AFRICAN EXPORT-IMPORT BANK
BANQUE AFRICAINE D'IMPORT-EXPORT
(AFREXIMBANK)

AFREXIMBANK

ANNUAL REPORT 2015

AFRICAN EXPORT-IMPORT BANK
BANQUE AFRICAINE D'IMPORT-EXPORT
(AFREXIMBANK)

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ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2015

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21 March, 2016

The Chairman
General Meeting of Shareholders
African Export-Import Bank
Cairo
Egypt

Dear Mr. Chairman,

In accordance with Article 35 of Afreximbank Charter, I have the honour, on behalf of the Board of Directors, to submit herewith the Report of the Bank's activities for the period 1 January, 2015 to 31 December, 2015, including its audited Financial Statements covering the same period.

The Report also contains a review of the international and African economic environments under which the Bank operated and highlights the trade developmental impact of some of the Bank's operations and activities during the period.

Mr. Chairman, please accept the assurances of my highest consideration.

Dr. Benedict ORAMAH
President and Chairman of the Board of Directors

VISION AND MISSION STATEMENTS

AFREXIMBANK ANNUAL REPORT 2015

Vision

To be The Trade Finance Bank for Africa

Mission

To stimulate a consistent expansion, diversification and development of African trade while operating as a first class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters.

BOARD OF DIRECTORS

Chairman	**Dr. Benedict ORAMAH**
Members of the Board	
Class "A"	**Dr. Louis Austin Kirangwa Kasekende** Director **Mr. Stefan Luis-François Nalletamby** Director **Mr. Gamal Mohamed Abdel-Aziz Negm** Director **Mrs. Anastasia Mabi Daniel-Nwaobia** Director
Class "B"	**Mrs. Caroline-Marie Abel** Director **Mr. John Panonetsa Mangundya** Director **Mr. Jean-Marie Benoît Mani** Director **Mr. Victor Jérôme Nembelessini-Silué** Director
Class "C"	**Mr. Anil Dua** Director **Ms. Xu Yan** Director
"Independent"	**Mr. Franklin Hugh Kennedy** Director **Mr. Ronald Sibongiseni Ntuli** Director
Executive Secretary	**Dr. George Elombi**

MANAGEMENT

Dr. Benedict ORAMAH
President

Denys Denya
Executive Vice President (Finance, Administration and Banking Services)

George Elombi
Executive Vice President (Corporate Governance & Legal Services/Executive Secretary)

Phillip Kamau
Senior Director (Finance)

Samuel Loum
Director (Credit)

Kanayo Awani
Director (Trade Finance and Branches)

Kofi Adomakoh
Director (Project and Export Development Finance)

Robert Tomusange
Director (Administrative Services)

Amr Kamel
Director (Operations)

Hippolyte Fofack
Chief Economist & Director (Research and Knowledge Management)

Stephen Kauma
Director (Human Resources)

Robert Ochola
Director (Strategy and Internatioinal Cooperation)

Elias Kagumya
Director (Risk Management)

EXTERNAL AUDITORS

1. **Ernst & Young**
2. **Deloitte & Touche**

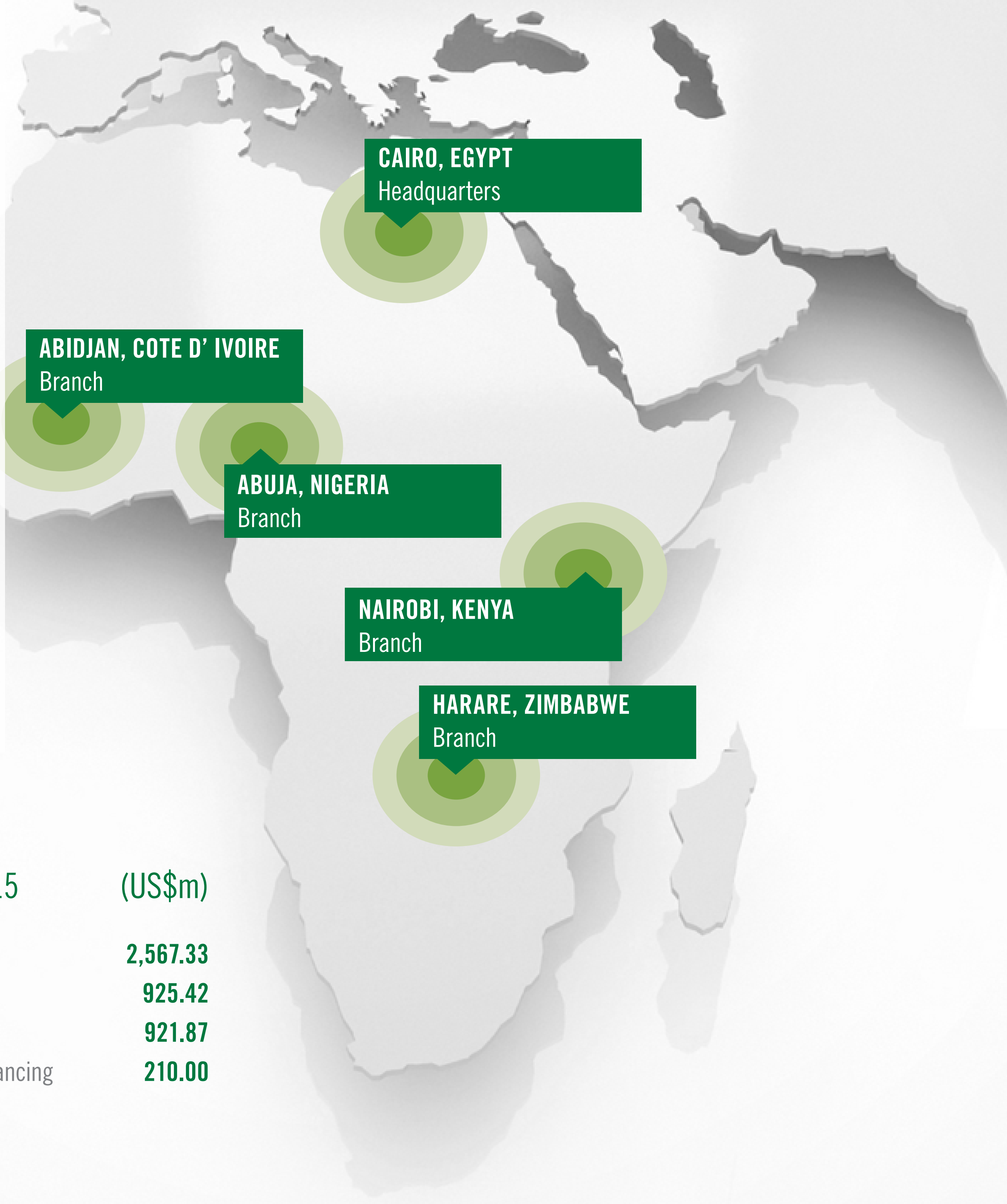
PERFORMANCE HIGHLIGHTS

40.5%
year-on-year rise in Gross Loans Outstanding to US$6.17 billion at the end of 2015.

37%
year-on-year increase in Total Assets to US$7.133 billion at the end of 2015.

19%
year-on-year increase in Net Income to US$125.32 million in 2015.

13%
year-on-year increase in Operating Income to US$231 million in 2015.



Loan Approvals during 2015	(US$m)
Line of Credit	2,567.33
Direct Financing	925.42
Syndications	921.87
Project & Export Development Financing	210.00

US$5.4
Leveraged US$5.4 for each US$1 committed by the Bank using its Syndications product (US$7 in 2015).

11.5%
Return on Average Equity (ROAE) in 2015.

41%
Growth in Loans and Advances in 2015

21%
Cost-income ratio in 2015 compared to industry average of about 50%.

KEY MACROECONOMIC INDICATORS

- The rate of real GDP growth for African economies, as a group, rose to 3.3% in 2015, from 3.1% in 2014.
- African countries recorded a trade deficit of about US$147 billion, whiles foreign reserves declined by about 13% at US$430 billion, in 2015.
- Total African Merchandise Trade declined by 3.04% year-on-year to US$1.15 trillion in 2015.
- Intra-African Merchandise Trade increased by 6.95% year-on-year to US$196.65 billion in 2015.

CHAPTER ONE

INTRODUCTION / EXECUTIVE SUMMARY

1. INTRODUCTION/EXECUTIVE SUMMARY

This "Report" reviews the global and African environments in which the African Export-Import Bank ("Afreximbank" or the "Bank") conducted its operations and undertook its activities in 2015 and then describes the actions that the Bank took, including mobilising additional capital, leveraging partnerships, and strengthening its risk management framework, to exploit emerging trade development and financing opportunities during the review period.

The Report has been prepared in line with the Bank's reporting requirements and corporate best practices that were in effect during the calendar year 2015.

In 2015, the Bank carried out its operations and activities within the framework of its 2015 Budget and Work Programme, which were formulated as instruments for the implementation of the Fourth Strategic Plan ("Project 3-5-3") covering the period 2012-16.

The Report has five chapters. Following this introductory summary, Chapter 2 surveys the global and African environments; Chapter 3 describes the Bank's operations and activities; and Chapter 4 illustrates how the set of operations financed by the Bank in 2015 affected trade and economic development prospects in the region. Chapter 5 concludes, with an overview of the implications of the challenging global environment for Africa's growth and development prospects.

1.1 DEVELOPMENTS IN THE BANK'S OPERATING ENVIRONMENT

In 2015, most advanced and emerging market economies remained in a stimulus mode, drawing on both fiscal and monetary policies to boost economic activities in an attempt to exit the lacklustre growth path that has characterised most industrialised economies since the 2008/09 financial crisis. Despite the tapering of the US quantitative easing programme by the Federal Reserve, US interest rates remained within the zero or lower band during most of the year. The US interest rate rise in the last quarter—the first rise in almost a decade—was followed by an announcement committing to a gradual increase, reflecting the challenges still facing the US economy, whose growth stagnated at around 2.5 percent in 2015. The Euro zone and Japan achieved an even lower growth performance, with real GDP growing by 1.5 percent and 0.6 percent, respectively.

Sustained episodes of weak growth in advanced economies, coupled with protracted fiscal and sovereign debt crises within the Euro zone, constrained the ability of these economies to pull along the rest of the world economy on the path to recovery.

Private economic activities have been slow to pick up in the advanced countries. As a result, the European Central Bank joined the US Federal Reserve and the Bank of Japan early in the first quarter of 2015 to implement its own quantitative easing programme to increase the liquidity of the banking system. The move was intended to facilitate access to credit by the private sector with a view to boosting the modest recovery. However, the recovery was increasingly threatened by deflationary pressures in the face of gradual growth deceleration in China, suggesting the potential for another global economic downturn.

The global context was also shaped by the synchronous slowdown in developing market economies, which have been the leading

drivers of global growth and merchandise trade in the post-financial crisis world. Even China—which emerged as the world's leading trading nation and enabled Africa to diversify the geographical direction of its trade—seems to have entered a phase of gradual growth deceleration. Despite the continuing implementation of loose monetary policy, China's economic growth decelerated in 2015 to 6.9 percent, down from 7.3 percent in 2014, representing its lowest performance over the last two decades.

The implementation of quantitative easing by the European Central Bank and the Bank of Japan, set against the expansionary monetary policy pursued by most developing market economies in the context of monetary policy tightening in the US, resulted in divergent monetary policy at the global level. This heightened global volatility and currency gyrations.

The US dollar appreciated markedly against most other major currencies including the Euro and the Yuan during the review period. African countries were not immune from the wide fluctuations in currency markets. Most notably, the Nigerian Naira and the South African Rand lost 10.3 percent and 34.4 percent of their values, respectively.

The collapse of prices in world markets for most commodities of export interest to Africa, coupled with falling global demand, dented growth prospects in the region. The overwhelming majority of African countries continued to rely heavily on exports of natural resources and primary commodities for foreign exchange. In a number of African countries, oil alone accounted for more than 90 percent of export revenues.

Africa's economic output grew at 3.3 percent in 2015, marginally up from the 3.1 percent achieved in 2014, but much less than the 4.5 percent that had been projected at the start of the year.

The sharp decline in commodity prices, coupled with falling global demand, contributed to a deceleration of global trade, which grew by 2.8 percent in 2015. In line with that weak growth performance, the contraction in African merchandise exports seen in 2014 accelerated in 2015; with 2015 exports declining by 6.5 percent, from US$533.76 billion in 2014 to an estimated US$499.09 billion. The decline was largely driven by dynamics in the world market for crude oil, which accounted for about half of Africa's GDP and more than 45 percent of its exports during the year.

A much smaller decline took place in African merchandise imports, which fell by just about 0.2 percent over the same period. The region's trade deficit widened to US$149.38 billion.

In addition to the challenging global environment, Africa's growth prospects were undermined by the persistence of terrorism-related activities which worsened perceptions of country risk and contributed to a fall in trade and investment activities in some countries. The tourism industry was particularly affected.

1.2 BANK ACTIVITIES AND ACHIEVEMENTS

Against this background of growth deceleration and contraction in Africa's merchandise exports, Afreximbank expanded its loan portfolio in 2015. Loan approvals rose by 29.46 percent from US$3.89 billion in 2014 to US$5.04 billion in 2015. As a consequence, outstanding loans rose at an impressive rate of 40.5 percent to US$6.16 billion in 2015 against US$4.38 billion in 2014.

Loan approvals in favour of financial institutions, through which the Bank indirectly lends to other economic sectors and corporations, amounted to US$3.43 billion, compared to US$1.7 billion in 2014, a more than 100 percent increase. Financial institutions represented 57.37 percent (US$3.53 billion) of the Bank's total loan portfolio in 2015.

Lending to corporate entities accounted for 42.63 percent (US$2.62 billion) of the Bank's total loan portfolio in 2015. Direct lending to corporates was dominated by lending to entities in the energy sector (power, oil, and gas)—the second largest funded sector by the Bank—with total approved loans of US$698.87 million in 2015, down 27.4 percent from US$962.6 million in 2014.

Loan approvals to entities in the agriculture sector amounted to US$280.94 million in 2015, down 41 percent from US$478.79 million in 2014.

During the review period, the Bank actively pursued its leveraging role through syndications and borrowing. The number of syndicated financing deals in which it was the mandated lead arranger (MLA) increased from seven in 2014 to ten in 2015, with total approvals amounting to US$815 million. Taking into account three transactions in which the Bank participated but was not the MLA, the total amount approved by the Bank is US$1 billion against US$5.4 billion committed by all co-lenders, resulting in a leverage ratio of 5.4. The Bank therefore successfully attracted US$5.4 from other financiers for each US dollar it committed in transactions during 2015.

The Bank continued to manage the foreign exchange risk arising from its financing operations by borrowing in the currency of lending and/or by entering into foreign-exchange derivative contracts with creditworthy counterparties where misalignments of assets and liabilities in currencies other than the functional currency were identified on the balance sheet. As at the end of 2015, outstanding forward foreign exchange contracts entered into by the Bank amounted to €110 million.

During the year, the Bank strengthened its risk management environment by ensuring effective implementation of its Risk Management Policies and Procedures (RMPP) in compliance with its risk appetite. Activities focused on building capabilities for strengthening risk identification, measurement, control, and monitoring, including by preparing for a comprehensive review and enhancement of the RMPP; implementing a robust risk management IT system; updating the business contingency and continuity plans; and enhancing the risk management and reporting framework.

The Bank made progress in ongoing efforts to increase the total number of shareholders. As far as Class A is concerned, two new countries (Chad and Guinea-Bissau) acceded to the Agreement for the Establishment of the Bank, bringing the total number of participating states to 38 countries. The number of shareholders rose during the year to 131, with six new members joining in Class B. These six new shareholders acquired 611 shares altogether while existing shareholders increased their stake to 29,784 shares, bringing the total number of additional shares to 30,395.

Progress was also made in resource mobilisation. At the end of 2015, the total number of shares subscribed stood at 76,243 units with a nominal value of US$762.43 million, up from 46,393 with a nominal value of US$463.93 million at the end of 2014. This large increase in the number of shares reflected the support shown by shareholders in the implementation of the General Capital Increase of US$500 million approved at the 4th Extraordinary General Meeting held in September 2014.

The review period was also marked by the transition of the leadership mantle from President Jean-Louis Ekra to President Benedict Okey Oramah. Dr. Oramah was sworn in as the third President of the Bank on September 21, 2015, following the Board's recommendation and ratification by the shareholders during the 21st Annual General Meeting held in Lusaka, Zambia, in June 2015. The smooth transition of leadership following President Oramah's investiture was another important milestone in the history of the Bank.

As in previous years, the Bank's operations and activities affected African trade and economic development through several channels. They provided access to trade finance, helped diversify exports, expanded aggregate output, and created jobs, in part through the promotion of local content in strategic sectors such as the extractive industry. They helped build private sector capacity in manufacturing to accelerate the process of value addition that is key for diversifying African trade and better integrating the region into the global economy, where trade is increasingly driven by manufactured goods. The Bank's operations also supported ongoing efforts to boost intra-African and Africa–South trade. In particular, Bank-financed projects in transport, telecommunications, and energy played a key role in supporting ongoing efforts to boost intra-African trade.

The increased level of support that the Bank provided to African financial institutions and corporate entities, as well as to its member countries during 2015, was a response to the difficult operating environment characterised by growth deceleration, shrinking trade, growing fiscal and trade deficits, and dwindling foreign reserves. The challenging environment provided an opportunity for the Bank—which was indeed created to sustain African trade during periods of global volatility and adverse terms of trade shocks—to, once again, rise to the occasion and enhance its relevance.

In particular, the Counter-Cyclical Trade Liquidity Facility, launched by the Bank in 2015 to assist member countries to deal with foreign currency shortages, further enhanced the Bank's relevance at a time when some major international financial institutions were either scaling down their support for trade or exiting the African trade-finance landscape altogether.

Despite the globally challenging environment, the Bank achieved exceptional financial performance in 2015. Performance exceeded the targets set by the Five-Year Strategic Plan and the Work Programme for the year. Perhaps in reflection of the effectiveness of the risk-mitigating measures it adopted in response to the increasingly challenging environment, the Bank saw its net income rise from US$105 million in 2014 to US$125.32 million in 2015—an increase of 19 percent.

This impressive performance was driven by the solid growth in the Bank's loan portfolio coupled with higher net interest income, which stood at US$198 million in 2015, up from US$173 million in 2014.

The Bank's profitability indices remained high by industry standards, with return on equity and return on assets at 11.47 percent and 2.03 percent, respectively, during the year. In line with the Bank's targets for efficient management of its lending and borrowing activities, the net interest margin remained high at 3.6 percent in 2015. The cost-to-income ratio increased slightly, from 20 percent in 2014 to 21 percent in 2015, reflecting effective cost control and higher operating efficiency than the industry average.

The total assets of the Bank increased by about 37 percent to US$7.13 billion in 2015, from US$5.19 billion in 2014. The asset growth was underpinned by a 41 percent expansion in gross loans and advances, reflecting an increase in the volume of operating loan facilities spread across different programmes and countries.

The Bank's net worth rose by about 38 percent to US$1.27 billion in 2015 from US$919 million in 2014, on the back of increased profitability and new equity raised amounting to US$237.6 million. The Bank's capital adequacy ratio closed the period at 26 percent, up from 21 percent in 2014. This significant improvement was in line with the Bank's Capital Management Policy targets.

1.3 LOOKING AHEAD

The Bank expects the growth of the global economy to remain weak over the near term, at a projected rate of 3.2 percent in 2016, about 0.4 percentage point below earlier projections.

This weak growth projection reflects the continued downside risk to the global economy in a context of the divergent monetary policies at the global level and the synchronous slowdown in emerging market economies—two trends that are fuelling turbulence in financial markets; low activity in developing economies on account of projected weaknesses; and rebalancing of economic activity in China.

Despite signs of a pickup in the US economy, the outlook also reflects expectations of weak activity in the advanced economies; a slowdown in activity in major oil-producing countries; and a depressing effect from the snail's-pace recovery in the Euro zone.

In Africa, economic activity is forecast to firm up with a projected growth rate of 4.0 percent in 2016, slightly up from the 3.3 percent achieved in 2015. This resilience in the projected growth of the region as a whole is largely due to expectations of stronger performance in low-income and fragile countries, which are expected to achieve growth of 6.5 percent in 2016, on the back of ongoing infrastructure investment and solid private consumption. African oil-exporting countries, which drove growth in the region during the commodity super-cycle, are projected to grow much more slowly as their governments continue to implement fiscal adjustments in response to the sharp and seemingly durable decline in oil prices.

The value of Africa's merchandise trade is forecast to recover slightly in 2016, aided by expected strong growth of merchandise imports. Merchandise exports, on the other hand, are expected to contract for the fourth consecutive year, on account of a continued slowdown of demand for commodities by Africa's major trading partners and particularly China, which is likely to continue rebalancing its economic activity

away from investment and manufacturing toward consumption and services. Other factors that are expected to weigh on Africa's merchandise exports include the slow speed of recovery expected in some European economies in the near term; a continued decline of commodity prices with adverse implications for investment and foreign exchange inflows; and weak production and exports in a number of commodity-exporting countries.

Intra-African trade provides a ray of hope. During 2015, it showed a strong resilience and helped African countries weather global shocks. It is projected to continue expanding in 2016, aided in part by the continued pursuit of free-trade areas particularly among the economies in the East African Community (EAC), the Southern African Development Community (SADC), and the Common Market for East and Southern Africa (COMESA).

Important steps were taken during 2015 to unify these three regional economic communities under the Tripartite Free Trade Area (TFTA) bringing together 26 Member States with a market size of over 625 million people and a combined GDP of around US$1.2 trillion. This move is likely to boost investment in the region, especially as global investors take advantage of economies of scale offered by the new framework.

Outlook for the Bank's performance

In line with the trends of recent years and the growth objectives set by its Senior Management, the Bank's operations and activities are expected to continue expanding in 2016 despite a challenging operating environment. Approvals are forecast to reach US$5.5 billion in 2016, from US$5.05 billion in 2015. Growth will be supported by the increase in equity funds that is expected from the General Capital Increase exercise; implementation of the new Intra-African Trade Strategy; implementation of a newly adopted organizational structure; and improved efficiency of operations through automation of key processes. The Bank's total assets are expected to grow to US$7.97 billion in 2016 from US$7.13 billion in 2015. Net income is forecast to increase by about 31 percent, from US$125 million in 2015 to US$164 million in 2016.

CHAPTER TWO

THE OPERATING ENVIRONMENT

2. THE OPERATING ENVIRONMENT

2.1 THE GLOBAL ECONOMIC ENVIRONMENT

2.1.1 Output Developments

Global economic activity remained subdued in 2015 after its slight pickup during 2014 from the relative stagnation in 2013. Growth in global output decelerated slightly from 3.43 percent in 2014 to 3.12 percent in 2015 (Table 2.1 and Figure 2.1) largely mirroring the growth decelerations that took place in emerging markets and developing economies, especially those in the Commonwealth of Independent States, Latin America and the Caribbean, and Developing Asia, whose rate of decline more than offset the modest recovery made by G7 countries, including the US, UK, and Germany.

Global economic performance was also influenced by the gradual slowdown in China and the rebalancing of economic activity away from investment and manufacturing toward consumption and services; lower commodity prices including energy prices; and the gradual tightening of US monetary policy.

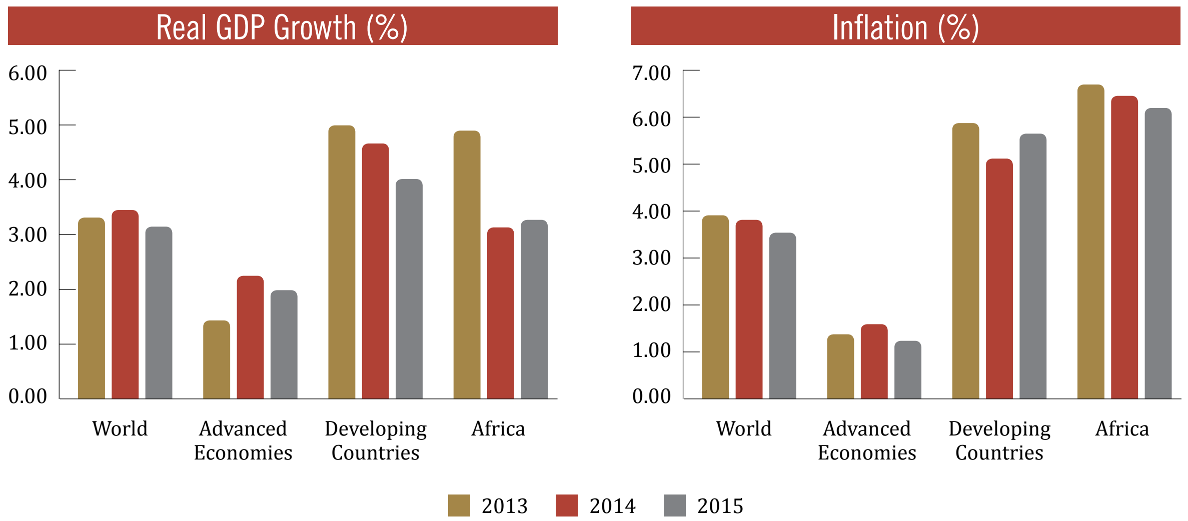
In line with global developments, developing economies saw their output growth decelerate for the third consecutive year, posting a GDP growth rate of 3.97 percent during 2015, down from 4.63 percent in 2014 and 4.98 percent in 2013. Notwithstanding these developments, Africa posted a moderate growth rate of 3.25 percent in 2015, up from 3.12 percent in 2014 (Table 2.1 and Figure 2.1).

2.1.2 Price Developments

During 2015, inflationary pressures continued to ease for the third consecutive year, owing to declining headline inflation driven by falling commodity prices. Though core inflation remained relatively stable, it was generally below most central banks' inflation objectives. Global inflation eased from the 3.80 percent recorded in 2014 to 3.53 percent during 2015 (Table 2.1 and Figure 2.1).

In emerging market economies and developing countries, lower commodity prices contributed to currency depreciation,

Figure 2.1 Global Output and Inflation, 2013 - 15



Sources: 1. IMF, World Economic Outlook, 2015 2. World Bank Global Economic Prospects, 2015 3. EIU Country Reports, various issues

Table 2.1 Developments in Global Output and Prices, 2013 - 15

	Exchange Rate (End of period)			Real GDP Growth (annual percent change)			Inflation Rate (annual percent change)			Interest Rate (3-month), % (end of period)		
	2013	2014	2015*	2013	2014	2015*	2013	2014	2015*	2013	2014	2015*
WORLD				3.28	3.43	3.12	3.88	3.80	3.53			
ADVANCED ECONOMIES a)				1.39	1.83	1.98	1.37	1.57	1.22			
US	1.00	1.00	1.00	1.49	2.43	2.57	1.46	1.61	0.09	0.17	0.12	0.23
UK	0.61	0.64	0.67	1.67	2.99	2.52	2.56	1.46	0.06	0.49	0.54	0.55
France	0.73	0.82	0.92	0.66	0.18	1.16	0.99	0.61	0.15	0.22	0.21	-0.02
Japan	101.60	121.00	121.58	1.59	-0.10	0.59	0.36	2.75	0.73	0.24	0.21	0.17
Italy	0.73	0.82	0.92	-1.70	-0.43	0.80	1.28	0.22	0.20	0.22	0.21	-0.02
Canada	1.07	1.16	1.37	2.00	2.44	1.04	0.95	1.90	0.997	1.16	1.17	0.82
Germany	0.73	0.82	0.92	0.41	1.58	1.51	1.60	0.79	0.162	0.22	0.21	-0.02
Memo Item												
EURO Area b)	0.73	0.82	0.92	-0.28	0.87	1.48	1.35	0.43	0.19	0.221	0.21	-0.007
G7 c)				1.14	1.83	1.98	1.33	1.52	0.24	0.39	0.38	
DEVELOPING COUNTRIES d)				**4.98**	**4.63**	**3.97**	**5.85**	**5.07**	**5.61**			
Africa				4.85	3.12	3.25	6.66	6.41	6.16			
Developing Asia e)				6.99	6.795	6.52	4.772	3.491	2.951			
Middle East				2.41	1.85	2.63	6.37	4.88	9.05			
Latin America and the Caribbean				2.93	1.31	-0.25	6.72	7.87	11.15			
Newly Industrialised Asian Countries				5.091	4.598	4.60	4.61	4.63	3.75			
Central & Eastern Europe				2.90	2.81	3.03	4.291	3.777	2.883			
Commonwealth of Independent States				2.16	0.97	-2.68	6.41	8.07	15.94			

* Estimates
a) Figures include the G7 and other industrial countries.
b) EURO Area countries are: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain
c) The G7 includes the US, the UK, Japan, Canada, Germany, France and Italy
d) Emerging Market and Developing Countries.
e) Asia other than the Newly Industrialized Economies (i.e. Hong Kong SAR, Korea, Singapore, and Taiwan Province of China).

Sources: 1) The Economist (various issues).
2) EIU Global Forecast Services, January 2016
3) EIU Country Risk Service: Main Report (various issues).
4) IMF World Economic Outlook Database (October, 2015).
5) OECD (2015)
6) Afreximbank Staff Estimates
7) Oanda, Currency Converter (2016)
8) World Development Indicators (2015)

thereby exerting upward pressure on domestic price levels.

Africa on average recorded a modest decline in price levels from 6.41 percent in 2014 to 6.16 percent during the review period (Table 2.1 and Figure 2.1), though the direction of price movements varied across countries. The depreciation of currencies in a number of African countries raised the price of imported goods and exerted upward pressure on prices. For instance, most oil exporters in the Central African Economic and Monetary Community—including Cameroon, Chad, Republic of Congo, Equatorial Guinea, and Gabon—whose currency, the CFA franc, is pegged to the euro,[1] saw their currency depreciate against the US dollar, causing inflationary pressures within the monetary zone.

In most oil-importing countries, by contrast, the global oil price slump provided support to real incomes. Cheaper fuel prices helped reduce inflationary tendencies in net oil-importing countries. In Kenya and South Africa, for instance, inflation rates moved back within their target ranges, providing space for banks to keep interest rates on hold.

2.1.3 Financial Markets

Global financial markets underwent phases of turbulence in 2015. The underlying factors included the rise in US interest rates, which made US investments more appealing; the relatively high levels of public debt; the slowdown in the growth rate of the Chinese economy; weaker global commodity prices; and the geopolitical environment.

Within that challenging context, monetary policy remained mostly divergent in 2015, though some central banks kept interest rates stable and within the zero or lower band in an attempt to stimulate growth.

The recent commitment by the US Federal Reserve to a gradual raising of interest rates is expected to affect global financial markets in the near future. Emerging economies, already facing a number of domestic structural imbalances, slower growth, and lower commodity prices, are likely to be the group most affected by the resultant reduction of global liquidity.

In international currency markets in 2015, the US Dollar continued to strengthen against the currencies of most advanced economies, on the back of anticipated increases in US interest rates and monetary easing within the Euro zone. The value of the Euro steadily declined against the US Dollar in the face of divergent monetary policies and persistent economic challenges within the Euro zone, including deflationary pressures and sluggish growth. The Canadian Dollar declined by 9 percent in 2015, and the Australian Dollar and New Zealand Dollar fell by 6.5 percent and 5 percent, respectively. Over the same period, the Japanese Yen declined by more than 16 percent, and the Swiss Franc lost around 12 percent of its value against the US Dollar.

International equity markets were generally weak in 2015, reflecting low returns on equity, as investors grappled with concerns over the slowing of the Chinese economy and the potential effects of a renormalization of monetary policy in the US. The S&P 500, the equity index of the largest 500 US companies, recorded a meagre return of 1.4 percent. Japan—which doubled down on quantitative easing—posted gains of 9 percent in 2015, achieving one of the best returns globally as measured by the MSCI Japan Index. The MSCI Europe Index declined by 3 percent in 2015 when priced in US dollars. Elsewhere, global stocks were mostly negative, with the MSCI EAFE Index[2] falling by 0.8 percent and the MSCI Emerging Markets Index by 15 percent.

1 The CFA Franc is the common currency of 15 countries. In West Africa, members of the Franc Zone are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Sénégal, and Togo. In Central Africa, members are Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon. The Islamic Republic of the Comoros in East Africa is the 15th member of the CFA Franc zone.

2.1.4 Financing Conditions

International financing conditions in 2015 remained largely accommodative as markets expected interest rates to remain low. External imbalances, in particular in emerging market economies, deteriorated on the back of worsening revenues due to low commodity prices.

Global foreign direct investment (FDI) continued to be an important source of external development finance for developing and transition economies, accounting for an estimated 40 percent of inflows to these economies in 2015. Global FDI inflows grew by 14 percent to US$1.4 trillion, up from US$1.23 trillion in 2014. A ranking of top destinations for greenfield investment (measured by estimated capital expenditure) in the first half of 2015 showed India emerging as the most favoured destination for FDI in 2015, outpacing China and the US.

Asset flows into credit-focused mutual funds and exchange-traded funds continued in 2015 with the US being the largest owner of corporate and foreign bonds. The continued flow of resources into mutual funds improved liquidity in credit markets. Outflows were most pronounced from the US high-yield corporate bond market but they were smaller from the European market. As such, the share of credit instruments held in mutual-fund

2 The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the USA and Canada. It is maintained by MSCI Barra, a provider of investment decision support tools; the EAFE acronym stands for Europe, Australia, and Far East.

portfolios increased significantly, to more than twice its value in 2007. It is expected to have accounted for about 27 percent of global high-yield debt.

2.1.5 Developments in Trade and Trading Environment

Growth in global merchandise trade increased slightly from 2.5 percent in 2014 to 2.8 percent in 2015, mainly driven by the strong export and import performance of North America, at 4.4 percent and 6.4 percent, respectively. Trade growth also improved in Europe, where exports and imports grew at 2.8 percent and 3.2 percent, respectively, as the Euro zone economies showed signs of recovery.

Trade growth in Asia slowed down from 4.7 percent and 3.4 percent to 3.1 percent and 2.6 percent for exports and imports, respectively, in 2015. Asian intra-regional trade declined as a result of the slowdown in the Chinese economy. According to the World Trade Organisation (WTO), the reduction in China's merchandise imports is linked to the country's ongoing transition from investment- to consumption-led growth. In 2015, China recorded large year-on-year drops in its imports of machinery and metals (iron and steel, copper) but strong increases in imports of agricultural products.

In Brazil and other emerging market economies, growth in trade slowed in 2015 on the back of falling oil and other primary commodity prices, as well as increased exchange rate volatility. Brazil was hit simultaneously by a fiscal crisis, falling export prices, and other domestic challenges, whose effect was to push the overall trade figures for South and Central America down in 2015.

In 2015, the WTO continued to urge its members to minimise protectionist measures to ease conditions for market access, avoid policies that distort competition, and agree on reforms to global trade rules. More countries joined the WTO, with Seychelles becoming the 161st member after ratifying the membership agreement. The WTO's role is becoming more pronounced, with the members of the organization now accounting for 98 percent of global trade, compared with 91 percent in 1995.

As part of the implementation of the Bali Agreement, the WTO Trade Facilitation Agreement (TFA) was adopted in 2015. Hong Kong, China became the first member to formally ratify the Agreement and deposit its instruments of acceptance. To support the implementation of the TFA, a Trade Facilitation Agreement Facility was set up to help developing and least-developed members in securing assistance and support.

2.2 THE AFRICAN ECONOMIC ENVIRONMENT

2.2.1 Output and Prices

African economies remained somewhat resilient in 2015 despite the challenging global environment. The difficulties posed by falling global demand and counter-shock in commodity markets—with plunging prices for commodities of export interest to Africa, necessitating fiscal adjustments—were compounded by difficult domestic conditions such as heightened terrorist activities in some countries and the prolonged effects of the Ebola outbreak in West Africa, which weighed on activities in many countries across the continent.

Aggregate output in Africa expanded at a moderate rate, with average GDP rising slightly to 3.3 percent in 2015 from 3.1 percent in 2014 (Table 2.1). GDP growth rates for individual African countries are reported in Table 2.2.

African economies achieved their modest expansion as they began to adjust to the low commodity prices, which may be setting in for a relatively long period. In response to the highly volatile and uncertain global environment, African governments are adopting policies and strategies aimed at redirecting their growth base towards investments in large-scale projects in energy, telecommunications, transport, construction, and tourism infrastructure, and at diversifying away from primary commodities. At the same time, growing household consumption, led by the expanding middle class, has stimulated domestic demand and output growth.

While the growth performance in 2015 was a slight improvement over last year's, it remained weaker than expected and much lower than the 4.9 percent that Africa achieved in 2013.

The weak performance of African economies is partly the consequence of the end of the commodity price "super-cycle" as reflected in tumbling commodity prices, (particularly oil prices); difficult socio-political and increasingly less accommodative financing conditions; the protracted fiscal and sovereign debt crisis weighing on European economies; and the weak pick-up in activities in other advanced economies.

Oil-exporting countries in Africa saw their growth decelerate for the second consecutive year, declining from 2.8 percent in 2014 to 2.3 percent in 2015 (Figure 2.2). Global oil prices continued to dip, as a result of subdued demand, largely driven by sustained

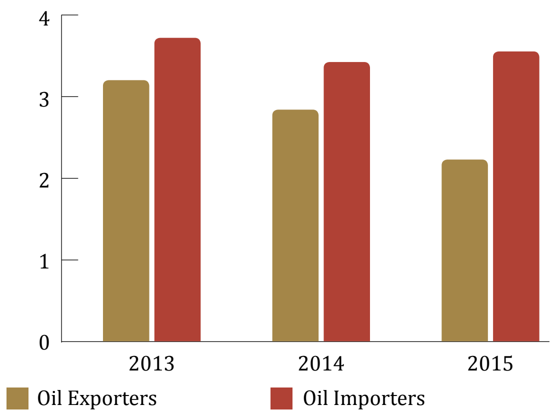
Table 2.2 Africa: Real GDP Growth, 2013 - 15 *(%)*

Country Name	2013	2014	2015*
Algeria	2.80	3.80	3.01
Angola	6.80	4.80	3.49
Benin	5.65	5.40	5.48
Botswana	9.32	4.42	2.59
Burkina Faso	6.62	4.02	4.98
Burundi	4.47	4.74	-7.17
Cameroon	5.58	5.66	5.35
Cape Verde	1.04	1.84	3.46
Central African Republic	-36.05	1.01	3.30
Chad	5.69	6.89	6.92
Comoros	3.52	1.95	1.03
Congo, Dem. Rep. of	8.48	9.17	8.44
Congo, Rep. of	3.32	6.85	0.99
Cote d'Ivoire	8.70	7.92	8.23
Djibouti	5.00	6.00	6.50
Egypt	2.10	2.16	4.19
Equatorial Guinea	-6.51	-0.30	-10.24
Eritrea	1.33	1.70	0.25
Ethiopia	9.82	10.35	8.67
Gabon	5.64	4.32	3.53
Gambia	4.79	-0.22	4.68
Ghana	7.31	3.99	3.49
Guinea	2.31	1.06	0.00
Guinea-Bissau	0.82	2.54	4.70
Kenya	5.69	5.33	6.50
Lesotho	3.58	3.45	2.61
Liberia	8.66	0.69	0.87
Libya	-13.55	-24.03	-6.09
Madagascar	2.26	3.32	3.40
Malawi	5.20	5.70	3.98
Mali	1.69	7.22	4.97
Mauritania	5.47	6.88	4.13
Mauritius	3.19	3.62	3.16
Morocco	4.73	2.42	4.87
Mozambique	7.44	7.37	7.00
Namibia	5.12	4.46	4.78
Niger	4.58	6.90	4.29
Nigeria	5.39	6.31	3.96
Rwanda	4.71	6.94	6.47
Sao Tome and Principe	4.00	4.50	5.00
Senegal	3.62	4.72	5.11
Seychelles	6.05	3.32	3.50
Sierra Leone	20.10	7.06	-23.92
Somalia	n/a	n/a	n/a
South Africa	2.21	1.53	1.40
South Sudan	29.33	2.92	-5.33
Sudan	3.93	3.57	3.50
Swaziland	2.95	2.45	1.91
Tanzania	7.26	6.97	6.87
Togo	5.40	5.00	5.40
Tunisia	2.26	2.30	1.00
Uganda	3.89	4.78	5.20
Zambia	6.69	5.63	4.28
Zimbabwe	4.48	3.25	1.42

* Estimates n/a: not available.

Sources: 1) IMF (2015) *World Economic Outlook* Database (October)
2) EIU: Various Country reports (2015-2016)

Figure 2.2 Average GDP Growth of African Net Oil Exporters and Importers, 2013 - 15 *(%)*



Source: Derived from Table 2.2

slowdown of the Chinese economy, coupled with a global glut in supply, led by high production in the OPEC countries, the US, and Canada. African oil exporters' falling export receipts depressed their foreign reserve holdings and ultimately led to sharp fiscal adjustments in a number of these countries, particularly the largest oil producers Nigeria and Angola. The difficulties for African oil exporters were compounded by lingering socio-political unrest in parts of North Africa, particularly Libya, Sudan, and South Sudan, that disrupted oil production and overall economic activity in the region.

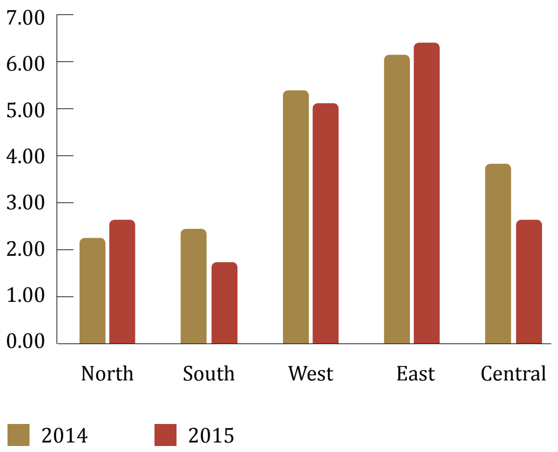
The rate of GDP growth in **oil-importing countries** rose (albeit modestly) to 3.6 percent in 2015 compared to 3.4 percent in 2014 (Figure 2.2). The pick-up in growth was largely driven by a dynamic services sector led by telecommunications; banking; a growing construction industry; investment in consumer spending; tourism-related infrastructure; and agro-industry. Growth was also supported by expansion of road and market networks in many countries across the region. It is pertinent to note that the declining oil prices benefited oil-importing countries, especially highly energy-intensive economies, by easing their oil-import bills.

2.2.1.1 Regional Variations

North and Eastern Africa are the only two regions that registered output expansion in 2015. Growth decelerated in other regions, with Southern Africa posting the lowest of the regional growth rates. Similarly, the average rate of inflation in North and Eastern Africa increased while those of Southern and Central Africa declined. Inflation remained unchanged in West Africa during the year.

North Africa's rate of GDP growth accelerated slightly, from 2.2 percent in 2014 to 2.6 percent in 2015 (Figure 2.3). This slight rebound was largely driven by investments in trade-supporting infrastructure, particularly roads, ports, and energy, but also by strong activity in construction and manufacturing in

Figure 2.3 Africa: Output by Region, 2014 - 15 *(%)*



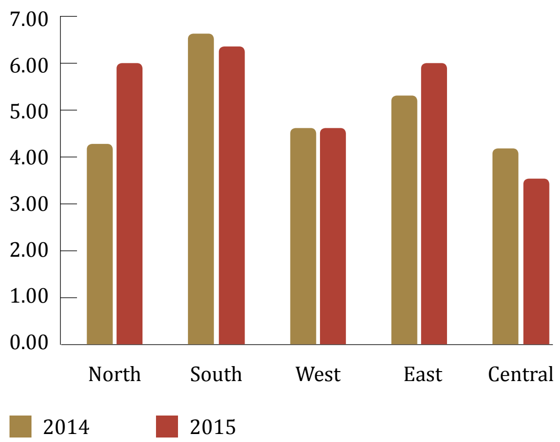
Sources: 1. IMF (2016), World Economic Outlook
2. EIU: Various Reports

Egypt, and by increased tourist arrivals and FDI as political stability improved business confidence in that country. In Morocco, a pick-up in agricultural production, high private consumption, and firm inflows of FDI boosted economic activity and positively affected aggregate output in the region as a whole.

Inflationary pressures increased in North Africa, with the average rate of inflation rising to 5.9 percent in 2015 from 4.3 percent in 2014 as economic activity gathered momentum and currency depreciation pushed up import costs, particularly in Algeria and Egypt. Reductions in subsidies and rising domestic demand raised price levels in a number of countries in the region (Figure 2.4).

Economies in **Southern Africa** lost steam, with the rate of GDP growth declining to 1.7 percent in 2015 from 2.4 percent in 2014 (Figure 2.3). The South African economy, the largest in the region, continued to struggle, choked by recurrent power shortages and their depressing effects on the manufacturing sector; dwindling demand for the country's major export minerals due to weaknesses in the Chinese economy; the counter-shock in commodity markets; and frequent strikes

Figure 2.4 Africa: Inflation by Region, 2014 - 15 *(%)*



Sources: 1. IMF (2016), World Economic Outlook
2. EIU: Various Reports

which paralysed mining activities—raising perceptions of country risk and policy uncertainty and undermining private investment. Poor performance of other economies in the region, notably Botswana, Lesotho, Swaziland, and Zimbabwe, caused by weaknesses in the commodity market, also dented overall output in the region.

Southern Africa's average rate of inflation improved, receding to 6.3 percent in 2015 from 6.6 percent in 2014, as a result of low oil prices and falling global demand. There were some variations across countries: while Zimbabwe faced deflationary pressures, a number of other countries, most notably Angola and Malawi, faced double-digit inflation of 10.3 percent and 20.1 percent, respectively (Figure 2.4).

Economies in **Western Africa** saw the rate of growth of their GDP decelerate, from 5.4 percent in 2014 to 5.1 percent in 2015 (Figure 2.3). Plummeting oil prices reduced oil revenues in Nigeria, the region's largest economy, drying up foreign exchange reserves, weakening the Naira, and necessitating drastic fiscal adjustments that dented the country's output. Nigeria's GDP growth rate fell to 3.96 percent, the lowest it has been in the last few years.

Table 2.3 Africa: Inflation, 2013 - 15 *(%)*

Africa	2013	2014	2015*
Algeria	3.26	2.92	4.20
Angola	8.78	7.30	10.27
Benin	0.97	-1.08	0.51
Botswana	5.78	3.93	4.02
Burkina Faso	0.53	-0.26	0.74
Burundi	7.94	4.42	7.42
Cameroon	2.05	1.85	2.00
Cape Verde	1.51	-0.24	1.03
Central African Republic	6.55	11.58	5.66
Chad	0.22	1.68	4.34
Comoros	1.57	1.35	2.00
Congo, Dem. Rep. of	0.81	1.00	1.05
Congo, Rep. of	4.63	0.91	0.95
Cote d'Ivoire	2.58	0.45	1.57
Djibouti	2.40	2.94	3.00
Egypt	6.91	10.10	11.00
Equatorial Guinea	3.18	4.30	3.45
Eritrea	12.26	12.26	12.26
Ethiopia	8.07	7.38	9.98
Gabon	0.48	4.51	0.65
Gambia	5.22	6.25	6.48
Ghana	11.67	15.49	15.31
Guinea	11.89	9.71	9.02
Guinea-Bissau	0.78	-1.03	1.25
Kenya	5.72	6.88	6.33
Lesotho	5.03	3.85	3.89
Liberia	7.58	9.86	7.95
Libya	2.59	2.80	8.00
Madagascar	5.83	6.08	7.62
Malawi	28.28	23.78	20.06
Mali	-0.60	0.89	2.43
Mauritania	4.13	3.52	3.58
Mauritius	3.55	3.22	1.96
Morocco	1.88	0.44	1.50
Mozambique	4.21	2.29	4.00
Namibia	5.60	5.35	4.75
Niger	2.29	-0.94	1.35
Nigeria	8.48	8.06	9.08
Rwanda	4.22	1.78	2.06
Sao Tome and Principe	8.11	6.99	5.79
Senegal	0.71	-1.08	0.60
Seychelles	4.34	1.39	4.31
Sierra Leone	9.80	8.29	10.21
Somalia	n/a	n/a	n/a
South Africa	5.75	6.07	4.81
South Sudan	n/a	n/a	n/a
Sudan	36.52	36.91	17.50
Swaziland	5.62	5.68	5.24
Tanzania	7.87	6.13	5.64
Togo	1.76	0.19	1.90
Tunisia	5.81	4.92	4.95
Uganda	4.78	4.61	5.69
Zambia	6.98	7.81	7.33
Zimbabwe	1.63	-0.21	-1.61

* Estimates n/a: not available.

Sources: 1) IMF (2015) *World Economic Outlook* Database (October)
2) EIU: Various Country reports

Other major economies in the region also decelerated. Ghana, in particular, suffered macroeconomic challenges from the commodity price slump, while Mali suffered socio-political difficulties and Guinea, Liberia, and Sierra-Leone still suffered the lingering effects of the Ebola outbreak.

On the whole, however, Western Africa's growth remained robust. Economic activity was strong in Côte d'Ivoire, where socio-political stability improved investors' confidence and large-scale infrastructure projects were undertaken in roads, ports, airports, and telecommunications, and benefited from the dynamic local banking sector.

The average rate of inflation in Western Africa remained stable at 5.6 percent in 2014 and 2015 (Figure 2.4). This reflected the low commodity prices—especially fuel prices—which reduced energy costs across all sectors; and, in the WAEMU bloc, the limiting effect of the peg of the CFA Franc to the Euro. However, a number of countries, most notably in the non-CFA group, faced a spike in price levels with Sierra Leone and Ghana posting double-digit inflation rates.

Eastern Africa posted the strongest growth of all regions. Its growth rate accelerated slightly, from 6.1 percent in 2014 to 6.4 percent in 2015 (Figure 2.3), partly as a result of robust public and private investments in transport infrastructure; sturdy household consumption; and continued implementation of programmes and policies to deepen economic integration within the East African Community (EAC).

The region's growth was also buoyed by strong activity in Kenya, on the back of a vibrant services sector led by banking, telecommunications, and retail industries; in Tanzania, helped by large investments in the extractive sector (particularly gas), coupled with continued efforts by the government to expand manufacturing; and in Uganda, helped by strong private consumption, high government spending, and a buoyant financial services industry.

The average rate of inflation in Eastern Africa rose to 5.9 percent in 2015, from 5.3 percent in 2014, as economic activities firmed up, driven by high government spending and rising food prices. In Kenya, the upward inflationary pressure was mostly due to food prices driven up by the "El Niño" weather phenomenon, which brought heavy rains and created challenges in the transport and agriculture sectors (Figure 2.4).

Central Africa achieved one of the lowest growth rates of all regions. Its growth slowed from 3.8 percent in 2014 to 2.6 percent in 2015—the lowest rate in a decade (Figure 2.3). Factors driving the decline included plunging oil prices, in a region where most of the countries located around the Gulf of Guinea largely depend on oil for export and fiscal revenues. In particular, the counter-shock in commodity markets and falling oil prices had drastic effects on output in Equatorial Guinea and the Republic of Congo. Socio-political challenges in the Central African Republic and recurrent terrorist activities in the Northern part of Cameroon, coupled with frequent clashes led by rebels in the Goma and Katanga regions of the Democratic Republic of Congo, also undermined growth prospects, raised risk perceptions, and reduced business confidence in the region.

The average rate of inflation in Central Africa declined to 3.4 percent in 2015, from 4.1 percent in 2014, consistent with weak economic activity, falling oil prices and as a result of the peg of the CFA Franc to the Euro (Figure 2.4).

The poor growth performance suggests that the improved macroeconomic stability associated with the currency peg to the Euro did not yield any growth dividend in this region.

2.2.2 External Reserves and Exchange Rate Developments

The sustained decline in commodity prices and the consequent reduction in export revenues put considerable pressures on African countries' foreign reserve holdings, which contracted for the second consecutive year: the year-on-year decline was of 13.1

Table 2.4 Reserve Position of African Countries, 2013 - 15
(in US$ Billions unless otherwise indicated)

	Total Reserves (Excl. Gold)			Growth Rate (%)		Months of Imports Covered by Reserves		
Country Name	2013	2014	2015*	2013 / 2014	2014/2015	2013	2014	2015*
Algeria	195.01	179.90	155.70	-7.75	-13.45	42.62	36.83	35.78
Angola	32.78	28.13	18.46	-14.19	-34.38	16.81	12.72	9.91
Benin	0.69	0.73	0.71	4.48	-2.90	2.84	2.42	3.25
Botswana	7.73	8.32	7.99	7.72	-4.00	12.47	12.75	13.08
Burkina Faso	0.63	0.30	0.36	-52.73	22.18	1.73	1.00	1.75
Burundi	0.33	0.32	0.32	-3.71	-0.01	5.46	5.64	4.10
Cameroon	3.47	3.17	2.51	-8.75	-20.78	5.50	5.03	4.84
Cape Verde	0.48	0.51	0.43	7.49	-15.06	7.85	7.98	6.79
Central African Republic	0.19	0.26	0.22	34.03	-14.24	17.91	10.11	7.30
Chad	1.18	1.08	1.11	-9.06	3.26	12.25	9.78	4.07
Comoros	0.17	0.17	0.15	-1.68	-14.66	18.06	10.30	9.77
Congo, Democratic Rep. Of	1.68	1.56	1.44	-7.24	-7.32	2.41	5.58	1.66
Congo, Rep. of	5.25	4.93	4.41	-6.08	-10.54	9.06	9.03	14.95
Cote d'Ivoire	4.24	4.48	4.88	5.56	9.01	4.08	4.81	6.79
Djibouti	0.42	0.39	0.37	-7.49	-5.13	1.76	1.54	4.69
Egypt	13.74	12.12	17.05	-11.80	40.69	2.47	2.04	1.59
Equatorial Guinea	4.57	2.91	1.90	-36.34	-34.53	17.83	13.47	12.75
Eritrea	0.19	0.21	0.25	12.04	18.49	5.33	8.13	2.83
Ethiopia	2.46	2.86	3.59	16.09	25.62	1.98	1.56	3.21
Gabon	3.00	2.48	1.83	-17.48	-26.37	9.10	7.12	6.22
Gambia	0.21	0.16	0.08	-24.33	-47.91	7.21	4.94	2.81
Ghana	5.26	4.24	5.62	-19.50	32.54	4.94	3.35	5.01
Guinea	0.17	0.29	0.30	68.22	3.28	0.87	1.40	1.85
Guinea-Bissau	0.19	0.29	0.36	54.07	25.67	7.10	8.56	21.71
Kenya	6.60	7.91	7.36	19.89	-7.01	4.83	4.79	5.45
Lesotho	1.06	1.07	0.98	1.48	-8.39	6.89	8.13	7.33
Liberia	0.49	0.48	0.48	-3.43	0.00	0.44	0.49	2.44
Libya	115.40	89.28	61.63	-22.63	-30.97	56.96	62.67	50.84
Madagascar	0.78	0.77	0.96	-0.30	24.45	3.45	2.77	4.29
Malawi	0.41	0.60	0.74	45.73	23.21	1.75	2.59	5.83
Mali	1.31	0.86	0.81	-34.07	-6.49	5.23	3.25	3.22
Mauritania	0.94	0.62	0.54	-34.40	-12.19	2.83	2.03	2.39
Mauritius	3.35	3.63	3.73	8.38	2.88	7.44	7.76	9.42
Morocco	18.44	19.59	21.35	6.23	8.98	4.90	5.09	7.01
Mozambique	3.15	3.02	2.53	-4.22	-16.26	3.75	4.14	4.44
Namibia	1.51	1.21	1.14	-20.02	-6.09	2.39	1.70	2.01
Niger	1.17	1.28	1.28	9.84	0.04	8.17	7.15	7.52
Nigeria	45.46	36.70	28.76	-19.27	-21.64	12.23	9.47	7.00
Rwanda	1.07	0.93	1.03	-12.78	10.10	6.46	5.73	5.95
Sao Tome and Principe	0.06	0.06	0.06	-0.61	0.90	5.04	4.48	5.66
Senegal	2.25	2.04	2.10	-9.54	2.99	4.06	3.73	5.16
Seychelles	0.43	0.47	0.55	9.18	18.28	6.21	7.99	7.07
Sierra Leone	0.53	0.60	0.60	12.82	0.00	3.58	3.51	7.63
Somalia	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
South Africa	45.08	44.47	44.28	-1.35	-0.43	5.23	5.34	6.06
South Sudan	0.19	0.18	0.17	-5.96	-6.32	1.42	0.69	0.00
Sudan	0.19	0.18	0.17	-5.96	-5.21	0.29	0.30	0.25
Swaziland	0.76	0.69	0.57	-9.41	-17.19	5.22	4.94	4.54
Tanzania	4.67	4.39	4.02	-6.08	-8.40	4.48	4.15	4.62
Togo	0.51	0.51	0.49	-0.02	-2.56	3.04	3.07	2.25
Tunisia	7.30	7.25	7.23	-0.73	-0.29	3.61	3.50	4.34
Uganda	3.34	3.32	3.68	-0.63	11.00	6.88	6.55	0.13
Zambia	2.68	3.08	2.72	14.70	-11.77	3.17	3.87	0.07
Zimbabwe	0.47	0.36	0.46	-23.42	25.77	0.74	0.68	1.06
Total	**553.66**	**495.33**	**430.45**	**-10.54**	**-13.10**	**398.33**	**366.64**	**360.67**
Average	**10.45**	**9.35**	**15.94**	**-10.54**	**70.58**	**7.52**	**6.92**	**6.81**

* Estimates n.a not available

Sources: 1) ITC, TRADE MAP 2015
2) IMF, IFS 2015
3) EIU Country Reports, various issues

percent, from US$495.33 billion in 2014 to $430.45 billion in 2015 (Table 2.4). To the extent that oil exporters account for more than 45 percent of Africa's total export revenues, the decline in the reserves of these countries had significant adverse impacts on the continent's overall reserve holdings.

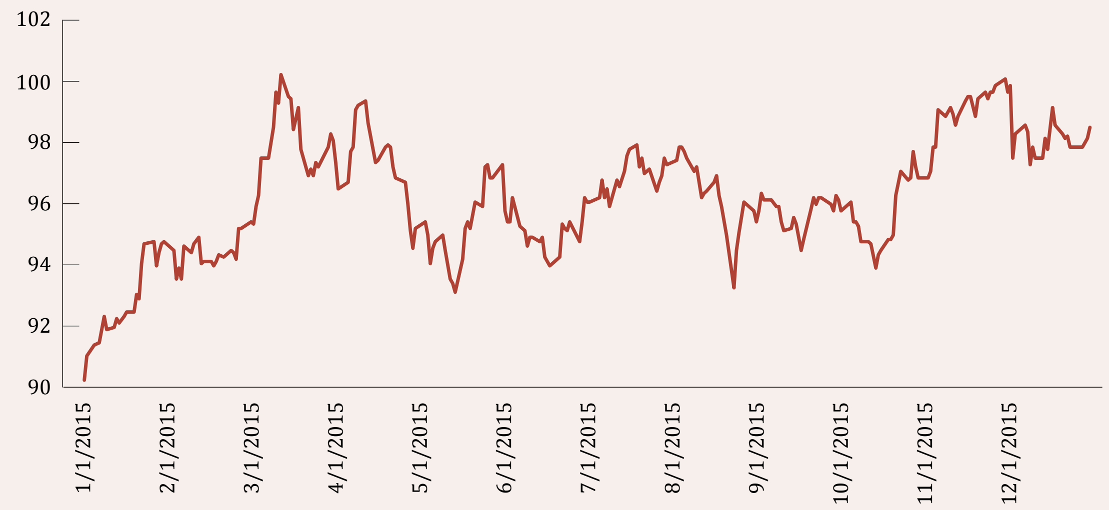
The decline in reserves was exacerbated by capital outflows triggered by local currency depreciation coupled with rising interest rates in the US. At the same time, persistent socio-political challenges in parts of Africa, notably Tunisia, Libya, Sudan, South Sudan, the Central African Republic, and Mali increased uncertainty, heightened risk perceptions, and drove many international investors to exit. The increased anxiety created by the tumultuous environment in these countries also undermined tourist receipts and FDI inflows, adversely affecting the overall level of foreign reserves in the continent.

Box 2.1 Implications of the US Dollar Appreciation in 2015

A major feature of the world economy in 2015 was the appreciation of the US Dollar against most other currencies, at the fastest rate in more than four decades.

Figure B.2.1.1 shows the trend of the US Dollar index against a basket of currencies of major developed and developing countries during 2015. The index value rose by 9.3 percent from 90.2 index points on 1 January, 2015 to 98.63 index points on 31 December, 2015. This rising trend persisted throughout the year against most currencies, including the Euro (+10.3 percent), the British Pound (+5.2 percent), and the Chinese Yuan (+4.6 percent). The few exceptions included the Japanese Yen and the Swiss Franc, which remained relatively stable against the US Dollar in 2015. The appreciation of the US Dollar also put pressure on currencies of developing countries although it did not trigger a large-scale currency crisis. For instance, the Brazilian Real lost about 50 percent of its value while the Turkish Lira depreciated by 25 percent during the year.

Figure B.2.1.1 US Dollar Currency Index - Daily, Jan 01-Dec 31, 2015



Source: Reuters Eikon 2016

Major African currencies recorded significant losses against the US Dollar during the year. The Nigerian Naira and Egyptian Pound depreciated by more than 10 percent, and the South African Rand and the Angolan Kwanza lost 35 percent and 31 percent of their values, respectively (Table B.2.1.1). The Mozambican Metical recorded the sharpest depreciation, of about 42 percent. In total, 14 African currencies depreciated by more than 15 percent against the US Dollar. Only six African currencies appreciated vis-à-vis the US Dollar (the Djiboutian *franc*, Gambian *dalasi*, Liberian *dollar*, Seychellois *rupee*, Sierra Leonean *leone*, and the Somalian *shilling*) while two remained stable (Eritrea *nakfa*, and Zimbabwean *dollar*).

Table B.2.1 Appreciation of the US dollar against selected African currencies, 2014 - 2015 (%)

Country – Currency	2014	2015
South Africa – Rand	10.2	34.3
Nigeria – Naira	13.6	10.3
Angola – Kwanza	5.8	30.7
Algeria – Dinar	12.9	21.8
Egypt – Pound	3.1	9.5
Ghana – Cedi	34.9	19.4
Kenya – Shilling	4.8	12.8
Franc CFA	9.2	11.3

Source: Afreximbank staff calculations based on historical data collected from Oanda website

The appreciation of the US Dollar in 2015 was driven by (i) speculation over the US Federal quantitative easing (QE) programme on the back of the US economic recovery, (ii) divergence in monetary policy among major central banks, and (iii) the challenging global economic environment.

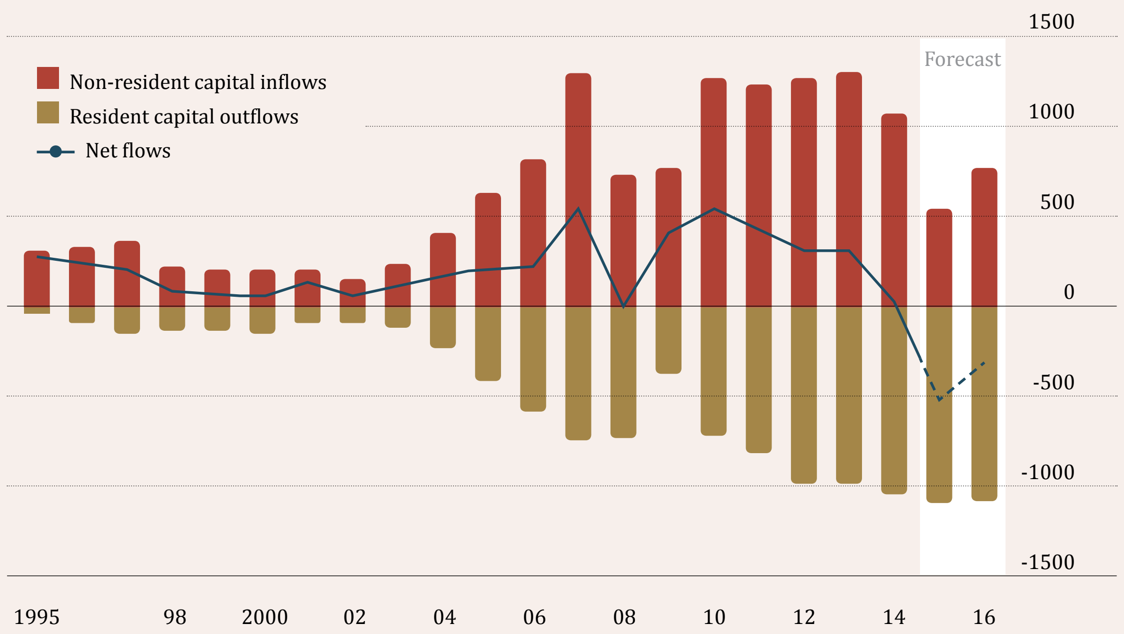
First, speculation over whether the US Federal Reserve would conclude its QE programme, and resume raising benchmark interest rates on the back of signs that the US economy was recovering, raised demand for the US Dollar. While the decision to raise interest rates from the zero lower-bound level only materialized at the end of the fourth quarter of 2015, demand for the Dollar by international investors had been steadily increasing throughout the year in anticipation of higher yields on USD-denominated investments. As a consequence, large institutional investors, especially those investing on bond markets, rebalanced their portfolios by holding more US financial assets, particularly US treasury bills.

Second, in the face of tightening monetary policy in the US, other major central banks including the European Central Bank (ECB), Bank of Japan (BoJ), and Bank of England (BoE) either embarked on new QE programmes (ECB) or maintained/strengthened their existing accommodative monetary policies during 2015. Meanwhile, most central banks in the developing world maintained loose monetary policies in order to spur growth. The divergence in monetary policies played a key role in the appreciation of the US Dollar as international investors were anticipating relatively higher yields on US financial assets.

Third, in a context of sluggish and uncertain global economic growth in both developed and emerging market economies, and the commodity price slump, the US Dollar played the role of a safe-haven asset for global investors, perhaps reflecting the fact that its value is inversely related to commodity prices. In effect, uncertainties over the prospects of the global economy raised the demand for US treasury bills (maturity less than one year) and contributed to the rising US Dollar value.

As was the case in Latin America in the 1980s and Southeast Asia in the late 1990s, the episode of a strong US Dollar was followed by severe debt crises. The Dollar's gains in 2015 mainly affected emerging-market economies, which recorded net capital outflows for the first time since the 1980s. Net capital outflows from emerging markets reached an estimated US$540 billion in 2015, compared with US$32 billion of net inflows in 2014 (Figure B.2.1.2). Major developing countries including China, Brazil, South Korea, South Africa and Turkey were severely hit by

Figure B.2.1.2 Capital Flows to Emerging Markets Economies (US$ billion)



Source: The International Institute of Finance

this downward trend. Financial markets in emerging countries also recorded sharp declines in asset prices in a context of increased volatility. The MSCI Emerging Markets Equity Index (the benchmark global composite index for equity performance in emerging markets) fell by 16.9 percent in 2015.

Besides massive capital outflows which primarily affected emerging market economies, the US Dollar appreciation vis-à-vis African currencies had several economic implications for the region as a whole.

Commodity prices: While the current counter-shock in global commodity markets was mainly triggered by demand-supply mismatches, the US Dollar appreciation weighed on commodity prices, especially oil whose prices are usually negatively correlated with the US Dollar. African economies, which rely heavily on exports of oil as well as minerals and agricultural commodities that are globally traded in US dollars, faced an unfavourable combined volume and price effect in 2015. These factors constrained the export revenues of African or countries and triggered balance of payments difficulties and shortages of foreign-exchange reserves.

Trade: In addition to the impact on commodities of export interest to Africa, the strengthening US Dollar affected both exports and imports of African countries. On the export side, the depreciation of most African currencies against the US Dollar was not sufficient to boost demand for African exports—in part because of the global demand shock (lower global demand from China and Europe, Africa's major trading partners) and the commodity price slump (lower prices for major commodities of export interest to the continent). On the import side, the Dollar appreciation translated into higher import prices (imported inflation), leading many African

central banks, including those of Nigeria and Egypt, to impose stringent conditions including bans and restrictions on imports of non-essential goods. The combined effect of the higher value of imports (price effect) and the imposed restrictions (volume effect) led to a marginal decrease in African imports, by about 0.3 percent in 2015.

FDIs and net capital flows: A stronger value of the US Dollar usually draws international capital flows into the US financial system. In effect, net capital flows to emerging markets, in general, and to African countries, in particular, slowed significantly during 2015; international investors were expecting the US Federal Reserve to raise interest rates, which would in turn increase the yields on US treasury bills. Partly due to capital outflows, African financial markets experienced volatility and falling asset prices. For instance, the Nigerian All Share index fell by more than 20 percent while Kenya's Nairobi All Share index fell by 10.5 percent during the year. In Egypt the stock exchange's largest equity index, EGX30, fell by more than 22 percent in 2015.

Largely as a result of the decline in Africa's total external reserves, average import coverage fell to 6.81 months in 2015, from 6.92 months in 2014. This rate still falls above the IMF's external-reserve threshold of three months of imports.

Shrinking export earnings caused by plummeting commodity prices and weak growth in tourism receipts, combined with growing current account deficits and socio-political turmoil in many countries across the continent, had a significant dampening effect on African national currencies. Most of them depreciated against the US Dollar in 2015. The currencies of many oil-exporting and mineral/metal- exporting countries suffered from the severe consequences of falling commodity prices and the resultant drying up of foreign reserves.

The Mozambican Metical, for instance, depreciated by 42.06 percent against the US Dollar in 2015 due to depressed commodity prices and fear of the country's explosive external debt (Table 2.5). The South African Rand continued to slide against the US Dollar, depreciating by 34.35 percent in 2015, after its fall of 10.21 percent in 2014. The weakening was largely the result of falling commodity prices, protracted political uncertainty, economic difficulties reflected in a huge current account deficit, and the recurrent power shortages and strikes that have resulted in falling aggregate output.

The currencies of major oil-exporting countries were among the hardest hit by the drop in oil prices in 2015. The fall in oil exports, which account for more than 90 percent of Angola's export revenues and almost 70 percent of its fiscal revenues, reduced government budgets and sparked economic difficulties including a depreciation of the Angolan Kwanza by 30.73 percent. The Nigerian Naira, continued to weaken, depreciating by 10.27 percent in 2015, following its depreciation of 13.63 percent in 2014. As oil prices remained at a record low the Nigerian government took measures to stabilise the currency. These included the stoppage of dollar sales and the imposition of tight capital controls, coupled with pegging the currency at an official rate that is about 35 percent stronger than the black market rate. The measures have fuelled the parallel market for the Naira (Table 2.5).

The CFA Franc, the common currency of most francophone African countries, also depreciated, alongside the Euro to which it is pegged.

2.2.3 Commodity Price Developments

Excepting Barley and Cocoa beans, all other commodities of trade interest to Africa and monitored by Afreximbank continued to suffer significant price losses for the second consecutive year in 2015. This development mainly derived from weak recovery in the Euro zone, Africa's largest trading partner, and lower than-expected growth in other advanced economies and in developing economies, coupled with a strong US Dollar. Crude oil prices dipped further as global supply continued to outpace demand, weakened by the slowdown of the Chinese economy, while production of shale gas oil in the USA and Canada rose and production from OPEC members remained high.

The average nominal prices of the three broad commodity groups of trade interest to Africa, namely agriculture; energy; and minerals/metals, contracted by 11.6 percent, 47.1 percent, and 16.5 percent respectively, in 2015 compared to their average levels in 2014 (Table 2.6).

In the **agriculture group**, the nominal prices of most commodities tumbled in 2015, reversing the gains they had made in 2014. The prices of ten out of twelve commodities monitored by the Bank suffered a decline during the year, largely caused by robust supply in the face of waning global demand precipitated by weak demand from China. The prices of wheat, palm oil, soybean, coffee,

Table 2.5 Africa: Exchange Rate Developments, 2013 - 15 *(per US$ unless otherwise indicated)*

				Percentage change between	
Africa	2013 (1)	2014 (2)	2015 (3)	(2) & (1)	(3) & (2)
Algeria - *dinar*	77.48	87.54	106.65	12.98	21.84
Angola - *kwanza*	97.36	102.99	134.64	5.78	30.73
Benin - *franc*	494.14	539.65	600.89	9.21	11.35
Botswana - *pula*	8.66	9.39	11.07	8.48	17.91
Burkina Faso - *franc*	494.14	539.65	600.89	9.21	11.35
Burundi - *franc*	1,530.54	1,535.07	1,536.98	0.30	0.12
Cameroon - *franc*	494.11	539.65	600.91	9.22	11.35
Cape Verde - *escudos*	80.24	90.18	100.71	12.39	11.68
Central African Republic - *franc*	494.11	539.65	600.91	9.22	11.35
Chad - *franc*	494.11	539.65	600.91	9.22	11.35
Comoros - *franc*	356.40	405.63	450.89	13.81	11.16
Congo, Dem. Rep. of - *Congo franc*	907.00	906.45	908.54	-0.06	0.23
Congo, Rep. of - *franc*	494.11	539.65	600.91	9.22	11.35
Cote d'Ivoire - *franc*	494.14	539.65	600.89	9.21	11.35
Djibouti - *franc*	176.00	177.05	176.85	0.60	-0.11
Egypt - *pound*	6.91	7.13	7.80	3.13	9.47
Equatorial Guinea - *franc*	494.11	539.65	600.91	9.22	11.35
Eritrea - *nakfa*	15.00	15.00	15.00	0.00	0.00
Ethiopia - *birr*	19.00	20.00	20.94	5.28	4.67
Gabon - *franc*	494.11	539.65	600.91	9.22	11.35
Gambia - *dalasi*	37.28	42.42	36.08	13.79	-14.95
Ghana - *cedi*	2.36	3.18	3.80	34.88	19.42
Guinea - *Guinea franc*	6,888.83	6,889.46	7,652.25	0.01	11.07
Guinea-Bissau - *franc*	494.14	539.65	600.89	9.21	11.35
Kenya - *shilling*	85.09	89.13	100.53	4.76	12.78
Lesotho - *loti*	10.49	11.56	15.53	10.21	34.35
Liberia - *Liberia dollar*	86.95	91.00	84.00	4.66	-7.69
Libya - *dinar*	1.22	1.18	1.35	-3.19	14.41
Madagascar - *Ariary*	2,219.09	2,549.67	3,166.47	14.90	24.19
Malawi - *kwacha*	412.60	466.38	640.35	13.04	37.30
Mali - *franc*	494.14	539.65	600.89	9.21	11.35
Mauritania - *ouguiyas*	288.81	286.55	304.88	-0.78	6.39
Mauritius - *rupee*	29.02	30.44	36.83	4.87	21.01
Morocco - *dirham*	8.06	9.02	9.82	11.88	8.92
Mozambique - *meticals*	29.85	33.00	46.88	10.55	42.06
Namibia - *namibia dollar*	10.49	11.56	15.53	10.21	34.35
Niger - *franc*	494.14	539.65	600.89	9.21	11.35
Nigeria - *naira*	159.54	181.27	199.90	13.63	10.27
Rwanda - *franc*	667.89	675.45	734.64	1.13	8.76
Sao Tome and Principe - *dobra*	17,781.80	19,935.10	22,210.90	12.11	11.42
Senegal - *franc*	494.14	539.65	600.89	9.21	11.35
Seychelles - *rupee*	11.35	12.72	12.17	12.11	-4.32
Sierra Leone - *leone*	4,290.00	4,190.00	4,098.00	-2.33	-2.20
Somalia - *shilling*	1,104.66	692.51	589.95	-37.31	-14.81
South Africa - *rand*	10.49	11.56	15.53	10.21	34.35
Sudan - *pound* [a)]	5.69	5.67	6.06	-0.38	6.87
Swaziland - *lilangeni*	10.49	11.56	15.53	10.21	34.35
Tanzania - *shilling*	1,556.71	1,698.88	2,112.83	9.13	24.37
Togo - *franc*	494.14	539.65	600.89	9.21	11.35
Tunisia - *dinar*	1.64	1.86	2.03	13.40	9.03
Uganda - *shilling*	2,493.90	2,736.80	3,338.06	9.74	21.97
Zambia - *kwacha*	5,176.20	5,176.20	5,176.20	0.00	0.00
Zimbabwe - *US Dollar**	1.00	1.00	1.00	0.00	0.00

* US Dollar used as official currency since 2009
a) Currency for both North and South Sudan
Sources: 1) Oanda (available at http://www.oanda.com/currency/historical-rates/)

Table 2.6 Commodity Prices, 2013 - 15 *(In Current US$/Metric tonnes, unless otherwise indicated)*

					Annual Growth Rate	
Commodities	UNITS	2013	2014	2015	2013/2014	2014/2015
AGRICULTURE						
Barley	($/mt)	202.18	137.57	194.33	-31.96	41.26
Cocoa Bean	($/mt)	2,440.00	3,060.00	3140.00	25.41	2.61
Coffee (Arabica)	($/mt)	3,080.00	4,420.00	3530.00	43.51	-20.14
Copra	($/mt)	627.00	854.25	735.58	36.24	-13.89
Cotton	($/mt)	1,990.00	1,830.00	1560.00	-8.04	-14.75
Maize	($/mt)	259.39	192.88	169.75	-25.64	-11.99
Palm Oil	($/mt)	856.90	821.44	622.42	-4.14	-24.23
Rubber TSR20	($/mt)	2,520.00	1,710.00	1370.00	-32.14	-19.88
Soyabean	($/mt)	538.42	491.77	391.00	-8.66	-20.49
Sugar	($/mt)	390.00	370.00	300.00	-5.13	-18.92
Tea	($/mt)	2,860.00	2,720.00	2710.00	-4.90	-0.37
Wheat	($/mt)	312.25	284.90	203.18	-8.76	-28.68
Average		**1,339.68**	**1,407.73**	**1243.86**	**5.08**	**-11.64**
ENERGY (CRUDE OIL)						
Crude Oil	($/bbl)	108.86	98.94	52.37	-9.11	-47.07
Average		**108.86**	**98.94**	**52.37**	**-9.11**	**-47.07**
METALS AND MINERALS						
Aluminium	($/mt)	1,846.67	1,867.42	1,664.68	1.12	-10.86
Copper	($/mt)	7,332.10	6,863.40	5,510.46	-6.39	-19.71
Lead	($/mt)	2,139.79	2,095.46	1,787.82	-2.07	-14.68
Tin	($/mt)	22,282.80	21,898.87	16,066.63	-1.72	-26.63
Zinc	($/mt)	1,910.26	2,160.97	1,931.68	13.12	-10.61
Gold	($/mt)	45,379,492.80	40,684,519.27	37,296,152.09	-10.35	-8.33
Platinum	($/mt)	47,793,692.36	44,482,808.47	33,864,059.89	-6.93	-23.87
Silver	($/mt)	766,795.31	613,114.74	505,409.74	-20.04	-17.57
Average	**Index**	**11,746,936.51**	**10,726,916.08**	**8,961,572.87**	**-8.68**	**-16.46**

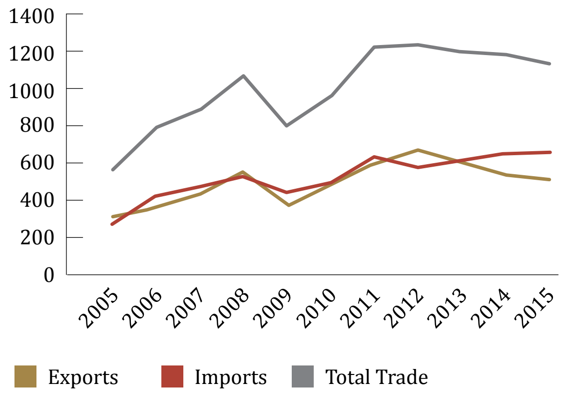
Sources: 1) *Financial Times* (various issues) 2) World Bank Commodity Prices, 2015

rubber, and sugar were the hardest hit, losing 28.7 percent, 24.2 percent, 20.5 percent, 20.1 percent, 19.9 percent, and 18.9 percent of their values, respectively (Table 2.6). Other commodities, including Cotton and Copra, lost on average 14 percent of their values during the year.

In the **energy group**, the average nominal prices of crude oil continued their vertiginous fall but with accelerated velocity, resulting in a record 47.1 percent year-on-year drop in 2015, compared to 9.1 percent in 2014.

Much like those in the energy group, average nominal prices in the **metals and**

Figure 2.5 Trends in Africa's Merchandise Trade, 2005 - 15 *(US$ billions)*



Sources: 1. World Bank Development Indicators, 2016
2. EIU: Country Report, various issues
3. UNCTAD UNCTADSTAT, 2015

Table 2.7 Real Commodity Price Indices *(2005=100)*

COMMODITY	UNITS	2013 (1)	2014 (2)	2015 (3)	2014 (4) = (2) - (1)	2015 (5) = (3) - (2)
AGRICULTURE						
Barley	($/mt)	212.65	144.69	204.39	-67.96	59.70
Cocoa Bean	($/mt)	155.37	198.85	206.93	43.48	8.08
Cofee Arabica	($/mt)	121.58	174.85	354.00	53.27	179.15
Copra	($/mt)	151.56	206.49	177.68	54.93	-28.81
Cotton	($/mt)	163.34	150.16	128.80	-13.18	-21.36
Maize	($/mt)	262.89	195.48	173.94	-67.41	-21.54
Palm Oil	($/mt)	203.02	194.62	147.52	-8.40	-47.10
Rubber	($/mt)	201.05	140.76	143.27	-60.29	2.51
Soyabean	($/mt)	196.01	179.03	127.37	-16.98	-51.66
Sugar	($/mt)	177.29	170.45	136.36	-6.84	-34.09
Tea	($/mt)	173.45	164.88	164.54	-8.57	-0.34
Wheat	($/mt)	230.07	209.91	133.36	-20.16	-76.55
Average	**Index**	**187.36**	**177.51**	**174.85**	**-9.84**	**-2.67**
CRUDE OIL						
*Crude Oil	($/bbl)	191.21	176.81	13.04	-14.40	-92.62
Average		**191.21**	**176.81**	**13.04**	**-14.40**	**-163.77**
METALS AND MINERALS						
Aluminium	($/mt)	97.28	98.37	87.69	1.09	-10.68
Copper	($/mt)	199.30	186.56	150.29	-12.74	-36.27
Lead	($/mt)	219.16	214.62	183.32	-4.54	-31.30
Tin	($/mt)	301.94	296.74	218.05	-5.20	-78.69
Zinc	($/mt)	138.29	156.44	139.84	18.15	-16.60
Gold	($/mt)	317.30	284.50	260.78	-32.79	-23.73
Platinum	($/mt)	165.81	154.33	117.49	-11.49	-36.84
Silver	($/mt)	326.27	260.88	215.05	-65.39	-45.83
Average	**Index**	**220.67**	**206.55**	**171.56**	**-14.11**	**-34.99**

Sources: 1) *Financial Times* (various issues). 2) World Bank Commodity Prices, 2015

minerals group declined by 8.7 percent in 2014 and fell even further in 2015, by 16.5 percent. All eight metals and minerals commodities monitored by the Bank suffered significant price losses during the year. Weaknesses in the Chinese economy, the slow rebound of economies in the Euro zone and other advanced economies, combined with a strong US Dollar to depress global demand.

Tin and platinum suffered the largest year-on-year losses, of 26.6 percent and 23.9 percent, respectively. The decline in tin prices arose as Indonesia, the largest exporter of Tin, maintained a high production level despite waning demand from China, the largest consumer of this metal. The decline in platinum prices was largely the consequence of weaknesses in the European car manufacturing market, the largest consumer of the metal.

Copper and lead prices declined by 19.7 percent and 14.7 percent, respectively, due to lacklustre global demand especially in China, the largest consumer of these commodities. The nominal prices of gold and silver declined as the strong dollar became more attractive as a safe haven for investors. Price declines for other commodities such as zinc and aluminium were due to weak demand in the face of strong supply. These developments were mirrored in the real prices of the commodities during the year (Table 2.7).

2.2.4 Developments in African Trade

2.2.4.1 African Trade Performance

Africa's total merchandise trade fell by 3.04 percent, from US$1.18 trillion in 2014 to US$1.15 trillion in 2015 (Figure 2.5 and Table 2.8). The challenging global environment in 2015, including the sharp decline in global commodity prices and the marked slowdown of the Chinese economy, Africa's largest individual trading partner, were the main contributors to this downward trend.

The dramatic decline in crude oil prices, which fell below US$30 per barrel in the fourth quarter of 2015, had significant effects on trade performance. Especially affected were the exports of African net oil exporters, most notably Algeria, Angola, Equatorial Guinea, the Republic of Congo, Libya, and Nigeria.

Nigeria, Africa's largest economy and biggest oil exporter, recorded a 3.14 percent decrease in its total merchandise trade, from US$144.43 billion in 2014 to US$135.13 billion in 2015 (Table 2.8). This fall was mainly due to the sharp decline in Nigeria's oil export revenues: the country's total merchandise exports fell from US$92.73 billion in 2014 to US$85.63 billion in 2015, which is equivalent to a 7.66 percent contraction.

As noted above, the severe volatility in global oil markets led to macroeconomic management challenges, which were reflected in deterioration of the level of foreign reserves and depreciation of national currencies in most African oil-exporting countries.

The fall in global demand for other major commodities of export interest to Africa, including coffee, copper, gold, palm oil, platinum, and rubber, attributable to persistent difficulties in advanced and some emerging economies during the year, weighed down Africa's total merchandise exports. These contracted once again by 6.5 percent, from US$533.76 billion in 2014 to US$499.09 billion in 2015.

Under these challenging conditions, Africa's four largest trading economies, namely Algeria, Angola, Nigeria, and South Africa, which account for 57.5 percent of the continent's exports, saw their exports decline by 7.8 percent, 4.8 percent, 7.7 percent, and 4.4 percent respectively in 2015 (Table 2.8).

Another factor underlying the decline in Africa's total merchandise exports was the financing constraints that were faced by African exporters. Perceptions of the African business environment as highly risky, coupled with stringent regulatory frameworks at the global level, caused many international banks to scale down their lending activities across the continent. Given that the big players on the continent are large international banks including Citibank, Barclays, HSBC, and Standard Chartered, this affected the availability of trade finance in Africa.

On the import side, Africa recorded a small decline of 0.2 percent in its merchandise imports during the year, from US$648.47 billion in 2014 to US$647.21 billion in 2015 (Table 2.8). While the decline may reflect increasing challenges in accessing trade finance, other factors may also be at play, including falling foreign exchange reserves, depreciation of national currencies, and drastic adjustment measures which limited the import capacity of many African countries during the year.

For instance, in Algeria, as oil prices dropped, the government sought to reduce the country's import bills by reducing imports of some construction materials such as cement, ceramic, wood, iron, and steel. Accordingly,

Table 2.8 Africa: Merchandise Trade, 2013 - 15 *(US$ Billion)*

	Merchandise Exports (US$ Billion)			Growth Rate (%)		Share of Merchandise Exports (%)			Merchandise Imports(US$ Billion)			Growth Rate (%)		Share of Merchandise Imports (%)			Total Merchandise Trade (US$ Billion)			Growth Rate (%)		Share of Total Merchandise Trade (%)		
Country Name	2013	2014	2015*	2013 /2014	2014 /2015	2013	2014	2015*	2013	2014	2015	2013 /2014	2014 /2015	2013	2014	2015*	2013	2014	2015*	2013 /2014	2014 /2015	2013	2014	2015*
Algeria	65.95	62.99	58.06	-4.49	-7.83	11.57	11.80	11.63	54.89	58.35	57.00	6.30	-2.31	8.65	9.00	8.81	120.84	121.34	115.06	0.41	-5.18	10.04	10.26	10.04
Angola	63.76	58.84	56.03	-7.72	-4.78	11.19	11.23	11.23	22.23	27.73	25.80	24.74	-6.96	3.50	4.28	3.99	85.99	86.57	81.83	0.67	-5.48	7.14	7.32	7.14
Benin	0.60	0.97	1.19	61.67	22.34	0.11	0.24	0.24	2.96	3.65	3.78	23.31	3.62	0.47	0.56	0.58	3.56	4.62	4.97	29.78	7.55	0.30	0.39	0.43
Botswana	7.71	6.81	5.91	-11.67	-13.22	1.35	1.18	1.18	7.54	6.16	5.37	-18.30	-12.77	1.19	0.95	0.83	15.25	12.97	11.28	-14.95	-13.00	1.27	1.10	0.98
Burkina Faso	0.66	0.80	0.76	21.21	-5.00	0.12	0.15	0.15	2.80	2.78	3.19	-0.71	14.73	0.44	0.43	0.49	3.46	3.58	3.95	3.47	10.32	0.29	0.30	0.34
Burundi	0.10	0.09	0.07	-10.00	-25.93	0.02	0.01	0.01	0.63	0.70	0.76	11.11	8.89	0.10	0.11	0.12	0.73	0.79	0.83	8.22	4.92	0.06	0.07	0.07
Cameroon	4.51	5.25	5.66	16.41	7.75	0.79	1.13	1.13	6.65	7.82	8.29	17.59	6.03	1.05	1.21	1.28	11.16	13.07	13.95	17.11	6.72	0.93	1.11	1.22
Cape Verde	0.07	0.13	0.14	85.71	10.26	0.01	0.03	0.03	0.86	0.84	0.88	-2.33	5.31	0.14	0.13	0.14	0.93	0.97	1.03	4.30	5.97	0.08	0.08	0.09
Central African Republic	0.13	0.09	0.06	-30.77	-37.04	0.02	0.01	0.01	0.62	0.48	0.50	-22.58	3.34	0.10	0.07	0.08	0.75	0.57	0.55	-24.00	-3.03	0.06	0.05	0.05
Chad	2.80	2.73	2.59	-2.50	-5.01	0.49	0.52	0.52	1.31	1.43	1.37	9.16	-4.35	0.21	0.22	0.21	4.11	4.16	3.96	1.22	-4.78	0.34	0.35	0.35
Comoros	0.05	0.04	0.00	-20.00	-91.67	0.01	0.00	0.00	0.25	0.27	0.28	8.00	5.15	0.04	0.04	0.04	0.30	0.31	0.29	3.33	-7.34	0.02	0.03	0.03
Congo, Dem. Rep.	6.16	6.26	6.61	1.62	5.54	1.08	1.32	1.32	7.50	7.33	7.76	-2.27	5.87	1.18	1.13	1.20	13.66	13.59	14.37	-0.51	5.72	1.13	1.15	1.25
Congo, Rep.	9.70	9.57	8.90	-1.34	-7.00	1.70	1.78	1.78	4.60	5.41	5.82	17.61	7.53	0.73	0.83	0.90	14.30	14.98	14.72	4.76	-1.75	1.19	1.27	1.28
Cote d'Ivoire	13.75	12.81	14.42	-6.84	12.59	2.41	2.89	2.89	12.72	11.07	13.14	-12.97	18.74	2.01	1.71	2.03	26.47	23.88	27.57	-9.78	15.44	2.20	2.02	2.40
Djibouti	0.54	0.55	0.57	1.85	3.03	0.09	0.11	0.11	3.98	4.22	4.75	6.03	12.56	0.63	0.65	0.73	4.52	4.77	5.32	5.53	11.46	0.38	0.40	0.46
Egypt, Arab Rep.	28.89	26.69	25.72	-7.62	-3.62	5.07	5.15	5.15	65.15	68.19	67.62	4.67	-0.83	10.27	10.52	10.45	94.04	94.88	93.35	0.89	-1.62	7.81	8.03	8.14
Equatorial Guinea	12.66	11.02	9.47	-12.95	-14.10	2.22	1.90	1.90	3.04	2.69	2.87	-11.51	6.84	0.48	0.41	0.44	15.70	13.71	12.34	-12.68	-9.99	1.30	1.16	1.08
Eritrea	0.26	0.49	0.72	88.46	46.94	0.05	0.14	0.14	0.43	1.14	1.85	165.12	62.28	0.07	0.18	0.29	0.69	1.63	2.57	136.23	57.67	0.06	0.14	0.22
Ethiopia	2.23	2.60	2.78	16.59	6.79	0.39	0.56	0.56	13.35	16.65	18.04	24.72	8.37	2.10	2.57	2.79	15.58	19.25	20.82	23.56	8.16	1.29	1.63	1.82
Gabon	9.67	9.31	8.77	-3.72	-5.80	1.70	1.76	1.76	5.07	4.12	3.17	-18.74	-23.06	0.80	0.64	0.49	14.74	13.43	11.94	-8.89	-11.09	1.22	1.14	1.04
Gambia, The	0.12	0.10	0.09	-16.67	-13.33	0.02	0.02	0.02	1.11	1.23	1.35	10.81	9.76	0.18	0.19	0.21	1.23	1.33	1.44	8.13	8.02	0.10	0.11	0.13
Ghana	8.59	9.87	10.83	14.90	9.73	1.51	2.17	2.17	19.68	17.20	15.68	-12.60	-8.86	3.10	2.65	2.42	28.27	27.07	26.51	-4.24	-2.08	2.35	2.29	2.31
Guinea	2.17	2.50	2.84	15.21	13.47	0.38	0.57	0.57	6.50	6.55	7.56	0.77	15.41	1.02	1.01	1.17	8.67	9.05	10.40	4.38	14.88	0.72	0.77	0.91
Guinea-Bissau	0.23	0.28	0.32	21.74	15.48	0.04	0.06	0.06	0.37	0.46	0.48	24.32	5.27	0.06	0.07	0.07	0.60	0.74	0.81	23.33	9.13	0.05	0.06	0.07
Kenya	5.57	5.77	5.69	3.59	-1.39	0.98	1.14	1.14	16.10	18.09	20.19	12.36	11.61	2.54	2.79	3.12	21.67	23.86	25.88	10.11	8.47	1.80	2.02	2.26
Lesotho	0.92	0.82	0.72	-10.87	-12.20	0.16	0.14	0.14	1.67	1.85	1.94	10.78	5.05	0.26	0.29	0.30	2.59	2.67	2.66	3.09	-0.25	0.22	0.23	0.23
Liberia	1.25	0.62	0.01	-50.40	-101.61	0.22	(0.00)	(0.00)	14.25	12.82	11.82	-10.05	-7.75	2.25	1.98	1.83	15.50	13.44	11.81	-13.31	-12.08	1.29	1.14	1.03
Libya	36.70	17.07	2.56	-53.49	-115.00	6.44	(0.51)	(0.51)	26.74	19.13	11.52	-28.46	-39.78	4.22	2.95	1.78	63.44	36.20	8.96	-42.94	-75.25	5.27	3.06	0.78
Madagascar	1.96	2.22	2.57	13.27	15.62	0.34	0.51	0.51	3.74	3.79	4.16	1.34	9.69	0.59	0.58	0.64	5.70	6.01	6.72	5.44	11.88	0.47	0.51	0.59
Malawi	1.00	1.01	0.97	1.00	-4.29	0.18	0.19	0.19	1.95	1.71	2.02	-12.31	18.07	0.31	0.26	0.31	2.95	2.72	2.99	-7.80	9.77	0.24	0.23	0.26
Mali	0.46	0.46	0.39	0.00	-15.94	0.08	0.08	0.08	4.04	4.23	4.43	4.70	4.66	0.64	0.65	0.68	4.50	4.69	4.81	4.22	2.64	0.37	0.40	0.42
Mauritania	2.83	2.45	2.43	-13.43	-0.82	0.50	0.49	0.49	4.12	4.10	4.81	-0.49	17.31	0.65	0.63	0.74	6.95	6.55	7.24	-5.76	10.53	0.58	0.55	0.63
Mauritius	2.27	2.57	2.68	13.22	4.15	0.40	0.54	0.54	5.18	5.39	7.18	4.05	33.21	0.82	0.83	1.11	7.45	7.96	9.86	6.85	23.83	0.62	0.67	0.86
Morocco	21.75	23.60	25.71	8.51	8.94	3.82	5.15	5.15	44.74	45.61	46.48	1.94	1.91	7.05	7.03	7.18	66.49	69.21	72.19	4.09	4.31	5.52	5.85	6.30
Mozambique	4.32	5.23	5.68	21.06	8.60	0.76	1.14	1.14	11.14	12.43	13.72	11.58	10.38	1.76	1.92	2.12	15.46	17.66	19.40	14.23	9.85	1.28	1.49	1.69
Namibia	6.34	6.53	6.72	3.00	2.91	1.11	1.35	1.35	7.57	8.56	9.18	13.08	7.28	1.19	1.32	1.42	13.91	15.09	15.90	8.48	5.39	1.16	1.28	1.39
Niger	0.39	0.46	0.45	17.95	-2.17	0.07	0.09	0.09	1.76	1.99	2.00	13.07	0.38	0.28	0.31	0.31	2.15	2.45	2.45	13.95	-0.10	0.18	0.21	0.21
Nigeria	95.71	92.73	85.63	-3.11	-7.66	16.80	17.16	17.16	49.14	51.70	49.50	5.21	-4.25	7.75	7.97	7.65	144.85	144.43	135.13	-0.29	-6.44	12.03	12.22	11.79
Rwanda	0.43	0.44	0.48	2.33	8.33	0.08	0.10	0.10	1.37	1.52	1.67	10.95	10.00	0.22	0.23	0.26	1.80	1.96	2.15	8.89	9.62	0.15	0.17	0.19
Sao Tome and Principe	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.10	0.14	0.12	40.00	-11.24	0.02	0.02	0.02	0.11	0.15	0.13	36.36	-10.49	0.01	0.01	0.01
Senegal	2.44	2.57	2.68	5.33	4.28	0.43	0.54	0.54	6.07	6.05	6.78	-0.33	12.14	0.96	0.93	1.05	8.51	8.62	9.46	1.29	9.80	0.71	0.73	0.83
Seychelles	0.54	0.51	0.58	-5.56	13.73	0.09	0.12	0.12	1.37	1.27	1.43	-7.30	12.76	0.22	0.20	0.22	1.91	1.78	2.01	-6.81	13.03	0.16	0.15	0.18
Sierra Leone	1.66	1.99	2.61	19.88	30.99	0.29	0.52	0.52	1.46	1.38	1.68	-5.48	22.01	0.23	0.21	0.26	3.12	3.37	4.29	8.01	27.31	0.26	0.29	0.37
Somalia	0.80	0.81	0.90	1.25	11.11	0.14	0.18	0.18	2.20	2.45	2.73	11.36	11.48	0.35	0.38	0.42	3.00	3.26	3.63	8.67	11.39	0.25	0.28	0.32
South Africa	95.96	91.16	87.16	-5.00	-4.39	16.84	17.46	17.46	113.27	109.37	105.47	-3.44	-3.57	17.86	16.87	16.30	209.23	200.53	192.63	-4.16	-3.94	17.38	16.96	16.80
South Sudan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sudan	6.65	6.83	7.01	2.71	2.64	1.17	1.40	1.40	9.92	9.21	9.24	-7.16	0.31	1.56	1.42	1.43	16.57	16.04	16.25	-3.20	1.30	1.38	1.36	1.42
Swaziland	2.11	2.05	1.99	-2.84	-2.93	0.37	0.40	0.40	1.71	1.68	1.34	-1.75	-20.04	0.27	0.26	0.21	3.82	3.73	3.33	-2.36	-10.63	0.32	0.32	0.29
Tanzania	3.85	4.07	4.56	5.71	12.12	0.68	0.91	0.91	14.33	15.49	16.90	8.09	9.10	2.26	2.39	2.61	18.18	19.56	21.46	7.59	9.73	1.51	1.65	1.87
Togo	1.20	1.29	1.41	7.50	9.56	0.21	0.28	0.28	2.51	6.87	6.41	173.71	-6.63	0.40	1.06	0.99	3.71	8.16	7.83	119.95	-4.07	0.31	0.69	0.68
Tunisia	16.34	15.37	15.07	-5.94	-1.93	2.87	3.02	3.02	23.74	25.95	26.40	9.31	1.74	3.74	4.00	4.08	40.08	41.32	41.48	3.09	0.38	3.33	3.50	3.62
Uganda	1.83	1.93	2.06	5.46	6.56	0.32	0.41	0.41	4.56	4.60	6.10	0.88	32.61	0.72	0.71	0.94	6.39	6.53	8.16	2.19	24.91	0.53	0.55	0.71
Zambia	10.59	9.69	10.21	-8.50	5.37	1.86	2.05	2.05	10.19	9.71	9.23	-4.71	-4.94	1.61	1.50	1.43	20.78	19.40	19.44	-6.64	0.21	1.73	1.64	1.70
Zimbabwe	2.66	2.71	2.81	1.88	3.81	0.47	0.56	0.56	5.07	4.91	5.40	-3.16	10.01	0.80	0.76	0.83	7.73	7.62	8.21	-1.42	7.81	n/a	0.64	0.72
Total	**569.85**	**533.76**	**499.09**	**-6.33**	**-6.50**	**100.00**	**100.00**	**100.00**	**634.25**	**648.47**	**647.21**	**2.24**	**-0.19**	**100.00**	**100.00**	**100.00**	**1,204.10**	**1,182.23**	**1,146.30**	**-1.82**	**-3.04**	**100.00**	**100.00**	**100.00**

* Estimates n/a not available

Sources: 1) IMF Direction of Trade Statistics (DOTS) database, 2016

2) The Economist Intelligence Unit (EIU), Country Report (various issues, 2016

Algeria's imports declined by 2.3 percent from US$58.4 billion in 2014 to US$57 billion in 2015. In South Africa, total merchandise imports shrank by 3.6 percent from US$109.4 billion in 2014 to US$105.5 billion in 2015, as a result of significant cutbacks in imports of certain categories of goods such as electronics and vehicles. In Nigeria, total imports fell by 4.3 percent to US$49.5 billion in 2015 from US$51.7 billion in 2014, due to reductions in imports of equipment related to electronics, plastics, ceramics, and iron. Similar import-reducing measures were implemented in Angola and other major oil-dependent countries across Africa.

The fact that the overall decline in African merchandise imports was not larger can be explained by the positive effects of falling oil prices on Africa's oil-importing countries. The easing of oil-import bills resulted in massive savings and windfall gains in highly energy-intensive economies and in oil-importing countries such as Egypt and South Africa. Even countries such as Tanzania and Kenya are reaping the fiscal benefits of plummeting oil prices. Côte d'Ivoire, Ethiopia, Kenya, Tanzania, and Uganda saw the value of their imports increase by 18.7 percent, 8.4 percent, 11.6 percent, 9.1 percent, and 32.6 percent in 2015 respectively (Table 2.8).

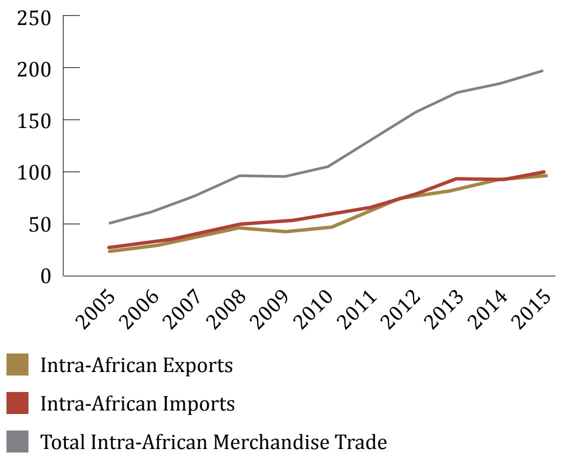
Demand for capital goods has been rising in Africa over the past few years as many African governments have embarked on programmes and initiatives aimed at improving their processing capacities and diversifying their export base and overall national economies. The import bans and controls that have been imposed by central banks across the region to preserve foreign reserves did not markedly affect the importation of capital goods required for long-term investment and economic development.

2.2.4.2 Intra-Regional Trade in Africa

In contrast to the decline in Africa's global trade, the value of intra-African trade expanded in 2015, though at a much slower rate than in the previous year. Intra-African trade achieved a growth rate of 6.95 percent. This deceleration from the rate of 11.95 percent achieved in 2014 reflects the deceleration of GDP growth in the overwhelming majority of African countries and falling investments in a context of weakening commodity markets (Figure 2.6 and Table 2.9).

However, the continued expansion of intra-African trade is a consequence of the firm commitment by African governments and policymakers to make intra-African trade one of their strategic priorities, and of ongoing efforts to accelerate the process of structural transformation and trade diversification. African countries are undertaking a growing number of programmes and initiatives to enhance processing capacity (including the development of export processing zones); diversify exports; and harmonise their standards, conformity assessment systems, and related customs procedures to facilitate cross-border trade and deepen regional integration. For instance, recent initiatives by the Common Market for Eastern and Southern Africa include the adoption of the COMESA single customs-declaration document and of common standards, harmonised road transit charges, and joint border controls aimed at boosting trade between countries within the bloc.

Figure 2.6 Evolution of Intra-African Merchandise Trade, 2005 - 15 *(US$ billions)*



Sources: 1. World Bank Development Indicators, 2016
2. EIU: Country Report, various issues
3. UNCTAD UNCTADSTAT, 2015

Growth in intra-African exports decelerated but remained robust at 6.86 percent in 2015 on the back of strong performance in Côte d'Ivoire, Nigeria, and South Africa, which have a combined share of 39.6 percent of regional trade (Table 2.9). Firm growth in exports from Algeria, Egypt, Namibia, and Zambia also supported the expansion of intra-African trade during the year.

Consistent with this trend, the Southern African Development Community (SADC) was the largest intra-African exporter in 2015, with a share of 46.02 percent, followed by the Economic Community of West African States (ECOWAS) with 25.3 percent, and the East African Community with 6.6 percent.

Intra-African imports also continued to expand, with a growth rate of 7.1 percent, though more slowly than in 2014 (11.9 percent) (Table 2.9). The expansion was largely driven by Nigeria and South Africa, the largest intra-African importers, with a combined share of 23 percent. Robust growth in the imports of Algeria (8.3 percent), Angola (17.7 percent), Côte d'Ivoire (21.4 percent), Burkina Faso (20.9 percent), and Mozambique (28.8 percent) also boosted

Table 2.9 Intra-African Trade, 2013-2015 *(in US$ billion unless otherwise indicated)*

	Intra-African Exports			Growth Rate, %		Country Share of Total Intra-African Exports, %			Intra-African Imports			Growth Rate, %		Country Share of Total Intra-African Imports, %			Total Intra-African Trade			Growth Rate, %		Country Share of Total Intra-African Trade, %			Trade Balance Value (Exports - Imports)		
Africa	2013	2014	2015*	2013 /2014	2014 /2015	2013	2014	2015*	2013	2014	2015*	2013 /2014	2014 /2015	2013	2014	2015*	2013	2014	2015*	2013 /2014	2014 /2015	2013	2014	2015*	2013	2014	2015*
Algeria	3.49	4.21	4.83	20.65	14.81	4.26	4.63	4.97	2.11	2.33	2.53	10.69	8.25	2.54	2.51	2.54	5.60	6.54	7.36	16.89	12.47	3.39	3.56	3.74	1.38	1.88	2.31
Angola	1.74	2.19	2.36	25.46	7.72	2.13	2.40	2.42	3.66	5.37	6.32	46.59	17.68	4.42	5.78	6.36	5.41	7.56	8.68	39.77	14.80	3.28	4.11	4.41	-1.92	-3.18	-3.96
Benin	0.23	0.26	0.29	16.18	9.58	0.28	0.29	0.30	0.57	0.63	0.68	10.40	7.99	0.69	0.68	0.69	0.80	0.90	0.97	12.04	8.46	0.49	0.49	0.49	-0.35	-0.37	-0.40
Botswana	1.20	1.25	1.35	4.27	7.68	1.47	1.38	1.39	5.58	5.91	6.00	6.02	1.54	6.72	6.37	6.04	6.78	7.17	7.35	5.71	2.61	4.11	3.90	3.74	-4.37	-4.66	-4.65
Burkina Faso	0.59	0.80	1.04	35.07	30.38	0.72	0.88	1.07	4.37	5.88	7.11	34.69	20.99	5.26	6.33	7.16	4.96	6.68	8.16	34.74	22.11	3.00	3.63	4.15	-3.77	-5.08	-6.07
Burundi	0.04	0.20	0.27	341.63	39.15	0.05	0.21	0.28	0.23	0.19	0.15	-18.26	-20.17	0.28	0.20	0.15	0.28	0.39	0.42	39.34	9.92	0.17	0.21	0.22	-0.19	0.01	0.12
Cameroon	0.69	0.79	0.78	15.79	-2.31	0.84	0.87	0.80	0.69	0.72	0.75	3.62	4.44	0.83	0.77	0.75	1.38	1.51	1.52	9.68	0.90	0.83	0.82	0.77	-0.01	0.08	0.03
Cape Verde	0.00	0.01	0.01	580.73	0.00	0.00	0.01	0.01	0.01	0.02	0.02	30.19	3.54	0.02	0.02	0.02	0.02	0.02	0.03	58.88	9.43	0.01	0.01	0.01	-0.01	-0.01	-0.01
Central African Rep.	0.00	0.00	0.00	-61.12	-395.57	0.00	0.00	(0.00)	0.02	0.01	0.00	-26.75	-87.35	0.02	0.02	0.00	0.02	0.02	0.00	-31.59	-112.00	0.01	0.01	0.00	-0.02	-0.01	-0.01
Chad	0.27	0.29	0.33	9.32	12.61	0.33	0.32	0.34	0.02	0.02	0.02	-9.73	-2.25	0.02	0.02	0.02	0.29	0.31	0.34	8.07	11.80	0.17	0.17	0.18	0.25	0.27	0.31
Comoros	0.03	0.04	0.04	8.50	3.04	0.04	0.04	0.04	0.00	0.00	0.00	44.73	28.29	0.00	0.00	0.00	0.04	0.04	0.04	11.09	5.40	0.02	0.02	0.02	0.03	0.03	0.03
Congo, Dem. Rep. Of	3.07	3.48	3.72	13.35	6.95	3.75	3.83	3.83	1.47	1.46	1.51	-0.57	3.24	1.77	1.57	1.52	4.54	4.94	5.23	8.84	5.85	2.75	2.69	2.66	1.60	2.02	2.21
Congo, Rep. of	1.85	1.80	2.09	-2.78	16.29	2.26	1.98	2.15	4.33	4.39	4.71	1.30	7.20	5.22	4.73	4.73	6.18	6.19	6.80	0.08	9.84	3.75	3.37	3.46	-2.48	-2.59	-2.61
Cote D'Ivoire	5.28	6.69	8.15	26.73	21.93	6.43	7.35	8.38	4.37	6.16	7.48	40.95	21.43	5.27	6.63	7.53	9.65	12.85	15.63	33.17	21.69	5.85	6.99	7.95	0.91	0.53	0.67
Djibouti	0.09	0.10	0.12	20.67	19.14	0.10	0.11	0.13	0.18	0.28	0.35	55.56	26.19	0.22	0.30	0.36	0.27	0.38	0.48	44.36	24.30	0.16	0.21	0.24	-0.09	-0.18	-0.23
Egypt	4.36	4.39	4.27	0.73	-2.76	5.32	4.83	4.39	1.43	1.36	0.63	-4.53	-53.78	1.72	1.47	0.63	5.79	5.76	4.90	-0.57	-14.84	3.51	3.13	2.49	2.93	3.03	3.64
Equatorial Guinea	0.22	0.22	0.23	-0.24	4.50	0.27	0.24	0.23	0.05	0.05	0.05	-3.56	0.72	0.06	0.05	0.05	0.27	0.27	0.28	-0.85	3.82	0.16	0.14	0.14	0.17	0.17	0.18
Eriteria						0.00	0.00	-						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ethiopia	0.58	0.59	0.56	1.87	-5.33	0.71	0.65	0.58	0.34	0.52	0.45	52.94	-14.10	0.41	0.56	0.45	0.92	1.11	1.01	20.75	-9.44	0.56	0.60	0.51	0.24	0.07	0.11
Gabon	1.09	2.13	2.95	95.18	38.30	1.33	2.34	3.03	0.20	0.20	0.21	2.93	3.54	0.24	0.22	0.21	1.29	2.33	3.16	81.20	35.30	0.78	1.27	1.61	0.90	1.93	2.74
Gambia, The	0.09	0.10	0.10	7.94	-1.47	0.12	0.11	0.10	0.11	0.12	0.10	6.70	-14.04	0.13	0.12	0.10	0.20	0.22	0.20	7.28	-8.14	0.12	0.12	0.10	-0.01	-0.01	0.00
Ghana	3.81	2.41	0.21	-36.68	-91.41	4.64	2.65	0.21	1.12	1.13	0.92	1.07	-18.90	1.35	1.22	0.92	4.92	3.54	1.12	-28.11	-68.28	2.98	1.93	0.57	2.69	1.28	-0.71
Guinea	0.09	0.11	0.06	14.36	-44.14	0.11	0.12	0.06	0.19	0.18	0.13	-5.02	-25.71	0.23	0.20	0.14	0.28	0.29	0.19	1.31	-32.50	0.17	0.16	0.10	-0.10	-0.08	-0.08
Guinea-Bissau	0.09	0.11	0.14	22.58	22.07	0.11	0.12	0.14	0.08	0.09	0.10	9.01	8.66	0.10	0.10	0.10	0.17	0.20	0.23	16.17	16.12	0.11	0.11	0.12	0.01	0.02	0.04
Kenya	1.32	1.24	1.27	-6.06	2.57	1.60	1.36	1.30	3.01	3.24	3.42	7.88	5.35	3.62	3.49	3.44	4.32	4.48	4.68	3.64	4.59	2.62	2.44	2.38	-1.69	-2.01	-2.15
Lesotho	0.01	0.02	0.03	85.63	21.84	0.01	0.02	0.03	0.01	0.01	0.01	4.76	4.48	0.02	0.02	0.01	0.02	0.04	0.04	41.67	14.86	0.02	0.02	0.02	0.00	0.01	0.01
Liberia	0.20	0.16	0.15	-21.82	-7.24	0.25	0.17	0.15	0.10	0.13	0.15	34.78	9.20	0.12	0.14	0.15	0.30	0.29	0.29	-3.17	0.30	0.18	0.16	0.15	0.10	0.02	0.00
Libya	1.48	1.68	1.85	13.16	10.16	1.81	1.84	1.90	1.16	1.27	1.31	9.52	3.30	1.40	1.37	1.32	2.64	2.95	3.16	11.56	7.20	1.60	1.60	1.61	0.32	0.40	0.53
Madagascar	0.17	0.19	0.24	9.84	30.93	0.21	0.20	0.25	0.34	0.34	0.35	0.05	2.84	0.41	0.37	0.35	0.51	0.53	0.59	3.30	12.75	0.31	0.29	0.30	-0.17	-0.15	-0.11
Malawi	0.32	0.25	0.21	-22.23	-15.55	0.38	0.27	0.21	1.26	1.41	1.59	12.10	12.87	1.52	1.52	1.60	1.58	1.66	1.80	5.23	8.66	0.95	0.90	0.92	-0.94	-1.17	-1.39
Mali	0.10	0.12	0.09	18.05	-23.46	0.12	0.13	0.09	1.84	1.95	2.04	6.05	4.43	2.22	2.10	2.05	1.94	2.07	2.13	6.67	2.84	1.18	1.13	1.08	-1.74	-1.83	-1.95
Mauritania	0.10	0.12	0.09	18.05	-23.46	0.12	0.13	0.09	0.22	0.25	0.25	12.72	3.27	0.26	0.27	0.26	0.32	0.36	0.35	14.40	-5.40	0.19	0.20	0.18	-0.12	-0.13	-0.16
Mauritius	0.42	0.44	0.43	5.48	-3.06	0.51	0.49	0.44	0.57	0.57	0.54	-0.77	-4.41	0.69	0.61	0.55	0.99	1.01	0.97	1.87	-3.82	0.60	0.55	0.49	-0.15	-0.13	-0.12
Morocco	1.95	2.34	2.42	20.11	3.13	2.38	2.58	2.49	2.37	2.39	2.45	0.46	2.80	2.86	2.57	2.47	4.33	4.73	4.87	9.33	2.96	2.62	2.57	2.48	-0.42	-0.04	-0.04
Mozambique	1.16	1.39	1.68	19.77	20.70	1.42	1.53	1.73	3.57	4.65	5.99	30.32	28.83	4.30	5.01	6.03	4.73	6.05	7.68	27.73	26.96	2.87	3.29	3.90	-2.41	-3.26	-4.31
Namibia	3.48	4.33	5.47	24.29	26.49	4.25	4.76	5.63	5.19	5.19	5.08	0.11	-2.13	6.25	5.59	5.11	8.67	9.52	10.55	9.82	10.88	5.25	5.18	5.37	-1.70	-0.86	0.39
Niger	0.46	0.89	1.13	94.08	26.76	0.56	0.98	1.16	0.41	0.46	0.50	12.40	9.59	0.49	0.50	0.51	0.87	1.35	1.63	55.51	20.90	0.53	0.73	0.83	0.05	0.43	0.62
Nigeria	9.47	10.25	10.72	8.29	4.54	11.55	11.27	11.02	8.91	9.45	10.24	6.12	8.33	10.74	10.18	10.30	18.38	19.71	20.96	7.24	6.35	11.14	10.72	10.66	0.56	0.80	0.48
Rwanda	0.59	1.30	1.62	122.47	24.21	0.71	1.43	1.66	0.48	0.45	0.39	-4.83	-12.99	0.57	0.49	0.40	1.06	1.76	2.01	65.44	14.62	0.64	0.95	1.02	0.11	0.85	1.22
Sao Tome and Principe	0.01	0.01	0.01	1.85	4.05	0.01	0.01	0.01	0.04	0.06	0.08	48.40	17.75	0.05	0.07	0.08	0.05	0.07	0.08	41.73	16.34	0.03	0.04	0.04	-0.04	-0.06	-0.07
Senegal	1.16	1.15	1.14	-0.05	-1.35	1.41	1.27	1.17	1.17	1.25	1.17	6.61	-6.49	1.41	1.35	1.18	2.33	2.41	2.31	3.31	-4.02	1.41	1.31	1.17	-0.02	-0.10	-0.03
Seychelles	0.09	0.09	0.09	-3.80	-0.53	0.11	0.10	0.09	0.08	0.11	0.15	50.86	29.34	0.09	0.12	0.15	0.17	0.20	0.23	21.03	16.38	0.10	0.11	0.12	0.02	-0.03	-0.06
Sierra Leone	0.22	0.19	0.17	-10.89	-11.42	0.26	0.21	0.17	0.02	0.03	0.03	23.02	16.13	0.03	0.03	0.03	0.24	0.22	0.20	-7.85	-8.13	0.14	0.12	0.10	0.19	0.17	0.14
Somalia	0.22	0.19	0.17	-10.89	-11.42	0.26	0.21	0.17	0.03	0.03	0.03	7.48	8.42	0.03	0.03	0.03	0.24	0.22	0.20	-8.74	-8.69	0.15	0.12	0.10	0.19	0.16	0.14
South Africa	17.40	18.39	19.63	5.68	6.75	21.22	20.21	20.19	12.63	12.65	13.06	0.16	3.25	15.23	13.63	13.14	30.03	31.04	32.69	3.36	5.32	18.21	16.88	16.62	4.77	5.74	6.57
South Sudan			n/a			0.00	0.00				n/a			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sudan	0.20	0.14	0.10	-29.86	-28.10	0.25	0.16	0.11	0.22	0.19	0.18	-15.98	-3.24	0.27	0.20	0.18	0.43	0.33	0.28	-22.60	-13.99	0.26	0.18	0.14	-0.02	-0.04	-0.08
Swaziland	0.20	0.14	0.10	-29.86	-28.10	0.25	0.16	0.11	0.26	0.27	0.28	3.52	3.66	0.31	0.29	0.28	0.46	0.41	0.38	-11.06	-7.28	0.28	0.22	0.19	-0.06	-0.13	-0.18
Tanzania	1.79	1.87	1.65	4.65	-11.88	2.18	2.06	1.70	1.43	1.35	1.05	-5.34	-22.45	1.72	1.46	1.06	3.22	3.23	2.70	0.21	-16.31	1.95	1.75	1.37	0.36	0.52	0.60
Togo	0.78	1.00	1.17	27.99	17.08	0.95	1.09	1.20	0.27	0.36	0.40	31.45	12.69	0.33	0.39	0.41	1.05	1.35	1.57	28.89	15.92	0.64	0.74	0.80	0.51	0.64	0.76
Tunisia	2.04	2.05	2.06	0.47	0.66	2.49	2.25	2.12	2.02	2.92	3.38	44.87	15.78	2.43	3.15	3.40	4.06	4.97	5.45	22.54	9.54	2.46	2.70	2.77	0.02	-0.87	-1.32
Uganda	1.36	1.55	1.65	13.38	6.63	1.66	1.70	1.70	0.97	0.91	0.80	-5.78	-12.45	1.16	0.98	0.80	2.33	2.46	2.45	5.44	-0.43	1.41	1.34	1.24	0.40	0.64	0.85
Zambia	3.23	3.90	4.47	20.76	14.55	3.94	4.29	4.60	2.29	2.95	3.25	29.21	10.09	2.76	3.18	3.27	5.52	6.86	7.72	24.26	12.63	3.35	3.73	3.93	0.95	0.95	1.22
Zimbabwe	3.17	3.44	3.56	8.58	3.44	3.87	3.78	3.66	0.96	0.96	0.99	0.04	2.41	1.16	1.04	0.99	4.13	4.41	4.55	6.59	3.21	2.51	2.40	2.31	2.21	2.48	2.58
Total	**82.00**	**91.00**	**97.24**	**10.98**	**6.86**	**100.00**	**100.00**	**100.00**	**82.96**	**92.86**	**99.41**	**11.94**	**7.05**	**100.00**	**100.00**	**100.00**	**164.96**	**183.87**	**196.65**	**11.46**	**6.95**	**100.00**	**100.00**	**100.00**	**-0.96**	**-1.86**	**-2.16**

* Estimates n/a not available

Sources: 1) IMF (2014) *Direction of Trade Statistics* (Database). 2) World Bank (2014) World Development Indicators, (October)
3) EIU, *Country Report* (various issues). 4) UNCTADSTAT, 2015
5) Afreximbank Staff estimates.

intra-African imports in 2015. Other African importing countries, too, contributed to the growth in intra-African trade. These positive developments arose as many countries continued to source their essential imports from within the continent, despite the challenges brought by the drop in commodity prices during the year.

The cumulative effects of growth in the value of intra-African trade, combined with the substantial contraction in Africa's total merchandise trade, lifted the share of intra-African trade in Africa's total merchandise trade to 17.2 percent in 2015, from 15.6 percent in 2014.

Despite this progress, Africa's intra-regional trade as a share of total trade still compares unfavourably to that of Europe (72 percent), Asia (52 percent), North America (48 percent), and Latin America (20 percent).

CHAPTER THREE

OPERATIONS AND ACTIVITIES

3. OPERATIONS AND ACTIVITIES

3.1 OPERATIONS

Afreximbank's operations and activities in 2015 were in line with the objectives of the 2015 Budget and Work Programme derived from the Bank's Fourth Strategic Plan ("Project 3-5-3" or "Plan IV") covering the five-year period 2012-16.

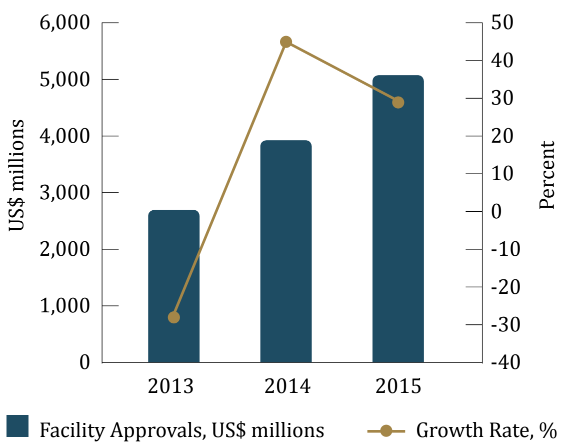
3.1.1 Review of Lending Operations

Despite the difficult politico-economic environment, the Bank's lending activities and loan portfolio witnessed remarkable growth that resulted in improved operational and financial performance.

Through direct and indirect intervention mechanisms, the Bank leveraged its resources in support of African financial institutions and corporates. It supported its clientele and created value for its shareholders through the Line of Credit Programme, which is its main indirect lending product, and through other direct lending programmes including Direct Financing, Project-Related Financing, and Syndications. Also, through transactions under the newly approved Counter-Cyclical Trade Liquidity Facility (COTRALF), the Bank channelled US$1.2 billion to various financial institutions and corporate entities.

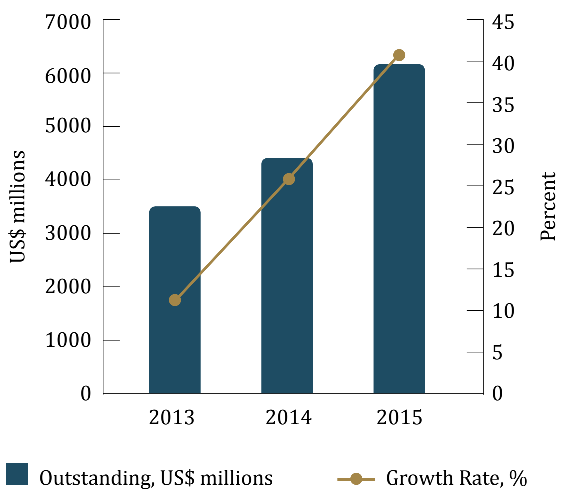
The level of approvals increased to US$5.04 billion in 2015, which was 29.46 percent higher than recorded in 2014 (US$3.89 billion). Consequently, the Bank's outstanding loans rose at the impressive rate of 40.52 percent to US$6.16 billion in 2015 against US$4.38 billion in 2014 (Figures 3.1 and 3.2).

Figure 3.1 Afreximbank: Facility Approvals, 2013 - 15



Source: Afreximbank

Figure 3.2 Afreximbank: Credit Outstanding as at December 31, 2013 - 15



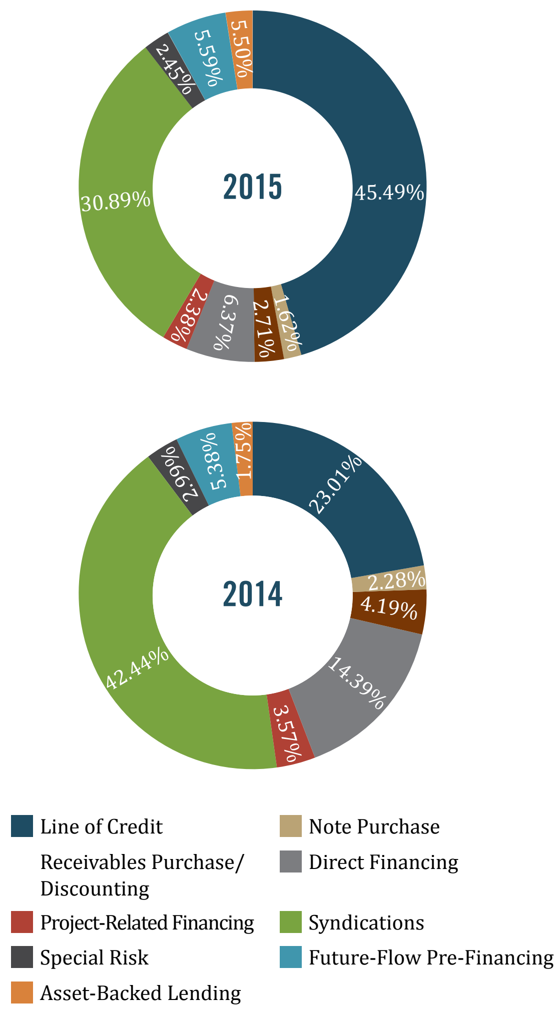
Source: Afreximbank

3.1.1.1 Line of Credit Programme (LOCP)

Through the Line of Credit Programme (LOCP), the Bank provides funded and unfunded credit lines to creditworthy African and non-African banks designated as the Bank's trade-finance intermediaries (TFIs). The LOCP provides loan and guarantee facilities to small and medium-size trading entities whose balance sheet size and trade turnover would not normally qualify them for the Bank's direct lending. The facilities provided under the LOCP include the Trade Finance (Export-Import) Facility, the Pre- and Post-Export Financing Facility, the Loan/Credit Confirmation and Refinancing Facility, and the Reimbursement Guarantee Facility.

In 2015, the Bank approved US$2.56 billion under the LOCP, more than double the US$1.23 billion approved in 2014. In terms of outstanding loans, the LOCP's US$2.8 billion accounted for more than 45 percent of the Bank's total portfolio (Table 3.1 and Figure 3.3).

Figure 3.3 Afreximbank: Distribution of Outstanding Loans, by Type of Product/ Programme, 2014-15



Source: Afreximbank

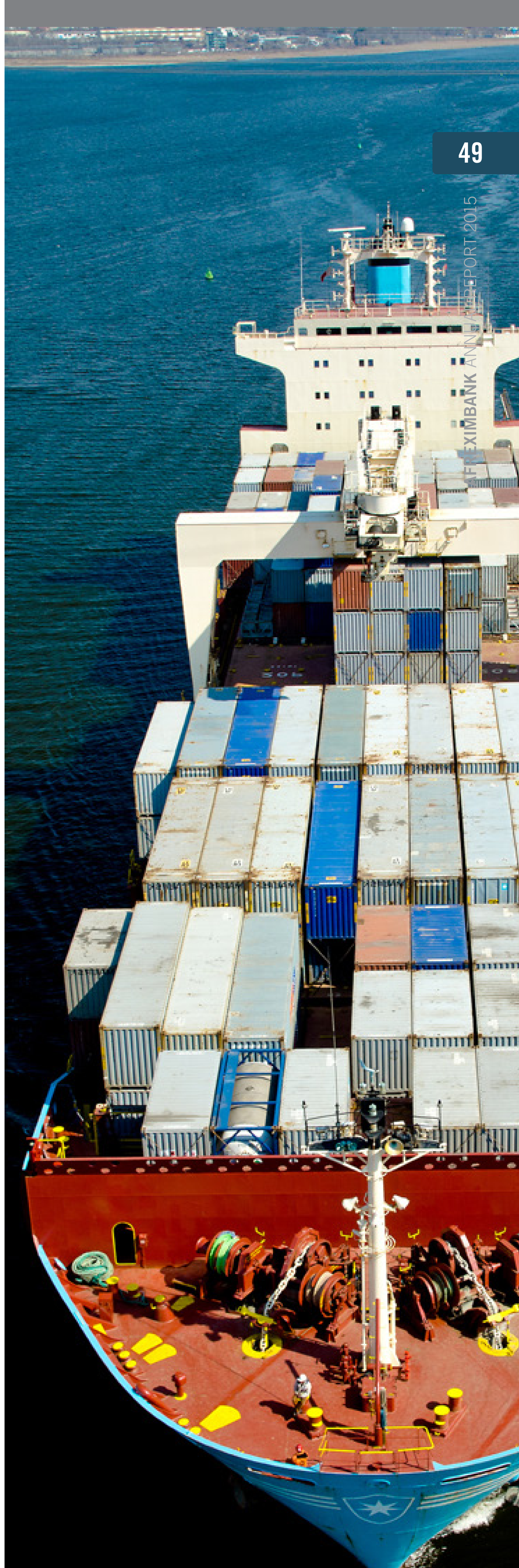


Table 3.1 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Product/Programme, 2013 - 15

Type of Product/ Programme	Approvals (US$m)			Growth Rate (%)		Share of Approvals by Type of Programme (%)			Outstandings (US$m) (End of Period)			Growth Rate (%)		Share of Outstandings by Type of Programme (%)		
	2013	2014	2015	2013/2014	2014/2015	2013	2014	2015	2013	2014	2015	2013/2014	2014/2015	2013	2014	2015
1. Line of Credit	1,182.80	1,238.59	2,567.33	4.72%	107.28%	44.18%	31.81%	50.94%	502.55	1010.21	2806.08	101.02%	177.77%	14.41%	23.01%	45.49%
2. Note Purchase	20.00	0.00	0.00	-100.00%	-	0.75%	0.00%	0.00%	254.86	100.00	100.00	-60.76%	0.00%	7.31%	2.28%	1.62%
3. Receivables Purchase/ Discounting	71.42	0.00	130.00	-100.00%	-	2.67%	0.00%	2.58%	171.86	183.87	167.07	6.99%	-9.14%	4.93%	4.19%	2.71%
4. Direct Financing	555.35	1,368.32	925.42	146.39%	-32.37%	20.74%	35.15%	18.36%	538.51	631.66	392.71	17.30%	-37.83%	15.44%	14.39%	6.37%
5. Project & Export Development Financing	208.65	210.00	245.42	0.65%	16.87%	7.79%	5.39%	4.87%	188.95	156.68	147.09	-17.08%	-6.12%	5.42%	3.57%	2.38%
6. Syndications [a)]	468.17	1,076.32	921.87	129.90%	-14.35%	17.49%	27.65%	18.29%	1405.13	1862.66	1905.08	32.56%	2.28%	40.30%	42.44%	30.89%
7. Special Risk [b)]:	0.00	0.00	0.00	-	-	0.00%	0.00%	0.00%	125.32	131.45	151.18	4.89%	15.01%	3.59%	2.99%	2.45%
Country Risk	0.00	0.00	0.00	-	-	0.00%	0.00%	0.00%	125.32	131.45	151.18	4.89%	15.01%	3.59%	2.99%	2.45%
Other Risk	0.00	0.00	0.00	-	-	0.00%	0.00%	0.00%	0.00	0.00	0.00	-	-	0.00%	0.00%	0.00%
8. Future-Flow Pre-Financing	138.00	0.00	150.00	-100.00%	-	5.15%	0.00%	2.98%	208.30	236.02	344.93	13.31%	46.14%	5.97%	5.38%	5.59%
9. Asset-Backed Lending	33.00	0.00	100.00	-100.00%	-	1.23%	0.00%	1.98%	91.53	76.82	153.97	-16.07%	100.44%	2.62%	1.75%	2.50%
Memorandum Item:																
Country Programme	100.00	960.58	600.23	860.58%	-37.51	3.73%	24.67%	11.91%	985.45	784.68	955.39	-20.37%	21.76%	28.26%	17.88%	15.49%
Total	**2,677.39**	**3,893.23**	**5,040.04**	**45.41%**	**29.46%**	**100%**	**100%**	**100%**	**3,487.00**	**4,389.36**	**6,168.11**	**25.88%**	**40.52%**	**100%**	**100%**	**100%**
Cumulative Totals[c)]	**27,733.69**	**31,626.92**	**36,666.96**	**14.04%**	**15.94%**											

a) Includes cofinancing and participations
b) Contingent liabilities
c) Since the Bank began operations in September 1994
Note: Gaps represent infinity.
Source: Afreximbank

3.1.1.2 Special Risks Programme

The Special Risks Programme (SPR) is designed to provide comfort to lenders, extending facilities to African sovereigns, banks, and corporates by transferring some of the financing risks to Afreximbank credit risk. No credit was approved under the SPR during the review period.

Outstanding loans under the SPR increased from US$131.45 million in 2014 to US$151.18 million in 2015. The programme accounted for about 2.45 percent of the Bank's total loans portfolio at the end of 2015 (Table 3.1 and Figure 3.3).

3.1.1.3 Note Purchase Programme

Through the Note Purchase Programme, the Bank provides financing to corporates via the purchase of promissory notes or similar instruments issued or accepted by them and avalized[1] or guaranteed by an acceptable bank or other corporates. No credit was approved under this programme in 2015. Outstanding loans amounted to US$100 million in 2015, accounting for about 1.62 percent of the Bank's total portfolio (Table 3.1 and Figure 3.3).

3.1.1.4 Receivables Purchase/Discounting Programme

The Receivables Purchase/Discounting Programme comprises a family of facilities involving purchase of specific or group of receivables from the sale of goods and services to foreign or domestic buyers, with or without recourse to the seller. The facilities operated under this programme are: (i) forfaiting; (ii) invoice/receivables discounting; (iii) factoring and receivables management; and (iv) joint bill discounting/ financing and refinancing.

In 2015, the Bank approved two transactions under this programme, totalling US$130 million. (There were no approvals under the programme in 2014.) Total outstanding loans amounted to US$167.07 million at end of 2015, down from US$183.87 million at end of 2014. The programme accounted for 2.71 percent of the Bank's total portfolio in 2015 (Table 3.1 and Figure 3.3).

3.1.1.5 Direct Financing Programme

Through the Direct Financing Programme (DFP), the Bank provides pre- and post-export financing directly to corporates with a balance sheet size of at least US$2 million and an annual trade turnover of at least US$10 million.

Under the DFP, the Bank approved an amount of US$925.42 million in 2015, making it the fourth largest programme implemented by the Bank that year. Despite a sharp decline of 32.37 percent compared with the level of 2014, the DFP accounted for 18.36 percent of total approvals in 2015, down from 35.15 percent in 2014. Outstanding loans under the DFP stood at US$392.71 million in 2015, much lower than the US$631.66 million and US$538.51 million registered in 2014 and 2013, respectively (Table 3.1 and Figure 3.3).

3.1.1.6 Project and Export Development Financing Programme

The Project and Export Development Financing Programme (PEDFP) aims to develop Africa's export manufacturing capacity, by financing imports of capital goods and equipment needed for export manufacturing and for infrastructure projects that facilitate exports or generate trade-supporting infrastructure, such as power, ports, and telecommunications. It also aims to assist private sector operators and African government agencies executing

1 Avalization is the act of having a third party, usually a bank, guarantee the obligations of a buyer to a seller per the terms of a contract such as a promissory note or purchase agreement. The bank, by avalizing the document, acts as a cosigner with the buyer in the transaction.

essential projects that may not be directly export-generating but that create a conducive environment for investments in the export sector.

Credit approvals under the PEDFP amounted to US$245.42 million in 2015—a 16.87 percent increase from US$210 million in 2014. The PEDFP accounted for slightly less than 5 percent of total approvals in 2015, which is comparable to its share in 2014. Outstanding loans under the programme declined by 6.12 percent in 2015, reaching US$147.09 million and accounting for 2.38 percent of total outstanding loans (Table 3.1 and Figure 3.3).

3.1.1.7 Syndications Programme

The Syndications Programme (SP) is a risk-sharing programme used by the Bank to leverage international financing in support of trade- and project-related activities in the continent. Under this programme, the Bank arranges or joins a syndicate or club of reputable international and/or African banks to provide financing to African entities.

In 2015, the Bank approved US$921.87 million under the SP, making this the third largest of the Bank's programmes (after the Line of Credit and the Direct Financing Programme). This outcome was 14.35 percent lower than the US$1.07 billion recorded in 2014. Outstanding loans under the SP increased from US$1.86 billion in 2014 to US$1.9 billion in 2015 and accounted for 30.89 percent of the Bank's total loan portfolio (Table 3.1 and Figure 3.3).

3.1.1.8 Future Flow Pre-Financing Programme

Financial future-flow transactions refer to future-flow debt offerings that rely, for their repayment, upon receivables not generated from the export of physical goods. Such receivables include credit card or cheque receivables, hotel receivables, migrant remittances, royalties arising from bilateral air services agreements, overflight fees, and so forth. In 2015, the Bank approved an amount of US$150 million under this programme, an amount accounting for 2.98 percent of the year's approvals. In terms of outstanding loans, the programme accounted for 5.59 percent of the total, at US$344.93 million (Table 3.1 and Figure 3.3).

3.1.1.9 Asset-Backed Lending Programme

The Asset-Backed Lending Programme serves the growing demand by African entrepreneurs for financing to acquire physical assets within the framework of privatization and local-content-promotion opportunities. One of the advantages of this programme is that the assets can serve as good collateral, as their values are normally expected to rise with inflation.

Under this programme, total approvals in 2015 amounted to US$100 million and outstanding loans stood at US$153.97 million, representing 2.5 percent of the total portfolio (Table 3.1 and Figure 3.3).

3.1.1.10 Country Programme

Under the Country Programme, the Bank assists its member countries in peculiar difficulties not amenable to solutions offered by the rest of the Bank's menu of products. In 2015, the Bank approved US$600.23 million under the Country Programme. Total loans outstanding amounted to US$955.39 million in 2015 (Table 3.1 and Figure 3.3).

3.1.2 Analysis of Transactions

3.1.2.1 Sectors Financed

The Bank's total approvals to the **financial services sector** amounted to US$3.43 billion in 2015, making this the largest sector that the Bank financed during the year. Directing a large share of lending to TFIs is consistent with the trend of past years and in accord with one of the Bank's key operational models, financial institutions act as trade-finance intermediaries and channel funds provided by Afreximbank to other economic sectors across the continent. In terms of outstanding loans, the share of financial institutions stood at 53.7 percent of the Bank's total portfolio at US$3.31 billion in 2015. This was equivalent to a growth rate of 147.56 percent between 2014 and 2015.

The **energy** sector was the second largest sector financed by the Bank, with approvals at US$698.87 million in 2015, down 27.4 percent from US$962.6 million in 2014. The decline was mainly explained by the rebalancing of the Bank's portfolio in response to macroeconomic dynamics. In line with this development, outstanding loans to the energy sector declined from US$1.62 billion in 2014 to US$1.38 billion in 2015. The sector accounted for 22.42 percent of the Bank's total portfolio in 2015, down from 37.1 percent in 2014.

Other sectors recorded decreases in approvals in 2015; notably agriculture (-41.32 percent), services (-24.43 percent), transport (-20.50 percent), and telecommunications (-49.21 percent).

The downward trend in direct loan approvals should not overshadow the fact that the Bank expanded its use of TFIs, channelling financing through them to diverse economic sectors (Table 3.2 and Figure 3.4).

3.1.2.2 Beneficiary Institutions

The Bank approved US$3.43 billion in 2015 for financial institutions compared with US$1.7 billion in 2014. The share of financial institutions in total approvals was slightly above 68 percent, compared with 31.79 percent for corporates in 2015 (Table 3.3).

Financial institutions represented 57.37 percent (US$3.53 billion) of the Bank's total portfolio in 2015 while corporates accounted for 42.63 percent (US$2.62 billion) (Table 3.3).

Table 3.2 Afreximbank: Distribution of Loan Approvals and Outstandings by Sector, 2013 - 15

	Approvals (US$m)			Growth Rate (%)		Share of Approvals by Sector (%)			Outstandings (US$m) (End of Period)			Growth Rate (%)		Share of Outstandings by Sector (%)		
Sector Financed	2013	2014	2015	2013/2014	2014/2015	2013	2014	2015	2013	2014	2015	2013/2014	2014/2015	2013	2014	2015
Agriculture	221.50	478.79	280.94	116.16%	-41.32%	8.27%	12.30%	5.57%	390.53	361.39	349.49	-7.46%	-3.29%	11.20%	8.23%	5.67%
Energy	312.29	962.60	698.87	208.24%	-27.40%	11.66%	24.72%	13.87%	871.78	1,628.52	1,382.63	86.80%	-15.10%	25.00%	37.10%	22.42%
Services	238.56	278.84	210.73	16.89%	-24.43%	8.91%	7.16%	4.18%	121.19	126.32	172.03	4.24%	36.19%	3.48%	2.88%	2.79%
Metals and Minerals	0.00	0.00	11.00	-		0.00%	0.00%	0.22%	162.03	139.68	30.98	-13.79%	-77.82%	4.65%	3.18%	0.50%
Transportation	44.92	188.67	150.00	320.01%	-20.50%	1.68%	4.85%	2.98%	324.12	381.73	475.95	17.77%	24.68%	9.29%	8.70%	7.72%
Manufacturing	378.82	153.89	182.80	-59.38%	18.79%	14.15%	3.95%	3.63%	146.71	182.01	160.98	24.06%	-11.55%	4.21%	4.15%	2.61%
Telecommunications	168.50	129.63	65.84	-23.07%	-49.21%	6.29%	3.33%	1.31%	424.17	231.70	283.62	-45.38%	22.41%	12.16%	5.28%	4.60%
Government	0.00	0.00	0.00		-	0.00%	0.00%	0.00%	0.00	0.00	0.00	-	-	0.00%	0.00%	0.00%
Financial Institutions a)	1312.80	1701.09	3439.86	29.58%	102.22%	49.03%	43.69%	68.25%	1,046.48	1,338.01	3,312.43	27.86%	147.56%	30.01%	30.48%	53.70%
Total	**2,677.39**	**3,893.23**	**5,040.04**	**45.41%**	**29.46%**	**100%**	**100%**	**100%**	**3,487.00**	**4,389.36**	**6,168.11**	**25.88%**	**40.52%**	**100%**	**100%**	**100%**
Cumulative Total b)	**27,733.69**	**31,626.92**	**36,666.96**	**14.04%**	**15.94%**											

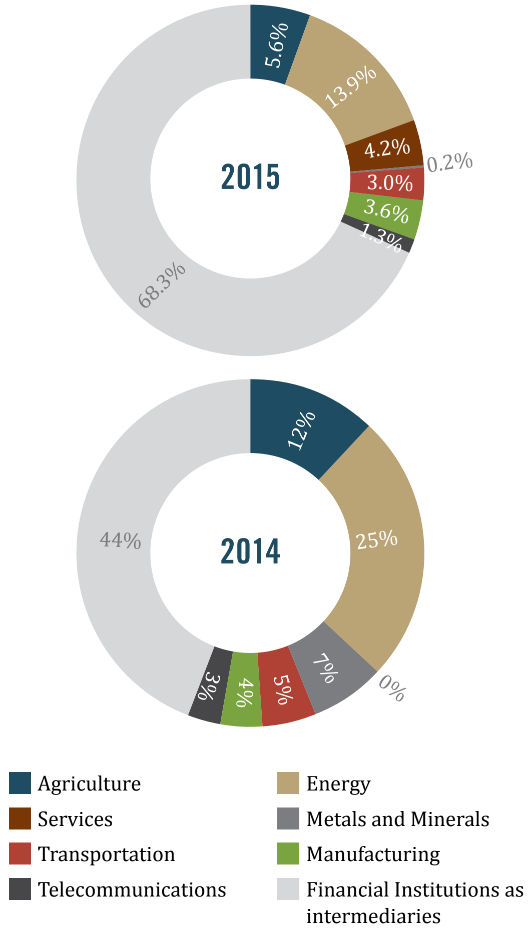
a) Approvals for financial institutions include unfunded credit guarantees but excludes commodity specific lending made through banks.
Outstandings for financial institutions exclude commodity specific lending made through banks.
b) Since the Bank began operations in September 1994
Note: Gaps represent infinity
Source: Afreximbank

Table 3.3 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Beneficiary Institution, 2013 - 15

Type of Beneficiary Institution	Approvals (US$m)			Growth Rate (%)		Share of Approvals by Type of Beneficiary Institution (%)			Outstandings (US$m) (End of Period)			Growth Rate (%)		Share of Outstandings by Type of Beneficiary Institution (%)		
	2013	2014	2015	2013/2014	2014/2015	2013	2014	2015	2013	2014	2015	2013/2014	2014/2015	2013	2014	2015
Corporate/ Government Agency/ Parastatal	1,364.59	2192.42	1600.18	60.67%	-27.01%	50.97%	56.31%	31.75%	2,022.19	2,054.53	2,629.76	1.60%	28.00%	57.99%	46.81%	42.63%
Financial Institutions	1,312.80	1701.09	3439.86	29.58%	102.22%	49.03%	43.69%	68.25%	1,464.81	1,925.99	3,538.35	31.48%	83.72%	42.01%	43.88%	57.37%
Government	0.00	0.00	0.00	-	-	0.00%	0.00%	0.00%	0.00	408.84	-	-	-100.00%	0.00%	9.31%	0.00%
Total	**2,677.39**	**3,893.23**	**5,040.04**	**45.41%**	**29.46%**	**100%**	**100%**	**100%**	**3,487.00**	**4,389.36**	**6,168.11**	**25.88%**	**40.52%**	**100%**	**100%**	**100%**
Cumulative Total [a)]	**27,733.69**	**31,626.92**	**36,666.96**	**14.04%**	**15.94%**											

a) Since the Bank began operations in September 1994
Source: Afreximbank

Figure 3.4 Afreximbank: Distribution of Loan Approvals by Sector, 2014 - 15 *(percent)*



Source: Afreximbank

3.1.2.3 Direction of Trade Financed

Credit approvals for mixed-directional trade accounted for the lion's share (82.95 percent) of total approvals at US$4.18 billion in 2015: considerably higher than the figure of US$2.62 billion recorded the previous year. During the year, approvals for intra-African trade-oriented transactions stood at US$375.25 million, while those approved for extra-African trade transactions amounted to US$483.9 million (Table 3.4).

Among the loans outstanding, those for mixed-directional trade grew by 54.67 percent in 2015, reaching US$5.11 billion at the end of the year and accounting for 82.97 percent of the Bank's total portfolio (Table 3.4).

Table 3.4 Afreximbank: Distribution of Loan Approvals and Outstandings by Trade Direction, 2013 - 15

Trade Direction	Approvals (US$m)			Growth Rate (%)		Share of Approvals by Trade Direction (%)			Outstandings (US$m) (End of Period)			Growth Rate (%)		Share of Outstandings by Trade Direction (%)		
	2013	2014	2015	2013/2014	2014/2015	2013	2014	2015	2013	2014	2015	2013/2014	2014/2015	2013	2014	2015
Intra-African [a)]	315.96	592.23	375.25	87.44%	-36.64%	11.80%	15.21%	7.45%	485.71	775.36	750.95	59.64%	-3.15%	13.93%	17.66%	12.17%
Extra-African [b)]	108.50	673.30	483.90	520.55%	-28.13%	4.05%	17.29%	9.60%	192.21	305.20	299.46	58.78%	-1.88%	5.51%	6.95%	4.85%
Mixed-directional [c)]	2,252.93	2,627.98	4,180.89	16.65%	59.09%	84.15%	67.50%	82.95%	2,809.09	3,308.80	5,117.70	17.79%	54.67%	80.56%	75.38%	82.97%
Total	**2,677.39**	**3,893.23**	**5,040.04**	**45.41%**	**29.46%**	**100%**	**100%**	**100%**	**3,487.00**	**4,389.36**	**6,168.11**	**25.88%**	**40.52%**	**100%**	**100%**	**100%**
Cumulative Total [d)]	**27,733.69**	**31,626.92**	**36,666.96**	**14.04%**	**15.94%**											

a) Related to transactions which are expected to have impact exclusively on intra-African Trade
b) Related to transactions which are expected to have impact exclusively on extra-African Trade
c) Related to transactions which are expected to have impact on both intra- and extra-African Trade (mixed-directional Trade)
d) Since the Bank began operations in September 1994
Source: Afreximbank

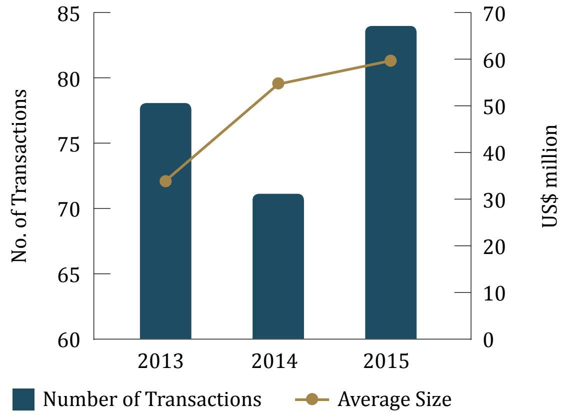
The Bank's new strategy to prioritise intra-African trade is set to increase the share of intra-African trade-oriented transactions in the years to come.

3.1.2.4 Transaction Size and Other Transaction Features

During the year, the number of transactions approved by the Bank rose to 84 from 71 in 2014, and the average size of transactions increased from US$54.8 million in 2014 to US$60 million (Figure 3.5).

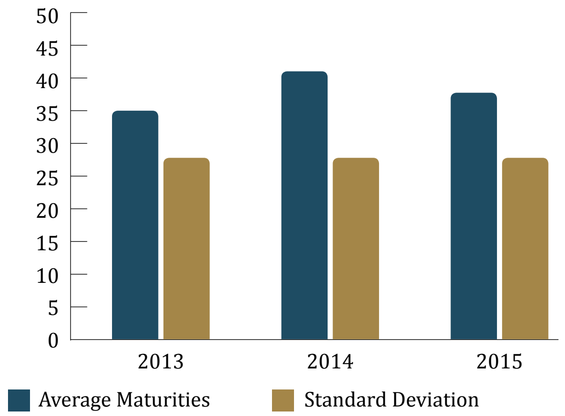
The average maturity of approved transactions stood at 37.7 months, down from 41 months in 2014. The standard deviation remained stable around 28 months during the year (Figure 3.6).

Figure 3.5 Afreximbank: Number and Average Size of Approved Transactions, 2013 - 15



Source: Afreximbank

Figure 3.6 Average Maturities & Standard Deviation, 2013 - 15 *(months)*



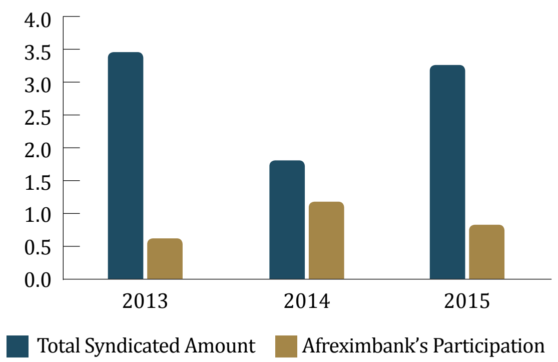
Source: Afreximbank

3.1.2.5 The Bank's Role in Leveraging Financing into Africa

Traditional instruments used by the Bank to leverage international financing into Africa include arranging or co-arranging syndications and club deals and inviting others to share the risk of such deals; granting lenders taking African exposures certain guarantees that enable them to fund such facilities; raising money in its name from the market and on-lending to entities that would ordinarily be unable to access the international financial markets; and providing advisory services that encourage the flow of loans and foreign direct investments into Africa.

In 2015, the Bank was the mandated lead arranger (MLA) of ten syndicated deals (against seven in 2014) with total approvals amounting to US$815 million. The total amount of these transactions including co-lenders stood at US$3.27 billion (Figure 3.7). When all transactions in which the Bank was a participant though not the MLA are accounted for, total syndicated loans amounted to US$5.4 billion, with the Bank contributing US$1 billion. This corresponds to a leverage ratio of 5.4 (US$5.4 leveraged into the continent for each $1 committed by the Bank).

Figure 3.7 Syndications/Club Deals Arranged or Co-arranged by the Bank, 2013 - 15 *(US$ billions)*



Source: Afreximbank

3.2 ACTIVITIES

3.2.1 Treasury Activities, Risk Management, and Compliance

3.2.1.1 Treasury Activities

In 2015, the Bank pursued its treasury activities in accordance with the Treasury Policies and Procedures enshrined in its Risk Management Policies and Procedures. In line with the Bank's funding and investment strategies for 2015, the main treasury operations conducted during the fiscal year included funding the Bank's requirements as approved by the Board in December 2014, hedging the non-US Dollar exposures of the Bank, investing any surplus and/or strategic resources, concluding the implementation of a new treasury management system, and updating treasury processes and policies. Some of the key activities are outlined below.

In May 2015, the Bank concluded a dual-maturity bilateral transaction with one of its relationship banks and raised US$315.5 million.

During the same month, the Bank launched a dual-tranche syndication to raise a target amount of US$600 million. The facility, which closed in July 2015, was oversubscribed and attracted aggregate commitments equivalent to US$1.05 billion. The final facility size, following a scale-back, was about US$915 million (comprising US$458 million and €405.5 million), making it the largest syndicated loan ever for the Bank and for an African financial institution. A total of 34 banks and investment institutions joined the facility, reflecting the excellent relationships and confidence that the Bank continues to enjoy with its partner financial institutions across the financial world.

During 2015 the Bank raised funding from export credit agencies/development finance institutions in an amount of US$426.7 million under US Commodity Credit. It raised US$686.4 million through bilateral lines

Box 3.1 Update on the Bank's Capital Mobilization Exercise

The shareholders of the Bank approved a General Capital Increase (GCI) at the Extraordinary General Meeting (EGM) held on 20 September 2014 driven by the urgent need to increase the Bank's capitalization to enable it to take advantage of the tremendous financing opportunities associated with the rapid increases in demand for its products and services occasioned by the global financial crisis of 2008/09, as well as with the quickening pace of Africa's economic growth, while maintaining a sound (investment-grade) credit rating. The GCI is intended to raise a total of US$500 million by 31 December 2016. These shares are to be allocated to existing shareholders on a pro-rated basis of their respective subscriptions current on the date of the EGM. Other approved initiatives included pre-financing the expected proceeds from the exercise through a bridging arrangement, on terms to be determined by the Board of Directors. This GCI ran concurrent with the Bank's ongoing mobilization of new shareholders, which will also contribute to the US$500 million target.

As at 31 December 2015, 44 existing shareholders had taken up their offers and paid in their subscription monies, amounting to about US$277 million. The total amount of commitments made by existing shareholders but not yet paid was slightly above US$161 million. Cumulative dividends reinvested at the discretion of shareholders since the launch of the GCI exercise amounted to US$718,634.48. Funds amounting to about US$5 million were received from new shareholders. In addition, and in line with the approval given to the Board at the EGM of 20 September 2014 to implement initiatives including pre-financing the expected proceeds from the exercise through a bridging arrangement, the Bank used a structure by which warrants convertible into Class D shares of the Bank, and qualifying tier 1 capital, were issued to certain investors. These warrants were to be paid off through proceeds expected from some existing shareholders who had made firm commitments to take up additional equity in the Bank. This bridging structure added about US$46 million to the equity funds.

Taking into account the aforementioned developments, the status of the US$500 million capital raise at 31 December 2015 is summarized below:

DETAILS	AMOUNTS (US$)
Target amount under the General Capital Increase (paid-in)	**500,000,000**
Paid-in capital from the offer to existing shareholders	276,747,212
Equity funded through dividend capitalization	718,634.48
Capital received from new shareholders	10,101,728
Inflows from Warrants Bridge	46,315,793
Total capital inflows	**333,883,368**
Shortfall on the target amount	166,116,632

Given the cumulative capital inflows amounting to US$333,883,368 and the US$500 million target under the GCI, there was still a US$166,116,632 shortfall in the Bank's target for capital funds. Nonetheless, having raised more than 66 percent of the expected amount in about a year, and with an additional year to go, the GCI extended for two years period ending 31 December, 2016, the Bank is in a better position to achieve its capital target.

Management has focused on closing the shortfall in the capital target through active engagement with the following categories of shareholders:

(i) some of those who expressly renounced the Bank's share offer under the rights issue;

(ii) those who neither confirmed acceptance nor rejected the rights issue; and

(iii) those who gave commitments to follow up their rights but had not remitted the subscription monies by 30 September 2015, the stipulated final cut-off date for payments to be made to Afreximbank under the offer to shareholders.

Cognizant of the large volume of funds required to adequately capitalize the Bank to meet the rising demand for its facilities, Management also initiated a systematic approach to institutional investors in Africa, targeting pension funds, insurance companies, and sovereign wealth funds. Progress in this regard in the various regional economic communities is summarized below:

(i) Economic Community of West African States (ECOWAS)
Advisors appointed by the Bank to assist in the equity raise targeting Nigerian pension funds conducted a successful road show in 2015. The advisors were also in active engagement with the regulatory authorities to facilitate investment in the Bank by the pension funds.

(ii) East African Community (EAC)
An advisor was engaged to assist with the Bank equity raise in Rwanda, where at least $10 million is expected from one of the pension funds, while advisors appointed to assist in Kenya, Ethiopia, Tanzania, and Uganda are currently consulting the Capital Markets Authority in Kenya and regulators in Ethiopia, Tanzania and Uganda in preparation for a road show later in 2016.

(iii) Southern African Development Community (SADC)
Engagements are at an advanced stage with pension funds and other agencies in South Africa, while the Seychelles Pension Fund has committed to acquiring equity in the Bank. An exercise targeting pension funds in Zimbabwe will be launched when that country has issued revised investment regulations permitting pension funds to invest in offshore financial assets. The guidelines are currently under consideration by the Parliament of Zimbabwe.

Management is also implementing various capital management initiatives, including securitization and insurance of the Bank loan portfolio. A total of US$701 million has been insured with triple "A" rated institutions.

Given the strong support that has been received from existing shareholders as well as other initiatives being pursued, management is confident that the target of US$500 million in additional capital by end of 2016 will be met and in all likelihood surpassed.

comprising term loans, revolving credit facilities, and money market lines. It also raised a total of US$1.06 billion under its Central Banks Deposit Programme.

During the review period, the Bank continued to manage the foreign exchange risk arising from its financing operations by borrowing in the currency of lending and/or entering into foreign exchange derivative contracts with creditworthy counterparties where misalignments of assets and liabilities in currencies other than the Bank's house currency (US Dollar) were identified on the balance sheet. As at 31 December, 2015, outstanding forward foreign exchange contracts amounted to €110.6 million.

The Bank also placed short-term excess funds in liquid short-term investment instruments with investment-grade-rated counterparties approved by the Board of Directors. The short-term investments form part of the Bank's liquidity buffer as dictated by its Liquidity Management Policy.

3.2.1.2 Risk Management

As for most other financial institutions, risk is an integral part of Afreximbank's business. Management of risk is therefore critical to the Bank's continuing profitability and fulfilment of its mandate and strategic goals.

During 2015, the Risk Management Department focused on building capabilities for strengthening risk management procedures in the Bank. Initiatives in this regard included a comprehensive review and enhancement of the Risk Management Policies and Procedures; implementation of a robust risk-management IT system; updating the business contingency and continuity plans and programmes; enhancing the risk-reporting framework; and the effective management and recovery of non-performing facilities.

3.2.1.3 Compliance Processes

"Know-Your-Customer" requirements, designed to combat money laundering and the financing of terrorism, have become more onerous in recent years and this trend looks set to increase. In 2015, Afreximbank intensified its efforts to mitigate the compliance and reputational risks arising from the increased international focus on combating financial crime; it exercised diligence by adopting proactive measures to safeguard its operational activities.

In this regard, the Compliance Unit of the Bank ensured adequate customer due diligence (CDD) activities on all potential relationships, including with borrowers, lender institutions, investors, suppliers, service providers, and new hires, as required by the Bank's Anti-Money Laundering and Counter Terrorist Financing Policy.

3.2.2 Shareholders' Matters

The year 2015 was marked by a smooth transition at the helm of the institution and shareholders played a key role in this process. At the 22nd Annual General Meeting held on 13th June, 2015 in Lusaka, Zambia, shareholders upon recommendation of the Board appointed Dr. Benedict Okey Oramah as the third President and Chairman of the Board of Directors of the Bank for a term of five years.

At the same meeting, shareholders approved the Annual Report and Financial Statements, along with the declaration and distribution of the dividends, for the year to 31st December 2014. They also approved the reappointment of the firms Ernst & Young and Deloitte and Touche as external auditors for 2015. Finally, shareholders were briefed on the status of implementation of the General Capital Increase of US$500 million, as well as the various initiatives for optimising the capital of the Bank.

Various activities were organised on the sidelines of the 2015 Annual General Meeting, including the 21st meeting of the Bank's Advisory Group and seminars, a trade exhibition on "Investing in Value Chains to Foster Export Growth and Competitiveness in Regional Markets" and an investment forum on "Unlocking Investment Opportunities through Financial Innovation".

The year 2015 was also marked by the formal inauguration of the new Headquarters Building and the Library of the Bank in Cairo, Egypt. The ceremony saw a large attendance of shareholders represented by high-level officials, including ministers, governors of central banks, ambassadors, chief executive officers, and managing directors of leading banks and corporations. The inauguration of the Headquarters Building was followed by the formal investiture of the new President on 21st September 2015. The Bank seized the opportunity of these events to showcase its programmes and services through a trade exhibition and two seminars: "From Vision to Reality: The Building of a Global Multilateral Exim Bank" and "The Relevance of Regional Financial Institutions".

During the year, six new shareholders joined the Bank in Class B. They included Rand Merchant Bank from South Africa; Afriland First Bank of Guinea, which transferred part of the shares acquired to other Afriland Group subsidiaries in the Democratic Republic of Congo, Cameroon, and Côte d'Ivoire; and Nouvobanq from the Seychelles. Accordingly, the number of shareholders of the Bank increased to 131 in 2015. Meanwhile, Stanbic Bank of Uganda and Oceanic Bank of Nigeria saw their shares consolidated with those of Standard Bank of South Africa and Ecobank Nigeria (following its acquisition of Oceanic Bank), respectively.

The new shareholders acquired 611 shares altogether while many existing shareholders, in support of the General Capital Increase, exercised their rights and acquired 29,784 additional shares—thus bringing the total number of additional shares to 30,395, amounting to US$268.6 million.

3.2.3 Meetings and Cooperation

During 2015, consistent with its strategic objectives, the Bank participated in several meetings, seminars, conferences, and workshops. It also organised several capacity-building events and proactively sought cooperation with other institutions in the form of partnerships and alliances to further advance the implementation of its mandate. A selection of these events is highlighted below.

3.2.3.1 International Cooperation

To further the Bank's relationship as a special member of the International Cocoa Organization (ICCO), a delegation from the Bank, led by the President, attended the 91st Regular Session of the ICCO and the Meeting of the Consultative Board on the World Cocoa Economy during March 23–27, 2015. That event brought together experts and representatives of major cocoa-producing and -consuming countries as well as private-sector players in the global cocoa industry. Afreximbank gave a presentation on its role in promoting Africa's cocoa economy and the Bank's collaboration with ICCO in support of the continent's cocoa sector in the context of its Africa Cocoa Initiative. The session offered the Bank an opportunity to firm up discussions with major stakeholders in the African and global cocoa value chains and to enhance Afreximbank's visibility in the global cocoa industry.

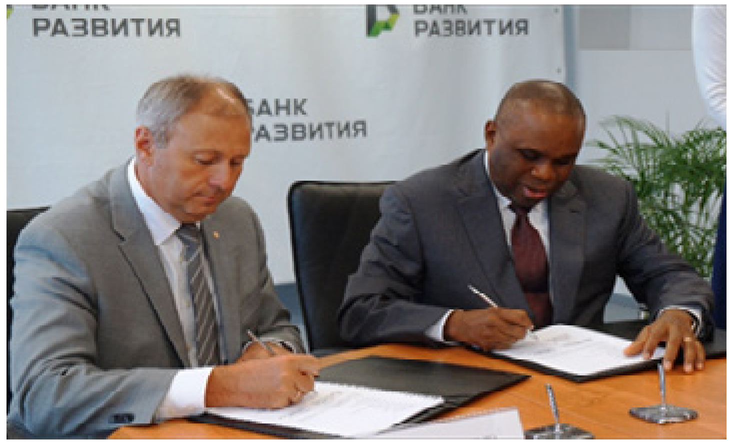
During 2015, the Bank joined the World Economic Forum as a Regional Associate for Africa. In 2015, a delegation led by the President attended the World Economic Forum for Africa held in Cape Town, South Africa from June 3–5. The President of Afreximbank participated as a panellist in a high-level session on "The Future of Trade", which provided a platform for the Bank to help shape regional and industry agendas on trade in the continent. The Bank's delegation also participated in other relevant sessions of the event, providing ample opportunity for the Bank to identify issues requiring its intervention in the continent while also meeting a range of existing and new partners to advance its agenda and development priorities.

During the year, a Bank delegation led by the President attended the US Chamber of Commerce's Africa Business Initiative.

During the briefing session, the President highlighted the importance of massive support in funding the infrastructure that Africa needs to support its economic activities. He added that technology would drive economies of the future and that Africa would need US corporations to facilitate the transfer of technology that a modern economy requires. The President took the opportunity to invite potential American investors to seize the opportunities that the rising African continent offers in the areas of infrastructure development, light manufacturing, among others, towards the promotion of intra-African trade.

As part of the Bank's efforts to promote forfaiting as a key trade-finance instrument in Africa, the Bank joined the International Trade and Forfaiting Association (ITFA) as an Associate member. During September 28–30, 2015, a delegation represented the Bank at the 42nd Annual Conference of ITFA which took place in Dubai, UAE. The conference focused on current market issues and provided a platform for forfaiters, export credit agencies, banks, importers, exporters, insurance companies, and so forth to share their experiences. For Afreximbank, it provided the platform to pursue networking and new business opportunities.

The International Factors' Group (IFG), one of the world's leading factoring associations, organised its annual meeting in Vienna, Austria from October 18–21, 2015. The meeting brought together more than 200 delegates from all over the world. Given the Bank's ongoing efforts to promote factoring in the continent and its strong partnership with IFG, the President along with members of the Bank's Factoring Working Group participated in the event. During the meeting, Afreximbank President Dr. B. O. Oramah resigned as the Chairperson of the Africa Chapter, due to his increased responsibilities as President of the Bank, and Ms. Kanayo Awani, Director of Trade Finance and Branches of the Bank, was appointed as new Chairperson of the Chapter by the IFG



Board. During the meeting, IFG shareholders elected Dr. Oramah as one of the four IFG Board Directors to join the Board of the global factoring association that arose from the merger of IFG and Factors' Chain International. The Bank's active participation at the event included a presentation on "Progress Report on the Implementation of Africa Chapter's 2014/2015 Activities" as well as representation on a panel discussing "Where and How Do Multilateral Banks See Opportunities for the Factoring Industry?"

3.2.3.2 Seminars/Conferences

A delegation represented the Bank at the High-Level Conference on "Feeding Africa: an Action Plan for African Agricultural Transformation" organised by the African Development Bank. The three-day conference attracted more than 500 participants from all walks of life, including ministers of finance, planning, and economy; ministers of agriculture and rural development; ministers of industry and trade; and governors of central banks. Drawing from recent success stories of agricultural transformation in Nigeria, Ethiopia, Mali, and other African countries, the conference came up with a strategic action plan for agricultural transformation in Africa aimed at building a strong and sustainable agricultural sector for food and nutrition security, youth employment, poverty alleviation, and rural transformation. The event offered the Bank representatives the opportunity to interact with several key stakeholders in agriculture across the continent and to glean new information relating to the agriculture sector —particularly on innovative financing, agribusiness, and intra-African trade, which are most relevant to the Bank.

The Annual Meetings of the International Monetary Fund and the World Bank Group held each year bring together central bankers, ministers of finance, private sector and financial sector executives, and academics to discuss issues of global concern, including the world economic outlook, poverty reduction, economic development, aid effectiveness, and development finance. In 2015, Afreximbank was represented at the event which took place in Lima, Peru during October 9–11. In addition to taking part in the seminars during the event, the Bank held bilateral meetings on the sidelines with a range of private and public institutions as well as government officials, with a view to forging new partnerships, pursuing new business opportunities, enhancing existing relationships, and advancing its advocacy priorities.

During April 23–24, 2015 a four-man delegation of the Bank participated in the US EXIM Bank's 2015 Annual Conference, held in Washington, DC. The event convened about one thousand US exporters, financiers, foreign dignitaries, and government and business leaders to discuss global trade issues and opportunities and learn more about new US EXIM Bank financing initiatives. During the event, Afreximbank delegates attended a roundtable breakfast with US exporters, African buyers, and banks to discuss Access to Credit and Doing Business in Africa. In addition, they met with representatives from the United States Department of Agriculture and United States Agency for International Development to discuss collaboration opportunities.

A delegation from the Bank led by the President attended the first European Union Factoring and Commercial Finance Summit which took place on January 27, 2015 in Brussels, Belgium. The summit, organised by Factors' Chain International and the European Federation for Factoring and Commercial Finance, brought together more than 125 delegates from several continents and addressed a range of issues, including the latest trends and developments in the European factoring and commercial finance industry. The Bank delegation, using the summit as a platform, met with the Secretary General of the International Factors' Group (IFG) and held fruitful discussions on a range of subjects, including mentorship and internship opportunities for African factors with members of the IFG.

3.2.3.3 Capacity Building Events

During November 10–13, 2015, the Bank held its 15th Annual Structured Trade Finance Seminar and Receivables Finance Workshop, in Nairobi, Kenya, to further the goal of developing and strengthening trade finance capacity in Africa. The event was attended by 120 participants from more than 20 African countries, including Botswana, Burkina Faso, Cameroon, Congo Democratic Republic, Côte d'Ivoire, Gabon, Ghana, Kenya, Malawi, Mauritania, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe, together with participants from China, India, and the United Arab Emirates, among others. In collaboration with the International Trade and Forfaiting Association (ITFA) and *Trade and Forfaiting Review (TFR)*, the two-day seminar was complemented by a two-day Workshop on Receivables Financing covering topical issues including forfaiting, factoring, and supply-chain finance. The workshop was organized as a partnership between Afreximbank, ITFA and *TFR*.

Afreximbank joined forces with the IFG, the Financial Services Institute of Egypt, and the Egyptian Factoring Association to organise a Symposium and Academy on factoring during March 11–12, 2015 in Cairo, Egypt. The two-day event convened more than 70 delegates from Egypt and a number of African and European countries. During the event, the Bank gave a presentation on "The Role of Afreximbank and of IFG African Chapter in the Development of Factoring in Africa". Other topics discussed during the symposium included the importance of factoring for development of the real economy and SME finance; the role of banks in supporting factoring companies; issues and opportunities for factoring in emerging markets in general and Africa in particular; the importance of education; and raising awareness for factoring. The academy, which was designed to improve participants' knowledge and awareness of factoring, covered several areas including an introduction to factoring products; comparison with other factoring products; risk assessment and client management; international factoring; and techniques for mitigating fraud and risk.

The Bank hosted the second Afreximbank Customer Due Diligence (ACDD) and Corporate Governance Forum, October 29–30, 2015 in Mahe, Seychelles. The forum, which was attended by more than 200 delegates from African financial institutions, corporate entities and regulators, and non-African institutions, adopted a number of key recommendations, including: (i) enhancing the ACDD repository platform through capacity building and training and the use of technology; (ii) harmonising and standardising corporate governance practices across the continent; and (iii) engaging African financial institutions and regulators to enhance the implementation process.

3.2.4 The Board of Directors

The Board and its committees held 18 meetings and considered matters that included the implementation of the management succession plan. This plan led to a smooth transition at the helm of the institution with the appointment of Dr. Benedict Oramah as the third President of the Bank and Chairman of the Board of Directors in June 2015.

The Board considered the Annual Report and Financial Statements, and the declaration and distribution of the dividend, for the year ended 31st December 2014, and the reappointment of the external auditors along with their fees, and recommended them for shareholders' approval. In order to align with international best practices and to avoid conflict of interest, the Board approved a memorandum on interested parties' transactions, while acknowledging the progress made on the implementation of a corporate governance compendium. The Board also discussed and/or noted various internal audit reports from the internal audit unit and BDO, the international audit firm to which some of the Bank's internal audit functions are outsourced; the progress made on the 2015 external audit programme; the internal and external audit scope of work for 2016; and the status of automation of Bank processes.

The Board reviewed, through various reports, the challenges facing the continent including the aftermath of the Ebola outbreak, the threat of terrorism, and the effects of the sharp decline in crude oil prices and other commodities. The Board reviewed and provided direction on the actions taken by management to mitigate the impact of these challenges on the Bank's loan assets, business operations, and other activities.

Particular attention was given to the financing of transactions and other reports covering the status of the Bank's operations, compliance, investment, borrowings, and advisory services. The Board reviewed the status of implementation of important products such as the Construction/Tourism-Linked Relay Facility (Contour) and approved a new product, the Counter-Cyclical Trade Liquidity Facility, whose objective is to assist eligible member countries to manage the current adverse effects of economic shocks on the availability of trade finance from international banks.

Branch offices' reports were considered to ascertain their operational and administrative performance. A new branch was officially opened in Abidjan by the Board of Directors at a ceremony presided over by H.E. Daniel Kablan Duncan, Prime Minister of the Republic of Côte d'Ivoire, in the presence of several ministers and shareholder representatives. The Branch Office Agreement signed on September 2014 was ratified by the Parliament of Côte d'Ivoire in June 2015. The progress regarding the opening of the East Africa Branch Office in Nairobi was reviewed and noted by the Board.

The Board also gave particular attention in 2015 to the implementation of a key new initiative of the Bank, namely the Balanced Scorecard, and its impact on task definition, allocation, performance management, and rewards.

Further, the Board considered and approved a revised organogram proposed by management in the wake of the appointment of the Bank's new President. The new organogram aims to prepare the Bank for effective execution of the priorities outlined by the new President.

3.2.5 Membership Mobilization

The number of African countries that had signed or acceded to the Agreement for the Establishment of Afreximbank increased to 38 at the end of 2015, following the signature of the Bank Agreement by Guinea Bissau and Chad. The number of countries and multilateral institutions that had ratified the Bank Agreement increased to 27 by the end of 2015, with the reception of the ratification instrument from Burkina Faso and the confirmation of the ratification instrument of Kenya by the Attorney General of Kenya. The Bank intensified its efforts to attract a few countries that have yet to become participating states, and made considerable progress with the Republic of South Africa in this regard. It also took action to encourage member states that have not yet ratified the Bank Agreement to do so.

3.2.6 Branch Offices

In 2015, the activities of the Bank's four Branch Offices in Harare, Abuja, Abidjan, and Nairobi were in line with their operational targets. These activities are summarised as follows.

3.2.6.1 Harare Branch Office (HBO)

During 2015, the volume of business generated by HBO increased by 11.5 percent year-on-year to US$1.56 billion, compared to US$1.4 billion in 2014. Of this volume, approved transactions amounted to US$582 million in 2015, representing an increase of about 25 percent compared to the level of US$465 million in 2014. The volume of transactions at different stages of development stood at US$565 million at the end of 2015, about 9 percent higher than the level at the end of 2014. The volume of operational facilities at the end of the review period amounted to US$1.14 billion, representing a notable increase of 77.6 percent compared to the level at the end of 2014. In addition, HBO continued to effectively monitor transactions in its area of coverage during the review period.

3.2.6.2 Abuja Branch Office (ABO)

During 2015, the volume of new business generated by ABO amounted to US$2.6 billion, representing a 113 percent increase over the 2014 level of US$1.2 billion. Credit approvals during the period amounted to US$692 million, representing an increase of 155 percent from the US$271 million achieved in 2014. The strengthening of ABO in the second quarter of 2015, with the hiring of a regional manager and an additional business development manager, yielded commendable results as evident in the approvals and disbursements reported. Loans outstanding, at US$930.47 million at the end of 2015, were significantly higher than the US$498 million at the end of 2014, especially when viewed against the transfer of some loan assets to the Abidjan Branch on its creation during the period.

3.2.6.3 Abidjan Branch Office (ABIBO)

The Bank established a new branch in Abidjan on May 28, 2015, in order to better serve Francophone West African countries.

During 2015, the volume of new business generated by ABIBO amounted to US$1.22 billion. Of this volume, transactions approved by the Executive Committee of the Board of Directors amounted to US$264 million. The volume of transactions at different stages of development stood at US$952 million at the end of December 2015. The volume of outstanding loans, at the end of 2015, amounted to US$322.6 million.

3.2.6.4 Nairobi Branch Office (EABO)

On November 6, 2015, the Kenya Cabinet approved the establishment of the Bank's East Africa Branch Office (EABO) in Nairobi. The office will spearhead the Bank's business development activities in East Africa and cover the following member countries: Ethiopia, Kenya, Rwanda, Tanzania, and Uganda. The establishment of the branch is in line with the Bank's strategy to facilitate access to its products and services as well as to respond more efficiently to clients' needs. Following the approval, the Bank is engaging Kenyan government officials to have the branch office agreements executed and to make the branch operational early in 2016.

3.2.7 Trade Information

In 2015, the Bank provided its various stakeholders including clients and partners with country reports, financial sector reports, commodity market reports, and reports on international trade issues of interest to them, taking advantage of the fact that senior management had taken important steps to update the trade database and expand the institutional capacity to deliver trade information services.

3.2.8 Human Resources and Administration

3.2.8.1 Human Resources

Recruitment and exits. The Bank's human resources capacity grew by 15 percent in 2015 from 127 staff in 2014 to 146 at the end of 2015. The growth reflected the need to ensure that the Bank is adequately resourced to support its ambitious growth strategy and development plan. Some of the key functions resourced during this period included research, risk management, strategy, trade finance, treasury, compliance, IT, internal audit, external communications, and human resources. The review period saw the transition of the leadership mantle from President Jean-Louis Ekra to President Benedict Okey Oramah as the third President of the Bank.

Learning and development. The Bank implemented its training plan for the period, covering 75 percent of its staff, with a special emphasis on the areas of structured trade finance, syndications, project finance modelling and appraisal, corporate finance, credit appraisals and corporate governance. In addition, eight internally-oriented monthly knowledge-sharing sessions were organised, covering topical subjects including factoring and commercial finance; creditors' rights and insolvency proceedings under OHADA; supply chain financing; asset securitization; and trade-based money laundering.

Performance management. In line with the Bank's focus on improving its performance and strengthening its organisational culture, a new performance management system, the Balanced Scorecard, which was initiated in 2014, was fully rolled out in 2015 with the aim of creating focus and alignment across individual, team, and overall Bank strategic objectives. The implementation of the Balanced Scorecard has provided greater clarity on the Bank's mandate, vision, mission, and strategy across all levels of the organization, thereby promoting effectiveness in the execution of the Bank's strategy as well as an improvement in the performance culture.

A competency framework customised to the Bank's needs, The Afreximbank Talent Development Framework, was also fully implemented in 2015. This framework allows further refinement of the Bank's job and grade structure through the implementation of a job family approach linked to a relevant competency framework. The job family approach is expected to support career development and progression within the Bank's staff, by providing clarity on career paths and the required competencies for career progression.

3.2.8.2 Administration

Premises and office management. The Administrative Services Department continued to ensure a safe, conducive, and secure work environment for Bank staff and to safeguard and preserve the functionality of the Bank premises and assets.

The newly established Branch Office in Abidjan, Côte d'Ivoire was resourced with the requisite facilities and provided with appropriate security structures to protect staff and Bank property.

Disaster recovery sites were secured and adequate measures put in place to ensure effective recovery and business continuity in the event of business disruption.

The Bank's ultra-modern Headquarters Building was inaugurated in September 2015 by H.E. Sameh Shoukry, the Egyptian Foreign Minister. During that event, the Bank also inaugurated a state-of-the-art Library and Knowledge Management Centre consistent with its vision of becoming a centre of excellence in African trade and trade finance matters.

3.2.8.3 Business Continuity and Crisis Management

In view of the evolving operating environment in its operational locations, the Bank continued to enhance and test its Business Continuity Plan, Crisis Management Plan, and Security Evacuation Plan, and to further embed business continuity management into its day-to-day operations. Additionally, the Bank retained the services of International SOS and Control Risks, UK which provide the Bank and its staff access to an integrated security, travel, and incident-management program. During the year, the Bank carried out recovery tests and the results indicated inherent resilience.

3.2.9 Information and Communication Technology

During 2015 the Bank successfully completed the automation of its treasury and procurement processes. These automation initiatives have improved processes, raised efficiency, and reduced the error rate by more than 95 percent. The Bank is also progressing well in the automation of other business processes, including business origination; credit and risk; compliance; budgeting; enterprise performance management; and travel management.

An upgrade of the Bank's Disaster Recovery (DR) site to Microsoft-based cloud infrastructure was carried out, yielding a tremendous improvement in recovery time. A fully functional DR site was successfully tested and a separate Business Continuity Management readiness test was also successfully carried out from the new offsite location in Cairo.

3.2.10 Banking Relationships

During 2015, the Bank continued to deepen the scope and depth of its relationships with African and non-African partner financial institutions. Given the increased focus on business development, the Bank continued to receive at its Headquarters delegations from major African and non-African institutions seeking to develop business relationships with the Bank. Conscious efforts were also made to strengthen business relationships with major financial institutions in the Euro credit market through business calls and through participating in syndicated and/or club deals originated by some of those partner banks, as well as through co-origination of some of the trade and project finance deals accomplished during the review period.

3.2.11 Awards

During 2015, the Bank received several awards detailed in Box 1.

Box 3.2 Awards received by Afreximbank in 2015

Trade Finance Magazine, Trade Finance Awards 2016

(i) Best Export Credit Agency in Africa

(ii) Trade Finance Deals of the Year (co-winner). The winning transaction was an EDC-backed loan for the Egyptian Electricity Holding Company. Afreximbank served as the mandated lead arranger for the US$525 million syndication in support of the Egyptian energy and power sector in the context of the country's Emergency Power Plan. The facility will be used to import gas turbines and other related equipment supplied by a large international capital goods firm.

Global Trade Review Magazine, GTR Africa Leaders in Trade Awards 2015

(i) Best Trade Finance Provider in Zimbabwe

(ii) GTR Best Deals of 2015

The winning transaction was a US$325 million syndicated loan for Smile Telecommunications. The deal aimed at growing the company's broadband network and expanding the 3G coverage networks in Africa.

Trade and Forfaiting Review Magazine

(i) Top 15 Winning Commercial Deals 2015. The winning transaction was a US$150 million to Zimbabwe Electricity Transmission and Distribution Company. Through this transaction, Afreximbank is supporting the power sector in Zimbabwe through strengthening the transmission and distribution capacities.

(ii) Top six Export-Credit-Agency-Covered Winning Deals 2015. The winning transaction was a US$325 million syndicated loan for Smile Telecommunications. The deal aimed at growing the company's broadband network and expanding the 3G coverage networks in Africa.

EMEA Finance, Achievement Awards 2015/Syndicated Loans.

Afreximbank received this award for the best supranational syndicated loan of US$458 million and €406.5 million dual tranche loan. This deal was the largest syndicated loan ever for the Bank and for an African financial institution; 34 international financial and investment institutions participated in the facility.

CHAPTER FOUR

TRADE-DEVELOPMENT IMPACT OF THE BANK'S OPERATIONS AND ACTIVITIES

4. TRADE-DEVELOPMENT IMPACT OF THE BANK'S OPERATIONS AND ACTIVITIES

The Afreximbank was established with the mandate of stimulating a consistent expansion and diversification of African trade while operating as a first-class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters. In essence, the Bank was created to be a successful financial institution that would enhance the process of trade development and structural transformation in its member countries and across the region. Driven by these twin goals, the Bank in 2015 continued to conduct its business in a manner consistent with the commercial and developmental expectations of its stakeholders.

During 2015, the Bank's credit operations affected African trade and economic development through several channels. They provided access to trade finance, helped diversify exports, expanded aggregate output, and created jobs, in part through the promotion of local content in strategic sectors such as the extractive industry. The Bank approved more than US$5 billion in credit in favour of entities across Africa. The approved amount was allocated to several sectors, including manufacturing, agro-processing, electricity, oil and gas, transport and communications, services such as hospitality, and financial institutions.

The following transactions are selected for discussion, in light of their assessed high development impact.

4.1 SUPPORTING PROCESSING AND MANUFACTURING PLANTS IN AFRICA

One of the challenges Africa faced in the years leading to the establishment of Afreximbank was the recurrence of adverse terms of trade shocks arising from over-dependence on primary commodities. That dependence often led to serious macroeconomic management challenges during bouts of abrupt commodity price declines.

The support provided by the Bank to develop processing and manufacturing plants in Africa is designed to increase value addition and promote the diversification of African economies, and in the process reduce their vulnerability to commodity price volatility and adverse terms of trade shocks.

In line with this goal, in 2015 the Bank continued to support the development as well as modernization and extension of capacity in African manufacturing.

For example, a €10 million Term Loan Facility for Equipment Import and Installation was granted in favour of Complexe Industriel Polygraphique Patrice Lumumba S. A (CIPPL) in Guinea. CIPPL was built in 1960 by former President Ahmed Sékou Touré, and was the biggest printing company in West Africa. However, lack of investment and innovation prevented it from meeting the increasing demand of the market. The company was transferred to new management under a privatization programme. CIPPL's current management has embarked on an extensive investment and modernization drive through equipment acquisitions that will boost production capacity and position the company to meet the rising demand for its services and reclaim its leading position in the market.

The Afreximbank facility supports CIPPL's extension plan on the back of the remarkable growth experienced by local processing

industries in Guinea and elsewhere in the sub-region, which had expanded the demand for packaging materials. The Bank considers efficient packaging as critical for export competitiveness, making this project strategic in promoting intra-regional trade.

The Bank's involvement was driven by the project's expected contribution to economic growth, employment creation, and improved economic management in Guinea, including by enabling savings of scarce foreign exchange which otherwise would have been used for imports. Furthermore, the project's use of local raw materials promotes value addition and in the process enhances the country's industrialization drive, while creating jobs and thus expanding domestic demand.

4.2 PROMOTING LOCAL CONTENT IN AFRICA'S EXTRACTIVE SECTOR

To encourage African businesses to participate in the continent's extractive sectors, the Bank introduced a special initiative called African Content Support Programme (ACSP). The programme aims not just to boost the domestic economy by enhancing the rent receipts, wages and salaries, interest, and profits accruing locally from the mining and extractive sector, but also to ultimately enable African entities to move up the global value chains in these sectors.

During 2015 under the ACSP the Bank participated in an amount of US$30 million in a US$91 million senior, secured, reducing reserve based syndicated term loan in favour of Oando Hydrocarbon Limited (OHL), Nigeria. A highly regarded company in the oil and gas industry in Africa, OHL is a fully integrated oil and gas company operating in Nigeria and West Africa. Over the past 15 years, it has achieved impressive performance in the upstream, midstream, and downstream oil and gas sectors and has recently embarked on an expansion drive to acquire new business lines with a view to diversifying its product mix. The energy sector contributes significantly to Nigeria's growth and economic development by

providing export earnings, taxes, royalties, jobs, infrastructure, technology transfer, and related social services. Because OHL's contribution to economic development extends across the West African sub-region, support for its operations has the potential to contribute to growth and economic development in several countries across the region.

In another example, the Bank participated in 2015 as a mandated lead arranger in a US$580 million syndicated crude oil prepayment facility in an amount of US$80 million in support of Orion Oil Limited. With roots in the Republic of Congo (Brazzaville) and incorporated in London, UK since 2004, Orion operates offices in a number of African countries including the Republic of Congo, Democratic Republic of Congo (DRC–Kinshasa), and Côte d'Ivoire. Orion trades in crude oil and refined products and is also involved in transport, intermediate storage, and delivery of crude oil and petroleum products. The Afreximbank facility supports Orion in making prepayment for certain oil cargos to be delivered by an African national oil company in relation to certain oil sale and purchases contracts between the parties. The national oil company is a state-owned company and a key supplier of crude to Orion.

The oil industry has strategic importance for growth and development in the Republic of Congo. The country relies on oil revenues (which account for about 70 percent of government revenues) to undertake development projects. Oil revenues account for 90 percent of export earnings and are therefore the country's main source of foreign exchange.

The financing for Orion has the potential for boosting investment and growth in the country. In particular, it will enable the national oil company that supplies crude oil to Orion to finance its upstream operations, including its exploration activities, in order to boost the production of oil to support the economic aspirations of its home country.

4.3 FINANCING TRADE-SUPPORTING INFRASTRUCTURE IN MEMBER COUNTRIES

Over the years Afreximbank has found it expedient to finance selected trade-promoting infrastructure in its member countries, given the constraints that lack of infrastructure imposes on efforts to promote trade and diversify exports.

In Africa, the chronic deficit of energy and electric power has been singled out year after year as a major constraint to output expansion and structural transformation. For years, the challenges in the power sector have created an excessive demand for the Bank's services in support of the sector, and 2015 was no different. The Bank supported electricity production and distribution-related transactions across a number of member countries, including Egypt, Ghana, Kenya, Nigeria, and Zimbabwe.

For example, the Bank participated in a club deal transaction with Standard Chartered Bank, London, in an amount of US$40 million in a US$150 million term loan facility in favour of Kenya Power and Lighting Company Limited (KPLC), Kenya. This facility enables KPLC to finance its general expenditure in relation to operating facilities, including for installations and upgrades of components and connections of new substations. Since its establishment in 1922, KPLC has been a strategic entity in the Kenyan economy. The majority shareholding by the Government of Kenya is deliberate, in recognition of the company's strategic role in the country's economy. KPLC purchases bulk power from Kenya Electricity Generation Company and independent power producers and distributes the power through the national grid.

The project is expected to improve the supply of electricity in Kenya and thus enable manufacturing companies to compete more effectively in global markets, increase their production and aggregate output, and create jobs. The facility is also expected to promote access to power by small to medium scale enterprises, helping them to fully integrate into the national economy and in the process further contribute to job creation and income generation.

In another operation in 2015, the Bank participated in a five-year US$150 million syndicated medium-term loan facility in an amount of US$75 million in support of the operations of the Volta River Authority (VRA), Ghana. Owned exclusively by the Government of Ghana, VRA is Ghana's major power generation company. It combines hydro and thermal plants to generate renewable energy for supply to domestic and export markets. About 89 percent of its production is consumed in the domestic market while the remaining 11 percent is exported to neighbouring countries including Benin, Burkina Faso, Côte d'Ivoire, and Togo. The established relationship between VRA and Ghana's neighbouring countries is an important dimension and path for intra-African trade promotion which is at the core of the Bank's medium-term operational strategy.

The Egyptian economy in the aftermath of the Arab Spring has been experiencing significant recovery, but a major concern is the availability and reliability of electric power. To contribute to the economic recovery process, the Bank participated in an amount of US$75 million in a five-year US$521 million syndicated term loan facility in support of Egyptian Electricity Holding Company (EEHC), Egypt. EEHC is responsible for all electricity-sector-related activities in Egypt, including generation, transmission, and distribution. The loan facility is designed to support EEHC under an ongoing emergency plan to acquire additional generation plant with 2,672MW capacity to enable it to meet the country's growing demand for power. In addition to ensuring reliable supply of electricity for household consumption, it will help EEHC increase its production capacity to support manufacturing and businesses and thereby contribute to economic growth and the realisation of the government's overall development agenda.

Similarly, in Zimbabwe the Bank participated in an amount of US$100 million in a US$150 million syndicated future flow pre-financing facility as a lead arranger to support the operations of Zimbabwe Electricity Transmission and Distribution Company. The proceeds of this facility financed the procurement of spare parts and equipment required to stabilise and maintain the distribution and transmission network in the country.

4.4 SUPPORTING COUNTRIES ADVERSELY AFFECTED BY GLOBAL SHOCKS

Heavy dependence on natural resources and primary commodities makes many African countries vulnerable to adverse commodity price shocks and global market volatility. Ongoing pockets of terrorism-related activity compound the economic risks especially in countries which depend heavily on tourism receipts. The consequences of shocks can be serious across the broad economic spectrum, including macroeconomic management, fiscal revenue shortfalls, currency volatility, and trade deficits. Recent global economic weaknesses—precipitated by the slowdown of the Chinese economy, decelerations in the growth performance of other developing economies, and global financial volatility—coupled with pockets of socio-political instability in some parts of the continent, have further highlighted the extent to which African economies remain highly vulnerable to adverse terms of trade shocks.

The exceptional circumstances in 2015 demanded urgent and decisive large-scale support to ensure that the sudden drying up of trade finance flows did not drive the continent into recession. The Bank therefore introduced a special initiative, the Counter-Cyclical Trade Liquidity Facility to safeguard against immediate shortages of trade-finance flows and make it possible for member countries that are adversely hit by terms of trade shocks to achieve an orderly adjustment.

Thus the Bank supported a number of its member countries in a total amount of US$1.8 billion during the period under review. The

facilities were designed primarily to bridge the significant trade financing gaps caused by the ongoing shocks, and to smooth the effects of global volatility until normal funding conditions are restored in most affected member countries.

The provision of this support is expected to: minimise the risk of trade payment default; ensure continued supplies of raw materials and capital goods for manufacturing and export development, and of essential consumer goods into the market; to restore the confidence of the international market and commodity suppliers in those countries' banking systems; and to enhance price stability, including interest rates and local currency exchange rates against foreign currencies, so as to reduce the risk of derailing the continent's growth and structural transformation agenda.

4.5 PROMOTING INTRA-AFRICAN TRADE

The global economic slowdown resulted in short-term liquidity constraints including for trade finance, especially for intra-African trade.

In keeping with its renewed emphasis on promoting intra-African trade as a strategic objective, and to drive its business development, the Bank in 2015 provided financial support for various trading activities across a number of member countries including Angola, Egypt, Ghana, Kenya, Nigeria, Mauritania, and Sénégal. The support took the form of lines of credit through the commercial banks that have become its established trade-finance intermediaries. The Bank supplied about US$1.1 billion in export and import lines of credit for the financing of eligible commodities, and raw materials for manufacturing across the continent. The facilities were also intended to foster the development of value chains and to promote export competitiveness.

In the context of these developments, the Bank collaborated with the Egyptian Ministry of Industry, Trade, and Small and Medium-Sized Enterprises in a special programme, the Egypt-Africa Trade Promotion Programme, which provided US$500 million to Egyptian entities. This facility is designed to boost trade between Egypt and the rest of Africa by financing Egyptian exports to, and imports from, any of the Bank's other member countries. It includes support for projects being promoted by Egyptian entities in these countries, with the view to reducing impediments—particularly those related to access to finance, management of payments, country risks, and market access—that hinder trade between Egypt and the rest of Africa.

4.6 ONGOING WORK ON TOOLS FOR IMPACT ASSESSMENT

In the context of ongoing efforts to increase operational efficiency and development impact of its operations, in 2015 the Bank continued to work on the design of a holistic tool and monitoring framework to aid the impact assessment process.

CHAPTER FIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

5. MANAGEMENT'S DISCUSSION AND ANALYSIS

OF THE FINANCIAL YEAR ENDED 31 DECEMBER, 2015

5.1 INTRODUCTION

The financial statements of the Bank include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and the accompanying notes. The following discussion should be read in conjunction with the Bank's audited financial statements for the year ended 31 December 2015, paying particular attention to the factors that influenced the observed results.

5.2 STATEMENT OF COMPREHENSIVE INCOME

The Bank attained a net income in an amount of US$ 125.32 million in 2015, a 19% increase on prior year performance of US$ 104.99 million. The Bank's total comprehensive income position increased by 25% from US$ 106.97 million in 2014 to close the year at US$ 134.21 million in 2015. This increase in total comprehensive income was explained mainly by the increase in net income emanating from higher interest revenues in 2015 arising from increased business compared to 2014. As at 31 December 2015, earnings per share amounted to US$ 2,021 (2014: US$ 2,359) down by US$ 338 mainly due to increase in issued shares from the equity raise efforts implemented by the Bank. On the other hand, the average return on shareholders' equity (ROAE) and average return on assets (ROAA), though slightly reduced, remained high by industry standards at 11.47% (2014: 13.5%) and 2.03% (2014: 2.2%) respectively and ahead of strategic plan targets of 11% and 2% respectively. The Bank's financial performance reflected strong earnings growth as a result of solid growth in volume of loans across 26 (2014:26) African countries supported by a strong capital base.

The Bank's Capital Adequacy Ratio closed the period at 26% (2014: 21%), due to increased equity injection and higher profitability. A further detailed analysis of the Bank's performance in 2015 is presented hereunder.

5.2.1 Net Interest Income and Margin

The Bank achieved a 17% growth in interest and similar income, to close the period at US$372 million (2014: US$318 million) mainly as a result of growth in loans and advances balances which increased by 41% on the back of increase in volume of operating loan facilities in 2015 compared to prior year. On the other hand, interest and similar expenses increased by 20% to US$ 173 million (2014: US$ 144 million). This increase was as a result of higher borrowing by 41% in 2015 to reach a level of US$ 5.418 billion (2014: US$ 3.855 billion) to enable the Bank to fund the loan asset growth.

In view of the fact that the Bank's loan assets are mainly priced on floating rate basis, the interest rate on the bonds issued by the Bank during the period was significantly swapped from fixed to floating as a way of minimizing the risk of interest rate mismatch. The interest rate swap resulted in an interest income of US$ 41.16 million (2014: US$ 17.19 million), a significant increase due to the fact

that about US$700 million worth of fixed rate bonds were swapped to floating for the whole of 2015 whereas in 2014, they were swapped in the last half of the year.

Net interest margin slightly declined to 3.6% in 2015 from 3.9% in 2014 mainly due to a slight decrease in the average interest rate earned on few new facilities issued in 2015 under a new programme in line with the pricing strategy. The Bank's cost of funds also declined due to improvement in the Bank's efficiency in managing its treasury activities causing a reduction in the borrowing portfolio interest expenses margin in 2015 compared to 2014. Although the net interest margin declined slightly, observed performance was ahead of planned strategic targets which focuses on improvement in the Bank's efficiency in managing interest margin on lending and borrowing.

5.2.2 Non-Interest Income

Net Fee and Commission Income increased by 5% to close the period ending 31 December 2015 at US$ 29.802 million (2014: US$ 28.432 million). The increase in fee and commission income in 2015 arose mainly from increase in guarantee fees by 178% given the Bank's focus on on the use of guarantees for capital management and leveraging purposes. On the other hand, advisory fees and letter of credit confirmation income decreased by 6% and 56% respectively due to lower value of advisory transactions concluded in 2015 compared to 2014 and decline in the outstanding letter of credit transactions. Fee and commission expenses increased slightly by about 2% to US$ 4.69 million (2014: US$ 4.61 million) driven by growth in borrowings. Other income also increased slightly by US$ 408 thousand mainly due to recoveries from previously written off loans.

5.2.3 Operating Income

Operating income, which is the sum of Net Interest Income, Net Fees and Commissions Income and Other Operating Income increased by 13% in 2015 to US$ 231 million (2014: US$ 204 million). The increase is explained mainly by higher net interest income arising from growth in volume of loan assets.

5.2.4 Operating Expenses

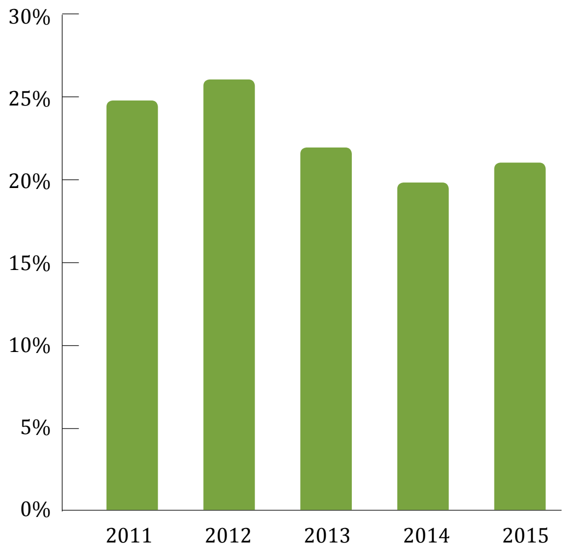
Operating expenses increased by around 19% in 2015 to close the period at US$ 48.42

million (2014: US$ 40.60 million) in line with the growth in the volume of business generated in 2015. The growth was mainly driven by: (i) increase in staff costs by 9% arising from improvements in the Bank's salary and benefit structure in line with the remuneration policy in place and a 15% increase in staff numbers compared to 2014 coupled with related one-off recruitment expenses such as relocation costs; and (ii) an increase of 42% in general and administration costs due to the Bank's contribution to Ebola Solidarity Trust Fund which was organized by the African Union and costs related to inauguration of the Headquarters building and launching of Abidjan branch.

5.2.5 Cost Income Ratio

Figure 5.1 below, shows that the cost-income ratio of the Bank increased slightly to 21%, from a level of 20% achieved in 2014. The increase arose from higher operating expenses explained above but nevertheless reflected effective cost controls and higher operating efficiency by the Bank during the year compared to industry average.

Figure 5.1 Afreximbank: Cost-to-Income Ratio: 2011 - 15



Source: Afreximbank

5.2.6 Allowance For Impairment On Loans And Advances

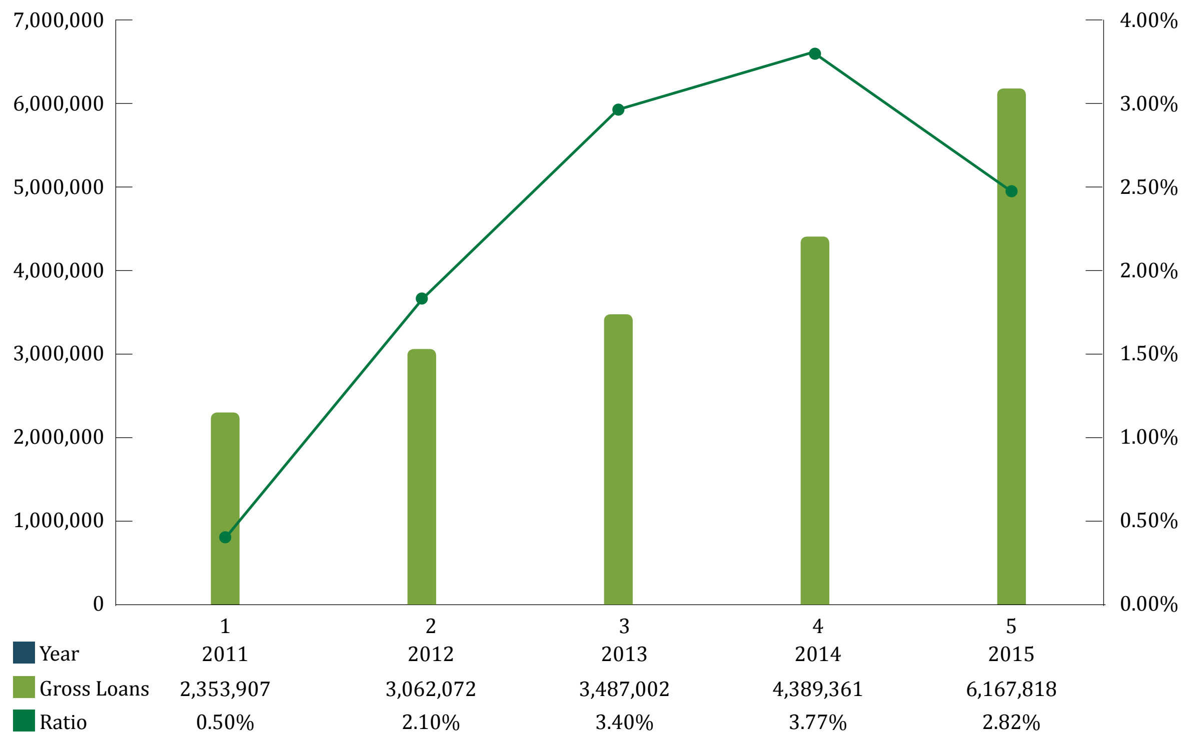
Allowance for impairment on Loans and Advances increased by 14% from US$ 55.7 million in 2014 to US$ 63.4 million in 2015 mainly due to increase in collective impairment provision of about US$ 7.6 million arising from 41% increase in loans and advances. The provision coverage ratio as at 31 December 2015 was at 137% (2014: 134%). The Bank's asset quality remained satisfactory as non-performing loans ratio improved from 3.77% in prior year to 2.82% in 2015. As at 31 December 2015, 93% (2014: 93%) of net loans were secured, through trade receivables (frequently from OECD buyers), pledged assets, trade credit insurance, bank guarantees and/or cash. The loan portfolio performed well despite the difficult business environment in many of the countries the Bank operated in.

5.2.7 Dividends

On account of higher net income achieved during the year and maintaining the historical payout ratio, the Board of Directors recommends a dividend payout amounting to US$ 28.8 million (2014: US$ 24.1 million) to shareholders, reflecting a 23% (2014: 23%) payout ratio consistent with prior years and an increase of about 20% over the US$ 24.1 million proposed and declared from 2014 operations. The past trend of increasing dividends to shareholders was thus maintained during the period under review. As the Bank is raising capital to do more business, shareholders will have an option of receiving the dividend entitlement through acquiring new ordinary shares of the Bank.

The Board, in making its recommendation on the level of ordinary dividends, took into consideration the objective of maintaining a growth trend in dividend payments amongst other considerations. The other factors considered included profit performance, need to retain earnings to support on-going business growth, capital adequacy, inflation, as well as the need to balance internal and external financing.

Figure 5.2 Afreximbank: NPL Ratio vs Gross Loans, 2011 - 15 *(US$ thousands)*



Source: Afreximbank

5.3 STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Bank shows the position of the Bank's assets and liabilities as well as its Net worth or Shareholders funds at the reporting date. A detailed discussion of these items with respect to 2015 is presented hereunder.

5.3.1 Assets

During the year under review, total assets of the Bank recorded an increase of about 37% to close the year on a solid performance at US$ 7.133 billion (2014: US$5.189 billion). An analysis of the Bank's assets in 2015 shows that Loans and Advances contributed significantly to the total assets position of the bank at 85% (2014: 84%). Cash and deposits with other banks accounted for about 12% (2014: 13%). The observed distribution was not materially different from the trend of past years distribution seen in 2014, and in line with 2015 forecasts and strategic plan.

Most of the loans are structured trade finance facilities, either funded directly by the Bank or within syndicates. An analysis of the loan portfolio by beneficiary as at end of 2015 shows that corporates' share in the portfolio was 33% (2014: 49%), financial institutions' share was 32% (2014: 32%) of the portfolio and state owned enterprises' share was 35% (2014: 19%) of the portfolio. The Bank also provides the financial institutions with credit lines to support their trade finance business with local counterparties who cannot access financing from the Bank directly. The average maturity of loans slightly decreased to 17 months in 2015 from 19 months in 2014 given

Figure 5.3 Afreximbank: Assets, 2011 - 15 *(US$ thousands)*

Source: Afreximbank

that the typical loans extended by the Bank are short term, self-liquating trade finance facilities. The Bank continued to achieve a wider geographical diversification of the portfolio with the Bank operating in 26 (2014: 26) countries.

Cash accounted for about 12% (2014:12%) of the total assets and are placed mainly with investment grade rated banks of "BBB" (Fitch or equivalent) average credit rating or above.

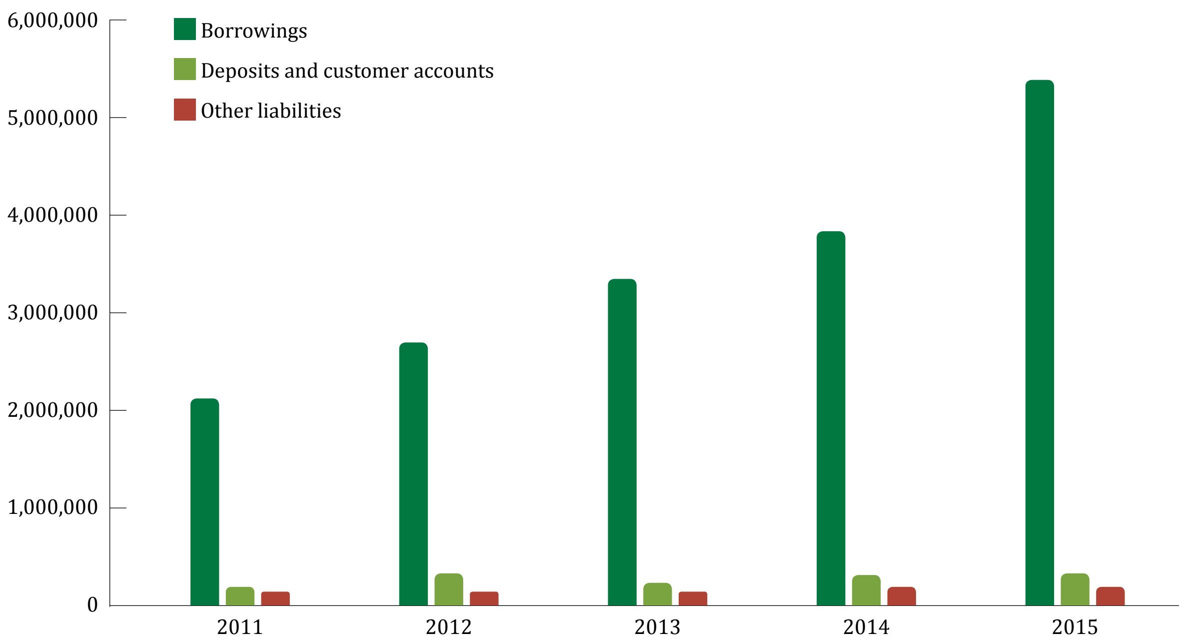
5.3.2 Liabilities

Total liabilities of the Bank rose by about 37% year-on-year to US$ 5.866 billion (2014: US$ 4.270 billion) as at 31 December 2015. The main reason for the increase in total liabilities was the borrowing balance which rose by US$ 1.56 billion from US$ 3.86 billion in 2014 to US$ 5.42 billion in 2015 and necessary in order to inject liquidity into the Bank to support the growth of the loan book. The growth was supported by a significant increase in Central Banks deposits balances from US$5 million in prior year to US$1.06 billion as at end of 2015 as the Bank sought to further diversify its sources of funds and better manage its cost of funds. A break-down of the Bank's liabilities in 2015 shows that borrowings (due to banks and debt securities) accounted for about 92% (2014: 90%) of total liabilities. Deposits and customer accounts accounted for about 5% (2014: 7%) of total liabilities. The liabilities of the Bank were used to fund growth in loan assets.

Total borrowings' major components are debt securities and syndicated loans. In terms of geographical distribution, the outstanding borrowings were spread in mainland Europe, UK, Asia, Middle East, Africa, North and South America.

Deposit accounts held with Afreximbank were principally accounts used as structural elements in trade finance transactions. Most deposit accounts were held with Afreximbank until the client's borrowing or outstanding amounts were fully paid. The deposits may be used to retire the loans.

Figure 5.4 Afreximbank: Liabilities, 2011 - 15 *(US$ thousands)*



Source: Afreximbank

Customers who deposited funds in the Bank were mainly sovereigns, corporates and financial institutions.

5.3.3 Shareholders' Funds

The Bank's Net worth (Shareholders' Funds) rose by about 38% to US$ 1.27 billion from US$ 919 million of 2014 on the back of capital injections amounting to US$ 237.6 million and internal capital generated through higher profitability. Afreximbank is pursuing an Equity Raise Plan so as to meet increasing loan demand from borrowers in line with rising economic and trade growth in Africa. The equity raise is targeted at existing shareholders and new shareholders, primarily non-member countries. Afreximbank's callable capital as at 31 December 2015 amounted to US$ 460.7 million (2014: US$ 278.4 million). The Bank maintains the callable capital as an additional buffer in case of need.

CONCLUSION

The Bank's solid financial performance in 2015 reflected strong earnings growth, solid asset growth and high efficiency levels ahead of strategic plan targets. This performance was a significant improvement from prior year performance. The Bank forecasts further improvements on its operational and financial performance in 2016 building on sustainable growth foundation established in past years and by providing innovative solutions to its clients and member states in a challenging economic environment.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2015

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS AND GENERAL MEETING OF THE AFRICAN EXPORT-IMPORT BANK

In compliance with the provisions of Article *30(1)* and *(3)* of the Charter of the African Export-Import Bank and pursuant to the terms of Resolution No. *Afrexim/BD/9/95/02* concerning the establishment, membership, functions and powers of the Audit Committee of the African Export-Import Bank (*as amended*), the Audit Committee considered the audited Financial Statements for the year ended 31 December, 2015, at its meeting held on 1 April 2016.

In our opinion, the scope and planning of the audit for the year ended 31 December, 2015 were adequate.

The Committee reviewed Management's comments on the Auditors' findings and both the Committee and the Auditors are satisfied with Management's responses.

After due consideration, the Committee accepted the Report of the Auditors to the effect that the Financial Statements were prepared in accordance with the ethical practice and international financial reporting standards and gave a true and fair view of the state of affairs of the Bank's financial condition as at 31 December, 2015.

The Committee, therefore, recommended that the audited Financial Statements of the Bank for the Financial Year ended 31 December, 2015 and the Auditors' Report thereon be approved by the Board and presented for consideration by Shareholders at the twenty third General Meeting.

The Committee accepted the provision made in the Financial Statements for the remuneration of the Auditors and recommends that the Board accepts same. Furthermore, the Audit Committee recommends to the Shareholders the reappointment of Deloitte & Touche and Ernst & Young as the Bank's External Auditors for the Financial Year 2016.

Jean-Marie Benoit Mani

Chairman
Audit Committee

Members of the Committee
J-M. B. Mani, A. M. Daniel-Mwaobia, Xu Yan; R. Ntuli

ERNST & YOUNG

Deloitte.

REPORT OF THE JOINT AUDITORS
TO THE SHAREHOLDERS OF AFRICAN EXPORT-IMPORT BANK

Report on the Financial Statements

We have audited the accompanying financial statements of African Export-Import Bank, which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Charter establishing the Bank, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of African Export-Import Bank as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Charter establishing the Bank.

Ernst & Young
Ernst & Young LLP
Kenya

8th April 2016
Date

Deloitte & Touche
Deloitte & Touche
Ghana

8th April, 2016
Date

1

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AFRICAN EXPORT-IMPORT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$000	2014 US$000
Interest and similar income	8	371,569	317,511
Interest and similar expense	9	(172,791)	(144,363)
Net interest and similar income		**198,778**	**173,148**
Fee and commission income	10	34,496	33,030
Fee and commission expense	11	(4,694)	(4,607)
Net fee and commission income		**29,802**	**28,423**
Other operating income	12	2,828	2,420
Operating income		**231,408**	**203,991**
Personnel expenses	13	(26,136)	(23,897)
General and administrative expenses	14	(17,927)	(12,631)
Depreciation and amortisation expense	21	(4,358)	(4,074)
Operating expense		**(48,421)**	**(40,602)**
Exchange adjustments		11,847	(1,759)
Operating profit before impairment and provisions		**194,834**	**161,630**
Loan impairment charges	18	(63,447)	(55,696)
Provisions	18	(6,070)	(949)
PROFIT FOR THE YEAR		**125,317**	**104,985**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Cashflow hedges	28	6,600	1,056
Total other comprehensive income to be reclassified to profit or loss in subsequent periods		**6,600**	**1,056**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Gains on revaluation of land and buildings	21	2,288	924
Total Other comprehensive income not to be reclassified		**2,288**	**924**
Total other comprehensive income		**8,888**	**1,980**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**134,205**	**106,965**
Basic and diluted earnings per share(expressed in US$000 per share)	15	2.02	2.36

The accompanying notes to the financial statements form part of this statement.

AFRICAN EXPORT-IMPORT BANK

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 US$000	2014 US$000
ASSETS			
Cash and cash equivalents	16	824,092	654,381
Loans and advances to customers	17	6,061,316	4,346,009
Hedging derivatives instruments	5	23,024	41,970
Prepayments and accrued income	19	175,476	99,295
Other assets	20	3,060	1,885
Property and equipment	21	45,941	45,654
Total assets		**7,132,909**	**5,189,194**
LIABILITIES			
Due to banks	22	3,683,796	2,093,037
Debt securities in issue	23	1,734,272	1,762,055
Deposits and customer accounts	24	303,112	296,780
Other liabilities	25	145,020	118,253
Total liabilities		**5,866,200**	**4,270,125**
CAPITAL FUNDS			
Share capital	26	307,152	185,572
Share premium	27	203,861	56,847
Warrants	31	46,316	77,328
Reserves	28	354,233	298,578
Retained earnings	29	355,147	300,744
Total capital funds		**1,266,709**	**919,069**
Total liabilities and capital funds		**7,132,909**	**5,189,194**

Dr. Benedict Okey Oramah
Chairman of the Board of Directors

The accompanying notes to the financial statements form part of this statement

AFRICAN EXPORT-IMPORT BANK

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital (Note 26) US$000	Share Premium (Note 27) US$000	Warrants (Note 31) US$000	General Reserve (Note 28) US$000	Asset Revaluation Reserve (Note 28) US$000	Cashflow hedge reserve (Note 28) US$000	Retained Earnings (Note 29) US$000	Total US$000
Balance at 1 January 2015	185,572	56,847	77,328	254,497	31,070	13,011	300,744	919,069
Paid in capital during 2015	121,580	147,014	-	-	-	-	-	268,594
Issued during the year	-	-	46,316	-	-	-	-	46,316
Profit of the year	-	-	-	-	-	-	125,317	125,317
Transfer to general reserve	-	-	-	48,247	-	-	(48,247)	-
Depreciation transfer: buildings	-	-	-	-	(1,480)	-	1,480	-
Warrants retirement	-	-	(77,328)	-	-	-	-	(77,328)
Other comprehensive income	-	-	-	-	2,288	6,600	-	8,888
Dividends for year 2014 **(Note 30)**	-	-	-	-	-	-	(24,147)	(24,147)
Balance at 31 December 2015	**307,152**	**203,861**	**46,316**	**302,744**	**31,878**	**19,611**	**355,147**	**1,266,709**
Balance at 1 January 2014	175,621	38,632	-	214,078	31,505	11,955	234,819	706,610
Paid in Capital during 2014	9,951	18,215	-	-	-	-	-	28,166
Issued during the year	-	-	77,328	-	-	-	-	77,328
Profit of the year	-	-	-	-	-	-	104,985	104,985
Transfer to general reserve	-	-	-	40,419	-	-	(40,419)	-
Depreciation transfer: buildings	-	-	-	-	(1,359)	-	1,359	-
Other comprehensive income	-	-	-	-	924	1,056	-	1,980
Balance at 31 December 2014	**185,572**	**56,847**	**77,328**	**254,497**	**31,070**	**13,011**	**300,744**	**919,069**

The accompanying notes to the financial statements form part of this statement

AFRICAN EXPORT-IMPORT BANK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$000	2014 US$000
CASHFLOW FROM OPERATING ACTIVITIES			
Profit for the year		**125,317**	**104,985**
Adjustment for non-cash items:			
Depreciation of property and equipment	21	4,358	4,074
Allowance on impairment on loans and advances	18.1(b)	63,447	55,696
Provision on other assets	18.2(b)	2,187	818
Provision on accrued income	18.2(b)	3,286	-
Provision for leave pay		597	131
Gain on disposal of property and equipment		(40)	-
		199,152	**165,704**
Changes in :			
Prepayments and accrued income		(79,467)	(2,094)
Hedging derivatives assets		25,546	(37,422)
Other assets		(3,362)	199
Other liabilities		5,918	37,052
Deposits and customer accounts		6,332	80,407
Loans and advances to customers		(1,778,754)	(969,426)
Net cash outflows from operating activities		**(1,624,635)**	**(725,580)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases and additions to property and equipment	21	(2,357)	(2,960)
Proceeds from sale of property and equipment		40	-
Net cash outflows from investing activities		**(2,317)**	**(2,960)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash from capital subscriptions and share premium		267,957	24,004
Proceeds from issue of warrants	31	46,316	77,328
Retirement of warrants	31	(77,328)	-
Dividends paid		(3,258)	(3,851)
Proceeds from borrowed funds and debt securities		6,170,919	2,602,830
Repayment of borrowed funds and debt securities		(4,607,943)	(1,910,755)
Net cash inflows from financing activities		**1,796,663**	**789,556**
Net increase in cash and cash equivalents		169,711	61,016
Cash and cash equivalents at 1 January		654,381	593,365
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**824,092**	**654,381**

The accompanying notes to the financial statements form part of this statement

AFRICAN EXPORT-IMPORT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. GENERAL INFORMATION

The African Export-Import Bank ("the Bank"), headquartered in Cairo, Egypt, is a supranational institution, established on 27 October 1993. The Bank started lending operations on 30 September 1994. The principal business of the Bank is the finance and facilitation of trade among African countries and between Africa and the rest of the world. The Bank's headquarters is located at No. 72 (B) El Maahad El Eshteraky Street, Heliopolis, Cairo 11341, Egypt. In addition, the Bank has branches in Abuja (Nigeria), Harare (Zimbabwe), Abidjan (Cote D'Ivoire) and Nairobi (Kenya).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank have been approved by the Board of Directors of the Bank and in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board. The major accounting policies adopted, which are consistent with those used in the previous financial year, except for the amendments to IFRS effective as of 1 January 2015 as disclosed in **note 2.1.1** below and applied by the Bank are summarized below.

2.1. Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared on a historical cost basis except for land and buildings and derivative financial instruments that have been measured at fair value and are presented in US Dollars in accordance with the Bank's Charter. The functional currency of the Bank is the US Dollar based on the fact that most of the activities of the Bank are conducted in US Dollar. The financial statements are presented in US Dollars and all values are rounded to the nearest thousand (US$'000). The Bank has not applied any IFRS before their effective dates.

The preparation of financial statements complying with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's 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 **note 6** below.

2.1.1 Application of new and revised IFRS.

The following new amendements to the existing standards issued by the IASB are effective for current financial period:

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),issued by IASB on 21 November 2013. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service as a negative cost. These amendments have no impact on the Bank's financial position or performance.

- **Improvements to IFRSs (cycle 2010-2012)** issued by IASB on 12 December 2013. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) definition of 'vesting condition'; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) proportionate restatement of accumulated depreciation/ amortisation application in revaluation method and (v) clarification on key management personnel. The amendments are to be applied for annual periods beginning on or after 1 July 2014. These improvements have no impact on the Bank's financial position or performance.

- **Improvements to IFRSs (cycle 2011-2013)** issued by IASB on 12 December 2013. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) scope of exception for joint ventures; (ii) scope of paragraph 52 if IFRS 13 (portfolio exception) and (iii) clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendments are to be applied for annual periods beginning on or after 1 July 2014). These improvements have no impact on the Bank's financial position or performance.

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Bank's accounting policies.

2.1.2 Standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but not yet effective up to the date of issuance of the Bank's financial statements:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018, with early application permitted), issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

  Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. The Bank does not expect the revised standard to have material financial impact in future financial statements.

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), published by IASB on 30 January 2014.

  This Standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. The amendment to IFRS 14 has no impact on the Bank, since the Bank is an existing IFRS user.

- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2018), published by IASB on 28 May 2014.

  IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Bank does not expect the standard to have material financial impact in future financial statements.

- **Amendments to IFRS 11 "Joint Arrangements"** (effective for annual periods beginning on or after 1 January 2016), Accounting for Acquisitions of Interests in Joint Operations published by IASB on 6 May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendments will not impact the Bank as it does not have such arrangements.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" -** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded). Issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. These improvements have no impact on the Bank's financial position or performance.

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" -** Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

  Issued by IASB on 18 December 2014. The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances. The amendments will not impact the Bank as it does not have such arrangements.

- **Amendments to IAS 1 "Disclosure Initiative"** (effective for annual periods beginning on or after 1 January 2016).The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: (a) the materiality requirements in IAS 1;(b) that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated; (c) that entities have flexibility as to the order in which they present the notes to financial statements; (d) that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. The amendments will affect disclosures only and will have no impact on the Bank's financial position or performance.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" -** Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016), published by IASB on 12 May 2014.

  Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments will not impact the Bank since the Bank does not use revenue based methods to calculate depreciation.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants** (effective for annual periods beginning on or after 1 January 2016), published by IASB on 30 June 2014.

  The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. These amendments are not expected to have any impact to the Bank as the Bank does not have any bearer plants.

- **Amendments to IAS 27 "Separate Financial Statements" -** Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016), published by IASB on 12 August 2014.

  The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments will not impact the Bank's financial statements.

- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** (Amendments are to be applied for annual periods beginning on or after 1 January 2016), published by IASB on 25 September 2014. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. Changes include new or revised requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 to condensed interim financial statements; (iv) discount rate: regional market issue; (v) disclosure of information 'elsewhere in the interim financial report'. The improvements will not have an impact on the Bank.

- **IFRS 16 "Leases" issued by IASB on 13 January 2016.** (The new standard is effective for annual periods beginning on or after 1 January 2019), the new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.Lessees are to recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less). Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as current lessor accounting, using IAS 17's dual classification approach. Early application is permitted, but not before an entity applies IFRS 15. The Bank does not expect the new standard to have material financial impact in future financial statements.

  The Bank has elected not to adopt these new standards and amendements to existing standards in advance of their effective dates.

2.2. Interest income and expense

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial instruments, interest income or expense is recognized at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate (EIR) and the change in carrying amount is recognized as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

2.3. Fees and commission income

Unless included in the effective interest rate calculation, fees and commissions are generally recognized on an accrual basis when the service has been provided. Fees or component of fees that are performance linked (e.g. investment banking advisory services including among other things evaluating financing options, debt restructuring, etc.) are recognized when the performance criteria are fulfilled in accordance with the applicable terms of engagement.

2.4. Other operating income

Other operating income consists mainly of rental income which is accounted for on a straight-line basis over the lease terms on ongoing leases.

2.5. Operating expenses

Operating expenses are recorded on accrual basis.

2.6. Foreign currencies

Transactions in foreign currencies are initially recorded at their respective functional currency spot rate prevailing at the date of the transaction.

At the reporting date, balances of monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at that date. Any gains or losses resulting from the translation are recognized in profit or loss in the statement of profit or loss and comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other Comprehensive income or profit or loss, respectively).

2.7. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, due from banks, and deposits with other banks with less than three months' maturity from the transaction date. Due from banks and deposits with other banks are carried at amortized cost as these balances earn interest.

2.8. Impairment of loans and advances

The Bank assesses at each reporting date whether there is objective evidence that a loan is impaired (see note 6). Loans and advances are identified as impaired where there is reasonable doubt regarding the collectability of principal or interest. Whenever a payment is 90 days past due, loans and advances are automatically placed on an impairment test. A loan 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 the initial recognition of the loan (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated.

The estimated period between losses occurring and its identification is determined by management for each loan. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted.

The amount of loss is measured as the difference between the loan and advance carrying amount and the present value of estimated future cash flows discounted at the loan and advance original effective interest rate determined under contract. The carrying amount of loans and advances are reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Further details on estimates and assumptions used in impairment of loans and advances are shown in **note 6**.

In addition to specific provisions against individually significant loans and advances, the Bank also makes a collective impairment provision against loans and advances which although not specifically identified as requiring specific provisions, have a greater risk of default than when originally granted. The amount of provision is based on historical loss experience for loans.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank 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, including obtaining Board of Directors approval, and the amount of loss has been determined.

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 recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized as a reduction to loan impairment charges in profit or loss.

2.9. Property, plant and equipment

Motor vehicles, furniture and equipment, computers and leasehold improvements are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on the straight line basis at annual rates estimated to write off the carrying amounts of the assets over their expected useful lives, as follows:

- Buildings	20 years
- Motor vehicles	5 years
- Furniture and equipment	4 years
- Computers	3 years
- Leasehold improvements	Over the remaining period of the lease

Motor vehicles, furniture and equipment, computers and leasehold improvements are periodically reviewed for impairment. Please refer to (Note 2.14) on impairment of non -financial assets for further information about impairment.

Motor vehicles, furniture and equipment, computers and leasehold improvements are de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is de-recognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively if appropriate. Further details on key estimates and assumptions made are disclosed in **note 6**.

The Headquarters' land and building are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation.

Valuations are performed by an independent valuer at the reporting date to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued amount of the asset and depreciation based on the asset original cost.

2.10. Staff provident fund scheme

The Bank operates a defined contribution plan approved by the Board of Directors. Contributions are recognized in profit or loss on an accrual basis. The Bank has no further payment obligations once the contributions have been paid.

2.11. Financial instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. The Bank's financial instruments consist primarily of cash and deposits with banks, loans and advances to customers, amounts due to banks, derivative financial instruments, debt securities in issue and customer deposits. The Bank borrows funds to meet disbursements in foreign currency as part of its matching of assets and liabilities in order to manage foreign currency risks. The proceeds from loans repayments are used to repay the borrowings.

i) Classification and measurement of financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Loans and receivables

Loans and receivables including loans and advances to customers and cash and deposits with banks are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs and are de-recognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less allowance for impairment, and are recognized on the day on which they are drawn down by the borrower.

ii) De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset is primarily derecognized (i.e. removed from the Bank's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

iii) Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment that, as a result of one or more events that has occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence of impairment could include; the Bank's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, delinquency, and initiation of bankruptcy proceedings as well as observable changes in economic conditions that correlate with default on receivables.

For certain categories of financial assets, such as loans and advances to customers, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the period of 90 days, as well as observable changes in economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances, where the carrying amount is reduced through the use of an allowance account. When loans and advances are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to other income. Changes in the carrying amount of the allowance account are recognized in profit or loss.

iv) Classification and measurement of Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Bank determines the classification of its financial liabilities at initial recognition. The Bank has not designated any financial liabilities at fair value through profit or loss. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Bank's financial liabilities include amount due to banks, debt securities in issue and customer deposits which are initially measured at fair value, net of directly attributable transaction costs. Subsequently, they are measured at amortised cost.

v) Derivative financial instruments

The Bank enters into interest rate swaps and foreign exchange forward contracts to hedge its exposure to changes in the fair value and cash flows attributable to changes in market interest and exchange rates on its assets and liabilities. Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. See **Note 5** for further details.

vi) De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

vii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12. Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Staff bonuses are recognized in profit or loss as an expense.

The estimated monetary liability for employees' accrued annual leave and bonus entitlement at the reporting date is recognized as an expense accrual.

2.13. Operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

i) Bank as lessee

Leases which do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are accounted for as operating leases. The Bank has entered into operating lease agreements for leasing of office premises. These leases have an average life of between two and five years, with renewal option included in the contracts.

The total payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

ii) Bank as lessor

Leases in which the Bank does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. The Bank has entered into operating lease agreements for leasing of office space on its building. These leases have an average life of between two and five years, with renewal option included in the contracts.

2.14. Impairments of non-financial assets

The Bank assesses, at each reporting date or more frequently, whether there is an indication that an asset may be impaired. If such indication exists, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For all assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The reversal of impairment losses is recognised in profit or loss.Further details on key estimates and assumptions used are as shown in **Note 6.**

2.15. Debt securiries in issue

Debt securities in issue are one of the Bank's sources of debt funding. Debt securities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using effective interest method.

2.16. Derivative financial instruments and hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the profit or loss in other income. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the profit or loss.

(i) Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized in the profit or loss in other income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognized in profit or loss in other income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the recalculated effective interest rate method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in profit or loss.

(ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognized in other comprehensive income and accumulated in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in other income in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognized in other comprehensive income at that time remains separately in equity and is transferred to profit or loss when the hedged forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

2.17. Dividends on ordinary shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as a non-adjusting event.

2.18. Financial guarantee contracts

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 other bodies on behalf of customers to secure loans and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the statement of profit or loss and other comprehensive income the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to profit or loss under operating expenses.

2.19. Fair value measurement

The Bank measures financial instruments, such as derivatives, and non-financial assets, such as land and buildings, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in **note 4**.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal market or the most advantageous market must be accessible by the Bank.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Information on the Bank's fair value hierarchy is provided in **note 4.**

2.20. Warrants

Proceeds from the issuance of warrants, net of issue costs, are credited to share warrants account. Share warrants account is non-distributable and will be transferred to share capital and premium accounts upon the exercise of warrants. Balance of share warrants in relation to the unexercised warrants at the expiry of the warrants period will be transferred to accumulated profits.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

3.1. Risk management

The Bank's business involves taking on risks in a reasonable manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks facing the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank is not regulated by any monetary and/or financial authority, but strives to comply with all international risk management standards and to operate in accordance with the best practices in the industry.

To conduct the Bank's operations in a manner consistent with its charter and aims, objectives and expectations of its stakeholders, the Board of Directors has approved the Risk Management Policies and Procedures (RMPP). This document incorporates different risk management policies that were operating as stand-alone policies into an integrated document that takes an enterprise wide approach to risk management.

The Bank identifies and controls the various operational risks inherent in its business. Operational risk is managed and mitigated by ensuring that there is appropriate infrastructure, controls, systems, procedures, and trained and competent people in place discharging the various functions.

3.2. Risk management structure

The risk management governance structure comprises (i) Board of Directors, responsible for oversight and approval of risk policies; (ii) Board Executive Committee, responsible for credit approval above management's authority levels; (iii) Management Risk and Strategy Committee, responsible for the risk policies review and implementation; and (iv) Risk Management Department, responsible for risk policies development and monitoring.

3.3. Credit risk

Credit risk is the risk that a customer or counterparty of the Bank will be unable or unwilling to meet a commitment that it has entered into with the Bank. It arises from lending, trade finance, treasury and other activities undertaken by the Bank.

The gross carrying amounts of cash and deposits with banks, loans and advances to customers and derivative financial instruments represent the maximum amount exposed to credit risk.

3.4. Concentration of credi risk

The Bank deals with a variety of major banks and its loans and advances are structured and spread among a number of major industries, customers (dealing with sectors) and geographical areas (comprising group of countries). In addition, the Bank has procedures and policies in place to limit the amount of credit exposure to any counterparty and country. The Bank reviews, on a regular basis, the credit limits of counterparties and countries and takes action accordingly to ensure that exposure limits are not exceeded.

3.5. Credit risk management

The Bank assesses the probability of default of customer or counterparty using internal rating scale tailored to the various categories of counterparties. The rating scale has been developed internally and combines data analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available information. Customers of the Bank are segmented into seven rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating scale is kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's Internal Ratings Scale

Bank's rating grade	Description of the rating
1	Low risk
2	Satisfactory risk
3	Fair risk
4	Watch list
5	Sub-Standard risk
6	Doubtful and bad
7	Loss

3.6. Impairment and provisioning policies

The impairment allowance shown in the statement of financial position is derived from each of the seven internal rating grades. However, the impairment allowance is composed largely of the sixth grading above. The table below shows the percentage of the Bank's loans and advances and the associated impairment allowance for each of the internal rating categories.

Bank's rating

	2015		2014	
	Loans & advances %	Impairment allowance%	Loans & advances %	Impairment allowance%
Low risk	34.2	9.4	19.2	2.9
Satisfactory risk	31.0	8.5	55.3	21.7
Fair risk	11.5	3.2	11.0	4.4
Watch list	7.7	2.1	6.2	2.4
Sub-standard risk	12.8	4.5	4.7	43.2
Doubtful and bad	2.8	72.3	3.6	25.4
Total	**100**	**100**	**100**	**100**

The internal rating scale assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets, facilities and commitments at least quarterly or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the impairment at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Further details on key estimates and assumptions used are detailed in **note 6**.

3.7. Maximum exposure credit risk before collateral held or other credit enhancements

	2015 US$000	2014 US$000
Credit risk exposures relating to on-statement of financial position items are as follows:		
Due from banks	153,678	354,270
Deposits with other banks	670,342	300,042
Loans and advances to customers	6,167,818	4,389,361
Hedging derivatives	23,024	41,970
Credit risk exposures relating to off-statement of financial position items are as follows:		
Letters of credit	76,312	31,739
Guarantees	437,854	220,710
Loan commitments and other credit related liabilities	236,118	324,609
	7,765,146	**5,662,701**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2015 and 31 December 2014, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on gross carrying amounts.

3.8. Concentration risks of loans and advances to customers with credit risk exposure

a) Geographical sectors

The following table breaks down the Bank's credit exposure at their gross amounts (without taking into account any collateral held or other credit support), as categorized by geographical region as at 31 December 2015 and 31 December 2014 of the Bank's counterparties.

		2015		2014
	%	US$000	%	US$000
West Africa	48.1	2,969,210	52.1	2,642,895
North Africa	27.4	1,691,137	11.8	371,009
Regional	2.7	163,895	2.4	320,205
East Africa	8.0	492,841	11.1	352,852
Central Africa	1.8	111,238	4.5	90,880
Southern Africa	12.0	739,497	18.1	611,520
Total (Note 17)	**100**	**6,167,818**	**100**	**4,389,361**

b) Industry sectors

The following table breaks down the Bank's credit exposure at their gross amounts (without taking into account any collateral held or other credit support), as categorized by industry sector as at 31 December 2015 and 31 December 2014 of the Bank's counterparties.

		2015		2014
	%	US$000	%	US$000
Agriculture	5.7	349,490	11.0	361,388
Energy	22.4	1,382,639	25.0	1,660,371
Services	2.8	172,032	3.5	126,318
Metals and minerals	0.5	30,976	4.7	107,828
Transportation	7.7	475,951	9.3	381,726
Manufacturing	2.6	160,981	4.0	182,010
Telecommunications	4.6	283,321	12.5	231,711
Financial institutions	53.7	3,312,428	30.0	1,338,009
Total (Note 17)	100	**6,167,818**	**100**	**4,389,361**

3.9. Loans and advances

Loans and advances are summarised as follows:

	2015 US$000	2014 US$000
Neither past due nor impaired	5,887,696	4,062,669
Past due but not impaired	106,324	161,014
Impaired	173,798	165,678
Gross loans and advances (Note 17)	**6,167,818**	**4,389,361**
Less: Allowance for impairment **(Note 18)**	(106,502)	(43,352)
Net loans and advances	**6,061,316**	**4,346,009**
Individually impaired	80,472	24,948
Collective impairment	26,030	18,404
Total	**106,502**	**43,352**

The total impairment charge for loans and advances is US$ 63,447,000 (2014: US$ 55,696,000) of which US$ 55,821,000 (2014: US$ 54,129,000) represents the individually impaired loans and the remaining amount of US$ 7,626,000 (2014: US$ 1,567,000), represents the collective impairment allowance. Further information of the impairment allowance for loans and advances to customers is provided in **note 18**.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of gross amounts of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank as follows:

Grade	2015 US$000	2014 US$000
Low risk	2,066,252	849,285
Satisfactory risk	1,915,065	2,383,070
Fair risk	710,396	459,503
Watch list	467,305	249,499
Sub-Standard risk	728,678	121,312
Total	**5,887,696**	**4,062,669**

(b) Loans and advances past due but not impaired

Loans and advances that are past due are not considered impaired, unless other information is available to indicate the contrary. Gross amounts of loans and advances to customers that were past due but not impaired were as follows:

	2015 US$000	2014 US$000
Past due up to 30 days	17,643	62,238
Past due 30-60 days	522	11,127
Past due 60-90 days	621	5,451
Past due over 90 days	87,538	82,198
Total	**106,324**	**161,014**
Fair value of collateral	**235,516**	**677,843**

(c) Loans and advances impaired

	2015 US$000	2014 US$000
Impaired loans	**173,798**	**165,678**
Fair value of collateral	**130,827**	**178,981**

Upon initial recognition of loans and advances, fair value of the collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, fair value is updated by reference to market prices, if available. There was no collaterals repossessed during the year. The collaterals held against these loans are in the form of cash cover, insurance, bank guarantees, mortgage bonds and charge over assets.

3.10. Market risk

3.10.2 Interest rate risk

Interest rate movements affect the Bank's profitability. Exposure to interest rate movements exists because the Bank has assets and liabilities on which interest rates either change from time to time (rate sensitive assets and liabilities) or, do not change (rate insensitive assets and liabilities). Exposure to interest rate movements arises when there is a mismatch between the rate sensitive assets and liabilities.

The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Interest rate swaps are also used to manage interest rate risk.

The table below summarizes the Bank's exposure to interest rate risks as at 31 December 2015. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorized by the period of contractual re-pricing.

As at 31 December 2015	Up to 3 months US$000	3-6 months US$000	6-12 months US$000	Over 1 year US$000	Non interest bearing US$000	2015 Total US$000
Financial assets						
Cash and due from banks	153,678	-	-		72	**153,750**
Deposits with other banks	670,342	-	-		-	**670,342**
Loans and advances to customers	1,391,352	1,749,068	559,408	2,165,645	-	**5,865,473**
Prepayments and accrued income	-	-	-		175,476	**175,476**
Other assets	-	-	-		3,060	**3,060**
Total financial assets	**2,215,372**	**1,749,068**	**559,408**	**2,165,645**	**178,608**	**6,868,101**
Financial liabilities						
Due to banks	104,207	21,908	463,626	1,272,301	-	**1,862,042**
Debt securities in issue	40,000	-	500,000	1,075,000	-	**1,615,000**
Deposits and customer accounts	303,112	-	-	-	-	**303,112**
Other liabilities	-	-	-	-	145,020	**145,020**
Total financial liabities	**447,319**	**21,908**	**963,626**	**2,347,301**	**145,020**	**3,925,174**
Total interest repricing gap	**1,768,053**	**1,727,160**	**(404,218)**	**(181,656)**	**-**	**2,909,339**
Cumulative gap	**1,768,053**	**3,495,214**	**3,090,995**	**2,909,339**		

As at 31 December 2014	Up to 3 months US$000	3-6 months US$000	6-12 months US$000	Over 1 year US$000	Non interest bearing US$000	2014 Total US$000
Financial assets						
Cash and due from banks	354,270	-	-	-	69	**354,339**
Deposits with other banks	300,042	-	-	-	-	**300,042**
Loans and advances to customers	3,196,579	129,146	483,820	189	-	**3,809,734**
Prepayments and accrued income	-	-	-	-	99,295	**99,295**
Other assets	-	-	-	-	1,885	**1,885**
Total financial assets	**3,850,891**	**129,146**	**483,820**	**189**	**101,249**	**4,565,295**
Financial liabilities						
Due to banks	906,982	994,241	191,815	-	-	**2,093,038**
Debt securities in issue	1,200,000	569,875	-	-	-	**1,769,875**
Deposits and customer accounts	296,780	-	-	-	-	**296,780**
Other liabilities	-	-	-	-	118,239	**118,239**
Total financial liabilities	**2,403,762**	**1,564,116**	**191,815**	**-**	**118,239**	**4,277,932**
Total interest repricing gap	**1,447,129**	**(1,434,970)**	**292,005**	189	-	**304,353**
Cumulative gap	**1,447,129**	**12,159**	**304,164**	**304,353**		

3.11. Interest rate risk sensitivity analysis

At 31 December 2015, if interest rates at that date had been 24 basis points (2014: 25 basis points) lower with all other variables held constant, profit and reserves for the year would have been US$ 2,611,000 (2014: US$ 2,229,000) lower, arising mainly as a result of the higher decrease in interest income on loans than the decrease in interest expense on borrowings. If interest rates had been 24 basis points (2014: 25 basis points) higher, with all other variables held constant, profit would have been US$ 2,611,000 (2014: US$ 2,229,000) higher, arising mainly as a result of higher increase in interest income on loans than the increase in interest expense on borrowing. The sensitivity is higher in 2015 than in 2014 due to increase in interest rate sensitive assets and liabilities.

The table below summarizes the impact on profit or loss and equity for each category of financial instruments held as at 31 December 2015 and comparatives. It includes the Bank's financial instruments at carrying amounts.

	Carrying amount 2015 US$000	Impact on profit or loss and equity 2015 US$000	Impact on profit or loss and equity 2015 US$000	Carrying amount 2014 US$000	Impact on profit or loss and equity 2014 US$000	Impact on profit or loss and equity 2014 US$000
Changes in interest rates		**+24bp of US$1R**	**-24bp of US$1R**		**+25bp of US$1R**	**-25bp of US$1R**
Financial assets						
Cash due from banks	153,678	369	(369)	354,270	886	(886)
Deposits with other banks	670,342	1,609	(1,609)	300,042	750	(750)
Gross loans and advances to customers	5,865,473	14,077	(14,077)	4,389,361	10,973	(10,973)
Impact from financial assets	**6,689,493**	**16,055**	**(16,055)**	**5,043,673**	**12,609**	**(12,609)**
Financial liabilities						
Due to banks	3,683,796	(8,841)	8,841	2,093,037	(5,233)	5,233
Debt securities in issue	1,615,000	(3,876)	3,876	1,762,055	(4,405)	4,405
Deposits and customer accounts	303,112	(727)	727	296,780	(742)	742
Impact from financial liabilities	**5,601,908**	**(13,444)**	**13,444**	**4,151,872**	**(10,380)**	**10,380**
Total increase/ (decrease) on profit or loss and equity	**1,087,585**	**2,611**	**(2,611)**	**891,801**	**2,229**	**(2,229)**

3.12. Foreign exchange risk exposure

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is managed by the Bank by matching assets and liabilities in respective currencies. The Bank also uses currency derivatives, especially forward foreign exchange contracts to hedge foreign exchange risk. Open currency positions are monitored regularly and appropriate hedging actions taken. Please refer to **note 5** for further details on derivative financial instruments.

The table below summarises the Bank exposure to foreign currency exchange rate risk as at 31 December 2015. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

As at 31 December 2015	Euro US$000	NGN US$000	Other Currencies US$000	Total US$000
Assets				
Cash and due from banks	31,547	4	483	32,034
Loans and advances to customers	752,314	-	-	752,314
Total financial assets	**783,861**	**4**	**483**	**784,348**
Liabilities				
Due to banks	513,168	-	-	513,168
Debt securities in issue	-	-	-	-
Deposits and customer accounts	39,282	-	-	39,282
Hedging derivatives	229,018	-	-	229,018
Other liabilities	1,338	17	-	1,355
Total financial liabilities	**782,806**	**17**	**-**	**782,823**
Net exposure on statement of financial position	**1,055**	**(13)**	**483**	**1,525**
Credit commitments & financial guarantees	**23,712**	**-**	**-**	**23,712**

As at 31 December 2014	Euro US$000	NGN US$000	Other Currencies US$000	Total US$000
Assets				
Cash and due from banks	55,433	87	597	**56,117**
Loans and advances to customers	855,068	-	-	**855,068**
Total financial assets	**910,501**	**87**	**597**	**911,185**
Liabilities				
Due to banks	592,218	-	-	**592,218**
Debt securities in issue	-	-	-	-
Deposits and customer accounts	56,934	-	-	**56,934**
Hedging derivatives	262,823	-	-	**262,823**
Other liabilities	921	-	-	**921**
Total financial liabilities	**912,896**	**-**	**-**	**912,896**
Net exposure on statement of financial position	**(2,395)**	**87**	**597**	**(1,711)**
Credit commitments & financial guarantees	**47,910**	**-**	**-**	**47,910**

3.12.1 Foreign exchange risk sensitivity analysis

At 31 December 2015, if foreign exchange rates at that date had been 10 percent lower with all other variables held constant, profit and reserves for the year would have been US$ 105,000 (2014: US$ 239,000) higher, arising mainly as a result of more financial assets than financial liabilities in Euro. If foreign exchange rates had been 10 percent higher, with all other variables held constant, profit would have been US$ 105,000 (2014: US$ 239,000) lower , arising mainly as a result of decline in revaluation of financial assets than financial liabilities in Euro.

The following analysis details the Bank's sensitivity to a 10% increase and decrease in the value of the USD against the Euro, as the Bank is mainly exposed to Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The table below summarizes the impact on profit or loss and equity for each category of Euro financial instruments held as at 31 December 2015. It includes the Bank's Euro financial instruments at carrying amounts.

	Carrying amount 2015 US$000	Impact on profit or loss and equity 2015 US$000	Impact on profit or loss and equity 2015 US$000	Carrying amount 2014 US$000	Impact on profit or loss and equity 2014 US$000	Impact on profit or loss and equity 2014 US$000
Changes in value of USD against Euro		10% increase	10% decrease		10% increase	10% decrease
Financial assets						
Cash due from banks	31,547	3,155	(3,155)	55,433	5,543	(5,543)
Gross loans and advances to customers	752,314	75,231	(75,231)	855,068	85,507	(85,507)
Impact from financial assets	**783,861**	**78,386**	**(78,386)**	**910,501**	**91,050**	**(91,050)**
Financial liabilities						
Due to banks	513,168	(51,317)	51,317	592,218	(59,222)	59,222
Debt securities in issue	-	-	-	-	-	-
Deposits and customer accounts	39,282	(3,928)	3,928	56,934	(5,693)	5,693
Hedging derivatives	229,018	(22,902)	22,902	262,823	(26,282)	26,282
Other liabilities	1,338	(134)	134	921	(92)	92
Impact from financial liabilities	**782,806**	**(78,281)**	**78,281**	**912,896**	**(91,289)**	**91,289**
Total increase/ (decrease) on profit or loss and equity	**1,055**	**105**	**(105)**	**(2,395)**	**(239)**	**239**

3.13. Liquidity Risk

Liquidity risk concerns the ability of the Bank to fulfill its financial obligations as they become due. The management of the liquidity risk is focused on the timing of the cash inflows and outflows as well as in the adequacy of the available cash, credit lines and high liquidity investments. The Bank manages its liquidity risk by preparing dynamic cash flow forecasts covering all expected cash flows from assets and liabilities and taking appropriate advance actions. Further, the bank has committed credit lines it can draw in case of need.

The table below analyses the Bank's financial assets and financial liabilities (including principal and interest) into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date as at 31 December 2015 and the amounts disclosed in the table are the contractual undiscounted cash flows:

As at 31 December 2015	Up to 1 month US$000	1-3 months US$000	3-12 months US$000	1-5 years US$000	Over 5 years US$000	2015 Total US$000
Financial assets						
Cash and due from banks	153,750	-	-	-	-	**153,750**
Deposits with other banks	670,342	-	-	-	-	**670,342**
Hedging derivatives	12	2,297	10,051	10,664	-	**23,024**
Loans and advances	1,062,960	594,485	2,523,227	2,099,412	170,541	**6,450,625**
Total assets	**1,887,064**	**596,782**	**2,533,278**	**2,110,076**	**170,541**	**7,297,741**
Financial liabilities						
Due to banks	44,777	204,940	1,571,772	1,670,965	202,595	**3,695,049**
Debt securities in issue	-	40,189	506,511	1,211,774	-	**1,758,474**
Deposits and customer accounts	303,112	-	-	-	-	**303,112**
Total liabilities	**347,889**	**245,129**	**2,078,283**	**2,882,739**	**202,595**	**5,756,635**
Net liquidity gap	**1,539,175**	**351,653**	**454,995**	**(772,663)**	**(32,054)**	**1,541,106**
Cumulative liquidity gap	**1,539,175**	**1,890,828**	**2,345,823**	**1,573,160**	**1,541,106**	

As at 31 December 2014	Up to 1 month US$000	1-3 months US$000	3-12 months US$000	1-5 years US$000	Over 5 years US$000	2014 Total US$000
Financial assets						
Cash and due from banks	354,339	-	-	-	-	**354,339**
Deposits with other banks	300,042	-	-	-	-	**300,042**
Hedging derivatives	30,596	214,496	47,455	13,129	-	**305,676**
Loans and advances	845,613	234,484	1,197,787	2,089,148	272,158	**4,639,190**
Total assets	**1,530,590**	**448,980**	**1,245,242**	**2,102,277**	**272,158**	**5,599,247**
Financial liabilities						
Due to banks	6,348	133,124	1,181,211	821,897	35,216	**2,177,796**
Hedging derivatives	29,650	191,413	42,643	-	-	**263,706**
Debt securities in issue	15,865	1,535	30,603	1,945,108	-	**1,993,111**
Deposits and customer accounts	296,780	-	-	-	-	**296,780**
Total liabilities	**348,643**	**326,072**	**1,254,457**	**2,767,005**	**35,216**	**4,731,393**
Net liquidity gap	**1,181,947**	**122,908**	**(9,215)**	**(664,728)**	**236,942**	**867,854**
Cumulative liquidity gap	**1,181,947**	**1,304,855**	**1,295,639**	**630,912**	**867,854**	

The table below analyses the contractual expiry by maturity of the Bank's contingent liabilities. For issued financial guarantees contract, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Up to 1 month US$000	1-3 months US$000	3-12 months US$000	1-5 years US$000	Over 5 years US$000	Total US$000
As at 31 December 2015						
Letters of credit	1,529	5,651	6,891	62,241	-	76,312
Financial guarantees	460	-	119,363	280,747	37,284	437,854
Total	**1,989**	**5,651**	**126,254**	**342,988**	**37,284**	**514,166**
As at 31 December 2014						
Letters of credit	4,073	24,767	2,899	-	-	31,739
Financial guarantees	460	-	1,139	131,828	87,283	220,710
Total	**4,533**	**24,767**	**4,038**	**131,828**	**87,283**	**252,449**

3.14. Capital management

The Bank's objectives when managing capital, which is a broader concept than the equity on the face of statement of financial position, are:

- To maintain a set minimum ratio of total capital to total risk weighted assets. The Bank's minimum risk asset ratio is at least three per cent above minimum ratio prescribed from time to time by the Basel Committee on Banking Supervision;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- To maintain a strong capital position necessary for its long term financial health, and to support the development of its business.

The Bank is not subject to capital requirements by a regulatory body such as a central bank or equivalent. However, management has established a capital management policy that is based on maintenance of certain capital adequacy ratio in line with Basel Committee requirements.

Capital adequacy is reviewed regularly by management using techniques based on the guidelines developed by Basel Committee.

With effect from 1 January 2009, the Bank is complying with the provisions of the Basel II framework in respect of capital.

The risk-weighted assets is measured by means of a hierarchy of seven risk weights classified according to its nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty. A similar treatment is adopted for off-statement of financial position exposures.

The table below summarizes the composition of capital and the ratio of the Bank's capital for the year ended 31 December.

	2015 US$000	2014 US$000
Capital adequacy		
Share capital	307,152	185,572
Share premium	203,861	56,847
Warrants	46,316	77,328
Reserves	302,744	254,497
Retained earnings	355,147	300,744
Total Tier 1 capital	**1,215,220**	**874,988**
Asset revaluation reserve	14,345	13,982
Collective impairment allowance	26,030	18,404
Total Tier 2 capital	**40,375**	**32,386**
Total capital base	**1,255,595**	**907,374**
Risk weighted assets		
On-statement of financial position	4,043,232	3,895,398
Off-statement of financial position	785,855	453,888
Total risk weighted assets	**4,829,087**	**4,349,286**
Basel capital adequacy ratio (Total capital base/Total risk weighted assets)	**26%**	**21%**

The increase of the capital in 2015 is primarily due to increase in profits and share capital subscriptions. The increase of risk weighted assets arises mainly from the growth in guarantees value.

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair values of financial instruments not recognized on the statement of financial position are the same figures appearing as contingent liabilities and commitments (**see note 7**).

(a) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value:

	Carrying value		Fair value	
	2015	2014	2015	2014
	US$000	US$000	US$000	US$000
Financial assets				
Loans and advances	6,061,316	4,346,009	6,172,646	4,429,322
Financial liabilities				
Due to banks	3,683,796	2,093,037	3,795,009	2,093,310
Debt securities in issue (gross)	1,740,000	1,770,000	1,746,354	1,776,431

- **Loans and advances**
  Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

- **Financial Liabilities**
  The estimated fair value of due to banks and debt securities in issue represents the discounted amount of estimated future cash flows expected to be paid. Expected cash outflows are discounted at current market rates to determine fair value.

(b) Financial instruments measured at fair value are disclosed in **note 5**.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange traded derivatives like futures (for example, Nasdaq, S&P 500).

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.

- Level 3 – Inputs for the asset or liability that are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

(i) The table below shows the fair values of financial assets and liabilities measured at fair value at year-end.

	Level 2	
	2015	2014
	US$000	US$000
Assets		
Interest rate swap	19,611	13,011
Foreign exchange forward contracts	3,413	28,959
	23,024	**41,970**

(ii) The table below shows the fair values of non-financial assets measured at fair value at year-end.

	Level 3	
	2015	2014
	US$000	US$000
Revalued property and equipment		
Land and building	**42,237**	**41,717**

(iii) The table below shows the assets and liabilities for which fair values are disclosed.

	Level 2	
	2015	2014
	US$000	US$000
Financial assets		
Loans and advances	**6,172,646**	**4,429,322**
Financial liabilities		
Due to banks	3,795,009	2,093,310
Debt securities in issue (gross)	1,746,354	1,776,431
	5,541,363	**3,869,741**

Total gains or losses for the period are included in profit or loss as well as total gains relating financial instruments designated at fair value depending on the category of the related asset/ liability.

(iv) Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 non-financial assets which are recorded at fair value:

Revalued property and equipment

	Land and building	
	2015	**2014**
	US$000	**US$000**
Valuation as at 1 January	41,717	40,688
Addition in the year	535	2,261
Total gain recorded in Other Comprehensive income	2,288	924
Accumulated depreciation eliminated on revaluation	(2,303)	(2,156)
Valuation as at 31 December	**42,237**	**41,717**

The following methods and assumptions were used to estimate the fair values:

- The Bank enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

- Fair values of the Bank's debt securities in issue and loans and advances are as disclosed in **Note 4(a)**.

- Methods and assumptions used in the valuation of land and building are detailed in **Note 6.**

Impact on fair value of level 3 non financial assets due to changes in key assumptions
The significant unobservable valuation input used in obtaining the value of the land and building was annual market rentals of similar properties. The table below shows the impact on the fair value of the land and building assuming that the annual market rentals increase or decrease by 10%. The positive and negative effects are approximately the same.

	31-Dec-15		31-Dec-14	
	Carrying amount US$000	**Effect of 10% change in annual market rentals US$000**	**Carrying amount US$000**	**Effect of 10% change in annual market rentals US$000**
Property and equipment	42,237	4,224	41,717	4,172

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into interest rate swaps and foreign exchange forward contracts to hedge its exposure to changes in the fair value and cash flows attributable to changes in market interest and exchange rates on its assets and liabilities.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities at year-end.

	2015	**2014**
	US$000	**US$000**
Assets		
Derivatives used as cash flow hedges		
Interest rate swap	19,611	13,011
Derivatives used as fair value hedges		
Foreign exchange forward contracts	3,413	28,959
	23,024	**41,970**

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rates, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a foreign exchange swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Foreign exchange swaps are settled gross.

The following shows the notional value of interest rate derivative contracts that the Bank held at 31 December:

Interest rate derivative contracts

	2015	**2014**
	US$000	**US$000**
Interest rate swap	**1,575,000**	**1,605,000**

The Bank entered into interest rate swap to hedge US$ 1,575 million (2014: US$ 1,605 million) received from the debt securities issued on 29th July 2011 and 4th June 2013 and 29th July 2014 with fixed interest rates. The swap exchanged fixed rate for floating rate on funding to match floating rates received on assets. In this respect of a cash flow hedge gain of US$ 5,416,000 (2014: US$ 1,056,000) arose on the hedging instruments during the year.

The time periods in which the discounted hedged cash flows are expected to occur and affect profit or loss are as follows:

	2015 US$000	2014 US$000
Up to one year	7,814	(118)
One to five years	11,797	13,129
	19,611	**13,011**

No net gain on cashflow hedges was reclassified to profit or loss during the year.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements involves management estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolio regularly to assess whether a provision for impairment should be recorded in profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily subjective based on assumptions about several factors involving varying degrees of judgment and uncertainty. Consequently, actual results may differ resulting in future changes to such provisions. Further details on the carrying amount of loans and advances are set out in **note 17**. The key assumptions and estimates used are provided in **note 2.8 and 3.6**.

(b) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Refer to **note 4** for further information on fair value of financial assets and liabilities.

(c) Revaluation of property, plant and equipment

The Bank measures land and buildings at revalued amounts with changes in fair value being recognized in Other Comprehensive Income. The Bank engaged an independent valuation specialist to assess fair value as at 31 December 2015. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The carrying amount at the reporting date is as set out in **note 21**.

(d) Impairment of non-financial assets

Impairment exists when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss. Refer to **note 2.14** for further information.

(e) Property, plant and equipment

Critical estimates are made by the Bank in determining depreciation rates for property and equipment. The rates used are set out in accounting policy (note 2.9) above. The assets residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively if appropriate. The carrying amount at the reporting date is as set out in **note 21**.

7. CONTINGENT LIABILITIES AND COMMITMENTS AND LEASE ARRANGEMENTS

7.1.1 Contingent liabilities

	2015 US$000	2014 US$000
Letters of credit	76,312	31,739
Guarantees	437,854	220,710
	514,166	**252,449**

The credit risk associated with these transactions is considered minimal because the Bank receives letter of credit from sound parties. To limit credit risk, the Bank deals exclusively with creditworthy counterparties.

7.1.2 Commitments

Credit lines and other commitments to lend

The contractual amounts of the Bank's commitment not recognized on the statement of financial position as at 31 December are indicated below.

	2015 US$000	2014 US$000
Less than one year	90,092	239,714
More than one year	146,026	84,895
	236,118	**324,609**

7.2. Lease arrangements

7.2.1 Operating lease commitments-Bank as lessee

The Bank has entered into operating lease agreements for leasing of office premises. These leases have an average life of between two and five years, with renewal option included in the contracts. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2015 US$000	2014 US$000
Less than one year	227	382
After one year but not later than five years	8	134
	235	**516**

Included in administrative expenses is minimum lease payments recognised as an operating lease expense amounting to US$220,000 (2014 : US$201,000)

7.2.2 Operating lease commitments-Bank as lessor

The Bank has entered into operating lease agreements for leasing of office space on its building. These leases have an average life of between two and five years, with renewal option included in the contracts. Where the Bank is the lessor, the future minimum lease payments under non-cancellable operating leases are as follows:

	2015 US$000	2014 US$000
Less than one year	1,650	1,909
After one year but not later than five years	-	1,485
	1,650	**3,394**

8. INTEREST AND SIMILAR INCOME

	2015 US$000	2014 US$000
Loans and advances	328,481	299,879
Interest on derivative contracts	41,162	17,189
Interest on money market investments	1,926	443
	371,569	**317,511**

Interest income accrued on impaired financial assets is US$7,606,260 (2014: US$2,811,604)

9. INTEREST AND SIMILAR EXPENSE

	2015 US$000	2014 US$000
Due to banks	62,238	53,557
Debt securities in issue	110,517	90,577
Shareholder and customer deposits	36	229
	172,791	**144,363**

10. FEES AND COMMISSION INCOME

	2015 US$000	2014 US$000
Advisory fees	27,288	29,151
Commission on L/Cs	955	2,180
Guarantee fees	4,730	1,699
Structuring Fees	1,523	-
	34,496	**33,030**

11. FEES AND COMMISSION EXPENSE

	2015 US$000	2014 US$000
Bond issue fees	1,808	2,948
Legacy and agency fees	828	523
Other fees paid	2,058	1,136
	4,694	**4,607**

12. OTHER OPERATING INCOME

	2015 US$000	2014 US$000
Rental income	1,175	1,194
Other income	1,651	1,226
	2,828	**2,420**

13. PERSONNEL EXPENSES

Personnel expenses are made up as follows:

	2015 US$000	2014 US$000
Wages and salaries	15,233	13,417
Staff provident fund costs (Note 2.10)	1,521	1,180
Other employee benefits	9,382	9,300
	26,136	**23,897**

14. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses are made up as follows:

	2015 US$000	2014 US$000
Operational missions and statutory meetings	5,072	4,983
Professional service fees	3,198	2,811
Communications	2,785	2,160
Office rent	220	201
Other general and administrative expense	6,652	2,476
	17,927	**12,631**

Professional services fees include US$97,000 (2014: US$94,000) in respect of external auditors' fees.

15. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

Net income attributable to equity holders of the Bank have been calculated on the basis of assuming that all the net income for the year is distributed.

	2015 US$000	2014 US$000
Net income attributable to equity holders of the bank	125,317	104,985
Weighted average number of ordinary shares in issue	62,002	44,506
Basic and diluted earnings per share (expressed in US$000 per share)	**2.02**	**2.36**

Diluted earnings per share are the same as basic earnings per share as the warrants which are dilutive potential ordinary shares were issued as at 31 December 2015, thus had no impact.

16. CASH AND DUE FROM BANKS

	2015 US$000	2014 US$000
Cash in hand	72	69
Due from banks	153,678	354,270
Money market placements	670,342	300,042
	824,092	**654,381**

17. LOANS AND ADVANCES TO CUSTOMERS

	2015 US$000	2014 US$000
Loans and advances to customers	6,167,818	4,389,361
Less:Allowance for impairment (note 18:1)	(106,502)	(43,352)
Net loans and advances	**6,061,316**	**4,346,009**
Current	4,180,672	2,328,072
Non-current	1,880,644	2,017,937
	6,061,316	**4,346,009**

18. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES AND PROVISIONS

18.1. Allowance for impairment on loans and advances

Reconcilliation of allowance for impairment of loans and advances is as follows:

(a) Statement of Financial Position

	2015 US$000	2014 US$000
Balance as at 1 January	43,352	54,723
Impairment charge for the year (note 18.1b)	63,447	55,696
Loans written off during the year as uncollectible	(297)	(67,067)
Balance as at 31 December (note 17)	**106,502**	**43,352**

(b) Statement of Comprehensive Income

Individual impairment charge for the year	55,821	54,129
Collective impairment charge for the year	7,626	1,567
	63,447	**55,696**

18.2. Provisions

Reconciliation of provisions is as follows :

(a) Statement of Financial Position

	2015	**2014**
	US$000	**US$000**
Balance as at 1 January	2,314	1,496
Impairment charge for the year (note 18.2b)	5,473	818
Balance as at 31 December (note 20)	**7,787**	**2,314**

(b) Statement of Comprehensive Income

Provision on other assets	2,187	818
Provision on accrued income	3,286	-
Provision for leave pay	597	131
	6,070	**949**

19. PREPAYMENTS AND ACCRUED INCOME

	2015	**2014**
	US$000	**US$000**
Accrued income	143,867	70,912
Other prepayments	34,895	28,383
Less: Provision on accrued income	(3,286)	-
	175,476	**99,295**

Accrued income relates to interest, fees and commisions receivable. Other prepayments include fees and commissions on borrowings, prepaid rent and insurance expenses.

20. OTHER ASSETS

	2015	**2014**
	US$000	**US$000**
Other receivables	3,449	3,279
Sundry debtors	4,112	920
Less: Provision on other assets	(4,501)	(2,314)
	3,060	**1,885**

Other receivables above mainly relate to taxes recoverable from some member countries arising from payment of invoices inclusive of tax. In accordance with Article XIV of the agreement for Establishment of African Export Import Bank, the Bank is exempt from all taxation and custom duties (**note 34**).

21. PROPERTY, PLANT AND EQUIPMENT

The table below analyses the details of the Bank's property and equipment.

	Land US$000	Building US$000	Motor Vehicles US$000	Furniture and equip-ment US$000	Leasehold improve-ments US$000	Assets under construc-tion US$000	Total US$000
AS AT 31 DECEMBER 2015							
COST							
Cost/valuation as at 1 January 2015	13,426	28,291	555	9,394	1,009	-	52,675
Additions	-	269	29	1,559	25	475	2,357
Capitalisation of assets under construction	-	266	-	198	-	(464)	-
Disposals	-	-	(277)	(103)	-	-	(380)
Revaluation	(16)	2,304	-	-	-	-	2,288
Transfer*	-	(2,303)	-	-	-	-	(2,303)
Cost/valuation as at 31 December 2015	**13,410**	**28,827**	**307**	**11,048**	**1,034**	**11**	**54,637**
ACCUMULATED DEPRECIATION							
Accumulated depreciation as at 1 January 2015	-		(447)	(5,565)	(1,009)	-	(7,021)
Charge of the year	-	(2,303)	(48)	(2,004)	(3)	-	(4,358)
Disposals	-	-	277	103	-	-	380
Transfer*	-	2,303	-	-	-	-	2,303
Total accumulated depreciation as at 31 December 2015	**-**		**(218)**	**(7,466)**	**(1,012)**	**-**	**(8,696)**
Net carrying amount as at 31 December 2015	**13,410**	**28,827**	**89**	**3,582**	**22**	**11**	**45,941**

* Transfers relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

The fair value of the building and the land which reflects market conditions at the reporting date was US$ 28,827,000 (2014: US$ 28,291,000) and US$ 13,409,961 (2014: US$13,426,000) respectively. The fair value was determined using independent valuer on 31 December 2015.The valuer used was Real Estate Investment House who has experience in similar projects.The net carrying amount of the Headquarters' land and building would have been US$ 34,000 (2014:US$ 34,000) and US$ 10,328,000 (2014:US$10,616,000) respectively if both classes had not been revalued.

During year 2015 the bank did not enter in to any contracts that would lead to capital commitments exposure.

The table below analyses the details of the Bank's property and equipment.

	Land US$000	Building US$000	Motor Vehicles US$000	Furni-ture and equip-ment US$000	Lease-hold improve-ments US$000	Assets under construc-tion US$000	Total US$000
AS AT 31 DECEMBER 2014							
COST							
Cost/valuation as at 1 January 2014	12,952	27,736	523	8,182	1,009	545	50,947
Additions	-	-	32	1,212	-	1,716	2,960
Capitalisation of assets under construction	-	2,261	-	-	-	(2,261)	-
Revaluation	474	450	-	-	-	-	924
Transfer*	-	(2,156)	-	-	-	-	(2,156)
Cost/valuation as at 31 December 2014	**13,426**	**28,291**	**555**	**9,394**	**1,009**	**-**	**52,675**
ACCUMULATED DEPRECIATION							
Accumulated depreciation as at 1 January 2014	-	-	(371)	(3,723)	(1,009)	-	(5,103)
Charge of the year	-	(2,156)	(76)	(1,842)	-	-	(4,074)
Disposals	-	-	-	-	-	-	-
Transfer*	-	2,156	-	-	-	-	2,156
Total accumulated depreciation as at 31 December 2014	**-**	**-**	**(447)**	**(5,565)**	**(1,009)**	**-**	**(7,021)**
Net carrying amount as at 31 December 2014	**13,426**	**28,291**	**108**	**3,829**	**-**	**-**	**45,654**

22. DUE TO BANKS

	2015 US$000	2014 US$000
Current	1,841,785	1,362,927
Non current	1,842,011	730,110
	3,683,796	**2,093,037**

There is no collateral against the above due to banks

23. DEBT SECURITIES IN ISSUE

The Bank issued, under the Euro Medium Term Note Programme (EMTN), US$ 1,700 million bonds (2014: US$1,700 million) with different maturities and coupon rates. Further, the Bank issued under an EMTN Programme, US$40million (2014: US$70million) private placement with floating rate. Fitch Ratings and Moody's assigned these bonds an investment grade rating BBB-, and Baa2 respectively.

Debt securities at amortised cost:

	Coupon (%)	2015 US$000	2014 US$000	Date of issuance	Date of maturity
Fixed rate debt securities due 2016	5.75	500,000	500,000	Jul 2011	Jul 2016
Fixed rate debt securities due 2018	3.88	500,000	500,000	Jun 2013	Jun 2018
Fixed rate debt securities due 2019	4.75	700,000	700,000	Jul 2014	Jul 2019
Floating rate private placement note due 2015	-	-	30,000	Nov 2014	Nov 2015
Floating rate private placement note due 2016	-	40,000	40,000	Dec 2014	Mar 2016
Less: Discount on bond payable		(5,878)	(7,945)		
Add: Premium on bond payable		150	-		
		1,734,272	**1,762,055**		

The Bank has not had any defaults of principal, interest or other breach with respect to its debt securities during the year ended 31 December 2015 and 2014. The debt securities in issue are unsecured.

24. DEPOSITS AND CUSTOMER ACCOUNTS

	2015 US$000	2014 US$000
Shareholders' deposits for shares	58,515	15,467
Deposit accounts	49,060	79,746
Customer accounts	195,537	201,567
	303,112	**296,780**

In terms of customer group, the deposits and customer accounts above were from sovereigns, enterprises and financial institutions.The fair value of the deposits of customer accounts approximate to carrying value, as they have variable interest rates.

25. OTHER LIABILITIES

	2015 US$000	2014 US$000
Retentions	-	36
Prepaid and unearned income	36,970	52,115
Dividends payable	23,612	3,360
Deposits from tenants	423	423
Accrued expenses	61,758	35,099
Sundry creditors	16,199	20,948
Legal fees deposits	6,058	6,272
	145,020	**118,253**

26. SHARE CAPITAL

The share capital of the bank is divided into four classes of which A,B and C classes are payable in five equal instalments, of which the first two installments have been called up.Class D shares are fully paid at time of subscription. Shareholders can use their dividend entitlement to acquire more shares.

Class A shares which may only be issued to (a) African states, either directly or indirectly through their central banks or other designated institutions, (b) the African Development Bank, and (c) African regional and sub regional institutions;

Class B shares which may only be issued to African public and private commercial banks, financial institutions and African public and private investors; and

Class C shares which may only be issued to (a) international financial institutions and economic organisations; (b) non African or foreign owned banks and financial institutions; and non African public and private investors.

Class D shares which may be issued in the name of any person.

	2015 US$000	2014 US$000
Authorised capital		
500,000 ordinary shares of US$10,000 each	**5,000,000**	**5,000,000**
Paid in share capital		
Paid in capital -class A	180,224	119,168
Paid in capital -class B	88,072	45,204
Paid in capital -class C	38,856	21,200
	307,152	**185,572**

As at 31 December 2014 the authorised capital comprised 500,000 ordinary shares (2013: 500,000 ordinary shares). The number shares issued but not fully paid as at 31 December 2014 was 46,393 (2013: 43,905). The par value per share is US$10,000.

Shareholders rights are the same for all classes from the perspective of voting rights. Dividends are shared prorata according to number of shares subscribed.

The movement in paid up share capital is summarised as follows:

	2015 No of shares	2015 US$000	2014 No of shares	2014 US$000
At 1 January	46,393	185,572	43,905	175,621
Paid up from dividends during the year	62	156	276	1,103
Additional shares arising from discount offered retrospectively (see Note 27.1)	1,121	11,428	-	-
Paid up cash during the year	29,212	109,996	2,212	8,848
At 31 December	**76,788**	**307,152**	**46,393**	**185,572**

27. SHARE PREMIUM

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

The movement in share premium is summarised as follows:

	2015 No of shares	2015 US$000	2014 No of shares	2014 US$000
At 1 January	46,393	56,847	43,905	38,632
Paid up from dividends during the year	62	481	276	3,059
Additional shares arising from discount offered in retrospectively (see Note 27.1)	1,121	13,861	-	-
Paid up cash during the year	29,212	132,672	2,212	15,156
At 31 December	**76,788**	**203,861**	**46,393**	**56,847**

27.1. In July 2013, the Bank appealed to its shareholders to increase equity through acquisition of additional shares of which some of the shareholders responded favorably. During the Extra Ordinary Meeting held on 20 September 2014, the shareholders approved a rights issue to raise $ 500 million of equity. Further, the shareholders approved to issue such shares at a discount of 45% to motivate the shareholders exercise their rights. During 2015 the board and shareholders approved to apply the 45% discount retrospectively effective July 2013 to all existing shareholders who responded to the capital increase appeal. Accordingly, 1,121 additional shares were reallocated to the affected shareholders who acquired shares between July 2013 and December 2014 and the related effect on share capital and share premium balances were reflected in 2015.

28. RESERVES

	General Reserves US$000	Asset re-valuation Reserve US$000	Cashflow hedge Reserve	Total US$000
Balance as at 1 January 2014	214,078	31,505	11,955	257,538
Revaluation of land	-	474	-	474
Revaluation of building	-	450	-	450
Depreciation transfer for buildings	-	(1,359)	-	(1,359)
Transfer to cashflow hedge	-	-	1,056	1,056
Transfer from retained earnings (note 29)	40,419	-	-	40,419
Balance as at 31 December 2014	**254,497**	**31,070**	**13,011**	**298,578**
Balance as at 1 January 2015	254,497	31,070	13,011	298,578
Revaluation of land	-	(16)	-	(16)
Revaluation of building	-	2,304	-	2,304
Depreciation transfer for buildings	-	(1,480)	-	(1,480)
Transfer to cashflow hedge	-	-	6,600	6,600
Transfer from retained earnings (note 29)	48,247	-	-	48,247
Balance as at 31 December 2015	**302,744**	**31,878**	**19,611**	**354,233**

The asset revaluation and cashflow hedge reserves are restricted from distribution to the shareholders.

Nature and purpose of reserves

a. General reserve

The general reserve is set up in accordance with Article 31 of the Bank's Charter in order to cover general banking risks, including future losses and other unforeseeable risks or contigencies. Each year the Bank transfers 50% of profit after deduction of dividends to general reserves.

b. Asset revaluation reserve

The revaluation reserve is used to record increases in the fair value of land and building and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued amount of the asset and depreciation based on the asset original cost. When revalued assets are sold, the portion of the revaluation reserve that relates to those assets is effectively realised and transferred directly to retained earnings.

c. Cash flow hedge reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulaed under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

29. RETAINED EARNINGS

	2015 US$000	2014 US$000
Balance as at 1 January	300,744	234,819
Profit for the year	125,317	104,985
Transfer to general reserve	(48,247)	(40,419)
Depreciation transfer for buildings	1,480	1,359
Dividends for prior year	(24,147)	-
Balance as at 31 December	**355,147**	**300,744**

30. DIVIDENDS

After reporting date, the directors proposed dividends appropriations amounting to US$ 28,823,000 (2014: US$ 24,147,000). The 2015 dividend appropriation is subject to approval by the shareholders in their Annual General Meeting. These financial statements do not reflect the dividend payable, which will be accounted for in equity as an appropriation of retained earnings in the year ending 2016.

Dividends per share is summarised as follows:

	2015 US$000	2014 US$000
Proposed dividends per share		
Dividends appropriations	28,823	24,147
Number of shares at 31 December	76,788	46,393
Dividends per share	0.38	0.52
Dividends per share declared and paid		
Dividends appropriations	24,147	-
Number of shares at 31 December	47,514	43,905
Dividends per share	0.51	-

31. WARRANTS

	Expriry Date	2015 No of warrants	2015 US$000	2014 No of warrants	2014 US$000
At 1 January		2,112	77,328	-	
Retirement during the year		(2,112)	(77,328)	-	
Issued during the year	31-Dec-16	1,224	46,316	2,112	77,328
At 31 December		**1,224**	**46,316**	**2,112**	**77,328**

The Bank held an Extra Ordinary Meeting on 20 September 2014, where the shareholders authorised an equity increase of $500 million from existing shareholders. The shareholders also approved that an arrangement be put in place whereby a third party entity (entities or investors) would provide bridging financing to pre-finance the expected subscribed amounts in terms of the equity raising plan. The third party entity (entities or investors) could achieve this in various ways, including among others, the issue of debt instruments. It was therefore in this context that the Bank put in place the Equity Bridge Bond. Under the Equity Bridge Bond Structure, the Bank created an "orphan Special Purpose Vehicle-SPV" registered in the Seychelles. The shares of the SPV are held by a non-charitable trust with the trustee being an administration company. The SPV is the issuer of the bond. As at 31 December 2015, the issuer had resolved to issue 3.0% bonds due 31 December 2016 for an aggregate principal amount of up to approximately US$ 47,748,000. The issuer used the proceeds of the bonds to subscribe for warrants representing Class D shares of African Export-Import Bank. The warrants were created pursuant to the warrant instrument. Bonds amounting to US$48 million had been subscribed to by one investor as at year end. The Bank in turn issued warrants to the SPV of the subscribed amount of US$46,316,000 and credited the same to capital of the Bank net of issuance costs amounting to US$1,432,000.

32. RELATED PARTY TRANSACTIONS

The Bank's principal related parties are its shareholders. The Bank transacts commercial business such as loans and deposits directly with the shareholders themselves and institutions which are either controlled by the shareholder governments or over which they have significant influence.

The details of related party transactions are as follows:

32.1 Loans and Advances to related parties

	2015 US$000	2014 US$000
Balance as at I January	-	-
Loan disbursements during the year	1,480,000	-
Loan repayments during the year	(33,333)	-
Balance as at 31 December	**1,446,667**	-
Interest income earned during the year	**6,972**	-
Fees and commission earned during the year	**3,581**	-

Loans to related parties are made at market interest rates and subject to commercial negotiations as to terms.

32.2 Deposits from related parties

	2015 US$000	2014 US$000
Deposits at 1 January	-	-
Deposits received during the year	66,084	-
Deposits repaid during the year	(46,783)	-
Deposits at 31 December	19,301	-
Interest expense on deposits	**25**	-

The above deposits are unsecured, carry variable interest rates and are repayable on demand within 3 months or less.

32.3 Due to Banks

	2015 US$000	2014 US$000
Deposits at 1 January	-	-
Borrowings received during the year	1,000,000	-
Borrowings repaid during the year	-	-
Borrowings at 31 December	1,000,000	-
Interest expense on due to banks	**685**	-

The above borrowings, carry variable interest rates.

32.4 Key management personnel compensation

Salaries and benefits to management personnel

Compensation paid to the Bank's executive officers and directors during the year is as follows:

	2015 US$000	2014 US$000
Salaries and short-term benefits	6,088	5,452
Post-employment benefits	460	183
Termination benefits	376	289
	6,924	**5,924**

Short-term benefits above include meeting allowances for Board members and staff allowances for children's education, dependency, home leave and housing.

Loans and advances to management personnel

The Bank provides loans and advances to its staff, including those in management. Such loans and advances are guaranteed by the staff terminal benefits payable at the time of departure from the Bank. The staff loans and advances are interest bearing and are granted in accordance with the Bank's policies. The movement in loans and advances to management during the year ended 31 December 2015 was as follows:

	2015 US$000	2014 US$000
Balance as at I January	141	185
Loan disbursements during the year	286	259
Loan repayments during the year	(265)	(303)
Balance as at 31 December	**162**	**141**

Interest income from staff loans amounted to US$ 6,006 (2014: US$5,559). There were no loan loss provisions on staff loans in both current and prior year.

No loans to related parties were written off in 2015 and 2014.

33. SEGMENT REPORTING

33.1 Operating Segments

The Bank is a multilateral trade finance institution whose products and services are similar in nature, and are structured and distributed in a fairly uniform manner across borrowers. The Bank's primary reporting format for business segments includes Lending and Treasury operations. Lending activities represent investments in facilities such as loans, letters of credit and guarantees, which promote intra and extra African trade. Treasury activities include raising debt finance, investing surplus liquidity and managing the Bank's foreign exchange and interest rate risks.The Bank's distribution of loans and advances by geographical and industry sectors is as disclosed in **note 3.8**.

The segment income are 100% external, thus there are no inter-segment income. The Bank did not have any transactions with a single customer exceeding 10% of the Bank's total revenue.

	Lending 2015 US$000	Treasury 2015 US$000	Total 2015 US$000	Lending 2014 US$000	Treasury 2014 US$000	Total 2014 US$000
Income Statement						
Interest income	328,481	43,088	371,569	299,880	17,631	317,511
Net fees and commission	34,496	(4,694)	29,802	33,030	(4,607)	28,423
Other operating income	2,828	-	2,828	2,420	-	2,420
Total segment revenue	**365,805**	**38,394**	**404,199**	**335,330**	**13,024**	**348,354**
Less: interest expense	(36)	(172,755)	(172,791)	(229)	(144,134)	(144,363)
Foreign exchange Adjustments	(199,520)	211,367	11,847	(98,951)	97,192	(1,759)
Less: personnel and other admin. expenses	(43,315)	(748)	(44,063)	(35,993)	(535)	(36,528)
Less: depreciation and amortization	(4,216)	(142)	(4,358)	(4,073)	(1)	(4,074)
Segment income before impairment	**118,718**	**76,116**	**194,834**	**196,084**	**(34,454)**	**161,630**
Less: loan impairment charges	(63,447)	-	(63,447)	(55,696)	-	(55,696)
Less: provisions	(6,070)	-	(6,070)	(949)	-	(949)
Net income for the year	**49,201**	**76,116**	**125,317**	**139,439**	**(34,454)**	**104,985**
Financial Position						
Segment assets	6,285,792	847,117	7,132,909	4,492,322	696,872	5,189,194
Total assets at year end	**6,285,792**	**847,117**	**7,132,909**	**4,492,322**	**696,872**	**5,189,194**
Segment liabilities	364,928	5,501,272	5,866,200	621,740	3,648,385	4,270,125
Capital funds	-	-	1,266,709	-	-	919,069
Total liabilities and capital funds	**6,285,792**	**847,117**	**7,132,909**	**4,492,322**	**696,872**	**5,189,194**

34. TAXATION

According to Article XIV of the Agreement for the Establishment of African Export-Import Bank, which is signed and ratified by African member countries, the Bank's property, assets, income, operations and transactions are exempt from all taxation and custom duties.

35. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require disclosure or adjustment to these financial statements.

36. RECLASSIFICATION FOR COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to be consistent with the classification of the financial statements for the current year.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 2 April 2016.

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