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

AFREXIMBANK

ANNUAL REPORT 2011

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ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF BOXES

TRANSMITTAL LETTER

March 24, 2012

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 January 1, 2011 to December 31, 2011, 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.

Jean-Louis EKRA
President and Chairman of the Board of Directors

VISION AND MISSION STATEMENTS

AFREXIMBANK ANNUAL REPORT 2011

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	**Mr. Jean-Louis EKRA**
Members of the Board	
Class “A”	**Dr. Caleb Fundanga** Director **Mr. Stefan Luis-François Nalletamby** Director **Hon. Yerima Lawan Ngama** Alternate Director **Mr. Mahmoud Abd El-Aziz Mahmoud Saad** Director
Class “B”	**Dr. Gideon Gono** Director **Mr. Jean-Marie Benoit Mani** Director **Mr. Victor-Jérôme Nembelessini-Silué** Director **Mr. Aomar Yidar** Director
Class “C”	**Mr. Anil Dua** Director **Mr. Liu Liange** Director
“Independent”	**Mr. Franklin Hugh Kennedy** Director **Mr. Ronald Sibongiseni Ntuli** Director
Executive Secretary	**Dr. George Elombi**

MANAGEMENT

Jean-Louis EKRA
President

Benedict O. Oramah
Executive Vice President
(Business Development and Corporate Banking)

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

Philip Kamau
Senior Director (Finance & Treasury)

George Elombi
Executive Secretary & Director (Legal Services)

Samuel Loum
Director (Credit)

Francis Mbroh
Director (Research, Planning & International Cooperation)

Kanayo Awani
Director (Trade Finance & Branches)

Kofi Adomakoh
Director (Project & Export Development Finance)

James Mwangi
Director (Risk Management)

Robert Tomusange
Director (Administrative Services)

Amr Kamel
Director (Operations)

EXTERNAL AUDITORS

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

AFREXIMBANK ANNUAL REPORT 2011

PERFORMANCE HIGHLIGHTS

50%
year-on-year increase in Total Assets to US$2.87 billion at the end of 2011.

41%
year-on-year rise in Gross Loans Outstanding to US$2.37 billion at the end of 2011.

40%
year-on-year increase in Loan Approvals to US$3.75 billion in 2011.

30%
year-on-year increase in Net Income to US$57.87 million in 2011.

CAIRO, EGYPT
Headquarters

ABUJA, NIGERIA
Branch

HARARE, ZIMBABWE
Branch

Loan Approvals during 2011	(US$m)
Line of Credit Programme	1,621.1
Note Purchase Programme	100.0
Receivables Purchase/Discounting Programme	44.0
Direct Financing Programme	566.5
Project-Related Financing Programme	103.1
Syndications Programme	953.0
Special Risk Programme	85.0
Future-Flow Pre-Financing Programme	153.2
Asset-Backed Lending Programme	126.5

12%
Return on Equity (ROE) in 2011 compared to 10% in 2010.

0.30%
Non-Performing Loans (NPL) as a share of Gross Loans declined from 0.55% in 2010.

25%
Cost-Income ratio in 2011 compared to industry average of over 50%.

KEY MACROECONOMIC FACTS

- The rate of real GDP growth of African economies, as a group, weakened to 3.6% in 2011, from a level of 5.3% in 2010.
- The average rate of inflation for African economies, as a group, increased from 7.4% in 2010 to 8.2% in 2011.
- Total African trade rose by 12% year-on-year to US$1,081.59 billion in 2011.
- Intra-African trade increased by about 16% year-on-year to US$121.53 billion in 2011.

CHAPTER ONE

INTRODUCTION / EXECUTIVE SUMMARY

1. INTRODUCTION / EXECUTIVE SUMMARY

1.1 This document (the "Report") chronicles the activities and operations of African Export-Import Bank ("Afreximbank" or the "Bank") during 2011. The Report has been prepared in conformity with the corporate practice and reporting requirements of the Bank.

1.2 Organized in five Chapters, this Chapter introduces the Report in the form of an Executive Summary of its contents. Chapter 2 reviews the global and African politico-economic environments under which the Bank operated during the review period. Chapter 3 presents the activities and operations of the Bank in the context of the operating environment reviewed in Chapter 2. These are followed by a discussion of the trade development impact of the Bank's operations and activities in Chapter 4, and a review of the 2011 financial performance of the Bank in Chapter 5.

1.3 The Report shows that the rebound of the global economy which began in 2010 lost momentum in 2011, especially during the second half of the year, consistent with earlier forecasts of a possible faltering of the global recovery in 2011. In this regard, the rate of growth of global output, which recovered from -0.7% in 2009 to 5.3% in 2010, decelerated to 3.9% in 2011. The observed deceleration in global economic activity was caused by a heightening of global economic uncertainties stoked by escalation in sovereign default risks across the Eurozone. This development ultimately led to downgrading of the credit ratings of 9 Eurozone sovereigns and a number of financial institutions with attendant weakening of investor and consumer confidence and spending across many advanced economies. Contributing to the deceleration were the significant moderation of activity across the rapidly growing economies in Asia led by China and India on account of weak external demand, especially from Western Europe and North America; and disorderly roll-back of fiscal stimulus programmes which were begun in 2009/10 as a result of concerns regarding fiscal sustainability across many OECD economies, especially in Europe. Other factors that constrained the pace of global output growth during the review period included political unrests that adversely impacted activity levels in many countries in the Middle East and North Africa (MENA) coupled with isolated pockets of socio-political difficulties in a number of countries, including Côte d'Ivoire, Afghanistan, Madagascar, Sudan, Thailand, Myanmar, and Somalia; destructive effects of natural disasters, including a devastating tsunami and earthquake in Japan, floods in Philippines, New Zealand, Brazil, Australia and

the US, and earthquakes in Spain and China; lingering global concerns regarding the Israeli-Palestinian conflict; tension over Iran's Nuclear Programme; and unresolved difficulties in concluding the Doha Round of Multilateral Trade Talks, among others.

It is worth noting, however, that despite the foregoing challenges, growth continued, albeit at a decelerating rate. The growth seen during the period owed a lot to continued recourse to more accommodative monetary policies in the form of low policy rates across the OECD countries; continued expansion of developing economies, as a group, led by China (9.2%) and India (7.2%); and bold and coordinated global macroeconomic policy interventions led by the Group of 20 (G20) economies, which contributed in calming global markets, especially during the first half of 2011. The concerted search for solution to the rapidly evolving Eurozone debt crisis by European leaders also helped to avert the collapse of the Euro and a possible financial crisis that would have had worse global consequences. Implementation of appropriate policy responses to the global economic challenges by governments of the BRICS (Brazil, Russia, India, China and South Africa) and other developing countries also supported the continued expansion of the global economy seen in 2011.

1.4 During the review period, African economies, as a group, saw another year of good economic performance, but with the rate of growth of their gross domestic product (GDP) slowing to 3.62% in 2011, from a level of 5.3% in 2010. Responsible for the continued expansion of the African economies, as a group, were firm commodity prices, which lifted export receipts of many commodity dependent African economies; a resurgence in Foreign Direct Investment (FDI) inflows (especially into the extractive industries on the back of better market conditions) and other forms of capital inflows as international investors continued their search for safe haven assets in emerging and frontier markets, including those in Africa; continued recourse to sound macroeconomic policies by many African governments coupled with improvements in democratic governance across the continent; and improvements in tourism receipts and migrant remittance inflows, among other growth-enhancing factors. The growth outcome seen in 2011, was, however, weighed down by the political difficulties that hit North Africa and Cote d'Ivoire during the year.

1.5 The economic environment witnessed during the year positively impacted the Bank's operations and activities. In this regard, compared to 2010, loan approvals rose by 40% year-on-year to US$3.75 billion in 2011. Credits outstanding also rose by about 41% year-on-year to US$2.37 billion. The accelerated growth in loan approvals and credits outstanding were driven by a rise in credit facility requests received in 2011 in an amount of about US$20.0 billion, representing a rise of 8.1% over the level in 2010. The observed strong demand for the Bank's facilities reflected tight international credit situation and increased business development activities of the Bank across its member countries. It also reflected rising confidence in the Bank across its markets. Following the strong growth in loans, total assets also rose by about 50% to US$2.87 billion at the end of 2011, from US$1.91 billion at the end of 2010.

1.6 It is worth noting that, as in the previous years, the operations and activities of the Bank impacted economic activities and trade across the continent in several ways, including the promotion of African content in the continent's extractive industries; facilitating intra-African air transport and communication links in furtherance of intra-African trade; promoting the diversification of the continent's export basket through financing of the processing of African commodities for export; and supporting the promotion of service exports by financing, among others, the creation of world-class hotel and tourism facilities in some member countries.

Moreover, as part of on-going efforts at supporting the development of African economies and trade, the Bank, during 2011, continued to leverage external financing in furtherance of its mandate. The net effects of all these operations and activities of the Bank on trade and other economic activities, the key ones of which have been discussed in detail in Chapter 4 of this Report, reflect an increase in Africa's exports, gradual but increasing share of processed and non-traditional exports in total exports of some Afreximbank member countries, gradual but steady increase in access of African businesses to reasonably-priced international trade/project financing; direct and indirect employment creation; skills transfer; and improvements in intra-regional trade, among other positive impacts.

1.7 Looking forward, the Bank expects continued improvements in the global and African economies on the back of forecast recovery of the US economy and unrelenting effort at resolving the Eurozone debt crisis. However, some downside risks remain. These risks include pockets of political difficulties in several parts of the continent, especially across North Africa; potential growth dampening effect of the Eurozone debt crisis particularly if many of the ongoing remedial measures prove to be ineffective at addressing the crisis; and rising international tensions over Iran's Nuclear Programme.

These notwithstanding, the Bank expects activities in 2012 to be driven by expected improvements in international credit markets, which would spur activity in the syndications and bond markets, offering it better access to financing. Further, expected improvement in debt service capacity of African counterparties buoyed by firm commodity prices and rising export receipts, as well as efficiency gains in transaction origination and loan management capabilities of the Bank are expected to support the Bank's business in 2012. It is in the context of the foregoing and the planned equity capital raising exercise that the Bank forecasts full year loan assets to maintain its upward trend to US$2.95 billion with total assets estimated to exceed US$3.38 billion by 2012 year end. Net income is also forecast to rise to US$61.4 million in 2012, from a level of US$57.87 million in 2011.

The sustained growth in loan approvals and credits outstanding in 2011 was in response to 8.1% growth in facility applications received during the year in an amount of US$20 billion.

CHAPTER TWO

THE OPERATING ENVIRONMENT

2. THE OPERATING ENVIRONMENT

2.1 THE GLOBAL ECONOMIC ENVIRONMENT

2.1.1 Global Output

The rebound of the global economy, which began in 2010, lost momentum in 2011, especially during the second half of the year. Consequently, the rate of growth of global output, which recovered from a -0.7% in 2009 to 5.3% in 2010, decelerated to 3.9% in 2011. The observed deceleration in global economic activity was caused by a heightening of global economic uncertainties stoked by escalation in sovereign default risks across the Eurozone, which ultimately led to the downgrading of the credit ratings of 9 Eurozone sovereigns and a number of financial institutions with the attendant weakening of investor and consumer confidence and spending across many advanced economies; significant moderation of activity across the rapidly growing emerging economies in Asia led by China and India on account of weak external demand, especially from Western Europe and North America; disorderly roll-back of fiscal stimulus programmes which began in 2009/10 as a result of concerns regarding fiscal sustainability across many OECD economies and Europe in particular. Other factors that constrained the pace of global output growth during the review period included political unrests that adversely impacted economic activity in many countries in the Middle East and North Africa (MENA); isolated pockets of socio-political difficulties in a number of countries, including Côte d'Ivoire, Afghanistan, Madagascar, South Sudan, Thailand, Myanmar, and Somalia; destructive effects of a spate of natural disasters, including a devastating tsunami and earthquake in Japan, floods in Philippines, New Zealand, Brazil, Australia and the US, and earthquakes in Spain and China; lingering global concerns regarding the Israeli-Palestinian conflict; tension over Iran's Nuclear Programme; and unresolved difficulties in concluding the Doha Round of Multilateral Trade Talks, among others.

It is worth noting, however, that the continued expansion of the global economy, albeit at a decelerating rate, was buoyed by continued recourse to more accommodative monetary policies in the form of low policy rates across the OECD countries; continued expansion of developing economies, as a group; and bold and coordinated macroeconomic policy interventions led by the G20 economies, which contributed in calming global markets, especially during the first half of 2011. Further, concerted efforts towards a resolution of the evolving Eurozone debt crises by European leaders also helped to avert the collapse of the Euro and a possible re-emergence of a global financial crisis. Implementation of appropriate policy responses to the global economic challenges by governments of the BRICS (Brazil, Russia, India, China and South Africa) and other developing countries also supported the continued expansion of the global economy witnessed in 2011. Presented hereunder is a detailed discussion of major developments in global output and prices as summarized in Table 2.1.

As shown in Table 2.1 and Figure 2.1, five members of the ***Group of Seven Industrialized Countries (G7)***, namely the US, UK, Germany, Italy, and Canada, experienced decelerations in the rate of growth of their GDP in 2011 compared to 2010. Japan suffered a year-on-year contraction in output in 2011 while the French economy saw a marginal improvement in output growth in 2011 compared to

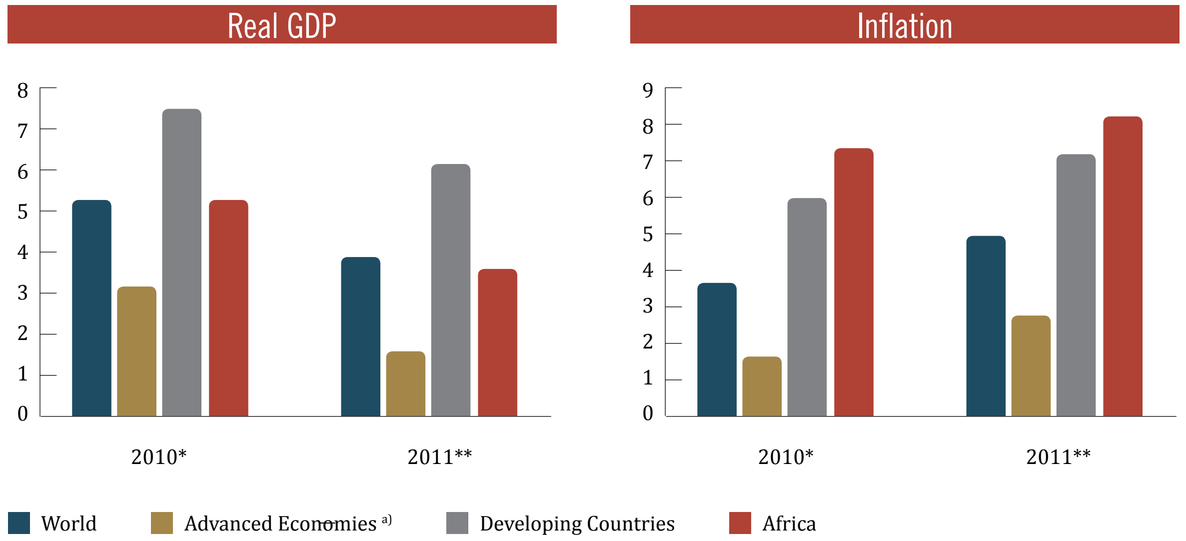
Table 2.1 Developments in Global Output and Prices, 2009 - 11

	Unit	Exchange Rate (End of period)			Real GDP Growth (annual percent change)			Inflation Rate (annual percent change)			Interest Rate (3-month), % (end of period)		
		2009	2010	2011	2009*	2010*	2011**	2009	2010	2011**	2009*	2010*	2011**
WORLD					-0.70	5.30	3.90	2.46	3.67	4.90			
ADVANCED ECONOMIES a)					-3.70	3.20	1.60	0.10	1.50	2.70			
US	$/$	1.00	1.00	1.00	-3.50	3.00	1.70	-0.30	1.60	2.70	0.50	0.22	0.25
UK	£/$	0.62	0.65	0.65	-4.90	2.10	0.70	2.10	3.30	4.50	0.50	0.80	0.50
France	€/$	0.67	0.75	0.77	-2.50	1.40	1.70	0.10	1.70	2.10	1.75	1.01	1.00
Japan	¥/$	89.45	82.10	78.10	-6.30	4.40	-0.70	-1.40	-0.70	-0.30	0.30	0.17	0.10
Italy	€/$	0.67	0.75	0.77	-5.00	1.80	0.40	0.80	1.60	2.90	1.75	1.01	1.00
Canada	C$/$	1.05	1.00	1.04	-2.50	3.20	2.50	0.30	1.80	2.90	0.50	0.98	1.00
Germany	€/$	0.67	0.75	0.77	-4.70	3.60	3.10	0.20	1.20	2.50	1.75	1.01	1.00
Memo Item													
EURO Area b)	€/$	0.67	0.75	0.77	-4.30	1.90	1.40	0.30	0.70	1.40	1.75	1.01	1.00
Average c)					**-4.20**	**2.79**	**1.34**	**0.26**	**1.50**	**2.47**	**1.01**	**0.74**	**0.69**
DEVELOPING COUNTRIES d)					**2.60**	**7.50**	**6.20**	**5.20**	**6.10**	**7.10**			
Africa					2.80	5.30	3.62	10.60	7.40	8.20			
Developing Asia e)					7.20	9.70	7.80	3.10	5.70	6.50			
Middle East					2.60	4.90	3.50	6.60	6.90	9.60			
Latin America and the Caribbean					-1.70	6.20	4.50	6.00	6.00	6.60			
NEWLY INDUSTRIALISED ASIAN COUNTRIES					**-0.70**	**8.40**	**4.20**	**1.30**	**2.30**	**3.60**			
CENTRAL & EASTERN EUROPE					**-3.60**	**4.50**	**5.30**	**4.70**	**5.30**	**5.30**			
COMMONWEALTH OF INDEPENDENT STATES					**-6.40**	**4.80**	**4.90**	**11.20**	**7.20**	**10.10**			

* Revised
** 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) Average relates to G7.
d) Emerging market and developing countries.
e) Asia other than the Newly Industrialized Economies (i.e. Hong Kong SAR, South Korea, Singapore, and Taiwan Province of China).

Sources: 1) *The Economist* (various issues).
2) EIU *Country Report* (various issues).
3) EIU *Country Risk Service: Main Report* (various issues).
4) IMF *World Economic Outlook* Update (January, 2012).
5) IMF *World Economic Outlook Database.*
6) Afreximbank

Figure 2.1 Global Output and Inflation, 2010 - 11 *(annual percent change)*



a) Figures include the G7 and other industrial countries.

* Revised ** Estimates

Source: Derived from Table 2.1

2010. Following these developments, the G7 economies, as a group, saw the rate of growth of their real GDP weaken to 1.34% in 2011, from a level of 2.79% in 2010. Nevertheless, the growth performance of the group in 2011 was still better compared to a contraction of 4.2% suffered in 2009.

Emerging data suggests that the slowdown of the global and Advanced Economies negatively impacted the level of economic activity in developing economies and regions during the review period. In this regard, the rate of real GDP growth for the ***Group of Developing Countries*** slowed to 6.2% in 2011, from a level of 7.5% in 2010 (Table 2.1 and Figure 2.1).

2.1.2 Global Rates of Inflation

Although price levels remained relatively low, inflationary pressures increased during the period resulting in a rise in the general level of prices around the world. In this regard, the global rate of inflation maintained its upward trend to reach 4.9% in 2011, from an average level of 3.67% in 2010. Responsible for these price developments were continued rapid increase in global commodity prices, especially those of energy and food in particular, in response to supply-side shocks. In this regard, natural disasters, and political difficulties across the Middle East, a major source of oil, tightened global oil inventories. Specifically, the average level of prices rose in all G7 economies in 2011 compared to 2010, although Japan's prices remained in deflationary territory. Following these price developments, the average rate of inflation for the G7 economies, as a group, rose to 2.47% in 2011, from respective levels of 0.26% and 1.5% in 2009 and 2010 (Table 2.1 and Figure 2.1).

As shown in Table 2.1 and Figure 2.1, during 2011, the average level of prices edged upwards across all developing regions consistent with the continued expansion in regional and global output. In this regard, the average rate of inflation for developing countries, as a group, rose to 7.1% in 2011, from a level of 6.1% in 2010 (Table 2.1 and Figure 2.1).

2.1.3 Global Financial Markets

As in previous years, the review period saw continued efforts at addressing perceived and/or real risks to sustainable expansion of global output through proactive coordination of macroeconomic policies, particularly among major developed and developing economies under the auspices of the G7 and G20 economies. Further, multilateral agencies, such as the International Monetary Fund (IMF), the World Bank, and regional development banks such as the African Development Bank (AfDB), stepped up their intervention through deployment of various emergency funding programmes. These coordinated efforts were geared towards addressing growing uncertainties in global markets, including the rapidly evolving sovereign debt crisis of the Eurozone and US economies, which were regarded as major threats to global economic expansion. Accordingly, for the purpose of evolving robust coordinated policies and programmes to steer the global economy out of recession, several international conferences were held during the review period. Specifically, through international coordinated efforts, policy rates were kept at record low levels with a view to encouraging lending and investment to sustain the recovery of the global economy.

Largely as a result of coordinated pursuit of accommodative monetary policies, short term interest rates were kept at low levels across all G7 economies during the review period, with the exception of the US and Canada where marginal increases in rates were seen at the end of 2011 compared to 2010. In the UK, short term interest rates declined from 0.8% at the end of 2010 to 0.5% at the end of 2011, as the government sought to stimulate economic growth. Short term interest rates among Eurozone economies also declined marginally from 1.01% in 2010 to 1.0% in 2011. Interest rates in the United States and Canada rose marginally to respective levels of 0.25% and 1% at the end of 2011, from their levels of 0.22% and 0.98% at the end of 2010. Against this backdrop, average short-term interest rates among the G7 economies edged downward to 0.69% at the end of 2011, from respective levels of 1.01% and 0.74% at the end of 2009 and 2010 (Table 2.1).

With regards to international exchange rate movements, with the exception of the Japanese Yen and the British pound, the US dollar appreciated against all major international currencies during the review period compared to their average exchange rates at the end of 2010 (Table 2.1). In more specific terms, during 2011, the US dollar strengthened against the Canadian dollar, appreciating by 4% compared to their exchange values at the end of 2010. The US dollar also appreciated by about 3% against the euro during the review period to exchange for €0.77/$1 at the end of 2011, from a rate of €0.75/$1 at the end of 2010 (Table 2.1). In relation to the euro value of the dollar at the end of 2009, however, the dollar was about 15% higher at the end of 2011. The marginal year-on-year appreciation of the US dollar against the euro in 2011 compared to 2010 was driven by a worsening of the Eurozone debt crisis (and doubts about the future of the Euro) coupled with a more dismal near-term outlook of the Eurozone economies due to a heightening of sovereign default risks across the region vis-a-vis better prospects for sustainable recovery of the US economy, given the continued fiscal support and other forms of growth stimulating policies being implemented by the US authorities.

2.1.4 International Financing Conditions

The review period witnessed a deepening of global economic uncertainties and a worsening of financing conditions in international credit markets. The turbulence that emerged in global financial markets was precipitated primarily by a worsening of the Eurozone sovereign debt crisis and apparent lack of political consensus towards dealing with the US government deficit. The latter factor was cited as the reason for an unprecedented downgrade of the US government credit rating from AAA to AA by S&P during the year. Across the Eurozone, the perilous state of the sovereign debt crisis and the large exposure of banks to some of the fiscally distressed sovereigns raised concerns about the health of many major Eurozone banks, which led to an adverse feedback loop between sovereigns and banking sector soundness and funding. The dramatic worsening of the Eurozone sovereign debt crisis (and its links with banks) reflected by rising spread on sovereign borrowings and dry-up of bank funding in particular, led to the downgrading of the credit ratings of 9 sovereigns and 17 major financial institutions across the Eurozone during the review period. The deterioration in market perception of sovereigns and major banks in Europe and the turbulence that ensued in global markets shattered business and consumer confidence and held-back activities in the international debt markets, investment spending and lending in general, particularly interbank lending as international banks could not determine the level of exposure of fellow banks to the debt-distressed and fiscally-challenged European and US Governments. Further, those adverse market developments fuelled panic across the international investor community, which pushed asset prices on a downward spiral across major bourses around the world, especially during the second half of 2011.

The worsening of the sovereign debt crisis across some economies in the Eurozone and its potential contagious effect on other economies in the region, prompted European Governments and the European Central Bank (ECB) with the support of the IMF, to introduce new policies and programmes as well as revise existing ones to calm the markets and shore up investor and consumer confidence. Some of the measures taken to address the challenges included (i) urging Greece's creditor banks to accept a 50% write-off of debt owed by the Greek government; (ii) increasing the resources of European Financial Stability Facility (EFSF) from €440 billion to about €1 trillion; (iii) directing European banks to maintain a minimum of 9% capitalisation; (iv) lengthening the maturities and lowering the interest rates on EFSF loans to member states and (iv) broadening the mandate of the EFSF to enable it intervene in the primary sovereign debt market. Further, activity under the Securities Market Programme (SMP), which was introduced by the European Union in the second quarter of 2010, and under which the European Central Bank (ECB) purchased sovereign securities in the secondary market to help improve liquidity and stabilize the sovereign debt markets, was stepped up, especially during the second half of 2011 with interventions in the Markets for the sovereign debts of Italy and Spain. This was supported by two **Long-Term Refinancing Operations (LTRO)** issued by the ECB --- one with maturity of approximately 12 months and the other with maturity of approximately 13 months.

Besides, EU governments initiated ***EU Plus Pact*** with a view to improving competitiveness and the quality of economic policy coordination in the region. The EU-Plus Pact seeks to strengthen the preventive and corrective arms of the Stability and Growth Pact of the EU by enforcing budgetary surveillance, upgrading national budgetary frameworks and correcting broader macroeconomic imbalances.[1] It is pertinent to note that the foregoing measures, among other interventions, helped to somewhat calm global financial markets and shore up international investor confidence in the Eurozone economies, as a group.

The fiscal challenges that confronted many Advanced economies and the worsening sovereign debt crisis of the Eurozone and its adverse effect on balance sheet and profitability of banks, triggered roll-back of lending and disorderly deleveraging which affected international credit markets in mature markets during the review period. Consequently, international financing remained generally tight with the spread on OECD government debt instruments, especially

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1 See IMF (2011) "Grappling with Crisis Legacies" in *Global Financial Stability Report* for more details on the measures taken by EU leaders to avert the collapse of the Euro.

those on EU government debt papers reaching record highs during the review period. For example, yield and spread on 10 year Government bonds of Greece, Ireland, Italy and Portugal rose above the Eurozone ceiling of 6% during the review period.

Those challenges in mature financial markets raised global economic uncertainties and risks to perilous levels and triggered global risk aversion and retreat in international lending and investment spending in general across both developing and developed economies. Consequently, compared to 2010, access of developing country entities to international credit markets did not improve in any appreciable manner during the review period as OECD governments and international banks and investors continued to focus on their domestic economies and clients, and regulatory pressures on international commercial banks to improve the quality of their assets remained in force. Higher growth prospects for some emerging and frontier markets and continued search by international investors for safe haven investment opportunities outside many of the OECD markets affected by the sovereign debt crises of the Eurozone, however, contributed to increased FDI flows into such markets. Further, non-bank financial flows to selective public sector counterparties in emerging and frontier markets rose as some of those entities managed to raise term funding through bond issuances. Nevertheless, access to the international debt capital market remained tight to developing country issues as deals were executed within tight windows.

2.1.5 Developments in Global Trade and Trading Environment

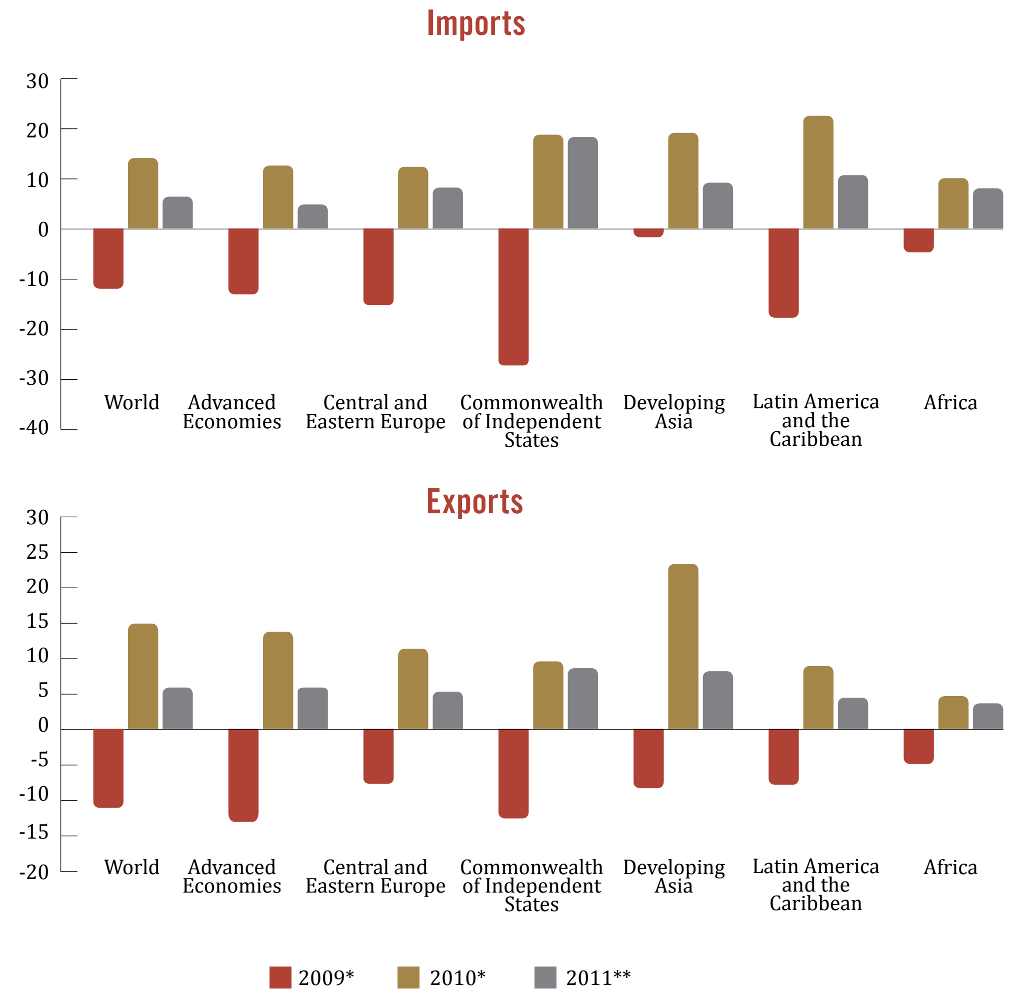
The review period witnessed continued pick-up in volume of global merchandise trade, albeit at a decelerating rate, consistent with the continued expansion of the global economy. In this regard, after a strong rebound of approximately 12.7% in 2010, the rate of expansion in the volume of global merchandise trade weakened to 6.9% in 2011. The greater-than-anticipated weakening of the rate of growth of volume of global merchandise trade was caused by multiplicity of difficulties that prevailed in the global economy, including subtle recourse to nationalism reflected in anti-liberalization (protectionist) trade policy stance of some developed economies in response to the sovereign debt crisis described earlier. Global trade expansion also slowed as a result of global supply chain disruptions caused by the earthquake and tsunami that struck Japan during the first quarter of 2011; political difficulties across the Middle East and North Africa, a major source of global oil supplies; and the lingering side effects of the global financial and economic crises that broke in 2008/09.

Considering the multiplicity of challenges that emerged in the global politico-economic environment, the continued expansion in the volume of global merchandise trade witnessed in 2011 was commendable. The observed growth in trade in 2011 was aided by firm demand for commodities from the rapidly growing and emerging economies, which supported exports and thus imports of commodity dependent developing economies; and concerted global effort at containing old and new challenges in global financial markets, among other factors.

Consistent with the continued improvement in global economic activity and external demand, all major developed and developing regions raised their levels of merchandise trade, albeit at lower rates (Figure 2.2).

In more specific terms, the volume of merchandise exports of Advanced economies, as a group, grew by 5.7% in 2011 compared to 14% achieved in 2010; while merchandise exports of the group of developing economies grew by 6.4% in 2011, from 15% in 2010, on account of deteriorations in growth of merchandise exports (volume) of all developing regions. On the import side, similar trend was observed with advanced and developing economies posting respective growth in the volume of merchandise imports of 5% and 9.5% in 2011, significantly lower

Figure 2.2 Growth Rates of Merchandise Trade Volume in Major Regions of the World, 2009 - 11 *(annual percent change)*



* Revised **Estimates
Source: IMF, *World Economic Outlook Database*, October 2011 (available at www.imf.org)

than the corresponding rates of expansion achieved in 2010 (Figure 2.2).

In spite of the challenging global economic environment that prevailed, no major disruptive shock to global trade was observed during the review period, as member countries continued to comply with international trade laws and/or rely on the dispute settlement mechanisms of the World Trade Organization (WTO). In this regard, a number of serious trade disputes, which could have led to disruptive trade wars were referred to the WTO or amicably being discussed. Some of these included disputes over the introduction of anti-dumping measures in United States and European Union as a means of restricting imports from China and other countries and the subsequent countermove by China against US exports into China; disputes between Canada and European Union over the introduction of feed-in tariff program in Canada; the raging dispute regarding provision of agricultural subsidies to US and European farmers amidst opposition from a large group of developing countries; strong opposition to the introduction of Genetically Modified Organisms (GMO) in the European Union in spite of repeated objections from the US.

Other on-going contentious trade disputes, such as the provision of Community and State subsidies for the design and development of large Civil Aircrafts (LCAs) between the US and the European Community, France, Germany, Spain and the UK, as well as difficulties relating to the implementation of WTO ruling on Cotton and Banana Trade, were managed in a way that continued to support global trade during the review period.

2.2 THE AFRICAN ECONOMIC ENVIRONMENT

2.2.1 Review of Economic Conditions and Price Levels

The review period saw the performance of African economies, as a group, somewhat affected by the slowdown of the global and Advanced economies. In this regard, the rate of growth of Africa's real GDP, which strengthened to 5.3% in 2010 from 2.8% in 2009, weakened to 3.62% in 2011 (Table 2.1).

The continued expansion of African economies, as a group, seen in 2011, despite the turmoil that engulfed North Africa during the year, was supported by strong commodity prices, which lifted export receipts and economic activity of many commodity dependent African economies. Records show that all three broad commodity groups of trade interest to the Continent, namely Agriculture, Energy and Minerals/Metals posted impressive respective nominal price gains of 16%, 39% and 28% during the review period compared to their average levels in 2010 (see Table 2.6). Other factors that supported economic activity in Africa during the period included increased FDI, which offers access to more appropriate project financing and modern technology as discussed in Box 2.1 and other forms of capital inflows as international investors continued their search for safe haven assets in emerging and frontier markets; continued recourse to sound macroeconomic policies by many African governments; sustained improvements in democratic governance across the continent; and sturdy pick-up in tourism receipts and migrant remittance inflows.

The political difficulties that broke out in North Africa negatively affected the level of economic activity across the region and weakened the overall performance of the group of net oil exporting countries (NOECs). In this regard, the rate of GDP growth for the NOECs, as a group, decelerated from a level of 4.8% in 2010 to 4.2% in 2011, as a result of lower activity levels in a number of NOECs in North Africa, including Egypt, Libya and Sudan. The group of net oil importing countries (NOICs), however, experienced another year of increased activity with the rate of growth of their GDP rising to 4.0% in 2011, from a level of 3.6% in 2010. The observed improvement in growth performance of the NOICs was powered by strong non-oil commodity prices, reasonably stable political environment, continued recourse to prudent macroeconomic policies, and pick-up in FDI and other forms of capital inflows, such as migrant remittances, among other supportive factors.

On a sub-regional basis, the economies in ***north Africa***, as a group, experienced a considerable slowdown with the rate of expansion of their GDP weakening to 2.3% in 2011, from 4.4% in 2010 (Table 2.2 and Figure 2.3). Responsible for the deterioration in economic growth performance of the region was the political difficulties that adversely impacted economic activity during the review period as the mass uprising that began in Tunisia in late 2010 spread to Egypt and Libya, and triggered political reforms in Morocco. The uprising reportedly caused sharp retreat in tourism receipts, FDI inflows and exit of private equity. As a result of the difficulties which affected supplies, the average rate of inflation for the region rose to 8.97% in 2011, from a level of 7% in 2010. This price development derived from significant hikes in average price levels in Sudan and Libya which sustained respective inflation rates of 20% and 14% in 2011 compared to 13% and 2.5% respectively in 2010 (Table 2.3 and Figure 2.3).

In ***southern Africa***, the level of economic activity weakened marginally during the review period. In this regard, the rate of

Table 2.2 Africa: Real GDP Growth, 2009 - 11
(annual percent change)

Africa	2009	2010*	2011**
Algeria	2.4	3.3	2.9
Angola	0.7	3.4	3.4
Benin	2.5	2.6	3.1
Botswana	-3.7	7.2	4.6
Burkina Faso	3.2	7.9	5.6
Burundi	3.5	3.8	4.2
Cameroon	1.9	2.9	4.1
Cape Verde	3.0	5.2	5.0
Central African Republic	1.7	3.3	3.1
Chad	-1.6	13.0	1.6
Comoros	1.8	2.1	2.2
Congo, Dem. Rep. of	2.8	7.2	6.9
Congo, Rep. of	7.5	8.8	4.5
Cote d'Ivoire	3.7	2.4	-4.7
Djibouti	5.0	5.0	3.5
Egypt	4.7	5.1	1.8
Equatorial Guinea	5.3	-0.8	7.1
Eritrea	3.6	2.2	8.7
Ethiopia	10.0	8.0	7.5
Gabon	-1.4	6.6	5.8
Gambia	5.6	5.5	3.3
Ghana	4.1	7.7	13.6
Guinea	-0.3	1.9	3.6
Guinea-Bissau	3.0	3.5	5.3
Kenya	2.4	5.6	5.0
Lesotho	0.9	5.7	4.2
Liberia	4.6	5.0	6.4
Libya	-2.3	2.5	-27.9
Madagascar	-3.7	0.5	0.5
Malawi	7.5	6.5	5.5
Mali	4.4	5.8	2.7
Mauritania	-1.1	5.1	5.1
Mauritius	2.5	4.1	4.1
Morocco	4.9	3.7	4.6
Mozambique	6.3	6.8	7.1
Namibia	-0.8	6.6	3.6
Niger	-1.2	8.0	2.3
Nigeria	7.0	8.0	7.2
Rwanda	4.1	7.5	8.8
Sao Tome and Principe	4.0	4.5	4.9
Senegal	2.2	4.1	2.6
Seychelles	0.7	6.7	4.9
Sierra Leone	3.2	5.0	5.3
Somalia	n/a	n/a	5.1
South Africa	-1.8	2.9	3.4
Sudan [a)]	4.5	6.5	-0.2
Swaziland	1.2	2.0	0.3
Tanzania	6.0	6.5	6.7
Togo	3.0	4.0	4.1
Tunisia	3.1	3.1	0.0
Uganda	7.2	5.9	6.7
Zambia	6.3	7.6	6.6
Zimbabwe	5.7	8.1	9.3

* Revised ** Estimates n/a: not available.

a) Statistics for both South and North Sudan. Disaggregated statistics not available

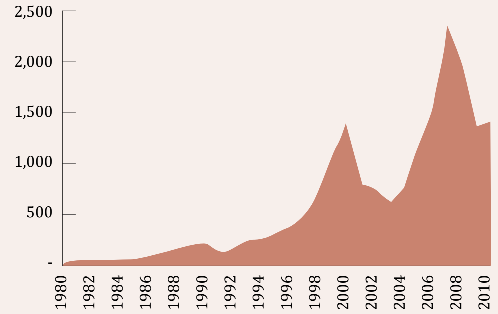
Sources: 1) IMF (2011) *World Economic Outlook* Database.
2) IMF (2011) *World Economic Outlook* (September)
3) EIU: *Country Reports,* (various issues)

Box 2.1 Closing Africa's Financing and Technology Gaps Through Foreign Direct Investment (FDI)

Foreign direct investment (FDI) refers to direct investment by an entity in an enterprise or production unit located in another country either by buying an entriprise/production unit in the foreign country, starting a new business, or expanding operations of existing business in the foreign country. Such overseas investment is usually made for the purpose of taking advantage of lower production costs, special investment incentives or privileges, such as tax holidays, duty drawback etcetera, in the host country as well as for strategic or other factors. FDI also refers to "a category of international investment that reflects the objective of obtaining a lasting interest by a resident entity in one economy (the direct investor) in an enterprise (foreign direct investment enterprise) resident in another economy."[1] According to OECD (2008), "ownership of 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise)" constitutes a sufficient share to give the foreign investor a considerable influence over the management of the enterprise. FDI is different from portfolio investment, which is a passive investment in the securities issued in, and traded in, another country such as stocks and bonds.[2]

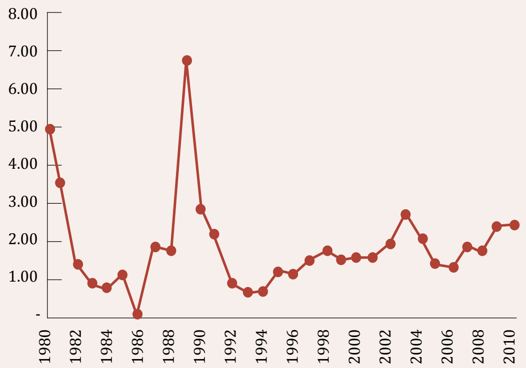
Global FDI flows, which declined sharply from its peak of US$2.3 trillion in 2007 to US$1.39 trillion in 2009, recovered by about 3% to US$1.43 trillion in 2010 (Figure B2.1). In terms of regional/country distrbution, a bulk of global FDI flows into the group of developed economies with the US, Switzerland, the UK, Japan, France, Germany, Luxembourg, Netherlands and Canada being the principal recipients. The large and rapidly growing developing economies, such as China, India, Brazil, Argentina and South Africa,

Figure B2.1 Evolution of Global FDI Flows, 1980-2010 (Current US$ Billion)



Source: World Bank *World Development Indicators* (WDI), 2012.

Figure B2.2 Low Income Countries' Share of Total FDI Inflows to Emerging & Developing Economies, 1980-2010 (percent)



Source: World Bank, *World Development Indicators* (WDI), 2012.

among others, are the leading recipients of FDI among the group of developing economies. The small and fragile developing economies account for a paltry share of global FDI flows. In more specific terms, of the total FDI flows to emerging and developing economies in 2010, low income countries accounted for only 2.5% (Figure B2.2).

It is worth noting, however, that attitude of direct investors and that of developing countries to FDI has been changing in relation to changes in the macroeconomic (and especially investment) climate and the overall policy environment in developing countries. Accordingly, the changing pattern of FDI flows seem to conform with the

1 OECD (2008). *Benchmarking Definition of Foreign Direct Investment*, 4th Edition (Available at http://www.oecd.org/dataoecd/26/50/40193734.pdf)

2 Bishop, M., (2004), *Essential Economics*. The Economist Newspaper Ltd., London

varying policy stances in developing countries dating from import substitution in the 1950s and 1960s to the natural resource-led development strategies in the 1970s. Beyond the 1970s, FDI flows had tended to hug or correlate positively with structural adjustment and transition to market economies in the 1980s, and the increasing role for the private sector in the 1990s.[3] In this regard, during the 1950s and the 1960s, FDI flowed largely into manufacturing and processing industries, and into mining and other extractive industries during the 1970s; and into a mix of manufacturing and processing and extractive industries during the 1980s with very little proportion going into the service industry (principally tourism). However, from the mid-1990s to present, the pace of FDI flows into banking and financial services, tourism and information technology has been out-stripping the flows into the manufacturing and extractive industries in the developing world.

For capital-importing developing countries, FDI inflow is regarded as a mechanism for closing the financing (the savings/investment and foreign exchange) gaps within the domestic economy. FDI also contributes to improvements in productivity of domestic investment since the involvement of overseas investors in management tends to overhaul and/or bring in better management knowledge and expertise, such as strategy formulation, sales and marketing, logistics management, and human resources management, among other vital managerial expertise. Moreover, although FDI inflow raises the capital investment base of an economy, it spares the recipient economy the burden of external debt service since it does not impose any future direct financial (debt) obligations on the host economy. Experience has shown that FDI further enhances access to more efficient technologies as technology owners often seem unprepared to make more productive technology available to a partner unless there is a possibility of retaining a reasonable degree of management control (IFC, 1997:10).

It is worth noting that notwithstanding the growing evidence of potential net positive effect of FDI flows on the rate of growth of the host economy, a number of studies, including Hermes and Lensink (2003), Tandon (2002), Rodrik (1999), Duff (1997) and Fry (1993) contest this claim. These critics contend that the effect of FDI on domestic growth appears to be weak and that most multinational corporations tend to operate in selected, more productive and profitable sectors of the host economy and it is therefore natural that such foreign operators would have significant opportunities to enjoy economies of scale and profits and to spend on research and development for increased output and profitability in the future. However, studies by Ndikumana and Verick (2008), Sylwester (2005), Ajayi (2006), Lumbila (2005), Carkovic and Levine (2002) and Borenzstein and Lee (1995) suggest that economic growth is positively related to FDI. Borenzstein and Lee (1995), for instance, in an econometric study involving 69 developing countries noted that FDI flows could be important vehicle for the transfer of modern technology, which could contribute in raising the rate of economic growth. Besides, they observed that the higher the level of development of the host country's technology and human capital, the higher the absorptive capacity of domestic firms and thus the higher the positive impact of FDI flows on the rate of growth of the host economy, and vice versa. They therefore concluded that FDI flows could enhance the rate of growth of the host economy by: (i) contributing to raise the total capital investments of the host economy, and (ii) improving total factor productivity of domestic firms through their absorption and/or imitation of cutting-edge technology and management practices of foreign firms. For these reasons, capital-importing developing countries continue to be advised by the international development agencies to seek ways of attracting FDI flows.

Consistent with global trend, the volume of net FDI flows to the group of developing economies

3 See IFC (1997) *Foreign Direct Investment: Lessons of Experience (#5)* for more insights.

Table B2.1 Net Foreign Direct Investment (FDI) Flows to Emerging and Developing Economies, 1970-2010 (in current US$ Billion)

Region/Year	1970	1980	1990	2000	2001	2008	2009	2010
Total Net Flows	**1.53**	**8.04**	**21.50**	**149.07**	**158.85**	**630.60**	**403.99**	**509.18**
of which:								
- East Asia & Pacific	**0.23**	**1.14**	**10.45**	**45.31**	**48.93**	**214.24**	**137.53**	**228.05**
% Share of Total	*14.95*	*14.15*	*48.62*	*30.40*	*30.80*	*33.97*	*34.04*	*44.79*
- Europe & Central Asia	**-**	**0.02**	**0.69**	**9.80**	**14.05**	**162.20**	**85.93**	**86.27**
% Share of Total	*-*	*0.22*	*3.20*	*6.57*	*8.84*	*25.72*	*21.27*	*16.94*
- Latin America & Caribbean	**0.50**	**6.22**	**8.11**	**78.94**	**71.92**	**129.99**	**78.37**	**112.51**
% Share of Total	*32.89*	*77.46*	*37.71*	*52.95*	*45.27*	*20.61*	*19.40*	*22.10*
- Middle East & North Africa	**0.13**	**0.28**	**0.72**	**4.08**	**3.84**	**35.24**	**29.51**	**27.93**
% Share of Total	*8.30*	*3.51*	*3.35*	*2.74*	*2.42*	*5.59*	*7.30*	*5.49*
- South Asia	**0.02**	**0.19**	**0.54**	**4.37**	**6.15**	**51.07**	**39.40**	**27.96**
% Share of Total	*1.48*	*2.42*	*2.51*	*2.93*	*3.87*	*8.10*	*9.75*	*5.49*
- Sub-Saharan Africa	**0.65**	**0.18**	**0.99**	**6.58**	**13.97**	**37.87**	**33.26**	**26.46**
% Share of Total	*42.38*	*2.24*	*4.61*	*4.41*	*8.79*	*6.01*	*8.23*	*5.20*

Sources: 1. "World Bank, *Global Development Finance*, 2011   2. UNCTADSTAT, 2012

has been rising during the last four decades. For example, from a level of US$1.53 billion in 1970, net FDI flows to the developing world grew steadily (amidst fluctuations) to reach US$21.5 billion in 1990, before accelerating to reach a record high of US$630.6 billion in 2008 as highlighted in Table B2.1.

Of this total, Sub-Saharan Africa received US$0.65 billion representing a share of approximately 42.4% in 1970, followed by Latin America and the Caribbean with US$0.5 billion equivalent to a share of 32.9% of net FDI flows. Following political difficulties in Africa and the rising attractiveness of other developing regions in the 1980s, FDI flows shifted to East Asia and Pacific group of Developing Countires. Thus, from an initial share of 42.4% of total net FDI flows at the beginning of the 1970s, Africa's share plummeted steadily (amidst fluctuations) to reach a paltry 2.24% in 1980. Though Sub-Saharan Africa subsequently saw an improvement in its share of net FDI flows in 1980, the pace has been sluggish with the region accounting for meagre shares of 4.6% and 4.4% in 1990 and 2000 respectively. This occured at a time of a sustained growth in net FDI flows to other parts of the developing world. For example, during this period, East Asia and the Pacific that happened to be the third (out of 5) on the list of FDI recipient regions in the 1970s quickly moved to occupy the top spot in 1990 and 2010 attracting as much as 48.6% and 44.8% in 1990 and 2010 respectively of net global FDI flows to developing countries (see Table B2.1).

Africa reportedly lost out in the global distribution of FDI as a result of a number of factors, including poor governance and civil unrests, inappropriate macroeconomic management regime and government intervention. Weak legal and regulatory framework also rendered sub-Saharan Africa an unattractive destination for FDIs during the 1980s and 1990s. International well- publicized television images of social disorder, starvation, epidemics and natural disasters across the continent did, and continue to, constrain FDI flows into Africa, as such negative publicity only portray Africa as a destitute economy rather than a market where businesses can thrive.

It is worth noting, however, that recent improvements in political and economic governance coupled with sustained good economic performance of the region as a whole, especially during the last decade seem to have contributed in improving the international investor perception of, and thus the level of FDI flows to, Africa as highlighted in Table B2.1. A recent study found the profitability of African affiliates of United States and Japanese multinationals to be consistently higher than those of other affiliates operating in other developing regions since the beginning of the 1990s. This realization coupled with significant turnaround of many African economies is gradually improving the international perception of the continent as an attractive destination for FDI in flows. Accordingly, a number of "small" and/or "reforming" countries including Botswana, Equatorial Guinea, Mozambique, Namibia, Uganda, Zambia and Ghana, as well as the large economies, including South Africa, Angola, Egypt, Nigeria and Morocco have recently experienced spurts in FDI inflows. The statistics suggest that even small and least developed African economies could be attractive to foreign investors in spite of their characteristically low income levels and small size of their markets.

Major recipient sectors include the natural resource, telecommunications and financial services sectors. Flows into the agricultural sector are also rising. A major change in the form of FDI flows into Africa is the rising share of FDI inflows from developing economies, especially from China, India, Brazil and Arab Gulf economies. Available data suggests that the share of developing economies in global FDI flows into Africa rose from an average of 12% during 1995-2000 to 16% during 2000-08; with FDI flows averaging US$1.2 billion per annum during 2002-08. Intra-African FDI flows are also becoming important with South African, Nigerian and North African investments increasingly going into other African economies.

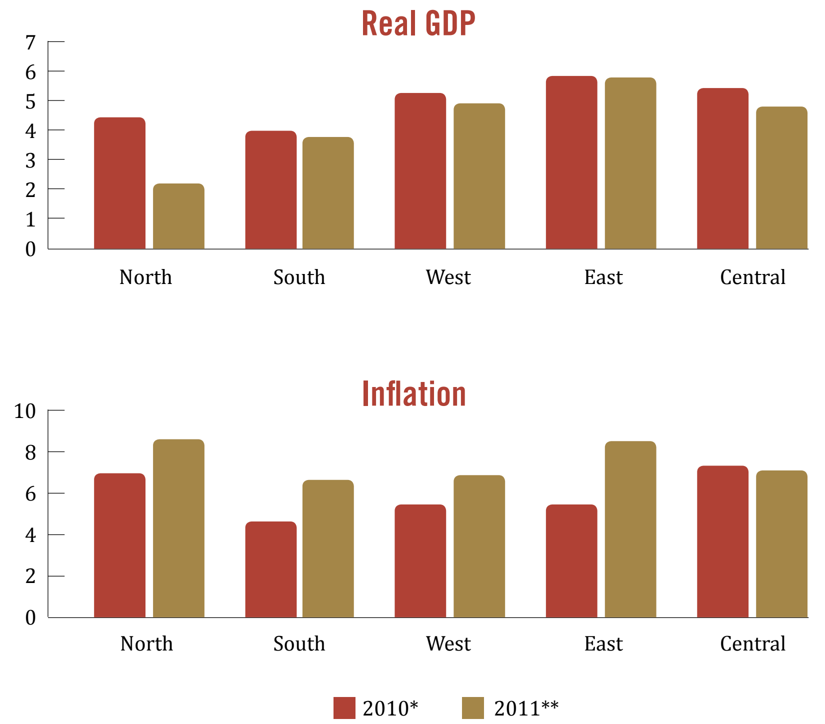
Evidently, during 2003-10, total intra-African FDI flows grew at a compounded annual rate of 27% with the number of new investment projects made by African entities in the continent rising sharply from under 50 to about 160 between 2007 and 2008.

Considering the potential role of FDI in addressing the financing and technology gaps of the continent, and the fact that no economy is too small to be unattractive to foreign investors, it sounds plausible to argue that Africa's interests would be best served if conscientious efforts are made to attract FDI. To provide the conducive environment supportive of efforts at attracting FDI inflows, African governments should strive to improve macroeconomic stability and implement necessary structural reforms, enhance private sector participation in all forms of economic activities, and establish credible incentive schemes and regulatory regime to support enterprise development so as to attract FDI inflows. Policy makers should further seek to provide better governance, improve transparency, and modernise and/or extend public infrastructure such as transport and telecommunications, road and rail networks etcetera to facilitate the conduct of business.

Aside from these, there should be a conscious effort on the part of African governments to effectively attract strategic FDI inflows into certain capital intensive and technology-driven industries/sectors, such as power and energy and renewable energy in particular, roads and railway infrastructure, agriculture and biotechnology, given their immense positive economy-wide impact, including opportunities for the transfer of cutting-edge technical knowledge and technology to improve total factor productivity of the host economies in Africa.

There is also an urgent need to foster the rising South-South and intra-African FDI flows and use the momentum to attract more FDI inflows into Africa.

Figure 2.3 Africa: Output and Inflation by Region, 2010 - 11 *(annual percent change)*



* Actual ** Estimates

Sources: 1) IMF, *World Economic Outlook Database*, October 2011 (available at www.imf.org)
2) IMF, *World Economic Outlook*, September, 2011

expansion of the economies in southern Africa, as a group, which hit 4.9% in 2010, weakened to 3.2% in 2011 despite a strong growth performance of the South African economy, the flagship economy of the region (Table 2.2 and Figure 2.3). The slowdown in the region's economic activity witnessed in 2011 resulted from a slack in performance of a number of economies in the region, including Botswana, Namibia, Zambia and Zimbabwe compared to 2010. The continued expansion of the economies in the region was nevertheless supported by significant recovery in agricultural and mining activities buoyed by firm commodity prices and increased production which lifted net exports and supported higher levels of imports and thus total trade; and modest recovery in FDI and other capital inflows such as remittances. In 2011, the average rate of inflation for the sub-region rose from 4.7% in 2010 to 6.2% in 2011 (Table 2.3 and Figure 2.3).

During the review period, the rate of growth of the economies of ***west Africa***, as a group, slid to 4.4%, from a level of 5.1% in 2010 (Table 2.2 and Figure 2.3). The let-up in activity across the region emanated from a weakening of growth performance of many of the economies in the region, including Nigeria, the flagship economy, and a 4.7% contraction of the Ivorian economy due primarily to the election-related political difficulties that prevailed during the first half of 2011. The continued expansion of the group of economies in the region, albeit at a slower pace, was powered by firm commodity prices buoyed by strong global demand for commodities; continued recourse to sound macroeconomic policies; and a modest pick-up in migrant remittances and other forms of capital inflows, among other growth enhancing developments. The average rate of inflation for the region, as a group, rose to 7% in 2011, from a level of 5.5% in

Table 2.3 Africa: Inflation, 2009 - 11
(annual percent change)

Africa	2009	2010*	2011**
Algeria	5.7	3.9	4.5
Angola	13.7	14.5	13.5
Benin	2.2	2.1	2.7
Botswana	8.1	6.9	8.5
Burkina Faso	2.6	-0.6	2.7
Burundi	10.7	4.1	14.9
Cameroon	3.0	1.3	2.9
Cape Verde	1.0	2.1	4.5
Central African Republic	3.5	1.5	0.7
Chad	10.1	-2.1	1.9
Comoros	4.8	3.9	6.8
Congo, Dem. Rep. of	46.2	23.5	15.5
Congo, Rep. of	4.3	5.0	1.9
Cote d'Ivoire	1.0	1.4	4.9
Djibouti	1.7	4.0	5.1
Egypt	16.2	11.7	11.1
Equatorial Guinea	7.2	7.5	7.3
Eritrea	34.7	12.7	13.3
Ethiopia	36.4	2.8	18.1
Gabon	2.1	1.4	1.3
Gambia	4.6	5.0	4.8
Ghana	19.3	10.7	8.7
Guinea	4.7	15.5	21.5
Guinea-Bissau	-1.6	1.1	5.0
Kenya	9.3	4.1	14.0
Lesotho	7.2	3.4	5.6
Liberia	7.4	7.3	8.5
Libya	2.8	2.5	14.1
Madagascar	9.0	9.2	10.6
Malawi	8.4	7.4	7.6
Mali	2.2	1.3	3.1
Mauritania	2.2	6.3	5.7
Mauritius	2.5	2.9	6.5
Morocco	1.0	1.0	0.9
Mozambique	3.3	12.7	10.4
Namibia	9.1	4.5	5.8
Niger	1.1	0.9	2.9
Nigeria	12.4	13.7	10.8
Reunion	n/a	n/a	n/a
Rwanda	10.4	2.3	5.7
Sao Tome and Principe	17.0	13.3	14.3
Senegal	-1.7	1.2	3.4
Seychelles	31.8	-2.4	2.6
Sierra Leone	9.2	17.8	18.5
Somalia	n/a	n/a	
South Africa	7.1	4.3	5.0
Sudan [a)]	11.3	13.0	18.1
Swaziland	7.6	4.5	6.1
Tanzania	12.1	10.5	7.0
Togo	1.9	3.2	3.6
Tunisia	3.5	4.4	3.5
Uganda	14.2	9.4	6.5
Zambia	13.4	8.5	8.7
Zimbabwe	6.5	3.0	3.5
Average	**9.0**	**5.9**	**7.6**
Median	**7.2**	**4.2**	**6.0**
Standard Deviation	**9.7**	**5.5**	**5.2**
Skew	**2.1**	**1.0**	**0.9**
Kurtosis	**5.1**	**0.9**	**0.0**

* Revised ** Estimates n/a: not available.
a) Statistics for both South and North Sudan. Disaggregated statistics not available

Sources: 1) IMF (2011) *World Economic Outlook* Database.
2) IMF (2011) *World Economic Outlook* (September).
3) EIU: *Country Reports*, (various issues)

2010 consistent with increases in inflation pressures experienced around the world (Table 2.3 and Figure 2.3).

The review period also saw the economies of ***eastern and central Africa***, as a group, somewhat affected by the overall weakening of the global and Advanced economies. Specifically, the rate of expansion of the ***east African*** economies, as a group, which strengthened from 4.6% in 2009 to 5.81% in 2010, accelerated to 6.3% in 2011. The group of ***central African*** economies, however, saw the rate of their GDP growth weaken to 4.6% in 2011, from a level of 5.4% in 2010, following the sharp decline in activity level in the Republic of Congo and marginal deceleration of the rate of expansion of the economies of the Democratic Republic of Congo, Central African Republic and Gabon during the review period. The continued expansion of the economies in the region was supported by firm oil prices which boosted production and exports of the NOECs in the region, especially Cameroon and Equatorial Guinea (Table 2.2 and Figure 2.3). With regard to changes in the general price level, the average rate of inflation across eastern Africa edged upwards in 2011 compared to the level in 2010. The central African region, however, experienced a marginal decline in the average rate of inflation during the same period (Table 2.3 and Figure 2.3).

On account of the foregoing developments, the average rate of inflation for African economies, as a group, rose from 7.4% in 2010 to 8.2% in 2011 (Table 2.1 and Figure 2.1).

2.2.2 External Reserves and Exchange Rate Developments

The foreign exchange reserves of African economies, as a group, during the review period, declined particularly during the second half of 2011. In this regard, total external reserve holdings of African economies, as a group, declined by about 5.5% from US$494 billion at the end of 2010 to US$467 billion at the end of 2011

(Table 2.4). The contraction in external reserve position of African countries in 2011 was caused primarily by decreases in reserve holdings of North African countries, especially Egypt (-35%), Libya (-32%), Sudan (-19%), Tunisia (-6%) on account of increases in capital outflows and sharp drops in tourism receipts and FDI inflows on the heels of the political crisis that broke out in 2011. As a result of the decline in total reserve holdings of Africa, average import coverage for the continent fell slightly to 7.77 months in 2011, from a level of 8.05 months in 2010. On a country basis, available data show that five countries, namely Algeria (US$162.9 billion), Libya (US$68 billion), South Africa (US$50 billion), Nigeria (US$37 billion), and Egypt (US$22 billion) accounted for about 73% of the total external foreign exchange reserves held by the continent at the end of the review period, slightly lower than their combined share of 76% in 2010.

During 2011, continued recovery in private capital inflows, tourism receipts, migrant remittances and export receipts, albeit at a decelerating rate, and recourse to prudent macroeconomic policies, helped to improve external balances of some African countries, which contributed to stabilize and/or raise the US dollar value of some African currencies. Following these developments, 2011 saw 11 out of 49 African currencies (up from 8 out of 49 in 2010) appreciate against the US dollar compared to their average exchange rates in 2010 (Table 2.5); with the big four appreciations posted by the Mozambican *metical*, Sao Tome and Principe *dobra*, the Libyan *dinar*, and the Mauritian *rupee*.

On the other hand, as a result of the strength of the US dollar against the Euro and other currencies to which some African currencies are pegged, many of these currencies depreciated. In this regard, many African currencies depreciated against the US dollar at the end of 2011 compared to their exchange values at the end of 2010. It is in this context that the CFA currency in use by a large number of African economies depreciated during the review period. Import pressures arising from expansionary economic policies also put downward pressure on other currencies, notable among them being the Ethiopian birr (29%), Kenyan shilling (20%), Tanzanian shilling (20%), Ugandan shilling (15%), South African rand (14%), Sudanese pound (13%) and Ghanaian cedi (12%).

Table 2.4 Reserve Position of African Countries *(In US$ million unless otherwise indicated)*

	Total Reserves (Excl. Gold)					Gold Reserve (Million Fine Troy Ounces)						Months of Imports Covered by Reserves		
AFRICA	2009*	2010*	2011**	Percentage Change 2010/2009	Percentage Change 2011/2010	2009*	2010*	2011**	Percentage Change 2009/2008	Percentage Change 2010/2009	Percentage Change 2011/2010	2009*	2010*	2011**
Algeria	149.04	162.61	162.90	9.11	0.18	5.58	5.58	5.58	0.05	0.00	0.00	43.91	48.23	48.54
Angola	13.66	19.75	20.30	44.54	2.79				n.a	n.a	n.a	9.40	15.43	20.16
Benin	1.23	1.20	1.15	-2.42	-3.92	0.00	0.00	0.00	0.00	0.00	0.00	2.46	2.01	1.88
Botswana	8.70	7.89	8.52	-9.41	8.00				n.a	n.a	n.a	25.35	20.59	20.05
Burkina Faso	1.30	1.07	1.08	-17.57	1.01	0.00	0.00	0.00	0.00	0.00	0.00	9.05	6.26	6.43
Burundi	0.32	0.33	0.41	2.70	23.82	0.00	0.00	0.00	0.00	0.00	0.00	10.10	8.05	10.04
Cameroon	3.68	3.64	3.39	-0.89	-6.96				n.a	n.a	n.a	11.25	9.74	10.99
Cape Verde	0.40	0.38	0.42	-3.94	9.92	0.00	0.00	0.00	0.00	0.00	0.00	6.06	6.18	6.12
Central African Republic	0.21	0.18	0.22	-13.97	19.88				n.a	n.a	n.a	6.95	3.71	5.25
Chad	0.62	0.63	0.92	2.55	44.81				n.a	n.a	n.a	7.35	6.35	8.12
Comoros	0.15	0.15	0.17	n.a	13.66	0.00			0.00	n.a	n.a	9.92	n.a	9.58
Congo, Democratic Rep. of	1.04	1.30	1.30	25.52	-0.20	0.00	0.00	0.00	0.00	0.00	0.00	3.44	3.67	4.28
Congo, Rep. of	3.81	4.45	5.05	16.83	13.47				n.a	n.a	n.a	13.70	16.62	19.68
Cote d'Ivoire	3.27	3.62	4.02	10.94	11.00	0.00	0.00	0.00	0.00	0.00	0.00	5.60	5.17	6.53
Djibouti	0.24	0.25	0.21	2.96	-16.30				n.a	n.a	n.a	1.24	1.13	0.87
Egypt	32.25	33.61	21.97	4.21	-34.64	2.43	2.43	2.43	0.00	n.a	n.a	8.61	7.64	3.93
Equatorial Guinea	3.25	2.35	3.18	-27.85	35.44				n.a	n.a	n.a	19.66	11.94	17.18
Eritrea	0.09	0.11	0.16	n.a	n.a				n.a	n.a	n.a	n.a	n.a	2.65
Ethiopia	1.78	1.70	2.03	-4.40	19.18	0.00			0.00	n.a	n.a	3.07	2.38	2.75
Gabon	1.99	1.74	2.46	-12.91	41.83				n.a	n.a	n.a	10.08	7.72	12.19
Gambia	0.22	0.20	0.22	-10.06	10.35				n.a	n.a	n.a	3.21	2.79	3.10
Ghana	3.17	4.73	5.67	49.29	20.02				n.a	n.a	n.a	3.71	4.42	5.12
Guinea	0.53	0.58	0.64	8.95	11.19				n.a	n.a	n.a	1.74	1.69	1.78
Guinea-Bissau	0.17	0.16	0.24	-7.21	50.22	0.00	0.00	0.00	0.00	0.00	0.00	6.17	6.84	1.27
Kenya	3.85	4.32	5.28	12.24	22.26	0.00	0.00	0.00	0.00	n.a	n.a	3.87	3.47	4.57
Lesotho	0.92	1.01	0.95	10.32	-6.51				n.a	n.a	n.a	6.65	6.55	5.60
Liberia	0.37	0.38	0.58	1.30	53.59				n.a	n.a	n.a	0.35	0.26	0.34
Libya	98.73	99.65	68.00	0.93	-31.76	4.62	4.62	4.62	0.00	n.a	n.a	55.62	54.27	38.90
Madagascar	1.14	1.17	1.10	3.18	-5.85				n.a	n.a	n.a	4.34	4.98	4.19
Malawi	0.15	0.25	0.31	65.15	24.61	0.01	0.01	0.01	0.00	n.a	n.a	1.43	2.08	2.31
Mali	1.60	1.34	2.03	-16.21	50.70	0.00	0.00	0.00	0.00	0.00	0.00	6.17	4.51	6.21
Mauritania	0.23	0.27	0.33	20.56	19.62	0.01	0.01	0.01	0.00	n.a	n.a	1.28	1.28	1.44
Mauritius	2.18	2.44	2.66	12.07	9.10	0.13	0.13	0.13	104.55	0.00	0.00	7.04	6.92	9.23
Morocco	22.80	22.61	21.92	-0.81	-3.06	0.71	0.71	0.71	0.14	n.a	n.a	8.81	7.72	9.04
Mozambique	2.10	2.16	2.14	2.86	-0.85	0.08	0.08	0.08	-21.02	n.a	n.a	6.97	7.27	4.71
Namibia	2.05	1.70	1.54	-17.32	-9.06	0.00	0.00	0.00	0.00	0.00	0.00	5.77	4.15	3.34
Niger	0.66	0.76	0.71	15.98	-7.11	0.00	0.00	0.00	0.00	0.00	0.00	4.96	5.68	5.05
Nigeria	44.76	34.92	36.81	-21.99	5.41	0.69	0.69	0.69	0.00	n.a	n.a	12.41	8.78	8.24
Rwanda	0.74	0.81	0.93	9.43	14.63	0.00	0.00	0.00	0.00	n.a	n.a	9.21	9.54	11.74
Sao Tome and Principe	n.a	n.a	0.05	n.a	n.a				n.a	n.a	n.a	n.a	n.a	0.01
Senegal	2.12	2.05	2.80	-3.57	36.75	0.00	0.00	0.00	0.00	0.00	0.00	5.63	5.62	5.10
Seychelles	0.19	0.24	0.24	23.63	0.00				n.a	n.a	n.a	2.45	2.85	1.72
Sierra Leone	0.40	0.41	0.41	0.99	-0.00				n.a	n.a	n.a	6.07	4.87	3.08
Somalia	n.a	n.a	n.a	n.a	n.a				n.a	n.a	n.a	n.a	n.a	na
South Africa	35.24	43.83	50.26	24.38	14.67	4.01	4.02	4.02	0.12	0.05	0.00	5.73	6.47	6.85
Sudan [a)]	1.09	1.28	1.04	17.36	-19.31				n.a	n.a	n.a	1.55	1.58	1.40
Swaziland	0.96	0.76	0.60	-21.12	-20.27				n.a	n.a	n.a	6.75	4.59	2.72
Tanzania	3.47	3.90	3.57	12.51	-8.49				n.a	n.a	n.a	6.38	5.80	5.84
Togo	0.70	0.71	0.83	1.68	15.93	0.00	0.00	0.00	0.00	0.00	0.00	8.59	8.70	3.15
Tunisia	11.06	9.46	8.90	-14.45	-5.91	0.22	0.22	0.22	0.00	n.a	n.a	6.49	4.81	5.04
Uganda	2.99	2.84	3.11	-5.22	9.50				n.a	n.a	n.a	12.71	10.25	11.08
Zambia	1.89	2.09	2.95	10.66	41.04	0.00	0.00	0.00	0.00	0.00	0.00	6.03	4.81	6.78
Zimbabwe	n.a	n.a	n.a	n.a	n.a				n.a	n.a	n.a	n.a	n.a	n.a
Total	473.51	493.99	466.66	4.33	-5.53	18.49	18.49	18.49	-0.12	0.01	0.00	425.31	386.37	396.16
Average	9.47	9.88	9.15			0.66	0.71	0.71				8.68	8.05	7.77
Median	1.45	1.32	1.30			0.00	0.00	0.00				6.38	5.74	5.12
Standard Deviation	25.87	27.47	25.50			1.53	1.58	1.58				9.78	9.95	8.87
Skew	4.27	4.44	4.92			2.43	2.30	2.30				3.47	3.68	3.00
Kurtosis	19.73	21.58	27.47			4.81	4.18	4.18				13.64	14.61	10.67

* Total Reserves and Gold Reserves are end of quarters available. ** Revised *** Estimates n/a not available

a) Statistics for both South and North Sudan. Disaggregated statistics not available

Sources: 1) World Bank: World Development Indicators, 2011 2) CIA: World Factbook, 2011

Table 2.5 Africa: Exchange Rate Developments, 2009 - 11[a)] *(per US$ unless otherwise indicated)*

Africa	2009 (1)	2010 (2)	2011 (3)	Percentage change between[b)] (2) & (1)	(3) & (2)
Algeria - *dinar*	72.73	73.41	74.04	0.93	0.86
Angola - *kwanza*	89.39	91.86	94.93	2.76	3.34
Benin - *franc*	455.33	473.37	476.88	3.96	0.74
Botswana - *pula*	6.67	6.59	7.30	-1.17	10.70
Burkina Faso - *franc*	455.33	473.37	476.88	3.96	0.74
Burundi - *franc*	1,226.00	1,230.90	1227.00	0.40	-0.32
Cameroon - *franc*	455.33	473.37	476.88	3.96	0.74
Cape Verde - *escudos*	76.54	79.57	80.12	3.96	0.68
Central African Republic - *franc*	455.33	473.37	476.88	3.96	0.74
Chad - *franc*	455.33	473.37	476.88	3.96	0.74
Comoros - *franc*	341.50	355.03	357.66	3.96	0.74
Congo, Dem. Rep. of - *Congo franc*	902.66	908.64	910.00	0.66	0.15
Congo, Rep. of - *franc*	455.33	473.37	476.88	3.96	0.74
Cote d'Ivoire - *franc*	455.33	473.37	476.88	3.96	0.74
Djibouti - *franc*	177.72	177.72	174.75	0.00	-1.67
Egypt - *pound*	5.47	5.66	5.96	3.37	5.31
Equatorial Guinea - *franc*	455.33	473.37	476.88	3.96	0.74
Eritrea - *nakfa*	15.79	15.37	15.00	-2.64	-2.44
Ethiopia - *birr*	12.64	13.31	17.13	5.29	28.70
Gabon - *franc*	455.33	473.37	476.88	3.96	0.74
Gambia - *dalasi*	26.94	28.72	28.75	6.63	0.08
Ghana - *cedi*	1.41	1.42	1.60	0.59	12.14
Guinea - *Guinea franc*	4,697.29	6,875.00	6700.00	46.36	-2.55
Guinea-Bissau - *franc*	455.33	473.37	476.88	3.96	0.74
Kenya - *shilling*	75.81	80.78	97.25	6.55	20.39
Lesotho - *loti*	7.38	6.96	7.94	-5.61	13.98
Liberia - *Liberia dollar*	70.49	72.49	72.00	2.84	-0.69
Libya - *dinar*	1.23	1.30	1.22	6.00	-6.63
Madagascar - *Ariary*	1,954.65	2,014.80	2100.00	3.08	4.23
Malawi - *kwacha*	145.99	169.89	164.60	16.37	-3.12
Mali - *franc*	455.33	473.37	476.88	3.96	0.74
Mauritania - *ouguiyas*	261.99	264.80	288.00	1.07	8.76
Mauritius - *rupee*	30.52	29.82	28.45	-2.30	-4.61
Morocco - *dirham*	7.86	8.22	8.17	4.59	-0.62
Mozambique - *meticals*	29.19	36.14	26.60	23.81	-26.40
Namibia - *namibia dollar*	7.38	6.96	7.94	-5.62	13.99
Niger - *franc*	455.33	473.37	476.88	3.96	0.74
Nigeria - *naira*	149.58	148.79	157.25	-0.53	5.69
Rwanda - *franc*	571.24	591.31	596.00	3.51	0.79
Sao Tome and Principe - *dobra*	16,814.51	19,435.88	17850.00	15.59	-8.16
Senegal - *franc*	455.33	473.37	476.88	3.96	0.74
Seychelles - *rupee*	11.15	12.38	12.41	10.98	0.22
Sierra Leone - *leone*	3,855.66	4,033.66	4386.00	4.62	8.73
Somalia - *shilling*	n.a	1,600.00	1625.00	n.a	1.56
South Africa - *rand*	7.38	6.96	7.94	-5.62	13.99
Sudan - *pound*[c]	2.24	2.37	2.67	5.93	12.54
Swaziland - *lilangeni*	7.38	6.96	7.94	-5.62	13.99
Tanzania - *shilling*	1,326.85	1,482.71	1775.00	11.75	19.71
Togo - *franc*	455.33	473.37	476.88	3.96	0.74
Tunisia - *dinar*	1.29	1.31	1.43	1.91	8.56
Uganda - *shilling*	1,903.49	2,269.98	2600.00	19.25	14.54
Zambia - *kwacha*	4,640.57	4,860.96	4945.00	4.75	1.73
Zimbabwe - *Zimbabwe dollar*	n.a	361.90	361.90	n.a	0.00

* actual ** estimates n/a not available

a) End of period figures available.

b) Figures should be seen as simple percentage changes and therefore do not represent nominal exchange rate depreciation or appreciation since, theoretically, a currency cannot depreciate by more than 100% or it ceases to exist.

c) Currency for both North and South Sudan

Sources: 1) Economist Intelligence *Unit Country Report* (various issues).
2) IMF (2011) *International Financial Statistics Database.*
3) Mbendi Information Services (available at http://www.mbendi.com/cyexch.htm)

2.2.3 Review of Commodities of Trade Interest to Africa

During the period under review, most of the commodities of trade interest to Africa recorded significant price gains. Specifically, all three broad commodity groups of trade interest to the Continent, namely ***Agriculture***, ***Energy*** and ***Metals/Minerals*** posted impressive respective nominal price gains of 16%, 39% and 28% in 2011 compared to their average levels in 2010 (Table 2.6). Following these nominal price developments, the real prices of ***Agriculture***, ***Energy*** and ***Mineral/Metals,*** averaged the review period by about 171%, 102% and 197%, higher than their respective average levels in 2005 --- a period of marked rally in commodity prices (Table 2.7). On individual basis, significant nominal price gains were recorded for copra (53%), coffee (45%), crude oil (39%), cotton (38%), maize (36%), rubber

Table 2.6 Nominal Price Developments for Commodities of Export Interest to Africa, 2009 - 11 *(in US$/Metric tonnes unless otherwise indicated)*

COMMODITY		2009	2010	2011	Annual Growth Rate 2010/2009	Annual Growth Rate 2011/2010	Price Volatility*** 2009	Price Volatility*** 2010	Price Volatility*** 2011
AGRICULTURE:									
Cocoa Bean		3,511.48	4,009.98	3,448.88	14.20	-13.99	0.09	0.10	0.14
Coffee		1,492.90	1,516.04	2,201.60	1.55	45.22	0.11	0.14	0.11
Copra**		479.75	715.97	1,092.31	49.24	52.56	0.08	0.29	0.21
Cotton*		1,362.03	2,486.45	3,429.11	82.55	37.91	0.12	0.29	0.54
Maize		197.02	243.66	330.87	23.67	35.79	0.11	0.30	0.07
Palm Oil*		678.69	903.98	1,119.75	33.20	23.87	0.11	0.16	0.10
Rubber*		1,166.18	1,904.78	2,481.78	63.33	30.29	0.21	0.12	0.13
Soyabean		738.21	790.35	967.54	7.06	22.42	0.07	0.09	0.06
Sugar (world)**		399.13	599.80	730.07	50.28	21.72	0.24	0.19	0.09
Tea**		2,721.33	3,201.25	3,222.70	17.64	0.67	0.14	0.07	0.04
Average		**1,274.67**	**1,637.23**	**1,902.46**	**28.44**	**16.20**	**0.13**	**0.18**	**0.15**
ENERGY:									
Crude Oil*		449.84	585.81	812.84	30.23	38.75	0.20	0.09	0.06
Average		**449.84**	**585.81**	**812.84**	**30.23**	**38.75**	**0.20**	**0.09**	**0.06**
METALS:									
Copper		5,141.18	7,369.89	8,790.12	43.35	19.27	0.26	0.09	0.12
Gold		3,100,786.25	4,320,514.02	5,518,592.12	39.34	27.73	0.32	0.00	0.11
Lead		1,713.96	2,239.04	2,372.53	30.64	5.96	0.27	0.19	0.16
Tin*		13,431.44	20,127.49	25,895.31	49.85	28.66	0.13	0.17	0.18
Average	**a)**	**780,268.21**	**1,087,562.61**	**1,388,912.52**	**39.38**	**27.71**	**0.25**	**0.11**	**0.14**
	b)	**6,762.19**	**9,912.14**	**12,352.65**	**46.58**	**24.62**	**0.22**	**0.15**	**0.16**

* Spot Prices. Others are future prices at the LIFFE and London Metal Exchange (nearest trading month).

** World Bank figures.

*** Measured by the coefficient of variation (CV) of price of relevant commodity. CV is the ratio of each standard deviation to its associated mean.

a) Gold is included.

b) Gold is not included.

Sources: 1) *Financial Times* (various issues).
2) www.worldbank.org/prospects/pinksheets

Table 2.7 Afreximbank Price Index, 2009 - 11 [a)]
(2005 = 100)

COMMODITY	2009 (1)	2010 (2)	2011 (3)	Change % 2010 (4) = (2) - (1)	Change % 2011 (5)=(3)-(2)
AGRICULTURE:					
Cocoa Bean	231.33	264.17	227.21	32.84	-36.97
Coffee	149.71	152.03	220.78	2.32	68.75
Copra**	115.94	173.02	263.97	57.09	90.95
Cotton*	112.46	205.30	283.13	92.84	77.83
Maize	201.88	249.67	339.04	47.79	89.36
Palm Oil*	161.37	214.94	266.24	53.57	51.30
Rubber**	121.96	199.19	259.54	77.24	60.34
Soyabean	240.47	257.45	315.17	16.98	57.72
Sugar (world)**	183.26	275.39	335.20	92.13	59.81
Tea**	165.23	194.37	195.67	29.14	1.30
Average	**168.36**	**218.55**	**270.59**	**50.19**	**52.04**
ENERGY:					
Crude Oil*	112.03	145.89	202.43	33.86	56.54
Average	**112.03**	**145.89**	**202.43**	**33.86**	**56.54**
METALS:					
Copper	140.22	201.01	239.74	60.79	38.74
Gold*	197.99	275.87	352.37	77.88	76.50
Lead	175.74	229.58	243.27	53.84	13.69
Tin*	182.28	273.16	351.44	90.88	78.28
Average b)	**174.06**	**244.91**	**296.70**	**70.85**	**51.80**
c)	**166.08**	**234.58**	**278.15**	**68.50**	**43.57**

* Spot Prices
** World Bank figures.
a) This index covers all commodities which together contribute over 85% of Africa's total exports and is based on US$ per metric tonne prices.
b) Gold is included.
c) Gold is not included.
Source: Derived from Table 2.6 by Afreximbank Staff

(30%), tin (29%) and gold (28%) (Table 2.6). The impressive nominal commodity price gains recorded in 2011 were fuelled primarily by strong global demand and supply-side rigidities that negatively impacted production and thus global supplies of agriculture and metals/ mineral commodities coupled with political difficulties in major oil producing countries.

With regard to price fluctuations, all three broad commodity groups experienced volatilities ranging from 6% (Energy) to 15% (Agriculture). On individual basis, cotton exhibited the highest volatility of 54%, followed by Copra (21%), Tin (18%), Lead (16), Cocoa beans (14%), Rubber (13%) and Copper (12%) with Tea exhibiting the least volatility of 4%. Largely as a result of the uncertainties that prevailed in the global economy and the concomitant volatility in asset prices on major bourses around the world, the review period saw the continued use of commodities and precious metals in particular, as safe-haven assets by investors. Against this backdrop, activity levels on major commodity exchanges in the developed and developing worlds reportedly rose significantly in 2011 compared to 2010.

2.2.4 African Trade

Largely as a result of the continued expansion of the global economy and firm commodity prices, the value of Africa's total merchandise trade rose during the review period. In this regard, the value of Africa's merchandise exports and imports rose by respective 13% and 11% year-on-year in 2011. On the back of strong growth in exports and imports, the value of total African trade rose 12% year-on-year to US$1,081.6 billion in 2011 as shown in Table 2.8. The total value of intra-African trade also rose by an impressive 16% year-on-year to reach US$122 billion in 2011 (Table 2.9).[2] The growth in intra-African trade was supported by continued pursuit of export-led economic growth strategy by many African countries; a deepening of bilateral trade arrangements between flagship economies in the various sub-regions, for example, between South Africa and Nigeria, as well as Egypt and Cote D'Ivoire; sourcing of oil and grains from within the continent; improvement in democratic governance and socio-political stability; sustained upgrading of financial, transport, communication and other trade-supporting infrastructure; a deepening of economic integration efforts of African governments at the sub-regional and regional levels; and a deepening of intra-regional banking relationships driven by Afreximbank-sponsored African Bankers' Association (AfBA) and banking sector reforms in a number of African countries, all of which enabled many African countries to source some of their import needs from within the Continent.

In furtherance of the goal to more actively involve the African private sector in trade policy formulation, Afreximbank worked with others, namely the World Trade Organization (WTO), the African Development Bank (AfDB), International Trade Centre (ITC), the

Investment Climate Facility (ICF), Ecobank Transnational Incorporated (ETI) and the United Nations Economic Commission for Africa (UNECA) to formally launch the Pan African Private Sector Trade Policy Committee (PAFTRAC), which will serve as a platform for the African private sector participation in trade policy formulation and multilateral trade negotiations. It is expected that the work of this committee will further expand African trade over the medium to long term.

The developments reported in this Chapter affected the slant and focus of the Bank's operations and activities during the review period. As discussed above, the operating environment presented risks and opportunities which were successfully managed by the Bank resulting in the operational outcome and trade development impact discussed in Chapters 3 and 4 respectively, and the financial results reported in Chapter 5 of this Report.

2 See *African Trade Report, 2011* for more insights into major developments in African Trade during 2011

Table 2.8 Africa: World Trade, 2009 - 11 *(in US$ billion unless otherwise indicated)*

	Total Exports			Growth Rate, %		Country Share of Total Exports, %			Total Imports			Growth Rate, %		Country Share of Total Imports, %			Total Trade			Growth Rate, %		Country Share of Total Trade, %		
Africa	2009	2010*	2011**	2010 /2009	2011 /2010	2009	2010	2011	2009	2010*	2011**	2010 /2009	2011 /2010	Jul-05	2010*	2011**	2009	2010*	2011**	2010 /2009	2011 /2010	2009	2010	2011
Algeria	45.08	57.06	65.26	26.59	14.36	12.45	12.05	12.15	40.73	40.46	44.16	-0.66	9.15	9.26	8.23	8.11	85.81	97.52	109.42	13.66	12.20	10.70	10.11	10.12
Angola	36.02	47.84	55.51	32.83	16.03	9.95	10.10	10.34	17.45	15.36	16.48	-11.98	7.30	3.97	3.13	3.03	53.46	63.20	71.99	18.21	13.91	6.67	6.55	6.66
Benin	0.41	0.52	0.62	25.95	19.83	0.11	0.11	0.12	6.00	7.18	10.47	19.60	45.80	1.37	1.46	1.92	6.41	7.70	11.09	20.01	44.06	0.80	0.80	1.03
Botswana	3.46	4.11	4.22	18.78	2.56	0.96	0.87	0.79	4.12	4.60	4.60	11.50	0.00	0.94	0.94	0.84	7.58	8.71	8.81	14.82	1.21	0.95	0.90	0.81
Burkina Faso	0.50	0.62	0.68	23.53	10.12	0.14	0.13	0.13	1.72	2.05	2.75	19.19	34.10	0.39	0.42	0.50	2.22	2.66	3.42	20.17	28.55	0.28	0.28	0.32
Burundi	0.08	0.08	0.08	-6.63	5.04	0.02	0.02	0.02	0.38	0.49	0.58	28.86	17.57	0.09	0.10	0.11	0.46	0.57	0.66	22.56	15.87	0.06	0.06	0.06
Cameroon	3.84	4.52	4.84	17.79	7.05	1.06	0.95	0.90	3.92	4.49	4.45	14.46	-0.89	0.89	0.91	0.82	7.76	9.01	9.28	16.10	3.10	0.97	0.93	0.86
Cape Verde	0.04	0.05	0.05	11.36	11.86	0.01	0.01	0.01	0.79	0.74	0.86	-5.73	15.72	0.18	0.15	0.16	0.83	0.79	0.91	-4.86	15.49	0.10	0.08	0.08
Central African Rep.	0.11	0.13	0.14	13.36	8.18	0.03	0.03	0.03	0.36	0.59	0.63	61.26	7.18	0.08	0.12	0.12	0.47	0.71	0.76	50.05	7.36	0.06	0.07	0.07
Chad	2.10	2.66	3.10	26.20	16.83	0.58	0.56	0.58	1.01	1.19	1.49	18.66	24.57	0.23	0.24	0.27	3.11	3.85	4.59	23.76	19.23	0.39	0.40	0.42
Comoros	0.03	0.03	0.03	9.49	1.04	0.01	0.01	0.01	0.18	0.21	0.24	15.08	12.70	0.04	0.04	0.04	0.21	0.24	0.27	14.36	11.26	0.03	0.02	0.02
Congo, Dem. Rep. of	2.48	4.72	6.51	90.23	37.89	0.69	1.00	1.21	3.61	4.25	5.10	17.87	19.84	0.82	0.87	0.94	6.09	8.98	11.61	47.37	29.34	0.76	0.93	1.07
Congo, Rep. of	6.73	9.94	11.74	47.78	18.10	1.86	2.10	2.19	3.33	3.21	3.53	-3.69	9.99	0.76	0.65	0.65	10.06	13.15	15.27	30.72	16.12	1.26	1.36	1.41
Cote D'Ivoire	10.31	11.00	11.60	6.70	5.51	2.85	2.32	2.16	7.00	8.41	8.87	20.05	5.51	1.59	1.71	1.63	17.31	19.40	20.47	12.10	5.51	2.16	2.01	1.89
Djibouti	0.37	0.46	0.97	24.87	110.48	0.10	0.10	0.18	2.34	2.64	2.91	13.01	10.28	0.53	0.54	0.53	2.71	3.10	3.88	14.64	25.23	0.34	0.32	0.36
Egypt	23.10	26.60	28.73	15.16	8.01	6.38	5.62	5.35	44.93	52.81	59.13	17.53	11.97	10.22	10.75	10.86	68.04	79.42	87.87	16.73	10.64	8.49	8.23	8.12
Equatorial Guinea	8.06	8.39	9.94	4.07	18.51	2.23	1.77	1.85	1.98	2.36	2.34	18.81	-0.54	0.45	0.48	0.43	10.05	10.75	12.29	6.98	14.33	1.25	1.11	1.14
Eriteria	0.03	0.03	0.03	9.92	18.61	0.01	0.01	0.01	0.60	0.70	0.70	16.53	0.00	0.14	0.14	0.13	0.62	0.72	0.73	16.25	0.74	0.08	0.08	0.07
Ethiopia	1.47	1.79	2.01	21.85	12.19	0.41	0.38	0.37	6.96	8.60	8.52	23.66	-0.94	1.58	1.75	1.56	8.42	10.39	10.53	23.35	1.32	1.05	1.08	0.97
Gabon	4.78	6.99	8.51	46.22	21.78	1.32	1.48	1.58	2.37	2.70	2.31	13.76	-14.34	0.54	0.55	0.42	7.15	9.69	10.82	35.45	11.72	0.89	1.00	1.00
Gambia, The	0.06	0.06	0.07	11.11	11.36	0.02	0.01	0.01	0.84	0.87	1.00	3.74	14.98	0.19	0.18	0.18	0.89	0.93	1.07	4.20	14.74	0.11	0.10	0.10
Ghana	3.47	4.51	5.21	29.96	15.60	0.96	0.95	0.97	10.24	12.82	14.69	25.28	14.54	2.33	2.61	2.70	13.70	17.33	19.90	26.46	14.82	1.71	1.80	1.84
Guinea	1.28	2.21	2.68	72.48	21.63	0.35	0.47	0.50	3.67	4.11	4.19	12.13	1.99	0.83	0.84	0.77	4.95	6.32	6.88	27.73	8.85	0.62	0.65	0.64
Guinea-Bissau	0.15	0.18	0.23	19.59	27.61	0.04	0.04	0.04	0.33	0.27	0.30	-16.20	9.47	0.07	0.06	0.06	0.48	0.46	0.53	-4.85	16.70	0.06	0.05	0.05
Kenya	4.53	5.17	5.56	14.18	7.58	1.25	1.09	1.04	11.92	14.95	18.27	25.37	22.21	2.71	3.04	3.35	16.45	20.12	23.83	22.29	18.45	2.05	2.08	2.20
Lesotho	0.74	0.78	0.82	4.88	5.58	0.20	0.16	0.15	1.66	1.85	1.85	11.95	0.00	0.38	0.38	0.34	2.40	2.63	2.67	9.77	1.64	0.30	0.27	0.25
Liberia	1.18	0.85	0.91	-28.35	7.48	0.33	0.18	0.17	12.89	17.43	18.22	35.22	4.49	2.93	3.55	3.35	14.07	18.28	19.13	29.88	4.63	1.76	1.89	1.77
Libya	34.53	44.62	51.87	29.24	16.25	9.54	9.42	9.66	21.30	22.03	23.39	3.43	6.14	4.85	4.48	4.29	55.83	66.66	75.26	19.39	12.91	6.97	6.91	6.96
Madagascar	1.05	1.10	1.16	4.41	5.69	0.29	0.23	0.22	3.14	2.82	3.24	-10.14	14.62	0.71	0.57	0.59	4.20	3.92	4.40	-6.48	12.12	0.52	0.41	0.41
Malawi	0.91	0.98	1.05	8.34	6.82	0.25	0.21	0.20	1.25	1.42	2.07	13.41	45.61	0.28	0.29	0.38	2.16	2.40	3.12	11.28	29.73	0.27	0.25	0.29
Mali	0.16	0.22	0.21	33.91	-3.29	0.04	0.05	0.04	3.12	3.57	3.45	14.64	-3.48	0.71	0.73	0.63	3.28	3.79	3.66	15.58	-3.47	0.41	0.39	0.34
Mauritania	1.74	2.14	2.50	22.87	16.56	0.48	0.45	0.47	2.11	2.55	3.08	20.92	20.73	0.48	0.52	0.57	3.86	4.70	5.58	21.80	18.82	0.48	0.49	0.52
Mauritius	1.76	1.96	1.99	11.11	1.95	0.49	0.41	0.37	3.71	4.24	4.83	14.06	13.95	0.84	0.86	0.89	5.47	6.19	6.82	13.11	10.16	0.68	0.64	0.63
Morocco	13.44	16.61	18.82	23.59	13.32	3.71	3.51	3.50	31.05	35.14	39.59	13.16	12.68	7.06	7.15	7.27	44.49	51.75	58.42	16.31	12.88	5.55	5.36	5.40
Mozambique	1.90	2.25	2.38	18.13	6.03	0.53	0.47	0.44	3.61	3.56	3.93	-1.32	10.37	0.82	0.73	0.72	5.51	5.81	6.32	5.39	8.69	0.69	0.60	0.58
Namibia	3.14	3.95	4.42	25.86	11.98	0.87	0.83	0.82	4.27	4.91	4.91	14.97	0.00	0.97	1.00	0.90	7.41	8.86	9.33	19.58	5.35	0.92	0.92	0.86
Niger	0.53	0.21	0.25	-60.02	19.05	0.15	0.05	0.05	1.59	1.61	1.45	1.28	-9.52	0.36	0.33	0.27	2.12	1.82	1.71	-14.15	-6.17	0.26	0.19	0.16
Nigeria	52.71	77.28	85.55	46.62	10.70	14.56	16.32	15.93	43.28	47.74	49.82	10.31	4.36	9.84	9.72	9.15	95.98	125.02	135.37	30.25	8.28	11.97	12.96	12.52
Rwanda	0.33	0.41	0.50	23.08	21.96	0.09	0.09	0.09	0.97	1.02	1.45	5.72	42.01	0.22	0.21	0.27	1.30	1.43	1.95	10.16	36.28	0.16	0.15	0.18
Sao Tome and Principe	0.01	0.01	0.01	-12.83	21.91	0.00	0.00	0.00	0.10	0.12	0.18	20.14	56.17	0.02	0.02	0.03	0.11	0.13	0.20	16.01	52.94	0.01	0.01	0.02
Senegal	1.88	1.95	2.13	3.44	9.10	0.52	0.41	0.40	4.52	4.37	4.26	-3.36	-2.47	1.03	0.89	0.78	6.41	6.32	6.39	-1.36	1.10	0.80	0.66	0.59
Seychelles	0.33	0.36	0.37	8.81	2.77	0.09	0.08	0.07	0.93	0.99	1.13	6.37	13.82	0.21	0.20	0.21	1.26	1.35	1.50	7.00	10.90	0.16	0.14	0.14
Sierra Leone	0.22	0.31	0.35	41.34	14.26	0.06	0.06	0.06	0.80	1.01	1.51	25.97	49.29	0.18	0.21	0.28	1.02	1.31	1.85	29.23	41.15	0.13	0.14	0.17
Somalia	0.43	0.45	0.49	4.77	8.57	0.12	0.10	0.09	1.02	1.03	1.12	1.17	8.56	0.23	0.21	0.21	1.45	1.48	1.61	2.24	8.57	0.18	0.15	0.15
South Africa	54.41	77.88	86.11	43.15	10.56	15.03	16.45	16.03	73.78	81.24	91.56	10.11	12.70	16.78	16.53	16.81	128.19	159.12	177.67	24.13	11.65	15.99	16.49	16.43
Sudan	7.03	8.85	10.95	25.88	23.73	1.94	1.87	2.04	8.49	9.73	11.48	14.60	18.00	1.93	1.98	2.11	15.52	18.58	22.43	19.71	20.73	1.94	1.93	2.07
Swaziland	1.57	1.73	2.12	10.09	22.66	0.43	0.37	0.40	1.70	1.98	1.98	16.00	0.00	0.39	0.40	0.36	3.28	3.71	4.10	n/a	n/a	0.41	0.38	0.38
Tanzania	1.88	2.40	2.64	27.24	10.21	0.52	0.51	0.49	6.53	8.07	9.95	23.61	23.25	1.49	1.64	1.83	8.41	10.47	12.59	24.43	20.26	1.05	1.08	1.16
Togo	0.67	0.64	0.66	-5.26	3.08	0.19	0.13	0.12	0.98	0.99	1.10	0.30	11.11	0.22	0.20	0.20	1.66	1.62	1.75	-1.96	7.95	0.21	0.17	0.16
Tunisia	13.76	15.34	17.14	11.55	11.74	3.80	3.24	3.19	20.45	23.61	26.73	15.49	13.20	4.65	4.81	4.91	34.20	38.96	43.87	13.90	12.63	4.27	4.04	4.06
Uganda	1.51	1.76	2.26	16.60	28.34	0.42	0.37	0.42	2.83	3.32	3.74	17.54	12.60	0.64	0.68	0.69	4.33	5.08	6.00	17.21	18.04	0.54	0.53	0.55
Zambia	4.30	7.15	8.61	66.33	20.39	1.19	1.51	1.60	3.77	5.22	5.38	38.52	3.11	0.86	1.06	0.99	8.07	12.37	13.99	53.35	13.10	1.01	1.28	1.29
Zimbabwe	1.34	1.76	2.44	30.87	38.67	0.37	0.37	0.45	2.96	3.70	4.59	24.97	23.91	0.67	0.75	0.84	4.31	5.46	7.03	26.80	28.66	0.54	0.57	0.65
Total	**361.96**	**473.59**	**537.06**	**30.84**	**13.40**	**100.00**	**100.00**	**100.00**	**439.59**	**491.34**	**544.54**	**11.77**	**10.83**	**100.00**	**100.00**	**100.00**	**801.54**	**964.93**	**1081.59**	**20.38**	**12.09**	**100.00**	**100.00**	**100.00**
Average	**6.83**	**8.94**	**10.13**	**19.79**	**15.36**	**1.89**	**1.89**	**1.89**	**8.29**	**9.27**	**10.27**						**15.12**	**18.21**	**20.41**					
Median	**1.57**	**1.95**	**2.26**	**18.78**	**11.98**	**0.43**	**0.41**	**0.42**	**3.14**	**3.56**	**3.74**						**5.47**	**6.19**	**6.82**					
Standard Deviation	**13.24**	**18.19**	**20.41**	**23.01**	**15.88**	**3.66**	**3.84**	**3.80**	**14.13**	**15.56**	**17.28**						**26.61**	**32.54**	**36.12**					
Skew	**2.62**	**2.83**	**2.78**	**-0.05**	**4.32**	**2.62**	**2.83**	**2.78**	**2.93**	**2.92**	**2.98**						**2.72**	**2.83**	**2.81**					
Kurtosis	**6.05**	**7.45**	**7.08**	**3.57**	**24.96**	**6.05**	**7.45**	**7.08**	**9.39**	**9.40**	**9.94**						**7.40**	**8.20**	**8.12**					

* Actual   *** Estimates   n/a not available

Sources: 1) IMF (2009) *Direction of Trade Statistics (Database).*
2) EIU, *Country Report* (various issues).
3) Afreximbank Staff estimates.

Table 2.9 Intra-African Trade, 2009 - 11 [a)] *(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	2009*	2010*	2011**	2010 /2009	2011 /2010	2010	2011	2009	2010*	2011**	2010 /2009	2011 /2010	2009	2010	2011	2009	2010*	2011**	2010 /2009	2011 /2010	2009	2010	2011	2009	2010*	2011**
Algeria	1.42	1.72	2.12	20.56	23.57	3.69	3.97	1.33	1.43	1.68	7.16	17.69	2.53	2.46	2.47	2.76	3.14	3.80	14.08	20.90	2.90	3.01	3.13	0.09	0.29	0.44
Angola	1.43	1.41	1.68	-1.37	18.96	3.04	3.14	0.99	1.03	1.19	4.21	15.00	1.88	1.79	1.75	2.42	2.45	2.87	0.92	17.29	2.55	2.34	2.36	0.44	0.38	0.49
Benin	0.13	0.16	0.18	18.81	12.27	0.34	0.34	0.47	0.52	0.61	10.71	17.29	0.89	0.90	0.90	0.60	0.68	0.79	12.52	16.11	0.64	0.65	0.65	-0.33	-0.36	-0.43
Botswana	0.42	0.49	0.58	18.78	17.54	1.06	1.09	3.50	3.91	4.33	11.50	10.86	6.64	6.74	6.36	3.92	4.40	4.91	12.27	11.61	4.12	4.21	4.04	-3.09	-3.41	-3.75
Burkina Faso	0.09	0.09	0.10	-5.14	15.49	0.19	0.19	0.73	0.80	0.87	9.16	9.02	1.39	1.38	1.28	0.82	0.88	0.97	7.57	9.65	0.86	0.85	0.80	-0.64	-0.71	-0.77
Burundi	0.01	0.01	0.01	10.48	12.98	0.02	0.02	0.12	0.14	0.18	21.02	24.25	0.23	0.25	0.26	0.13	0.15	0.19	20.36	23.60	0.13	0.15	0.16	-0.11	-0.14	-0.17
Cameroon	0.52	0.58	0.69	12.22	18.86	1.25	1.29	0.77	0.80	0.92	2.82	15.70	1.47	1.37	1.35	1.29	1.38	1.61	6.59	17.04	1.36	1.32	1.32	-0.26	-0.21	-0.23
Cape Verde	0.01	0.01	0.01	1.66	79.64	0.01	0.02	0.03	0.03	0.03	5.11	12.66	0.05	0.05	0.04	0.03	0.03	0.04	4.49	24.24	0.03	0.03	0.03	-0.02	-0.02	-0.02
Central African Rep.	0.02	0.02	0.03	0.87	26.99	0.05	0.06	0.06	0.06	0.07	2.80	20.15	0.11	0.10	0.10	0.08	0.08	0.10	2.24	22.12	0.08	0.08	0.08	-0.03	-0.03	-0.04
Chad	0.01	0.01	0.01	2.85	-19.12	0.03	0.02	0.21	0.22	0.25	5.56	14.54	0.39	0.38	0.37	0.22	0.23	0.26	5.41	12.73	0.23	0.22	0.21	-0.19	-0.21	-0.24
Comoros	0.00	0.00	0.00	5.30	19.11	0.00	0.00	0.03	0.03	0.03	-1.25	15.80	0.05	0.04	0.04	0.03	0.03	0.03	-1.16	15.85	0.03	0.03	0.03	-0.03	-0.03	-0.03
Congo, Dem. Rep. of	0.52	1.12	1.28	113.51	14.31	2.41	2.40	1.78	1.89	2.26	6.55	19.41	3.37	3.27	3.32	2.30	3.01	3.54	30.93	17.51	2.42	2.88	2.91	-1.25	-0.77	-0.98
Congo, Rep. of	0.10	0.10	0.12	5.08	18.00	0.22	0.22	0.20	0.22	0.26	10.36	16.55	0.38	0.38	0.38	0.30	0.32	0.38	8.65	17.00	0.31	0.31	0.31	-0.11	-0.12	-0.14
Cote D'Ivoire	3.10	4.14	4.78	33.60	15.53	8.90	8.95	2.01	2.12	2.42	5.36	14.21	3.81	3.66	3.55	5.11	6.26	7.20	22.48	15.08	5.37	5.99	5.92	1.09	2.02	2.36
Djibouti	0.29	0.37	0.42	24.52	14.58	0.79	0.79	0.12	0.12	0.13	-0.32	12.70	0.22	0.20	0.19	0.41	0.48	0.55	17.51	14.13	0.43	0.46	0.45	0.18	0.25	0.29
Egypt	3.25	3.29	3.65	1.12	10.96	7.08	6.83	1.35	1.33	1.66	-1.12	24.60	2.55	2.30	2.44	4.60	4.62	5.31	0.46	14.89	4.84	4.43	4.37	1.91	1.96	1.99
Equatorial Guinea	0.01	0.02	0.02	83.06	26.55	0.03	0.04	0.21	0.19	0.21	-8.44	11.04	0.39	0.33	0.31	0.22	0.20	0.23	-4.77	12.24	0.23	0.20	0.19	-0.20	-0.17	-0.19
Eriteria	0.02	0.02	0.02	9.92	15.74	0.04	0.04	0.03	0.03	0.04	16.53	27.86	0.05	0.05	0.06	0.04	0.05	0.06	14.09	23.55	0.04	0.05	0.05	-0.01	-0.01	-0.02
Ethiopia	0.14	0.15	0.17	5.90	14.44	0.32	0.32	0.25	0.26	0.30	3.58	17.05	0.47	0.44	0.44	0.39	0.40	0.47	4.42	16.10	0.41	0.39	0.39	-0.11	-0.11	-0.13
Gabon	0.21	0.24	0.27	14.21	14.34	0.51	0.51	0.27	0.28	0.29	3.30	2.79	0.52	0.49	0.43	0.48	0.52	0.56	8.00	8.05	0.50	0.50	0.46	-0.07	-0.05	-0.02
Gambia, The	0.00	0.00	0.00	3.77	-100.00	0.01	0.00	0.16	0.16	0.18	-0.85	13.02	0.30	0.27	0.26	0.16	0.16	0.18	-0.74	10.27	0.17	0.16	0.15	-0.16	-0.16	-0.18
Ghana	0.37	0.38	0.46	3.90	19.53	0.83	0.86	2.62	3.58	4.29	36.39	19.99	4.97	6.17	6.30	2.99	3.96	4.75	32.37	19.95	3.15	3.79	3.91	-2.25	-3.19	-3.83
Guinea	0.06	0.06	0.07	0.41	23.75	0.12	0.13	0.26	0.28	0.32	4.61	15.90	0.50	0.48	0.47	0.32	0.33	0.39	3.87	17.24	0.34	0.32	0.32	-0.21	-0.22	-0.25
Guinea-Bissau	0.04	0.04	0.05	5.48	16.24	0.09	0.09	0.07	0.07	0.08	11.55	9.23	0.12	0.13	0.12	0.11	0.12	0.13	9.22	11.83	0.11	0.11	0.11	-0.02	-0.03	-0.03
Kenya	1.75	1.83	2.06	4.15	12.71	3.93	3.86	1.66	1.64	1.93	-0.91	17.42	3.14	2.84	2.83	3.41	3.47	3.99	1.69	14.94	3.59	3.32	3.28	0.10	0.18	0.13
Lesotho	0.14	0.15	0.18	4.88	22.24	0.32	0.34	1.38	1.54	1.79	11.95	16.27	2.61	2.66	2.63	1.52	1.69	1.97	11.30	16.79	1.59	1.62	1.62	-1.23	-1.39	-1.61
Liberia	0.22	0.07	0.08	-67.38	13.46	0.15	0.15	0.13	0.14	0.17	9.78	18.28	0.25	0.25	0.25	0.35	0.21	0.25	-38.27	16.69	0.36	0.21	0.21	0.09	-0.07	-0.09
Libya	1.08	1.34	1.57	24.11	16.92	2.89	2.94	2.25	2.32	3.10	3.09	33.79	4.26	4.00	4.55	3.33	3.66	4.67	9.92	27.60	3.50	3.50	3.84	-1.17	-0.97	-1.53
Madagascar	0.06	0.06	0.08	1.23	30.11	0.13	0.15	0.28	0.28	0.32	-0.80	15.40	0.53	0.48	0.47	0.34	0.34	0.40	-0.44	18.07	0.36	0.32	0.33	-0.22	-0.22	-0.24
Malawi	0.20	0.20	0.22	0.18	11.95	0.42	0.41	0.72	0.81	0.96	13.43	18.27	1.36	1.40	1.41	0.91	1.01	1.18	10.58	17.04	0.96	0.97	0.97	-0.52	-0.62	-0.74
Mali	0.03	0.03	0.03	3.40	9.66	0.06	0.06	1.47	1.55	1.82	5.34	17.61	2.78	2.67	2.67	1.50	1.57	1.85	5.31	17.47	1.57	1.51	1.52	-1.44	-1.52	-1.79
Mauritania	0.26	0.28	0.32	7.20	15.95	0.59	0.60	0.18	0.19	0.22	5.42	15.21	0.34	0.33	0.32	0.44	0.47	0.54	6.46	15.64	0.46	0.45	0.44	0.08	0.09	0.10
Mauritius	0.25	0.27	0.31	6.43	16.08	0.57	0.58	0.47	0.49	0.55	4.60	11.90	0.89	0.85	0.81	0.72	0.76	0.86	5.24	13.37	0.76	0.73	0.71	-0.22	-0.22	-0.24
Morocco	0.82	0.82	0.99	0.21	20.83	1.76	1.85	1.39	1.50	1.76	7.69	17.20	2.64	2.59	2.58	2.21	2.32	2.75	4.93	18.48	2.33	2.22	2.26	-0.58	-0.68	-0.77
Mozambique	0.31	0.35	0.39	14.97	10.84	0.76	0.73	1.33	1.39	1.62	5.06	16.28	2.51	2.40	2.38	1.63	1.75	2.01	6.92	15.18	1.72	1.67	1.65	-1.02	-1.04	-1.23
Namibia	1.19	1.50	1.69	25.86	12.57	3.23	3.16	3.55	4.08	4.98	14.97	21.98	6.73	7.04	7.31	4.74	5.58	6.67	17.71	19.45	4.99	5.35	5.49	-2.36	-2.58	-3.29
Niger	0.14	0.15	0.19	5.86	23.95	0.33	0.36	0.37	0.40	0.49	10.21	21.42	0.69	0.70	0.72	0.51	0.56	0.68	8.98	22.11	0.54	0.53	0.56	-0.22	-0.25	-0.30
Nigeria	5.76	5.98	7.08	3.81	18.40	12.87	13.25	2.18	2.28	2.55	4.80	11.80	4.13	3.93	3.74	7.94	8.26	9.63	4.08	16.57	8.34	7.91	7.92	3.58	3.70	4.53
Rwanda	0.19	0.23	0.27	21.19	16.48	0.50	0.51	0.42	0.45	0.58	7.38	28.85	0.79	0.78	0.85	0.61	0.68	0.85	11.71	24.65	0.64	0.65	0.70	-0.23	-0.22	-0.31
Sao Tome and Principe	0.00	0.00	0.00	4.69	-88.55	0.00	0.00	0.01	0.01	0.01	7.88	79.74	0.01	0.01	0.01	0.01	0.01	0.01	7.48	58.90	0.01	0.01	0.01	-0.00	-0.00	-0.01
Senegal	0.85	0.89	1.05	3.93	18.20	1.91	1.97	0.86	1.00	1.30	17.15	29.63	1.62	1.73	1.91	1.71	1.89	2.35	10.54	24.26	1.80	1.81	1.93	-0.00	-0.11	-0.25
Seychelles	0.02	0.03	0.04	42.22	27.42	0.07	0.07	0.11	0.11	0.12	-2.81	12.73	0.21	0.18	0.18	0.13	0.14	0.16	4.74	16.08	0.14	0.13	0.13	-0.09	-0.08	-0.08
Sierra Leone	0.03	0.02	0.02	-38.55	14.44	0.04	0.04	0.20	0.13	0.15	-35.66	15.18	0.38	0.22	0.22	0.23	0.15	0.17	-36.01	15.09	0.24	0.14	0.14	-0.17	-0.11	-0.13
Somalia	0.02	0.02	0.02	5.78	-3.99	0.04	0.04	0.42	0.49	0.55	17.48	12.22	0.79	0.85	0.81	0.44	0.51	0.57	16.95	11.56	0.46	0.49	0.47	-0.40	-0.47	-0.53
South Africa	10.68	11.04	12.36	3.44	11.94	23.76	23.14	5.21	5.33	6.10	2.20	14.50	9.88	9.19	8.96	15.89	16.37	18.46	3.03	12.77	16.70	15.67	15.19	5.46	5.71	6.26
Sudan	0.16	0.17	0.19	2.68	12.64	0.36	0.36	1.20	1.30	1.56	7.89	20.14	2.28	2.24	2.29	1.37	1.47	1.75	7.26	19.28	1.44	1.40	1.44	-1.04	-1.13	-1.37
Swaziland	1.10	1.21	1.40	10.09	15.51	2.61	2.62	1.19	1.38	1.55	16.00	12.02	2.26	2.39	2.28	2.29	2.60	2.95	13.16	13.65	2.41	2.49	2.43	-0.09	-0.17	-0.15
Tanzania	0.36	0.35	0.40	-2.00	14.85	0.75	0.75	1.12	1.15	1.27	2.08	10.75	2.13	1.98	1.86	1.48	1.50	1.67	1.09	11.70	1.55	1.43	1.37	-0.77	-0.80	-0.87
Togo	0.40	0.42	0.47	4.49	11.94	0.90	0.88	0.17	0.20	0.22	19.21	11.35	0.31	0.34	0.32	0.57	0.62	0.69	8.79	11.76	0.60	0.59	0.57	0.24	0.22	0.25
Tunisia	1.70	1.77	1.98	4.46	11.72	3.81	3.71	1.74	2.02	2.52	16.28	24.56	3.30	3.49	3.70	3.44	3.80	4.50	10.44	18.57	3.61	3.63	3.70	-0.04	-0.25	-0.54
Uganda	0.72	0.75	0.86	4.10	14.81	1.61	1.61	0.74	0.76	0.88	2.52	16.30	1.40	1.31	1.29	1.46	1.51	1.74	3.30	15.56	1.53	1.44	1.43	-0.02	-0.01	-0.02
Zambia	1.08	1.41	1.60	30.87	13.15	3.04	3.00	2.28	3.21	3.80	40.51	18.51	4.33	5.53	5.58	3.36	4.62	5.40	37.41	16.87	3.54	4.42	4.44	-1.20	-1.79	-2.20
Zimbabwe	0.67	0.71	0.85	6.30	19.46	1.53	1.59	2.19	2.34	2.64	6.60	13.01	4.15	4.03	3.88	2.86	3.05	3.49	6.53	14.52	3.01	2.92	2.87	-1.52	-1.62	-1.79
Total	**42.36**	**46.47**	**53.42**	**9.71**	**14.95**	**100.00**	**100.00**	**52.76**	**57.97**	**68.11**	**9.88**	**17.50**	**100.00**	**100.00**	**100.00**	**95.12**	**104.44**	**121.53**	**9.80**	**16.37**	**100.00**	**100.00**	**100.00**	**-10.40**	**-11.49**	**-14.69**
Average	**0.80**	**0.88**	**1.01**					**1.00**	**1.09**	**1.29**						**1.79**	**1.97**							**-0.20**	**-0.22**	**-0.28**
Median	**0.22**	**0.24**	**0.27**					**0.72**	**0.76**	**0.87**						**0.82**	**0.88**							**-0.16**	**-0.17**	**-0.19**
Standard Deviation	**1.71**	**1.80**	**2.05**					**1.08**	**1.20**	**1.41**						**2.57**	**2.74**							**1.25**	**1.37**	**1.58**
Skew	**4.39**	**4.15**	**4.05**					**1.73**	**1.60**	**1.55**						**3.57**	**3.21**							**2.01**	**1.60**	**1.45**
Kurtosis	**22.37**	**20.26**	**19.21**					**3.75**	**2.53**	**2.23**						**17.12**	**14.18**							**9.12**	**7.56**	**6.71**

* Actual   *** Estimates   n/a not available

a) Exports do not necessarily have to equal imports because exports are quoted on FOB and imports on CIF basis.

Sources: 1) IMF (2010) *Direction of Trade Statistics* (Database).   2) Afreximbank Staff estimates.

CHAPTER THREE

AFREXIMBANK OPERATIONS AND ACTIVITIES

3. AFREXIMBANK OPERATIONS AND ACTIVITIES

3.1 INTRODUCTION

During 2011, the Bank's operations and activities were conducted in line with the targets set in the Annual Budget for 2011, which derived from the Bank's Third Strategic Plan, 2007-11 (Project ASPIRE), and within the context of major developments that impacted the global and African economies during the review period. As detailed in the preceding Chapter, the rate of growth of the global economy decelerated during the review period compared to 2010. African economies, as a group, experienced another year of good economic growth during the period aided in part by firm commodity prices as well as continued pursuit of growth enhancing economic policies.

It is pertinent to note, however, that the political uprisings that erupted in parts of North Africa coupled with pockets of political difficulties across the continent negatively impacted the overall growth performance of African economies, and prevented it from reaching its full potential. A new form of uncertainty created by a heightening of sovereign default risks across the Euro zone economies and its constraining effect on activity in the Euro-credit market negatively impacted a key market for the Bank's treasury activities. It also meant that access to the Eurocredits market remained selective, shifting off a number of African entities in need of finance to support their businesses. These developments informed the focus and slant of the Bank's lending operations and activities during the period under review.

Internally, Management exerted effort towards effectively managing the direct and indirect risks the environment posed while not losing sight of the tremendous opportunities that emerged. The 3rd Strategic Plan that expired at year-end and the 2011 Budget derived therefrom and themed: ***"Back to the Future: Beginning the Groundwork for a New Plan",*** provided the guiding lights for the Bank's activities and operations during the year. These documents enabled the Bank to pursue pre-agreed objectives within tolerable risk bounds. More specifically, under the 2011 Budget, Management sought to, among others, improve the geographic distribution of the Bank's loan assets, strengthen the Bank's human resource capacity for business development, risk management and research, deepen its diversified funding sources, pursue equity mobilisation efforts to ensure that the Bank is sufficiently capitalized to meet its assets growth targets, achieve sound financial performance that will ensure that it maintains good ratings, and conclude preparatory work on the Fourth Strategic Plan, among other objectives. In furtherance of these objectives, the Bank, during the period, raised additional funding to meet the growing demand for its credit facilities by making several entries into the Euro-Credit market. Discussions were advanced towards the appointment of Financial Advisors to spearhead mobilization of additional equity for the Bank. Operationally, much attention was focused on growing and diversifying the Bank's loan assets by product and geography; and on improving the Bank's profitability and efficiency through the strengthening of its ICT infrastructure at both HQ and branches and installation of SAP software to improve efficiency of operational and administrative processes. During the year, Management also concluded preparations and presented for the consideration of the Board of Directors, the Bank's Fourth Strategic Plan, dubbed Project 3-5-3, following the outcome of a Strategic Plan Management Retreat held earlier in the year. Further, following an Annual Ratings Review of the Bank, the three major ratings agencies, that is, Fitch, Moody's and Standard and Poor's affirmed the Bank's long term ratings of BBB-, Baa2 and BBB- respectively during the year under review. All ratings were assigned Stable Outlook.

Further, following the pro-democracy protests in Egypt which led to the resignation of incumbent President Hosni Mubarak in February 2011, some aspects of the Bank's operations were constrained by the socio-political challenges that ensued, which triggered the deployment of the Bank's Business Continuity Contingency Plan (**BCCP**). More specifically, during January 28–February 7, 2011, essential activities at the Bank's Head office were carried out at skeletal levels. Accordingly, the Bank's Emergency Management Committee (EMC) initiated the implementation of the Bank's BCCP. Management evacuated dependants of international staff to their home countries, in line with stipulations of the BCCP. Further, a 5-member Advance Team of the Bank, led by an Executive Vice President, and made up of staff from Operations, Legal, Finance and Board Secretariat, were dispatched to the Abuja Branch Office, the Bank's designated Temporary Relocation Office under the BCCP. The mission conducted readiness testing exercises and prepared the Branch Office to receive additional staff members should the situation worsen in Egypt. However, following cessation of the unrests and steady improvements in the socio-economic conditions in Egypt, the Bank resumed full operations at its Head Office from the beginning of the second week of February 2011 (see Box 3.1).

Developments in the global economy in general and the African environment in particular also significantly impacted the Bank's activities and operational achievements during the review period. These developments chronicled in Chapter Two of the Report show that the operating conditions remained challenging due to the fact that financing conditions in the international credit markets remained somewhat tight. Consequently, the surge in demand for the Bank's facilities experienced in 2009-10 continued during the review period. This development provided business opportunity the pursuit of which resulted in a sharp increase in facility approvals during the year under review. Cognisant of the fact that the operating environment remained risky, Management continued to ensure that the Bank operated within its risk tolerance principle of maintaining a judicious balance between profitability, liquidity and safety. Further, the Bank continued to be challenged by relatively higher cost of funds that persisted in the international credit markets as noted above.

This chapter discusses the activities and operations of the Bank in the context of the global and African socio-economic developments that prevailed during the review period and the operational goals and targets deriving from the Bank's 2011 Budget.

Box 3.1 Business Continuity Amidst Crisis – Afreximbank's Experience During the Arab Spring.

Commercial and non-commercial organizations are exposed to several forms of potentially disruptive unforeseen developments in their operating environment, including political/civil disturbances, wars, terrorist attacks, and natural disasters such as earthquakes, volcanic eruptions and landslides, among others. Transnational corporations, international development agencies, multilateral and bilateral organizations also face potential risks arising from disagreement with host governments which may lead to a sudden withdrawal of operating licenses, residence/work permits and other privileges and immunities enjoyed by those institutions and their staff. The occurrence of any of these events is likely to make it difficult and, in some cases, impossible for those institutions to continue to operate in any normal or meaningful manner at locations where they are based. In realization of these potential threats to business, it has become necessary for corporates and other organizations to design and install contingency plans to enable them deal with those unforeseen developments as and when they occur with a view to ensuring that they are able to resume their operations in a cost-efficient manner within the shortest possible time. Further, regulators, rating agencies and external auditors of businesses operating in sectors considered critical require that such businesses have in place robust business continuity contingency plans. For example, regulators of the financial sector in many industrialized countries, including the United States of America (USA) and the United Kingdom (UK), require financial institutions to have in place business continuity contingency plans.

In recognition of the above and the Bank's goal of operating in accordance with international best practice, Management of the Bank has installed a Business Continuity Contingency Plan (BCCP or the "Plan") to guide the Bank in managing any disruptive developments that may threaten business continuity. The Bank defines its Contingency Plan as a plan of actions to be implemented upon the occurrence of specific events that threaten continued operations of the Bank at a given location where its Headquarters or Branches are located. Such events, referred to as Contingency Triggers, may pose severe operational risks to the Bank, and require well articulated plans to mitigate their potential impact. These Contingency Triggers include, among others:

(i) an outbreak of war or political uprising in the country hosting the Bank's Headquarters or any of its Branch Offices which poses a security threat to the continuing business operations and/or life of staff members and their dependants in the location;

(ii) life-threatening and damaging terrorist attacks and/or armed insurgency directed against the Bank and its staff, suppliers of goods and services to the Bank, or the Government on whom the Bank depends for diplomatic and other fiduciary services;

(iii) any natural disaster that may threaten the health and security of Staff and their families and/or which may damage the Bank's premises, infrastructure and systems in a manner that cannot be immediately corrected;

(iv) any violation of the Bank and/or Headquarters Agreement by the host country or any other Participating State that may adversely affect the business operations of the Bank and/or the well-being and safety of staff of the Bank, especially at the Headquarters location;

(v) the occurrence of any epidemic disease and/or environmental disaster that makes it unsafe to operate at the Head Office;

(vi) any major attack on the electronic and communications systems on which the Bank's operations depend to the effect that it is not possible to operate under such conditions; and

(vii) any major adverse developments in the major financial centers that cause a protracted paralysis of operations.

Given the Bank's corporate structure and operating environment, the occurrence of one or more of the above events may call for the activation of the Bank's Business Continuity Contingency Plan (BCCP) (or some aspects of it).

The Arab Spring, which broke in late 2010 in Tunisia and spread to Egypt and other countries in the Middle East and North Africa (MENA) in early 2011, had serious implications for the Bank's business. Specifically, the political uprising and pro-democracy protests in Egypt from 25th January to mid February 2011 which led to the resignation of incumbent President Hosni Mubarak on February 11, 2011, adversely affected socio-economic activities in the country during that period. Banks, the Stock Market, Government Ministries and Departments, private sector businesses, schools, and tourism facilities, etcetera were closed for most part of the period as a result of social and political disturbances. For example, the telecommunications sector was hit as mobile telephony and internet services were suspended for some days at the height of the crisis in late January 2011. The operations of the airline industry was adversely affected as many airlines suspended scheduled flights to, and from, Egypt. The tourism industry was also severely hit as tourists fled the country and scheduled tourist arrivals were cancelled. The Stock Market suffered sharp declines during the period resulting in the closure of the bourse on some trading days during 25th January – 30th March 2011.

As the location of the Bank's Headquarters, the political upheavals and social disturbances in Egypt, especially during the first quarter of 2011, somewhat affected aspects of the Bank's operations. Specifically, from January 28, 2011 up to February 7, 2011, essential activities at the Bank's Head office were carried out at skeletal levels. Those socio-political disturbances and the associated disruptions to economic activities, consistent with the Bank's BCCP, triggered the deployment of the BCCP. In line with provisions of the BCCP, an Emergency Management Committee (EMC) chaired by the President, initiated implementation of the plan. In this regard, the Bank evacuated dependants of international staff to their home countries. Further, a 5-member Advance Team of the Bank, was dispatched to the Abuja Branch Office, the Bank's designated Temporary Relocation Office (TRO), to conduct a readiness testing exercise and prepare the Branch Office to host staff from the Bank's Headquarters, should the situation worsen in Egypt. However, following gradual cessation of the political protests and steady improvements in the socio-economic climate in Egypt, the Bank normalized operations at its Head Office from the beginning of the second week in February, but continued with plans aimed at making the Abuja Office ready to fully host staff from the Head Office should the situation in Egypt deteriorate in the future. As the situation further improved in Egypt, and the Advance Team concluded its readiness testing exercise at the Abuja Branch Office, the Team returned to the Head Office.

The foregoing review shows that the Bank's business operations were not significantly affected by the socio-political challenges that emerged in Egypt during the first quarter of 2011 thanks to careful implementation of the Bank's BCCP. The Bank met all its obligations during the crisis; no lives of staff or dependants were lost; the Bank's properties were safeguarded; communication with stakeholders was maintained; and the Abuja Contingent Office was able to perform its support role. Cognisant of Management's responsibility in protecting the diverse interests of Shareholders and other Stakeholders of the Bank by ensuring that the institution operates smoothly in the foreseeable future as a viable going concern, the successful implementation of the Bank's BCCP ensured that it achieved continuity of business operations with minimum disruption during the political uprising in Egypt. Further, the effective implementation of the Bank's Contingency Plan assured the Bank's Shareholders, rating agencies and external auditors of the Bank's capacity to ensure minimal disruption to its business activities in the face of unexpected contingencies. It is expected that the useful lessons learnt from the execution of the BCCP during that period will go a long way in enriching the Bank's business continuity plan.

3.2 REVIEW OF CREDIT OPERATIONS

As in the previous years, the Bank's credit operations were, during 2011, implemented in the context of the global and African politico-economic environments. For the purpose of managing old and new challenges that prevailed in its operating environment and in line with its operating model, the Bank continued to place emphasis on its Dual Recourse Facilities (DRF) programme, Syndications and Direct Financing programmes which helped it to manage risks and deal with rising demand for its services at a time capital was becoming a constraint to the Bank. Under the DRF programme, the Bank lends to a corporate against the guarantee or aval of an acceptable bank or another creditworthy corporate. The Syndications Programme is one of the main risk-sharing instruments the Bank uses to leverage international trade and project financing into Africa. Increased activity under the Direct Financing programme reflected the switch of top corporates to the Bank as a funding source given the withdrawal of many international banks from African trade finance.

During 2011, the value of financing applications received by the Bank amounted to US$20.0 billion, an amount about 8.1% higher than the value of applications received a year earlier. The largest proportion of credit applications received was from the Financial Institutions sector, which accounted for about 45% of such applications.

In 2011, facility approvals grew 40% year-on-year to reach US$3.75 billion, from US$2.69 billion in 2010 (Table 3.1 and Figure 3.1a), reflecting more efficiency in deal processing arising from higher staff numbers and improved technology in the Bank. The observed surge in facility approvals during the year was spread across the Bank's major programmes and facilities. Loans outstanding also increased by about 41% year-on-year to reach US$2.37 billion at the end of 2011 (Table 3.1 and Figure 3.1b).

In line with targets of the Third Strategic Plan, the Bank progressed with the implementation of its various programmes and facilities. Full details of the Bank's credit operations and other activities conducted during the review period are detailed hereunder.

Figure 3.1a Afreximbank: Facility approvals, 2009 - 11

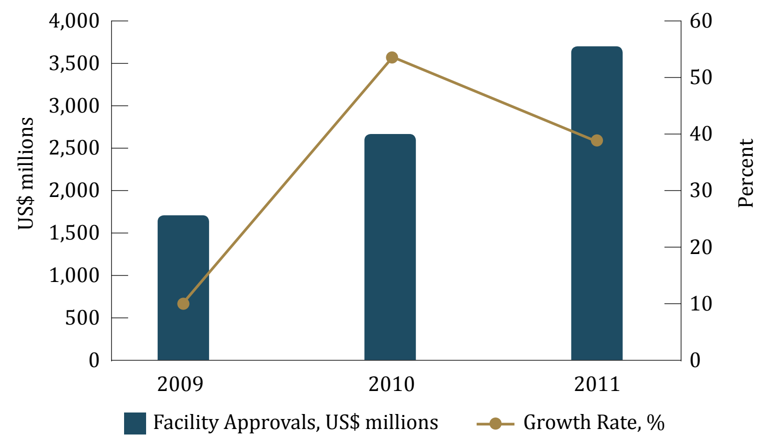
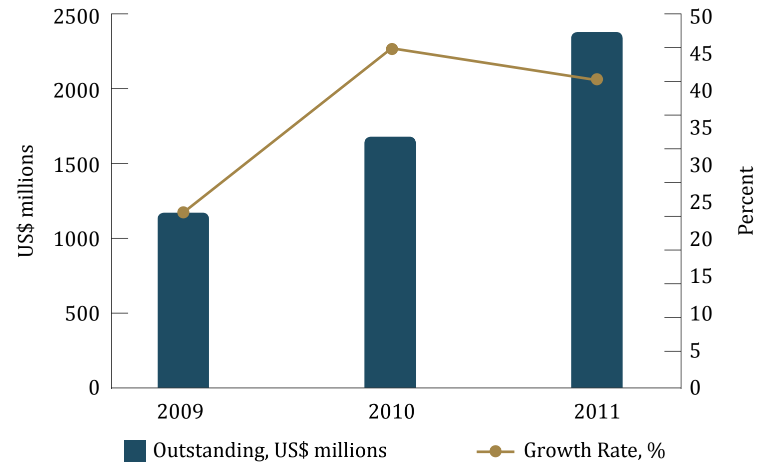


Figure 3.1b Afreximbank: Credit oustanding as at December 31, 2009 - 11



Source: Afreximbank

Table 3.1 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Programme, 2009 - 11

Type of 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 (%)		
	2009	2010	2011	2010/2009	2011/2010	2009	2010	2011	2009	2010	2011	2010/2009	2011/2010	2009	2010	2011
1. Line of Credit Programme	671.250	1,254.448	1,621.100	86.88	29.23	38.53	46.71	43.20	401.296	459.039	958.727	14.30	109.02	34.77	27.33	40.49
2. Note Purchase Programme	149.000	28.000	100.000	-81.21	257.14	8.55	1.04	2.66	133.388	206.340	127.513	54.69	-38.20	11.56	12.29	5.39
3. Receivables Purchase/ Discounting Programme	25.000	0.000	44.000	-100.00		1.44	0.00	1.17	0.000	0.000	0.170			0.00	0.00	0.01
4. Direct Financing Programme	149.100	200.000	566.500	34.14	183.25	8.56	7.45	15.10	124.394	356.860	258.298	186.88	-27.62	10.78	21.26	10.91
5. Project-Related Financing Programme	20.000	89.500	103.100	347.50	15.20	1.15	3.33	2.75	11.776	54.530	70.364	363.06	29.04	1.02	3.25	2.97
6. Syndications Programme [a]	610.750	940.680	953.000	54.02	1.31	35.06	35.03	25.40	339.489	483.400	799.216	42.39	65.33	29.42	28.80	33.79
7. Special Risk Programme [b]:	10.000	70.000	85.000	600.00	21.43	0.57	2.61	2.27	0.000	0.000	15.250			0.00	0.00	0.64
Country Risk	0.000	20.000	50.000		150.00	0.00	0.74	1.33	0.000	0.000	15.250			0.00	0.00	0.64
Other Risk	10.000	50.000	35.000	400.00	-30.00	0.00	1.86	0.93	0.000	0.000	0.000			0.00	0.00	0.00
8. Future-Flow Pre-Financing Programme	107.000	73.900	153.200	-30.93	107.31	6.14	2.75	4.08	143.722	103.600	107.683	-27.92	3.94	12.45	6.17	4.55
9. Asset-Backed Lending Programme	0.000	29.000	126.500		336.21	0.00	1.08	3.37	0.000	15.080	27.906		85.05	0.00	0.90	1.18
10. Export Development Finance Programme	0.000	0.000	0.000			0.00	0.00	0.000	0.000	0.000	0.000			0.00	0.00	0.00
Memorandum Item:																
Country Programme	20.000	120.000	100.000	500.00	-16.67											
Total	**1,742.100**	**2,685.528**	**3,752.400**	**54.15**	**39.73**	**100**	**100**	**100**	**1,154.065**	**1,678.849**	**2,365.127**	**45.47**	**40.88**	**100.00**	**100.00**	**100.00**
Cumulative Totals[c]	**14,906.914**	**17,592.442**	**21,344.842**	**18.02**	**21.33**											

a) Includes co-financing and sub-participation   b) Contingent liabilities   c) Since the Bank began operations in September 1994

Note: Gaps represent infinity.   **Source:** Afreximbank

a) Line of Credit Programme (LOCP)

The LOCP is a programme through which the Bank provides funded and unfunded credit lines to creditworthy African and non-African banks designated as the Bank's Trade Finance Intermediaries (TFIs). Through this programme, the Bank provides loan and guarantee facilities to trading entities whose balance sheet size and trade turnover would not normally qualify them for the Bank's direct lending. Facilities provided under this programme included the (i) Trade Finance (Export-Import) facility; (ii) Pre- and Post-Export financing facility; (iii) L/C Confirmation and Refinancing Facility, and (iv) Re-Imbursement Guarantee Facility and Africorrbanking, a facility through which the Bank provides L/C confirmation, trade/correspondent banking services to African banks. During 2011, loan approvals under this Programme increased by 29% year-on-year to reach US$1.62 billion. The LOCP dominated approvals during the review year, accounting for a share of about 43% of total facility approvals, slightly lower than the level in 2010. Loans outstanding under the Programme rose by 109% from US$459 million in 2010 to US$959 million in 2011, to account for the largest share of 40.5% of the Bank's loan portfolio at the end of 2011 (Table 3.1). The surge in activity under this programme reflected the success of the Bank's deliberate effort to fill the gap in trade financing left by the exit of international banks from the African market as a result of the global financial and economic crises as well as the Bank's conscious efforts at using local banks as vehicles of intervention under the heightened risk environment that prevailed during the review period.

b) Note Purchase Programme

This is a programme through which the Bank provides financing to corporates by the purchase of Promissory Notes or similar instruments issued or accepted by them and avalized or guaranteed by an acceptable bank or other acceptable corporates. Approvals under the programme increased by 257% from a level of US$28 million in 2010 to US$100 million in 2011, to account for 2.7% of total facility approvals in 2011. Nevertheless, loans outstanding under the programme declined by 38% year-on-year to US$128 million at the end of 2011. Following the decline in outstandings, the Programme ended the review period with a share of about 5.4% of the Bank's loan portfolio, down from 12% in 2010 (Table 3.1).

c) Receivables Purchase/Discounting Programme

This programme comprises of a family of facilities involving purchase of specific receivables of goods and services sold to foreign or domestic buyers, with or without recourse to the seller. The facilities operated under this programme are: i) forfaiting, ii) Invoice/receivable discounting facility, iii) factoring and receivables management facility; and iv) Joint bill discounting/financing and re-financing facility. Credit facility approvals under the programme in 2011 amounted to US$44 million, representing about 1.2% of total credit facility approvals made during the review period. Loans outstanding under the programme at the end of 2011 amounted to US$0.2 million (Table 3.1).

d) Direct Financing Programme

Through this Programme, the Bank provides trade financing directly to corporates with balance sheet size of at least US$2 million and an annual trade turnover of at least US$10 million. Approvals under this programme during the year under review grew by 183% year-on-year to about US$567 million to account for about 15% of total credit facility approvals made in 2011. Increased credit approvals under this programme reflected the switch of top African corporates to the Bank as a funding source following the withdrawal of many international banks from

African trade finance in recent times. Loans outstanding under the Programme stood at about US$258 million at the end of 2011, representing 11% of the Bank's loan portfolio at the end of the review period (Table 3.1).

e) Project-related Financing Programme

The purpose of this Programme is to develop Africa's export manufacturing capacity by financing the import of equipment needed for export manufacturing and infrastructure projects that facilitate exports or generate traded infrastructure services, such as power, ports, and telecoms etcetera. It is also aimed at assisting private project promoters as well as African governments and their agencies executing essential projects which may not be directly export generating but may create necessary conducive environment for investments in the export sector. Credit approvals made under the programme amounted to US$103.1 million in 2011; an increase of 15% compared to the level in 2010, and accounted for about 3% of total facility approvals made in 2011. Loans outstanding under the programme also increased by 29% year-on-year to US$70.4 million to account for a 3% share of the Bank's loan portfolio at the end of 2011 (Table 3.1). The relatively low share of activity under this programme is due to the fact that it is a relatively new area of operation for the Bank which required a cautious approach to asset creation.

f) Syndications Programme

The Syndications Programme is one of the main risk-sharing instruments the Bank uses to leverage international trade and project financing into Africa. Under this programme, the Bank arranges or joins a syndicate or club of reputable international and/or African banks in providing financing to eligible entities. Credit approvals under the programme, during 2011, marginally increased by 1.3% year-on-year to US$953 million. The programme accounted for the second largest share of credit approvals of about 25%. Credits outstanding under the programme also increased by 65% year-on-year to US$799 million at the end of 2011, to account for the second largest share of about 34% of the Bank's loan portfolio (Table 3.1). The continued strong activity under the programme was a consequence of strenuous efforts by the Bank to revive interest in African syndications as the global economy recovered. In this regard, the Bank engaged a Consultant to assist it in strengthening this activity. Further fruits of this effort are expected to emerge in the coming years.

g) Special Risks Programme

This Programme is designed to provide comfort to lenders extending facilities to African sovereigns, banks and corporates by transferring some of the financing risks to Afreximbank risk. Approvals under this programme increased by 21% to US$85 million to account for about 2.3% of total facility approvals during the review period (Table 3.1). Outstanding obligations under the programme at the end of the review period amounted to about US$15 million.

h) Future Flow Pre-Financing Programme

Financial future-flow transactions refer to future-flow debt offerings that rely upon receivables not generated from export of physical goods for repayment. Such receivables include credit card or cheques, migrant remittances, royalties arising from Bilateral Air Services Agreements (BASA), over flight fees, etcetera. During the review period, facility approvals under the programme amounted to US$153 million, about 107% higher compared to the previous year's level. The increased level of approvals reflected growing demand for the Bank's CONTOUR facility launched about a year earlier. Loans outstanding under the programme increased marginally by 4% year-on-year to US$108 million, to account for a share of 4.5% of the Bank's loan portfolio at the end of 2011 (Table 3.1).

i) Asset-Backed Lending Programme

As a result of privatization and the drive in many African countries to increase indigenous participation in all sectors of their national economies, there is a growing demand by African entrepreneurs for financing to enable them take advantage of the privatization and local content promotion opportunities by acquiring physical assets. In view of the specialized nature of this kind of financings, especially their asset-based nature, the Bank introduced this programme to serve the needs of eligible entrepreneurs. A good feature of asset-backed financing is that the assets can serve as good collateral as their values are normally expected to grow with inflation. Approvals under the programme during the review period amounted to US$126.5 million, representing a 336% increase over the level in 2010. Loans outstanding under the programme also increased by 85% to about US$28 million to account for a share of about 1.2% of the Bank's loan portfolio at the end of 2011 (Table 3.1).

j) Export Development Finance Programme

Through this Programme, the Bank promotes export manufacturing in the Continent as a means of facilitating the diversification of Africa's exports away from commodities. The Bank defines its Export Development Finance Programme ("EDFP") as a process of combining credit, risk bearing, twinning, market access as well as advisory services geared towards creating non-commodity export products for sale to a broad range of export markets. During the review period, the Bank intensified its partnership building efforts with a view to expanding its twinning, risk sharing and market access activities under the Export Development Programme (EDP). In this regard, the Bank pursued several funding lines from its partner institutions during the review period for the purpose of supporting planned expansion of activity under the programme. Further, ongoing work regarding the preparation of Export Development Programs for five pilot member countries was advanced during 2011, and is expected to be rolled out during 2012 in line with ongoing efforts of the Bank at improving the competitiveness and diversification of African exports.

k) Country Programme

Under the Country Programme, the Bank assists its member countries in peculiar difficulties not amenable to solutions offered by any one of the Bank's menu of products (see Box 3.2). During the review period, approvals under the programme amounted to US$100 million in respect of the Zimbabwe Economic and Trade Revival Facility (ZETRF), which was put in place to support Small and Medium-sized Enterprises (SMEs) in that country (Table 3.1).

Box 3.2 Supporting Afreximbank's Member Countries with Peculiar Financing Needs: The Afreximbank Country Programme

Economic shocks tend to impact national economies in profound ways, sometimes shifting aggregate production functions, resulting in lower output and/ or less efficient relations of production in the case of a negative shock or higher output and/or more efficient production functions in the case of a positive shock. The positive shocks include events such as the discovery of oil, minerals or other natural resources, commodity price booms, among others, which impact positively on output or real GDP growth. On the other hand, negative shocks encompass events such as protracted political instability, civil strifes, severe economic challenges and commodity price shocks, among others, which tend to stunt economic growth as was the case of some oil dependent economies in Africa during the recent global economic crisis when oil prices slumped on account of weak global demand.

Given the nature of many African economies, sudden unexpected shocks in the global and African economic environments tend to affect them and, in many cases, the impact of these shocks pose serious economic management challenges to the economies. Response to the shocks in many cases includes recourse to institutions such as the Afreximbank. However, such institutions have found that the effectiveness of their interventions would require the development of various, and not just a single, instrument of intervention at their disposal. For example, the economic difficulties facing a country coming out of war, civil strife, or severe economic challenges will usually require various forms of financial and non-financial assistance, to be able to return the economy onto the path of recovery and sustainable growth. Against this background, experience shows that international development agencies and development banks in particular, tend to assist countries in peculiar difficulties by deploying various forms of financial and non-financial instruments to assist member countries facing economic challenges. In the same vein, member countries of Afreximbank coming out of peculiar socio-political difficulties tend to require support which cannot be met through deployment of a single programme in the Bank's menu of products. In recognition of the above, the Bank introduced a comprehensive programme, **the Afreximbank Country Programme**, which combines various programmes and facilities such as advisory services, guarantees, technical assistance as well as financing to address the peculiar needs of such member countries.

The Bank deployed its first Country Programme in Zimbabwe in 2001 to deal with the peculiar difficulties the Zimbabwean economy was experiencing at that time. Under the Programme, the Bank sought to support efforts at stabilizing the Zimbabwean economy by addressing the macroeconomic imbalances that had eroded investor confidence in the country. In this regard, the Bank's intervention, which included the provision of trade financing facilities, guarantees and advisory services, among others, was linked to the attainment of mutually agreed macroeconomic policy benchmarks. Following the success of the programme in contributing to ameliorating the economic challenges, especially ensuring the availability of food and petroleum products, the Bank launched a second Programme (the Enhanced Country Programme) in 2008 to address structural challenges facing the country, by supporting the productive sector and trade activities in Zimbabwe. Further, and in the context of the second Programme, the Bank, in 2011, signed an Agreement with the Ministry of Finance of Zimbabwe (MOFZ) under which it committed to provide a US$100 million Zimbabwe Economic and Trade Revival Facility (ZETRF) in favour of selected Zimbabwean banks for on-lending to Small and Medium-Sized Enterprises (SMEs) operating in certain sectors and/or locations that do not usually receive support from banks. The facility, which is being disbursed through local banks approved by the Bank, is to facilitate access of strategic industries/enterprises to reasonably-priced financing to extend productive capacities and, in so doing, enable them effectively contribute to economic and trade development in Zimbabwe.

Similar programmes are being developed to support economies of member countries that have recently gone through some form of socio-economic challenges, such as Sierra Leone and Cote d'Ivoire. Specifically, as a result of the socio-economic challenges that the Republic of Cote d'Ivoire, a member country of Afreximbank, went through following the post-presidential election political crisis that emerged during November 2010 and April 2011, and in response to a formal request from the Ivorian authorities for assistance in support of the country's economic recovery efforts, the Bank has, following consultations with the Ivorian Authorities, finalised a US$500 million Country Programme in favour of Cote d'Ivoire. The proposed Country Programme is intended to support the growth and development of exports, rehabilitation and/or modernisation of trade-related infrastructure, including ports and harbours, as well as funding of essential imports, such as food, and refined petroleum products, among others. The Bank believes that given the importance of the Ivorian economy to other economies in the sub-region, especially members of the Union Economique et Monetaire Ouest Africaine (UEMOA) whose business communities depend on Abidjan, Cote d'Ivoire as the hub, the Ivorian economy and its trade sector deserve to be supported for the benefit of the country and members of the UEMOA and, in so doing, strengthen ongoing efforts aimed at accelerating the economic and trade recovery processes of the country. It will also promote regional integration.

The Republic of Sierra Leone, a member country of Afreximbank, has made commendable progress in peace building and economic recovery during the last 10 years following the end of the civil war in March 2002. However, the country's economy is still saddled with a number of challenges, including limited or inadequate public infrastructure, especially road and rail network and power, rising youth unemployment, and other macroeconomic challenges arising from the adverse impact of the global financial and economic crises, among others. In line with its mandate to support member countries in such difficult circumstances and in response to a formal request from the Sierra Leonean authorities to support the country's post-conflict economic recovery programme, the Bank is discussing with the Sierra Leonean Authorities a Country Programme with a financing component of about US$120 million. The programme seeks to support the country's economic recovery efforts by providing financing for export development, rehabilitation and/or extension of productive infrastructure such as the development of a plant for the generation of electric power, and funding of essential import such as food and refined petroleum products.

The Bank believes that its Country Programmes will contribute to more directly address the priorities of the economies of these member countries and quicken the pace of economic recovery.

3.3 ANALYSIS OF TRANSACTIONS

3.3.1 Sector Financed

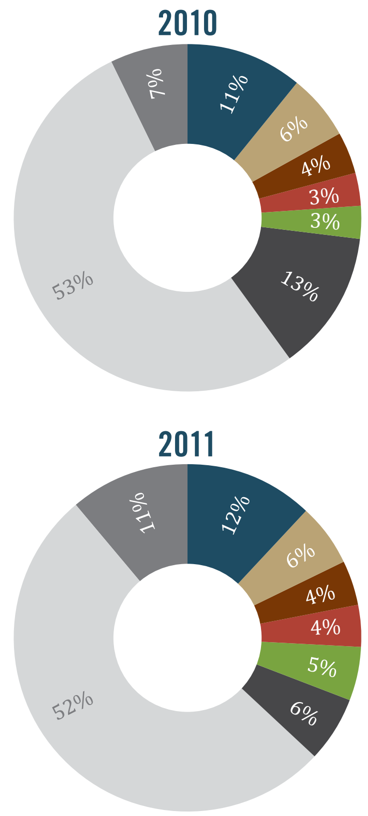
As in the previous years, the review period saw Financial Institutions accounting for the largest share of the Bank's loan approvals and outstanding by sector, a reflection of the Bank's continued operational emphasis on DRFs. In this regard, as shown in Table 3.2, approvals in favour of the Financial Institutions sector rose by 39% year-on-year to US$1.96 billion to account for 52% of total facility approvals made during the period. The Financial Institutions sector also accounted for the largest share of about 46% of the Bank's gross loan assets in an amount of US$1.08 billion at the end of 2011 (Table 3.2 and Figure 3.2).

The Energy sector accounted for the second largest share of loan approvals and credits outstanding at the end of 2011. Total loan approvals in favour of the sector during the period amounted to US$462 million, reflecting a 53% year-on-year growth over the previous year's level. Accordingly, the sector accounted for a 12% share of total loan approvals made in 2011. On the account of the continued surge in loan approvals, credits outstanding under the Sector rose by 185% year-on-year to US$542 million to account for a share of about 23% of the Bank's gross loan assets at the end of the period under review (Table 3.2 and Figure 3.2). Further, Table 3.2 shows that the Telecommunication, Transportation and Agriculture sectors emerged as the third, fourth, and fifth most important sectors in the Bank's loan portfolio accounting for respective shares of 15.4%, 4.9%, and 3.2% of gross credits outstanding at the end of 2011 (Table 3.2).

3.3.2 Beneficiary Institutions

During the period under review, most of the credit approvals went to banks in line with the Bank's continued emphasis on the DRF programme. Accordingly, banks accounted for 52% of total credit facility approvals in an amount of US$1.96 billion in 2011, reflecting a 39.8% year-on-year growth in credit approvals in favour of banks during the period. Banks also accounted for 46% of Afreximbank's loan assets at the end of 2011 (Table 3.3). Corporates accounted for the highest share of the Bank's loans outstanding in an amount of US$1.24 billion, equivalent to 52% of the Bank's loan portfolio at the end of 2011. It is important to note that most of the loans to corporates were conducted under the Bank's Dual Recourse deal structures. There were no credit approvals made in favour of governmental institutions during the review period. Loans outstanding under governmental agencies amounted to US$44 million or 2% of the Bank's loan portfolio at the end of 2011 (Table 3.3).

Figure 3.2 Afreximbank: Distribution of Loan Approvals by Sector, 2010 - 11 *(percent)*



Source: Afreximbank

Table 3.2 Afreximbank: Distribution of Loan Approvals and Outstandings by Sector, 2009 - 11

	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	2009	2010	2011	2010/2009	2011/2010	2009	2010	2011	2009	2010	2011	2010/2009	2011/2010	2009	2010	2011
Agriculture	0.000	199.600	422.700		111.77	0.00	7.43	11.26	22.392	56.200	76.476	123.29	52.95	1.94	3.35	3.23
Energy	226.300	302.040	462.400	33.47	53.09	12.99	11.25	12.32	111.236	190.440	542.470	70.86	185.42	9.64	11.34	22.94
Services	105.300	158.900	213.700	50.90	34.49	6.04	5.92	5.70	157.764	128.940	58.051	-18.27	-54.98	13.67	7.68	2.45
Metals and Minerals	72.750	105.000	145.000	44.33	38.10	4.18	3.91	3.86	6.145	75.810	12.795	1133.69	-83.12	0.53	4.52	0.54
Transportation	109.500	88.550	133.000	-19.13	50.20	6.29	3.30	3.54	54.117	156.660	115.937	189.48	-25.99	4.69	9.33	4.90
Manufacturing	40.000	67.200	196.500	68.00	192.41	2.30	2.50	5.24	169.636	142.85	69.866	-12.14	-53.13	14.70	8.51	2.95
Telecommunications	190.000	352.538	220.000	85.55	-37.60	10.91	13.13	5.86	152.875	363.120	363.192	137.53	0.02	13.25	21.63	15.36
Government	0.000	0.000	0.000			0.00	0.00	0.00	0.000	0.000	44.019			0.00	0.00	1.86
Financial Institutions [a)]	998.250	1,411.700	1,959.100	41.42	38.78	57.30	52.57	52.21	479.900	564.829	1082.321	17.70	91.61	41.58	33.64	45.76
Total	1,742.100	2,685.528	3,752.400	54.15	39.73	100.00	100.00	100.00	1154.065	1,678.849	2,365.127	45.47	40.88	100.00	100.00	100.00
Cumulative Total [b)]	14,906.914	17,592.442	21,344.842	18.02	21.33											

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

3.3.3 Direction of Trade Finance

The direction of trade financed by the Bank, as summarised in Table 3.4, shows that most of the approvals and loans outstanding were oriented toward mixed directional trade (intra- and extra-African), although their respective shares declined in 2011 compared to 2010. Credit approvals in support of mixed directional trade accounted for 70% of total credit approvals in 2011, down from a level of 77% in 2010. Similarly, loans outstanding under mixed directional trade accounted for 65% of the Bank's loan portfolio at the end of 2011, significantly lower than its share of 83% at the end of 2010 (Table 3.4). Credit approvals and loans outstanding in support of intra-African trade increased during the review period to account for a share of 14.4% of total credit approvals made in 2011, and a share of 18.7% of the Bank's loan portfolio at the end of 2011 (Table 3.4). The increased intra-African trade lending activities is consistent with the upward trend in intra-African trade in 2011 as reported in Chapter 2. It also reflected deliberate effort on the part of the Bank to expand activity in this area in line with its mandate.

3.3.4 Transaction Size and Other Transaction Features

The Bank's Risk Management Policies and Procedures (RMPP) impose certain limits on the Bank's exposure to any one obligor or transaction. These limits are related to certain percentages of the Bank's shareholders' funds. The objective is to diversify the Bank's assets and reduce any concentration risk it poses.

A review of the Bank's operations in the context of the above shows that average transaction size in 2011 increased to

Table 3.3 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Beneficiary Institution, 2009 - 11

Type of Beneficiary Institution	Approval (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 (%)		
	2009	2010	2011	2010/2009	2011/2010	2009	2010	2011	2009	2010	2011	2010/2009	2011/2010	2009	2010	2011
Corporate/ Government Agency/ Parastatal	671.350	1,284.128	1,793.300	91.28	39.65	38.54	47.82	47.79	359.065	1,113.640	1,238.787	210.150	11.238	31.113	66.33	52.38
Bank	1,070.750	1,401.400	1,959.100	30.88	39.80	61.46	52.18	52.21	794.999	565.209	1082.321	-28.904	91.490	68.887	33.67	45.76
Government	0.000	0.000	0.000			0.00	0.00	0.00	0.000	0.000	44.019			0.000	0.00	1.86
Total	**1,742.100**	**2,685.528**	**3,752.400**	**54.15**	**39.73**	**100.00**	**100.00**	**100.00**	**1154.064**	**1,678.849**	**2,365.127**	**45.47**	**40.88**	**100.00**	**100.00**	**100.00**
Cumulative Total a)	**14,906.914**	**17,592.442**	**21,344.842**	**18.02**	**21.33**											

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

Table 3.4 Afreximbank: Distribution of Loan Approvals and Outstandings by Trade Direction, 2009 - 11

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 (%)		
	2009	2010	2011	2010/2009	2011/2010	2009	2010	2011	2009	2010	2011	2010/2009	2011/2010	2009	2010	2011
Intra-African	71.500	357.990	539.500	400.69	50.70	4.10	13.33	14.38	53.485	193.440	442.892	261.67	128.96	4.63	11.52	18.73
Extra-African	179.800	267.340	602.500	48.69	125.37	10.32	9.95	16.06	97.739	98.520	377.120	0.80	282.79	8.47	5.87	15.95
Intra- and Extra-African	1,490.800	2,060.198	2,610.400	38.19	26.71	85.57	76.71	69.57	1,002.841	1,386.530	1,545.115	38.30	11.41	86.90	82.61	65.33
Total	**1,742.100**	**2,685.528**	**3,752.400**	**54.15**	**39.73**	**100.00**	**100.00**	**100.00**	**1154.065**	**1,678.849**	**2,365.127**	**45.47**	**40.88**	**100.00**	**100.00**	**100.00**
Cumulative Total a)	**14,906.914**	**17,592.442**	**21,344.842**	**18.02**	**21.33**											

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

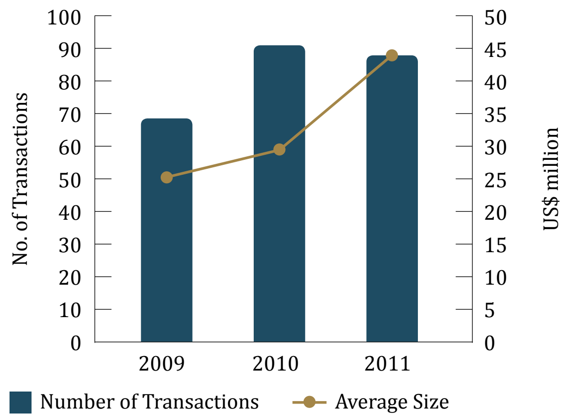
US$43.1 million from the level of US$29.5 million in 2010 (Figure 3.3). The number of transactions, however, declined marginally to 89 in 2011, from a level of 91 in 2010 (Figure 3.3). The observed increase in transaction size reflected the increased capitalization of the Bank which enhanced absolute amounts that can be lent to any one entity and/or transaction.

Figure 3.4 shows that average maturities of facilities approved by the Bank during the period under review rose marginally by 2% to 1,259 days in 2011, from 1,238 days in 2010. The lengthening in maturities of the facilities granted by the Bank arose from increased demand for such facilities as well as the Bank's strategy of granting longer facility maturities to clients with which it had built sufficient knowledge about. In some cases, it also reflected Management's goal of keeping good assets longer in the books. It is to be noted that although maturities were extended, individual drawings under the facilities were normally for tenors mostly not exceeding 360 days. The standard deviation of the distribution of maturities of approved facilities also rose during 2011 compared to 2010, reflecting a higher dispersion in the distribution of the maturities (Figure 3.4).

3.3.5 The Bank's Leveraging Role

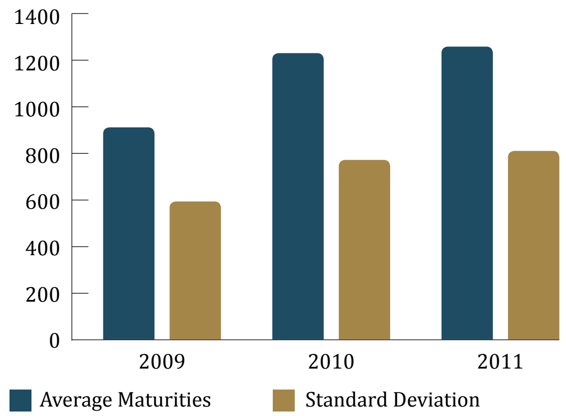
Traditional instruments used by the Bank in leveraging international financing into Africa included arranging or co-arranging syndications and club deals and inviting others to share the risk of such deals; granting lenders taking African exposures certain guarantees that enable them to fund such facilities; raising money in its name from the market and on-lending to entities that would ordinarily not be able to access the international financial markets; and providing Advisory Services that encourage the inflow of debt and equity financings. The number of syndicated transactions that the Bank arranged, co-arranged or participated, declined from 28 in 2010 to 14 in 2011. The

Figure 3.3 Afreximbank: Number and Average Size of Approved Transactions, 2009 - 11



Source: Afreximbank

Figure 3.4 Average Maturities & Variance, 2009 - 11 *(days)*



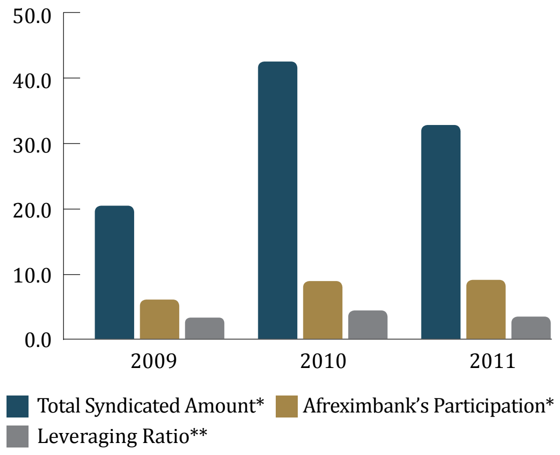
Source: Afreximbank

total amount of syndicated transactions the Bank arranged, co-arranged or participated during the year under review, declined by 23% from US$4.23 billion in 2010 to US$3.27 billion in 2011 as shown in Figure 3.5. Further, it is worth noting that the Bank's participation in the syndicated deals, in terms of approvals, was US$953 million in 2011. Following these developments, for every US dollar funding committed by the Bank, it was able to attract about US$3.4 into the continent in 2011, marginally down from the level of US$4.5 in 2010.

As in previous years, the Bank also leveraged international financing by providing guarantees in support of lenders funding

African entities. The Bank also actively used its borrowing activities, discussed more fully in Section 3.4 below, in leveraging international financing into Africa during the review period.

Figure 3.5 Syndications/Club Deals Arranged or Co-arranged by the Bank, 2009 - 11



* In USD hundred million

** Shows amount attracted per USD participation by the bank

Source: Afreximbank

3.4 TREASURY ACTIVITIES AND RISK MANAGEMENT

3.4.1 Treasury Activities

The Bank continued to implement its treasury activities in accordance with the provisions of Treasury Policies and Procedures. The main treasury operations conducted included borrowing, investments and hedging related to non-US Dollar exposures of the Bank.

In February 2011, the Bank tapped its US$1.5 billion Euro Medium Term Note (EMTN) Program, a deal managed by BNP Paribas. This transaction gave a strong signal of the ability of the Bank to raise funds in spite of the political challenges in Egypt and the Middle East at that time and the turbulence in international financial markets precipitated in part by the sovereign debt crisis of the Eurozone economies.

During the period under review, the Bank continued to raise funds in the Euro Syndicated Loan Market. In this regard, in May 2011, the Bank raised an amount of US$307.5 million and €119.25 million through a dual tranche syndicated facility. The deal attracted 27 banks from Europe, Middle East, Africa and Asia. In June 2011, the Bank arranged a club loan facility with its core relationship banks in an amount of US$280 million.

Further, in July 2011, the Bank issued a benchmark size bond of US$500 million under its EMTN program. The deal which was priced at the tight end of the guidance attracted a coupon of 5.75% for a tenor of 5 years. The bond was six times oversubscribed with an order book of US$3.2 billion at a time of market distress due to the Eurozone sovereign debt crisis. The success of the transaction underscored the confidence of the bond market in the Bank's credit standing.

Regarding mobilisation of funds from partner institutions or banks, the Bank, during the review period, raised funding from Export Credit Agencies (ECAs) and Development Finance Institutions (DFIs) in an amount of US$417 million and utilised US$307 million. The Bank also raised bilateral loans from OPEC Fund for International Development (OFID), Standard Chartered Bank and BTMU during the year.

In terms of repayments, the Bank, during the year, fully repaid total amounts of US$580 million and €133.75 million due on various bilateral lines and club/syndicated credit facilities it received from its partners and the Euro-credit market in 2010.

The Bank manages the foreign exchange risk arising from its financing operations by borrowing in currency of lending and entering into forward foreign exchange contracts with creditworthy counterparties. As at the end of the year, outstanding forward foreign exchange contracts amounted to €70 million.

The amount of investments (short-term placements) held by the Bank at the end of 2011 was US$320 million. These short-term investments were placed with counterparties who meet the Bank's minimum credit ratings as approved by the Board of Directors.

3.4.2 Risk Management and Compliance

3.4.2.1 Risk Management

During the review period, the Risk Management Department continued to work on establishment of systems and procedures for effective implementation of the Enterprise Risk Management framework being implemented by the Bank, including the development of process maps with the assistance of an external consultant. Further, the department started monitoring the Bank's credit rating metrics, including triggers for upgrades or downgrades with a view to ensuring credit ratings are achieved and maintained at desired levels.

Under the newly reconstituted Bank Committees, Risk Management Department, from the beginning of 2011, became the secretariat responsible for the Bank's Past Due Obligations (PDO) Committee and in fulfilment of this role, the department monitored and managed watch-list and past due facilities with the objective of ensuring that the Bank maintained a sound asset quality.

3.4.2.2 Compliance Processes

In its 2008 Annual Report, the Bank reported the establishment of a Compliance Unit (CU) within the Bank to spearhead its efforts and contribution towards the global fight against cross-border financial crimes such as money laundering and terrorist financing. The Bank's Customer Due Diligence Policies and Procedures and instruments seek to ensure that its operations and activities conform to international standards and best practices as far as the global fight against international financial crimes is concerned. The activities of the CU are further aimed at ensuring that the Bank's employees remain committed to the social responsibility goals of the institution. In this regard, during the review period, the CU conducted customer due diligence assessments on all new shareholders of the Bank, suppliers of goods and services to the Bank valued in excess of US$20,000, as well as principal counter-parties involved in all credit transactions with the Bank. Specifically, during 2011, under the direction of the Management Compliance Committee (MANCOCO) of the Bank, the CU conducted 45 assessments on credit transactions; provided quarterly reports to the Board on customer due diligence and compliance issues; and monitored global trends in money laundering, terrorist financing and cross border economic crimes. In furtherance of its goal of increasing awareness among the Bank's clients (African financial institutions and corporates) about the dangers of cross border financial crimes, the CU, during the period under review, arranged a resource person to speak on: "***Controlling Risks in Structured Trade Finance Deals through Customer Due Diligence Processes"*** at the Bank's Annual Seminar on Structured Trade Finance that held in Accra, Ghana during November 30-December 3, 2011; and invited an external resource person to lead a one day in-house interactive workshop on: ***"AML/KYC Tools and Techniques", "Introduction to Corporate Governance", and "Social and Environmental Performance Management",*** for the purpose of deepening awareness and equipping the Bank's staff with the requisite skills they needed to ensure that the Bank deals with legitimate clients and that its operating infrastructure are not used to perpetrate any form of cross-border financial crimes. Further, during 2011, the Compliance Unit continued to forge alliances with partner institutions with a view to creating the necessary partnerships to support the global fight against money laundering and other forms of financial crimes. The Bank also participated in international conferences and seminars organized by its partners and relationship institutions to exchange ideas, experiences and information on best practices regarding the global fight against money laundering and terrorism financing during the review period.

3.5 SHAREHOLDER MATTERS

3.5.1 During 2011, 7 existing shareholders acquired a total of 377 additional shares using their accumulated dividend entitlements. These included the Federal Republic of Nigeria, Government of Cote d'Ivoire, Government of Senegal, Banque Centrale de Mauritanie and Bank of Sudan, all in Class A, and Banque Nationale D'Investissement (BNI) , Cote d'Ivoire and Commercial Bank of Ethiopia in Class B.

Further, two new shareholders joined the Bank during the period, namely: Banque Ouest Africaine de Development (BOAD) in Class A and Standard Bank of South Africa (SBSA) in Class B. Accordingly, the number of shareholders of the Bank increased to 124. The total number of shares subscribed at the end of 2011 stood at 42,308 units with a nominal value of US$423,080 million. As at the end of the review period, all shareholders had met their obligations under the first installment of share subscriptions. Regarding arrears on the second installment, the number of defaulting shareholders as at the end of 2011 reduced to 3 from 4 in 2011, as one shareholder in class C met its second installment arrears in full during the year. Accordingly, the total arrears at the end of 2011 was in an amount of US$0.0601 million (or 0.071% of second installment amounts due).

3.5.2 The number of countries and multilateral institutions that had ratified the Bank Agreement at the end of 2011 increased by one to a total of 24. The number of African countries that had signed or acceded to the Agreement for the Establishment of Afreximbank remained unchanged at 33 at the end of the review period. However, a sustained initiative to attract the membership of some important trading nations of the continent, such as South Africa, was undertaken and it is expected that discussions would be concluded in 2012.

3.5.3 The Bank held its 18th General Meeting of Shareholders in Luanda, Angola on June 25, 2011. The Meeting was opened by His Excellency Abrahão Pio Dos Santos Gourgel, Minister of Economy of the Republic of Angola. The Government of Angola, through its Ministries of Economy, Planning and Finance, and Banco Nacional de Angola contributed immensely to the success of the Meetings by providing extensive logistic support.

3.5.4 The General Meeting approved the Bank's Annual Report and Financial Statements for the year ended December 31, 2010 and also approved dividend payment in an amount of US$10 million for the 2010 financial year. Further, the General Meeting elected His Excellency Carlos Alberto Lopes, the Honourable Minister of Finance of Angola, as Chairman of the General Meeting for a term of one year.

3.5.5 The General Meeting, on that occasion, also recommended that Deloitte & Touche and Ernst & Young be retained as joint Auditors of the Bank for the 2011 financial year and approved their remuneration for the 2010 Audit Work.

3.6 MEETINGS AND COOPERATION

3.6.1 As part of the activities marking the 18th General Meeting of Shareholders, the Bank's Advisory Group on Trade Finance and Export Development in Africa (the "Group") held its 17th Annual Meeting on June 24, 2011 on the theme ***"Linking Africa's Enclave Extractive Sector to Domestic Economy: Is Local Content Promotion a Panacea?"***. The event was opened by Mrs. Ana Dias Lourenco, Minister of Planning of the Republic of Angola. The President of the Bank, Mr. Jean-Louis EKRA, delivered the keynote address at the meeting. The colloquium was led by a presentation on the theme: ***"Linking Africa's Enclave Extractive Sector to Domestic Economy: Is Local Content Promotion a Panacea?"*** by Professor Mike Morris, Head of Policy Research on International Services and Manufacturing (PRISM) at the School of Economics and Centre for Social Science Research (CSSR), University of Cape Town. Following the lead presentation, a Roundtable on the theme: ***"Local Content Promotion in Africa's Extractive Industries: Issues and Lessons of Experience"*** was constituted for a more in-depth discussion of critical issues relating to the lead presentation.

The Roundtable was chaired by Prof. Ode Ojowu, an accomplished economist and former Economic Advisor to His Excellency President Olusegun Obasanjo of the Federal Republic of Nigeria. Panellists for the Roundtable included Mr. Alex Otti, Group Managing Director/Chief Executive Officer, Diamond Bank, Nigeria, who spoke on ***"Financing Local Content Vehicles and Local SMEs in Africa's Extractive Industries: Issues and Challenges";*** Mr. Charles Gidi, Managing Director, Renaissance Africa Group, Ghana, who spoke on "***Preparing African Mining Services Companies (MSCs) to Source Funding: the Experience of an Investment Banker***"; and Mr. T.C.A. Ranganathan, Chairman/Managing Director, Export-Import Bank of India (Exim India), India, whose paper focused on "***Technology Transfer for Increased Local Value-addition in Africa's Extractive Industries: Perspectives from Exim India"***. Mr. Siyanga Malumo, Chairman, Africana Finance and Investment, South Africa provided a synthesis of the Roundtable discussion.

Further, as part of activities organised around the Advisory Group Meetings, an Investment Forum was held at which senior Angolan officials spoke on various issues relating to "***Investment Opportunities in Angola"***. The Investment Forum benefited from presentations by senior Angolan officials with broad knowledge of investment opportunities in the areas of Agriculture, Energy, Banking & Finance and Private Sector development in Angola.

As in the previous years, the Investment Forum was followed by one-on-one meetings between visiting prospective investors and business people in Angola. Further, as part of the activities organized around the 18th General Meeting, an exhibition was mounted by the organized private sector drawn from Angola. The exhibition was well attended by participants at the General Meeting, members of the Advisory Group and representatives of the banking and business communities in Angola.

3.6.2 At the invitation of the African Development Bank (AfDB), the President led a delegation to the 2011 Annual Meetings of the AfDB that held in Lisbon, Portugal, during June 6-10, 2011. The Bank's delegation participated in various high-level and thematic seminars, which were organised around the theme ***"Towards an Agenda for Inclusive Growth in Africa"***. The delegation also used the opportunity offered by the Meetings to hold discussions with existing and potential clients and pursued other business of the Bank.

3.6.3 A Bank delegation led by the President attended the 6th Annual Meeting of the Global Network of EXIM Banks and Development Finance Institutions (G-NEXID), which took place in Lisbon, Portugal on June 6, 2011, on the sidelines of the Annual Meetings of the AfDB. The Meeting reviewed the activities of the Network during 2010, approved the audited financial statements covering the 2010/11 financial year as well as the near term work programme of the Network. Some of the issues discussed at the Meeting included mobilisation of bilateral lines from G-NEXID members in support of South-South Trade in the face of the global financial crisis, membership mobilisation, strengthening of the G-NEXID Secretariat, establishment of a Credit Database for the sharing of credit information among members, and other matters relating to the support for, and consolidation of, the activities of the Network.

3.6.4 At the invitation of the World Economic Forum (WEF), the President led a delegation to the World Economic Forum on Africa (WEFA), that held in Cape Town, South Africa, during May 3-6, 2011. The Bank's delegation participated in various high-level and thematic seminars, which were organised around the theme ***"From Vision to Action, Africa's Next Chapter"***, the discussions of which centered on 3 thematic issues: (i) shaping Africa's Role in the New Reality; (ii) fostering Africa's New Champions of Growth; and (iii) building Partnerships for Inclusive Development. The delegation also used the opportunity of the Forum to participate in the World Aviation, Travel and Tourism Summit that held on the sidelines of the WEFA Meeting and pursued other business of the Bank.

3.6.5 At the invitation of the Inter-American Development Bank, a representative of the Bank attended the Annual Meetings of the Inter-American Development Bank and the Inter-American Investment Bank, that held in Calgary, Canada, during March 24-29, 2011. The Bank delegate participated in the seminars organised around the Meetings, and used the opportunity offered by the gathering to pursue other business interests of the Bank, including discussions on implementation of a Memorandum of Understanding (MOU) regarding cooperation between the Bank and a Brazilian Development Bank, Banco Nacional de Desenvolvimento Economico e Social (BNDES), and explored business opportunities with EDC, Canada, BLADEX, SWISS RE and the United States Department of Agriculture (USDA).

3.6.6 During May 26-27, 2011, at the invitation of the Government of Sierra Leone, a representative of the Bank participated in the Tripartite Investment Programme (TIP) Forum organised by the Office of the President of the Republic of Sierra Leone, which held during May 26-27, 2011, in Freetown, Sierra Leone. The Forum, which brought together local and international banks as well as public and private sector entities deliberated, among others, plans to achieve the Sierra Leonean government's plans of constructing a bridge to link the country's capital city (Freetown) to its airport (at Lungi); modernisation and expansion of the airport; and the establishment of a new capital city adjacent to the airport. The Bank's representative used the opportunity of her presence in Sierra Leone to meet with representatives of banks and corporates in that country.

3.6.7 In response to an invitation from the Ivorian authorities to the Bank to support the post-crisis economic recovery programme of the country, the Bank's President, during July 31 – August 3, 2011, led a delegation on a mission to Ivory Coast. During the mission, the Bank's delegation met with representatives of the Ministry of Finance and the Central Bank ("BCEAO") to understand the Government's economic recovery programme and identify near- to medium-term financing needs of the country. The delegation also met with representatives of the business community, including partners (corporate and banks) and potential clients. At those meetings, the President of the Bank emphasised that while bilateral support from the Bank would be helpful over the short-run, a more holistic approach would be needed to address both the immediate and medium-term financing needs of the country in the form of a Country Programme, and reiterated the Bank's preparedness to launch such a programme to support the economic recovery of Cote d'Ivoire.

3.6.8 During September 23–25, 2011, a delegation of the Bank participated in the Annual Meetings of the World Bank/ International Monetary Fund (IMF) that held in Washington DC, USA. The Bank's delegation used the opportunity of the event to meet with representatives of its Shareholders and partner banks; attended the African Bankers' Award Ceremony and the African Investment Forum; and pursued other businesses of the Bank.

3.6.9 On September 29, 2011, the Bank convened the 2nd Meeting of the Establishment Committee of the Alliance of African International Financial Institutions (AAIFI) in London, UK. At that Meeting, members reviewed the Report of the Consultant regarding recommendations on the appropriate legal structure to be assumed by the Alliance, and agreed to fast-track outstanding preparatory works for the establishment of the Alliance in 2012. The Bank also used the opportunity offered by the meeting to meet with the Director General of the International Cocoa Organisation (ICCO), with a view to reviving the Bank's cooperation with ICCO in support of the cocoa sector in Africa.

3.6.10 During November 6-9, 2011, members of the Bank's Factoring Working Group (FWG) attended the Annual Meetings of the International Factors Group (IFG), which took place in Miami, USA. The delegation participated in the seminars and training programmes organised at the event, including presentations on "***The State of the US and World Economy***" and "***A Guided Tour Around the World of Factoring and Commercial Finance"***, among others. The Bank's delegation also participated in the 3rd International Factors Group (IFG) Africa Chapter Meeting, which held on the sidelines of the Annual Meetings of the IFG; and held series of meetings with other IFG members with a view to exploring proactive ways for the promotion of factoring in Africa.

3.6.11 In its capacity as the Chair of the Working Group established to fashion out a framework for effective participation of the African private sector in Trade policy formulation and the on-going Doha Round of Multilateral Trade Talks, the President of the Bank convened the first meeting of the Pan-African Private Sector Trade Policy Committee (PAFTRAC) Working Group on September 10, 2011 in Cairo, Egypt (see Box 3.3). At that meeting attended by African business executives and representatives of private sector organisations and national and regional chambers of commerce, etcetera, papers were presented to educate participants on the initiative to involve the private sector in the design and implementation of national and regional trade policies. Following this development, the PAFTRAC was formally launched on the sidelines of the AU Conference of Ministers of Trade on December 3, 2011, in Accra, Ghana. Following the initial launch, the PAFTRAC was subsequently re-launched on the sidelines of the 8th WTO Ministerial Conference held during December 15-18, 2011 in Geneva, Switzerland in recognition of the WTO's pioneering role in the initiative. Mr. Pascal Lamy, Director General of the WTO spoke at this event and emphasised the critical role PAFTRAC could play in fostering African trade as detailed in Box 3.3.

The foregoing Meetings, Conferences and Seminars provided an opportunity for the Bank's staff not only to acquire knowledge and skills but also to advance the Bank's business and fulfil its commitments under various Cooperation Agreements with other partner institutions.

3.6.12 In pursuit of its goal of developing and strengthening trade finance capacity in Africa, the Bank organized its Eleventh Annual Seminar/Workshop on "Structured Trade Finance" during November 29-December 1, 2011 in Accra, Ghana**.** The Workshop was organised in collaboration with the Bank of Ghana, Ghana Bankers' Association and the African Capacity Building Foundation (ACBF). The Executive Vice President responsible for Business Development and Corporate Banking (BDCB) at the Bank, Dr. Benedict Oramah, delivered a Welcome Statement

Box 3.3 The Pan- African Private Sector Trade Policy Committee (PAFTRAC) Initiative

The African Private Sector is in general not actively involved in the evolution of national or regional positions in the on-going multilateral trade negotiations and national trade policy formulation. The limited private sector participation in trade policy formulation at the national and sub-regional levels across the continent is due to various factors, including poor organization of private sector groups or associations for their effective participation. Where there are some forms of organization, they sometimes lack the technical expertise necessary for formulating a case for the government's consideration. There are also limited formal channels for public-private sector dialogues and exchange of ideas on trade policy matters. The situation is compounded by mutual mistrust between the private and government entities and/or suspicion with which the government views suggestions by private businesses that appear to favor such businesses at the expense of the State. For example, cash-strapped governments consider proposals for tariff-reduction made by the private sector with suspicion. Moreover, at the continental level, private sector views have not been considered in the formulation of African positions on the various issues currently being debated under the on-going Doha Round of Multilateral Trade Negotiations as a result of absence or weak pan-African organized private sector fora around which to build capacity and channel private sector views to the Ministers of Trade. This situation renders the African private sector ineffective in playing any meaningful advocacy role in the design of national trade policies and in multilateral trade negotiations.

Against this backdrop, a Special Session of the African Economic Conference 2010 attended by senior executives and representatives of major operators of the African private sector on October 27, 2010 in Tunisia, under the auspices of the African Development Bank (AfDB): (i) formally recognized that there was very limited private sector participation and engagement in trade issues in Africa, particularly in trade policy making and trade negotiation; and (ii) established a consultative group [the "Working Group" or "WG"] comprising of African Export-Import Bank (AFREXIMBANK), Ecobank Transnational Incorporated ("ETI" or "ECOBANK"), International Trade Centre (ITC), and the Investment Climate Facility (ICF) of the United Nations.[1] The initiative received the solid support of the AfDB, the World Trade Organization, the United Nations Economic Commission for Africa (UNECA) and the International Trade Centre (ITC).

Further, the meeting mandated the WG to propose a framework for proactive involvement of the African private sector in trade policy matters, including multilateral trade negotiations; and agreed that the Working Group should serve as a platform for engaging the African private sector to: (a) actively participate in multilateral trade negotiations with a view to ensuring that positions taken by Governments in those fora are business-friendly; (b) proactively contribute to government trade policy formulation; and (c) help stimulate the process of private sector engagement at the national, regional and international levels on issues of trade policy.

The need to involve the African private Sector in the multilateral trade negotiations and trade policy formulation cannot be overemphasised, given that:

(i) the multilateral trade negotiation agenda is now firmly connected to domestic regulation, raising challenges for companies operating in domestic markets but also political sensitivities around perceived loss of sovereignty;

(ii) African businesses are increasingly concerned that agreements currently under negotiation at various levels and in different fora have the potential to substantially alter the playing field domestically, regionally and internationally; and

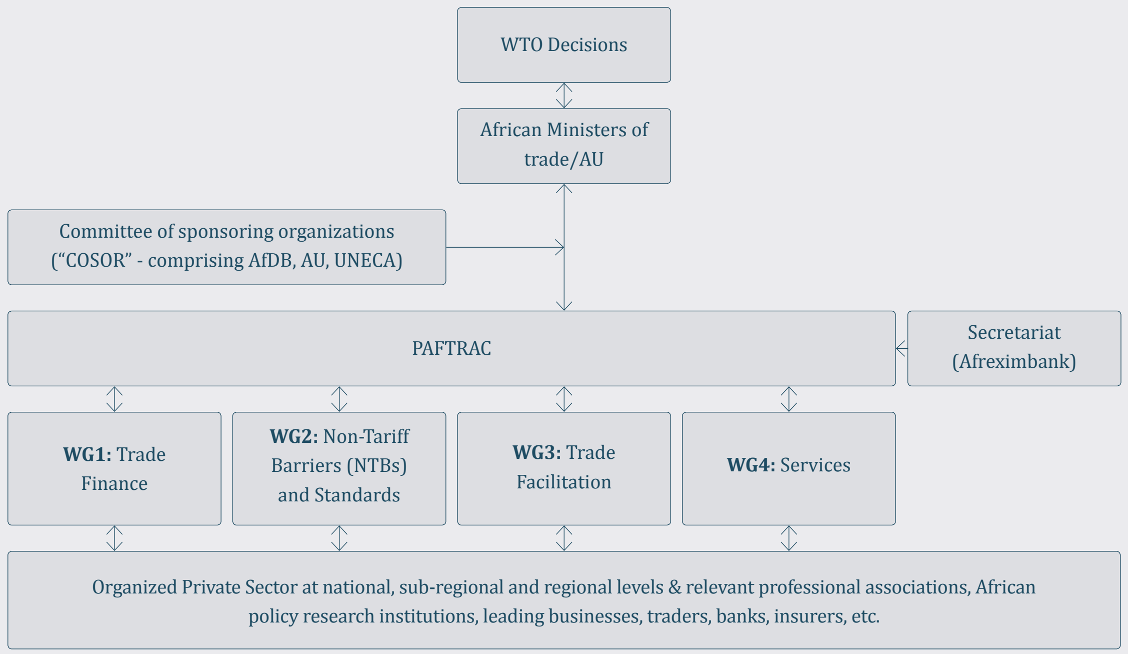
(iii) in Africa, it is common that governments engage in actual trade negotiations without consulting the African private sector, which is the sector directly impacted by outcomes of such trade negotiations.

On account of the consensus that emerged at the Tunis meeting and the mandate and workings of the Working Group, the Pan African Private Sector Trade Policy Committee was conceived and formally inaugurated on December 3, 2011 in Accra, Ghana on the sidelines of the 7th Ordinary Session of the African Union Conference of Trade Ministers and on December 16, 2011, in Geneva, Switzerland on the sidelines of the WTO Ministerial Meeting. PAFTRAC is expected to provide a platform for the exchange of information between the private sector and the executive and legislative arms of African governments. Accordingly, memberships of PAFTRAC include representatives from:

(i) the Working Group;
(ii) Pan-African Chambers of Commerce;
(iii) National and sub-regional Business Councils;
(iv) Industry Associations; and
(v) Relevant African centers of excellence including African Economic Research Consortium (AERC) and African Capacity Building Foundation (ACBF).

The organizational arrangements regarding the work of PAFTRAC is as captured in Figure B3.1.

Figure B3.1 Proposed Organizational Arrangement for Effective African Private Sector Involvement in Multilateral Trade Negotiations



1 Membership of the Working Group was subsequently expanded from 4 to 18 to include: Afreximbank; Ecobank Transnational Incorporated; the African Capacity Building Foundation; the African Economic Research Consortium (AERC); African Trade Insurance Agency; East African Business Council; COMESA Business Council; Loita Group; Mauritius Chamber of Commerce & Industry; Finance and Fund Raising Comm. University of Nigeria; International Trade Centre; The Investment Climate Facility for Africa; Chambre de Commerce et d'Industrie de Côte d'Ivoire; Arik Air Aviation Centre; Econet Wireless; Thelo Group Pty. Ltd.; and Egyptian Business Women Association.

In more specific terms, PAFTRAC is expected to play the following roles, among others:

(a) serve as a platform for synthesizing and harmonizing the disparate and divergent views of the African private sector on trade issues with multi-country consequences, which require a common African position;

(b) serve as the vehicle through which the views formed in (a) above will be brought to bear on trade policy issues being discussed by the African Ministers of Trade at their meetings;

(c) provide up-to-date information to African Governments and private sector on status of negotiations on trade issues at multilateral fora, including new issues that are emerging and positions of key parties;

(d) assist in mobilizing resources to fund the building of technical capacity of the organized private sector in Africa as regards trade issues. In this regard, to work towards facilitating access of these institutions to capacity-building resources from the AfDB and the WTO's Doha Development Agenda Global Trust Fund (DDAGTF), among others;

(e) facilitate research and dissemination of research findings on possible impact of given trade issues on African economies;

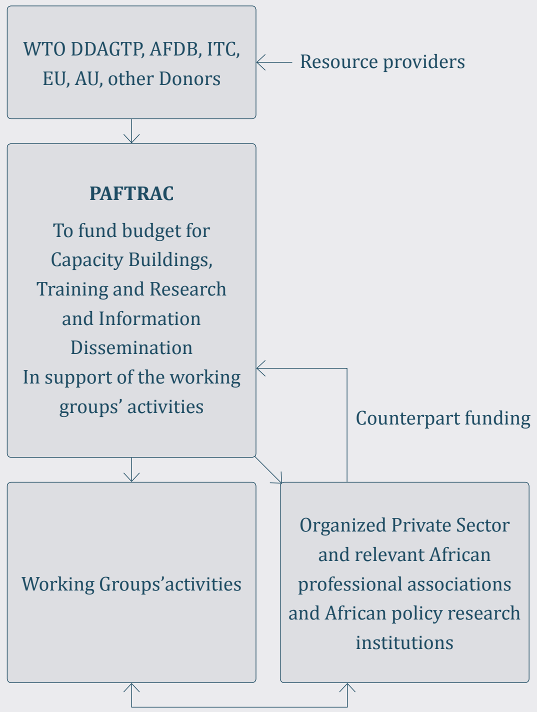
(f) mobilise legal resources in support of any African issue brought or to be brought to the Dispute Settlement Body of the WTO;

(g) promote dialogue on trade matters between Governments and the private sector at the country level; and

(h) collaborate closely with the AU, the AfDB the WTO and UNECA in their works on trade development in Africa and use them in lobbying at high levels.

The envisaged sources of funding for the activities of PAFTRAC are as highlighted in Figure B3.2.

Figure B3.2 Envisaged Resource Flows in Support of the Initiative



Overall, PAFTRAC is an institutional arrangement aimed at facilitating effective private sector participation in trade policy issues with a view to enhancing the role of African Private Sector in trade policy making, and in the negotiation, implementation and monitoring of multilateral trade agreements. Thus, its potential contribution to efforts at enhancing private sector involvement in national trade policy formulation and the ongoing multilateral trade negotiations cannot be overemphasized. Accordingly, Afreximbank, as the Secretariat of PAFTRAC, will continue to work with all partners of PAFTRAC and members of the Group to ensure that the goals for which the initiative was established are fully realised.

at the Opening Session. The Second Deputy Governor of the Bank of Ghana, Mr. Millison Narh, gave a Keynote Address while Dr. Roger Atindehou, Senior Programme Officer at the African Capacity Building Foundation (ACBF), read a Statement on behalf of the Executive Secretary of ACBF. The training programme, which attracted 101 participants from within and outside Africa, began with a two-day seminar on ***"Advanced Structured Trade Finance".*** Presentations at the Seminar were led by an exciting exposé on the economic potential of African economies, as a group, and the enormous business opportunities that exist in Africa based on a research work titled ***"Lions on the Move: The Progress and Potential of African Economies"*** undertaken by the McKinsey Global Institute. The title of other Papers presented at the Seminar included: ***"Structuring Deals: Risk Identification, Risk Mitigation, Security, Pricing Issues and Pitfalls"; "An Introduction to Inventory and Receivables Financing"; "Mitigating Commodity Financing Risk through Collateral Management Structures"; "Legal Issues in International Commercial Secured/ Unsecured Transactions"; "Managing Operational Risks Under Structured Trade Finance Framework-Challenges, Solutions and Some Examples"; "Controlling Risks in Structured Trade Finance Deals through Customer Due Diligence Processes"; "Structured Trade Finance and Bank Capital Management Under Basle II: Opportunities and Challenges"; "Financing Hospitality Projects in Africa – Opportunity Offered by Afreximbank's Contour Programme and an Example"; "Integrating Structured Trade Finance into the International Debt Capital Market – The Example of a Diaspora Bond Deal in Southern Africa"*** and ***"Nationally Appropriate Mitigation Action (NAMA) and the future of Carbon Credit Financing".***

Resource persons for the Seminar included individuals with extensive knowledge and hands-on experience relating to the topics they discussed, namely Mutsa Chironga, Associate Principal, McKinsey & Company, South Africa; Dr. Benedict Oramah, Executive Vice President (BDCB), Afreximbank, Egypt; Mr. Chris Goromonzi, Managing Director, Bourse Africa, Botswana; Mr. David Franklin, Franklin & Franklin, Canada; Ms. Anne-Marie Woolley, Director and Head of Structured Trade and Commodity Finance, Standard Bank, UK; Guy Sheppard, Senior Product Manager, Reed Business Information, UK; Simon Cook, Partner, SNR Denton & Co., UK; Dr. Wale Oki, Saibatek Limited, UK; Mr. Andrew Gamble, Partner, Hogan Lovells, UK; Mr. Yaw Debrah, Managing Director, Dinosaur Securities/JPY Capital, US; and Tuomas Rautanen, Head, Regulatory Affairs and Consulting, First Climate, Switzerland.

A one-day workshop was also organized to complement the two-day seminar. The Workshop on the theme: "***Syndicated Loans: Principles and Practice***", was intended to deepen participants' understanding of syndicated loans and risk sharing principles so as to enable participants take advantage of the business opportunities offered by rising deal sizes in Africa. The lead resource person at the Workshop was Mr. Tony Rhodes, a Syndications Consultant, who led the workshop around two broad topics, namely: (a) "***The Principles of Syndicated Lending",*** and (b) ***Practical Issues in Arranging Syndicated Loans",*** and also facilitated the analysis of two Case Studies by participants**.** Mr. Samuel Mugoya, Senior Manager at the Specialised Funding Unit at Afreximbank also spoke on: ***"Afreximbank's Syndicated Loans Programme: Rationale, Model and Opportunities."***

Sessions of the Seminar/Workshop were chaired by Mr. Millison Narh; Dr. Benedict Oramah; Mr. Asare Akuffo, President, Ghana Bankers' Association and Managing Director of HFC Bank, Ghana; and Dr. Roger Atindehou.

The Bank's Factoring Working Group (FWG) also organised a one-day factoring

workshop in Accra, Ghana on December 2, 2011 on the theme: "***Achieving Success Through Factoring***". The Workshop, which attracted about 25 participants, was aimed at equipping African factoring businesses with the requisite knowledge and skills for delivery of factoring services in Africa. The workshop was organized in collaboration with the International Factors Group (IFG). Some of the topics discussed at the Workshop included "***The Two Factor System: A Tool for Developing International Factoring Activities***"; and ***"Key Success Factors in the Organisation of Factoring Operations",*** among others. Key resource persons that led the workshop were Mr. Erik Timmermans, Executive General Secretary at IFG, and Mr. Peter Brinsley of Venture Finance, UK. Mr. Ebe Ould Ebe, Executive Director of Mauritanie Leasing and Mr. Ravi Gupta of Blend Financial Services, India also presented papers at the Workshop.

3.7 THE BOARD

3.7.1 During the review period, the Board met four times and took very important decisions on issues affecting the Bank. In particular, the Board reviewed the Annual Report and Financial Statements of the Bank for the year ended December 31, 2010, and approved that these be submitted to the Eighteenth General Meeting of Shareholders that took place in Luanda, Angola in June 2011. The Board carried out the regular half year review of the implementation of the Annual budget in September 2011.

In view of the increasing funding and capital requirements to meet the growth in loans, the Board also endorsed plans for an equity mobilization exercise, which is currently underway. Also approved by the Board were plans for the raising of funds from African Central Banks, the terms of reference and the membership of its committees, the framework and guidelines for issuing the Bank's Laisser-Passer, the Bank's Strategic Plan for the next 5 years, the revised risk management policies and procedures, the funding programme for 2012, the triggers for the preparation of country and sector reports and the country and sector exposure limits for 2012, in addition to the usual review of operational matters. Quite some attention was given to the review of the implications of current market conditions for the business and other activities of the Bank.

3.7.2 During the review period, the Committees of the Board met regularly to deliberate on issues relating to the Bank's operations and activities. In this regard, the Executive Committee, the Branch Management Committee, the Audit Committee and the Remuneration Committee (REMCO) of the Board met in accordance with their meeting schedules and deliberated on issues within their respective terms of reference. The Executive Committee of the Board approved financing transactions and received reports on the Bank's credit operations. The Audit Committee received and reviewed the internal audit report from the internal audit department and BDO. The Committee also reviewed progress on the 2011 external audit exercise and considered and approved the external audit work programme for 2012. The Branch Management committee reviewed reports on the activities of Branches and proposed measures for improving their operational efficiency. The REMCO met once and deliberated on issues pertaining to compensation of Bank staff.

3.8 MEMBERSHIP MOBILIZATION

During the review period, Banque Ouest Africaine de Développement (BOAD**)** and Standard Bank of South Africa joined the Bank while seven existing shareholders (5 governments and 2 banks) bought additional equity using their dividends. Further, the Bank began finalizing arrangements towards the selection of investment banks as Transaction Advisors to spearhead the Bank's capital raise initiative. Plans were concluded also to formally invite existing Shareholders to increase their equity stakes in the Bank, as part of the Bank's planned equity mobilization exercise to be launched in 2012.

3.9 BRANCHES

During the review period, the Branch offices of the Bank functioned in line with the operational targets set for them by Management. A summary of the operations and activities of the branches is presented below.

3.9.1 Harare Branch Office (HBO)

HBO continued to contribute positively

to the work of the Bank. In this regard, the total volume of business generated by HBO increased by 30% year-on-year to US$1,457 million in 2011. Of this volume of business generated, transactions approved by the Executive Committee of the Board of Directors amounted to US$491 million, representing a decline of about 5.6% from the level of US$520 million in 2010. Total volume of transactions at different stages of development stood at US$41 million at the end of 2011, about 83% lower than the level at the end of 2010, reflecting a significant improvement in the processing of facility requests. Similarly, the volume of operational facilities improved markedly to US$568 million, reflecting a year-on-year increase of 60% in 2011. The facilities that were operational included those approved in the prior year. HBO also contributed to the significant achievement made in diversifying the geographic distribution of the Bank's Loan assets in Southern Africa region. In addition, the Branch continued to effectively monitor transactions in its area of coverage during the review period, as was done in the previous years.

3.9.2 Abuja Branch Office (ABO)

During the review period, the volume of new business generated by ABO amounted to US$589 million, a 53% rise above the level attained in 2010. Approvals during the period amounted to US$316.5 million with another US$206 million at credit study stage of the approval process. The Branch continued to provide support in terms of following up on documentation necessary for disbursements, as well as other relationship management support as required of ABO.

3.10 TRADE INFORMATION

The review period saw the Bank intensify on-going efforts at providing its clients with country reports, financial sector reports, commodity market reports, and reports on international trade issues of economic interest to African entities, among others. The Bank also continued to expand its data base on African banks and commodities of trade interest to Africa.

3.11 PERSONNEL AND ADMINISTRATION

In line with Management's objective of equipping staff with relevant skills through appropriate training and knowledge sharing, some staff of the Bank attended various conferences and seminars in areas considered relevant to the attainment of the Bank's medium-term goals. Some of the seminars and conferences attended by staff members are presented in Paragraph 3.6 of this Report. In addition, 18 staff members attended various professional training programmes during the year under review. Further, the Bank, during the period, continued to implement its knowledge sharing training programme in which staff who have participated in external training programmes share the knowledge and experiences gained on such programmes with their colleagues. In this regard, 6 knowledge sharing sessions were organised during the review period. Papers presented at these sessions included: "***Emergency Responses: Knowing Your Exit Scenario"; "Enterprise Risk Management"***; "***HR Skills for Banking & Finance***"; "***Advanced Credit Analysis***"; "***Aviation Finance***"; and ***"Project Finance"***. The Bank also embarked on the implementation of a Human Resource Information System (HRIS) as part of the overall Enterprise Resource Planning (ERP) system implementation of the SAP software. The HR Module encompasses the automation of all staff bio-data, salary and benefits and performance management processes. It also covers the establishment of an HR Portal with an Employee Self Service (ESS) function, which will ease individual staff access to relevant information. As at the end of the review period, the total number of staff at the Bank was 86, representing 12% growth over the staff level of 77 in 2010. The staff strength was generally in line with planned evolution of staff numbers under Project ASPIRE.

Following the Bank's relocation to its new Head Office building in Heliopolis at the end of 2010, the Bank worked on stabilizing building and office management systems, addressed snags and ensured that all staff members were well settled in. In this regard, the full furnishing of the new premises was completed in June 2011, offering a conducive work environment to Bank staff. The Bank also donated surplus and/or old furnishings used by the Bank at the World Trade Centre to *El-Ghad El Moushrek Society,* an Egyptian charitable organization that supports mentally and physically handicapped children.

The Bank's library at the new premises also became operational during the review period and arrangements were advanced for the installation of an Electronic Records and Library Management System early in the coming year. The library is expected to support the Bank's goal of positioning itself as a centre of excellence in African trade matters.

3.12 BANKING RELATIONSHIPS

During the review period, the Bank continued to deepen the scope and depth of its relationship with African and non-African partner institutions. Given the increased focus on business development, the Bank, during the period, continued to receive at its headquarters and branches delegations from major African and non-African institutions seeking to develop business relationship with the Bank. Conscious efforts were also made during the year to further strengthen business relationships with major financial institutions in the Euro credit market through business calls and participation in syndicated and/or club deals originated by some of those partner banks.

3.13 AWARDS

During the review period, Afreximbank received the Best ECA/DFI in Africa 2011 Award by the *Trade Finance Magazine* published by Euromoney. It also received the *Africa Investor* Trade Finance Bank of the Year Award for 2011 and the *EMEA Finance* Best Supranational Bond Award in 2011. Further, members of the Association of African Development Finance Institutions (AADFI) voted the Bank as the "Best Development Finance Institution" in Africa during the year.

These awards for Excellence received from reputable international institutions reflect independent affirmations of the contribution and achievements of the Bank during the review year.

CHAPTER FOUR

TRADE DEVELOPMENT IMPACT OF THE BANK'S OPERATIONS AND ACTIVITIES

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

4.1 INTRODUCTION

The primary goal of creating the African Export-Import Bank was to use it as a vehicle for promoting trade and economic integration within Africa and between Africa and the rest of the world. The Bank is expected to pursue this goal in a sustainable manner by operating profitably. It is therefore important that the Bank not only reports its financial and operational performance but also isolates specific areas of intervention that were representative of the direct trade development impact of its operations during the review year. This Section of the Report therefore puts into appropriate context the extent to which the Bank's operations and activities impacted trade and economic development in its member countries during 2011.

Specifically, in line with the objective of re-focusing the Bank's Annual Reports, this chapter elaborates on a sample of the Bank's operational activities considered to have contributed in a significant way towards the attainment of Afreximbank's trade and economic development mandate. The Bank's trade development agenda as captured in its Vision and Mission Statements essentially entail addressing the trade challenges facing African countries, as a group, namely very low share of global trade; high export product and market concentration; relatively low levels of intra-regional trade; stringent external trade and project financing terms; and low levels of local participation in the tradable sector, etcetera. The Bank, as was done in previous years, used various channels and vehicles in its work towards addressing some of the above constraints during the review period, including the promotion of local content across Africa's enclave extractive industries; contributing to improve communication links to facilitate Africa's integration into the global economy; supporting on-going efforts at diversification of exports by financing the processing of African commodities for export; and actively promoting the development of service exports by financing, among others, the creation of world-class hotel and tourism facilities in some member countries under the Bank's Construction/Tourism Linked Relay Facility (Contour).

Besides, as part of efforts at facilitating the return of international banks to African trade finance following the exit caused by the global financial and economic crises, the Bank, during 2011, continued to leverage external financing to support viable trade and project ventures in various African countries; and contributed to the creation of capacities in the structuring and management of bankable trade and project finance deals through organisation of seminars/workshops as well as offer of internships for the benefit of African bankers, traders and young professionals operating in the Continent's trade sector.

This Chapter attempts to shed light on a sample of key transactions and activities of the Bank that in the Bank's opinion, made significant impact towards the attainment of the Bank's trade and economic development goals in Africa during 2011.

4.2 CHANNELS OF DEVELOPMENTAL IMPACT

4.2.1 Promoting Local Content in Africa's Extractive Sector by Creating African Champions

During the year, the Bank continued to support activities relating to increasing local content in Africa's extractive industries, an initiative introduced to support entities providing services to major mining and oil & gas companies operating in the continent. The overall goal is to increase the domestic economy's share of the benefits arising from the activities of the extractive industries in terms of receipts of rent, wages and salaries, interest and profits.

The Bank supports local content promotion by engaging policy makers and public and private sector professionals in policy dialogues through its Advisory Group Meetings and at the firm level by providing appropriately structured financing and advisory services to enable African entities procure and execute service contracts.

In this regard, the Bank made local content promotion the subject of its 17th Advisory Group on Trade Finance and Export Development Meeting, held in Luanda, Angola on June 24, 2011, by focusing on the theme ***"Linking Africa's Enclave Extractive Sector to Domestic Economy: Is Local Content Promotion a Panacea?"***. The consensus at that Meeting was that African governments should integrate local content promotion in their economic and trade policies as such programmes would promote sustainable economic growth and employment, provide opportunities for diversification of national economies and offer scope for the development of the industrial and service sectors, among other benefits. The Meeting also proffered suggestions and solutions to the challenge of financing indigenous businesses to enable them take advantage of opportunities in those sectors.

Further, during 2010/11, the Bank, under its Local Content Promotion Programme, arranged a US$500 million syndicated term loan facility in favour of Seplat Petroleum Production Company (SEPLAT), a joint venture between two Nigerian oil exploration and production companies and a French independent oil company. SEPLAT was established in 2009 as a Special Purpose Vehicle (SPV) for the acquisition of a 45% interest in three on-shore Oil Mining Licenses (OLMs 4, 38 and 41) located in the Western Niger Delta Region in Nigeria with the remaining 55% owned by the Nigerian National Petroleum Corporation (NNPC). On the back of the US$500 million syndicated financing facility arranged by the Bank and supported by First Bank of Nigeria PLC, United Bank for Africa PLC and Skye bank PLC, Nigeria, SEPLAT was able to refinance a US$340 million bridge loan used in acquiring its stake in the OLMs 4, 38 and 41, which had proven reserves of about 150 million barrels. An amount of US$160 million was put in place as a standby Facility to assist SEPLAT in pursuing other acquisition targets in Nigeria and to fund other oil field activities. It is pertinent to note that this landmark deal was fully funded by African banks at a time many international banks were retreating from Africa on the heels of the tight international liquidity situation caused by the global economic and financial crises. Since SEPLAT began operating the field, its operations have been contributing to deepening the participation of local entities in the country's extractive industry. The company's operations have created numerous job opportunities (both skilled and unskilled) for local communities, raised revenues to the government of Nigeria and therefore increased the overall share of the domestic economy's participation in the extractive industry. The Bank's support for the company underscores its commitment to promoting African content in the continent's extractive industries.

To date, the Bank's work in this field has enabled many African service providers to emerge on the scene; expanded the capacities of some indigenous firms to perform; and, in many cases, paved the way for the formulation and implementation of local content policy initiatives across Africa.

4.2.2 Promoting Intra-African Trade by Exploiting Static and Dynamic Comparative Advantages

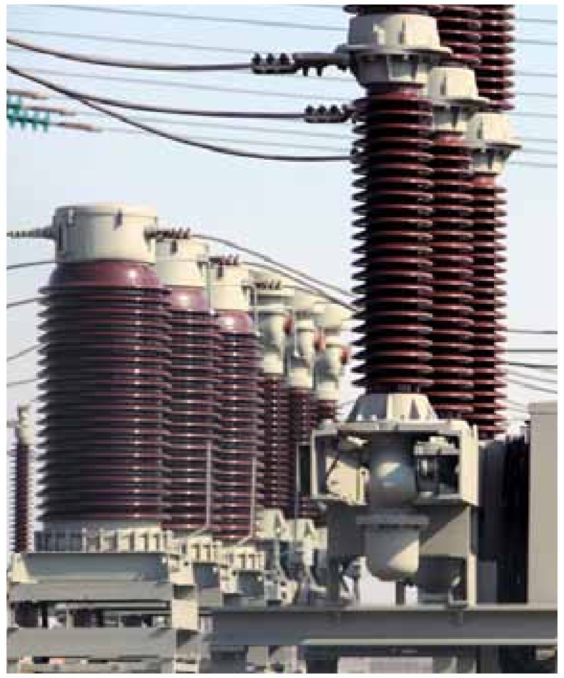
As part of its effort at promoting intra-African trade, the Bank has been providing financing and advisory services support to African businesses in activities the Bank believes they enjoy comparative advantages in providing to near markets. In many of the cases, the Bank provided solutions to the missing link in exploiting the market opportunities. Some of these included challenges related to market entry, country and commercial risk cover and putting the business at near equal footing with their competitors by making it possible for them to grant buyer credits to their African customers. In this regard, during 2011, the Bank provided financing and related support in respect of sales/supply contracts awarded to El Sewedy Electric, an integrated power and energy solutions company based in Egypt, to undertake various projects relating to the electricity sector in three countries, namely Cameroon, Ethiopia and Zambia.

In Cameroon, the Government, as part of its strategy of increasing electricity production capacity in the country, awarded a contract to El Sewedy Electric for the supply of equipment for the generation of electricity in 3 main cities experiencing severe energy deficits, including a 20 Megawatt thermal power plant for the city of BAMENDA, 10 Megawatt thermal power plant for MBALMAYO and 10 Megawatt thermal plant for EBOLOWA. The transaction was supported by Ecobank Cameroun through the issuance of Letters of Credit to an amount of about €44 million in favour of El Sewedy. Afreximbank provided payment guarantees in respect of the Letters of Credit issued by Ecobank in support of the deal to enable El Sewedy execute the contract.

In Ethiopia, the Bank entered an arrangement with El Sewedy where it committed to provide payment guarantees and/or undertaking to purchase payment instruments under Letters of Credit issued by Commercial Bank of Ethiopia (CBE) in favour of El Sewedy Electric in an amount of €65 million. The contract involved was one for the design, import, supply, testing and commissioning of wind farm equipment for the development of a 60 Megawatt Wind Power Generation Project in that country. The project is intended to support in an environmentally sustainable manner the country's industrialisation process as well as support economic activities of small and medium-sized enterprises thereby facilitating job creation and employment.

In Zambia, the Bank provided a Discounting Facility in an amount of US$80 million in respect of accepted drafts drawn under Letters of Credit issued by Zambia National Commercial Bank (ZANACO) on behalf of Zambia Electricity Supply Company Limited (ZESCO), thereby making it possible for El Sewedy to grant appropriate credit terms to ZESCO and facilitating El Sewedy's successful bid for the project. The contract involves supply of equipment and substation upgrade, and supply of transformers and related equipment to ZESCO. The Zambian project is very important to ZESCO, which produces almost 100% of Zambia's electricity requirements. Zambia's economic development and growth strategies are centred around agriculture, mining and tourism sectors, and thus reliable power supply is crucial to the viability and development of these sectors and sustainable economic growth and development of that country. Further, by financing ZESCO, an important power producer in the Southern African Development Community (SADC) under the Southern Africa Power Pool Arrangement, the financing support provided by Afreximbank to the ZESCO/El Sewedy transaction contributed to enhance regional trade and co-operation among countries in the SADC region.

The El Sewedy transactions with various buyers on the continent boosted intra-African trade, as the Bank's financing assisted an African supplier to provide services to countries in the region, reduced the cost of trade finance as the L/Cs opened by the local banks needed no international bank confirmation, benefited local industries, created employment in Egypt and the respective buyer countries, and contributed to strengthen economic co-operation among African countries. Further, the projects financed were considered very important to the countries' socio-economic development and economic growth strategies, given the crucial role of energy to activity across all sectors of national economies. Further, in the case of Ethiopia, the project in question has the potential of contributing to environmental sustainability with possibility of earning carbon credit for Ethiopia.



The partnership with El Sewedy and selected companies with competitive advantage in exporting to Africa will form a solid foundation in the Bank's aggressive effort at promoting intra-regional trade under its newly launched Intra-African Trade Facilitation Programme (INTRAFAP).

4.2.3 Promoting Export Product Diversification Through Support for Service Exports

Consistent with its corporate goal of promoting service exports in Africa, the Bank recently introduced the Construction/Tourism-Linked Relay Facility (**CONTOUR**), to support the tourism industry, which has been identified as one of the key service export industries with enormous potential to contribute to the growth and development of African economies, through foreign exchange earnings, direct and indirect employment creation, skills transfer and development of supply chains. Through the Contour facility, the Bank finances and promotes the development of world class hotels and tourism facilities in Africa.

During 2011, with FBN Bank (UK) Ltd as Construction Financing Partner, the Bank, under its CONTOUR facility, provided credit guaranties to support the construction phase of the development of a 5-Star hotel in Freetown, Sierra Leone. Further, in line with the Bank's policy of providing assurances to investors that African governments will meet their commitments to foreign investors under

Computer Generated Image of the Hilton Freetown Cape Sierra Hotel

development-oriented projects, the Bank also provided a Country Risk Guarantee Facility to FBN Bank (UK) Limited with extension that covered certain Sierra Leone Government commitments to the project promoters for the construction phase. It is pertinent to note that the promoters of the Hilton Freetown Cape Sierra Hotel, IDEA (UK), is an indigenous company set up by Sierra Leonean professionals previously living in the diaspora, and who believe that Sierra Leoneans should lead their country's economic development efforts. With the Bank's support, IDEA (UK) secured the site for the new Hotel Project from the country's State Pension Fund under a 48-year concession.

The Bank's CONTOUR Facility enabled IDEA (UK) to proceed immediately with the two year construction phase of the project, which involved the demolition of the original defunct hotel structures and replacing it with a new, modern facility that would make optimal use of the stunning Atlantic waterfront location upon which the hotel is situated. Demolition of the original hotel structures began in October 2011 and was successfully completed on schedule in January 2012. The construction of the new hotel has begun and is scheduled to be completed and made operational during the first quarter of 2014. It is worth noting that upon completion of the physical construction works, Afreximbank will, under the terms of the Contour Facility, refinance the construction loan granted by FBN Bank, UK and fund the cost of installing Furniture, Fittings and Equipment (FF&E) as well as provide working capital to support the operations of the hotel facility.

The project has the potential to create over 400 jobs for local skilled and unskilled workers during the construction phase, with an additional 450 workers expected to be directly employed by the hotel during the operations phase. Indirect local employment opportunities are also expected to be created throughout the supply chain during both the construction and operational phases of the hotel project. Further, the hotel facility will have a significant positive impact on the foreign exchange earnings capacity of the country by expanding tourist arrivals and supporting investments in mining and other sectors.

It is worth noting further that IDEA (UK) has committed to providing facilities for training in the area of hospitality management in Sierra Leone. The proposed training facility is expected to contribute in improving the efficiency of service delivery within the hospitality industry in Sierra Leone. This would in turn positively impact the national tourism industry making Sierra Leone better-able to compete with more established tourism destinations in the sub-region. Over the term of the concession, the hotel project is expected to make rental payments to the State Pension Fund in excess of US$100 million with the Government of Sierra Leone receiving a share of 10% of those rental payments. The Government of Sierra Leone is further expected to receive over US$70 million in corporate tax revenues --- resources that could be used to fund much needed investments in social services, such as healthcare and education.

4.2.4 Supporting the Integration of Africa Into The Global Economy

As part of its effort at integrating Africa into the global economy under the rapidly changing communication age, the Bank has been providing financing and advisory services support to African communication service providers to enable them build the necessary infrastructure and/or provide the necessary services to support ICT development in the continent.

In this regard, during the year under review, Afreximbank, arranged a syndicated term loan facility of US$125 million for SWAP Technologies & Telecomm Plc ("**SWAP**"), a telecommunications infrastructure service provider in Nigeria, to finance the acquisition of cell site infrastructure from Starcomms Nigeria, finance capital investments in various forms of telecommunications infrastructure, as well as meet technology upgrade requirements.

SWAP is one of the leading turnkey mobile and telecommunications infrastructure construction and service firms in Nigeria providing solutions to telecommunications operators and vendors who seek to build telecommunications infrastructure for fixed and wireless telecommunications services. Until 2009, SWAP's business was focused on trading and distribution of telecommunication products, including airtime, distribution of telecoms towers, shelters and DC power equipment, and building of complete BTS sites for CDMA and GSM operators and ISPs. The company is currently positioning itself as a full-fledged telecommunications infrastructure management service provider focusing on:

- infrastructure deployment and management services;
- post construction management services (operations and maintenance); and
- Telecommunications Infrastructure Sharing and Leasing, referred to as Collocation.

Following the acquisition of 100 sites by SWAP from Zoom Mobile under a Sale-and-Leaseback (SLB) Agreement and the building of an additional 100 sites by the company through "Build-to-Suit" arrangements with clients of SWAP in October 2010, the company acquired 407 telecommunications towers from Starcomms Plc, Nigeria ("Starcomms") to add to its portfolio of over 200 telecomm towers through a competitive tendering process and thereafter upgraded all the acquired sites to meet its standards for co-location.

The US$125 million Syndicated Senior Secured Term Loan Facility provided by Afreximbank and other lenders, namely First Bank, Nigeria, ECOWAS Bank for Investment and Development (EBID) and Diamond Bank, Nigeria will provide the company much needed financing to enable it pursue its key near to medium term expansion plan of providing "managed services" to clients. The company is in the process of formalizing agreements in this regard for a total of 147 sites owned by Starcomms and 500 sites currently operated by Ericsson.

The support provided by the Bank facilitated the migration of the Nigerian Telecom Sector towards the outsourcing of key services to service providers enabling the companies to lower telecommunication service costs to consumers and to generate cash for further investments in new technology that is driving trade and economic activities.

4.2.5 Supporting Small and Medium Enterprises Operating in Export Supply Chains

Afreximbank has in place arrangements for facilitating trading activities in its member countries coming out of crisis as a way of rapidly returning such economies to growth and prosperity. It does that under specific country programmes and other initiatives. In furtherance of this goal, the Bank continues to support ongoing efforts at reviving economic and trade activities in Zimbabwe, one of the Bank's member countries. Specifically, the Bank, in 2011, signed an Agreement with the Ministry of Finance of Zimbabwe (MOFZ) under which Afreximbank committed to provide a US$100 million Zimbabwe Economic and Trade Revival Facility (ZETRF) in favour of selected Zimbabwean banks for on-lending to Small and Medium-Sized Enterprises (SMEs) in Zimbabwe. The facility has the participation of MOFZ in an amount of US$20 million.

The facility, which is being disbursed through local participating banks approved by the Bank, is to facilitate access of strategic industries/enterprises to reasonably-priced financing to extend productive capacities of SMEs in Zimbabwe and, in so doing, enable them contribute effectively to economic and trade development in Zimbabwe. The Facility is expected to support local businesses in the country which are currently facing challenges with respect to high cost of funds, limited financing opportunities and the lack of long-term financing. It also extends support to companies operating in regions less serviced by banks. It is expected that 27 enterprises employing about 400 people will benefit directly and indirectly from the facility. It is also expected that the entities benefitting from the facility will help strengthen export manufacturing in Zimbabwe.

4.2.6 Leveraging External Financing to Support African Trade

In line with its strategy of using results-oriented partnerships and cooperation to attract external financing to support trade in Africa, the Bank, during the review period, used various instruments to leverage international financing into Africa. Specifically, in 2011, the Bank arranged, co-arranged or participated in 14 syndicated financing transactions amounting to US$3.27 billion. The Bank's participation in those syndicated deals amounted to US$953 million. Aside from funding, the Bank, in some cases, supported the deals by providing additional comfort in the form of country risk guarantees to some members of the lending Syndicate. Thus, for every US dollar funding committed by the Bank, it was able to attract into Africa about US$3.4 to support trade and bankable trade-related projects in the continent.

Further, during 2011, the Bank supported CBZ Bank in the issuance of a three-year Zimbabwe Economic Recovery Bond (ZERB). The US$50 million bond issuance, which was arranged and guaranteed by the Bank, mobilised much needed long term funding for infrastructure investments in the key sectors of the Zimbabwean economy, including mining, energy and agriculture. The bond is traded on the Cayman Islands Stock Exchange to allow for increased foreign investor participation. The Bond issue mobilized resources from both domestic and foreign investors. The transaction reflects the success of the Bank's work towards encouraging the return of international investors into Zimbabwe in support of the country's economic recovery efforts.

The Bank, during the year, continued to leverage international financing into Africa through its partnership with Export Credit Agencies (ECAs), who provide financing and guarantees for the importation of essential and capital goods from their country, and Development Finance Institutions (DFIs), who provide term financing for essential projects.

CHAPTER FIVE

REVIEW OF OPERATING RESULTS

FOR FINANCIAL YEAR ENDED DECEMBER 31, 2011

5. REVIEW OF OPERATING RESULTS

FOR FINANCIAL YEAR ENDED DECEMBER 31, 2011

5.1 INTRODUCTION

The financial statements of the Bank include Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and the accompanying notes. This Chapter discusses the Bank's financial statements for the year ended December 31, 2011, paying particular attention to the factors that influenced the observed results.

5.2 STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income shows that the Bank realized a net income in an amount of US$57.87 million in 2011 compared to an amount of US$44.40 million achieved in 2010, representing a year-on-year increase of about 30%. This increase in net income came about mainly due to higher operating income in 2011 attributable to a 44% growth in interest income arising from higher loan volumes. A detailed analysis of the Statement of Comprehensive Income is presented hereunder.

5.1.1 Net Interest Income and Margin

During the period under review, the Bank posted a 44% growth in interest income to US$146 million (2010: US$101 million) on the back of a 41% increase in loan assets. Interest expenses increased by about 29% to US$76.63 million (2010: US$59.2 million). This increase resulted from higher interest-bearing liabilities attributable to a US$500 million five-year fixed rate Eurobond issuance in July 2011 under our Euro Medium Term Note (EMTN) Programme. Proceeds of the issue were used to fund loan asset growth. Considering that the Bank's loan assets are largely priced on floating rate basis, the interest rate on the Bond was swapped from fixed to floating as a way of minimizing the risk of interest rate mismatch. The swap operation also resulted in an interest expense reduction of US$4.5 million (2010: US$3.1 million).

As a result of the higher increase in interest income as compared to interest expense, Net Interest Margin rose from 2.84% in 2010 to 3.05% in 2011. The observed increase reflected improved ability of the Bank to pass on its funding costs to clients. The observed improvement in Net Interest Margin also supported the increased profitability in lending operations during 2011.

US$ 58 million

Net Income achieved in 2011, representing a 30% year-on-year growth.

US$ 2.9 billion

Total Assets as at December 31, 2011, representing a 50% year-on-year growth.

US$ 512 million

Shareholders' Funds as at December 31, 2011, representing a 12% year-on-year growth.

5.2.2 Non-Interest Income

Between 2010 and 2011, Net Fee and Commission Income, decreased by 36%, or US$9.7 million, to US$17.48 million. The observed decrease in Net Fee Income reflected a softening in investment banking activities during 2011.

5.2.3 Operating Income

Operating income, which is the sum of Net Interest Income, Net Fee and Commission Income and Other Operating Income increased by 24% in 2011 to US$89.38 million (2010: US$71.97 million). The increase is explained by an increase of about US$45 million in interest income arising from higher loan volume as well as improvements in Net Interest Margin.

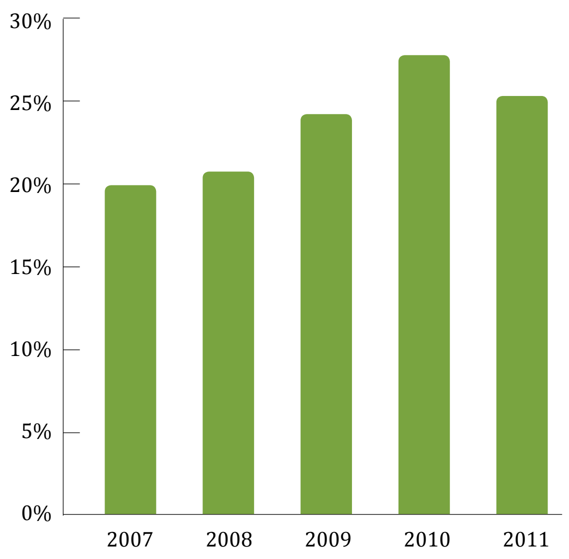
5.2.4 Operating Expenses

Operating expenses increased by about 12% in 2011 to US$22.51 million. The increase is explained mainly by: (i) new software licensing implementation and support costs; (ii) increase in staff numbers to support business growth which resulted in increased staff costs and the related one-off expenses such as relocation costs; (iii) increased insurance costs arising from higher staff numbers; (iv) expenses related to new trade facilitation initiatives launched in 2011; and (v) higher depreciation charges arising from furniture, fittings and equipment installed in the Bank's new Headquarters building during the year. Higher staff numbers were in line with staffing plan in the Bank's Third Strategic Plan and were intended to deal with expanded volume of business and the goal of better geographic diversification of the Bank's loan assets.

5.2.5 Cost Income Ratio

Figure 5.1 shows that the Bank saw its cost-income ratio decrease to 25%, from a level of 28% in 2010. This decline arose from higher operating income as explained above and also

Figure 5.1 Afreximbank: Cost to income ratio: 2007 - 11



reflected effective cost control and higher operating efficiency by the Bank during the year as compared to the previous year.

5.2.6 Allowance For Impairment On Loans And Advances

Allowance for impairment on Loans and Advances decreased by 51% in 2011 to US$3.76m (2010: US$7.73 million). This decrease has come about due to a decrease in specific impairment allowance by US$4.77 million. However, collective impairment allowances increased by US$0.80 million compared to 2010 due to an increase in loan volume by US$686 million.

5.2.7 Earnings Per Share

Earnings per share increased by about 30% from US$1.07 in 2010 to US$1.39 in 2011 as a result of higher net income.

5.2.8 Dividends

On account of higher net income achieved during the year and the need to maintain the historical payout ratio of about 24%, the Board of Directors recommended a dividend payment amounting to US$11.6 million to shareholders, reflecting an increase of about 16% over the US$10 million paid out from 2010 operations. The past trend of increasing dividends to shareholders was thus maintained during the review period. Consistent with the tradition of the Bank, shareholders were offered the option of receiving the dividend payment or using their dividend entitlement to acquire additional 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, need to retain earnings to support on-going business growth, ensuring that the Bank is well capitalized, need to protect shareholder dividends from inflation, as well as the need to balance internal and external financing, among others.

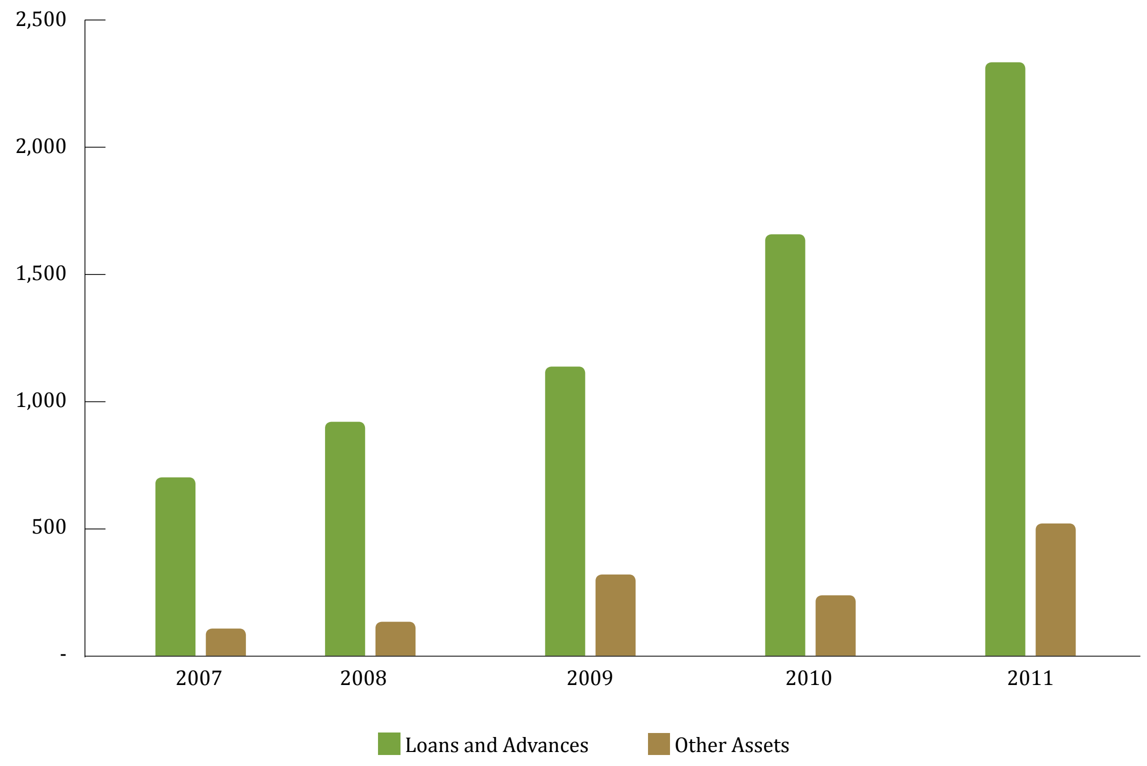
5.3 STATEMENT OF FINANCIAL POSITION

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 2011 is presented hereunder

5.3.1 Assets

Total assets of the Bank increased by about 50% year-on-year to US$2.87 billion as at December 31, 2011. This increase is explained by higher cash balances and volume of loans and advances. Loans and advances increased on a net basis by US$684 million or 41% to US$2.35 billion in 2011 (2010: US$1.66 billion). The increase in loans and advances and total assets is in line with the strategic plan and forecast targets. The increase in cash balances was to enable the Bank fund near term loan commitments.

Figure 5.2 Afreximbank: Assets *(US$ Thousands)*: 2007 - 11



A break-down of the Bank's assets in 2011 shows that Loans and Advances accounted for about 82% of total assets. Cash and deposits with other banks (*investments*) accounted for about 12%. The observed distribution was in line with historical distribution as well as forecasts for 2011.

5.3.2 Liabilities

During the review year, total liabilities of the Bank rose by about 63% to US$2.36 billion (2010: US$1.45 billion) mainly due to an increase in borrowings by about 54% to US$2.03 billion (2010: US$1.32 billion). Due to banks and debt securities accounted for about 51% and 36% respectively of the liabilities making them the largest components of liabilities. The liabilities of the Bank were used to fund planned growth in loan assets.

5.3.3 Shareholders' Funds

As a result of the evolution of the Bank's assets and liabilities as described above, new equity subscriptions amounting to US$7.5 million as well as increases in Retained Earnings and General Reserves, the Bank's Net worth (Shareholders' Funds) rose by about 12% to US$512.10 million from US$456.68 million in 2010. The observed increase in Shareholders' funds, and implementation of capital management measures ensured that the Bank achieved a Tier 1 capital ratio of 22% as at the end of 2011.

5.4 CONCLUSIONS

A summary of the financial results described above shows that notwithstanding the challenges in the Bank's operating environment during 2011, it was able to maintain a solid financial performance reflected in satisfactory profit increase, robust asset growth and marked improvements in levels of efficiency ahead of the forecasts and targets the Bank set at the beginning of the review year.

The Bank expects to continue to improve on its operational and financial performance in the years ahead building on the solid foundation established in past years and leveraging the improvements in its systems and people achieved in recent years.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, at its meeting held on 23 March 2012.

In our opinion, the scope and planning of the audit for the year ended 31 December, 2011 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, 2011.

The Committee, therefore, recommended that the audited Financial Statements of the Bank for the Financial Year ended 31 December, 2011 and the Auditors' Report thereon be approved by the Board and presented for consideration by Shareholders at the Nineteenth 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 2012.

Mr. Jean-Marie Benoît Mani
Chairman of the Audit Committee

<u>Members of the Audit Committee</u>

Mr. Jean-Marie Benoît Mani / Chairman of the Committee
Mr. Yerima Lawan Ngama, Mr. Liu Liange and Mr. Ronald Sibongiseni 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 2011 and the statement of 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 determines 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 2011 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Charter establishing the Bank.

Ernst & Young	Deloitte & Touche
Kenya	Ghana
20 April 2012	20th April, 2012
Date	Date

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AFRICAN EXPORT-IMPORT BANK

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011 US$000	2010 US$000
Interest income	8	146,393	101,566
Interest expense	9	(76,632)	(59,202)
Net interest income		**69,761**	**42,364**
Fee and commission income	10	20,020	28,783
Fee and commission expense	11	(2,539)	(1,618)
Net fee and commission income		**17,481**	**27,165**
Other operating income	12	2,138	2,446
Operating income		**89,380**	**71,975**
Personnel expenses	13	(11,806)	(11,189)
General and administrative expenses	14	(9,102)	(7,653)
Depreciation and amortisation expense	21	(1,604)	(1,331)
Operating expenses		**(22,512)**	**(20,173)**
Exchange adjustments		(83)	523
Operating profit before impairment allowances and provisions		**66,785**	**52,325**
Loan impairment charges	18	(3,762)	(7,735)
Provisions	18	(5,156)	(187)
PROFIT FOR THE YEAR		**57,867**	**44,403**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**57,867**	**44,403**
EARNINGS PER SHARE			
Basic and diluted earnings per share (expressed in US$000 per share)	**15**	**1.39**	**1.07**

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

AFRICAN EXPORT-IMPORT BANK

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	Note	2011 US$000	2010 US$000
ASSETS			
Cash and due from banks	16	122,040	81,002
Deposits with other banks		230,000	100,000
Loans and advances to customers	17	2,345,379	1,661,249
Hedging derivatives	5	80,279	444
Prepayments and accrued income	19	69,644	48,584
Other assets	20	6,152	1,296
Property and equipment	21	14,064	12,848
Total assets		**2,867,558**	**1,905,423**
LIABILITIES			
Due to banks	22	1,190,794	1,024,016
Hedging derivatives	5	74,740	-
Debt securities in issue	23	842,781	296,395
Deposits and customer accounts	24	157,851	93,392
Other liabilities	25	89,292	34,941
Total liabilities		**2,355,458**	**1,448,744**
CAPITAL FUNDS			
Share capital	26	169,172	166,372
Share premium	27	22,793	18,039
General reserve	28	154,783	131,649
Retained earnings		165,352	140,619
Total capital funds		**512,100**	**456,679**
Total liabilities and capital funds		**2,867,558**	**1,905,423**

Jean-Louis Ekra
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 DECEMBER 31, 2011

	Share capital US$ 000	Share premium US$ 000	General reserve US$ 000	Retained earnings US$ 000	Total US$ 000
Balance at 1 January 2010	166,300	18,002	114,448	122,417	421,167
Paid-in capital during 2010	72	37	-	-	109
Total comprehensive income for 2010	-	-	-	44,403	44,403
Transfer to general reserve	-	-	17,201	(17,201)	-
Dividends for 2009	-	-	-	(9,000)	(9,000)
Balance at 31 December 2010	**166,372**	**18,039**	**131,649**	**140,619**	**456,679**
Balance at 1 January 2011	166,372	18,039	131,649	140,619	456,679
Paid-in capital during 2011	2,800	4,754	-	-	7,554
Total comprehensive income for 2011	-	-	-	57,867	57,867
Transfer to general reserve	-	-	23,134	(23,134)	-
Dividends for 2010	-	-	-	(10,000)	(10,000)
Balance at 31 December 2011	**169,172**	**22,793**	**154,783**	**165,352**	**512,100**

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

AFRICAN EXPORT-IMPORT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 US$000	2010 US$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	**57,867**	**44,403**
Adjustment for non-cash items:		
Depreciation of property and equipment	1,604	1,331
Allowance for impairment on loans and advances	3,762	7,735
Provision for possible losses on other asset	114	2
Provision for possible losses on accrued income	4,956	-
Gain on disposal of property and equipment	(12)	(1)
Net increase in prepayments and accrued income	(26,017)	(11,810)
Net (increase) / decrease in hedging derivatives assets	(79,835)	27,119
Net increase in other assets	(5,002)	(226)
Net increase / (decrease) in hedging derivatives liabilities	74,740	(26,800)
Net increase in other liabilities	54,376	4,408
Net increase in deposits and customer accounts	64,799	36,622
Net increase in loans and advances to customers	(687,891)	(524,321)
Net cash outflows from operating activities	**(536,539)**	**(441,538)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and additions to property and equipment	(2,820)	(552)
Proceeds from sale of property and equipment	12	1
Net cash outflows from investing activities	**(2,808)**	**(551)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash from capital subscriptions and share premium	3,532	-
Dividends paid	(6,311)	(4,619)
Proceeds from borrowed funds and debt securities	2,178,698	1,343,235
Repayment of borrowed funds and debt securities	(1,465,534)	(936,692)
Net cash inflows from financing activities	**710,385**	**401,924**
Net increase / (decrease) in cash and cash equivalents	**171,038**	**(40,165)**
Cash and cash equivalents at 1 January	**181,002**	**221,167**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**352,040**	**181,002**
Composed of:		
Deposits with other banks	**230,000**	**100,000**
Cash and due from banks	**122,040**	**81,002**
	352,040	**181,002**

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

1. STATUS AND ACTIVITIES

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) and Harare (Zimbabwe).

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 are consistent 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 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.

The financial statements are prepared under the historical cost convention except for 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 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. Standards, amendments and interpretations effective in 2011

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The adoption of these standards did not have material impact on the financial performance of the Bank.

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011.
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010.
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011.

- Improvements to IFRSs (May 2010).

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008).
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards).
- IAS 27 Consolidated and Separate Financial Statements.
- IAS 34 Interim Financial Statements.

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Bank:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits).
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.
- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011.

2.1.2. Amendments to published standards and interpretations issued but not yet effective 1 January 2011

The Bank has chosen not to early adopt the following standards, amendments and interpretations to existing standards that were issued, but not yet effective, for accounting periods beginning on 1 January 2011. The application of these standards amendments and interpretations will not have material impact on the Bank's financial statements in the period of initial application.

- IAS 1 Financial statements presentation - Presentation of items in Other Comprehensive Income (Amendment). The amendment is effective for annual periods beginning on or after 1 January 2012.

- IAS 12 Income taxes - Deferred taxes: Recovery of underlying assets (Amendment) The amendment is effective for annual periods beginning on or after 1 January 2012.

- IAS 19 Employee benefits (Revised). The amendments are effective for annual periods beginning on or after 1 January 2013.

- IAS 27 Separate Financial Statements (as revised in 2011). The amendment becomes effective for annual periods beginning on or after 1 January 2013.

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011). The amendment becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Bank as the revised standard does not have any investments in associates and interests in joint arrangements.

- IAS 32 Financial Instruments: Presentation (Amendment) – Offsetting Financial Assets and Financial Liabilities.

- IFRS 1 First-time Adoption of international Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment). The amendment is effective for annual periods beginning on or after 1 July 2011.

- IFRS 7 Financial Instruments: Disclosures - Transfer of financial assets (Amendment). The amendment is effective for annual periods beginning on or after 1 July 2011.

- IFRS 7 Financial Instruments: Disclosures (Amendment) – Disclosures – Offsetting Financial Assets and Financial Liabilities. The amendment is effective for annual periods beginning on or after 1 January 2013 and the Bank is still in the process of determining how it will impact the note disclosures upon adoption.

- IFRS 9 Financial Instruments: Classification and Measurement. The standard is effective for annual periods beginning on or after 1 January 2015.

- IFRS 10 Consolidated Financial Statements. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities.

- IFRS 11 Joint Arrangements IFRS 11 replaces IAS 31 and SIC-13. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. This standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Bank as it is not party to any joint arrangements.

- IFRS 12 Disclosure of Involvement with Other Entities. It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. This standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact, as the Bank does not have subsidiaries, associates or joint arrangements.

- IFRS 13 Fair Value Measurement. IFRS 13 will be effective for the Bank on 1 January 2013.

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 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 translated into US dollars at the prevailing exchange rate 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 comprehensive income.

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. Loans and advances to customers

Loans and advances to customers 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 advances 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.

2.9. Impairment of loans and advances

The Bank assesses at each reporting date whether there is objective evidence that a loan is impaired. 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 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.

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. This collective impairment is based on any deterioration in the internal grade of the loan, since it was granted. The amount of provision is based on historical loss experience for loans within each grade and is adjusted to reflect current economic changes. These internal gradings take into consideration various factors such as any deterioration in country risk, industry, identified structural weaknesses or deterioration in cash flows.

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 in profit or loss.

2.10. Property and equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on the straight line basis at annual rates estimated to write off the carrying values 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

Property and equipment are periodically reviewed for impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of net selling price 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.

Property and equipment is 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 the 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.

2.11. 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.

2.12. Government grants

Government grants are not recognized unless there is reasonable assurance that the grants will be received and that the Bank will comply with the conditions attaching to the grant. Grants relating to Headquarters building are recorded together with the related asset at cost.

2.13. 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.

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

2.14. 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 fulfilment 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. 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 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.

2.15. Impairment 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.

2.16. Debt securities 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 amortised cost using effective interest method.

2.17. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Changes in the fair value of derivative financial instruments, where they are not designated as hedging instruments, are recognized in profit or loss.

The business activities of the Bank expose it to financial risks that arise from changes in both foreign exchange rates and interest rates. The Bank uses forward currency contracts and interest rate swaps to hedge these exposures. In accordance with its treasury policy, the Bank does not enter into derivatives for speculative purposes.
The Bank designates certain derivatives as either:

a. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);

b. hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised in other comprehensive income and accumulated in equity and any ineffective portion is recognised immediately in profit or loss.

If the item being hedged is a non-financial asset or liability then the gains or losses on the associated derivative that had previously been recognised in equity are included in the measurement of the asset or liability at the time it is recognised.

Conversely if the item being hedged is a financial asset or liability, any amounts arising from changes in fair value that are deferred in equity are subsequently recognised in profit or loss in the same accounting period in which the hedged item affects profit for the year. Hedge accounting of a transaction is discontinued when the hedging instrument is sold, terminated, or exercised, or when the hedging instrument no longer qualifies for hedge accounting. Under these circumstances any cumulative gain or loss on the hedging instrument, which has already been recognised in equity, is retained in equity until the transaction occurs. However, if a hedged transaction is no longer expected to occur, any net cumulative gain or loss that has already been recognised in equity is immediately transferred to profit or loss.

A derivative that is embedded in another financial instrument, or in a host contract, is treated as a separate derivative if its risks and characteristics are not closely related to those of the host contract. Under these circumstances the host contract is not carried at fair value but any unrealised gains or losses on the derivative are reported in profit or loss.

2.18. Dividend 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.

2.19. 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. 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 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 the statement of comprehensive income under operating expenses.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

3.1. Use of financial instruments

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.

3.2. Risk management

The Bank's business involves taking on risks in a targeted 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 RMPP primarily covers the following:

- Enterprise Risk Management (ERM) Policy
- Credit Policies and Credit Procedures (CPP)
- Treasury Policies and Procedures
- Business Continuity Management Policy
- Customer Due Diligence Policies and Procedures
- ICT Policies and Guidelines
- Environmental and Social Risk Management Policies and Procedures
- Operational Risk Policy

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.

3.3. 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.

3.4. 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 carrying amounts of cash and deposits with banks and loans and advances to customers appearing on the statement of financial position represent the maximum amount exposed to credit risk.

3.5. Concentration of credit 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.

3.6. Credit risk measurement

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

3.7. 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. 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

	2011		2010	
	Loans & advances %	Impairment allowance%	Loans & advances %	Impairment allowance%
Low risk	13.10	7.85	3.7	8.6
Satisfactory risk	70.05	41.95	88.2	40
Fair risk	15.56	9.31	6.9	8.4
Watch list	0.82	0.49	0.6	0.9
Doubtful and bad	0.47	40.40	0.6	42.1
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.

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

	Maximum exposure	
	2011	2010
	US$000	US$000
Due from banks	122,000	80,976
Deposits with other banks	230,000	100,000
Loans and advances to customers	2,365,127	1,678,849
Credit risk exposures relating to off-statement of financial positions items are as follows:		
Letters of credit	42,023	49,686
Guarantees	117,573	70,976
Loan commitments and other credit related Liabilities	382,864	162,940
	3,259,587	**2,143,427**

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2011 and 31 December 2010, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial positions assets, the exposures set out above are based on net carrying amounts.

3.9. 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 carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as at 31 December 2011 and 31 December 2010 of the Bank's counterparties.

	2011 US$000	%	2010 US$000	%
West Africa	1,537,230	65.0	1,173,781	69.9
North Africa	205,273	8.7	25,528	1.5
Regional	50,000	2.1	19,286	1.1
East Africa	105,692	4.5	52,130	3.1
Central Africa	149,923	6.3	59,680	3.6
Southern Africa	317,009	13.4	298,444	17.8
Europe	-	-	50,000	3
	2,365,127	**100**	**1,678,849**	**100**

b) Industry sectors
The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by industry sector as at 31 December 2011 and 31 December 2010 of the Bank's counterparties.

	2011 US$000	%	2010 US$000	%
Agriculture	76,476	3	56,200	3
Energy	542,470	23	190,440	11
Services	58,051	2	128,940	8
Metals and minerals	12,795	1	75,810	5
Transportation	115,937	5	156,660	9
Manufacturing	69,866	3	142,850	8
Telecommunications	363,192	15	363,120	22
Financial institutions	1,082,321	46	564,829	34
Government	44,019	2	-	-
	2,365,127	**100**	**1,678,849**	**100**

3.10. Loans and advances

Loans and advances are summarized as follows:

	2011 US$000	2010 US$000
Neither past due nor impaired	2,334,545	1,653,843
Past due but not impaired	19,362	14,932
Impaired	11,220	10,074
Gross loans and advances	**2,365,127**	**1,678,849**
Less: Allowance for impairment (note 18)	(19,748)	(17,600)
Net loans and advances	**2,345,379**	**1,661,249**
Individually impaired	(7,979)	(9,256)
Collective impairment	(11,769)	(8,344)
Total	**(19,748)**	**(17,600)**

The total impairment charge for loans and advances is US$3,762,000 (2010: US$7,735,000) of which US$336,000 (2010: US$5,110,000) represents the individually impaired loans and the remaining amount of US$3,426,000 (2010: US$2,625,000), 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:

	Loans and advances	
	2011	2010
Grade	US$000	US$000
Low risk	309,891	63,000
Satisfactory risk	1,656,676	1,480,621
Fair risk	367,978	110,222
Total	**2,334,545**	**1,653,843**

(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:

	Loans and advances	
	2011	**2010**
	US$000	**US$000**
Past due up to 30 days	-	750
Past due 30 - 60 days	-	3,639
Past due 60 - 90 days	9,463	2,251
Past due over 90 days	9,899	8,292
Total	**19,362**	**14,932**
Fair value of collateral	20,611	20,892

(c) Loans and advances impaired

	2011	**2010**
	US$000	**US$000**
Impaired loans	11,220	10,074
Fair value of collateral	4,205	818

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.

3.11. Market risk

3.11.1 Interest rate risk sensitivity analysis

At 31 December 2011, if interest rates at that date had been 86 basis points lower with all other variables held constant, profit and reserves for the year would have been US$7,335,000 (2010: US$4,062,000) lower, arising mainly as a result of the lower decrease in interest income on loans than the decrease in interest expense on borrowings. If interest rates had been 86 basis points higher, with all other variables held constant, profit would have been US$7,335,000 (2010: US$4,062,000) 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 2011 than in 2010 due to increase in interest rate sensitive assets and liabilities.

The table below summarizes the impact on profit and loss for each category of financial instruments held as at 31 December 2011. It includes the Bank's financial instruments at carrying amounts.

		Interest rate risk (IR)	
	Carrying amount	**+ 86bp of US$ IR**	**-86bp of US$ IR**
		2011	**2011**
	US$000	**US$000**	**US$000**
Financial assets			
Cash due from banks	122,000	1,049	(1,049)
Deposits with other banks	230,000	1,978	(1,978)
Loans and advances to customers (gross)	2,365,127	20,340	(20,340)
Impact on financial assets		**23,367**	**(23,367)**
Financial liabilities			
Due to banks	1,190,794	10,241	(10,241)
Debt securities in issue	515,465	4,433	(4,433)
Deposits and customer accounts	157,851	1,358	(1,358)
Impact on financial liabilities		**16,032**	**(16,032)**
Total increase/(decrease)		**7,335**	**(7,335)**

The table below summarizes the impact on profit and loss for each category of financial instruments held as at 31 December 2010. It includes the Bank's financial instruments at carrying amounts.

	Carrying amount	Interest rate risk (IR) + 86bp of US$ IR	-86bp of US$ IR
		2010	2010
	US$000	US$000	US$000
Financial assets			
Cash due from banks	80,976	696	(696)
Deposits with other banks	100,000	860	(860)
Loans and advances to customers (gross)	1,678,849	14,438	(14,438)
Impact on financial assets		**15,994**	**(15,994)**
Financial liabilities			
Due to banks	1,024,016	8,807	(8,807)
Debt securities in issue	270,000	2,322	(2,322)
Deposits and customer accounts	93,392	803	(803)
Impact on financial liabilities		**11,932**	**(11,932)**
Total increase/(decrease)		**4,062**	**(4,062)**

3.11.2 Foreign exchange risk sensitivity analysis

At 31 December 2011, 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$70,000 (2010: US$10,000) lower, arising mainly as a result of the bigger decrease in revaluation of loans than the borrowings. If foreign exchange rates had been 10 percent higher, with all other variables held constant, profit would have been US$70,000 (2010: US$10,000) higher, arising mainly as a result of higher increase in revaluation of loans than the increase on borrowings.

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 and loss for each category of Euro financial instruments held as at 31 December 2011. It includes the Bank's Euro financial instruments at carrying amounts.

	Carrying amount	Foreign exchange risk 10% increase in the value of USD against Euro	10% decrease in the value of USD against Euro
		2011	2011
	US$000	US$000	US$000
Financial assets			
Cash due from banks	6,214	621	(621)
Loans and advances to customers (gross)	487,159	48,716	(48,716)
Impact on financial assets		**49,337**	**(49,337)**
Financial liabilities			
Due to banks	345,938	34,593	(34,593)
Debt securities in issue	45,465	4,547	(4,547)
Deposits and customer accounts	10,111	1,011	(1,011)
Hedging derivatives	91,055	9,106	(9,106)
Other liabilities	104	10	(10)
Impact on financial liabilities		**49,267**	**(49,267)**
Total increase/(decrease)		**70**	**(70)**

The table below summarizes the impact on profit and loss for each category of Euro financial instruments held as at 31 December 2010. It includes the Bank's Euro financial instruments at carrying amounts.

	Carrying amount	Foreign exchange risk: 10% increase in the value of USD against Euro 2010	Foreign exchange risk: 10% decrease in the value of USD against Euro 2010
	US$000	US$000	US$000
Financial assets			
Cash due from banks	26,924	2,692	(2,692)
Loans and advances to customers (gross)	245,505	24,550	(24,550)
Prepayments and accrued income	1,550	155	(155)
Impact on financial assets		**27,397**	**(27,397)**
Financial liabilities			
Due to banks	265,796	26,580	(26,580)
Deposits and customer accounts	3,608	361	(361)
Other liabilities	4,456	446	(446)
Impact on financial liabilities		**27,387**	**(27,387)**
Total increase/(decrease)		**10**	**(10)**

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.

The table below summarises the Bank exposure to foreign currency exchange rate risk as at 31 December 2011. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (in thousands of US$):

	Euro	NGN	Other Currencies	2011 Total
	US$000	US$000	US$000	US$000
Assets				
Cash and due from banks	6,214	95	140	**6,449**
Loans and advances to customers	487,159	-	-	**487,159**
Total financial assets	**493,373**	**95**	**140**	**493,608**
Liabilities				
Due to banks	345,938	-	-	**345,938**
Debt securities in issue	45,465	-	-	**45,465**
Deposits and customer accounts	10,111	-	-	**10,111**
Hedging derivatives	91,055	-	-	**91,055**
Other liabilities	104	-	-	**104**
Total financial liabilities	**492,673**	**-**	**-**	**492,673**
Net on statement financial of position	**700**	**95**	**140**	**935**
Credit commitments & financial guarantees	**34,787**	**-**	**-**	**34,787**

The table below summarises the Bank exposure to foreign currency exchange rate risk as at 31 December 2010. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (in thousands of US$):

	Euro	NGN	Other Currencies	2010 Total
	US$000	US$000	US$000	US$000
Assets				
Cash and due from banks	26,924	43	23	**26,990**
Loans and advances to customers	245,505	-	-	**245,505**
Prepayments and accrued income	1,550	-	-	**1,550**
Total financial assets	**273,979**	**43**	**23**	**274,045**
Liabilities				
Due to banks	265,796	-	-	265,796
Deposits and customer accounts	3,608	-	-	3,608
Other liabilities	4,456	-	-	4,456
Total financial liabilities	**273,860**	**-**	**-**	**273,860**
Net on statement of financial position	**119**	**43**	**23**	**185**
Credit commitments & financial guarantees	**47,156**	**-**	**-**	**47,156**

3.13. 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 2011. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorized by the period of contractual re-pricing.

	Up to 3 months US$000	3-6 months US$000	6-12 months US$000	Non interest bearing US$000	2011 Total US$000
Financial assets					
Cash and due from banks	122,000	-	-	40	**122,040**
Deposits with other banks	230,000	-	-	-	**230,000**
Loans and advances to customers	1,795,223	121,094	20,000	-	**1,936,317**
Prepayments and accrued income	-	-	-	69,644	**69,644**
Other assets	-	-	-	6,152	**6,152**
Total financial assets	**2,147,223**	**121,094**	**20,000**	**75,836**	**2,364,153**
Financial liabilities					
Due to banks	1,326,790	64,004	-	-	1,390,794
Debt securities in issue	515,465	-	-	-	515,465
Deposits and customer accounts	157,851	-	-	-	157,851
Other liabilities	-	-	-	89,292	89,292
Total financial liabilities	**2,000,106**	**64,004**	**-**	**89,292**	**2,153,402**
Total interest repricing gap	**147,117**	**57,090**	**20,000**		

The table below summarizes the Bank's exposure to interest rate risks as at 31 December 2010. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorized by the period of contractual re-pricing.

	Up to 3 months US$000	3-6 months US$000	6-12 months US$000	Non interest bearing US$000	2010 Total US$000
Financial assets					
Cash and due from banks	80,976	-	-	26	81,002
Deposits with other banks	100,000	-	-	-	100,000
Loans and advances to customers	1,353,143	154,140	29,500	-	1,536,783
Prepayments and accrued income	-	-	-	48,584	48,584
Other assets	-	-	-	1,296	1,296
Total financial assets	**1,534,119**	**154,140**	**29,500**	**49,906**	**1,767,665**
Financial liabilities					
Due to banks	938,633	70,882	-	-	1,009,515
Debt securities in issue	270,000	-	-	-	270,000
Deposits and customer accounts	93,392	-	-	-	93,392
Other liabilities	-	-	-	34,941	34,941
Total financial liabilities	**1,302,025**	**70,882**	**-**	**34,941**	**1,407,848**
Total interest repricing gap	**232,094**	**83,258**	**29,500**		

3.14. 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 2011:

	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	2011 Total US$000
Assets						
Cash and due from banks	122,040	-	-	-	-	122,040
Deposits with other banks	230,012	-	-	-	-	230,012
Loans and advances	214,051	548,083	527,769	1,059,570	48,987	2,398,460
Total assets	**566,103**	**548,083**	**527,769**	**1,059,570**	**48,987**	**2,750,512**
Liabilities						
Due to banks	17,625	257,781	123,069	735,707	75,072	1,209,254
Debt securities in issue	9,698	3,329	51,350	818,912	-	883,289
Deposits and customer accounts	157,851	-	100	-	-	157,951
Total liabilities	**185,174**	**261,110**	**174,519**	**1,554,619**	**75,072**	**2,250,494**
Net liquidity gap	**380,929**	**286,973**	**353,250**	**(495,049)**	**(26,085)**	**500,018**
Cumulative liquidity gap	**380,929**	**667,902**	**1,021,152**	**526,103**	**500,018**	

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 2010:

	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	2010 Total US$000
Assets						
Cash and due from banks	81,002	-	-	-	-	81,002
Deposits with other banks	100,000	-	-	-	-	100,000
Loans and advances	324,622	352,362	714,859	258,733	46,638	1,697,214
Total assets	**505,624**	**352,362**	**714,859**	**258,733**	**46,638**	**1,878,216**
Liabilities						
Due to banks	1,234	3,541	739,914	270,201	14,501	1,029,391
Debt securities in issue	-	5,081	1,320	300,000	-	306,401
Deposits and customer accounts	93,292	-	100	-	-	93,392
Total liabilities	**94,526**	**8,622**	**741,334**	**570,201**	**14,501**	**1,429,184**
Net liquidity gap	**411,098**	**343,740**	**(26,475)**	**(311,468)**	**32,137**	**449,032**
Cumulative liquidity gap	**411,098**	**754,838**	**728,362**	**416,895**	**449,032**	

3.15. 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 12 per cent compared to a minimum ratio of 8 per cent prescribed 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.

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 required to comply with the provisions of the Basel II framework in respect of capital.

The Bank's capital is divided into two tiers:

- Tier 1 capital: Share capital, share premium, retained earnings and reserves created by appropriations of retained earnings.

- Tier 2 capital: Collective impairment allowances.

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 exposure.

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

	2011 US$000	2010 US$000
Tier 1 capital		
Share capital	169,172	166,372
Share premium	22,793	18,039
General reserve	155,083	131,649
Retained earnings	165,052	140,619
Total Tier 1 capital	**512,100**	**456,679**
Tier 2 capital		
Collective impairment allowance	147	104
Total Tier 2 capital	147	104
Total statutory capital	**512,247**	**456,783**
Risk – weighted assets:		
On-statement of financial position	2,045,145	1,767,698
Off-statement of financial position	299,230	139,560
Total risk-weighted assets	2,344,375	1,907,258
Basel ratio	**22%**	**24%**

The increase of the statutory capital in 2011 is primarily due to increase in profits and share capital subscriptions. The increase of risk weighted assets arises mainly from expansion of the lending business as reflected in the loan volumes.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value is the amount at which an instrument could be exchanged in a current transaction between willing parties other than enforced or liquidation sale. The fair value of financial instruments recognized on the statement of financial position approximate to their carrying amounts as they bear variable interest rates determined under market conditions. 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).

5. DERIVATIVE FINANCIAL INSTUREMENTS

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.

	2011 US$000	2010 US$000
Assets		
Interest rate swap	719	444
Foreign exchange forward contracts	79,560	-
	80,279	**444**
Liabilites		
Foreign exchange forward contracts	**74,740**	**-**

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 rate, 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. The difference between US$5,057,000 (asset) and US$4,338,000 (liability) relates to accrued interest from interest rate swap.

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 interest rate derivative contracts that the Bank held at 31 December.

Interest rate derivative contracts:

	2011 US$000	2010 US$000
Interest rate swap	**515,465**	**270,000**

The Bank entered into interest rate swap to hedge US$270 million and US$300 million received from the debt securities issued on 13th November 2009 and 29th July 2011 respectively with fixed interest rate. The swap exchanged fixed rate for floating rate on funding to match floating rates received on assets. In respect of fair value hedges, a loss of US$13,000 arose on the hedging instruments during the year, as the carrying value of interests swap is less than the fair value.

Foreign exchange derivative contracts:

The Bank uses forward foreign exchange contracts to manage its exposure to foreign currency.

The following shows the foreign exchange derivative contracts that the Bank held at 31 December.

	2011 US$000	2010 US$000
Forward foreign exchange contracts	**16,315**	**-**

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.

The Bank reviews its loan portfolio regularly to assess whether a provision for impairment should be recorded in the statement of comprehensive income. 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.

7. CONTINGENT LIABILITIES AND COMMITMENTS AND LEASE ARRANGEMENTS

7.1. Contingent liabilities

	2011 US$000	2010 US$000
Letters of credit	42,023	49,686
Guarantees	117,573	70,976
	159,596	**120,662**

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.

Commitments

7.1.1. 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.

	2011 US$000	2010 US$000
Less than one year	92,749	108,915
More than one year	290,115	54,025
	382,864	**162,940**

7.2. Lease arrangements

7.2.1. Operating lease commitments – Bank as lessee

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2011 US$000	2010 US$000
After one year but not more than five years	**114**	**213**

8. INTEREST AND SIMILAR INCOME

	2011 US$000	2010 US$000
Loans and advances	145,814	100,445
Interest on money market investments	579	1,121
	146,393	**101,566**

Interest income accrued on impaired financial assets is US$566,000 (2010: US$376,000)

9. INTEREST AND SIMILAR EXPENSE

	2011 US$000	2010 US$000
Due to banks	38,110	34,235
Debt securities in issue	38,509	24,955
Shareholder and customer deposits	13	12
	76,632	**59,202**

Interest on debt securities above is reduced by US$4,508,000 (2010: US$3,101,000) , which is the net of accrued interest due from interest rate derivative contracts.

10. FEES AND COMMISSION INCOME

	2011 US$000	2010 US$000
Investment banking fees	16,916	27,211
Commission on L/Cs	1,736	738
Guarantee fees	1,368	834
	20,020	**28,783**

11. FEES AND COMMISSION EXPENSE

	2011 US$000	2010 US$000
Bonds issue fees	1,462	1,090
Legal and agency fees	479	392
Other fees paid	598	136
	2,539	**1,618**

12. OTHER OPERATING INCOME

	2011 US$000	2010 US$000
Rental income	1,943	1,813
Other income	195	633
	2,138	**2,446**

13. PERSONNEL EXPENSES

Personnel expenses are made up as follows:

	2011 US$000	2010 US$000
Wages and salaries	7,416	7,157
Staff provident fund costs (note 2.11)	703	576
Other employees benefits	3,687	3,456
	11,806	**11,189**

14. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses are made up as follows:

	2011 US$000	2010 US$000
Operational missions and statutory meetings	4,000	3,044
Professional services fees	1,544	1,015
Communications	1,261	1,134
Office rent	165	518
Other general and administrative expenses	2,132	1,942
	9,102	**7,653**

Professional services fees include US$74,000 (*2010: US$*64,000) 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.

	2011	2010
Net income attributable to equity holders of the Bank (US$000)	57,867	44,403
Weighted average number of ordinary shares in issue	41,747	41,605
Basic and diluted earnings per share (expressed in US$000 per share)	**1.39**	**1.07**

Diluted earnings per share are the same as basic earnings per share as there were no dilutive potential ordinary shares.

16. CASH AND DUE FROM BANKS

	2011 US$000	2010 US$000
Cash in hand	40	26
Due from banks	122,000	80,976
	122,040	**81,002**

17. LOANS AND ADVANCES TO CUSTOMERS

	2011 US$000	2010 US$000
Loans and advances to customers	2,365,127	1,678,849
Less: Allowance for impairment (note 18.1)	(19,748)	(17,600)
Net loans and advances	**2,345,379**	**1,661,249**
Current	1,245,102	1,363,258
Non-current	1,100,277	297,991
	2,345,379	**1,661,249**

The fair value of the loan portfolio is approximately equal to the carrying amount because most of the loans bear a variable interest rate and are given at market conditions and terms.

18. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES AND PROVISIONS

18.1. Allowance for impairment on loans and advances

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

(a) Statement of Financial Position

	2011 US$000	2010 US$000
Balance as at 1 January	17,600	9,865
Impairment charge for the year	3,762	7,735
Loans written off during the year as uncollectible	(1,614)	-
Balance as at 31 December (note 3.10)	**19,748**	**17,600**

(b) Statement of Comprehensive Income

	2011 US$000	2010 US$000
Impairment charge for the year	4,390	7,735
Repayment of impaired loans during the year	(628)	-
	3,762	**7,735**

18.2. Provisions

Reconciliation of provisions is as follows:

(a) Statement of Financial Position

	2011 US$000	2010 US$000
Balance as at 1 January	936	954
Provision for the year for possible losses on accrued income	4,956	-
Provision for the year for possible losses on other assets	135	187
Provision no longer required	(87)	(205)
Balance at 31 December	**5,940**	**936**

(b) Statement of Comprehensive Income

	2011 US$000	2010 US$000
Provision for the year for possible losses on accrued income	4,956	-
Provision for the year for possible losses on other assets	135	168
Provision for leave pay	65	19
	5,156	**187**

19. PREPAYMENTS AND ACCRUED INCOME

	2011 US$000	2010 US$000
Accrued income	49,375	32,265
Other prepayments	25,225	16,319
Less: Provision for possible losses on accrued income	(4,956)	-
	69,644	**48,584**

20. OTHER ASSETS

	2011 US$000	2010 US$000
Other receivables	2,076	2,191
Sundry debtors	5,060	41
Less: Provision for possible losses on other assets	(984)	(936)
	6,152	**1,296**

Other receivables above mainly relate to taxes recoverable from some member countries in accordance with Article XIV of the Agreement for the Establishment of African Export Import Bank (*note 32*).

21. PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

	2011 US$000	2010 US$000
Cost		
- Land	6,221	6,221
- Building	13,667	13,667
- Motor vehicles	468	468
- Furniture and equipment	4,277	2,860
- Leasehold improvements	1,009	1,009
Less: Government grant	(6,187)	(6,187)
Less : Accumulated depreciation		
- Building	(3,145)	(2,459)
- Motor vehicles	(284)	(211)
- Furniture and equipment	(1,274)	(2,107)
- Leasehold improvements	(688)	(413)
Net carrying value as at 31 December	**14,064**	**12,848**
Movement during the year		
Net carrying value as at 1 January	12,848	13,628
Additions and disposals at cost		
- Addition to motor vehicles	-	94
- Addition to furniture and equipment	2,820	457
- Disposal of furniture and equipment	(1,403)	(6)
Accumulated Depreciation		
- Disposal of furniture and equipment	1,403	6
- Depreciation charge for building	(686)	(683)
-Depreciation charge for motor vehicles	(73)	(65)
- Depreciation charge for furniture and equipment	(570)	(377)
- Depreciation of leasehold improvements	(275)	(206)
Net carrying value as at 31 December	**14,064**	**12,848**

The government grant above relates to land received in 1996 from the Government of Arab Republic of Egypt, for the purpose of building the Bank's Headquarters' premises in Cairo, Egypt.

The Bank also has property (i.e. land and improvements thereon) received in 1996 from the Government of Zimbabwe, for the purpose of building the branch offices in Harare, Zimbabwe. The property is subject to use only while the branch offices are in Harare, Zimbabwe.

22. DUE TO BANKS

	2011 US$000	2010 US$000
Current	389,245	739,314
Non current	801,549	284,702
	1,190,794	**1,024,016**

There is no collateral against the above due to banks. The fair value of the due to banks is approximately equal to carrying value, as they are drawn down under variable interest rates, market conditions and terms.

23. DEBT SECURITIES IN ISSUE

On 13 November 2009, the Bank issued, under an EMTN Programme, US$300 million bonds (or senior notes) payable with a fixed coupon rate of 8.75% p.a. The entire debt matures in November 2014. Fitch Ratings assigned these bonds an investment grade rating (BBB-). On 18th February 2011, the Bank issued, under an EMTN Programme, Euro 35 million private placement with a floating rate. The entire debt matures in August 2012. Fitch Ratings assigned this private placement an investment grade rating BBB-. Further, on 29th July 2011, the Bank issued, under an EMTN Programme, US$500 million bonds (or senior notes) payable with a fixed coupon rate of 5.75% p.a. The entire debt matures in November 2016. Fitch Ratings, Moody's and S&P assigned these bonds an investment grade rating BBB-, Baa2 and BBB- respectively.

Debt securities at amortised cost:

	Coupon rate (%)	2011 US$000	2010 US$000
Fixed rate debt securities due 2014	8.75	300,000	300,000
Fixed rate debt securities due 2016	5.75	500,000	-
Euro 35 million floating rate private placement note due 2012	-	45,465	-
Less: Discount on bond payable		(2,684)	(3,605)
		842,781	**296,395**

The fair value of the fixed rate debt securities due 2014 and 2016 as at 31 December 2011 was US$323 million (2010: US$335 million) and US$483 million respectively. Furthermore, the fair value of the fixed rate debt securities due 2014 and 2016 as at 19th March 2012 was US$330 million and US$514 million respectively.

24. DEPOSITS AND CUSTOMER ACCOUNTS

	2011 US$000	2010 US$000
Shareholders' deposits for shares	7,329	5,909
Deposit accounts	17,376	9,313
Customer accounts	133,146	78,170
	157,851	**93,392**

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

	2011 US$000	2010 US$000
Retentions	37	37
Prepaid and unearned income	33,507	10,814
Dividends payable	8,196	8,285
Deposit from tenants	423	424
Accrued expenses	21,467	10,097
Sundry creditors	21,208	1,582
Legal fees deposits	4,454	3,702
	89,292	**34,941**

26. SHARE CAPITAL

The share capital of the Bank is divided into three classes, payable in five equal installments, of which the first two installments have been called up. Shareholders can use their dividend entitlements 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 subregional 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 organizations; (b) non-African or foreign owned banks and financial institutions; and nonAfrican public and private investors.

	2011 US$000	2010 US$000
Authorized capital		
75,000 ordinary shares of US$10,000 each.	**750,000**	**750,000**
Paid in share capital		
Paid in capital Class A	108,087	105,495
Paid in capital Class B	43,885	43,685
Paid in capital Class C	17,200	17,192
	169,172	**166,372**

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

	2011		2010	
	No. of shares	US$000	No. of shares	US$000
At 1 January	**41,610**	**166,372**	**41,604**	**166,300**
Paid up from dividends during the year	377	1,508	6	72
Paid up cash during the year	321	1,292	-	-
At 31 December	**42,308**	**169,172**	**41,610**	**166,372**

27. SHARE PREMIUM

Premiums from the issue of shares are reported in the share premium.
The movement in share premium is summarised as follows:

	2011		2010	
	No. of shares	US$000	No. of shares	US$000
At 1 January	**41,610**	**18,039**	**41,604**	**18,002**
Paid up from dividends during the year	377	2,514	6	37
Paid up cash during the year	321	2,240	-	-
At 31 December	**42,308**	**22,793**	**41,610**	**18,039**

28. GENERAL RESERVE

	2011 US$000	2010 US$000
Balance at 1 January	131,649	114,448
Transfer for the financial year	23,134	17,201
Balance at 31 December	**154,783**	**131,649**

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 contingencies.

29. DIVIDENDS

After the reporting date, the directors proposed dividends appropriations amounting to US$11,600,000 (2010: US$10,000,000). The 2011 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 the shareholders' equity as an appropriation of retained earnings in the year ending 2011.

Dividends per share is summarised as follows:

	2011	2010
Dividends per share		
Dividends appropriations (US$000)	11,600	10,000
Number of shares at 31 December	42,308	41,610
Dividends per share (US$000)	**0.27**	**0.24**

30. 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 the related party transactions are as follows:

30.1. Loans and advances to related parties

	2011 US$000	2010 US$000
Outstanding loans at 1 January	10,150	49,038
Loans disbursed during the year	-	1,770
Loan repayments during the year	(10,150)	(40,658)
Outstanding loans at 31 December	**-**	**10,150**
Interest income earned during the year	**857**	**3,399**
Fees and commission earned during the year	**645**	**281**

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

No loans to related parties were written off in 2011 and 2010.

30.2. Deposits from related parties

	2011 US$000	2010 US$000
Deposits at 1 January	-	-
Deposits received during the year	-	2,657
Deposits repaid during the year	-	(2,657)
Deposits at 31 December	**-**	**-**
Interest expense on deposits	**-**	**-**

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

30.3. Key management personnel compensation

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

	2011 US$000	2010 US$000
Salaries and short-term benefits	4,236	3,695
Post-employment benefits	187	149
Termination benefits	214	268
	4,637	**4,112**

The Bank also 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 Rules and Regulations. At 31 December 2011, outstanding balances on loans and advances to management staff amounted to US$246,000 *(2010: US$*252,000*)*. Short-term benefits above include meeting allowances for Board members and staff allowances for children's education, dependency, home leave and housing.

31. SEGMENT REPORTING

The Bank is multilateral trade finance institutions whose products and services are similar in nature, and are structured and distributed in a fairly uniform manner across borrowers. In the opinion of management, the Bank operates in a single operating segment.

32. TAXATION

According to Article XIV of the Agreement for the Establishment of African ExportImport 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.

33. EVENTS AFTER THE REPORTING DATE OF THE STATEMENT OF FINANICAL POSITION

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

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation and no restatements were made.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 24 March, 2012.

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