarterly basis.

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

and Debt Service Reserve Account and pledges or liens over physical assets. In the case of asset-backed trade related transactions, the collateral is a mix of product financed, cash or receivables.

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

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

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

3.1 Credit Risk

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

3.1.1 Project and Investment Credit Risk

The Corporation has developed a comprehensive Credit Risk Management Policy (CRMP) that details its risk philosophy and metrics. The CRMP defines the level and type of credit exposures that AFC is prepared to accept in order to achieve its business goals and objectives. It defines the Corporation's risk appetite along three key metrics; Capital Adequacy Framework, Exposure Limits Framework and Credit Risk Acceptance criteria.

AFC's Capital Adequacy Framework creates a quantifiable link between the risks assumed and the amount of risk capital required to support those risks. The capital adequacy framework ensures that the Corporation holds adequate levels of capital to support its investment operations.

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

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

The risk appetite is determined by the Board of Directors, with delegated authority to the Board Risk and Investment Committee and Executive Management Committee. The Corporation has a policy that only the entity that sets a limit or condition may amend the limit. For example, EXCO may only decrease limits but not increase limits set by the higher authorities of BRIC and the Board due to evolving market conditions. While the Board, or BRIC may increase or decrease limits set by EXCO. The Board specifies that risk appetite is consistent with AFC's rating, and eclipsed by the Corporation's capital.

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

3.1.2 Counterparty Credit Risk

AFC invests its liquid assets in different financial instruments to generate income. These financial instruments involve, to some degree, the risk that the counterparty to the transaction may be unable to meet its obligation to the Corporation when it falls due. The Corporation manages this counterparty risk by executing transactions within a prudent framework of approved counterparties, counterparty credit rating standards and counterparty risk exposures limits. The risk exposure limit for each counterparty is a function of the counterparty's credit rating and its shareholders' funds (unimpaired by losses). The risk limits are proposed by the Risk Management Division and approved by the Executive Management Committee.

3.1.3 Credit Risk Measurement

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

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

3.1.4 Risk Limit Control and Mitigation Policies

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

3.1.5 Maximum exposure to credit risk

	Maximum Exposure	
	31 December	31 December
	2018	2017
	US\$’000	US\$’000
Balances with banks	26,054	29,175
Loan and advances to banks:		
- Placements with banks	1,598,401	1,471,257
Derivative financial assets	5,322	5,696
Loan and advances to other customers:		
- Project finance loans	979,560	797,711
- Trade finance loans	360,209	364,711
Financial assets at fair value through profit or loss:		
- Hybrid instruments (convertible debt)	65,802	69,249
- Asset under management (debt securities)	19,829	19,729
Investment Securities:		
- Corporate debt securities	353,727	231,097
- Government debt securities	296,991	203,499
Pledged Assets:		
- Corporate debt securities	64,052	114,249
- Government debt securities	94,855	109,587
Other assets:		
- Account receivable	12,301	19,802
- Fee receivable	11,939	14,122
Total	3,889,042	3,449,884

Off-balance sheet commitments

Debt commitments	229,264	99,045

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

3.1.6 Credit quality analysis

General Risk Rating Process

Investment risk rating and acceptance criteria represent a vital aspect of the Corporation's risk appetite definition process. Before credit risk can be managed, it must first be identified and measured. A 10-point credit risk rating methodology with 23 notches, from "1" (excellent, very low risk) to "10" (expected loss, very high risk) is applied by the Corporation. The methodology encompasses the analysis of a client's fundamental financial strength, adjusted with obligor risk control factors, and further adjusted by facility risk control factors. The risk rating process measures the expected loss of a credit facility over its tenor and it integrates assessments of the probability of default, the exposure at default, and the loss given default of the facility. The 10-point risk rating scale is further collapsed into five generic risk classes, of "very low risk (excellent)", "low risk (strong)", "moderate risk (good)", "high risk (fair/marginal)", and "very high risk (special attention)". Generally, transactions rated "5" (acceptable, high risk) or better would be considered for financing by the Corporation.

The risk ratings are a primary tool in the review and decision making in the credit process and ratings are reviewed quarterly for each obligor or when credit sensitive information is received. The integrity of the Corporation's portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. Ratings are also reviewed as a result of expectation of credit weaknesses. After disbursement, monitoring phase of each investment commences. A quarterly monitoring report is prepared for each investment; this report is reviewed by Risk Management and presented to the Management Investment Committee. The monitoring report acts as an early warning signal for closer monitoring of credits with a higher probability of facing stress in the short to medium term.

In the event that an asset goes into default, an interdepartmental team comprising of Risk Management, Risk Assurance, Investments and Legal would collaborate with other lenders or sponsors to maximize recovery. This team will give a weekly update on recovery efforts to the Management. A default would also lead to prevention of further drawdown while steps are taken to recover the outstanding balance and/or realise collaterals.

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

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

Credit Rating of Counterparty/Obligor

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

Risk Buckets and Definition

Description	Rating bucket	Range of scores	Risk range description
Very Low Risk	AAA to A-	1.00 – 1.60	Excellent
Low Risk	BBB+ to BB+	1.70 – 2.00	Strong
Moderate Risk	BB to B-	2.00 – 4.00	Good
High Risk	CCC+	4.00 – 5.00	Fair
High Risk	CCC	5.00 – 7.00	Marginal
Very High Risk	CCC- to D	7.00 – 10.00	Special attention

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

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

	31 December 2018	31 December 2017
	US\$'000	US\$'000
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA to BBB-)	1,731,767	1,538,210
Others (BB+, BB, BB-, B+, B, B-)	829,826	702,584
	<u>2,561,593</u>	<u>2,240,794</u>
Counterparties without international credit ratings		
Group 1	412,284	206,629
Group 2	<u>915,165</u>	<u>755,298</u>
	<u>1,327,449</u>	<u>961,927</u>
Total unimpaired nor past due loans, advances and debt securities	3,889,042	3,202,721
Past due but not impaired	-	247,163
Total loans, advances and debt securities	<u>3,889,042</u>	<u>3,449,884</u>

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:

In thousands of dollars	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
- Excellent	11,006	-	-	11,006	15,737
- Strong	26	-	-	26	13
- Good	15,022	-	-	15,022	13,425
Gross carrying amount	26,054	-	-	26,054	29,175
Loss allowance	-	-	-	-	-
Carrying amount	26,054	-	-	26,054	29,175

Loans and advances to banks at amortised cost:

In thousands of dollars	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
- Excellent	1,313,158	-	-	1,313,158	1,231,693
- Strong	274,500	-	-	274,500	135,083
- Good	11,961	-	-	11,961	104,481
Gross carrying amount	1,599,619	-	-	1,599,619	1,471,257
Loss allowance	(1,218)	-	-	(1,218)	-
Carrying amount	1,598,401	-	-	1,598,401	1,471,257

Loans and advances to customers at amortised cost:

In thousands of dollars	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
<i>Project finance</i>					
- Good	542,677	-	-	542,677	311,883
- Fair	135,841	-	-	135,841	47,519
- Marginal	93,627	67,428	-	161,055	258,379
- Special attention	-	164,953	-	164,953	236,578
- Default	-	-	52,567	52,567	-
Gross carrying amount	772,145	232,381	52,567	1,057,093	854,359
Loss allowance	(22,486)	(38,305)	(16,742)	(77,533)	(56,648)
	749,659	194,076	35,825	979,560	797,711
<i>Trade finance</i>					
- Good	353,673	-	-	353,673	191,502
- Fair	15,916	-	-	15,916	56,268
- Marginal	-	-	-	-	123,491
	369,589	-	-	369,589	371,261
Loss allowance	(9,380)	-	-	(9,380)	(6,550)
	360,209	-	-	360,209	364,711
Gross loans to other customers	1,141,734	232,381	52,567	1,426,682	1,225,620
Carrying amount	1,109,868	194,076	35,825	1,339,769	1,162,422

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**

In thousands of dollars	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Current	1,141,734	232,381	-	1,374,115	950,314
Overdue 30 - 90 days	-	-	-	-	44,585
Overdue 90 - 180 days	-	-	-	-	122,491
Overdue > 180 days	-	-	52,567	52,567	108,230
Total	1,141,734	232,381	52,567	1,426,682	1,225,620

Investment securities at amortised cost:

In thousands of dollars	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
<i>Corporate debt securities</i>					
- Excellent	125,640	-	-	125,640	-
- Good	125,249	-	-	125,249	110,893
- Fair	41,011	-	-	41,011	37,854
- Marginal	66,491	-	-	66,491	82,350
- Special attention	-	-	-	-	-
	358,391	-	-	358,391	231,097
Loss allowance	(8,860)	-	-	(8,860)	-
	349,531	-	-	349,531	231,097
<i>Government debt securities</i>					
- Strong	-	-	-	-	-
- Good	300,452	-	-	300,452	203,499
	300,452	-	-	300,452	203,499
Loss allowance	(3,460)	-	-	(3,460)	-
	296,992	-	-	296,992	203,499
Carrying amount	646,523	-	-	646,523	434,596

Pledged assets:

In thousands of dollars	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
<i>Corporate debt securities</i>					
- Good	65,797	-	-	65,797	114,249
	65,797	-	-	65,797	114,249
Loss allowance	(1,745)	-	-	(1,745)	-
	64,052	-	-	64,052	114,249
<i>Government debt securities</i>					
- Strong	50,770	-	-	50,770	50,803
- Good	44,917	-	-	44,917	58,784
	95,687	-	-	95,687	109,587
Loss allowance	(832)	-	-	(832)	-
	94,855	-	-	94,855	109,587
Carrying amount	158,907	-	-	158,907	223,836

Other assets:

In thousands of dollars	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
<i>Account receivable</i>					
- Good	12,301	-	-	12,301	19,802
<i>Fee receivable</i>					
- Good	11,939	-	-	11,939	14,122
	24,240	-	-	24,240	33,924
Loss allowance	-	-	-	-	-
Carrying amount	24,240	-	-	24,240	33,924

Debt Commitments:

In thousands of dollars	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
<i>Debt</i>					
- Good	46,384	-	-	46,384	96,913
- Fair	182,880	-	-	182,880	-
- Marginal	-	-	-	-	2,132
Carrying amount	229,264	-	-	229,264	99,045
Loss allowance on commitments	(1,133)	-	-	(1,133)	-

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

	2018 US\$'000	2017 US\$'000
Derivative financial assets:		
- Good	<u>5,322</u>	<u>5,696</u>
Financial assets at fair value through profit or loss		
<i>Hybrid instruments (convertible debt)</i>		
- Good	-	27,799
- Fair	35,816	-
- Marginal	29,986	41,450
<i>Asset under management (debt securities)</i>		
- Good	<u>19,829</u>	<u>19,729</u>
	<u>85,631</u>	<u>88,978</u>
Investment securities		
<i>Corporate debt securities</i>		
- Good	<u>4,195</u>	<u>4,159</u>

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 2018, as a result of the enforcement of collateral (2017: 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. A portion of hybrid instruments designated at fair value through profit or loss is covered by insurance.

Percentage of exposure secured by collateral and other credit enhancements:

Type of credit exposure	2018 %	2017 %	Type of collateral held
Loans and advances to other customers			
- Project finance	92	97	charge on securities/company assets
- Trade finance	64	68	charge on commodities financed
Hybrid instruments	38	46	charge on company assets/insurance
Investment debt securities	5	9	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 (Initial recognition)	Stage 2 (Significant increase in credit risk since initial recognition)	Stage 3 (Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation’s historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Corporation uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due

Credit risk grades

The Corporation allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the;

- Information obtained during periodic review of the obligor – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Data from credit reference agencies, press articles, changes in external credit ratings
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

The indicative mapping of how the Corporation's internal credit risk grades relate to PD to external credit ratings of is shown in note 3.1.6 above.

Generating the term structure of PD

Credit risk grades are primary inputs into the determination of the term structure of PD for exposures. The Corporation collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The Corporation employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Definition of default

The Corporation considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Corporation;
- or it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Corporation considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Corporation; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Corporation incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Based on advice from the Corporation's Risk Management and economic experts and consideration of a variety of external actual and forecast information, the Corporation formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Corporation invests, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Corporation for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Corporation carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Corporation has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on externally compiled data comprising both quantitative and qualitative factors published by International Rating Agencies. Where it is available, market data may also be used to derive the PD for

counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. For the purpose of determining LGD, external benchmark information from rating agencies were used to supplement the internally available data. The Moody's Investors Service Default and Recovery rates study was an input into determining the LGD for the Corporation's portfolios.

EAD represents the expected exposure in the event of a default. The Corporation derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Corporation measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Corporation considers a longer period. The maximum contractual period extends to the date at which the Corporation has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- date of initial recognition;
- remaining term to maturity; sector or industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

The Corporation has limited historical data with no loss experience and external benchmark information is used to supplement the internally available data. This includes: Moody's Investors Service Default and Recovery Rates for the LGD models and Fitch Ratings' Transition and Default study for the PD models.

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange translation for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and 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:

Loans and advances to banks at amortised cost:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	2,245	-	-	-	2,245	-
Net remeasurement of loss allowance	(1,027)	-	-	-	(1,027)	-
Balance at 31 December	1,218	-	-	-	1,218	-

Loans and advances to customers at amortised cost:	2018					2017		
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Individual	Collective	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2018	63,198	-	-	-	63,198	-	41,862	41,862
Impact of adopting IFRS 9	(32,984)	34,760	-	-	1,776	-	-	-
Transfer to Stage 1	1,502	(1,502)	-	-	-	-	-	-
Transfer to Stage 2	(630)	630	-	-	-	-	-	-
Transfer to Stage 3	-	(4,590)	4,590	-	-	-	-	-
Net remeasurement of loss allowance	780	9,200	12,152	-	22,132	-	21,336	21,336
Financial assets that have been derecognised	-	(193)	-	-	(193)	-	-	-
Balance at 31 December	31,866	38,305	16,742	-	86,913	-	63,198	63,198

Loans and advances to customers at amortised cost:	2018					2017		
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Individual	Collective	Total
<i>Project finance loans</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2018	56,648	-	-	-	56,648	-	38,242	38,242
Impact of adopting IFRS 9	(36,072)	34,566	-	-	(1,506)	-	-	-
Transfer to Stage 1	1,502	(1,502)	-	-	-	-	-	-
Transfer to Stage 2	(630)	630	-	-	-	-	-	-
Transfer to Stage 3	-	(4,590)	4,590	-	-	-	-	-
Net remeasurement of loss allowance	1,038	9,201	12,152	-	22,391	-	18,406	18,406
Balance at 31 December	22,486	38,305	16,742	-	77,533	-	56,648	56,648

Loans and advances to customers at amortised cost:	2018					2017		
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Individual	Collective	Total
<i>Trade finance loans</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2018	6,550	-	-	-	6,550	-	3,620	3,620
Impact of adopting IFRS 9	3,088	193	-	-	3,281	-	-	-
Net remeasurement of loss allowance	(258)	-	-	-	(258)	-	2,930	2,930
Financial assets that have been derecognised	-	(193)	-	-	(193)	-	-	-
Balance at 31 December	9,380	-	-	-	9,380	-	6,550	6,550

Investment securities at amortised cost:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	11,146	-	-	-	11,146	-
Net remeasurement of loss allowance	1,174	-	-	-	1,174	-
Balance at 31 December	12,320	-	-	-	12,320	-

Investment securities at amortised cost:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Corporate debt securities</i>						
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	8,260	-	-	-	8,260	-
Net remeasurement of loss allowance	600	-	-	-	600	-
Balance at 31 December	8,860	-	-	-	8,860	-

Investment securities at amortised cost:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Government debt securities</i>						
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	2,886	-	-	-	2,886	-
Net remeasurement of loss allowance	574	-	-	-	574	-
Balance at 31 December	3,460	-	-	-	3,460	-

Investment securities at FVOCI:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Corporate debt securities</i>						
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	78	-	-	-	78	-
Net remeasurement of loss allowance	(18)	-	-	-	(18)	-
Balance at 31 December	60	-	-	-	60	-

Pledged assets:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Debt securities</i>						
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	4,275	-	-	-	4,275	-
Net remeasurement of loss allowance	(1,698)	-	-	-	(1,698)	-
Balance at 31 December	2,577	-	-	-	2,577	-

Pledged assets:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
<i>Corporate debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	3,353	-	-	-	3,353	-
Net remeasurement of loss allowance	(1,608)	-	-	-	(1,608)	-
Balance at 31 December	1,745	-	-	-	1,745	-

Pledged assets:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
<i>Government debt securities</i>	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	922	-	-	-	922	-
Net remeasurement of loss allowance	(90)	-	-	-	(90)	-
Balance at 31 December	832	-	-	-	832	-

Commitments:	2018					2017
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loss allowance as at 1 January 2018	-	-	-	-	-	-
Impact of adopting IFRS 9	678	-	-	-	678	-
Net remeasurement of loss allowance	473	-	-	-	473	-
Balance at 31 December	1,151	-	-	-	1,151	-

Credit-impaired financial assets (2017: 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 (2017: impaired) loans and advances to customers.

	2018	2017
	Total	Total
	US\$'000	US\$'000
Credit-impaired (2017: impaired) loans and advances to customers at 1 January	-	-
Classified as credit-impaired during the year	52,567	-
Change in allowance for impairment	(16,742)	-
Balance at 31 December	35,825	-

Modified financial assets

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

Financial assets modified during the period	2018
	Total
	US\$'000
Amortised cost before modification	17,424
Net modification loss	651

Write-off policy

In the normal course of business, financial assets (including loans, debt securities and receivables) may become unrecoverable when the likelihood of repayment by a counterparty is non-existent and the financial asset cannot be realized. Circumstances which may lead to financial assets becoming unrecoverable include but not limited to:

- insolvency of the counterparty / guarantor
- permanent diminution in the value of collateral
- unenforceable debt recovery actions; and
- debts that are uneconomical to pursue for recovery.

Management must demonstrate that appropriate and sufficient effort has been made to recover the financial assets. Financial assets will be recommended for write-off only after recovery efforts have proved unsuccessful and further action is either not cost effective or highly unlikely to succeed.

The Chief Risk Officer, together with the responsible division head will recommend the write-off to the Board Risk and Investment Committee for approval.

3.1.7 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Corporation manages concentration risk using the Exposure Limits Framework (ELF) as part of its credit risk management policies. The ELF proposes a portfolio diversification strategy for the Corporation in order to avoid excessive portfolio concentration either in single projects or groups of projects, or in particular sectors that could be simultaneously affected by similar exogenous events. The ELF defines sector exposure limits, single obligor exposure limits and single country exposure limits. In line with best practices, the exposure limits are linked to AFC's total investable fund, that is the shareholders' funds plus retained earnings plus borrowings with a remaining maturity exceeding one year, and the pace at which these Board approved limits are consumed is dependent on the Corporation's risk appetite. The following table analyses the Corporation's main credit exposures at their carrying amounts, categorised by geographical region, as at 31 December 2018. The Corporation has allocated exposures to regions based on the country of domicile of its counterparties.

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31 December 2018	West Africa	Rest of Africa	Outside Africa	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks:				
Balances with banks	7,250	-	18,804	26,054
Loans and advances to banks:				
- Placements with banks	46,068	50,467	1,501,866	1,598,401
Derivative financial instruments	568	2774	1,980	5,322
Loans and advances to other customers:				
- Project finance	575,432	404,128	-	979,560
- Trade finance	182,312	177,897	-	360,209
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	29,986	35,816	-	65,802
- Asset under management (debt securities)	-	-	19,829	19,829
Investment securities:				
- Corporate debt securities	208,025	70,591	75,051	353,727
- Government debt securities	175,201	121,790	-	296,991
Pledged assets:				
- Corporate debt securities	64,052	-	-	64,052
- Government debt securities	32,393	62,462	-	94,855
Other assets:				
- Account receivable	12,301	-	-	12,301
- Fee receivable	11,939	-	-	11,939
	1,345,527	925,925	1,617,530	3,889,042
Commitments	215,916	13,348	-	229,264

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31 December 2017	West Africa	Rest of Africa	Outside Africa	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks:				
Balances with banks	13,425	-	15,750	29,175
Loans and advances to banks:				
- Placements with banks	140,269	-	1,330,988	1,471,257
Derivative financial instruments	36	4,366	1,294	5,696
Loans and advances to other customers:				
- Project finance	431,919	365,792	-	797,711
- Trade finance	308,949	55,762	-	364,711
Financial assets at fair value through profit or loss:				
- Hybrid instruments (convertible debt)	27,799	41,450	-	69,249
- Asset under management (debts)	-	-	19,729	19,729
Investment securities:				
- Corporate debt securities	210,864	20,233	-	231,097
- Government debt securities	152,445	51,054	-	203,499
Pledged assets:				
- Corporate debt securities	114,249	-	-	114,249
- Government debt securities	46,742	62,845	-	109,587
Other assets:				
- Account receivable	2,835	31,089	-	33,924
	1,449,532	632,591	1,367,761	3,449,884
Commitments	45,171	53,874	-	99,045

Credit Concentration by Industry

31 December 2018	Natural Resources US\$'000	Heavy Power Industry & Telecoms US\$'000	Transport US\$'000	US\$'000	Financial Services & Others US\$'000	Total US\$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	26,054	26,054
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,598,401	1,598,401
Derivative financial assets	-	-	-	-	5,322	5,322
Loans and advances to other customers:						
- Project finance	295,961	291,834	250,850	140,915		979,560
- Trade finance	93,789	15,636	-	-	250,784	360,209
Financial assets at fair value through profit or loss:						
- Hybrid instruments (convertible debt)	29,986	35,816	-	-	-	65,802
- Asset under management (debts)	-	-	-	-	19,829	19,829
Investment securities:						
- Corporate debt securities	-	39,060	22,794	-	291,873	353,727
- Government debt securities					296,991	296,991
Pledged assets:						
- Corporate debt securities	-	-	-	-	64,052	64,052
- Government debt securities	-	-	-	-	94,855	94,855
Other assets:						
- Account receivable	-	-	-	-	12,301	12,301
- Fee receivable	-	-	-	-	11,939	11,939
	419,736	382,346	273,644	140,915	2,672,401	3,889,042
Commitments	20,000	-	175,325	14,431	19,508	229,264

31 December 2017	Natural Resources US\$'000	Heavy Industry & Telecoms US\$'000	Power US\$'000	Transport US\$'000	Financial Services & Others US\$'000	Total US\$'000
Cash and balances with banks:						
Balances with banks	-	-	-	-	29,175	29,175
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,471,257	1,471,257
Derivative financial assets	-	-	-	-	5,696	5,696
Loans and advances to other customers:						
- Project finance	388,263	71,914	246,693	90,841	-	797,711
- Trade finance	148,774	79,266	-	-	136,671	364,711
Financial assets at fair value through profit or loss:						
- Hybrid instruments (convertible debt)	27,799	41,450	-	-	-	69,249
- Asset under management (debts)	-	-	-	-	19,729	19,729
Investment securities:						
- Corporate debt securities	-	37,854	22,649	-	170,594	231,097
- Government debt securities	-	-	-	-	203,499	203,499
Pledged assets:						
- Corporate debt securities	-	-	-	-	114,249	114,249
- Government debt securities	-	-	-	-	109,587	109,587
Other assets:						
- Account receivable	-	-	-	-	33,924	33,924
	564,836	230,484	269,342	90,841	2,294,381	3,449,884
Commitments	11,574	-	66,492	-	20,979	99,045

3.2 Market Risk

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

The Corporation's portfolio comprises majorly of non-trading portfolios. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having 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 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 2018. Included in the table are the Corporation's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk – financial instruments

31 December 2018	US dollars US\$'000	Others US\$'000	Total US\$'000
Assets			
Cash and balances with banks	17,100	8,980	26,080
Loans and advances to banks	1,586,440	11,961	1,598,401
Derivative financial assets	5,322	-	5,322
Loans and advances to other customers	1,097,259	242,510	1,339,769
Financial assets at fair value through profit or loss	505,766	96,770	602,536
Investment securities	594,292	130,585	724,877
Pledged assets	158,907	-	158,907
Other assets	13,459	10,781	24,240
Total financial assets	3,978,545	501,587	4,480,132
Borrowings	2,715,413	186,528	2,901,941
Derivative financial liabilities	3,707	-	3,707
Accrued expenses and other liabilities	18,695	8,310	27,005
Total financial liabilities	2,737,815	194,838	2,932,653
Net financial position	1,240,730	306,749	1,547,479
Commitments	229,264	17,696	246,960

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 (2017: available for sale).

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31 December 2018	US dollars US\$'000	Others US\$'000	Total US\$'000
Impact on Profit or loss			
Sensitivity at 200bp US dollar depreciation	-	6,135	6,135
Sensitivity at 400bp US dollar appreciation	-	(12,270)	(12,270)
31 December 2018 (continued)	US dollars US\$'000	Others US\$'000	Total US\$'000
Impact on Equity			
Sensitivity at 200bp US dollar depreciation	-	6,135	6,135
Sensitivity at 400bp US dollar appreciation	-	(12,270)	(12,270)
31 December 2017	US dollars US\$'000	Others US\$'000	Total US\$'000
Assets			
Cash and balances with banks	19,837	9,369	29,206
Loans and advances to banks	1,433,162	38,095	1,471,257
Derivative financial instruments	5,696	-	5,696
Loans and advances to other customers	1,158,531	3,891	1,162,422
Financial assets at fair value through profit or loss	610,220	45,955	656,175
Investment securities	371,271	197,796	569,067
Pledged assets	223,836	-	223,836
Other assets	29,016	4,908	33,924
Total financial assets	3,851,569	300,014	4,151,583
Borrowings	2,303,925	179,467	2,483,392
Derivative financial instruments	10,444	-	10,444
Accrued expenses and other liabilities	26,396	1,777	28,173
Promissory notes	131,919	-	131,919
Total financial liabilities	2,472,684	181,244	2,653,928
Net financial position	1,378,885	118,770	1,497,655
Commitments	113,066	-	113,066

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

Impact on Profit or loss			
Sensitivity at 200bp US dollar depreciation	-	917	917
Sensitivity at 400bp US dollar appreciation	-	(1,834)	(1,834)

Impact on Equity

Sensitivity at 200bp US dollar depreciation	-	2,375	2,375
Sensitivity at 400bp US dollar appreciation	-	(4,751)	(4,751)

Currency exposures emanating from AFC's investment portfolio are hedged in line with the Corporation's policy on hedging. As at 31 December 2018, the net open FX position was US\$1,120,327 (December 2017: US\$30,474,009) representing 0.1% (December 2017: 2.0%) of shareholders' funds as of that date.

3.2.2 Interest rate risk

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

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

As at 31 December 2018

Repricing dates	Up to 3	Above 3	Non-Interest	
Assets	months	months	Bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	-	-	26,080	26,080
Loans and advances to banks	1,489,046	109,355	-	1,598,401
Derivative financial instruments	-	-	5,322	5,322
Loans and advances to customers	658,411	681,358		1,339,769
Financial assets at fair value through profit or loss	35,815	49,815	516,906	602,536
Investment securities	75,050	575,667	74,160	724,877
Pledged assets	-	158,907	-	158,907
Other assets	-	-	24,240	24,240
Total financial assets	2,258,322	1,575,102	646,708	4,480,132
Liabilities				
Borrowings	1,296,646	1,605,295	-	2,901,941
Derivative financial instruments	-	-	3,707	3,707
Other liabilities	-	-	27,005	27,005
Total financial liabilities	1,296,646	1,605,295	30,712	2,932,653
Total interest repricing gap	961,676	(30,193)	615,996	1,547,479

As at 31 December 2017

Repricing dates	Up to 3	Above 3	Non-Interest	
Assets	months	months	Bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	-	-	29,206	29,206
Loans and advances to banks	1,471,257	-	-	1,471,257
Derivative financial instruments	-	-	5,696	5,696
Loans and advances to customers	980,292	182,130	-	1,162,422
Financial assets at fair value through profit or loss	-	88,978	567,197	656,175
Investment securities	-	434,596	134,471	569,067
Pledged assets	-	223,836	-	223,836
Other assets	-	-	<u>33,924</u>	<u>33,924</u>
Total financial assets	2,451,549	929,540	770,494	4,151,583
	=====	=====	=====	=====
Liabilities	Up to 3	Above 3	Non-Interest	
	months	months	Bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings	819,414	1,663,978	-	2,483,392
Derivative financial instruments	-	-	10,444	10,444
Promissory notes	-	131,919	-	131,919
Other liabilities	-	-	<u>28,173</u>	<u>28,173</u>
Total financial liabilities	819,414	1,795,897	38,617	2,653,928
	=====	=====	=====	=====
Total interest repricing gap	1,632,135	(866,357)	731,877	1,497,655
	=====	=====	=====	=====

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
<i>Sensitivity of reported Profit or Loss for the year</i>		
2017	8	25
2018	4,603	4,603
<i>Sensitivity of reported Equity for the year</i>		
2017	11	21
2018	4,603	4,603

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 LCR. Other HQLA assets include government securities and corporate debt securities. The assets held for managing liquidity risk are comprise:

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	26,080	26,080	29,206	29,206
Loans and advances to banks	1,598,401	1,598,401	1,471,257	1,471,257
Investment securities	152,830	153,744	-	-
Total liquidity reserves	1,777,311	1,778,225	1,500,463	1,500,463

Monitoring and reporting take the form of daily cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Corporation has a Liquidity Policy and Contingency Funding Plan that defines extensively how liquidity risk would be managed within the Corporation. The policy requires that the Corporation keeps High Quality Liquid Assets ("HQLA") to covers its Minimum Liquidity Level ("MLL") at twelve and eighteen months under 'stress' and business as usual ("BAU") conditions respectively. MLL, for the purpose of the Corporation, is defined as the level of liquidity that is available to meet the Corporation's financial obligations (repayment of borrowing, operating expenses and other 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 2018, the LCR was under stress scenario 354% (December 2017: 296%) and under normal circumstances 143% (December 2017: 303%).

The table below analyses the Corporation's financial instruments into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which include estimated interest payments non-derivative financial liabilities and financial assets. Commitments are disclosed on the basis of the earliest possible contractual maturity while the contractual undiscounted cash flows are disclosed for

derivative assets and liabilities. That is the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

As at 31 December 2018

All figures in US\$'000	Carrying amount	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2yrs	2 -5 yrs	Above 5 yrs	Gross nominal amount
Cash and balances with banks	26,080	26,080	-	-	-	-	-	-	26,080
Loans and advances to banks	1,598,401	1,428,847	4,878	45,535	129,575	-	-	-	1,608,835
Derivative assets:									
- Forward contracts	850	-	173	677	-	-	-	-	850
- Interest Rate Options	1,158	-	-	183	447	359	-	-	989
- Interest Rate Swaps									
Inflows -	2,774	8	136	-	-	404	2,164	6,191	8,903
Outflows -		-	(137)	-	-	(423)	(2,976)	(2,969)	(6,505)
- Cross currency swaps									
Inflows -	540	-	-	775	890	7,157	3,634	-	12,456
Outflows -		-	(308)	(261)	(598)	(7,386)	(3,677)	-	(12,230)
Financial assets at fair value through profit or loss	602,536	-	19,829	-	-	-	65,802	516,905	602,536
Loans and advances to other customers	1,339,769	78,833	178,502	208,891	129,976	167,421	431,599	743,561	1,938,783
Investment securities	724,877	675	87,850	163,549	32,918	20,247	364,926	166,279	836,444
Pledged assets	158,907	1,820	19,489	9,243	6,765	13,529	101,642	69,321	221,809
Other assets	24,240	24,240	-	-	-	-	-	-	24,240
Total financial assets	4,480,132	1,560,503	310,412	428,592	299,973	201,308	963,114	1,499,288	5,263,190
Other liabilities	27,005	-	-	27,005	-	-	-	-	27,005
Borrowings	2,901,941	8,524	35,982	79,986	227,832	1,120,452	1,121,695	661,316	3,255,787
Derivative liabilities:									
- Forward contracts	477	-	-	477	-	-	-	-	477
- Interest Rate Options	1,157	-	-	183	447	359	-	-	989
- Interest Rate Swaps							-	-	
Inflows -	312	-	(1)	-	-	(19)	(813)	(5,673)	(6,506)
Outflows -		-	102	-	-	302	1,618	4,630	6,652
- Cross currency swaps									
Inflows -	1,761	-	(241)	(270)	(106,392)	(996)	(38,950)	-	(146,849)
Outflows -		-	805	3,474	105,835	3,002	35,339	-	148,455
Total financial liabilities	2,932,653	8,524	36,647	110,855	227,722	1,123,100	1,118,889	660,273	3,286,010
Commitments	246,960	-	-	21,808	-	-	20,000	205,152	246,960
Funding gap	-	1,551,979	273,765	295,929	72,251	(921,792)	(175,775)	633,863	1,730,220
Cumulative funding gap	-	1,551,979	1,825,744	2,121,673	2,193,924	1,272,132	1,096,357	1,730,220	-

As at 31 December 2017

All figures in US\$'000	Carrying amount	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2yrs	2 -5 yrs	Above 5 yrs	Gross nominal amount
Cash and balances with banks	29,206	29,206	-	-	-	-	-	-	29,206
Loans and advances to banks	1,471,257	996,556	197,492	135,278	152,998	-	-	-	1,482,324
Derivative financial instruments	5,696	-	-	-	224	1,232	4,240	-	5,696
Financial assets at fair value through profit or loss	656,175	-	19,729	-	-	-	69,249	567,197	656,175
Loans and advances to other customers	1,162,422	92,442	29,824	87,184	248,992	230,348	604,113	273,298	1,566,201
Investment securities	569,067	3,127	643	125,353	99,678	165,486	178,402	232,230	804,919
Pledged assets	223,836	-	-	-	40,461	23,366	81,113	78,896	223,836
Other assets	33,924	33,924	-	-	-	-	-	-	33,924
Total financial assets	4,151,583	1,155,255	247,688	347,815	542,353	420,432	937,117	1,151,621	4,802,281
Other liabilities	28,173	-	-	-	28,173	-	-	-	28,173
Borrowings	2,483,392	2,189	33,353	198,574	74,253	212,223	1,446,295	629,304	2,596,191
Promissory notes	131,919	-	-	-	-	9,234	141,153	-	150,387
Derivative liabilities:									
- Forward contracts	1,784	-	-	641	1,143	-	-	-	1,784
- Cross currency swaps									
Inflows -		132	-	165	1,265	110,582	39,812	-	151,956
Outflows -	8,660	(924)	-	(912)	(6,210)	(109,931)	(42,333)	-	(160,310)
Total financial liabilities		1,397	33,353	198,468	98,624	222,108	1,584,927	629,304	2,768,181
Commitments	113,066	-	8,196	-	20,979	11,574	72,317	-	113,066
Funding gap	-	1,153,858	206,139	149,347	422,750	186,750	(720,127)	522,317	1,921,034
Cumulative funding gap	-	1,153,858	1,359,997	1,509,344	1,932,094	2,118,844	1,398,717	1,921,034	-

The gap identified in the 1-2 years and 2-5 years (2017: 2-5 years) period will be funded with maturities from earlier periods, as evidenced in the cumulative funding gap contained in the table above.

Financial assets available to support future funding

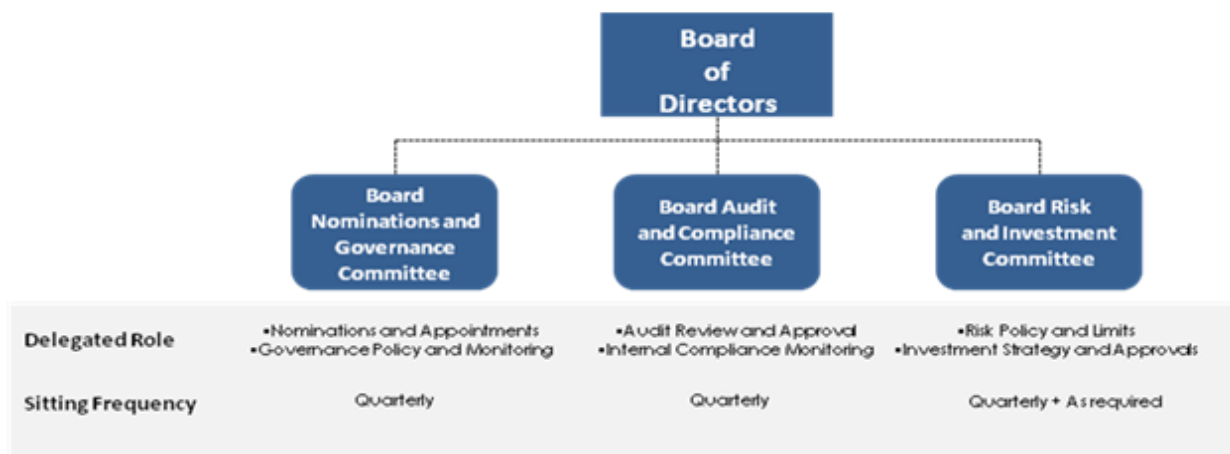
The following table sets out the availability of the Corporation's financial assets to support future funding.

	Note	31 December 2018		
		Encumbered US\$'000	Unencumbered US\$'000	Total US\$'000
Cash and balances with banks	15	-	26,080	26,080
Loans and advances to banks	16	-	1,598,401	1,598,401
Loans and advances to customers	18	-	1,339,769	1,339,769
Financial assets at fair value through profit or loss		-	85,631	85,631
Investment securities		-	650,718	650,718
Pledged assets	21	158,907	-	158,907
Other assets	22	-	24,240	24,240
Total assets		158,907	3,724,839	3,883,746

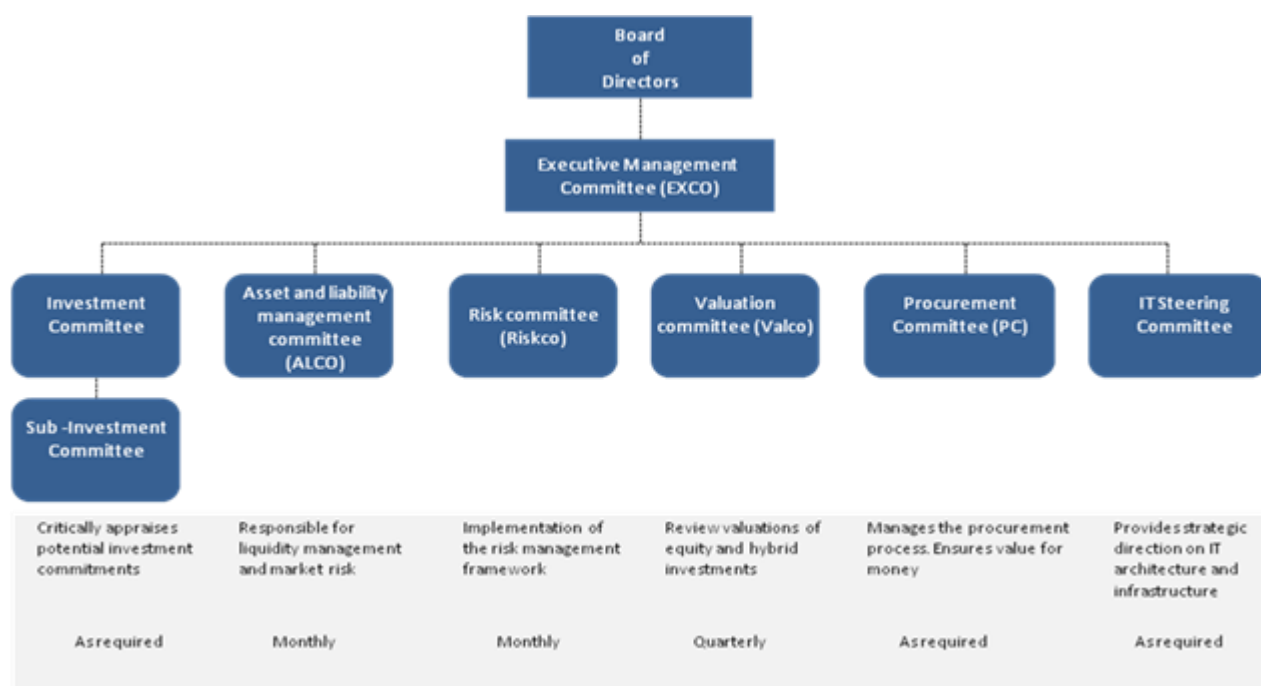
		31 December 2017		
		Encumbered US\$'000	Unencumbered US\$'000	Total US\$'000
Cash and balances with banks	15		29,206	29,206
Loans and advances to banks	16		1,471,257	1,471,257
Loans and advances to customers	18		1,162,422	1,162,422
Financial assets at fair value through profit or loss			88,978	88,978
Investment securities			434,596	434,596
Pledged assets	21	223,836	-	223,836
Other assets	22		33,924	33,924
Total assets		223,836	3,220,383	3,444,219

3.4 Capital Management & Governance structure

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



In carrying out its oversight functions, EXCO through various committees manages the day to day operations of the Corporation. Below is a chart of the various sub committees of EXCO and their mandates.



The Corporation's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- to comply with the capital requirements set by the Board of Directors of the Corporation;
- to safeguard the Corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy is monitored regularly by the Corporation's management, employing techniques derived from the guidelines developed by the Basel Committee. The Corporation's Capital Adequacy Framework requires the business to maintain a ratio of total risk capital to the risk-weighted asset (the Basel ratio) at a minimum of 30%. To allow for a proactive management of any issue with its capital position, the Corporation has further defined an internal trigger at 40% that would necessitate the activation of a remedial action.

The Corporation's capital is managed by the Finance Division and currently comprises of Tier 1 (93%) and Tier 2 (7%) capital as shown below:

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

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

The risk weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of (and reflecting an estimate of credit, market and other risks associated with) each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of capital and the ratios of the Corporation for the period ended 31 December 2018. 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 2018	31 December 2017
	US\$'000	US\$'000
Tier 1 capital		
Share capital	1,096,395	1,095,343
Share premium	4,713	3,765
Retained earnings	425,899	372,088
Total qualifying Tier 1 capital	1,527,007	1,471,196
Tier 2 capital		
Net fair valuation gain on FVOCI assets	25,652	36,111
Expected credit loss impairment allowance	87,496	63,198
Total qualifying capital	1,640,155	1,570,505
Risk-weighted assets:		
On-balance sheet	4,122,332	3,782,643
Off-balance sheet	66,288	56,533
Total risk-weighted assets	4,188,620	3,839,176
Basel ratio	39.2%	40.9%

3.5 Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Corporation determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

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

(b) Valuation framework

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

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

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

The following table analyses financial instruments measured at fair value as at 31 December 2018, 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 2018

	Level 1	Level 2	Level 3
Assets	US\$'000	US\$'000	US\$'000
Derivatives assets			
- Forward contracts	-	851	-
- Cross currency swaps	-	1,157	-
- Interest rate options	-	540	-
- Interest rate swaps	-	2,774	-
Financial assets at fair value through profit or loss:			
- Assets under management (debt)	19,829	-	-
- Hybrid instrument (convertible debt)	-	35,816	29,986
- Equity securities	-	-	516,905
Investment securities:			
- Equity securities (FVOCI)	-	-	74,159
- Corporate debt securities	4,195	-	-
Total	24,024	41,138	621,050
Liabilities			
Derivatives Liabilities:			
- Forward contracts	-	477	-
- Interest rate options	-	1,157	-
- Cross currency swaps	-	1,761	-
- Interest rate swaps	-	312	-
Borrowings at fair value	-	9,195	-
	-	12,902	-

31 December 2017

	Level 1	Level 2	Level 3
Assets	US\$'000	US\$'000	US\$'000
Derivatives assets			
- Futures contracts	-	36	-
- Cross currency swaps	-	1,294	-
- Interest rate swaps	-	741	-
- Share warrants	-	-	4,240
- Options contracts	-	126	-
- Forward contracts			
Financial assets at fair value through profit or loss:			
- Assets under management	19,729	-	-
- Hybrid instrument (convertible debt)	-	27,799	41,450
- Equity securities	-	-	567,197
Investment securities:			
- Equity securities (FVOCI)	-	-	134,471
- Corporate debt securities	4,159	-	-
Total	23,888	29,996	747,358
Liabilities			
Derivatives Liabilities:			
- Forward contracts	-	1,784	-
- Cross currency swaps	-	8,660	-
Borrowings at fair value	-	10,793	-
	-	21,237	-

The Corporation's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 2 fair value measurements

The foreign exchange forward contracts and interest rate swaps were valued using widely recognised valuation models that use only observable market data and require little management judgement and estimation. The option contracts were valued using the Black Scholes option pricing model. Assumptions and inputs used include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, foreign currency exchange rates, and expected price volatilities and correlations.

The hybrid instrument was valued using zero rate curve obtained from an observable financial market (2017: the price of a recent transaction was used to value the hybrid instrument).

Level 3 fair value measurements

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

Reconciliation of Level 3 items

	US\$'000 31 December 2018	US\$'000 31 December 2017
At beginning of year	747,358	423,690
Unrealised (losses)/gains:		
- in OCI	(10,426)	8,535
- in Profit or loss	(11,913)	66,088
Cancellation of promissory note	(126,857)	-
Impairment loss	-	(26,485)
Repayment/disposal	(3,883)	(27,404)
Additions	28,844	292,507
Exchange gains	(2,073)	10,427
At end of year	621,050	747,358

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 31 December 2018 (US\$'000)	Valuation technique	Significant unobservable input	Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Unquoted equity securities	591,064	Discounted cashflow	Cost of equity	8.70% - 16.1%	Significant increases in the cost of equity, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
			Terminal growth rate	0% - 2%	Significant increases in terminal growth rate, in isolation, would result in higher fair values. Significant reduction would result in lower fair values
Hybrid instruments	29,986	Option Pricing Model	Credit Spread	5% - 9%	Significant increases in credit spread, in isolation, would result in lower fair values. Significant reduction would result in higher fair values
Total	621,050	-	-	-	-

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

Significant unobservable inputs in the discounted cash flow technique applied are developed as follows:

- i. The Corporation applied the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.
- ii. The risk-free rate was determined using the yield on the US Government bond and Germany Government bond (for Euro-denominated assets) of the appropriate tenor and this was adjusted for country risk premium (for unquoted securities denominated in US Dollars and Euros)
- iii. Equity risk premium was determined based on data obtained from Damodaran Online and expert judgment.
- iv. Beta estimates were obtained from Damodaran Online and illiquidity and minority discounts applied in line with valuation best practices.

The effect of unobservable inputs on fair value measurement

The Corporation believes that its estimates of fair values are appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the cost of equity or terminal growth rate by a reasonable possible value, in isolation, would have the following effects on Other Comprehensive Income and profit or loss for the year as follows:

US\$'000 - 2018	Effect on Other Comprehensive Income		Effect on profit or loss	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Key Assumption				
Cost of equity	(19,089)	23,615	(17,363)	21,828
Terminal growth rate	(6,900)	3,834	(6,900)	3,834

US\$'000 - 2017	Effect on Other Comprehensive Income		Effect on Profit or Loss	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Key Assumption				
Cost of equity	(5,127)	5,578	(23,963)	27,748
Terminal growth rate	31	(31)	1,441	(3,905)

For the Corporation's hybrid instruments, the following highlights the sensitivity of the fair value of these instruments to key input factors as at reporting date:

Key Assumption	US\$'000 – 2018 (Effect on Profit or Loss)
2% increase in Credit Spread	(2,947)
2% decrease in Credit Spread	3,125

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

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 15.
- ii. Loans and advances to bank: Loans to banks are short-term money market placements, therefore the fair values are not significantly different from the carrying amount.

- iii. Trade finance loans: Trade finance loans are receivable within 12 months from the end of the reporting period, therefore the fair values are not significantly different from the carrying amount.
- iv. Treasury bills are short-term securities, therefore the fair values are not significantly different from the carrying amount.
- v. Other assets and other liabilities: The carrying amounts of other assets and other liabilities are considered to be the same as their fair values due to their short-term nature.

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 2018

	Level 1	Level 2	Level 3	Total fair values	Total carrying values
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Assets					
Loans and advances to other customers:					
- Project finance	-	-	979,560	979,560	979,560
Investment securities:					
- Corporate debt securities	200,888	-	148,623	349,511	353,727
- Government debt securities	213,823	-	30,118	243,941	269,991
Pledged assets:					
- Corporate debt securities	67,129	-	-	67,129	64,052
- Government debt securities	93,451	-	-	93,451	94,855
Total	575,291	-	1,158,301	1,733,592	1,762,185
Liabilities					
Borrowings	1,582,387	1,298,264	-	2,880,651	2,901,941
Total	1,582,387	1,298,264	-	2,880,651	2,901,941

31 December 2017

Assets	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loans and advances to other customers:					
- Project finance	-	-	797,711	797,711	797,711
Investment securities:					
- Corporate debt securites	175,121	-	60,503	235,624	231,097
- Government debt securities	212,332	-	-	212,332	203,499
Pledged assets:					
- Corporate debt securites	111,315	-	-	111,315	114,249
- Government debt securities	107,978	-	-	107,978	109,587
Total	606,746	-	858,214	1,464,960	1,456,143
Liabilities					
Borrowings	1,682,984	824,153	-	2,507,137	2,472,599
Promissory notes	-	131,919	-	131,919	131,919
Total	1,682,984	956,072	-	2,639,056	2,604,518

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 2018

Assets as per Statement of Financial Position

	Mandatorily FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Carrying amount
Assets	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	-	-	-	-	26,080	26,080
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,598,401	1,598,401
Derivatives	5,322	-	-	-	-	5,322
Loan and advances to other Customers:						
- Project finance	-	-	-	-	979,560	979,560
- Trade finance	-	-	-	-	360,209	360,209
Financial assets at fair value through profit or loss:						
- Hybrid instruments	65,802	-	-	-	-	65,802
- Equity securities	516,905	-	-	-	-	516,905
- Assets under management	-	19,829	-	-	-	19,829
Investment securities:						
- Debt securities	-	-	4,195	-	646,523	650,718
- Equity securities	-	-	-	74,159	-	74,159
Pledged assets:						
- Debt securities	-	-	-	-	158,907	158,907
Other assets:						
- Account receivable	-	-	-	-	12,301	12,301
- Fee receivable	-	-	-	-	11,939	11,939
Total financial assets	588,029	19,829	4,195	74,159	3,793,920	4,480,132

	Mandatorily FVTPL	Designated at FVTPL	Amortised cost	Carrying amount
Liabilities	US\$'000	US\$'000	US\$'000	US\$'000
Other liabilities	-	-	27,005	27,005
Derivatives	3,707	-	-	3,707
Borrowings	-	9,195	2,892,746	2,901,941
Total financial liabilities	3,707	9,195	2,919,751	2,932,653

31 December 2017

Assets as per Statement of Financial Position

	Loans and Receivables	Fair value through Profit or loss	Available- for-sale	Held-to- Maturity	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	29,206	-	-	-	29,206
Loans and advances to banks:					
- Placements with banks	1,471,257	-	-	-	1,471,257
Derivatives	-	5,696	-	-	5,696
Loan and advances to other customers:					
- Project finance	797,711	-	-	-	797,711
- Trade finance	364,711	-	-	-	364,711
Financial assets at fair value through profit or loss	-	656,175	-	-	656,175
Investment securities:					
- Debt securities	60,503	-	4,159	369,934	434,596
- Equity securities	-	-	134,471	-	134,471
Pledged assets:					
- Debt securities	-	-	-	223,836	223,836
Other assets:					
- Account receivable	33,924	-	-	-	33,924
Net book amount	2,757,312	661,871	138,630	593,770	4,151,583

Liabilities as per Statement of Financial position

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

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 within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Assumption and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 is set out in note 3.5 (fair value of financial assets and liabilities) in relation to the fair value of financial instruments, and in the following notes in relation to other areas.

(b) Impairment losses on loans and advances

Applicable from 1 January 2018

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Applicable before 1 January 2018

The Corporation reviews its loan portfolio to assess impairment on an ongoing basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Corporation makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse

change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets of the Corporation. Management uses estimates based on knowledge of the client business and agreed worked out solutions when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

In measuring credit risk of loans and advances to various counterparties, the Corporation considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default – PD), the portion of the loan expected to be irrecoverable at the time of loan default (loss given default – LGD) and carrying amount of the loan that is outstanding as at reporting date (exposure at default – EAD). The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD, across the Corporation's risk asset portfolio.

Increase/(decrease)	31 December 2018		31 December 2017	
	Probability of	Loss given	Probability of	Loss given
	default - PD	default - LGD	default - PD	default – LGD
	US\$'000	US\$'000	US\$'000	US\$'000
Effect of a 1% increase:	(395)	(395)	(632)	(632)
Effect of a 1% decrease:	714	714	632	632

(c) Impairment of equity investments measured at FVOCI (2017: available-for-sale)

The Corporation determines that FVOCI (2017: available-for-sale) equity investments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. The Corporation regards decline in fair value in excess of 20% to be significant. In making this judgement, the Corporation evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial condition of the investee, its industry and sector performance, as well as, adverse changes in technology that negatively impact the operational and financing cash flows of the investee company.

(d) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To a practicable extent, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(e) Exemption under IAS 28 – Investment in Associates and Joint Ventures

Equity investments that result in the Corporation having a significant influence, but not control, over the financial and operating policies of the investee companies are carried in the statement of financial position at fair value through profit or loss rather than accounted for as associates using the equity method of accounting.

This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which requires investments held by venture capital organizations and similar financial institutions to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 (2017: IAS 39), with changes in fair value recognised in the income statement in the period of the change. The Corporation's operational activities typically entail provision of equity finance to unquoted companies and taking an active role in helping to build and develop such companies by having a representation on the Board of the investee companies. The equity business of the Corporation is managed and appraised with the objective of earning capital return on its venture capital investments upon exit in the medium term. The Corporation is also a member of the Africa Private Equity & Venture Capital Association (AVCA).

5. Business Units

The Corporation's primary objective is to finance infrastructure projects across Africa and to provide advisory, project development and other services related thereto.

Operating units are reported in a manner consistent with the internal reporting provided to the Executive Management Committee (EXCO) and Board of Directors. The EXCO is responsible for assessing the financial performance and position of the Corporation and makes strategic decisions. The EXCO, which has been identified as being the chief operating decision maker, consists of the (a) President and Chief Executive Officer, (b) Executive Director and Chief Investment Officer, (c) Executive Director, Financial Services, (d) Director & Chief Financial Officer, (e) Director & Chief Risk Officer and (f) Director and General Counsel (currently in acting capacity). The information is provided on the basis of business units as the Corporation manages its affairs and business through these areas. The business units presented reflect the management structure of the Corporation and the way in which the Corporation's management reviews performance.

The Corporation evaluates the performance of its operating units primarily based on unit operating profit, as defined below:

1) Investment Division

The Corporation's Investment division is responsible for the end-to-end project development, origination, structuring and execution of investments. This division is further divided into groups based on sector classifications, with each group responsible for customer relationship management and investments within its sector. The Investment division also works closely with Risk Management to perform portfolio management functions for the Corporation's investment portfolio. The Investment division offers a diverse range of financing products, such as loans, quasi-equity financing, equity and arranging services to infrastructure projects in Africa. It also provides technical and economic advisory services to projects that are in the early stage of project development.

2) Financial Services Division

The Corporation's Financial Services division is divided into three groups, (i) treasury and funding, (ii) financial institutions and syndication, and (iii) financial advisory. The treasury and funding group is responsible for the Corporation's capital raising and covers both debt and equity. Its function is to seek to ensure that the Corporation has adequate capital and the appropriate capital structure.

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

The information provided to the Corporation's Board for the reportable units for the year ended 31 December 2018 is as follows:

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31 December 2018	Investment	Financial Services	Total
	US\$'000	US\$'000	US\$'000
Interest income	128,512	131,516	260,028
Dividend	15,912	-	15,912
Fee and commission income	12,961	1,973	14,934
Gain/(loss) on disposal of financial assets	15,744	-	15,744
Net (loss)/gain on financial instruments at fair value through profit or loss	(4,920)	3,950	(970)
Impairment charge	(22,394)	1,551	(20,843)
Interest & administrative expenses	(114,116)	(42,105)	(156,221)
Operating profit	31,699	96,885	128,584
Total Assets	1,801,785	2,685,693	4,487,478
Total liabilities	24,904	2,909,915	2,934,819
Expenditure on reportable segment:			
Non-current assets	639	393	1,032
Depreciation and amortisation	745	459	1,204
31 December 2017			
Interest income	140,009	93,934	233,943
Dividend	10,460	-	10,460
Fee and commission income	16,300	3,010	19,310
Net gain on financial instruments at fair value through profit or loss	58,198	(933)	57,265
Loss on disposal of financial assets	(23,247)	-	(23,247)
Impairment	(63,077)	-	(63,077)
Interest & administrative expenses	(104,572)	(29,534)	(134,106)
Discontinued operations	(235)	-	(235)
Operating profit	33,836	66,477	100,313
Total Assets	1,855,238	2,306,574	4,161,812
Total liabilities	160,669	2,493,836	2,654,505
Expenditure on reportable segment:			
Non-current assets	790	486	1,276
Depreciation and amortisation	817	502	1,319

	2018 US\$'000	2017 US\$'000
6. Interest income		
Loans and advances to other customers	140,072	134,448
Loans and advances to banks	44,609	51,132
Financial assets at FVTPL	6,878	5,561
Investment securities:		
- Financial assets at amortised cost	68,219	42,552
- Financial assets at fair value through OCI	250	250
	260,028	233,943
Interest expense		
Borrowings from financial institutions	44,468	35,694
Corporate bonds	64,575	55,520
	109,043	91,214
 Net interest income	 150,985	 142,729

- (i) 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:

	2018 US\$'000	2017 US\$'000
Financial assets measured at;		
– amortised cost	252,900	228,132
– FVTPL	6,878	5,561
– FVOCI (2017: Available for sale)	250	250
Total interest income	260,028	233,943
 Financial liabilities measured at amortised cost	 108,635	 90,904
Financial liabilities measured at FVTPL	408	310
Total interest expense	109,043	91,214

7. Dividend income

Equity securities at;

– FVOCI (2017: Available-for-sale securities)	4,334	296
– FVTPL	11,578	10,164
	15,912	10,460

8. Fees, commissions and other income

Risk participation and commitment fees	1,508	833
Advisory and structuring fees	11,649	11,750
Facility and other fees	1,216	3,267
Development fees	561	3,460
	14,934	19,310

a) Disaggregation of fee, commission and other income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fee and commission income with the Corporation's reportable segments (see Note 5).

US\$'000 Major service lines	Investment		Financial Services		Total	
	2018	2017	2018	2017	2018	2017
- Risk participation and commitment fees	1,369	463	139	370	1,508	833
- Advisory fees	1,429	-	1,834	2,640	3,263	2,640
- Structuring fees	8,386	9,110	-	-	8,386	9,110
- Facility and other fees	1,216	3,267	-	-	1,216	3,267
- Development fees	561	3,460	-	-	561	3,460
Fee and commission income (Note 5)	12,961	16,300	1,973	3,010	14,934	19,310

b) The fees and commission presented in this note include income of US\$10.9 million (2017: US\$15.9 million) relating to financial assets not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets.

c) Performance obligations and revenue recognition policies

- i. Risk participation and commitment fees: these are fees 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 an advisory capacity. Revenue related to advisory mandates are recognised on a milestone basis, and success fees are recognised once the service under a given mandate is rendered.

- iii. Structuring fees: these are fees earned on project finance transactions in which the Corporation plays a mandated lead arranger role, in a loan syndication finance arrangement. These fees are recognised at a point in time when the loan syndication is finalised.
- iv. Facility and other fees: these are fees earned on agency services rendered by the Corporation. Revenue from facility and other fees is recognised as the services are provided.
- v. Development fees: these are fees earned for developing a project and it is often a multiple of the amount spent on development costs.

	2018 US\$'000	2017 US\$'000
9. Net (loss)/gain on financial instruments at fair value through profit or loss		
Mandatorily measured at FVTPL:		
Derivatives held for risk management purposes:		
- Interest rate	2,664	-
- Cross currency swap	3,208	-
- Share warrants	(4,240)	4,240
- Foreign exchange	2,168	(1,370)
Equity investments	3,791	44,860
Hybrid instruments	(8,711)	9,098
Designated at FVTPL:		
Asset under management	150	437
	(970)	57,265
10. Impairment charge/(write-back) on financial assets		
Loans and advances to customers (Note 18(a))	21,939	21,336
Loans and advances to banks (Note 16)	(1,027)	-
Investment securities at amortised cost (Note 20(a))	1,174	-
Pledged assets at amortised cost (Note 21(i))	(1,698)	-
Financial assets at fair value through OCI:		
- Charged during the year	-	26,485
- Transferred from equity (OCI)	-	13,371
Off-balance sheet commitments (Note 25(ii))	455	-
Investments written off	-	1,885
	20,843	63,077

	2018 US\$'000	2017 US\$'000
11. Gain/(loss) on disposal of financial assets		
Equity securities:		
- Gain on disposal (see note (i) below)	15,744	2,186
- Transferred from equity (OCI)	-	19,365
Debt securities (see note (ii))	-	(44,798)
	<u>15,744</u>	<u>(23,247)</u>

(i) Amount represents income realised from the sale of the investments in certain equity securities during the year, in line with the Corporation's exit strategy.

(ii) In 2017, the loss on debt securities arose from the disposal of a credit-impaired bond during the year.

	2018 US\$'000	2017 US\$'000
12. Operating expenses		
Staff cost:		
Wages and salaries	28,633	25,785
Post-employment benefits	1,195	1,164
Other employee benefits	2,367	1,915
Other operating expenses:		
- Rent, rates and utilities	1,093	1,150
- Insurance	91	121
- Advertising and business promotion	1,121	2,371
- Auditor's remuneration	220	226
- Communication	429	676
- Travel	927	732
- Board expenses, including Directors' fees	1,082	1,137
- Training, seminars and conferences	641	676
- Repairs and maintenance	49	70
- Project and other transaction expenses	2,315	1,091
- Loan insurance expense	2,857	2,070
- Consultancy fees	1,326	1,162
- Other expenses	1,744	1,227
- Depreciation and amortisation	1,088	1,319
	<u>47,178</u>	<u>42,892</u>

13. Taxation

Under the Headquarters Agreement between AFC and the Government of the Federal Republic of Nigeria signed in May 2007, AFC is exempt from tax on all its income arising from operations in Nigeria.

14. Earnings per share

Basic

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

	2018	2017
Profit attributable to equity holders of the Corporation from continuing operations (US\$'000)	128,584	100,548
Loss attributable to equity holders of the Corporation from discontinued operations (US\$'000)	-	(235)
Weighted average number of ordinary shares in issue ('000)	1,096,225	1,089,590
Basic earnings per share from continuing operations (expressed in US cents per share)	11.73	9.23
Basic loss per share from discontinued operations (expressed in US cents per share)	-	(0.02)

15. Cash and balances with banks

	2018 US\$'000	2017 US\$'000
Cash in hand	26	31
Balances with banks	26,054	29,175
	26,080	29,206

All cash and balances with commercial banks are current.

16. Loans and advances to banks

	2018 US\$'000	2017 US\$'000
Placements with banks	1,599,619	1,471,257
Less: Allowance for impairment (See (a) below)	(1,218)	-
	1,598,401	1,471,257

All loans and advances to banks are current.

(a) The movement in ECL allowance is shown below:

	2018	2017
	US\$'000	US\$'000
Opening	-	-
Opening IFRS 9 ECL adjustment	2,245	-
Write back of impairment allowance (Note 10)	(1,027)	-
	<u>1,218</u>	<u>-</u>

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.

2018	Assets	Liabilities	Notional
	US\$'000	US\$'000	US\$'000
Forward contracts	851	477	152,322
Cross currency swaps	540	1761	111,719
Interest rate options	1,157	1,157	270,000
Interest rate swaps	2,774	312	114,520
	<u>5,322</u>	<u>3,707</u>	<u>648,561</u>
Current	1,390	2,239	
Non-current	<u>3,932</u>	<u>1,468</u>	
2017			
Options contracts	126	-	5,580
Forward contracts	36	1,784	127,000
Cross currency swaps	1,294	8,660	178,590
Share warrants	4,240	-	-
	<u>5,696</u>	<u>10,444</u>	<u>311,170</u>
Current	224	1,784	
Non-current	<u>5,472</u>	<u>8,660</u>	

The Corporation uses derivatives to manage its exposure to market risks.

18. Loans and advances to other customers

	2018	2017
	US\$'000	US\$'000
Project finance loans	1,057,093	854,359
Advances under trade finance	369,589	371,261
	1,426,682	1,225,620
Impairment allowance:		
- Project finance	(77,533)	(56,648)
- Trade finance	(9,380)	(6,550)
	(86,913)	(63,198)
	1,339,769	1,162,422
Current	497,476	361,125
Non-current	842,293	801,297

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

	2018	2017
	US\$'000	US\$'000
Balance as at 1 January	63,198	41,862
Opening IFRS 9 ECL adjustment	1,776	-
Net measurement of impairment allowance (Note 10)		
(2017: Collective impairment)	21,939	21,336
Closing balance	86,913	63,198

See Note 3.1.6 for a detailed analysis.

19. Financial assets at fair value through profit or loss

Designated at initial recognition		
- Hybrid instruments (convertible debt) (a)	65,802	69,249
- Equity securities (b)	516,905	567,197
- Assets under management (debt securities) (c)	19,829	19,729
	602,536	656,175
Current	19,829	19,729
Non-current	582,707	636,446

(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:

	2018	2017	% shareholding	
	US\$'000	US\$'000	2018	2017
MainOne Cable Company (i)	15,140	21,611	23%	23%
Vigeo Power Limited (ii)	1,010	7,834	20%	20%
Cenpower Operations Company	74	74	25%	25%
Ncondezi (iii)	10	10	23%	23%
Société concessionnaire du pont riviera-Marcory (iv)	47,290	45,954	26%	26%
Singrobro (v)	10,103	2,877	40%	22%
Gabon Special Economic Zone (vi)	220,180	204,687	21%	21%
Anergi Holdings Limited (vii)	170,900	284,150	38%	50%
Bakwena Platinum Concession Company (viii)	49,480	-	22%	5.5%
Infrastructure Credit Guarantee Company Limited (ix)	2,718	-	50%	Nil
	516,905	567,197		

Details of the nature and operations of equity investments and the summarised financial information for those entities, which, in the opinion of the directors, are material to the Corporation are shown below.

(i) MainOne Cable Company: is a telecommunications company incorporated in Nigeria and a leading provider of innovative telecom services and network solutions for businesses in West Africa. Total direct and indirect holding in MainOne stood at 23% as at 31 December 2018. The summarized financial information for MainOne is presented below:

	2018	2017
	US\$'000	US\$'000
Current assets	42,462	47,684
Non-current assets	181,527	186,380
Current liabilities	41,348	58,818
Non-current liabilities	55,237	61,733
Revenue	58,685	46,039
Loss after tax	(7,262)	(9,845)
Total comprehensive loss	(7,598)	(11,627)

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

- (iii) Ncondezi: a power development company with an integrated thermal coal power plant and mine project located on the Ncondezi licences in the Tete Province, Northern Mozambique.
- (iv) Socoprim: Société concessionnaire du pont riviera-Marcory (Socoprim), a concessionaire company is responsible for the operation and management of the Henri Konan Bedie Bridge in Cote d'Ivoire. The Henri Konan Bedie Bridge consists of a 6.4km highway and 1.9km bridge with three lanes in each direction.

	2018	2017
	US\$'000	US\$'000
Current assets	44,884	40,383
Non-current assets	338,050	365,672
Current liabilities	19,230	11,643
Non-current liabilities	338,050	255,600
Revenue	30,378	57,198
Profit after tax	33	19,355

- (v) Singrobro: a 44MW hydroelectric power plant development project in Côte d'Ivoire.
- (vi) Gabon Special Economic Zone (GSEZ): The GSEZ was created to accelerate Gabon's economic diversification and development. The zone has a portfolio of infrastructure projects spanning a variety of sectors which include: a mineral terminal, a cargo port, a general logistics terminal, an airport as well as other special infrastructure projects. GSEZ also owns and operates the Nkok Special Economic Zone and the Port Gentil Special Economic zone, which is in early development. The summarized financial information for GSEZ is presented below:

	2018	2017
	US\$'000	US\$'000
Current assets	591,588	442,080
Non-current assets	863,778	658,980
Current liabilities	127,327	77,910
Non-current liabilities	847,178	-
Revenue	265,226	238,410
Profit after tax	95,325	112,600

- (vii) Anergi Holdings Limited: is a holding company, incorporated in Mauritius, owning equity interests in seven (7) generation assets with a total of 1,786MW (gross) and 554MW (net) generation capacity across five (5) African countries. Anergi also holds near-term investment rights from its founding shareholders, to invest or acquire interests in new projects under development with a further 500MW capacity. Anergi owns long-term economic interests in a portfolio of assets diversified by geography and fuel type. The company was formed through the merger of the electricity generation assets of the Corporation and Harith General Partners.

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

	2018	2017
	US\$'000	US\$'000
Current assets	1	2
Current liabilities	-	19
Non-current assets	572,877	567,342
Non-current liabilities	3,441	9
Loss after tax	(2,501)	(36)

During the year, the Corporation reduced its interest in the Company through the cancellation of the promissory note which was issued to the Company in 2017 (see Note 26).

- (viii) Bakwena Platinum Concession Company: Consists of a 95 km section of the N1 highway running from Pretoria northwards, and a 290 km section for the N4 highway running from Pretoria westwards to the Botswana border. 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.

	2018	2017
	US\$'000	US\$'000
Current assets	142,293	144,502
Non-current assets	250,408	305,167
Current liabilities	145,349	189,507
Non-current liabilities	161,566	157,151
Revenue	152,457	158,929
Profit after tax	32,609	44,472

The Corporation obtained significant influence in the investee entity during the year and investment was reclassified from FVOCI (2017: available for sale) in accordance with the Corporation's policy (see Note 20(c)(i)).

- (ix) Infrastructure Credit Guarantee Company Limited: This is a company established as a commercial institution with the specific objective of providing guarantees to enhance the credit quality of local currency debt instruments issued by creditworthy entities to finance eligible infrastructure projects in Nigeria, in order to attract a pool of long-term capital such as the pension funds and insurance companies.

The Corporation acquired stakes in these companies with the intention to exit at a future date. As of 31 December 2018, the Corporation had no commitments to these entities nor did it have a contingent liability arising from its association with these investments. There are no restrictions on the ability of these entities to pay cash dividends and repay outstanding obligations to the Corporation.

- (c) Assets under management represent funds managed by a third-party investment company on a discretionary basis. The portfolio comprises of marketable debt securities with observable prices and is managed on a fair value basis.

20. Investment securities

	2018 US\$'000	2017 US\$'000
Debt securities:		
- Corporate debt securities - at amortised cost	358,391	226,938
- Sovereign debt securities - at amortised cost	300,452	203,499
- Corporate debt securities – at FVOCI (2017: Available for sale)	4,195	4,159
	663,038	434,596
Less: Allowance for impairment (see note (a) below)	(12,320)	-
	650,718	434,596
Equity securities – unlisted at FVOCI (see note (c) below)	74,159	134,471
	724,877	569,067
Current	262,495	165,402
Non-current	462,382	403,665

- (a) The movement in ECL allowance is shown below:

	2018 US\$'000	2017 US\$'000
Opening	-	-
Opening IFRS 9 ECL adjustment	11,146	-
Allowance for impairment (Note 10)	1,174	-
	12,320	-

- (b) As at 31 December 2018, the Corporation held no collateral, which it was permitted to sell or repledge in the absence of default by the owner of the collateral (31 December 2017: Nil).

- (c) Equity securities at FVOCI (2017: Available for sale)

	2018 US\$'000	2017 US\$'000
Equity securities – unlisted (see note (i) below)	74,159	134,471

As at 1 January 2018, the Corporation designated certain equity investments shown above as equity securities at FVOCI. In 2017, these investments were initially classified as Available for Sale. The fair value through OCI designation was made because the Corporation does not have significant influence over these investee entities.

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

	2018	2017
	US\$'000	US\$'000
At beginning of the year	134,471	234,493
Additions	-	4,905
Disposal	-	(27,404)
Net (loss)/gain on fair valuation through other comprehensive income	(9,899)	8,535
Reclassified to FVTPL investments (See note (a) below)	(49,886)	(70,000)
Impairment loss on financial assets (Note 10)	-	(26,485)
Foreign exchange gain	(527)	10,427
At end of the year	74,159	134,471

(a) In current year, the Corporation, having acquired additional stake in the Bakwena Toll Road Project, reclassified the investment from equity investments at FVOCI to equity investments at FVTPL, in line with its business model of carrying all investments in which the Corporation has significant influence at FVTPL.

21. Pledged assets

	2018	2017
	US\$'000	US\$'000
- Corporate debt securities	65,797	114,249
- Sovereign debt securities	95,687	109,587
	161,484	223,836
Less: Allowance for impairment (see note (i) below)	(2,577)	-
	158,907	223,836
Current	23,017	40,461
Non-current	135,890	183,375

(i) The movement in ECL allowance is shown below:

	2018	2017
	US\$'000	US\$'000
Opening	-	-
Opening IFRS 9 ECL adjustment	4,275	-
Impairment writeback (Note 10)	(1,698)	-
	<u>2,577</u>	<u>-</u>

(ii) Pledged assets comprise debt securities used to secure the Corporation's borrowings but were not derecognised in the consolidated financial statement. These are transactions in which the Corporation uses its investment securities to collateralise some of its bilateral borrowings. The Corporation continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The Corporation does not have the ability to use the transferred assets during the term of the arrangement. These transactions were conducted under terms that are usual and customary to standard lending and repurchase activities. Details are as below:

	2018	2017
	US\$'000	US\$'000
Carrying amount of the assets	<u>158,907</u>	<u>223,836</u>
Carrying amount of the associated liabilities (See note 27(iii))	<u>114,245</u>	<u>159,762</u>
Fair value of the assets	160,580	214,911
Fair value of the liabilities	<u>(114,245)</u>	<u>(159,762)</u>
Net fair value	<u>46,335</u>	<u>55,149</u>

22. Other assets

	2018	2017
	US\$'000	US\$'000
Account receivable	12,301	19,802
Fee receivable	11,939	14,122
Prepayments	4,864	7,519
	<u>29,104</u>	<u>41,443</u>
Current	28,774	39,133
Non-current	330	2,310

23. Property and equipment

	Motor Vehicles US\$'000	Leasehold improvement US\$'000	Furniture & equipment US\$'000	Total US\$'000
At 1 January 2017				
Cost	2,761	1,611	3,968	8,340
Accumulated depreciation	(1,151)	(1,588)	(3,003)	(5,742)
Net book amount	1,610	23	965	2,598
Year ended December 2017				
Opening net book value	1,610	23	965	2,598
Additions	962	4	85	1,051
Disposal – cost	(552)	-	(13)	(565)
Disposals – accumulated depreciation	452	-	13	465
Depreciation charge	(701)	(9)	(388)	(1,098)
Closing net book amount	1,771	18	662	2,451
At 1 January 2018				
Cost	3,171	1,615	4,040	8,826
Accumulated depreciation	(1,400)	(1,597)	(3,378)	(6,375)
Net book amount	1,771	18	662	2,451
Year ended 31 December 2018				
Opening net book value	1,771	18	662	2,451
Additions	780	1	177	958
Disposal – cost	(728)	-	(30)	(758)
Disposals – accumulated depreciation	555	-	30	585
Depreciation charge	(716)	(7)	(259)	(982)
Closing net book amount	1,662	12	580	2,254
At 31 December 2018				
Cost	3,223	1,616	4,187	9,026
Accumulated depreciation	(1,561)	(1,604)	(3,607)	(6,772)
Net book amount	1,662	12	580	2,254

- i. There were no impairment losses on any class of property and equipment during the year (2017: Nil).
- ii. There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2017: Nil).
- iii. There were no restrictions to the title held by the Corporation, in respect of its property and equipment during the year (2017: Nil).

24. Intangible assets

	2018	2017
	US\$'000	US\$'000
Software cost	228	259

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

	2018	2017
	US\$'000	US\$'000
At 1 January	259	255
Additions	75	225
Amortisation	(106)	(221)
At 31 December	228	259

25. Accrued expenses and other liabilities

	2018	2017
	US\$'000	US\$'000
Unearned fees	1,033	577
Accruals	14,303	13,739
Accounts payable	11,702	13,434
Margin deposit	1,000	1,000
Provision for loan commitments (See note (ii) below)	1,133	-
	29,171	28,750

All liabilities above are current.

- (i) Amount relates to the provision set aside for expected credit losses on the Corporation's equity and debt commitments (see note 28).
- (ii) The movement in provisions for loan commitments during the year is as follows:

	2018	2017
	US\$'000	US\$'000
Balance as at 1 January	-	-
Opening IFRS 9 ECL adjustment	678	-
Net measurement of impairment allowance (Note 10)	455	-
Closing balance	1,133	-

26. Promissory note

During the year, the promissory note issued to Anergi Holdings Limited (AHL) as part of the consideration for the acquisition of a 50% stake in the entity was cancelled. The cancellation reduced the Corporation's interest to 38.2% (see note 19b).

27 Borrowings

	2018	2017
	US\$'000	US\$'000
At amortised cost:		
Corporate bonds issued (note (i))	1,605,465	1,648,446
Other borrowings (note (ii))	1,287,281	824,153
At fair value:		
Corporate bonds issued (note (i))	9,195	10,793
	2,901,941	2,483,392
Current	259,044	280,340
Non-current	2,642,897	2,203,052

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

Bond issued	Year of Maturity	YTM/Coupon (%)	Rate Type
US\$ 750 million GMTN	2020	4.375	Fixed
US\$ 10 million GMTN	2019	4.286	Floating
US\$ 500 million GMTN	2024	3.875	Fixed
US\$ 150 million GMTN	2020	4.524	Floating
US\$ 45 million GMTN	2021	4.086	Floating
US\$ 50 million GMTN	2020	4.136	Floating
CHF 100 million GMTN	2019	0.85	Fixed

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

fair value with fair value changes recognised in the income statement. The difference between the carrying amount of corporate bonds measured at fair value through profit or loss as at 31 December 2018 and the amount the Corporation expects to settle at maturity is a loss of US\$894,000 (2017: a gain of US\$835,000).

- (ii) Other borrowings comprise of loans from commercial banks and other development financial institutions within Africa and Europe. These are floating rate liabilities and repricing of these borrowings are between 3 months and 6 months.
- (iii) Included in other borrowings is an amount of US\$114.2 million (2017: US\$159.8 million) which has been secured using Corporate and Sovereign securities with a carrying value of US\$158.9 million (2017: US\$223.8 million). See note 21(i).
- (iv) The Corporation has not had any defaults of principal, interest or other covenant breaches with respect to its borrowings.
- (v) The maturity profile of borrowings are as follows:

	2018	2017
	US\$'000	US\$'000
Less than 1 year	259,044	280,340
1 – 3 years	1,707,416	1,295,700
Over 3 years	935,481	907,352
	<u>2,901,941</u>	<u>2,483,392</u>

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

	2018	2017
	US\$'000	US\$'000
At beginning of the year	2,483,392	1,907,793
Proceeds from corporate bonds	-	795,000
Proceeds from other borrowings	766,678	50,000
Transaction costs related to borrowings	(6,948)	(2,432)
Fair value changes	(100)	(167)
Interest expense	109,043	91,214
Interest paid	(103,996)	(82,308)
Repayment of borrowings	(339,673)	(284,101)
Effects of changes in foreign exchange rates	(6,455)	8,393
At end of the year	<u>2,901,941</u>	<u>2,483,392</u>

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

28. Contingent liabilities and commitments

A) Legal proceedings

As at 31 December 2018, there was one legal proceeding against the Corporation. The Directors believe that, based on currently available information and advice of the Corporation's legal counsel, the outcome from the proceeding will not have a material adverse effect on the financial position of the Corporation. No provision has been made in respect of this legal proceeding, for the period ended 31 December 2018.

B) Equity commitments

These commitments relate to equity financing commitments to third parties.

C) Debt commitments

These commitments relate to unfunded risk participation arrangements and loan commitments on transactions.

Commitments details as at 31 December 2018 are as follows:

	2018	2017
	US\$'000	US\$'000
Equity commitments	17,696	14,021
Debt commitments (note (i))	229,264	99,045
	<u>246,960</u>	<u>113,066</u>
	<u><u>246,960</u></u>	<u><u>113,066</u></u>
(i) Debt commitments		
	2018	2017
	US\$'000	US\$'000
Unfunded risk participation arrangements	21,808	20,979
Loan commitments	207,456	78,066
	<u>229,264</u>	<u>99,045</u>
	<u><u>229,264</u></u>	<u><u>99,045</u></u>

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

	2018	2017
	No. of shares	No. of shares
	In thousands	In thousands
At 1 January	1,095,343	1,089,067
Addition during the year	1,052	6,276
	<u>1,096,395</u>	<u>1,095,343</u>
	<u><u>1,096,395</u></u>	<u><u>1,095,343</u></u>

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	2018	2017
	US\$'000	US\$'000
At 1 January	1,095,343	1,089,067
Addition during the year (Note (i))	1,052	6,276
At 31 December	<u>1,096,395</u>	<u>1,095,343</u>

Share Premium

At 1 January	3,765	-
Addition during the year (Note (i))	948	3,765
At 31 December	<u>4,713</u>	<u>3,765</u>

- (i) During the year, Africa Reinsurance Corporation became a shareholder of the Corporation, investing a total of US\$2 million dollars in the Corporation's equity capital.

30. Retained earnings

	2018	2017
	US\$'000	US\$'000
At beginning of the year	372,088	329,495
Dividend declared and paid during the year	(54,575)	(57,720)
Initial application of IFRS 9	(20,198)	-
Profit for the year	128,584	100,313
At end of the year	<u>425,899</u>	<u>372,088</u>

31. Fair value reserves

	2018	2017
	US\$'000	US\$'000
At 1 January	36,111	27,265
Initial application of IFRS 9	78	-
	<u>36,189</u>	<u>27,265</u>
Net (loss)/gain on FVOCI (2017: available-for-sale) financial assets:		
- Transferred to the income statement	-	(5,995)
- Foreign exchange gain	(527)	6,196
- Fair value gain/(loss)	(10,010)	8,645
	<u>(10,537)</u>	<u>8,846</u>
At end of the year	<u>25,652</u>	<u>36,111</u>

The fair value reserves comprise:

- a) the cumulative net change in the fair value of equity securities measured at FVOCI (2017: available for sale financial assets); and
- b) the cumulative net change in the fair value of debt securities measured at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised or reclassified. This amount is increased/(decreased) by the amount of impairment allowance/(writeback).

32. Dividends

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

The Board of Directors is proposing a dividend of 5.383 US cents per share (2017: 4.98 US cents per share), amounting to approximately US\$59,018,960 (2017: US\$54,600,487). The resolution on payment of dividend will be tabled before the annual general meeting scheduled for 28 March 2019 and if approved, the dividend will be paid to all qualifying shareholders who are on the register of members as of that date.

33. Cash and cash equivalents

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

	2018	2017
	US\$'000	US\$'000
Cash in hand and balances with banks (Note 15)	26,080	29,206
Placements with other banks (Note 16)	1,599,619	1,471,257
At end of the year	1,625,699	1,500,463

34. Group entities and related party transactions

Group entities

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

Subsidiaries

- i. AFC Equity Investments Limited: a wholly owned entity incorporated in Mauritius, which was set up to hold equity investments on behalf of the Corporation (2017: 100%).

Associates and joint venture operations

Associated entities comprise of equity investments that result in the Corporation having significant influence by being able to participate in the financial and operating policy decisions of the investee companies. These investments are carried in the statement of financial position at fair value through profit or loss rather than accounted for using the equity method. See Note 19 for details of these investments.

During the year, the Corporation reduced its stake in Anergi Holdings Limited from 50% to 38.2%. This investment is carried in the statement of financial position at fair value through profit or loss. See Note 19 for details of this investment.

During the year, the Corporation acquired a 50% stake in Infrastructure Credit Guarantee Company Limited (Infracredit).

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint venture entities, significant shareholders and their companies as well as key management personnel.

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

a) Loans to related parties:

	2018	2017
	US\$'000	US\$'000
Shareholders	149,934	108,546
Associate companies	82,171	60,503

Placements/investments in debt securities:

Shareholders	138,979	290,641

b) Interest income/(loss) earned:

	2018	2017
	US\$'000	US\$'000
Shareholders	46,687	22,897
Associate companies	4,319	8,188
Subsidiaries	-	(235)

These loans were issued in the normal course of business, under commercial terms. The terms and conditions of loans to related parties are as follows:

	Average Tenor	Coupon/Rate	Rate Type
Loans and advances	1 month	8.5% - 12%	Fixed/floating
Corporate debt securities	3 years	6.3% – 10.5%	Fixed/floating

c) Key management compensation

	2018	2017
	US\$'000	US\$'000
Salaries and other short-term benefits	3,965	3,682
Post-employment benefits	518	547

Key management staff refers to members of the Executive Management Committee, which are: (a) President and Chief Executive Officer, (b) Executive Director, Chief Operating Officer and General Counsel, (c) Executive Director and Chief Investment Officer, (d) Executive Director, Financial Services, (e) Director & Chief Financial Officer, and (f) Director & Chief Risk Officer.

35. Events after the statement of financial position date

There were no events after the statement of financial position date which materially affect these financial statements.

Statement of Directors' Responsibility

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

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

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

Approval of Annual Financial Statements

The annual financial statements, presented on pages 8 to 88, were approved by the board of directors on 23 March 2018 and were signed on its behalf by:



Chairman



President & CEO

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

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

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

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

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

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

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



Tunde Lemo, OFR
Chairman
Audit & Compliance Committee

Members of the Committee

Mr. Ahmad Abdullahi
Mr. Charles Kie
Mr. Ebenezer Onyeagwu
Mr. Robert Tung
Mr. Victor Osadolor

Independent auditor's report

To the Members of Africa Finance Corporation

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

Africa Finance Corporation's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

Loan loss impairment

See notes 2 (significant accounting policies), 4 (critical accounting estimates and judgments) and 18 (notes to the consolidated financial statements) respectively of the consolidated financial statement.

Impairment is a subjective area due to the level of judgment applied by management in determining whether a loan is considered impaired.

A collective provision is made, with the use of impairment models. Judgment is applied to determine the appropriate model parameters and assumptions used to calculate impairment, particularly as the Corporation has limited history of default in its loan portfolio. The areas of judgment include the determination of probability of default (PD) and loss given default (LGD).

We understood and evaluated the design and operating effectiveness of the controls over loan loss reserves assessment across the Corporation. We tested all customer facilities by performing detailed reviews of customer files and account statements, assessing whether changes or events have occurred within the customers' business operations, its industry or operating economy that may affect the performance and classification of the facilities.

For the collective provision, which reflects losses incurred but not yet identified, we tested the completeness and accuracy of the underlying loan information used in the impairment model by agreeing details to the Corporation's source systems as well as reperforming the calculation of the modelled provision. We assessed the reasonableness of key modelling assumptions and parameters such as probability of default and loss given default which were based on historical information from Fitch and Moody's respectively. We challenged whether the historical experience was representative of current circumstances. Where changes had been made in model parameters and assumptions, we understood the reasons why changes had taken place and used our industry knowledge and experience to evaluate the appropriateness of such change.

Fair value of financial instruments (derivative instruments, investments in unquoted equity, corporate debts, hybrid instruments and borrowings measured at fair value)

See notes 2 (significant accounting policies), 4 (critical accounting estimate and judgments), 17, 19, 20 and 27 (notes to the financial statements) respectively of the consolidated financial statement

The Corporation holds various financial instruments which are measured at fair value. These are derivative instruments, investments in unquoted equity, corporate debts, hybrid instruments and borrowings measured at fair value. The unquoted equity investments are classified as financial assets at fair value through profit or loss and investment securities – available for sale. The corporate debts are classified as investment securities – available for sale. The derivatives are classified as derivative financial instruments (assets and

We understood and evaluated the valuation methodology applied, by reference to industry practice, and tested the techniques used by management in determining the fair value of financial instruments. The tests included:

- reviewing the reasonableness of management's assumptions and the appropriateness of the valuation methodologies adopted;
- checking the consistency of the assumptions and methodologies with prior period;
- confirming the source and testing the accuracy of the key valuation inputs which include cash flow forecasts, terminal growth rate, discount rate, risk free rate and foreign exchange forward prices, by agreeing inputs to underlying data, and other source data relating to the investee entities such as financial

Key audit matter	How our audit addressed the key audit matter
liabilities) and a borrowing is classified as fair value through profit or loss. We focused on this area because of the significant judgments involved in estimating the fair value of these instruments. In particular, management exercised judgment in: - Identifying the appropriate valuation methodology; and - Ensuring that appropriate inputs are used in the selected valuation methodologies.	statements, budgets and publicly available information; and using the services of our valuation experts to develop an independent point estimate/range to evaluate management's estimate based on reasonable market indicators and assumptions

Disclosure of the impact of IFRS 9 transition

On 1 January 2018, the Group transitioned to financial instruments accounting standard - IFRS 9 which replaced IAS39.

Significant judgment was applied in estimating the impairment allowances under the new expected credit loss (ECL) model. ECL models incorporate forward looking information, reflecting management's view of potential future economic environments. The new standard also introduced requirements around the classification and measurement of financial instruments, potentially resulting in fair value differences.

The estimated transition impact is disclosed in Note 2.1.1(b) of the consolidated financial statement.

We understood and critically assessed classification and measurement decisions in line with IFRS 9. We tested the ECL model developed by the Corporation.

We used our credit modelling experts in our assessment of the judgments and assumptions supporting the ECL requirements of the standard. We re-performed certain model calculations to confirm the risk parameter outputs. We assessed reasonableness of forward looking information incorporated into the impairment calculations. We also challenged the multiple economic scenarios chosen and the weighting applied to non-linear losses.

We assessed the adequacy of the underlying disclosures related to the transition impact

Other Information

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

A handwritten signature in blue ink that reads 'Patrick Obianwa'.

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

Engagement Partner: Patrick Obianwa



27 March 2018

Consolidated Statement of Comprehensive Income

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

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

Consolidated Statement of Financial Position

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

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

Consolidated Statement of Changes in Equity

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

Consolidated Statement of Cash Flows

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

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

Notes to the Consolidated Financial Statements

1. General information

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

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

The Corporation’s shareholders principally comprise African States and corporate entities, such as major commercial banks, other financial institutions and other private sector commercial entities. The current member states are Benin Republic, Cape Verde, Chad, Cote d’Ivoire, Djibouti, Gabon, Ghana, Guinea-Bissau, Guinea-Conakry, Liberia, Kenya, Nigeria, Rwanda, Sierra-Leone, The Gambia, Uganda and Zambia. Other potential member States are going through the process of acceding to membership of the Corporation in accordance with their respective internal procedures.

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

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

** Related companies with combined shareholding of 9.2%*

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

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

The statement of cash flows shows the change in cash and cash equivalents during the year from operating, financing and investing activities. Cash and cash equivalents include highly liquid investments. Note 33 shows which items of the statement of financial position are included in cash and cash equivalents.

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

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

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

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Corporation

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

i. Amendment to IAS 7 – Cash flow statements.

This amendment requires reporting entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and noncash changes such as acquisitions, disposals, accretion of

interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing activities. Reporting entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

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

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

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

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

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

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

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

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

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

Impact assessment

On transition to IFRS 9, the most significant impact will result from applying the new impairment requirements. Impairment losses are expected to increase and become more volatile due to the impact of macro-economic forecasts and the inclusion of off balance sheet exposures in the Corporation's Expected Credit Loss (ECL) calculations. Based on transition work and assessments done up to the date of this report, the estimated net impact of the adoption of IFRS 9 on the opening balance of the Corporation's equity as at 1 January 2018 is a decrease of approximately between US\$14m and US\$22m relating to expected credit losses. This impact has

been estimated under an interim control environment with models that continue to undergo validation. The implementation of the comprehensive end state control environment will continue as the Corporation introduces business as usual controls throughout 2018. (See (ii) below).

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

i) Classification and measurement

Financial assets

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

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

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

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

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

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

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

may occur when there is an increase in value). All other equity instruments measured at FVTPL under IAS 39 will retain that basis for IFRS 9 purposes.

Financial liabilities

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

ii) Impairment of Financial assets and loan commitments

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

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

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

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

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

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

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

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

Assessing significant increase in credit risk

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

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

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

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

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

Incorporating forward looking information

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

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

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

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

with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

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

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

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

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

2.2 Basis of consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

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

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

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

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

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

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

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

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

(iii) Loss of control

Upon the loss of control, the Corporation derecognises the assets and liabilities of the subsidiary, and non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Corporation retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost and

subsequently accounted for in accordance with the Corporation's accounting policy for financial instruments depending on the level of influence retained.

(iv) Acquisitions under common control

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

(v) Transactions eliminated on consolidation

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

(vi) Non-controlling interests

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

(vii) Interests in associates and joint ventures

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

Interests in associates and joint ventures are initially recognised at cost, which includes transaction cost. Subsequent to initial recognition, they are measured at fair value through profit or loss rather than accounted for using the equity accounted. This treatment is permitted under IAS 28 on Investment in Associates and Joint Ventures, which require such investments held by Venture Capital Entities to be accounted for at fair value in accordance with IAS 39 with changes in fair value recognised in the income statement in the period of the change.

2.3 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the other comprehensive income.

2.4 Financial assets and liabilities

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

2.4.1 Financial Assets

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

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

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

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

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

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

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

Equity investments that result in the Corporation having significant influence by being able to participate in the financial and operating policy decisions of the investee companies are carried in the statement of financial position at fair value through profit or loss rather than accounted for using the equity accounted. This treatment is permitted under IAS 28 on Investment in Associates and Joint Ventures, which require investments held by Venture Capital Entities to be accounted for at fair value through profit or loss in accordance with IAS 39 with changes in fair value recognised in the income statement in the period of the change.

(b) Loans and receivables

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

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

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

(c) Held-to-maturity

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

- (a) those that the Corporation upon initial recognition designates at fair value through profit or loss;

- (b) those that the Corporation designates as available-for-sale; and
- (c) those that meet the definition of loans and receivables.

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

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

(d) Available-for-Sale

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

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

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

2.4.2 Financial Liabilities

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

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

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

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

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

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

(b) Other liabilities measured at amortised cost

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

2.4.3 Determination of fair value

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

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

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

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

For more complex instruments, the Corporation uses internally developed models, which are usually based on valuation methods and standard industry techniques. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives), unlisted equity and other debt instruments for which markets were or

have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

2.4.4 Transfers of financial assets

The Corporation, in the ordinary course of business enters into transactions that result in the transfer of financial assets, primarily debt securities. The transferred financial assets continue to be recognised in their entirety or to the extent of the Corporation's continuing involvement, or are derecognised in their entirety. The Corporation transfers financial assets, that are not derecognised in their entirety or for which it has continuing involvement primarily through sale and repurchase of securities.

2.4.5 Derecognition

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

2.4.6 Reclassification of financial assets

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes

the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

2.4.7 Derivative financial instruments

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

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

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

2.8 Interest income and expense

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

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

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

2.9 Fees, commission and other income

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

2.10 Sale and repurchase agreements

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

2.11 Impairment of financial assets

a) Assets carried at amortised cost

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

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

- adverse changes in the payment status of borrowers from the Corporation; or
- national or local economic conditions that correlate with defaults on the assets in the Corporation.

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

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

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

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

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

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

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

b) **Assets classified as available-for-sale**

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

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Cash and cash equivalents

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

2.14 Property and equipment

All property and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

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

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

2.15 Employee Benefits

Short-term employee benefits

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

Post-employment employee benefits

Defined contribution plan

The Corporation established a defined contributory pension scheme in 2012. This is a pension plan under which the Corporation pays fixed contributions (7.5% of basic salary) and employees contribute a minimum of 5% of their basic salary into a separate entity.

The Corporation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense in the statement of comprehensive income when it falls due.

2.16 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method. Where the Corporation designates certain borrowings upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently.

2.18 Share capital

a) Share issue costs

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

b) Dividends on ordinary shares

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

c) Treasury shares

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

2.19 Dividend income and payment

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

2.20 Contingent liabilities and commitments

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

Debt commitments comprise;

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

2.21 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on disposal is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial recognition are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

When the Corporation acquires a subsidiary exclusively with a view to resale, it is accounted for as held for sale and consolidated using the short cut method under by IFRS 5. Initially, the Corporation measures the identifiable liabilities and the acquired assets at fair value. At the reporting period, the Corporation measures the disposal group at the lower of its cost and fair value less cost to sell and the assets and liabilities are recognised separately in the statement of financial position. In the statement of comprehensive income, the Corporation discloses a separate line for the loss on discontinued operations. Further analysis of the assets and liabilities is not required and no further disclosures are made.

2.22 Discontinued operation

A discontinued operation is a component of the Corporation's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;

- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary exclusively acquired with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

2.23 Comparatives

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

3. Financial Risk Management

AFC's business philosophy recognises that risks are an inevitable consequence of being in business. The Corporation's aim, therefore, is not to eliminate all risks, but to design policies, processes and procedures that will enable it achieve an appropriate balance between risk and return. AFC believes that a strong risk management function is key to its successful long-term operations.

AFC operates a multi-layered risk management governance structure, with the Board of Directors at its apex, exercising and assuming ultimate authority and responsibility for the Corporation's risk management. Other layers in the risk management governance structure are: (i) the Board Risk and Investment Committee (BRIC), responsible for oversight and approval of risk policies, and credit approvals above management's authority levels; (ii) Executive Management Committee (EXCO), responsible for review of investment proposals, and exercise of management's delegated authority for investment approvals; (iii) Management Risk Committee, responsible for the risk policy review and implementation; (iv) Asset and Liability Committee (ALCO), responsible for monitoring and management of the Corporation's liquidity and interest rate risks; (v) Risk Management Department, responsible for risk policy development, management and monitoring; and (vi) Business Units, responsible for the creation and management of risk assets.

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

In managing those risks, Risk Management's independence and accountability is sustained by the Chief Risk Officer's direct reporting line to both the President & CEO and to the Chairman of the Board Risk and Investment Committee and the Policy requires the Chief Risk Officer's affirmative vote before a transaction can be approved.

In order to regularly monitor the risks in AFC's portfolio, Risk Management generates a number of reports, including a Daily Risk Report for the Executive Management Committee (EXCO) and a Portfolio Risk Dashboard for each meeting of the BRIC. In addition to these reports, Risk Management also provides

independent risk assessment to transaction monitoring reports, which are prepared by the Business Originators on a quarterly basis.

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

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

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

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

3.1 Credit Risk

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

3.1.1 Project and Investment Credit Risk

The Corporation has developed a comprehensive Credit Risk Management Policy (CRMP) that details its risk philosophy and metrics. The CRMP defines the level and type of credit exposures that AFC is prepared to accept in order to achieve its business goals and objectives. It defines the Corporation's risk appetite along three key metrics; Capital Adequacy Framework, Exposure Limits Framework and Credit Risk Acceptance criteria.

AFC's Capital Adequacy Framework creates a quantifiable link between the risks assumed and the amount of risk capital required to support those risks. The capital adequacy framework ensures that the Corporation holds adequate levels of capital to support its investment operations.

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

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

The risk appetite is determined by the Board of Directors, with delegated authority to the Board Risk and Investment Committee (BRIC) and Executive Management Committee (EXCO). The Corporation has a policy that only the entity that sets a limit or condition may amend the limit. For example, EXCO may only decrease limits but not increase limits set by the higher authorities of BRIC and the Board due to evolving market conditions. While the Board, or BRIC may increase or decrease limits set by EXCO. The Board specifies that risk appetite is consistent with AFC's rating, and eclipsed by the Corporation's capital.

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

3.1.2 Counterparty Credit Risk

AFC invests its liquid assets in different financial instruments to generate income. These financial instruments involve, to some degree, the risk that the counterparty to the transaction may be unable to meet its obligation to the Corporation when it falls due. The Corporation manages this counterparty risk by executing transactions within a prudent framework of approved counterparties, counterparty credit rating standards and counterparty risk exposures limits. The

risk exposure limit for each counterparty is a function of the counterparty's credit rating and its shareholders' funds (unimpaired by losses). The risk limits are proposed by the Risk Management Division and approved by the Executive Management Committee.

3.1.3 Credit Risk Measurement

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

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

3.1.4 Risk Limit Control and Mitigation Policies

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

3.1.5 Maximum exposure to credit risk

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

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

3.1.6 Credit quality analysis

General Risk Rating Process

Investment risk rating and acceptance criteria represent a vital aspect of the Corporation's risk appetite definition process. Before credit risk can be managed, it must first be identified and measured. A 10-point credit risk rating methodology with 23 notches, from "1" (excellent, very low risk) to "10" (expected loss, very high risk) is applied by the Corporation. The methodology encompasses the analysis of a client's fundamental financial strength, adjusted with obligor risk control factors, and further adjusted by facility risk control factors. The risk rating process measures the expected loss of a credit facility over its tenor and it integrates assessments of the probability of default, the exposure at default, and the loss given default of the facility. The 10-point risk rating scale is further collapsed into five generic risk classes, of "very low

risk (excellent)”, “low risk (strong)”, “moderate risk (good)”, “high risk (fair/marginal)”, and “very high risk (special attention)”. Generally, transactions rated “5” (acceptable, high risk) or better would be considered for financing by the Corporation.

The risk ratings are a primary tool in the review and decision making in the credit process and ratings are reviewed quarterly for each obligor or when credit sensitive information is received. The integrity of the Corporation’s portfolio management process is dependent on accurate and timely risk ratings. Deterioration in credit risks is quickly identified and communicated to facilitate prompt action. Ratings are also reviewed as a result of expectation of credit weaknesses. After disbursement, monitoring phase of each investment commences. A quarterly monitoring report is prepared for each investment; this report is reviewed by Risk Management and presented to the Management Investment Committee. The monitoring report acts as an early warning signal for closer monitoring of credits with a higher probability of facing stress in the short to medium term.

In the event that an asset goes into default, an interdepartmental team comprising of Risk Management, Risk Assurance, Investments and Legal would collaborate with other lenders or sponsors to maximize recovery. This team will give a weekly update on recovery efforts to the Management. A default would also lead to prevention of further drawdown while steps are taken to recover the outstanding balance and/or realise collaterals.

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

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

Credit Rating of Counterparty/Obligor

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

Risk Buckets and Definition

Description	Rating bucket	Range of scores	Risk range description
Very Low Risk	AAA to A-	1.00 – 1.60	Excellent
Low Risk	BBB+ to BB+	1.70 – 2.00	Strong
Moderate Risk	BB to B-	2.00 - 4.00	Good
High Risk	CCC+	4.00 – 5.00	Fair
High Risk	CCC	5.00 - 6.00	Marginal
Very High Risk	CCC- to D	7.00 - 9.00	Special attention

The internal credit risk rating bucket has been calibrated to rating grades of international credit rating agencies. Our credit grades are not intended to replicate external credit grades (where these are available), and ratings assigned by external rating agencies are not used in determining our internal credit grades.

Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

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

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

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

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

Using the Corporation's internal credit rating, the credit quality of the loans and advances to banks and other customers that are neither past due nor impaired is detailed below:

	2017	2016
	US\$'000	US\$'000
Balances with banks:		
- Excellent	15,737	51,013
- Strong	13	-
- Good	<u>13,425</u>	<u>552</u>
Total neither past due nor impaired	<u>29,175</u>	<u>51,565</u>
Loan and advances to banks:		
- Excellent	1,231,693	955,420
- Strong	135,083	40,002
- Good	<u>104,481</u>	<u>77,093</u>
Total neither past due nor impaired	<u>1,471,257</u>	<u>1,072,515</u>

	2017 US\$'000	2016 US\$'000
Derivative financial assets:		
Total neither past due nor impaired		
- Good	<u>5,696</u>	<u>9,606</u>
Loan and advances to other customers:		
<i>Project Finance:</i>		
- Good	291,204	352,763
- Fair	44,368	195,434
- Marginal	241,247	39,380
- Special attention	220,892	213,615
<i>Trade Finance:</i>		
- Strong	-	50,002
- Good	188,124	248,150
- Fair	55,275	81,077
- Marginal	<u>121,312</u>	<u>-</u>
Total	<u>1,162,422</u>	<u>1,180,421</u>
<i>Analysis of unimpaired loans (neither past due nor Impaired, and past due but not impaired loans):</i>		
Neither past due nor impaired	915,259	1,180,421
Past due but not impaired * (see note (a) below)	<u>247,163</u>	<u>-</u>
Total	<u>1,162,422</u>	<u>1,180,421</u>
<i>(a) Age analysis of past due but not impaired loans:</i>		
30 - 90 days	42,721	-
90 - 180 days	110,792	-
Over 180 days	<u>93,650</u>	<u>-</u>
Total	<u>247,163</u>	<u>-</u>

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

Financial assets at fair value through profit or loss

<i>Hybrid instruments (convertible debt)</i>		
- Good	27,799	15,467
- Marginal	41,450	-
<i>Asset under management (debt securities)</i>		
- Good	<u>19,729</u>	<u>18,263</u>
Total neither past due nor impaired	<u>88,978</u>	<u>33,730</u>

Investment securities:

Corporate debt securities:

- Excellent	-	3,421
- Good	225,142	292,912
- Fair	37,854	91,967
- Marginal	82,350	-
- Special attention	-	59,622

Government debt securities:

- Strong	50,803	50,835
- Good	<u>262,283</u>	<u>82,307</u>

Total neither past due nor impaired	<u>658,432</u>	<u>581,064</u>

2017	2016
US\$'000	US\$'000

Other assets

Account receivable:

- Good	19,802	8,504

Fee receivable:

- Good	<u>14,122</u>	<u>-</u>

Total neither past due nor impaired	<u>33,924</u>	<u>8,504</u>

Commitments:

Debts:

- Good	96,913	74,213
- Fair	-	7,890
- Marginal	<u>2,132</u>	<u>-</u>

Total commitments	<u>99,045</u>	<u>82,103</u>

Effects of collateral and other credit enhancements

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

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

Unimpaired secured lending is predominantly managed on a cash flow basis. On occasion, it may include an assessment of underlying collateral, although, for impaired lending, this will not always involve assessing it on a fair value basis. No aggregated collateral information for the entire unimpaired secured wholesale lending portfolio is provided to key management personnel.

Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. No collateral is held for cash and balances with banks, loans and advances to banks, hybrid instruments designated at fair value through profit or loss, and other assets.

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

The types of collateral held includes fixed and floating charge on companies' assets and securities and a charge on the commodities financed for trade transactions. The Corporation also uses insurance by a counterparty which is more creditworthy than the original counterparty, as a means of credit enhancement.

Percentage of exposure secured by collateral and other credit enhancements:

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

3.1.7 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Corporation manages concentration risk using the Exposure Limits Framework (ELF) as part of its credit risk management policies. The ELF proposes a portfolio diversification strategy for the Corporation in order to avoid excessive portfolio concentration either in single projects or groups of projects, or in particular sectors that could be simultaneously affected by similar exogenous events. The ELF defines sector exposure limits, single obligor exposure limits and single country exposure limits. In line with best practices, the exposure limits are linked to AFC's total investable fund, that is the shareholders' funds plus retained earnings plus borrowings with a remaining maturity exceeding one year, and the pace at which these Board approved limits are consumed is dependent on the Corporation's risk appetite. The following table analyses the Corporation's main credit exposures at their carrying amounts, categorised by geographical region, as at 31 December 2017. The Corporation has allocated exposures to regions based on the country of domicile of its counterparties.

Africa Finance Corporation
Consolidated Financial Statements
For the Year Ended 31 December 2017

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

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

Credit Concentration by Industry
31 December 2017

	Natural Resources US\$'000	Heavy Industry & Telecoms US\$'000	Power US\$'000	Transport US\$'000	Financial Services & Others US\$'000	Total US\$'000
Cash and balances with banks	-	-	-	-	29,175	29,175
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,471,257	1,471,257
Derivative financial assets	-	-	-	-	5,696	5,696
Loans and advances to other customers:						
- Project finance	388,263	71,914	246,693	90,841	-	797,711
- Trade finance	148,774	79,266	-	-	136,671	364,711
Financial assets at fair value through profit or loss:						
- Asset under management (debts)	-	-	-	-	19,729	19,729
- Hybrid instruments (convertible debt)	27,799	41,450	-	-	-	69,249
Investment securities:						
- Corporate debt securities	-	37,854	22,649	-	284,843	345,346
- Government debt securities	-	-	-	-	313,086	313,086
Other assets:						
- Account receivable	-	-	-	-	33,924	33,924
	564,836	230,484	269,342	90,841	2,294,381	3,449,884
Commitments	11,574	-	66,492	-	20,979	99,045

31 December 2016

Cash and balances with banks	-	-	-	-	51,565	51,565
Loans and advances to banks:						
- Placements with banks	-	-	-	-	1,072,515	1,072,515
Derivative financial assets	-	-	-	-	9,606	9,606
Loans and advances to other customers:						
- Project finance	388,207	92,497	223,436	97,052	-	801,192
- Trade finance	175,421	74,241	-	3,655	125,912	379,229
Financial assets at fair value through profit or loss:						
- Hybrid instruments (convertible debt)	15,467	-	-	-	-	15,467
- Asset under management (debts)	-	-	-	-	18,263	18,263
Investment securities:						
- Corporate debt securities	-	35,205	32,966	141,231	238,520	447,922
- Government debt securities	-	-	-	-	133,142	133,142
Other assets:						
- Account receivable	-	-	-	-	8,504	8,504
	579,095	201,943	256,402	241,938	1,658,027	2,937,405
Commitments	9,600	7,890	24,192	15,421	-	82,103

3.2 Market Risk

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

3.2.1 Foreign exchange risk

In the normal course of business, the Corporation is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency, which are monitored. The table below summarizes the Corporation's exposure to foreign exchange rate risk at 31 December 2017. Included in the table are the Corporation's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk – financial instruments

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

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

31 December 2017	US dollars US\$'000	Others US\$'000	Total US\$'000
Impact on Profit or loss			
Sensitivity at 200bp US dollar depreciation	-	917	917
Sensitivity at 400bp US dollar appreciation	-	(1,834)	(1,834)
Impact on Equity			
Sensitivity at 200bp US dollar depreciation	-	2,375	2,375
Sensitivity at 400bp US dollar appreciation	-	(4,751)	(4,751)
 31 December 2016	 US dollars US\$'000	 Others US\$'000	 Total US\$'000
Assets			
Cash and balances with banks	31,598	19,980	51,578
Loans and advances to banks	1,072,515	-	1,072,515
Derivative financial instruments	9,606	-	9,606
Loans and advances to other customers	1,176,812	3,609	1,180,421
Financial assets at fair value through profit or loss	180,067	46,414	226,481
Investment securities	685,774	129,783	815,557
Other assets	7,440	1,064	8,504
Total financial assets	3,163,812	200,850	3,364,662
 Borrowings	 1,731,689	 176,104	 1,907,793
Derivative financial instruments	7,730	-	7,730
Accrued expenses and other liabilities	13,010	459	13,469
Total financial liabilities	1,752,429	176,563	1,928,992
 Net financial position	 <u>1,401,383</u>	 <u>24,287</u>	 <u>1,435,670</u>
 Commitments	 <u>141,216</u>	 <u>-</u>	 <u>141,216</u>

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

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

Impact on Equity

Sensitivity at 200bp US dollar depreciation	-	486	486
Sensitivity at 400bp US dollar appreciation	-	(972)	(972)

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

3.2.2 Interest rate risk

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

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

As at 31 December 2017

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

As at 31 December 2016

Repricing dates	Up to 3	Above 3	Non-Interest	
Assets	months	months	Bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	-	-	51,578	51,578
Loans and advances to banks	1,072,515	-	-	1,072,515
Derivative financial instruments	-	-	9,606	9,606
Loans and advances to customers	871,176	309,245	-	1,180,421
Financial assets at fair value through profit or loss	33,730	-	192,751	226,481
Investment securities	233,993	347,071	234,493	815,557
Other assets	-	-	8,504	8,504
Total financial assets	2,211,414	656,316	496,932	3,364,662

As at 31 December 2016 - Continued

Liabilities	Up to 3	Above 3	Non-Interest	
	months	months	Bearing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings	997,967	909,826	-	1,907,793
Derivative financial instruments	-	-	7,730	7,730
Other liabilities	-	-	13,469	13,469
Total financial liabilities	997,967	909,826	21,199	1,928,992
Total interest repricing gap	1,213,447	(253,510)	475,733	1,435,670

Interest rate sensitivities

The management of interest rate risk against interest rate gap limits is supplemented by the sensitivity of the Corporation's financial assets and liabilities to various standard interest rate scenarios. The table below shows an analysis of the sensitivity of the Corporation's Profit or Loss and Other Comprehensive Income to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant balance sheet position. However, for the purpose of sensitivity analysis, we have used a conservative assumption of 50 basis point (bp) parallel fall or rise in interest rates of the financial assets and liabilities.

In US\$'000	50 bp parallel increase	50 bp parallel decrease
<i>Sensitivity of reported Profit or Loss for the year</i>		
2016	170	(183)
2017	8	25
<i>Sensitivity of reported Equity for the year</i>		
2016	174	(187)
2017	11	21

3.3 Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay lenders and fulfil commitments to lend.

The Corporation's liquidity management process includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- monitoring statement of financial position liquidity ratios against internal requirements; and
- managing the concentration and profile of debt maturities.

The Corporation holds a diversified portfolio of cash and High-Quality Liquid Assets ("HQLA") to support financial obligations and contingent funding in a stressed market environment. The assets held for managing liquidity risk are cash and balances with banks and HQLA assets which comprise:

- loans and advances to banks; and
- investment grade sovereign and corporate securities with a highly liquid secondary market

Monitoring and reporting take the form of daily cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Corporation has a Liquidity Policy and Contingency Funding Plan that defines extensively how liquidity risk would be managed within the Corporation. The policy requires that the Corporation keeps High Quality Liquid Assets ("HQLA") to cover its Minimum Liquidity Level ("MLL") at twelve and eighteen months under 'stress' and business as usual ("BAU") conditions respectively. MLL, for the purpose of the Corporation, is defined as the level of liquidity that is available to meet the Corporation's financial obligations (repayment of borrowing, 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 2017, the LCR was 296% under stress scenario (December 2016: 329%) and 303% under normal circumstances (December 2016: 209%).

The table below analyses the Corporation's financial instruments into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Africa Finance Corporation
Consolidated Financial Statements
For the Year Ended 31 December 2017

As at 31 December 2017

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

As at 31 December 2016

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

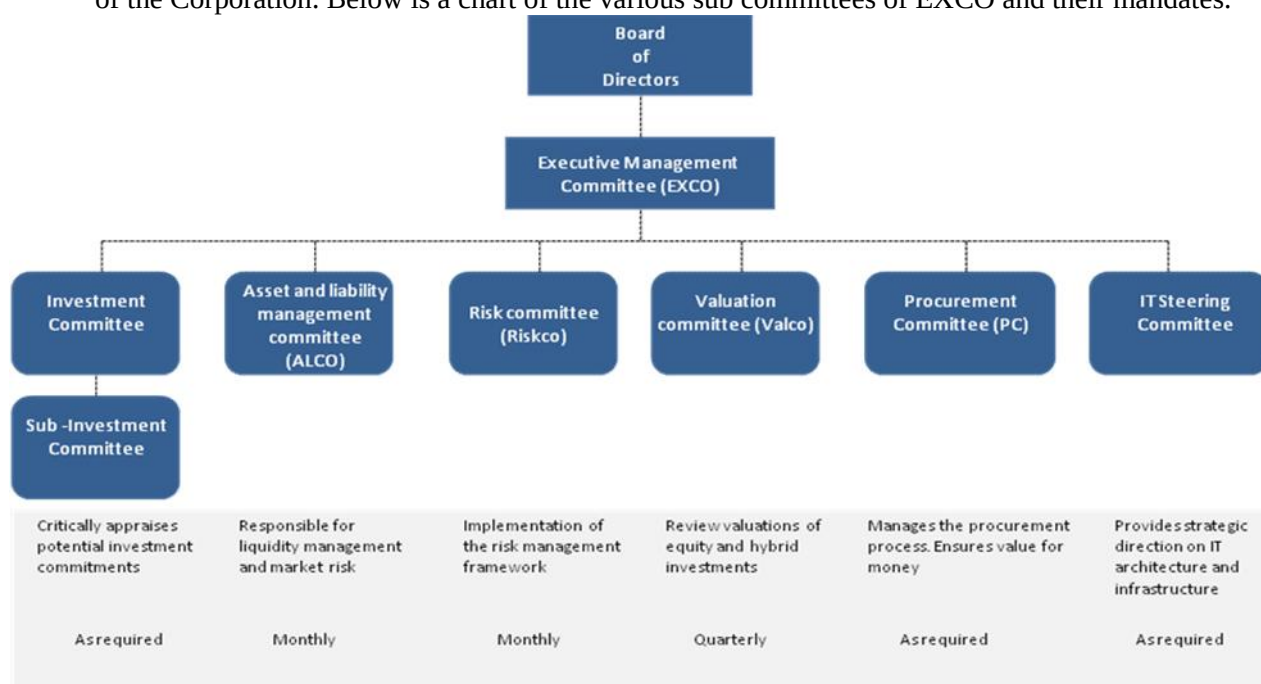
The gap identified in the 2-5 years (2016: 6-12 months and 2-5 years) period will be funded with maturities from earlier periods, as evidenced in the cumulative funding gap contained in the table above.

3.4 Capital Management & Governance structure

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



In carrying out its oversight functions, EXCO through various committees manages the day to day operations of the Corporation. Below is a chart of the various sub committees of EXCO and their mandates.



The Corporation's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- to comply with the capital requirements set by the Board of Directors of the Corporation;
- to safeguard the Corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy is monitored regularly by the Corporation's management, employing techniques derived from the guidelines developed by the Basel Committee. The Corporation's Capital Adequacy Framework requires the business to maintain a ratio of total risk capital to the risk-weighted asset (the Basel ratio) at a minimum of 30%. To allow for a proactive management of any issue with its capital position, the Corporation has further defined an internal trigger at 40% that would necessitate the activation of a remedial action.

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

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

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

The risk weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of (and reflecting an estimate of credit, market and other risks associated with) each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of capital and the ratios of the Corporation for the period ended 31 December 2017. The Corporation has no externally imposed capital requirements, but complied with its own internal capital adequacy requirements described above, during the year under review.

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

3.5 Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Corporation determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

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

(b) Valuation framework

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

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

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

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

31 December 2017

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

31 December 2016

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

The Corporation's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 2 fair value measurements

The foreign exchange forward contracts and interest rate swaps were valued using widely recognised valuation models that use only observable market data and require little management judgement and estimation. The option contracts were valued using the Black Scholes option pricing model. Assumptions and inputs used include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, foreign currency exchange rates, and expected price volatilities and correlations.

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

Level 3 fair value measurements

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

Reconciliation of Level 3 items

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

Unobservable inputs used in measuring fair value

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

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

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

* N/A – Not applicable

Significant unobservable inputs in the discounted cash flow technique applied are developed as follows:

- i. The Corporation applied the Capital Asset Pricing Model to determine the cost of equities for its various unquoted equities which were fair valued at year end.
- ii. The risk-free rate was determined using the yield on the US Government bond and Germany Government bond (for Euro-denominated assets) of the appropriate tenor and this was adjusted for country risk premium (for unquoted securities denominated in US Dollars and Euros)
- iii. Equity risk premium was determined using Standards and Poors (S&P) 500 Stock Price Index, for similar business sectors
- iv. Beta estimates were obtained from Damodaran Online and illiquidity and minority discounts applied in line with valuation best practices.

The effect of unobservable inputs on fair value measurement

The Corporation believes that its estimates of fair values are appropriate. However, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the cost of equity or terminal growth rate by a reasonable possible value, in isolation, would have the following effects on Other Comprehensive Income and profit or loss for the year as follows:

US\$'000 - 2017	Effect on Other Comprehensive Income		Effect on profit or loss	
Key Assumption	1% Increase	1% Decrease	1% Increase	1% Decrease
Cost of equity	(5,127)	5,578	(23,963)	27,748
Terminal growth rate	31	(31)	1,441	(3,905)

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

For the Corporation's hybrid instruments, the following highlights the sensitivity of the fair value of these instruments to key input factors as at reporting date:

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

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

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

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

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

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

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

Financial instruments not measured at fair value

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

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

Loans and advances to bank: Loans to banks are short-term money market placements, therefore the fair values are not significantly different from the carrying amount.

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

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

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

31 December 2017

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

31 December 2016

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

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

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

3.6 Financial instruments by category

31 December 2017

Assets as per Statement of Financial Position

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

**Liabilities as per Statement
of Financial Position**

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

31 December 2016

**Assets as per Statement of Financial
Position**

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

**Liabilities as per Statement
of Financial**

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

4. Critical accounting estimates and judgements in applying accounting policies

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

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Assumption and estimation uncertainties

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

(b) Impairment losses on loans and advances

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

The Corporation's loan portfolio consists of two classes namely – trade loans and project finance loans. Trade loans are granted for trade finance and have an average tenor of one year while project finance loans have an

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

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

In measuring credit risk of loans and advances to various counterparties, the Corporation considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default – PD), the portion of the loan expected to be irrecoverable at the time of loan default (loss given default – LGD) and carrying amount of the loan that is outstanding as at reporting date (exposure at default – EAD). The table below shows the sensitivities of the impairment loss provision for 1% increase or decrease in the LGD and PD.

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

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

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

(d) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from

observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To a practicable extent, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(e) Exemption under IAS 28 – Investment in Associates and Joint Ventures

Equity investments that result in the Corporation having a significant influence, but not control, over the financial and operating policies of the investee companies are carried in the statement of financial position at fair value through profit or loss rather than accounted for as associates using the equity method of accounting. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which requires investments held by venture capital organizations and similar financial institutions to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change. The Corporation's operational activities typically entail provision of equity finance to unquoted companies and taking an active role in helping to build and develop such companies by having a representation on the Board of the investee companies. The equity business of the Corporation is managed and appraised with the objective of earning capital return on its venture capital investments upon exit in the medium term. The Corporation is also a member of the Africa Private Equity & Venture Capital Association (AVCA).

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

5. Business Units

The Corporation's primary objective is to finance infrastructure projects across Africa and to provide advisory, project development and other services related thereto.

Operating units are reported in a manner consistent with the internal reporting provided to the Executive Management Committee (EXCO) and Board of Directors. The EXCO is responsible for assessing the financial performance and position of the Corporation and makes strategic decisions. The EXCO, which has been identified as being the chief operating decision maker, consists of the (a) President and Chief Executive Officer, (b) Executive Director, Chief Operating Officer and General Counsel, (c) Executive Director and Chief Investment Officer, (d) Executive Director, Financial Services, (e) Director & Chief Financial Officer, and (f) Senior Vice President & Chief Risk Officer. The information is provided on the basis of business units as the Corporation manages its affairs and business through these areas. The business units presented reflect the management structure of the Corporation and the way in which the Corporation's management reviews performance.

The Corporation evaluates the performance of its operating units primarily based on unit operating profit, as defined below:

1) Investment Division

The Corporation's Investment division is responsible for the end-to-end project development, origination, structuring and execution of investments. This division is further divided into groups based on sector classifications, with each group responsible for customer relationship management and investments within its sector. The Investment division also works closely with Risk Management to perform portfolio management functions for the Corporation's investment portfolio. The Investment division offers a diverse range of financing products, such as loans, quasi-equity financing, equity and arranging services to infrastructure projects in Africa. It also provides technical and economic advisory services to projects that are in the early stage of project development.

2) Financial Services Division

The Corporation's Financial Services division is divided into three groups, (i) treasury and funding, (ii) financial institutions and syndication, and (iii) financial advisory. The treasury and funding group is responsible for the Corporation's capital raising and covers both debt and equity. Its function is to seek to ensure that the Corporation has adequate capital and the appropriate capital structure.

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

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

Africa Finance Corporation
Consolidated Financial Statements
For the Year Ended 31 December 2017

31 December 2017	Investment	Financial Services	Total
	US\$'000	US\$'000	US\$'000
Interest income	140,009	93,934	233,943
Dividend, fee and commission income	31,756	(1,986)	29,770
Net gain on financial instruments at fair value through profit or loss	58,198	(933)	57,265
Loss on disposal of financial assets	(23,247)	-	(23,247)
Impairment	(63,077)	-	(63,077)
Interest & administrative expenses	(104,572)	(29,534)	(134,106)
Discontinued operations	(235)	-	(235)
Operating profit	38,832	61,481	100,313
Total Assets	1,855,238	2,306,574	4,161,812
Total liabilities	160,669	2,493,836	2,654,505
Expenditure on reportable segment:			
Non-current assets	790	486	1,276
Depreciation and amortisation	817	502	1,319
31 December 2016			
Interest income	123,898	68,934	192,832
Dividend, fee and commission income	8,268	13,636	21,904
Net gain on financial instruments at fair value through profit or loss	30,020	10,258	40,278
Collective impairment	(27,862)	-	(27,862)
Interest & administrative expenses	(93,391)	(22,910)	(116,301)
Discontinued operations	(1,459)	-	(1,459)
Operating profit	39,474	69,918	109,392
Total Assets	1,697,422	1,733,026	3,430,468
Total liabilities	67,224	1,915,523	1,982,747
Expenditure on reportable segment:			
Non-current assets	1,135	697	1,832
Depreciation and amortisation	890	548	1,438

	2017 US\$'000	2016 US\$'000
6. Interest income		
Loans and advances to other customers	134,448	123,241
Loans and advances to banks	51,132	38,274
Financial assets at FVTPL	5,561	67
Investment securities:		
- Financial assets at amortised cost	42,552	31,000
- Available-for-sale financial assets	250	250
	<u>233,943</u>	<u>192,832</u>
	<u><u>233,943</u></u>	<u><u>192,832</u></u>
Interest expense		
Borrowings from financial institutions	35,694	42,420
Corporate bonds	55,520	32,578
	<u>91,214</u>	<u>74,998</u>
	<u><u>91,214</u></u>	<u><u>74,998</u></u>
7. Dividend income		
Available-for-sale securities	296	38
Equity securities at FVTPL	10,164	-
	<u>10,460</u>	<u>38</u>
	<u><u>10,460</u></u>	<u><u>38</u></u>
8. Fees, commissions and other income		
Risk participation and commitment fees	833	721
Advisory and structuring fees	11,750	12,834
Facility and other fees	6,727	8,311
	<u>19,310</u>	<u>21,866</u>
	<u><u>19,310</u></u>	<u><u>21,866</u></u>

	2017 US\$'000	2016 US\$'000
9. Net gain/(loss) on financial instruments at fair value through profit or loss		
Equity investments	44,860	30,020
Hybrid instruments	9,098	(903)
Asset under management	437	(23)
Derivatives held for risk management purposes:		
- Interest rate	-	13,547
- Share warrants	4,240	-
- Foreign exchange	(1,370)	(2,363)
	<u>57,265</u>	<u>40,278</u>
10. Impairment charge on financial assets		
Loans - collective impairment (Note 18(a))	21,336	15,152
Investment securities (debt)	1,885	-
Available-for-sale equity securities:		
- Charged during the year	26,485	9,971
- Transferred from equity (OCI)	13,371	2,739
	<u>63,077</u>	<u>27,862</u>

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

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

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

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

13. Taxation

Under the Headquarters Agreement between AFC and the Government of the Federal Republic of Nigeria signed in May 2007, AFC is exempt from tax on all its income arising from operations in Nigeria.

14. Earnings per share

Basic

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

	2017	2016
Profit attributable to equity holders of the Corporation from continuing operations (US\$'000)	100,548	110,851
Loss attributable to equity holders of the Corporation from discontinued operations (US\$'000)	(235)	(1,459)
Weighted average number of ordinary shares in issue ('000)	1,089,590	1,089,067

Basic earnings per share from continuing operations (expressed in US cents per share)	9.23	10.18
	<u> </u>	<u> </u>
Basic loss per share from discontinued operations (expressed in US cents per share)	(0.02)	(0.14)
	<u> </u>	<u> </u>

15. Cash and balances banks

	2017 US\$'000	2016 US\$'000
Cash in hand	31	13
Balances with commercial banks	29,175	51,565
	<u>29,206</u>	<u>51,578</u>

All cash and balances with commercial banks are current.

16. Loans and advances to banks

	2017 US\$'000	2016 US\$'000
Placements with banks	1,471,257	1,072,515
	<u> </u>	<u> </u>

All loans and advances to banks are current.

17. Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

2017	Assets	Liabilities	Notional
	US\$'000	US\$'000	US\$'000
Forward contracts	36	1,784	127,000
Cross currency swaps	1,294	8,660	178,590
Options contracts	126	-	5,580
Share warrants	4,240	-	-
	5,696	10,444	311,170
Current	224	1,784	
Non-current	5,472	8,660	
2016			
Interest rate swaps	741	-	10,000
Forward contracts	8,865	-	75,268
Cross currency swaps	-	7,730	149,912
	9,606	7,730	235,180
Current	9,606	7,730	
Non-current	-	-	

18. Loans and advances to other customers

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

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

	2017 US\$'000	2016 US\$'000
Opening	41,862	26,710
Charge for the year (Note 10)	21,336	15,152
	63,198	41,862

19. Financial assets at fair value through profit or loss

Designated at initial recognition

- Hybrid instruments (convertible debt) (a)	69,249	15,467
- Equity securities (b)	567,197	192,751
- Assets under management (debt securities) (c)	19,729	18,263
	656,175	226,481

Current	19,729	18,263
Non-current	636,446	208,218

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

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

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

Details of the nature and operations of equity investments and the summarised financial information for those entities, which, in the opinion of the directors, are material to the Corporation are shown below.

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

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

- (ii) Vigeo Power Limited: is incorporated in Nigeria and is a power distribution company in the south-west part of the host country Nigeria.
- (iii) Cenpower Generation company: is a power generating company in Ghana. Cenpower Operations Company, which was also incorporated in Ghana, was set up with the intention to provide services to the power generation company upon completion of the power plant. During the year, the Corporation disposed of its interest in the power generation entity to Anergi Holdings Limited.

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

- (iv) Ncondezi: a power development company with an integrated thermal coal power plant and mine project located on the Ncondezi licences in the Tete Province, Northern Mozambique.
- (v) Socoprim: Société concessionnaire du pont riviera-Marcory (Socoprim), a concessionaire company is responsible for the operation and management of the Henri Konan Bedie Bridge in Cote d'Ivoire. The Henri Konan Bedie Bridge consists of a 6.4km highway and 1.9km bridge with three lanes in each direction.

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

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

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

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

(viii) Anerg Holdings Limited: is a holding company, incorporated in Mauritius, owning equity interests in seven (7) generation assets with a total of 1,786MW (gross) and 554MW (net) generation capacity across five (5) African countries. Anerg also holds near-term investment rights from its founding shareholders, to invest or acquire interests in new projects under development with a further 500MW capacity. As of December 2017, Anerg owns long-term economic interests in a portfolio of assets diversified by geography and fuel type. The company was formed through the merger of the electricity generation assets of the Corporation and Harith General Partners. The Corporation transferred its interests in Cenpower Generation Company and Cabeolica S.A. (see Note 23) to the company in consideration for shares in the entity.

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

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

The Corporation acquired stakes in these companies with the intention to exit at a future date. As of 31 December 2017, the Corporation had no commitments to these entities nor did it have a contingent liability arising from its association with these investments. There are no restrictions on the ability of these entities to pay cash dividends and repay outstanding obligations to the Corporation.

- (c) Assets under management represent funds managed by a third-party investment company on a discretionary basis. The portfolio comprises of marketable debt securities with observable prices and is managed on a fair value basis.

20. Investment securities

	2017	2016
	US\$'000	US\$'000
At amortised cost (see note (a) below)	654,273	577,158
Available for sale (see note (b) below)	138,630	238,399
	<u>792,903</u>	<u>815,557</u>
Current	205,863	43,182
Non-current	587,040	772,375
(a) Financial assets at amortised cost (see note(i) below):		
- Corporate debt securities	341,187	444,016
- Sovereign debt securities	313,086	133,142
	<u>654,273</u>	<u>577,158</u>

- (i) Included in investment securities are debt securities which secure borrowings but were not derecognised in the consolidated financial statement. These are transactions in which the Corporation sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Corporation continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial liability for the obligation to repay the purchase price. The Corporation does not have the ability to use the transferred assets during the term of the arrangement. These transactions were conducted under terms that are usual and customary to standard lending and repurchase activities. Details are as below:

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

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

(b) Available for sale

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

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

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

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

21. Other assets

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

Other assets are neither past due nor impaired.

22. Property and equipment

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

23. Intangible assets

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

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

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

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

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

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

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

(i) Financial performance of discontinued operations

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

(ii) Details of loss on discontinued operation

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

25. Accrued expenses and other liabilities

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

All liabilities above are current.

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

26. Promissory note

A promissory note of US\$131.9 million was issued to Anergi Holdings Limited (AHL) as part of the consideration for the acquisition of a 50% stake in the entity (see note 18(b)(viii)). Interest is charged at 7% per annum after a moratorium period which expires at the end of 31 March 2018. The maturity date of the note is 31 December 2020.

27. Borrowings

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

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

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

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

- (ii) Other borrowings comprise of borrowings from commercial banks and other development financial institutions within Africa and Europe. These are floating rate liabilities and repricing of these borrowings are between 3 months and 6 months.
- (iii) Included in other borrowings is an amount of US\$159,762,000 (December 2016: US\$151,351,000) which has been secured using Corporate and Sovereign securities of US\$223,836,000 (December 2016: US\$200,090,620). See note 20(a)(i) for more details.
- (iv) The Corporation has not had any defaults of principal, interest and other covenant breaches with respect to its borrowings.
- (v) The maturity profile of borrowings are as follows:

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

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

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

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

28. Contingent liabilities and commitments

A) Legal proceedings

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

B) Equity commitments

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

C) Debt commitments

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

Commitments details as at 31 December 2017 are as follows:

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

(i) Debt commitments

	2017	2016
	US\$'000	US\$'000
Unfunded risk participation arrangements	20,979	25,000
Loan commitments	78,066	57,103
	<u>99,045</u>	<u>82,103</u>

29. Share capital

The total authorised number of ordinary shares is 2 billion units with a par value of US\$1.00 per share.

Issued and fully paid capital

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

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

Share Premium

	2017	2016
	US\$'000	US\$'000
Share premium account	3,765	-
	<u> </u>	<u> </u>

30. Retained earnings

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

31. Fair value reserves

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

32. Dividends

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

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

33. Cash and cash equivalents

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

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

34. Group entities and related party transactions

Group entities

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

Subsidiaries

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

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

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.

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

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint venture entities, significant shareholders and their companies as well as key management personnel.

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

a) Loans to related parties:

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

b) Interest income/(loss) earned:

	2017	2016
	US\$'000	US\$'000
Shareholders	22,897	52,895
Associate companies	8,188	4,065
Subsidiaries	(235)	(1,459)

51% of the loans made to related parties are secured. The remaining unsecured balance represents loans which are short term in nature. No specific provisions have been recognised in respect of any related party credit facility.

These loans were issued in the normal course of business, under commercial terms. The terms and conditions of loans to related parties are as follows:

	Average Tenor	Coupon/Rate	Rate Type
Loans and advances	1 month	6%	Fixed
Corporate debt securities	3 years	6.3% – 10.5%	Fixed/floating

c) Liability to related parties:

The Corporation issued promissory notes of USD131.9 million to its joint venture entity, Anergi Holdings Limited, as at year end.

d) Key management compensation

	2017	2016
	US\$'000	US\$'000
Salaries and other short-term benefits	3,682	3,678
Post-employment benefits	547	548

Key management staff refers to members of the Executive Management Committee, which are: (a) President and Chief Executive Officer, (b) Executive Director, Chief Operating Officer and General Counsel, (c) Executive Director and Chief Investment Officer, (d) Executive Director, Financial Services, (e) Director & Chief Financial Officer, and (f) Senior Vice President & Chief Risk Officer.

35. Events after the statement of financial position date

There were no events after the statement of financial position date which materially affect these financial statements.

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