



ANNUAL REPORT
& FINANCIAL STATEMENTS
2020



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VISION

To be the leading non-bank financial institution which meets Africa's financing provider's needs, effectively serving SMEs while maintaining our uncompromised principal as we grow.



MISSION

The promotion of economic development and poverty reduction in Africa. In support of the vision above, AGF aims:

- ❖ To be more resource-efficient;
- ❖ To build strong partnerships between financial institutions and AGF;
- ❖ To reduce the inability of SMEs to provide acceptable guarantees;
- ❖ To encourage and support banks and other financial institutions in their SME financing by sharing the risk involved;
- ❖ To support the capacity development of our partners by seeking to build their existing knowledge and capacity.

CORE VALUES



In our relationships and transactions with our clients and among each other, we are honest, trustworthy, reliable, transparent and accountable;

INTEGRITY



We dedicate ourselves to pursuing the agreed common goals;

UNITY OF PURPOSE



We embrace new ideas and respond swiftly to changes in our environments;

CREATIVITY



We meet our internal and external customers' expectations;

CUSTOMER FIRST



We deliver on our commitments accurately and promptly.

African Guarantee Fund is owned by



The Danish International Development Agency



The Spanish Agency for International Development Cooperation



African Development Bank



French Development Agency



Nordic Development Fund





MESSAGE FROM
THE CHAIRMAN

MESSAGE FROM THE CHAIRMAN

Dear Shareholders

I am very proud that your company, the African Guarantee Fund, has achieved its mission of becoming the leading financial institution in Africa, that meets Partner Financial Institutions' (PFIs) needs to enable them effectively serve African Small & Medium-sized Enterprises. African Guarantee Fund attributes this huge milestone to its rating; technical expertise (risk and market systems) and its products that address the challenges facing PFIs when financing SMEs. These strengths have positioned AGF as the go-to institution for risk-sharing mechanisms in the continent.

The COVID-19 pandemic had serious negative effect on African SMEs both on the supply and demand sides. Consequently, there was a deterioration of SMEs' creditworthiness, resulting in an increase the cost of credit for the financial sector and their reluctance to finance the SME sector.

In order to face the challenges as well as opportunities created by the spread of the COVID-19, the Board of Directors took some significant measures to equip the Management with an appropriate and diligent response.

To this end, the past year has very much been a year of:

- Assisting the financial sector to restructure and stabilize their SME segment. Therefore, in addition to the regulatory responses given by the different central banks on the continent, AGF proposed a commercial response: The COVID-19 Guarantee Facility.
- Suspension of the 5-year (2017-2021) Strategic Plan and creation of a COVID-19 Transition Plan for the period 2020-2022. New projections and operational adjustments presented by the Management were approved by the Board as we seek to look after shareholder interests. The next 5-year business plan of the Company shall be developed after the transition plan and will cover the 2023-2028 period taking into account the lessons learned from the current crisis.

In parallel of measures taken to face the challenges of the COVID-19 pandemic, the company officially joined the African Development Bank (AfDB) in the Affirmative Finance Action for Women in Africa (AFAWA) initiative. African Guarantee Fund is the implementing partner of the AFAWA Guarantee for Growth (G4G) program, which aims to make available up to USD 3 billion in financing for women entrepreneurs through de-risking

and technical assistance measures. The G4G program receives support from the Group of Seven (G7) countries as well as the Netherlands and Sweden. AGF's strategy recognizes women as a great pillar of the development of African economies and has always focused on increasing access to finance for women. Through AFAWA, AGF's role in financing women will be reinforced to enable even more women fully play their role as drivers of economic growth through the SMEs they own or lead.

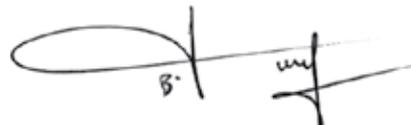
The strength of any institution, just like ours, lies within its capital position, asset quality, strategy, quality of management to execute that strategy, earnings and liquidity.

I would like to re-assure you that we have capital commitments that will be realized in 2021 to support our COVID-19 Guarantee Facility. On behalf of the Board of Directors, I express my particular gratitude to the Investment Fund for Developing Countries (IFU) for their commitment to increase their capital stake in the Company. In connection with the AFAWA initiative, the Global Affairs Canada has also shown commitment to join African Guarantee Fund.

I am glad that the quality of our asset has remained strong in this very critical environment owing to the measures recommended by the Central Banks to mitigate the consequences of the pandemic on the African SME. These measures have been extensively implemented by Banks through diverse restructurings. Our strategy has been adequately adjusted and is being executed by a strong and competent management team led by the Group Chief Executive Officer.

I would like to conclude by thinking each of you esteemed shareholders of our institution for recognizing the value in committing your resources and efforts towards the African Guarantee Fund. AGF's mission remains highly significant for the sustainable development of our continent more so through job creation for our youth in the fight against poverty.

Thank you



Felix A. BIKPO
Chief Executive Officer



MESSAGE FROM THE GROUP CEO

Dear Shareholders,

Greetings,

In 2020, the World Health Organization declared COVID-19 a global pandemic. The extent of the damage caused by the pandemic has had escalating negative effects on African SMEs both on the supply and demand sides.

The COVID-19 pandemic has created one of the biggest uncertainties that the financial sector has ever faced. The deterioration of the credit-worthiness of SMEs, largely due to their higher levels of vulnerability and lower resilience related to their size, has increased the reluctance by banks and financial institutions to finance the SME sector without the presence of an external stimulus.

More than ever before, we had to be deliberate and proactive in assisting our partner banks and SMEs so that they come out of this pandemic stronger. In that regard, AGF has adapted its strategy to respond to the mounting challenges posed by the pandemic.

As a response, to support banks and SMEs navigate throughout the pandemic, we launched the COVID-19 Guarantee Facility, in addition to the regulatory responses given by the different central banks on the continent.

This new risk-sharing facility aims to contribute to the reduction of uncertainties that the financial sector is facing, by giving more support to financial institutions, firstly to restructure the facilities that became non-performing because of COVID-19 pandemic; and secondly to increase their financing to SMEs in order to accelerate their recovery in the African continent

GROWTH

• COVID-19 Guarantee Facility

AGF launched this innovative risk-sharing instrument to contribute to the reduction of the uncertainties that the financial sector is facing.

The COVID-19 Guarantee Facility helps to achieve two objectives, first: Economic stabilisation. This involves restructuring the existing non-performing loans in order to mitigate the consequences of the pandemic on the African SMEs. The objective of this phase is to provide more comfort to financial institutions to ease payment terms and conditions of SME loans and thereby help SMEs to stay alive and save existing jobs.

The second objective is the Economic recovery. The aim of this phase is to support financial institutions in financing SMEs so that these SMEs can recover faster in post-COVID-19 context and accelerate their growth, wealth creation, employment and green transition. In order to boost the economic recovery of the continent, our plan is to provide adapted solutions to the financial sector so that they can increase financing to SMEs.

As at the end of 2020, AGF had issued USD 19 million of its innovative COVID-19 Guarantee to 12 financial institutions. These guarantees benefitted 219 SMEs and helped to maintain approximately 4,000 jobs.

• Women Entrepreneurship

AGF remains steadfast on its commitment to women entrepreneurship across Africa. As Africa strives to meet the Sustainable Development Goals by 2030, the full participation of women as producers, consumers, business owners and key decision makers can be a potent

force for change. Studies have demonstrated that investing in women pays tremendous dividends since women invest 90% of their earnings on food, health and education for the household.

AGF Partner Financial Institutions have to date granted USD 650 million of loans to over 7,000 women-led SMEs while 334 women-led SMEs have so far been trained under AGF's Capacity Development Assistance.

The African Development Bank's Affirmative Finance Action for Women in Africa (AFAWA) program launched in partnership with the African Guarantee Fund to unlock 2 billion in loans to women-owned Small and Medium Sized Enterprises (SMEs) in Africa has led to an increased appetite from banks to support women entrepreneurs. We have signed agreements with leading banks on the continent who are keen to increase their women SME portfolio.

• Green Guarantee Facility

Five years ago, AGF launched a "Green Guarantee Facility" to establish a climate-focused risk-sharing product available to SMEs in Africa. This picked-up on momentum from the 2015 Paris Climate Agreement and introduced a specialized green finance instrument designed to unlock finance for SMEs investing in low carbon, green growth and climate resilient activities.

This facility has unlocked up to USD 200 million SMEs' private capital in sustainable energy, cleaner production, climate-smart agriculture, natural resource management and green services leading to improvements in overall sustainability of African economies and growth in green jobs, income and quality of life for low income communities across the continent.

IMPACT

Contribution towards Africa's competitiveness, food security and poverty eradication:

According to a recent World Bank study, the poor state of infrastructure in many parts of Africa reduced national economic growth by 2% points every year and cut business productivity by as much as 40%, making Africa the region with the lowest productivity levels in the world. It is in response to such critical issues impairing the competitiveness of African SMEs that AGF decided to make access to credit for investment in energy and infrastructure a key priority. By end of 2019, USD 1 billion loans had been granted to finance investments targeting over 3,800 SMEs in these sectors.

AGF has prioritised improving access to finance for SMEs in the agricultural sector. Agriculture and agribusiness accounts for 32% of GDP in Sub-Saharan Africa and employs 65% of the work force. To date, AGF's partners have granted USD 215 million of loans to over 2,200 SMEs in different agricultural value-chains.

Fostering job creation: SMEs form a dominant share of the private sector in Africa, as they account for more than 50% of jobs in their respective economies. AGF has to date, facilitated the creation of an estimated 150,000 jobs by the SMEs benefiting from our guarantees.

Fighting climate change: As at the end of 2020, through AGF's Green Guarantee Facility, 61,005 KW of clean generation capacity, benefitting 25 million of people, has

been installed resulting in 68.9 million metric tons of CO2 equivalent prevented.

FINANCIALS

AGF closed the year 2020 with a positive operating result. The global economy experienced a reduction in interest rates however this had a minimal impact in the treasury portfolio.

AGF adjusted its operating costs accordingly to offset the impact of the pandemic. The company further absorbed a positive impact on the foreign exchange translation which was volatile in the course of the year.

As a precautionary measure and in line with IFRS9 objectives, AGF took a conservative approach in the credit risk provisioning in anticipation of any defaults as the effects of COVID-19 become clearer in the medium to longer term.

TRUST

• Compliance

With respect to Environmental and Social Risk Management, AGF is guided by a strong E&S Policy and E&S Management Framework (ESMF) that it uses in the assessment of E&S Risks of each guarantee facility. The Policy sets out the Environmental & Social objectives and principles that guide AGF's business activities to achieve sound E&S performance.

Whereas AGF targets all sectors, it has identified four key priority sectors that drive the African economy that include Agro-Industry, Energy, Manufacturing and Infrastructure. In this regard, AGF has adopted a robust Exclusion List to ensure that it will not guarantee or provide capacity development to any activity, production, use, distribution, business or trade that is on this list.

• Governance

At AGF, we believe that sound and effective corporate governance is fundamental to guide the management in its efforts to generate sustainable value, enhance business integrity and maintain investor confidence in our ability to achieve corporate mission and vision. The corporate governance framework has been enhanced in order to promote the highest standards of corporate governance and to enable the Company to adopt and comply with all principles of good governance.

• Rating

We are also proud to report that Fitch has maintained AGF AA- rating with a stable outlook. . The rating brings a very strong comfort to our partner financing institutions when assessing AGF capacity to assist them to improve their profitability, liquidity and solvency in order to meet the expectations of their shareholders and the requirements of the regulators.



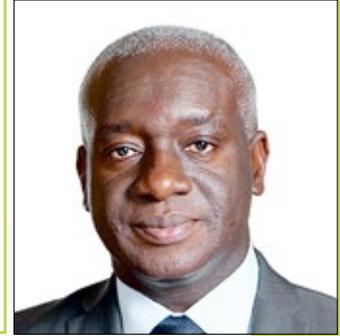
Jules NGANKAM
Group Chief Executive Officer

OUR PEOPLE

BOARD OF DIRECTORS



Andrew TEMU
Independent Director
Chairman
Until July 1, 2020



Felix BIKPO
Independent Director
Chairman
From July 1, 2020



Morten CHRISTIANSEN
(Nominated by
DANIDA and IFU)



**Olawale Bashirudeen
SHONIBARE**
(Nominated by AfDB)



Karin ISAKSSON
(Nominated by NDF)



Amadou RAIMI
Independent Director



Riad AUBDOOL
Resident Director



Sandhya JOGEE
Resident Director

OUR PEOPLE

MANAGEMENT



Felix BIKPO
Group
Chief Executive Officer
Until July 1, 2020



Jules NGANKAM
Group
Chief Executive Officer
From July 1, 2020



Constant N'ZI
Group Chief
Risk Officer



Daisy WANJIE
Group Chief
Financial Officer



Franck ADJAGBA
Group Head of
Business Development



Adidja ZANOUI
Managing Director
AGF West Africa



Josphat NGARUIYA
Group Head of
Human Resources



David EKABOUMA
Group Head of
Monitoring & Evaluation



Juneid KODABUX
Group Legal Officer



Ali BALLO
Group Chief
Internal Controller



Eric MBOMA
Group Head of
Subsidiaries



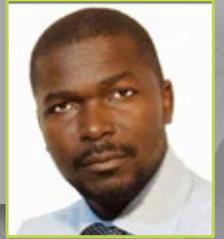
Nishdeep SETHI
Ag Head of
Structured Finance



Yves BOUDOT
Advisor to the
Group CEO

OUR TEAM ▶



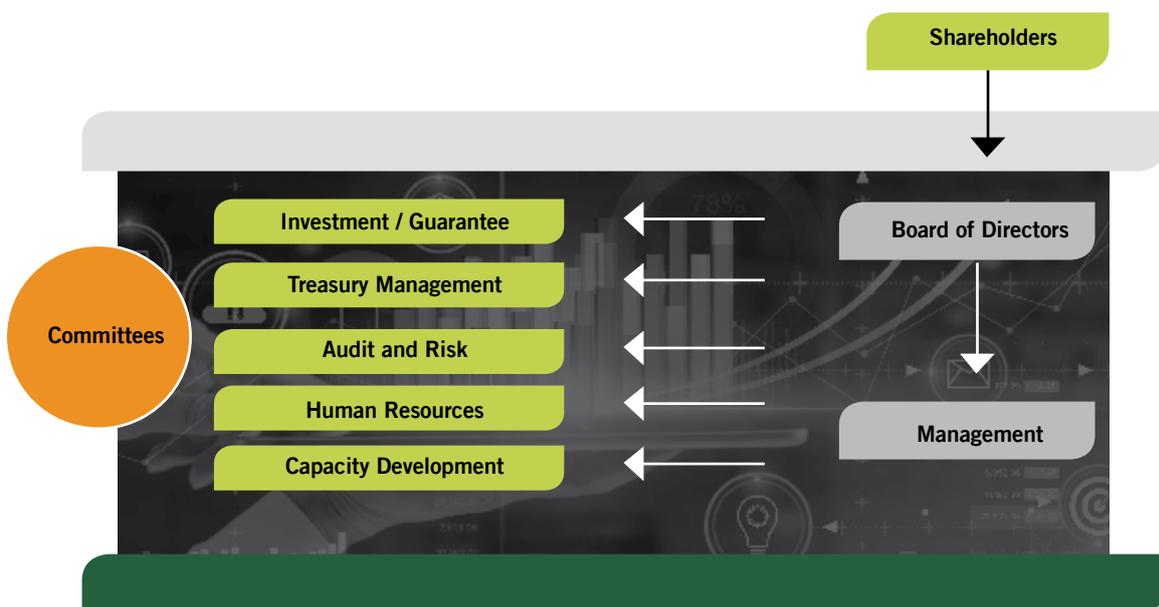




STATEMENT ON CORPORATE GOVERNANCE

At African Guarantee Fund for Small and Medium-sized Enterprises Ltd (“AGF” or the “Company”), we believe that sound and effective corporate governance is fundamental to enhancing our Board of Directors (“The Board”) ability to guide the Management in its efforts to generate sustainable value, enhance business integrity and maintain investor confidence in our ability to achieve corporate mission and vision. We uphold standards – transparency, integrity, accountability and responsibility - that reflect applicable legal and regulatory requirements and a thoughtful approach to emerging practices.

The Board, as the principal governance organ, is responsible for providing the leadership and business direction and comprises Directors with a mix of skills, backgrounds, academic qualifications and experience in diverse fields essential to the company. AGF governance structure is as illustrated below:



The corporate governance framework has been enhanced in order to promote the highest standards of corporate governance and to enable the Company to adopt and comply with all principles of good corporate governance.

The Board is guided by the Board Charter, which serves as a key point of reference for Directors in relation to the Board’s role, powers, duties and functions. The Board Charter sets out, among other elements, the roles and responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the Board’s relationship with the Management and the shareholders of the Company. Each Board Committee has a dedicated Charter, which further describes matters specifically mandated to the Committee.

Corporate governance permeates all levels of management; this has guided AGF and created value for the benefit of shareholders.



OUR BUSINESS: CLOSING THE SME FINANCING GAP

The World Health Organization has declared the novel coronavirus (COVID-19) a global pandemic. We are experiencing and witnessing the dramatic and life changing consequences of this pandemic. The extent of the damage depends on how quickly the virus is contained and how much economic support governments are willing to deploy during the epidemic's immediate impact and aftermath.

It is our aim to be deliberate and proactive in assisting our partner banks and SME to weather this storm and to come out stronger as it passes. In this environment, the AGF is adapting its strategy to respond to the mounting challenges posed by the pandemic. We will need to adapt in order to continue to accomplish our mission: the sustainable development of Africa by facilitating the growth the SME community.

The AGF is now an established institution in the African SME financing eco system. Maintaining and further strengthening our position must be our priority as we face this global challenge. Now we must consolidate and strengthen our efforts. Holding on to and strengthening the gains we have made must be a priority for us and our shareholders.

1. Impact of COVID-19 pandemic on SMEs

The coronavirus outbreak is affecting SMEs, on both the supply and demand sides.

i. On supply side

On the supply of goods and services, SMEs are experiencing a huge disruption in their labor force, as measures to contain the disease by confinement, lockdowns and quarantines are implemented. SMEs are also critically affected by supply-chain disruptions. SMEs often have a more limited number of suppliers and are particularly vulnerable to the disruption of business networks, problems along the supply chain, transport, logistics and ability to outsource some of their business functions.

ii. On demand side

On the demand side, SMEs are facing a dramatic and sudden loss of demand as their consumers are experiencing loss of income, fear of contagion and high uncertainty, which in turn reduces spending and consumption.

The lack of revenue for SMEs will severely affect their ability to function, and cause severe liquidity shortages.

These various impacts are likely to affect both larger and smaller firms. However, the effect on SMEs may be especially severe, particularly because of higher levels of vulnerability and lower resilience related to their size.

2. Impact on financial institutions

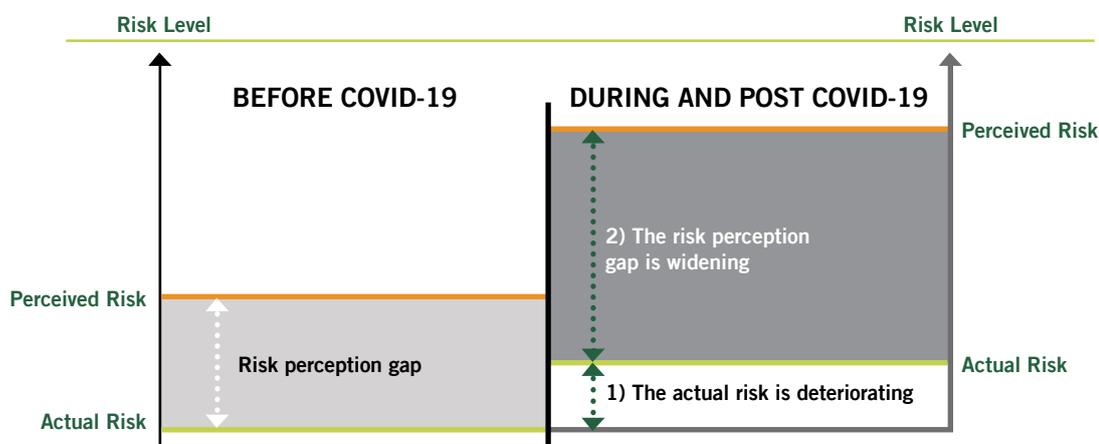
The Coronavirus pandemic is creating one of the biggest uncertainties that the financial sector has ever faced. Considering the traditional reluctance of the banks to finance the SMEs in Africa, the pandemic is causing additional serious damage to this sector.

- ❖ A surge in bad debt is weakening considerably banks' capital reserve therefore their tier-one capital adequacy ratios.
- ❖ Asset quality of PFIs is also set to deteriorate, as the repayment capacity of borrowers are severely affected.
- ❖ As banks have reduced their opening hours, they are only serving few customers therefore are processing few transactions. The decrease in customer transactions is reducing transaction fee income.
- ❖ The reduced demand for loans is reducing loan income.
- ❖ Falling interest rates in the interbank market are driving down net interest margins.
- ❖ Delayed payments from customers facing challenges is reducing liquidity inflows.
- ❖ Customers rushing for cash withdrawal due to economic uncertainty is increasing liquidity outflows.
- ❖ Short-term creditors of banks are stopping rolling over their funds.
- ❖ Delays in recovery during confinement or lockdown is affecting banks' liquidity.
- ❖ PFIs are being adversely affected by the volatility of foreign exchange rates and the decline of oil prices.

3. AGF COVID-19 response

COVID-19 pandemic is having escalating negative effects on SMEs in Africa and is deteriorating their creditworthiness. As a consequence, the reluctance of financial institutions to finance SMEs is increasing. It is crucial to provide additional support to financial institutions so that they can continue supporting SMEs in this unprecedented circumstances.

AGF's COVID-19 response aims to reduce the uncertainties faced by financial institutions in Africa and provide technical assistance to financial institutions to enhance their risk assessment approaches to better analyze the impact of the pandemic and reduce the risk's perception gap affecting African SMEs.



AGF's COVID-19 response is structured in 2 phases:

- ❖ **The stabilization phase:** This phase consists restructuring the financial sector's existing non-performing loans in order to mitigate the consequences of the pandemic on the African SME. With this approach our aim is to preserve the impact achieved during previous years, allow SMEs to maintain their workforce and ensure survival of the performing and well run SMEs that are currently in our partner banks' portfolios.

This approach also provides significant liquidity relief to the SMEs without deteriorating the quality of the banks' portfolios.

- ❖ **The revival phase:** In order to boost the economic recovery of the continent our plan is to encourage the financial sector to increase financing to SMEs. This is central to our mission and we must do our share towards recovering from this escalating economic crisis. It is with absolute certainty that the perceived risk on SMEs will deteriorate during the pandemic. Our aim with this approach is to continue and grow our core operations to create much needed additional impact.

| | Stabilization phase (during COVID-19) | Revival phase (post COVID-19) |
|-------------------------------|---|--|
| AGF's objectives | Assist financial institutions and SMEs to contain the immediate impacts of the pandemic | Support financial institutions in financing SMEs so that these SMEs can recover faster in post-COVID-19 context and accelerate their growth, wealth creation, employment and green transition. |
| AGF's response | Work with financial institutions to restructure existing facilities (extension of the tenor, moratorium, liquidity, top-up, etc.) | Work with financial institutions to issue new facilities (fast-track loan approval process, reduce collateral requirements, etc.) |
| | Provide guarantee cover at better terms and conditions (pricing, coverage ratio, fast tracking of claim payments) Provide technical assistance support to increase the capacity of financial institutions to adapt their risk assessment approaches to the current context | |
| Economic impact's target | Maintain alive SMEs facing difficulties | Accelerate SME's growth and wealth creation |
| Social impact's target | Support SMEs to keep their workforce mainly precarious jobs | Support SMEs to create new jobs |
| Environmental impact's target | Maintain green investments alive | Accelerate SME's green transition |

We will continue actively seize the real opportunities to use our proven capabilities to:

- ❖ Be the implementing partner of choice to support DFI's and Governments to execute their crisis plan;
- ❖ Support the Governments to implement their economic stimulus plan; and
- ❖ Increase our support to PFIs to manage their risk and regulatory requirements during this difficult period.

PERFORMANCE HIGHLIGHTS

RESULTS AT A GLANCE



Improving Lives in Africa

USD 4.5 Billion

estimated revenue generated by the 23,700 SMEs guaranteed

Approximately 50%

of SMEs are located in rural areas

25 Million (*)

People with access to clean energy



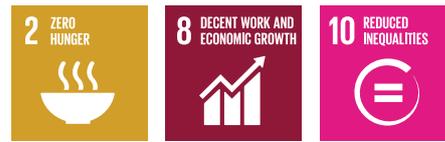
Fostering Job Creation

149,000

Additional jobs created

14,200

Youth-owned SMEs with credit access



Fighting Climate Change

68.9 million tons of CO₂ equivalent(*)

Greenhouse Gas (GHG) avoided

61,005 KW

Cleaner generation capacity installed

101 PFIs and 291 SMEs

Trained under AGF's Capacity Development Assistance



Promoting Gender Equality

USD 650 million

Loans granted to 7,000+ women-led SMEs

334 women-led

SMEs Trained under AGF's Capacity Development Assistance



PERFORMANCE HIGHLIGHTS

RESULTS AT A GLANCE (Cont'd)



Contributing to Africa's Competitiveness

USD 1 billion

Loans granted to 3,800+ SMEs in the Energy, Infrastructure and Manufacturing Sectors.



Contributing towards Food Security

USD 215 million

Loans granted to 2,200+ SMEs in the Agriculture Sector.



Partnering for Poverty Reduction

USD 2.7 Billion

Private capital made available

168 Partner Financial Institutions

40 Countries

USD 4 Million

Value of Capacity Development Initiatives

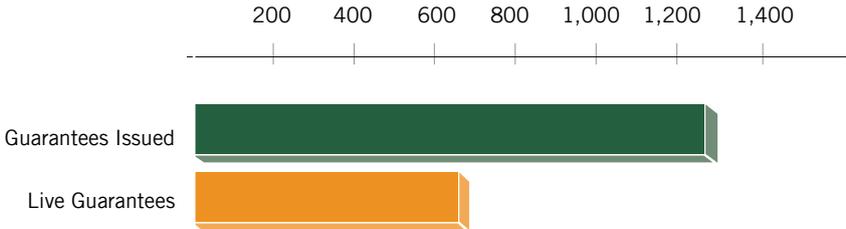


PERFORMANCE HIGHLIGHTS

Guarantee Portfolio

AGF provides guarantee instruments designed to share risk with public and private actors in order to mobilize additional capital and draw in new partners to achieve development impact.

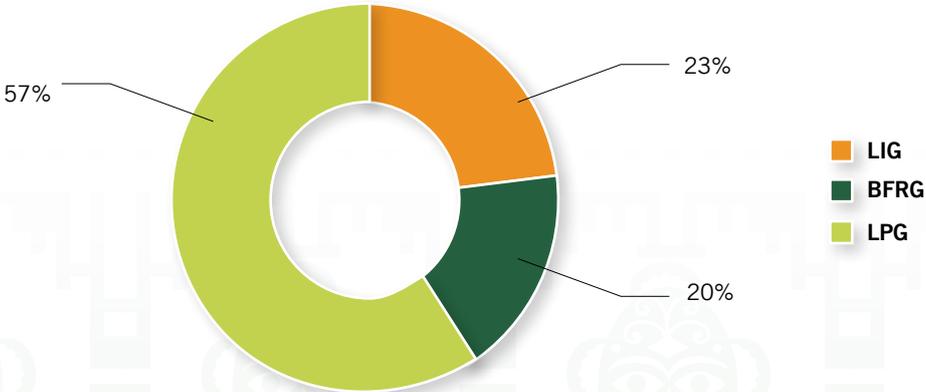
By the end of 2020, AGF cumulatively issued USD 1.35 billion of guarantees to 169 Partner Financial Institutions (PFIs) in 40 countries in Africa. As of 31 December 2020, the outstanding volume of guarantees is USD 745 million, out of which USD 156 million is re-guaranteed by our partners AFREXIM, ATI, ARIZ/AFD, GUARANTCO and SIDA.



AGF has three types of guarantees designed to jointly close the financing gap: bank fundraising guarantees, equity guarantees, and loan guarantees (portfolio and individual).

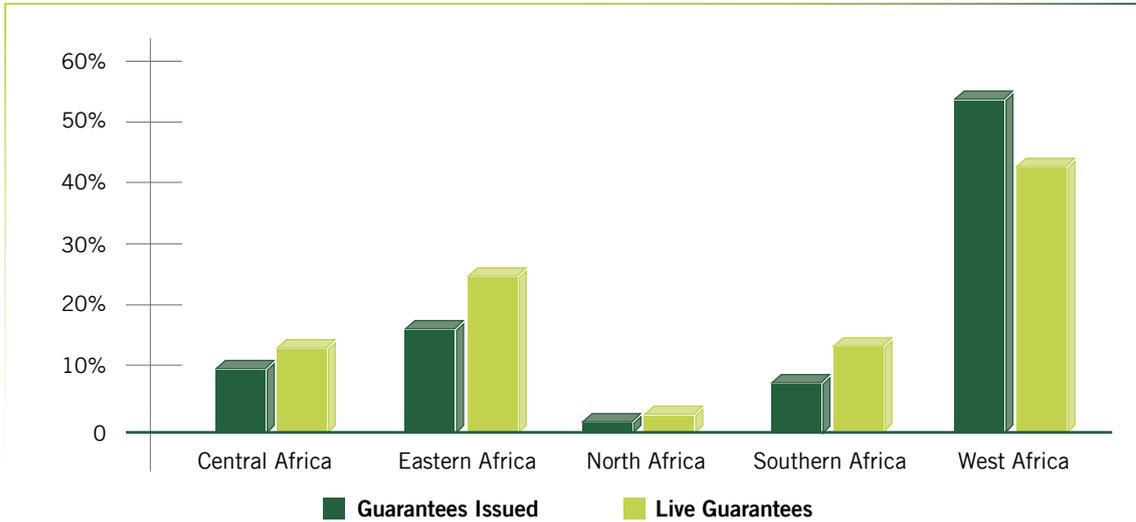
- ❖ **The Bank Fund Raising Guarantee (BFRG)** covers bonds issued by a PFI to investors for whom the parameters have been defined, although the individual investors, may not be known, for the purpose of raising long-term resources to finance SMEs.
- ❖ **The Equity Guarantee (EG)** covers initial capital investment loss for investors providing equity or quasi-equity to SMEs. The EG provides an alternative source of financing to SMEs that face difficulties in accessing bank financing due to their weak financial structure.
- ❖ **The Loan Individual Guarantee (LIG)** covers a single loan made by a PFI to a single Borrower whose identity is known.
- ❖ **The Loan Portfolio Guarantee (LPG)** covers a portfolio of loans made by a PFI to a target Borrower segment (Qualifying Borrowers) for which the parameters have been defined but the individual borrowers are not known at the time of the guarantee agreement. The guaranteed party is not required to obtain approval from AGF prior to the placement of each loan under the guarantee.

Out of the four products offered above, AGF has so far issued predominantly LPGs, followed by LIGs and then BFRGs, as depicted below:

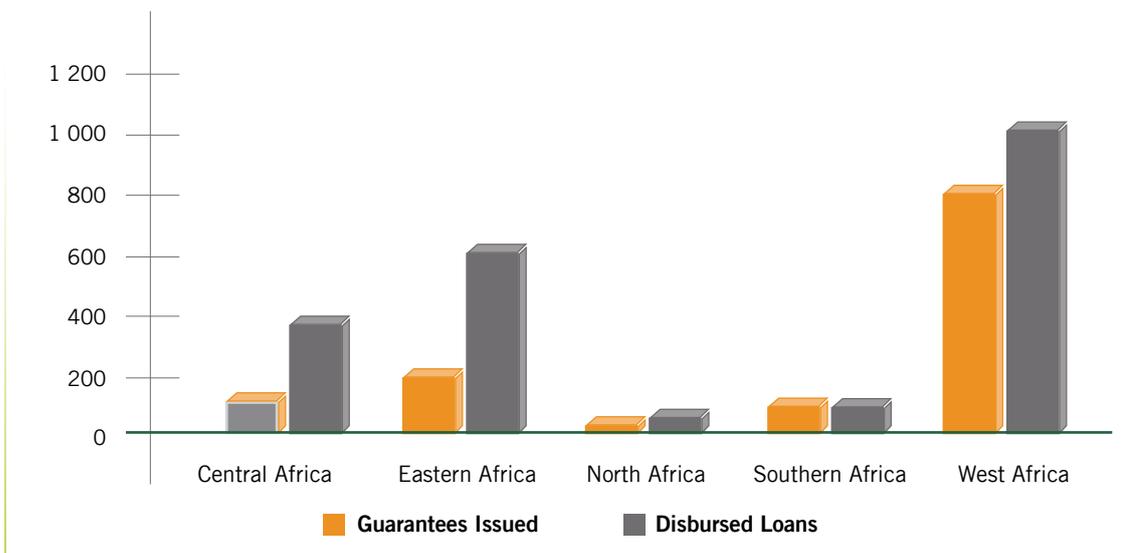


PERFORMANCE HIGHLIGHTS

As of 31 December 2020, the USD 745 million of outstanding guarantees are geographically spread over the Central Africa, Eastern Africa, Southern Africa and West Africa regions as follows:



AGF guarantees trigger the confidence of PFIs to extend credit facilities to SMEs, as most of the SMEs supported by AGF guarantees are those that would normally not qualify for such facilities under existing commercial terms, especially with regard to collateral. By the end of 2020, USD 2.2 billion had been disbursed to about 22,000 SMEs.



Since inception, the total guarantees claimed and paid by AGF has amounted to USD 20 million, representing about 2% of the total guarantees provided since inception.

It is however important to stress on the slight increase of this claim volume in 2020, where AGF paid USD 8 million of claim on this single year, compared to the cumulative USD 12 million over the previous 7 years.

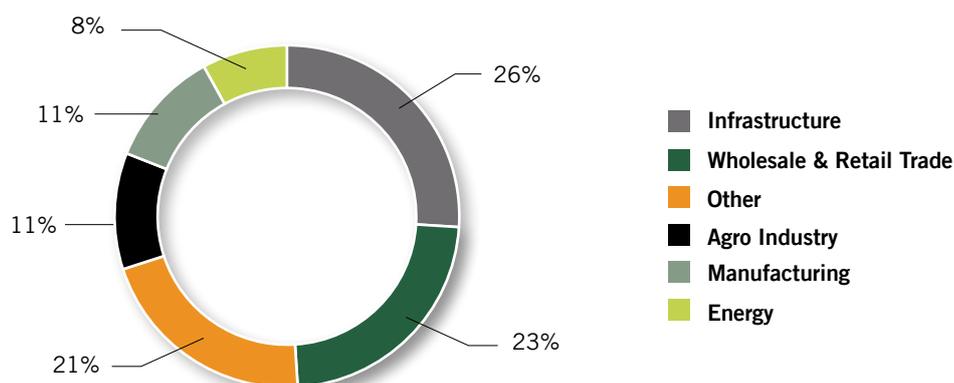
This is mainly due to a liquidity stress on the PFI level, where the claim processes have been accelerated. Under normal economic conditions, priority was given to restructuring and recovery from other securities than AGF's guarantee. But with COVID-19, the Partner Financial Institutions have prioritized the restructuring of facilities which became non-performing because of COVID-19, and then accelerate the claim process on facilities which were non-performing before COVID-19.

The NPL ratio of AGF remains however stable over the year 2020, thanks to the restructuring mentioned above.

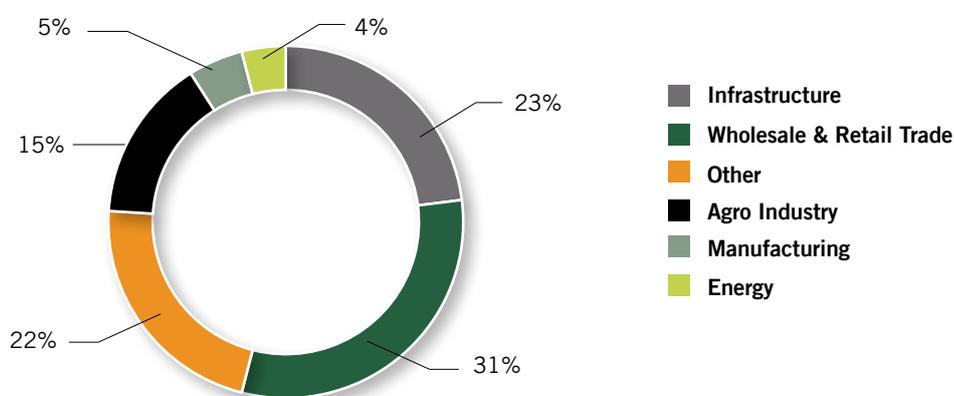
PERFORMANCE HIGHLIGHTS

AGF's guarantees are utilized by PFIs to unlock existing financial resources and facilitate access to credit for SMEs in all sectors of the economy. However, AGF has prioritized three sectors (i.e. agriculture, energy and infrastructure) in its 2017-2021 strategic plan. These sectors, in addition to being major contributors to rapid economic development in Africa, also have higher potential to create thousands of jobs for youth and women.

Below is the distribution of the disbursed facilities per sector, since inception, where most facilities were disbursed to SMEs in Infrastructure sector, followed by the Wholesale & retail trade sector.



Over the year 2020 however, the sector which has benefited the most from AGF guarantee is the Wholesale & retail trade sector, followed by the Infrastructure sector as depicted below.



As of 31 December 2020, the outstanding utilized guarantees amounted to USD 300 million, with geographical spread into the regions of Central Africa, Eastern Africa, Southern Africa and West Africa as follows:

| Description | Number of SMEs | Outstanding Guaranteed Amount (in USD Million) |
|-----------------|----------------|--|
| Central Africa | 571 | 45 |
| East Africa | 3,476 | 73 |
| North Africa | 14 | 8 |
| Southern Africa | 387 | 16 |
| West Africa | 364 | 158 |
| Total | 4,812 | 300 |

PERFORMANCE HIGHLIGHTS

ESG

Policy and Exclusion List

For its Environmental and Social Risk Management, AGF is guided by a strong E&S Policy and E&S Management Framework (ESMF) that it uses in the assessment of E&S Risks of each guarantee facility. The Policy sets out the Environmental & Social objectives and principles that guide AGF's business activities to achieve sound E&S performance. The ESMF sets out our approach to the identification, assessment, approval and management of these E&S risks. The ESMF has been developed in line with the E&S Policy.

The ESMF objective is to assess the management of such risks by AGF's Partner Financial Institutions (PFIs). The Policy and ESMF are aligned to International Standards and based on the IFC Performance Standards.

Whereas AGF targets all sectors in the Africa economy, it has identified four key priority sectors that drive the African economy that include Agro-Industry, Energy, Manufacturing and Infrastructure. In this regard, AGF has adopted a robust Exclusion List to ensure that it will not invest, guarantee or provide capacity development to any activity, production, use, distribution, business or trade that is on this list.

Procedure and Processes

The E&S risk assessment process is integrated into the Guarantee assessment process and includes the following:



- ❖ **Screening:** the AGF Exclusion List is applied to the prospective SME/PFI/transaction;
- ❖ **Due Diligence mainly focuses on:**
 - i. How the PFI assesses its own E&S risks;
 - ii. How the SME is equipped to manage E&S risks;
- ❖ **Categorization:** undertaken in accordance with the categorization process of the IFC, as outlined in the Equator Principles III (2013);
- ❖ **Approval:** E&S risk assessment is integrated into the Guarantee risk assessment process hence the approval process is similarly embedded. Any E&S Action Plans (ESAP), terms and condition and monitoring & reporting requirements are captured in the Guarantee Agreement that is to be entered into by AGF and its Partner Financial Institutions;
- ❖ **Monitoring:** This is done based on the signed guarantee agreement provisions in terms of monitoring and reporting requirements captured there-in e.g. frequency of monitoring or reporting, level of detail of information based on Category etc.

In accordance with the AGF E&S Policy and Framework, we have categorized the guarantee exposure based on the level of threat or none to the social and environmental sustainability. The categories, as specified under the policy and framework are three:

- ❖ **Category A or FI-1:** Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented;
- ❖ **Category B or FI-2:** Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and
- ❖ **Category C or FI-3:** Projects with minimal or no social or environmental impacts

There are two types of E&S assessment that AGF undertakes:

1. **Direct assessment** of SME's E&S risks (applicable to Loan Individual Guarantees, Equity Guarantees and Treasury Investment on Corporate Companies). For this the Categories applied are A, B and C.
2. **Indirect assessment** of SME's E&S risks through delegation of assessment to PFI and direct assessment of the PFI's E&S Framework by AGF (applicable to Loan Portfolio Guarantees, Bank Fundraising Guarantees, Capacity Development and Treasury Investment on PFI). For this the Categories applied are FI-1, FI-2 and FI-3.

PERFORMANCE HIGHLIGHTS

E&S Resources and Tools

The key persons involved in the day-to-day management of the E&S Risk processes are as shown in the diagram below.



AGF uses various tools when executing the E&S Risk assessment and management process. These include questionnaires, forms, templates, registers such as: Screening questionnaire, Categorization report template, Due Diligence Questionnaire and report template, Guarantee Committee Information Note, Incident reporting form, Incident Register, Monitoring report template etc.

2020 Highlights

1. By Category

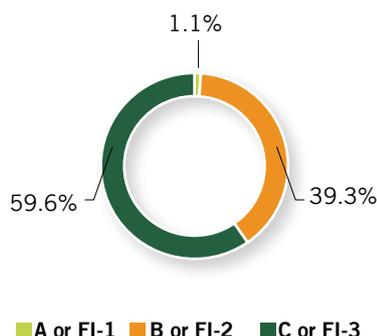


Chart 1: Combined E&S Category

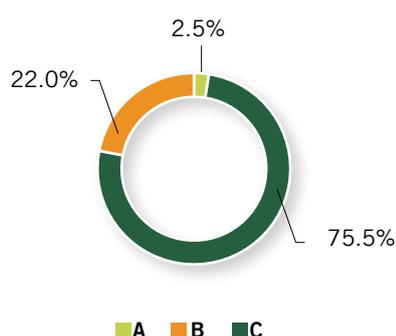


Chart 2: Direct Assessment

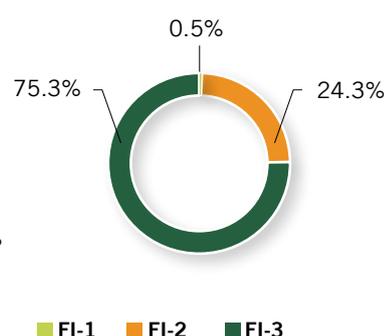


Chart 3: Indirect Assessment

From the above charts it can be seen that the larger part of AGF guarantee exposure is categorized as Low Risk (C or FI-3) and Medium Risk (B or FI-2). The 1.1% in Chart 1 that is categorized High Risk (A or FI-1) is mainly comprised of guarantees in the mining and quarrying or extractive sector with a few being Legacy guarantees issued by GARI Fund prior to its acquisition by AGF.

2. By AGF Priority Sectors

| Priority Sector | A or FI-1 | B or FI-2 | C or FI-3 | TOTAL |
|-----------------|-------------|--------------|--------------|---------------|
| Agro Industry | 0.0% | 9.0% | 0.1% | 9.1% |
| Energy | 0.0% | 3.7% | 0.4% | 4.0% |
| Infrastructure | 1.1% | 16.3% | 1.7% | 19.1% |
| Manufacturing | 0.0% | 9.7% | 0.2% | 9.9% |
| Other | 0.0% | 0.6% | 57.2% | 57.8% |
| TOTAL | 1.1% | 39.3% | 59.6% | 100.0% |

PERFORMANCE HIGHLIGHTS

3. By Number of SMEs per Category

| Regions | A or FI-1 | B or FI-2 | C or FI-3 | TOTAL |
|-----------------|-----------|--------------|---------------|---------------|
| Central Africa | 9 | 874 | 2,007 | 2,890 |
| East Africa | 2 | 3,556 | 9,943 | 13,501 |
| North Africa | | 5 | 16 | 21 |
| Southern Africa | 5 | 1,220 | 1,515 | 2,740 |
| West Africa | 11 | 1,388 | 1,481 | 2,880 |
| TOTAL | 27 | 7,043 | 14,962 | 22,032 |

4. Exposure on excluded sectors

As of 31st December 2020, AGF has no exposure to report on any excluded sector.

5. Incidents reported in 2020

As of 31st December 2020, no incident has been reported either internally within AGF or on any exposure of AGF (treasury assets, guarantee activity and CD activity).

IMPACT

AGF's COVID-19 guarantee an innovative contribution to Africa's resilience

As a response to the COVID-19 pandemic which has had escalating negative effects on SMEs in Africa, deteriorated their creditworthiness, and resulted in an increased reluctance of financial institutions to finance SMEs, it was crucial for AGF to provide external stimulus to its partner financial institutions so that they could continue supporting SMEs during an unprecedented period of uncertainties, while enabling these SMEs not only to save their businesses but also as many jobs as possible.

AGF's COVID-19 response has been structured in 2 phases:

- ❖ **The stabilization phase:** The objective of this phase is to provide more comfort to financial institutions to restructure facilities in order to ease payment terms and conditions of SME loans and thereby help SMEs to stay alive and save jobs which have already been created.
- ❖ **The revival phase:** The aim of this phase is to support financial institutions in financing SMEs so that these SMEs can recover faster in post-COVID-19 context and accelerate their growth, wealth creation, employment and green transition

By the end of 2020, AGF had issued **USD 19 million** of its innovative COVID-19 Guarantee to 12 PFIs. The guarantees benefitted to **219 SMEs** and helped to maintain approximately 4,000 jobs.

AGF's guarantee instruments unlock existing financial resources to foster a sustainable and inclusive economic growth in Africa

Catalyzing financial inclusion to improve lives in Africa

23,700 SMEs have gained access to income-enhancing loans, which are estimated to have generated about USD 4.5 billion in income. A large majority of the beneficiaries are in rural areas and/or provide live-improving goods or services. By end of 2020, **over 60% of the loans granted by PFIs were below USD 31,000** to SMEs in agriculture, education, health and trade.

As Africa looks to meet the SDGs by 2030, the full participation of women as producers, consumers, business owners and key –decision makers can be a potent force for change. Studies have demonstrated that investing in women pays tremendous dividends since women **invest 90% of their earnings** on food, health and education for the household. AGF wants to take a leadership role in applying a gender lens in partnership with key stakeholders, by providing risk-mitigating instruments to financial institutions advancing gender equality. To date, **USD 650 million** of loans were granted to over **7,000 women-led SMEs** by AGF's partners.

PERFORMANCE HIGHLIGHTS



Agriculture and agribusiness accounts for 32% of GDP in Sub-Saharan Africa and employs 65% of the work force. As such it is likely to have a bigger impact on poverty reduction than other sectors as it offers the most direct route of raising returns to poor people's main assets (i.e. land and labour). This is why for AGF improving access to finance for SMEs in agriculture was made a key priority. To date **USD 215 million** of loans were granted to over **2,200 SMEs in different agricultural value-chains** by AGF's partners.

Fostering jobs creation and youth entrepreneurship

Africa needs jobs. With a burgeoning young population that is often viewed as a challenge rather than an asset, policy makers and other stakeholders across the continent are seeking to increase the quantity and the quality of jobs as a mean to tackle poverty. Since SMEs form a dominant share of the private sector in Africa, and account for more than 50% of jobs in their respective economies it is therefore critical to enable them to access to finance to grow and create jobs that will as a result mostly benefit to the youths. To date, an estimated **149,000 jobs** have been directly created by the SMEs benefiting from AGF guarantee. In addition, **14,200 youth-owned SMEs** accessed to credit thanks to AGF's guarantee. By doing so they do not only create opportunities for themselves, but also demonstrate the **economic potential of the continent's young entrepreneurs and innovators to create millions of high-quality jobs and promote inclusive economic growth continent-wide.**

Contributing to Africa's competitiveness, while mitigating the effects of climate change

Infrastructure development is a key driver for progress across the African continent and a critical enabler for productivity and sustainable economic growth. Yet, Africa still faces serious infrastructure shortcomings across all sectors, both in terms of access and quality. Indeed, **only 38%** of the African population has access to electricity, a huge number of businesses suffer from lack of reliable power for industrial processes or because they cannot get



their goods to the market, while millions of lives are threatened every day for lack of clean water or safe sanitation. Furthermore, a recent World Bank study found that the poor state of infrastructure in many parts of Africa reduced national economic growth by **2% points every year and cut business productivity by as much as 40%**, making Africa the region with the lowest productivity levels in the world.

It is in response to these critical issues impairing the competitiveness of African SMEs that AGF decided to make access to credit for investment in energy and infrastructure a key priority. By end of 2019, **USD 1 billion of loans** have been granted to finance investments led and/or benefitting to SMEs in these sectors.

AGF's Green Guarantee Facility (GGF) is demonstrating how **renewable energy technologies and businesses** have the potential to reach and significantly impact Africa's rural communities as limited access to sources of energy continues to undermine the productivity of households and businesses, limit growth, experience high emissions and deteriorating living standards. Climate change also has the potential to reduce agricultural yields, increase water scarcity and the frequency of extreme weather.

During the fiscal year 2020, AGF and GuarantCo closed co-guarantee agreement of USD 19 million transaction to support the debt funding of the **20 MW solar photovoltaic power plant** in Madagascar. It has been estimated that the plant will avoid the emission of **17,000 tons of CO₂e per annum** over the 23 years remaining of the PPA.

The GGF, which has unlocked **USD 197 million** of financing since its launch, has shown that private sector innovation has the potential to reach people in ways that large-scale government investment in grid extension and climate adaptation infrastructure has so far struggled to deliver.

By the end of 2020, **61,005 KW** of clean generation capacity, benefitting to **25 million of people**, has been installed resulting in **68.9 million metric tons of CO₂** equivalent prevented.

A partnership to encourage private sector to engage in AGF's mission, while mitigating their risks.

AGF mitigates the risks facing its Partner Financial Institutions by complementing all guarantee products with a Capacity Development component. This entails technical assistance to PFIs to mitigate their operational risks when on-lending to SMEs and/or to help them increase their SME portfolio. AGF also provides capacity development assistance to SMEs themselves to build their capacity for easier access to finance. Support to SMEs is availed through PFIs and Business Development Service (BDS) providers.

PERFORMANCE HIGHLIGHTS

By the end of 2020, the amount of CD committed by AGF was USD 4 million as detailed below:

| Description | Amount (million USD) | In % |
|--------------|----------------------|-------------|
| BDS & SMEs | 2 | 52% |
| PFI's | 2 | 48% |
| Total | 4 | 100% |

BDS & SMEs are trainings designed to enhance their capabilities in various areas. Financial Institutions (FIs) trainings revolve around credit, risk management and products development. Such trainings are offered to all FIs whether they have or not an existing guarantee with AGF. They are usually organized to encourage FIs to venture in an area of interest identified by AGF.

SMEs trainings are organized in partnership with BDS. The goal is to equip the selected SMEs with the tools that shall enable them to access credit. The BDS usually take the commitment to introduce the trained SMEs to FIs at the end of the curriculum.

By end of 2020, the breakdown of such interventions together with their beneficiaries were as follows:

| Description | Amount | | Number of PFI's /SMEs | Number of People Trained | |
|----------------------------------|------------|--------------|-----------------------|--------------------------|------------|
| | Committed | Disbursed | | Male | Female |
| Green Finance | 1.2 | (0.7) | 101 | 235 | 211 |
| Generic Training (Credit & Risk) | 0.5 | (0.4) | 112 | 251 | 41 |
| SMEs Preparedness | 0.3 | (0.2) | 47 | 40 | 6 |
| Total | 2.0 | (1.3) | 260 | 526 | 258 |

By end of 2020, AGF had committed USD 1.8 million for CD with 25 PFI's who had entered into a guarantee agreement with AGF. The **main objective** in this type of arrangement is to mitigate the risks that have been identified during the due diligence by improving the PFI's capacity in areas of credit and risk management. As a **secondary objective**, AGF can also avail CD support to a PFI in order to help it to grow its SME clientele by re-engineering its strategy, policies and processes, launching a new product or enhancing the capacity of its SME clientele.

The analysis of the portfolio at risk as of 31 December 2020 revealed that CD has reached its primary objective. Indeed, as shown below those of the PFI's who have received CD support are outperforming those who have not, as far as the **quality of the portfolio and financing granted** to SMEs are concerned.

| Description | PFI's with CD | PFI's without CD |
|--|---------------|------------------|
| Number of PFI's | 25 | 143 |
| Guarantees Issued (In USD Million) | 226.7 | 1,127.3 |
| Financing Made Available (In USD Million) | 453.4 | 2,254.6 |
| Volume of Loans Disbursed (In USD Million) | 430.4 | 1,739.4 |
| Utilization Rate (%) | 95% | 77% |
| Default Rate (%) | 1.4% | 5.1% |

PERFORMANCE HIGHLIGHTS



FEATURED PARTNERSHIPS

1

AGF SUPPORTS DEBT FUNDING OF THE LARGEST SOLAR POWER PLANT IN MADAGASCAR

African Guarantee Fund, Axian, Société Générale, GuarantCo and GreenYellow closed a USD 19 million transaction geared towards supporting the debt funding of Madagascar's largest power plant; a 20 MW solar photovoltaic plant in Ambatolampy. The power plant was built by GreenYellow and has been operational since 2018. In addition to injecting capital into the Ambatolampy solar plant, the transaction will also empower GreenYellow and AXIAN partnership to accelerate investments in new greenfield projects in Madagascar, and make them a key contributor to the country reaching its objective of an 80 percent renewable energy mix by 2030 and improving its energy security.



2

AGF AND CENTENARY BANK PARTNER TO INCREASE SME FINANCE IN UGANDA



African Guarantee Fund and Centenary Bank signed a five-year USD 10 million Loan Portfolio Guarantee agreement aimed at providing affordable financing to SMEs in Uganda. Centenary Bank seeks to provide businesses with appropriate microfinance solutions in an effort to promote economic growth and development. This partnership will boost access to finance for more SMEs which will ultimately lead to job creation and revenue generation.

3

AGF & FRAGG INVESTMENT LAUNCH SME IMPACT GROWTH ACCELERATOR PROGRAM IN WEST AFRICA

African Guarantee Fund in partnership with FRAGG Investment Management Limited launched the 2020 cohort of West African SMEs to take part in the FRAGG Impact Growth Accelerator Program (FIGAP). This program provides SMEs with training, mentorship and technical assistance under AGF's Capacity Development positioning them for financing from lending institutions.



4

AGF PARTNERS WITH TDB & GRASSROOTS BUSINESS FUND TO FINANCE AGRI-SMES IN EAST AFRICA

African Guarantee Fund partnered with the Eastern and Southern African Trade and Development Bank (TDB) and Grassroots Business Fund (GBF) to roll out a USD 1 million SME program to finance Agri-SMEs in East Africa and improving their financial management systems. This partnership serves to connect local businesses with both local and international investors and suitable markets as well as alleviate livelihoods from poverty, while supporting a peaceful, equitable and market-based economy.





AGF DONATES ESSENTIAL COVID-19 MEDICAL EQUIPMENT TO PUMWANI MATERNITY HOSPITAL

African Guarantee Fund donated essential medical equipment to Nairobi's Pumwani Maternity Hospital in a bid to strengthen the hospital's fight against the COVID-19 pandemic. AGF's donation included oxygen concentrators, oxygen masks, non-permeable disposable gowns, patient monitors, hand sanitizers with mountable dispensers, surgical masks, N95 masks and infused thermometer guns.

Expectant women, infants and children are among the most vulnerable to COVID-19 exposure and the donated equipment will go a long way in ensuring provision of quality services to prevent the spread of COVID-19 among the patients and healthcare providers.



AGF HOLDS MENTORSHIP PROGRAM FOR FEMALE STUDENTS FROM STRATHMORE BUSINESS SCHOOL

African Guarantee Fund held a mentorship program for female students from Strathmore University Business School during the International Women's Day celebrations. The purpose of this forum was to empower the students in pursuing their career development goals after completing their education.

The mentorship session was run by female staff from various AGF departments and included discussions on job searching, career growth, challenges in the corporate world, with practical examples from AGF staff.

AGF is at the forefront of reducing gender inequality, particularly in the education sector and looks to build long-term program of mentorship, skill and knowledge acquisition for young African women in order to equip them with the necessary skills and improve their bargaining power in their various career paths.



30 | A GUARANTEE FOR AFRICAN GROWTH



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2020



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CORPORATE INFORMATION

DIRECTORS

Felix A. Bikpo
 Andrew Ephraim Temu
 Morten Christiansen
 Riad Aubdool
 Karine Isaksson
 Amadou Roufai Raimi
 Sandhya Jogee
 Olawale Bashirudeen Shonibare
 Richard Marney
 N'ganguia Christian Yoka
 Kenechukwu Dumogu Chiedu Nwosu

DATE OF APPOINTMENT

01 July 20
 15 June 11
 07 April 14
 30 June 15
 21 January 20
 03 September 18
 15 November 19
 03 December 19
 10 February 21
 18 February 21
 18 February 21

DATE OF RESIGNATION

–
 01 July 20
 –
 –
 08 December 20
 18 February 21
 –
 –
 –
 –
 –

MANAGEMENT

Jules Ngankam
 Franck Adjagba
 Constant Nzi
 Josphat Ngaruiya
 Ali Ballo
 David Ekabouma
 Eric Mboma
 Adidja Zanouvi
 Daisy Wanjie
 Nishdeep Sethi
 Juneid Kodabux

POSITION

Group Chief Executive Officer
 Group Director of Business Development from January 2020
 Group Chief Risk Officer
 Group Director of Human Resources
 Group Chief Internal Controller
 Group Director of Monitoring and Evaluation
 Group Director of Subsidiaries[KF1][DW2]
 Managing Director, AGF West Africa
 Group Chief Finance Officer from January 2020
 Acting Group Head of Structured Finance from January 2020
 Group Director of Legal and Corporate Affair

ADMINISTRATOR & SECRETARY

Rogers Capital Fund Services Ltd
 Rogers House
 5, President John Kennedy Street
 Port Louis
 Republic of Mauritius

REGISTERED OFFICES

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 Kenya

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Cybercity
Ebene
Republic of Mauritius

ADMINISTRATOR & SECRETARY

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Port Louis
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Kenya

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Ebene
Mauritius

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United Kingdom

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Stanbic Bank Kenya
International Life House
Branch
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Nairobi
Kenya

Ecobank Kenya Ltd
Gikomba Branch
Muindi Bingu Street
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Nairobi
Kenya

Commercial Bank of Africa
Upper Hill Branch
Mara and Ragati Roads
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Nairobi
Kenya

ABSA Bank (Kenya)
Waiyaki Way
4th Floor, Absa HQ
Nairobi



CORPORATE GOVERNANCE REPORT

The Board of Directors of the AFRICAN GUARANTEE FUND— for Small and Medium-sized Enterprises Ltd (“AGF” or the “Company”) has the pleasure in submitting the Corporate Governance Report for the financial year ended 31st December 2020.

INTRODUCTION

AGF was incorporated on 28th March 2011 as a private company limited by shares under the Companies Act 2001 and is domiciled in the Republic of Mauritius. AGF was granted a Category 1 Global Business Licence under the Financial Services Act 2007 and is authorised by the Financial Services Commission under the Securities Act 2005 to operate as a Closed-End Fund.

With the aim of promoting economic development and poverty reduction in Africa, AGF provides African financial institutions with guarantees and other similar or related financial products specifically intended to support small and medium-sized enterprises (SMEs) in Africa to grow and to increase employment.

STATEMENT OF COMPLIANCE

AGF holds standards of corporate governance through awareness of business ethics and supervision of its management team by the Board of Directors.

The main objectives and functions of the Board of Directors (the “Board”) as regards Corporate Governance are to:

- ❖ determine, agree and develop the Company’s general policy on Corporate Governance in accordance with the applicable Code of Corporate Governance;
- ❖ select candidates for eventual Board appointments; and
- ❖ review the terms and conditions of all service agreements between the Company and service providers.

The Board is satisfied that it has discharged its responsibilities for the year in respect of Corporate Governance.

PRINCIPLE ONE: GOVERNANCE STRUCTURE

The Board is fully committed to achieving and sustaining the highest standards of Corporate Governance with the aim of maximising long-term value creation. The Board assumes full responsibility for leading and controlling the Company. Emphasis is placed on the conduct of business practices that display characteristics of good corporate governance namely discipline, integrity, transparency, independence, accountability, fairness, professionalism and social responsibility.

In addition, the Board continuously reviews the implications of Corporate Governance principles and practices in light of its experience and regulatory requirements.

The Board believes that strong Corporate Governance is essential for delivering sustainable value, enhancing business integrity and maintaining investors’ confidence towards achieving AGF’s corporate objectives and vision.

Board Charter and Constitution

The Company has a Board Charter in place since 15 June 2018. The purpose of this Board Charter is to promote the highest standards of Corporate Governance within the Company and to clarify, inter alia, the roles and responsibilities of the Board in accordance with the principles of good corporate governance. The Board Charter serves not only as a reminder of the Board’s roles and responsibilities but also as a general statement of intent and expectation as to how the Board shall discharge its duties and responsibilities.

The Constitution of AGF, which was last amended on 15th June 2018, is in line with the Companies Act 2001.

The Board is composed of skilled, knowledgeable and experienced professionals, carefully selected to be highly effective in the governance of the organisation. They assume full responsibility for leading and controlling the organisation and for meeting all legal and regulatory obligations.

The business and affairs of the Company are managed by the Board.

The Board of AGF comprises of independently-minded non-executive Directors. The Board must at all times be composed of 2 Independent Directors, that is directors appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, the Shareholders or its management.

Directors are elected (or re-elected, as the case may be) on a three-year mandate and a director cannot hold office for more than two (2) terms, that is, a maximum of six (6) years in total.

Subject to the Constitution, the Board is to be constituted as follows:

- ❖ At all times, consist of two (2) Directors resident in Mauritius;
- ❖ Each Founding Shareholder has the right to appoint one (1) Director;
- ❖ Each new holder of Class B or Class C Shares who subscribes for at least USD 5 million in the Company may be given the right to appoint one (1) Director so long as they are shareholders of the Company; and o Must consist at least two (2) Independent Directors.

The Board comprises of Directors with the mix of skills, backgrounds, academic qualifications and experience in the fields of:

- ❖ banking, finance, Risk management, accounting, legal, business management, information technology and
- ❖ investment management; and
- ❖ entrepreneurship, knowledge of target market/sector and socio-economic perspective and business development (including Small and Medium Enterprises (SMEs) in Africa).

The Board endeavours to have at all times one Director who is specialized in the following fields: Risk Management; Legal; Banking / Finance; and Entrepreneurship / knowledge of SMEs.

A Chairman of the Board is elected from amongst the Directors of AGF by a board resolution. The Chairman is responsible for the overall leadership and efficient functioning of the Board and is accountable to the Board and the Shareholders. The current Chairman of the Company is Mr. Felix BIKPO.

Under regulatory supervision of the Financial Services Commission, all officers and agents of AGF are expected to maintain a high level of ethics in their behaviour and business transactions. The transactions of AGF are carried out as per its Constitution, Shareholders' Agreement, the Board Charter and the Code of Business Conduct and Ethics, applicable to all direct and indirect employees who deal with the matters of the Company.

AGF is involved in the provision of services and its operations do not materially impact on the environment. Investing strategies include investment in sound, ethical and environmentally friendly entities.

PRINCIPLE TWO: THE STRUCTURE OF THE BOARD

The Board has attempted to create the right balance and composition in such a way as to best serve the organisation. The Board is a unitary Board and comprises 8 directors.

Improvement will be brought to the gender diversity as the Board currently comprises of 7 males and 1 female.

The profile of the Board members as at 31 December 2020 is as follows:

Mr. Andrew Temu (end of term on 30 June 2020)

Andrew is an Associate Professor in the Department of Agricultural Economics and Agribusiness, Sokoine University of Agriculture, Tanzania. He holds a PhD in Agricultural Economics from the University of London, United Kingdom, a Master of Science Degree from Reading University and a Bachelor of Science Degree from Sokoine University of Agriculture, Tanzania.

Mr. Riad Aubdool

Riad is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Chartered Member of the Chartered Institute of Securities and Investment (Chartered MCSI). He is registered with the Mauritius Institute of Professional Accountants, both as a professional and public accountant, and is a member of the Mauritius Institute of Directors. Riad has 26 years of professional experience in financial services (including fund administration, structuring and administration, secretarial, accounting, international tax planning, tax compliance, AML/CFT and compliance, auditing and consulting). He has administered funds/companies with AuA of approximately USD 26 Billion, which included major international financial institutions as clients.

He holds directorship in investment managers/advisors and collective investment schemes (open ended and closed ended funds), including listed companies, both in Mauritius and overseas. He gathered his experience with 9 years at PwC Mauritius and 14 years with fund administrators. He has been the Head of Fund Services and Executive Director of Rogers Capital Fund Services Ltd until February 2020. He is currently the Managing Director of Zain Consultancy Ltd, a company-providing consultancy and advisory services, business restructuring, financial due diligence, strategic planning, compliance, AML/CFT services and project and risk management.

Mr. Morten Christiansen

Morten spent 32 years of his career working for IFU in various management positions, and was from 2015 to 2019 as Senior Vice President responsible for all IFU's investment operations globally. Since mid-2019, Morten is an independent adviser to IFU and DANIDA. During his career, Morten worked several years based in West Africa, and has been a board member of a number of financial institutions in Africa. He holds a Master's Degree in Political Science and a Bachelor's Degree in Spanish, both from the University of Århus.

Mr. Amadou Raimi (Replaced as director on 18 February 2021)

Amadou is a former Chairman of Deloitte France and former Vice-president of Deloitte Global. During his 35 years at Deloitte, a global leader in audit and consulting, he has acquired a rich professional experience in the fields of leadership and corporate governance, relationship management between the executive and the board, risk management, due diligence and undertaking of investigations, ethical matters, human resources management and management of conflicts of interest.

He is currently a Director and the Chairman of the Board of Cauris Management, a private equity fund manager which assists small and medium-sized enterprises in Western Africa and the Chairman of Audit & Risk Committee of Atlas Mara, a listed company in London with banking subsidiaries in East Africa and Nigeria whose ambition is to be the premier financial institution in sub-Saharan Africa. He is also a Director and a member of the Investment Committee of Yeelen Capital Côte d'Ivoire, an investment fund which aims to support banks, insurance, microfinance, fintech companies and other financial companies in their expansion and further development. Amadou, graduated from ESSEC (Paris), is a French Certified Public Accountant (CPA).

Mrs. Sandhya Joogee

Sandhya holds a Bachelor of Commerce (Management) and an MBA from the University of Mauritius and is a member of the Association of Chartered Certified Accounts (ACCA) since 2010. She is also a member of the Mauritius Institute of Professional Accountants. She joined Rogers Capital Corporate Services Limited in 2009 and has 10 years of experience in fund administration and accounting (including preparing NAV statements, quarterly reports, investors' portfolio reports and other financial reports for investors). Sandhya has been managing both private equity and open-ended funds with equity value of around USD One Billion.

Mr. Olawale Bashirudeen Shonibare

Wale is Director responsible for Energy Financial Solutions, Policy and Regulations at the African Development Bank. He oversees the team of Investment officers responsible for structuring across the board range of products offered by the bank (equity, debt, guarantees and capital markets solutions) to support public and private sector investment in the Energy sector in Africa. On the policy and regulation side, he leads a team of economists, statisticians and policy specialists who work with governments to create an enabling environment to encourage private sector participation in the energy sector.

Wale has over 25 years' experience in Debt and Equity Capital Markets, Mergers and Acquisitions and Project Finance spanning Asia, Europe, Middle East and Africa. He was the Deputy Group CEO/Managing Director, Investment Banking at United Capital Plc (former UBA Capital Plc) in Lagos, Nigeria. He has held previous senior level executive positions, including Managing Director and Head of Infrastructure, Africa, Middle East and New Markets at Renaissance Capital in Dubai, Director KPMG in Dubai and Associate Director KPMG, London.

Mr. Felix BIKPO (Appointed effective as of 1st July 2020)

Felix has more than 25 years of experience in the financial sector with extensive experience in Sub-Saharan Africa. He has led several financial institutions across the continent including banks, guarantee funds and the private equity sector. He is passionate about spurring a thriving SME sector as a means of creating economic and social sustainability in Africa. Prior to his appointment as Chairman of the Board, Felix was the Group CEO at African Guarantee Fund. Felix has previously served as the Founding CEO and Chairman of Success Finance, an Asset Management and Private Equity Fund.

He has worked in the capacity of Chief Executive Officer at Access Pan-Africa, a holding company of Access Bank Plc. Nigeria where he was in charge of affiliates outside of Nigeria and at Atlantic Financial Group, a regional banking group operating under Banque Atlantique with a presence in 8 African Countries. As a Managing Director, Mr. Bikpo has worked with Ecobank Niger, and with Fonds de Garantie des Investissements Prives en Afrique de l'Ouest (Now AGF West Africa) where he was the first Managing Director. He has also served as Vice President of Citibank NA, where he was in charge of Financial Control in French speaking countries. Mr. Bikpo is a graduate of ESSEC - Paris and holds a Master's Degree in Economics from the University of Côte d'Ivoire. He was appointed as Chairman of the Board of the Company effective as of 01 July 2020.

Mrs Karin Isaksson (Appointed effective as of 07th July 2020 and resigned on 08th December 2020)

Karin is the Managing Director of the Nordic Development Fund since 15 August 2019. Ms Isaksson served as executive director at AfDB between 2016 and 2019. Prior to that, she was the Vice President of Government Assignment Trade and Invest at Business Sweden and had overall responsibility for government-funded operations delivered by the organisation. Earlier in her career, Ms Isaksson also held director-level positions at Swedfund, where she focused on areas such as investment operations, strategy, partnership development and new products.

Board meetings and attendance

The Board of Directors meets at least once quarterly. The following table shows the list of Board members and the number of Board meetings held during the year and the attendance of individual Directors.

| | Board | Annual Meeting 2020 |
|---|----------|---------------------|
| No. of meetings held | 3 | 1 |
| Directors | 3 | |
| Mr. Riad Aubdool | 3 | |
| Mr. Morten Christiansen | 2 | |
| Mrs. Sandhya JOOGEE | 3 | |
| Mr. Amadou RAIMI Mr. Wale SHONIBARE Mr. Felix BIKPO | 2 | |
| Mrs. Karin ISAKSSON | 1 | |
| Mr. Andrew Temu | 1 | |

AGF has an Audit & Risk Committee which is currently responsible for assessing the systems of internal controls regarding risk management, finance, accounting, financial reporting, and business practices and conduct.

PRINCIPLE THREE: DIRECTORS APPOINTMENT PROCEDURES

As per the Code of Corporate Governance, there should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of Directors. AGF has a formal, rigorous and transparent procedure in place for the appointment of the Directors and also an induction program for the newly appointed Directors.

The Directors of AGF are appointed as follows:

- (i) two (2) Directors resident in Mauritius appointed by Ordinary Resolution;
- (ii) each of the Founding Shareholders has the right to appoint one (1) Director, so long as they are registered as holders of Class B Shares or Class C Shares (as applicable) in the Company. Such director shall be appointed upon receipt by the Administrator of clear instructions via letter from the Founding Shareholder setting out the name of the person to be appointed as Director of the Company and such person shall be of high calibre and have the relevant experience to act as Director and such appointment shall be approved by an Ordinary Resolution at the Annual Meeting of the Shareholders or through written resolutions of the Shareholders; and
- (iii) at least two (2) Independent Directors appointed by Special Resolution.

Induction

Upon his or her appointment, each Board member participates in an induction program that covers AGF's strategy, general financial and legal affairs, financial reporting by AGF, any specific aspects unique to the Company and its business activities, and the responsibilities of a Board member, as well as every other existing processes at large.

Continuous Development Programme

The Board is aware of the requirement of holding Continuous Development Programmes. The Board works on the training needs of each board member and a board retreat is held annually in Mauritius where the directors have the opportunity to update themselves on selected topics relating to the business of AGF and also generally. Due to the COVID-19 pandemic restrictions, there was no board retreat for the year 2020.

Company Secretary

The Company Secretary has an advisory role in all governance-related matters concerning the Company and acts as the main point of contact for the Directors, should they require guidance on their statutory responsibilities. The principal functions of the Company Secretary include supplying the Board with high quality and timely information, collaborating with the Board in the preparation of agendas and coordinating the information flow between the Directors.

Rogers Capital Fund Services Ltd (“RCFS”) has been appointed by the Board as Company Secretary.

The Board assumes full responsibility for succession planning within the Company. The Board has adopted a talent retention and succession policy for the Company.

PRINCIPLE FOUR: DIRECTORS’ DUTIES, REMUNERATION AND PERFORMANCE

Legal Duties

All Directors on the Board are fully apprised of their fiduciary duties as laid out in the Companies Act 2001.

Code of Ethics

The ethical standards of the Company are defined in the Board Charter. These policies and procedures enable the Company to meet its regulatory obligations and also meet its objective of creating and operating with the highest levels of business integrity and ethical best practice.

Board Evaluation

The Code encourages the Board to undertake a formal, regular and rigorous evaluation of its own performance and that of its Committees and individual Directors, and produce a development plan on an annual basis. Pursuant to the Board Charter, the Board must once a year conduct a self-assessment exercise.

Conflict of Interest

The Directors must declare the nature of their interest(s), depending on the following circumstances:

- (a) at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration; or
- (b) if the Director is not at the date of the meeting interested in the proposed contract or arrangement, then at the next meeting held after he becomes interested; or
- (c) in a case where the Directors becomes interested in a contract or arrangement after it is made, then at the first meeting of the Directors held after he becomes so interested.

A full register of interests is kept by the Company Secretary and is updated on a regular basis. The register is also available to the shareholders of the Company upon request to the Company Secretary. AGF has adopted a conflicts of interest policy.

IT Governance Policy

The Code provides that the Board is responsible for the governance of the organizations information strategy, information technology and information security. The Board has adopted an ICT Policy and Procedure Manual for AGF since November 2016.

Directors’ Remuneration

AGF pays an amount of USD 5,000 per annum to RCFS, being fees payable for the services provided by the Mauritius resident directors of AGF.

The directors nominated by the shareholders are not remunerated but their travel and accommodation expenses are covered by AGF for the purposes of attending board and shareholders meetings.

The Board expenses was a total amount of USD 10,733 in 2020 (2019: USD 290,331).

Directors’ Liability Insurance

AGF has in place a proper liability Directors & Officers and Professional Indemnity Insurance cover for its Directors and officers, renewable on a yearly basis, to cover for any legal action entered against them.

The director’s Liability cost for 2020 was USD 19,740 (2019: USD 20,389).

Related Party Transactions

Please refer to note 24 of the financial statements.

PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL

The oversight of risk management and internal control activities at the level of the Company is currently delegated to the Audit & Risk Committee which regularly reviews the effectiveness of the internal control and risk management systems of the Company. The Audit & Risk Committee also reviews the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.

AGF has its own Risk Management Policies and Procedures Manual and Monitoring and Evaluation Policies and Procedures Manual in place.

The main risks to which AGF is exposed are financial risks. Please refer to Note 6 & 7 of the financial statements for the measures devised to manage those risks.

PRINCIPLE SIX: REPORTING WITH INTEGRITY

The Board is required to ensure that adequate accounting records are maintained so as to disclose at any time, and with reasonable adequacy, the financial position of the Company. The Board is also responsible for taking reasonable steps to safeguard the assets of AGF and to prevent and detect fraud and other irregularities.

The Board must present financial statements for each financial year, which give a true and fair view of the affairs of the Company, and the results for that period.

The Board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Board is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business. The financial statements are prepared from the accounting records on the basis of consistent use of appropriate accounting records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Company.

The financial statements have been prepared on a going concern basis and there is no reason to believe that the Company will not continue as a going concern in the next financial year.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001, the Financial Reporting Act 2004, the Securities Act 2005, the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 and the International Reporting Standards. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPLE SEVEN: AUDIT

Directors' responsibilities

The Directors are responsible for the preparation and fair preparation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of the Companies Act 2001, and Financial Reporting Act 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Any deviations on the above will be reported in the independent auditors' report attached to the financial statements.

External Audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented. Ernst & Young was re-appointed as the statutory auditors for the financial year ended 31 December 2020 at the annual meeting of the Company held in September 2020.

Audit Fees

Fees payable to the external auditors for audit services for the year are as follows:

| | 2020 | 2019 |
|--------------------------|----------------|---------------|
| External Auditors | USD | USD |
| Audit | 119,250 | 95,000 |

Internal Audit

The responsibility of monitoring the internal control systems in place has been kept at the level of the Audit & Risk Committee which is overseen by the Board, given the size and complexity of the Company.

PRINCIPLE EIGHT: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

As at 31 December 2020, the stated capital of AGF comprises of 4,454 Class B Shares of par value nil each, 13,520 Class C Shares of par value nil each, 3 Class D Shares

The shareholders of AGF are African Development Bank, The Government of Denmark, Ministry of Foreign Affairs/ Danida, The Ministry of Foreign Affairs and Cooperation on behalf of the Government of Spain, Agence Francaise de Development, Nordic Development Fund, the Investment Fund for Developing Countries and KfW. The annual meeting will be held in June 2020

Stakeholders

As at 31 December 2020, AGF had issued 4,454 Class B shares, 13,520 Class C shares and 3 Class D shares for a total fund size of USD 179,891,155.

Analysis of ownership

AGF had 7 Shareholders which include 3 clients of Class B, 4 clients of Class C and 3 clients of Class D as at 31 December 2020.

Shareholders' calendar

AGF has planned the following forthcoming events:

| | |
|---------------------------------|--|
| Reporting date | 31 December 2020 |
| Publication of year end results | Within six months from end of 31 December 2020 |

Dividend Payment

During the financial year ended 31 December 2020, the Board of Directors did not recommend the payment of dividend.

CERTIFICATE FROM THE SECRETARY



STATEMENT OF COMPLIANCE

Name of Company: African Guarantee Fund- For Small and Medium-Sized Enterprises Ltd

Reporting Period: Year ended 31 December 2020

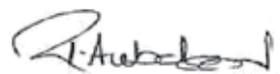
We, the undersigned being the Directors of African Guarantee Fund- For Small and Medium-Sized Enterprises Ltd (the 'Company'), confirm that, to the best of our knowledge, the Company has complied with all of its obligations and requirements under the Code of Corporate Governance (the "Code").

On behalf of the board



Director

24 June 2021



Director

24 June 2021





COMMENTARY OF THE DIRECTORS

The directors present their commentary, together with the audited financial statements of AFRICAN GUARANTEE FUND— for Small and Medium-sized Enterprises Ltd (the “Company”) and its subsidiary (collectively referred to as the “Group”) for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the Group is to significantly increase the access of African Small and Medium-sized Enterprises (SMEs) to finance from the financial sector. The Group has two lines of activity:

- ❖ Provision of partial financial guarantees on a product and portfolio basis; and
- ❖ Support for capacity development of the client financial institutions to help them improve their SME financing capabilities.

The Group is composed of two distinct entities, presented below:

- ❖ African Guarantee Fund has a branch registered in Nairobi, Kenya. It is registered as a branch of a foreign entity under the Kenyan Companies Act. The main operations are located in Kenya.
- ❖ AGF West Africa, registered in Lomé, Togo. It is registered as a financial institution, subject to the provisions of the banking law in the West African Monetary Union (UMOA/WAMU).

RESULTS AND DIVIDENDS

The results for the year are as shown in the statements of profit or loss and statements of comprehensive income on pages 9 and 10 respectively.

The directors do not recommend the payment of any dividend for the year under review.

DIRECTORS

The directors in office during the year are as stated on page 1.

Directors’ Responsibilities in Respect of The Financial Statements

The Group’s directors are responsible for the preparation and fair presentation of the financial statements, comprising the statements of financial position as at 31 December 2020, and the statements of profit or loss, the statements of comprehensive income, the statements of changes in net assets attributable to shareholders and the statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the International Financial Reporting Standards and Companies Act 2001.

The directors’ responsibilities include the following: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

The directors have made an assessment of the Group’s ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead. Please refer to the post balance sheet event (Note 30).



CERTIFICATE FROM THE SECRETARY



AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting of the shareholders.

Certificate from the Secretary to the Members of African Guarantee Fund under Section 166 (d) of the Companies Act 2001

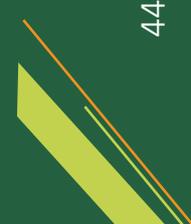
We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of AFRICAN GUARANTEE FUND—For Small and Medium-sized Enterprises Ltd under the Companies Act 2001, for the year ended 31 December 2020.

A handwritten signature in black ink, appearing to read 'Dull', written over a dotted line.

Rogers Capital Fund Services Ltd

CORPORATE SECRETARY

Date: 24 June, 2021





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Mauritius

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6.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AFRICAN GUARANTEE FUND – FOR SMALL AND MEDIUM-SIZED ENTERPRISES LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of African Guarantee Fund – for Small and Medium-sized Enterprises Ltd (the “Company”) and its subsidiary (altogether, the “Group”) on pages 9 to 71 which comprise the statements of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and the Company as at 31 December 2020, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled “ African Guarantee Fund FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020”, which includes the Commentary of the Directors and the Certificate from the Secretary as required by the Companies Act 2001.

The other information does not include the financial statements and our auditor’s report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AFRICAN GUARANTEE FUND –
FOR SMALL AND MEDIUM-SIZED ENTERPRISES LTD

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AFRICAN GUARANTEE FUND –
FOR SMALL AND MEDIUM-SIZED ENTERPRISES LTD

Report on the Audit of the Financial Statements (Continued)

Use of our reports

This report is made solely for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

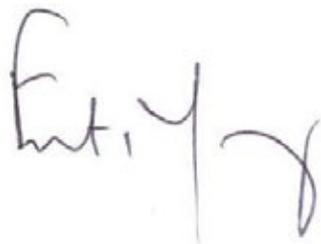
Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Group and the Company other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.



ERNST & YOUNG
Ebène, Mauritius



DARYL CSIZMADIA, C.A (S.A)
Licensed by FRC

Date: 24 June 2021

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Group | | Company | |
|--|-------|---------------------|---------------------|---------------------|---------------------|
| | | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Income | | | | | |
| <i>Income from guarantees:</i> | | | | | |
| Utilization fees | 9 | 4,910,331 | 3,762,942 | 2,598,710 | 2,192,638 |
| Assessment and commission fees | 10 | 1,226,196 | 2,172,261 | 1,038,564 | 1,594,998 |
| Income from investments | 11 | 3,924,016 | 4,034,253 | 2,254,324 | 1,983,644 |
| Administrative income | | 211,382 | 250,535 | 211,382 | 250,535 |
| Fair valuation gain/(loss) on financial guarantee contracts | 8(b) | (2,687,500) | 987,002 | (2,784,730) | 2,816,157 |
| Foreign exchange revaluation differences | | 1,367 | 276,866 | – | 271,516 |
| Other income | 12 | 94,270 | 189,174 | – | 4,990 |
| Write back on allowance for expected credit loss | 30(a) | – | 1,090,358 | – | 451,530 |
| Movement in other guarantees | 21 | – | 973,616 | – | 1,283,638 |
| | | 7,680,062 | 13,737,007 | 3,318,250 | 10,849,649 |
| Expenses | | | | | |
| Administrative and legal fees | 15 | (607,640) | (1,146,478) | (487,547) | (953,570) |
| Communication expenses | 15 | (165,782) | (209,016) | (105,759) | (151,221) |
| Depreciation of property and equipment | 17 | (197,254) | (281,575) | (146,025) | (251,349) |
| Amortization of intangible assets | 18 | (533,700) | (276,288) | (512,862) | (275,430) |
| Marketing expenses | 15 | (370,989) | (395,577) | (323,224) | (335,377) |
| Other expenses | 15 | (1,141,747) | (954,146) | (856,854) | (619,645) |
| Premises expenses | 15 | (333,305) | (368,277) | (281,093) | (284,479) |
| Staff expenses | 14 | (5,029,054) | (5,286,182) | (4,038,894) | (4,342,627) |
| Travelling expenses | | (182,173) | (866,793) | (139,596) | (754,352) |
| Treasury management fees | 28 | (183,134) | (98,107) | (177,600) | (85,325) |
| Allowance for expected credit loss on financial assets and receivables | 30 | (770,787) | – | (768,157) | – |
| Allowance for expected credit loss on financial guarantees | 30 | (4,496,030) | – | (1,830,593) | – |
| Receivables written down | 19 | – | (1,377,219) | – | (917,226) |
| Re-guarantee expenses | 28 | (1,313,951) | (1,484,866) | (1,313,951) | (1,484,866) |
| Claims on financial guarantee contracts | 8 (b) | (1,380,039) | (814,754) | (1,380,039) | (814,754) |
| Net foreign exchange differences | | (771,456) | – | (771,456) | – |
| Interest on loans and borrowings | | – | – | (219,250) | (226,959) |
| | | (17,477,041) | (13,559,278) | (13,352,900) | (11,497,180) |
| (Loss)/Profit before tax | | (9,796,979) | 177,729 | (10,034,650) | (647,534) |
| Taxation | 16 | – | – | – | – |
| (Decrease)/Increase in net assets attributable to shareholders | | (9,796,979) | 177,729 | (10,034,650) | (647,534) |
| (Decrease)/Increase/ in net assets attributable to shareholders attributable to: | | | | | |
| - Owners of the Company | | (9,843,182) | 17,297 | (10,034,650) | (647,534) |
| - Non-Controlling Interests | | 46,203 | 160,432 | – | – |
| | | (9,796,979) | 177,729 | – | (647,534) |

The notes on pages 42 to 97 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

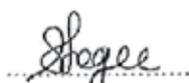
| | Notes | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
|---|-------|---------------------------|-------------------------|----------------------------|-------------------------|
| (Decrease)/Increase in net assets attributable to shareholders | | (9,796,979) | 177,729 | (10,034,650) | (647,534) |
| Other comprehensive income/(loss) | | | | | |
| Exchange differences on translation of foreign subsidiary | 13 | <u>3,938,132</u> | <u>(861,915)</u> | <u>–</u> | <u>–</u> |
| Total comprehensive loss for the year | | <u>(5,858,847)</u> | <u>(684,186)</u> | <u>(10,034,650)</u> | <u>(647,534)</u> |
| Total comprehensive loss attributable to: | | | | | |
| - Owners of the Company | | (6,670,623) | (677,062) | – | (647,534) |
| - Non-controlling Interests | | <u>811,776</u> | <u>(7,124)</u> | <u>–</u> | <u>–</u> |
| | | <u>(5,858,847)</u> | <u>(684,186)</u> | <u>(10,034,650)</u> | <u>(647,534)</u> |

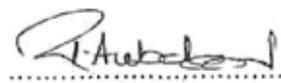
The notes on pages 42 to 97 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Group 2020 USD | 2019 USD | Company 2020 USD | 2,019 USD |
|--|-------|----------------------|--------------------|------------------------|--------------------|
| Assets | | | | | |
| Property and equipment | 17 | 14,125,572 | 10,367,394 | 6,285,123 | 4,559,979 |
| Intangible assets | 18 | 2,662,453 | 2,840,628 | 2,571,817 | 2,736,590 |
| Investment in subsidiary | 26 | – | – | 31,887,765 | 31,887,765 |
| Guarantee contracts at fair value through profit or loss | 8(b) | 25,678,660 | 22,024,327 | 23,100,102 | 19,329,526 |
| Deferred income on guarantee contracts | 24 | (23,086,019) | (16,604,594) | (18,831,416) | (12,276,111) |
| Other guarantees | 21 | 106,736 | – | 106,736 | 1,937,329 |
| Other financial instruments | 8(c) | 40,836,603 | 34,397,494 | 1,250,397 | 1,231,829 |
| Debt instruments at amortized cost | 8(a) | 94,896,376 | 72,031,841 | 93,525,728 | 68,826,892 |
| Receivables and deposits | 19 | 9,945,869 | 9,694,104 | 5,833,820 | 5,856,170 |
| Prepayments | | 2,622,023 | 1,534,820 | 2,622,023 | 1,534,820 |
| Cash and cash equivalents | 6 | 11,987,012 | 43,967,051 | 11,900,636 | 43,109,808 |
| Total assets | | 179,775,285 | 180,253,065 | 160,252,731 | 168,734,597 |
| Liabilities | | | | | |
| Other provisions | 22 | 141,329 | 45,306 | – | – |
| Other guarantees | 21 | 9,452,827 | 5,294,804 | – | – |
| Trade and other payables | 20 | 1,635,066 | 467,790 | 1,415,253 | 366,708 |
| Loans and borrowings | 27 | – | – | 9,523,910 | 8,557,665 |
| Deferred income – Land grant | 24 | 2,045,256 | 1,969,900 | – | – |
| Other liabilities | 20 | 1,537,633 | 1,653,244 | 435,069 | 897,075 |
| Total liabilities | | 14,812,111 | 9,431,044 | 11,374,232 | 9,821,448 |
| Net assets attributable to shareholders | | 164,963,174 | 170,822,021 | 148,878,499 | 158,913,149 |
| Represented by: | | | | | |
| Stated capital | 23 | 179,891,155 | 179,891,155 | 179,891,155 | 179,891,155 |
| Share premium | 23 | 7,465 | 7,465 | 7,465 | 7,465 |
| Accumulated losses | | (18,147,249) | (18,930,120) | (20,985,471) | (20,337,937) |
| (Decrease)/increase in net assets for the year | | (10,608,756) | 17,297 | (10,034,650) | (647,534) |
| Accumulated losses | | (28,756,005) | (18,912,823) | (31,020,121) | (20,985,471) |
| Foreign currency translation reserve | | 4,533,490 | 1,360,931 | – | – |
| Net assets attributable to equity holders of the Company | | 155,676,105 | 162,346,728 | 148,878,499 | 158,913,149 |
| Non-controlling interests | | 9,287,069 | 8,475,293 | – | – |
| Net assets attributable to shareholders | | 164,963,174 | 170,822,021 | 148,878,499 | 158,913,149 |

The financial statements were approved and authorized for issue by the Board of Directors on 24 June, 2021 and were signed on its behalf by:


Director


Director

The notes on pages 42 to 97 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2020

| Group | Stated capital & share premium (a) | Accumulated losses (b) | Foreign currency translation reserve (losses)/gain (c) | Total (a+b+c) | Non-controlling interests (d) | Total equity (a+b+c+d) |
|--|---------------------------------------|---------------------------|---|--------------------|----------------------------------|---------------------------|
| | USD | USD | USD | USD | USD | USD |
| At 1 January 2019 | 141,648,620 | (18,930,120) | 2,055,290 | 124,773,790 | 8,482,417 | 133,256,207 |
| Issue of shares | 38,250,000 | – | – | 38,250,000 | – | 38,250,000 |
| Increase in net assets (**) | – | 17,297 | – | 17,297 | 160,432 | 177,729 |
| OCI (***) | – | – | (694,359) | (694,359) | (167,556) | (861,915) |
| Total comprehensive income for the year | – | 17,297 | (694,359) | (677,062) | (7,124) | (684,186) |
| At 31 December 2019/ 1 January 2020 | 179,898,620 | (18,912,823) | 1,360,931 | 162,346,728 | 8,475,293 | 170,822,021 |
| Issue of shares | – | – | – | – | – | – |
| (Decrease)/Increase in net assets (*) | – | (9,843,182) | – | (9,843,182) | 46,203 | (9,796,979) |
| OCI (***) | – | – | 3,172,559 | 3,172,559 | 765,573 | 3,938,132 |
| Total comprehensive income for the year | – | (9,843,182) | 3,172,559 | (6,670,623) | 811,776 | (5,858,847) |
| At 31 December 2020 | 179,898,620 | (28,756,005) | 4,533,490 | 155,676,105 | 9,287,069 | 164,963,174 |

(*) – Decrease in net assets attributable to shareholders from operations

(**) – Increase in net assets attributable to shareholders from operations

(***) – Other comprehensive income

The notes on pages 42 to 97 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Stated capital & share premium USD | Accumulated losses USD | Company Total USD |
|--|--|------------------------------|-----------------------------|
| At 1 January 2019 | 141,648,620 | (20,337,937) | 121,310,683 |
| Issue of shares | 38,250,000 | – | 38,250,000 |
| Decrease in net assets attributable to shareholders from operations for the year | – | (647,534) | (647,534) |
| At 31 December 2019 | <u>179,898,620</u> | <u>(20,985,471)</u> | <u>158,913,149</u> |
| At 1 January 2020 | 179,898,620 | (20,985,471) | 158,913,149 |
| Issue of shares | | | |
| Decrease in net assets attributable to shareholders from operations for the year | – | (10,034,650) | (10,034,650) |
| At 31 December 2020 | <u>179,898,620</u> | <u>(31,020,121)</u> | <u>148,878,499</u> |

STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

| Notes | Group 2020 USD | Group 2019 USD | Company 2020 USD | Company 2019 USD |
|---|----------------------|----------------------|------------------------|------------------------|
| (Loss)/Profit before tax | (9,796,979) | 177,729 | (10,034,650) | (647,534) |
| <i>Adjustment to reconcile (loss)/profit before tax to net cash flows:</i> | | | | |
| <i>Non-cash item:</i> | | | | |
| Write-down receivables | - | 1,377,219 | - | 917,226 |
| Expected credit loss | 770,787 | (1,090,359) | 768,157 | (451,530) |
| Depreciation of property and equipment 17 | 197,254 | 281,575 | 146,025 | 251,349 |
| Amortization of intangible assets 18 | 533,700 | 276,288 | 512,862 | 275,430 |
| Amortization deferred income on land | 75,356 | (85,271) | - | - |
| Income from investments | (3,924,016) | (4,034,253) | (2,254,324) | (1,983,644) |
| Net foreign exchange differences | (770,089) | (226,783) | (771,456) | (114,021) |
| Fair value gain on guarantee contracts fair value through profit or loss 8(b) | 2,687,500 | (987,002) | 2,784,730 | (2,816,160) |
| <i>Movement in working capital:</i> | | | | |
| Receivables and deposits | (468,346) | (1,776,361) | 1,186,682 | (490,160) |
| Prepayments | (1,087,203) | (1,063,365) | (1,087,203) | (1,063,365) |
| Other provisions | 96,023 | (62,696) | - | - |
| Other liabilities | 23,981 | (2,152,959) | (462,006) | (2,735,665) |
| Trade and other payables | 1,167,276 | 145,882 | 1,048,545 | 96,195 |
| Net claims paid on other guarantees | (998,949) | (3,181,174) | - | (750,000) |
| Movement on other guarantees | 4,496,030 | (973,616) | 1,830,593 | (1,283,638) |
| Net cash flows used in operating activities | (6,997,675) | (13,375,146) | (6,332,045) | (10,795,517) |
| Investing activities | | | | |
| Acquisition of property and equipment 17 | (3,955,432) | (2,628,820) | (1,871,169) | (1,196,090) |
| Acquisition of intangible assets 18 | (355,524) | (233,800) | (348,090) | (183,079) |
| Investment in debt instrument at amortized cost | (30,213,639) | (45,870,967) | (30,213,639) | (45,870,967) |
| Disposal of bonds | - | 3,918,403 | - | 3,918,403 |
| Deposits matured during the year | 3,423,093 | 4,375,576 | - | - |
| Investment in bank deposit | (6,439,109) | (3,193,213) | - | (799,754) |
| Interest on investments received | 8,620,115 | 6,789,788 | 8,522,016 | 4,065,602 |
| Net cash flows generated /(used in) investing activities | (28,920,496) | (36,843,033) | (23,910,882) | (40,065,885) |
| Financing activities | | | | |
| Proceeds from issue of ordinary share capital to shareholders | - | 38,250,000 | - | 38,250,000 |
| Payment of loan received from subsidiary | - | - | (966,245) | (633,018) |
| Net cash flows from financing activities | - | 38,250,000 | (966,245) | 37,616,982 |
| (Decrease)/Increase in cash and cash equivalents | (35,918,171) | (11,968,179) | (31,209,172) | (13,244,420) |
| Foreign currency translation | 3,938,132 | (861,915) | - | - |
| Opening balance | 43,967,051 | 56,797,145 | 43,109,808 | 56,354,228 |
| Closing balance | 11,987,012 | 43,967,051 | 11,900,636 | 43,109,808 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

The AFRICAN GUARANTEE FUND —For Small and Medium-sized Enterprises Ltd (the “Company”) was incorporated in the Republic of Mauritius on 28 March 2011 as a private company limited by shares in accordance with the Companies Act 2001. It has been granted a Category 1 Global Business License by the Financial Services Commission.

The registered office is located at C/o Rogers Capital Fund Services Ltd, Rogers House, 5 President John Kennedy Street, Port Louis.

As a result of recent changes made by the Finance (Miscellaneous Provisions) Act 2018 (“FMPA 2018”) to the Financial Services Act (“FSA”), the Global Business Category 1 License (GBL1) will henceforth be known as the Global Business License (GBL), while the category 2 Global Business License (GBL2) is being abolished and replaced by the authorized company. A corporation that was licensed as a GBL 1 on or before 16 October 2017 will be exempt until 30 June 2021. As from that date, the corporation will be deemed to hold a GBL.

African Guarantee Fund has a branch registered in Nairobi, Kenya. It is registered as a branch of a foreign entity under the Kenyan Companies Act.

The principal activity of the Group is to significantly increase the access to finance from the financial sector by African Small and Medium-sized Enterprises (SMEs). The Group has two lines of activity:

- Provision of partial financial guarantees on a product and portfolio basis; and
- Support for capacity development of the client financial institutions to help them improve their SME financing capabilities.

2. BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with ~~International Financial Reporting Standards~~ (IFRSs) issued by the International Accounting Standards Board (IASB).

Basis of measurement

The financial statements have been prepared under the historical cost basis, except for the guarantee contracts at fair value through profit or loss, which have been fair valued. The financial statements are presented in US Dollars (USD), which is also the functional currency for the group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the African Guarantee Fund and its sole subsidiary “AGF West Africa” as at 31 December 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The group’s voting rights and potential voting rights.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Use of estimates and judgements

The preparation of financial statements in compliance with the adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

3. STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

3.1 New and amended standards

There have been amendments and interpretations that have become effective for the current year. The Company has adopted the following new interpretations during the year:

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments to the definition of material did not have a significant impact on the Company's financial statements.

The following standards were effective but did not have any impact on the financial statements of the Company:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to IFRS 16: COVID-19-Related Rent Concessions

3.1 New standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Effective for accounting periods starting on or before |
|--|---|
| IFRS17: Insurance Contracts | 1 January 2023 |
| Amendments to IAS 1: Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Reference to the Conceptual Framework – Amendments to IFRS 3 | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 | 1 January 2022 |
| Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 | 1 January 2022 |
| IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter | 1 January 2022 |
| IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities | 1 January 2022 |
| IAS 41 Agriculture – Taxation in fair value measurements | 1 January 2022 |
| Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | 1 January 2021 |

The effect of the standards that are relevant to the Company's operations is described below. None of the other standards listed above are expected to have a material impact on the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument will the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities

As part of its 2018–2020 annual improvements to the IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency

Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each subsidiary reflects the economic substance of the underlying events and circumstances of these entities. The Company is registered in Mauritius, while the sole subsidiary, "AGF West Africa", is registered and operated in the West African Francophone Area with Franc CFA (XOF) as functional currency.

The consolidated financial statements are presented in US Dollars (USD), which is the Holding Company's presentation currency ("the presentation currency"). Each entity within the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. As of the reporting date, the results of foreign operations are translated into USD, using the following procedures:

- a) Assets and liabilities for each statement of financial position presented are translated at the year-end exchange rates;
- b) The profit or loss and cash flows of foreign entities are translated at the yearly average rate;
- c) All resulting exchange differences are recognized in other comprehensive income.

The Group uses the direct method of consolidation. Upon disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date that the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising regarding the settlement or translation of monetary items are recognized in profit or loss, with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

The following table summarizes the currency translation rates into USD as of December 31, 2020 and 2019, along with the average rates for the years ended December 31, 2020 and 2019.

| Country | Currency | 2020 | | 2019 | |
|---------|----------|--------------|--------------|--------------|--------------|
| | | Closing rate | Average rate | Closing rate | Average rate |
| Togo | XOF | 0.001746 | 0.001858 | 0.001712 | 0.001704 |
| Kenya | KES | 0.009175 | 0.009378 | 0.009866 | 0.009802 |

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising upon the retranslation of non-monetary items is treated in line with the recognition of gain or loss on a change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss, are also recognized in other comprehensive income or profit or loss, respectively).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Foreign currency (Continued)

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into USD at the rate of exchange that prevails at the reporting date, while their statements of profit or loss are translated at the exchange rates that prevail at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation, and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Investment in subsidiary

Subsidiaries are those entities controlled by the Company. Control is achieved when the company is exposed to, or has the right to, variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity.

Separate financial statements

Investments in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount and the difference is recognized in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents disclosed in the statements of cash flows consist of cash together with other highly liquid short-term placements available on demand. These balances are reported at amortized cost in compliance with IFRS 9.

Financial instruments — Initial recognition and subsequent measurement

The Group classifies its financial assets and financial liabilities into the following categories:

| Financial assets/Liabilities | Classification |
|--|-----------------------------------|
| Cash and cash equivalent | Amortized cost |
| Other financial instrument | Amortized cost |
| Debt instruments at amortized cost | Amortized cost |
| Receivables and deposits | Amortized cost |
| Guarantee contracts at fair value through profit or loss | Fair value through profit or loss |
| Loans and borrowings | Amortized cost |

(a) Financial assets

The financial assets of the Group comprise other financial instruments, debt instruments at amortized cost, receivables and cash and cash equivalents.

Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost.

Classification and subsequent measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus (in the case of a financial asset not at fair value through profit or loss) transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are “solely payments of principal and interest (SPPI)” on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective of holding financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, as this best reflects the ways in which the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading, or are managed, and the performance of which is evaluated on a fair value basis are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Assessment of whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with sole payments of the principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Impairment

Financial instruments

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost (this includes debt instruments at amortized cost, other financial instruments and other receivables);
- Financial guarantee contracts (refer to part (c) of financial instruments—initial recognition and subsequent measurement)

The Group measures loss allowances at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be Baa3 or higher, per Moody's, or BBB- or higher, per Bloomberg.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be Baa3 or higher, per Moody's, or BBB- or higher, per Bloomberg.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Impairment (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider;
- likelihood that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the financial guarantees of the Fund are classified into Stage 1, Stage 2, and Stage 3, as described below:

Stage 1: When financial guarantees are first recognized, the Fund recognizes an allowance based on 12-month ECLs. A Stage 1 financial guarantee also includes facilities where the credit risk has improved and the financial guarantee has been reclassified from Stage 2.

Stage 2: When a financial guarantee has shown a significant increase in credit risk since its origination, the Fund records an allowance for Long-Term ECLs. A Stage 2 financial guarantee also includes facilities where the credit risk has improved and the loan has been reclassified from Stage 3. A significant increase in credit risk is assessed when there are liquidity issues or an inability to make payment on the due date by the counterparty. This is where the probability of default and the LGD will increase significantly.

Stage 3: Financial guarantees with more than 90 days of arrears and for which, based on the monitoring discussion with the financial institution, the Company expects a claim with a high probability.

The calculation of ECLs

The Fund calculates ECLs based on a set of probabilities of default to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity, in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below. The key elements of these are as follows:

- PD, the Probability of Default, is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognized and is still in the portfolio.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

- EAD, the Exposure at Default, is an estimate of the exposure at a future default date, taking into account expected changes in exposure after the reporting date; these include the guarantee amount, whether scheduled by contract or otherwise, and expected drawdowns on committed facilities.
- LGD, the Loss Given Default, is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the PFI would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL method

Financial guarantee contracts

The Fund's liability under each guarantee is measured at the higher of the amount initially recognized, less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Fund estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognized within Provisions.

(b) Financial liabilities

Financial liabilities of the Group are measured at amortized cost.

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category its trade and other payables, other liabilities and loans and borrowings.

De-recognition

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

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

(c) Financial liabilities

Or

- The Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either:

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor substantially retained all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor substantially retained all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(d) Guarantee contracts

(a) AGF has in its financials four types of products:

- Loan Individual Guarantee (LIG)
- Loan Portfolio Guarantee (LPG)
- Bank's Fund-Raising Guarantee (BFRG)
- COVID-19 Facility guarantee

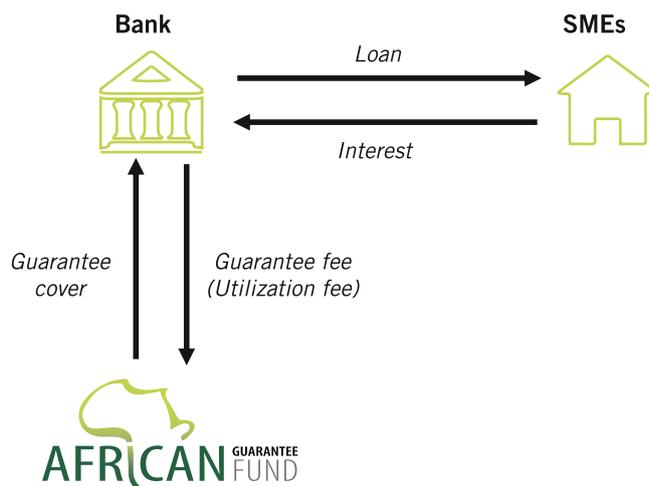
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(i) Loan Individual Guarantee (LIG)

The Loan Individual Guarantee has been grouped in other guarantees in the statement of financial position.

a. Definition

The Loan Individual Guarantee (LIG) guarantees a single loan made by a Partner Lending Institution to a single Borrower whose identity is known.



b. Fee structures

On LIGs, AGF charges two types of fees:

- **Origination fees:** Paid up front, when the agreement is signed.
- **Utilization fees:** Paid during the lifetime of the guarantee, with an annual fee rate depending on the risk of the product. The fees are paid on a semi-annual or quarterly basis.

c. Measurement and Classification

LIGs are treated as financial guarantee contracts and are initially measured at fair value. Subsequently, these contracts are measured at the higher of the amount initially recognized less amortization and expected credit loss. The financial guarantees are generally issued to unrelated parties and the fair value at inception is equal to the premiums received. No premium is received upfront on the guarantee contracts issued by the Group. The fair value is nil at initial recognition.

(ii) Loan Portfolio Guarantee (LPG)

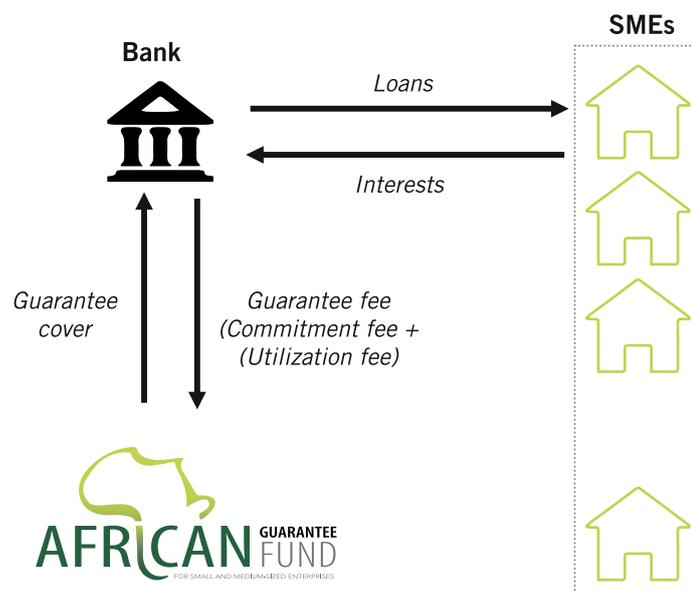
a. Definition

The Loan Portfolio Guarantee (LPG) guarantees a portfolio of loans made by a partner lending institution to a target borrower segment (Qualifying Borrowers) for which the parameters have been defined but the individual borrowers are not known at the time of the guarantee agreement. The guaranteed party is not required to obtain AGF approval prior to the placement of each loan under the guarantee.

The LPG contracts are accounted as “Guarantee at fair value through profit or loss” on the face of the statement of financial position.

Upon adoption of IFRS 9, the accounting of the loan portfolio guarantee contracts (LPG) was realigned to the requirement of the new standard. On initial recognition, the fair value gains that were previously credited to profit or loss are now deferred to the Statement of Financial Position and release to profit or loss on a straight-line basis over the life of the respective contracts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020



b. Fees structures

On LPGs, AGF charges three types of fees:

- **Origination fees:** Paid up front, when the agreement is signed.
- **Utilization fees:** Paid during the lifetime of the guarantee, with an annual fee rate depending on the risk of the product. The fees are paid on a semi-annual or quarterly basis, as well as on the utilized portion.
- **Commitment fees:** Paid during the lifetime of the guarantee, with an annual fee rate depending on the risk of the product. The fees are paid on a semi-annual or quarterly basis, and on the un-utilized portion.

c. Measurement and Classification

LPGs are classified at fair value through profit and loss and measured at fair value during initial recognition.

The fair value of the LPGs during initial and subsequent recognition is determined by establishing the element of “super profits” derived from the fees over the life of the contracts relative to the expected claims, adjusted for risk, time value of money and a normal profit margin.

At initial recognition, due to the above market profit element embedded in the guarantee contracts, it represents day 1 gain in terms of IFRS 9. Due to the unobservable nature of the inputs into the valuation, the day 1 gain is deferred during initial recognition and subsequently released to profit or loss over the period of the LPG contracts.

After initial recognition, AGF continues to measure the fair value of the LPG contracts using the variables.

(iii) COVID-19 Facility Guarantee

a. Definition

The COVID-19 Facility is a guarantee product that allows a Partner Lending Institution to place under AGF guarantee existing facilities that were performing before COVID-19, even if they became non-performing during the pandemic.

b. Main Features

The COVID-19 Facility provides incentives to Partner Lending Institutions to issue fresh financing to SMEs despite the deterioration of their creditworthiness under the COVID-19 context. The incentives include:

- Discounted pricing
- Higher coverage ratio
- Fast tracking of claim payments in order to ensure liquidity relief to financial institutions
- More technical assistance to better assess SMEs’ creditworthiness in a COVID-19 context

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

This facility covers loans under the Loan Individual Guarantee, Loan Portfolio Guarantee and Bank Fund-Raising Guarantee products; hence, the contracts under COVID-19 facility guarantee are recorded in the same way as Loan Portfolio Guarantees, Loan Individual Guarantees and Bank Fund-Raising Guarantees respectively.

(iv) Bank Fund-Raising Guarantee (BFRG)

The Bank Fund-Raising Guarantee has been grouped in other guarantees in the statement of financial position.

a. Definition

The Bank Fund-Raising Guarantee (BFRG) guarantees bonds issued by a Partner Lending Institution to investors for whom the parameters have been defined but the individual investors may not be known for the purpose of raising long-term resources to finance SMEs.

BFRG contracts are classified and measured in the same way as LIGs. Refer to note 1 above for classification and measurement.

Fair value measurement

The Group measures financial instruments such as guarantee contracts at fair value through profit or loss at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at statement of financial position date.

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

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

Fair value measurement (Continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants are acting in their economic best interests.

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

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

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

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement, such as guarantee contracts at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value-related disclosures for financial instruments and non-financial assets that are measured at fair value, or where fair values are disclosed, are summarized in the following notes:

- Fair value measurement: Note 7.

Property and equipment

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property and equipment have useful lives of different lengths, they are accounted for as separate items (major components) of property and equipment.

Property and equipment are measured at cost less impairment. Costs that are subsequently incurred are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and/or the company and the cost of the item can be reliably measured. Expenditure that does not meet these criteria is recognized in profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in profit or loss.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their expected residual values. The assets' residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.

The estimated useful lives of tangible assets for the current financial year are as follows:

| | Years |
|--|--------------|
| Office, furniture and office equipment | 3 to 10 |
| Computer and accessories | 3 to 5 |
| Motor vehicles | 3 to 5 |

There has been no change to the estimated useful lives from those applied in the previous financial year.

Included in property and equipment is land, which has been measured at cost.

Land grants

Grants related to non-depreciable assets requiring the fulfilment of certain obligations are recognized in profit or loss over the periods that bear the cost of meeting the obligations. The Group has received a grant of land that is conditional upon the erection of a building of AGF WA. The grant is released to profit or loss over the estimated useful life of the building. The value of the land has initially been determined by an external professional valuer based on open market value.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost includes all costs incurred during the acquisition and bringing to use of the specific assets. These costs are amortized on the basis of the assets' expected useful lives.

Expenditure subsequently incurred on an intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary.

| | Years |
|----------------------|--------------|
| Software and website | 1 to 5 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are tested annually for impairment, and additionally when an indicator of impairment exists. Intangible assets that are subject to amortization and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realization of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash-generating units). Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Assets on which impairment losses have been recognized in prior periods are re-assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leased assets

Accounting policies before 1 January 2019

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease agreements are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Accounting policies after 1 January 2019

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group only leases the building, and the lease is expiring in October 2020 without further renewal, as the Group is constructing its own office building that it will begin to occupy in October 2020. Lease payments on short-term lease value assets are recognized as an expense on a straight-line basis over the lease term.

Tax

Direct taxation

Direct taxation includes current and deferred tax.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Indirect taxation

Indirect taxes, including non-recoverable value-added tax (VAT) and other duties, are recognized in profit or loss, and their classification depends on the nature of the underlying transaction.

Employee benefits

Post-employment benefits — Defined contribution plans

The Group operates defined contribution plans, based on a percentage of pensionable earnings funded by both employer and employees, the assets of which are generally held in separate trustee-administered funds. Contributions to these plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

Post-employment benefits — Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing defined benefit plans is determined using the projected unit credit method. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling, and excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retain earnings through OCI in the period in which they occur. Re-measurements are not classified to profit or loss in subsequent periods.

Tax (Continued)

Past service costs are recognized in profit and loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined liability or asset. The Group recognizes the changes in the net defined benefit obligation under “Pension provisions” in the consolidated statement of comprehensive income. Service costs comprise current service costs, past service costs, gain and losses on curtailments and non-routine settlements.

Termination benefits

Termination benefits are recognized as an expense when the Group and/or the company are committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the group and/or the company have made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be reliably estimated.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits, such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Group and/or the company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

Provisions are in respect of general expenses and pension costs. Provisions are recognized when the Group and/or the Company have a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. When the Group and/or the Company expect some or all of a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Stated capital

Class A, B and C shares are redeemable at the shareholder's option, are classified as equity and are measured at the redemption amount.

Class D shares are not redeemable, do not participate in the net income or dividends of the Company and are classified as financial liabilities.

Some financial instruments include a contractual obligation for the issuing entity to deliver to another entity a pro rata share of its net assets only upon liquidation. The obligation arises because liquidation is either certain to occur and outside the control of the entity (for example, a limited-life entity) or is not certain to occur but is at the option of the instrument holder.

Stated capital (Continued)

As an exception to the definition of a financial liability, an instrument that includes such an obligation is classified as an equity instrument if it has all the following features:

- It entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. The entity's net assets are those assets that remain after deducting all other claims on its assets.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments must have an identical contractual obligation for the issuing entity to deliver a pro rata share of its net assets on liquidation.

For an instrument to be classified as an equity instrument, in addition to the instrument having all of the above features, the issuer must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the entity (excluding any effects of such instrument or contract); and
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Company continuously assesses the classification of the redeemable participating shares. If the redeemable participating shares have all the features or meet all conditions set out to be classified as equity, the Company will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of reclassification. If the redeemable participating shares subsequently cease to have all of the features, or meet the conditions set out, to be classified as equity, the Company will reclassify them as financial liabilities and measure them at fair value at the date of the reclassification, with any differences from the previous carrying amount recognized in equity.

Revenue recognition

Revenue is recognized as depicting the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Assessment fee and commission revenue

Assessment fee and commission revenue are recognized as the related services are performed and provided that there are no significant uncertainties in respect of related collections. The revenue is recognized as the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Utilization fee

The Group and the Company recognize utilization fees received and receivable as deferred premium revenue at the inception of the contract. Deferred premium revenue is subsequently recognized as earned revenue over the contractual period or the expected period of the contract in proportion to the amount of guarantee given.

As premium revenue is recognized, a corresponding decrease to the deferred premium revenue is recorded. The amount of premium provided is a function of the guaranteed principal amount outstanding. Accordingly, the proportionate share of premium revenue recognized in a given reporting period is a constant rate calculated based on the relationship between the loan payments made during the reporting period to the guaranteed principal amount.

Interest income

Interest income is accrued on a time basis, with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

The revenue recognition of the Group has not changed upon the adoption of IFRS 15.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group and/or the Company make certain estimates and assumptions regarding the future. These estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Functional currency

The determination of the Company's functional currency is critical, since the recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The directors have considered these factors and determined that the functional currency of the Company is the US Dollar ("USD"), as it most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

Impairment losses on financial guarantee contracts

The Group and the Company review their individually significant guarantee contracts to assess whether an impairment loss should be recorded in profit or loss. In particular, the management's judgement is required in the estimation amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors.

Determination of fair value of guarantee contracts

Fair valuation of guarantee contracts is a key source of estimation uncertainty at the reporting date, and has a significant risk of causing a material adjustment in the carrying value of the guarantee contracts at fair value. The loan portfolio guarantees are measured at fair value through profit or loss.

Where the fair value of guarantee contracts cannot be derived from active markets, they are determined using valuation techniques such as the discounted cash flow model. Management uses its judgement to select the appropriate valuation methodology to assess the fair value of guarantee contracts. The judgements include considerations of inputs such as average annual growth rate in utilization, default rate, recovery rate and discount rate. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

In determining the fair value of investments, the Group adheres to the valuation guidelines issued by the International Private Equity and Venture Capital Board. The fair valuation of the guarantee contracts is based on a discounted cash flow model. The cash flows are based on above-market rates due to the uniqueness of the product. The determination of the "super profit" portion of future income is a critical judgement to be applied by management.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Land grant

AGFWA received a land grant from the government of Togo for the construction of a building in West Africa. The land being a non-depreciable asset, the land grant has been amortized over the life of the building to be constructed. The Directors of AGF have estimated the life of the building to be 25 years, and further believe that this lifespan assumed is reasonable and in line with the depreciation rate of the asset. Refer to note 23.

Going concern

The financial statements have been prepared on a going concern basis and there is no significant reason to believe that the Company will not continue throughout the next 12-month period despite the COVID-19 global pandemic.

The COVID-19 pandemic has developed rapidly throughout 2020. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the group's results in the reporting period. The positive and negative impacts of the COVID-19 pandemic on the Group are as outlined below:

- Reduction in the expenses relating to travel and office expenses; the AGF staff continue to work from home.

Going concern (continued)

- Decline in revenue in 2020 compared to the same period in 2019, mainly due to a slower-than-expected new volume of guarantees.
- Loss through the Fair Value of LPG products due to a lower-than-projected utilization level.

AGF is not expecting COVID-19 to have a significant impact on its cost of credit in 2021. The measures recommended by Central Banks have been extensively implemented by banks, through diverse restructurings. The economies in most African countries are gradually resuming.

The African Guarantee Fund has considered measures to control the effect of the pandemic on its business. Fitch undertook a review of the group's financials and issued a report maintaining AGF's AA- rating with a stable outlook.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: credit risks, liquidity risks, market risks (including interest rate and foreign currency risks) and operational risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors of the Group has established the Treasury Management, Investment/Guarantee, Capacity Development and Committees, which are responsible for developing and monitoring the Company risk management policies in their specified areas. All board committees regularly report to the Board of Directors on their activities.

Credit risk

Credit risk refers to the risk of a financial loss to the Group and/or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities (primarily for other receivables) and from its financing activities, including cash at bank and other financial instruments. The Group has adopted a policy of only dealing with creditworthy counterparties. Cash at banks is maintained with financial institutions having strong credit ratings.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date is outlined below.

Cash and cash equivalents (excluding cash in hand)

| | 2020 | | 2019 | | 2020 | | 2019 | | |
|------------------------------|-------------------|------------|-----------|------------|-----------|-------------------|-----------|-------------------|-----------|
| | Balance | Rating | Balance | Rating | Balance | Rating | Balance | Rating | |
| | USD | Short Term | Long Term | Short Term | Long Term | Short Term | Long Term | Short Term | Long Term |
| Barclays Bank Mauritius* | 134,631 | B | BB+ | B | BB+ | B | BB+ | B | BB+ |
| Barclays Bank London* | 8,041,508 | A-2 | BBB | A-2 | BBB | A-2 | BBB | A-2 | BBB |
| CFC Stanbic** | 1,448,999 | B | BB- | B | BB- | B | BB- | B | BB- |
| Commercial Bank of Africa*** | 1,105,994 | A1 (KE) | A+ (KE) | A1 (KE) | A+ (KE) | A1 (KE) | A+ (KE) | A1 (KE) | A+(KE) |
| Ecobank** | 1,175,730 | B | B | B | B | B | B | B | B |
| ABSA | 43,190 | B | BB- | B | BB- | 0 | 0 | B | BB- |
| BCEAO Siège (EURO) | 16,996 | N/A | N/A | N/A | N/A | – | – | N/A | N/A |
| BTCI | 30,115 | N/A | N/A | N/A | N/A | – | – | N/A | N/A |
| ECOBANK TOGO | 39,075 | N/A | N/A | N/A | N/A | – | – | N/A | N/A |
| BATG | – | N/A | N/A | N/A | N/A | – | – | N/A | N/A |
| BOA TOGO | 375 | N/A | N/A | N/A | N/A | – | – | N/A | N/A |
| BACI | – | N/A | N/A | N/A | N/A | – | – | N/A | N/A |
| Total | 12,036,613 | | | | | 11,950,051 | | 43,128,849 | |
| ECL | (57,987) | | | | | (57,101) | | (74,626) | |
| Total after ECL | 11,978,626 | | | | | 11,892,950 | | 43,054,223 | |

(*) Rating by Standard & Poors, (**) Fitch National rating, (***) Rating by GCR. "N/A" refers to entities that have not been rated by any reputable Rating agency whose opinions may be relied upon.

In 2020, amounts of USD 8,386 and USD 7,686 for the Group and the Company respectively, representing cash in hand, were not included in the table (2019: USD 55,679 and USD 55,585, respectively).

Cash and cash equivalents (including cash in hand) (Continued)

| GROUP | 2020 | 2019 | COMPANY | 2020 | 2019 |
|--------------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|
| | USD | USD | | USD | USD |
| Cash at bank and on hand | 3,696,056 | 33,239,510 | Cash at bank and on hand | 3,609,680 | 32,796,594 |
| Short-term deposits | 8,290,956 | 23,557,634 | Short-term deposits | 8,290,956 | 23,557,634 |
| Total | <u>11,987,012</u> | <u>56,797,144</u> | Total | <u>11,900,636</u> | <u>56,354,228</u> |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Debt instruments at amortised costs, cash and cash equivalents, other financial instruments and receivables

| Rating* | Group | | Company | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| AAA | 8,334,225 | 8,442,111 | 8,334,225 | 8,442,111 |
| AA | 13,136,629 | 5,968,845 | 13,136,629 | 5,968,845 |
| AA- | 14,528,965 | 12,453,441 | 14,528,965 | 12,453,441 |
| A+ | 3,986,242 | 3,970,962 | 3,986,242 | 3,970,962 |
| A | 17,293,146 | 17,521,590 | 17,293,146 | 17,521,590 |
| A- | 5,693,858 | 5,849,351 | 5,693,858 | 5,849,351 |
| BBB+ | 1,759,452 | 1,847,296 | 1,722,296 | – |
| BBB | 21,283,741 | 12,827,309 | 13,949,813 | 9,623,763 |
| BBB- | 23,077,556 | 43,021,999 | 23,077,556 | 43,021,999 |
| BB- | 22,294 | – | – | – |
| B+ | 37,839,150 | – | 5,047,969 | – |
| B | 1,004,112 | – | – | – |
| B- | 78,770 | – | – | – |
| Not Rated | 15,092,691 | 48,187,586 | 10,092,980 | 12,172,637 |
| | <u>163,130,831</u> | <u>160,090,490</u> | <u>116,863,679</u> | <u>119,024,699</u> |
| *Source: Bloomberg | <u>(5,464,971)</u> | <u>(4,694,183)</u> | <u>(4,353,098)</u> | <u>(3,584,939)</u> |
| | <u>157,665,860</u> | <u>155,396,307</u> | <u>112,510,581</u> | <u>115,439,760</u> |

The credit risk is mitigated through:

- Portfolio diversification by applying limits by region, country, sector, single obligor, product, and risk category
- Portfolio hedging by using re-guarantees to share credit risk with other guarantee funds
- Intensive due diligence
- Contract covenants, providing the ability to cancel, reduce or reprice a deal if the credit conditions deteriorate significantly or if the fees are not settled perspective.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Concentration risk

Concentration risk is defined as a direct and/or indirect concentration of exposure to a single or Group of counterparties, industry or geographic region. Owing to the nature of its operations, AGF will always have a large amount of exposure in the African continent. AGF will always seek to counter this by diversifying, i.e. by investing in other geographical regions and other counterparties.

The investments are well diversified within each region and are within the single obligor limits.

| | Group | | Group | | Company | | Company | |
|--------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | Book Value 2020 | Percentage | Book Value 2019 | Percentage | Book Value 2020 | Percentage | Book Value 2019 | Percentage |
| Africa | 79,137,966 | 48.11% | 97,471,330 | 59.15% | 32,870,814 | 28.23% | 55,366,315 | 45.16% |
| Europe | 37,388,895 | 23.10% | 29,844,577 | 18.11% | 37,388,895 | 31.95% | 29,844,557 | 24.34% |
| America | 12,434,400 | 7.68% | 10,899,828 | 6.61% | 12,434,400 | 10.63% | 10,829,828 | 8.83% |
| Middle East | 15,601,995 | 9.64% | 8,718,323 | 5.29% | 15,601,995 | 13.33% | 8,718,323 | 7.11% |
| Asia | 12,194,955 | 7.53% | 17,850,615 | 10.83% | 12,194,955 | 10.42% | 17,850,615 | 14.56% |
| Oceania | 6,372,620 | 3.94% | – | – | 6,372,620 | 5.45% | – | – |
| ECL | (5,464,971) | – | (4,694,183) | – | (4,353,098) | – | (3,584,939) | – |
| Total | 157,665,860 | 100% | 160,090,490 | 100% | 112,510,581 | 100% | 119,024,699 | 100% |

Market risk

Market risk arises from the Group and/or the Company's use of interest-bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

Neither the Group nor the Company is sensitive to interest rate risk changes, due to the fact that all coupon rates are fixed and the bonds are intended to be held to maturity.

A change in interest rates on the variable loan facility impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

Foreign exchange risk

Foreign currency risk is the risk that Group's and/or the Company's net financial asset will fluctuate because of changes in foreign currency risk. The Group manages this FX risk by a combination of long-term hedges for large exposures and tight cash flow forecasting and planning to effectively manage FX risk occurring in day-to-day operations.

While the reporting currency of AGF is USD, the investment portfolio aims to mitigate currency risk. Such currency risk arises from writing guarantees in currencies other than USD, while having an asset base to support those guarantees denominated in USD. In particular, the portfolio counteracts the currency risk by aiming to match the currencies of the investments to the major contingent liabilities.

The currency breakdown of the assets is in line with the company's major contingent liabilities (a highly significant proportion of the company contingent liabilities is in XOF). For financial assets in EUR, a currency swap has been executed to hedge the EUR/USD currency risk. As of 31 December 2020 and 2019, the Group and the Company's net exposure to foreign exchange risk was as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Foreign exchange risk

| | Group | | | | |
|----------------------------|--------------------|----------------|---------------|-------------------|--------------------|
| | USD 2020 | EURO 2020 | KES 2020 | XOF 2020 | Total USD 2020 |
| Assets | 112,498,996 | 611,339 | 11,826,067 | 34,299,917,604 | 177,075,908 |
| Liabilities | 1,471,909 | - | 9,880,997 | 1,971,199,089 | 5,217,955 |
| Closing rate | 1 | 1.2207 | 0.009175 | 0.001858 | - |
| Net exposure in USD | 111,027,087 | 746,261 | 17,846 | 60,066,759 | 171,857,953 |

| | Group | | | | |
|----------------------------|--------------------|----------------|---------------|-------------------|--------------------|
| | USD 2019 | EURO 2019 | KES 2019 | XOF 2019 | Total USD 2019 |
| Assets | 117,770,617 | 133,286 | 23,960,596 | 33,105,533,429 | 174,833,332 |
| Liabilities | 1,055,532 | - | 19,257,168 | 1,662,035,743 | 4,090,934 |
| Closing rate | 1 | 1.1227 | 0.009866282 | 0.001712 | - |
| Net exposure in USD | 116,715,085 | 149,640 | 46,405 | 53,831,268 | 170,742,398 |

| | Company | | | | |
|----------------------------|--------------------|----------------|---------------|--------------------|--------------------|
| | USD 2020 | EURO 2020 | KES 2020 | XOF 2020 | Total USD 2020 |
| Assets | 123,134,779 | 611,339 | 11,826,067 | - | 123,989,544 |
| Liabilities | 1,759,664 | - | 9,880,997 | 5,125,893,434 | 11,374,232 |
| Closing rate | 1 | 1.2207 | 0.009175 | 0.001858 | 0 |
| Net exposure in USD | 121,375,115 | 746,261 | 17,846 | (9,523,910) | 112,615,312 |

| | Company | | | | |
|----------------------------|--------------------|----------------|---------------|--------------------|--------------------|
| | USD 2019 | EURO 2019 | KES 2019 | XOF 2019 | Total USD 2019 |
| Assets | 127,470,046 | 133,286 | 23,960,596 | - | 127,856,088 |
| Liabilities | 1,073,786 | - | 19,257,168 | 4,998,636,098 | 9,821,448 |
| Closing rate | 1 | 1.1227 | 0.009866282 | 0.001712 | 1 |
| Net exposure in USD | 126,396,260 | 149,640 | 46,405 | (8,557,665) | 118,034,640 |

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty when meeting obligations from its financial liabilities. The Group's and the Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and the Company's reputation.

The Group and the Company's treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities to ensure necessary access to sufficient liquidity at all times.

The table below summarizes the maturity profile of the Group's and the Company's financial assets and liabilities at 31 December based on contractual non-discounted payments. The amounts in the undetermined category relate to the guarantee designated at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Liquidity risk (Continued)

| As at 31 December 2020 | Group | | | | | Total USD |
|---|------------------|-------------------------|-------------------------|--------------------------|---------------------|--------------------|
| | On demand USD | 1 to 3 months USD | 3 to 6 months USD | 6 to 12 months USD | 1 to 8 years USD | |
| Cash and cash equivalents | 3,696,056 | 8,290,956 | – | – | – | 11,987,012 |
| Held-to-maturity financial assets | – | 19,566,590 | 11,015,215 | 975,341 | 63,339,229 | 94,896,376 |
| Other financial assets | 2,786,689 | 21,590,071 | 928,896 | 9,846,303 | 5,684,644 | 40,836,603 |
| Guarantee designated at fair value through profit or loss | – | – | – | – | 25,678,660 | 25,678,660 |
| Deferred income on guarantee contracts | – | – | – | – | (23,086,019) | (23,086,019) |
| Other financial assets | – | – | – | – | 106,736 | 106,736 |
| Receivables and deposits | – | 907,949 | 271,670 | 8,309,831 | 456,419 | 9,945,869 |
| Total financial assets | 6,482,746 | 50,355,566 | 12,215,782 | 19,131,475 | 72,179,669 | 160,365,237 |
| Trade and other payables | 1,635,066 | – | – | – | – | 1,635,066 |
| Other guarantees | – | – | – | – | 9,452,827 | 9,452,827 |
| Deferred income | – | – | – | – | 2,045,256 | 2,045,256 |
| Other liabilities | 1,537,633 | – | – | – | – | 1,537,633 |
| Total financial liabilities | 3,172,699 | – | – | – | 11,498,083 | 14,670,782 |

| As at 31 December 2020 | Company | | | | | Total USD |
|---|------------------|-------------------------|-------------------------|--------------------------|---------------------|--------------------|
| | On demand USD | 1 to 3 months USD | 3 to 6 months USD | 6 to 12 months USD | 1 to 8 years USD | |
| Cash and cash equivalents | 3,609,680 | 8,290,956 | – | – | – | 11,900,636 |
| Held-to-maturity financial assets | – | 19,466,643 | 11,007,468 | – | 63,051,617 | 93,525,728 |
| Other financial assets | – | – | – | – | 1,250,397 | 1,250,397 |
| Guarantee designated at fair value through profit or loss | – | – | – | – | 23,100,102 | 23,100,102 |
| Deferred income on guarantee contracts | – | – | – | – | (18,831,416) | (18,831,416) |
| Other guarantees | – | – | – | – | 106,736 | 106,736 |
| Receivables and deposits | – | 636,269 | 271,670 | 4,623,972 | 301,909 | 5,833,820 |
| Total financial assets | 3,609,680 | 28,393,868 | 11,279,138 | 4,623,972 | 68,979,345 | 116,886,003 |
| Loans and borrowings | – | – | 9,523,910 | – | – | 9,523,910 |
| Trade and other payables | 1,415,253 | – | – | – | – | 1,415,253 |
| Other liabilities | 435,069 | – | – | – | – | 435,069 |
| Total financial liabilities | 1,850,322 | – | 9,523,910 | – | – | 11,374,232 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Liquidity risk (Continued)

| As at 31 December 2019 | Group | | | | | Total USD |
|---|---------------------|-------------------------|-------------------------|--------------------------|---------------------|--------------------|
| | On demand USD | 1 to 3 months USD | 3 to 6 months USD | 6 to 12 months USD | 1 to 8 years USD | |
| Cash and cash equivalents | 36,043,557 | 7,923,494 | – | – | – | 43,967,051 |
| Debt instruments at amortized cost | 145,157 | 9,000,694 | – | 6,440,893 | 56,445,097 | 72,031,841 |
| Other financial assets | – | – | – | – | 22,024,327 | 22,024,327 |
| Guarantee designated at fair value through profit or loss | – | – | – | – | (16,604,594) | (16,604,594) |
| Deferred income on guarantee contracts | 5,755,246 | – | – | 10,611,587 | 18,030,661 | 34,397,494 |
| Receivables and deposits | – | 115,160 | 201,769 | 7,574,097 | 1,803,078 | 9,694,104 |
| Total financial assets | 41,943,960 | 17,039,348 | 201,769 | 24,626,577 | 81,698,569 | 165,510,223 |
| Trade and other payables | 467,790 | – | – | – | – | 467,790 |
| Other liabilities | – | – | – | – | 5,294,804 | 5,294,804 |
| Other guarantees | – | – | – | – | 1,969,900 | 1,969,900 |
| Net assets attributable to shareholders | 1,653,244 | – | – | – | – | 1,653,244 |
| Total financial liabilities | 2,121,034 | – | – | – | 7,264,704 | 9,385,738 |

| As at 31 December 2019 | Company | | | | | Total USD |
|---|-------------------|-------------------------|-------------------------|--------------------------|------------------------|--------------------|
| | On demand USD | 1 to 3 months USD | 3 to 6 months USD | 6 to 12 months USD | 1 to 8 years USD | |
| Cash and cash equivalents | 35,186,314 | 7,923,494 | – | – | – | 43,109,808 |
| Debt instruments at amortized cost | – | 9,000,694 | – | 6,074,825 | 53,751,373 | 68,826,892 |
| Guarantee designated at fair value through profit or loss | – | – | – | 150,000 | 1,081,829 | 1,231,829 |
| Deferred income on guarantee contracts | – | – | – | – | 19,329,526 | 19,329,526 |
| Other financial assets | – | – | – | – | (12,276,111) | (12,276,111) |
| Receivables and deposits | – | – | – | – | 1,937,329 | 1,937,329 |
| Total financial assets | 35,186,314 | 17,039,348 | 201,769 | 10,934,202 | 64,476,730 | 127,838,363 |
| Loans and borrowings | – | – | 8,557,665 | – | – | 8,557,665 |
| Trade and other payables | – | – | – | – | – | – |
| Other liabilities | 366,708 | – | – | – | – | 366,708 |
| Other guarantees | 897,075 | – | – | – | – | 897,075 |
| Net assets attributable to equity holders of the Company | 1,263,783 | – | 8,557,665 | – | – | 9,821,448 |
| Total financial liabilities | 35,186,314 | 7,923,494 | – | – | – | 43,109,808 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's and the Company's operations.

The Group's objective is to manage operational risk in order to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness, as well as to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls designed to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of the Group's overall standards for the management of operational risk in the following areas:

- Ethical and business standards.
- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Development of contingency plans.
- Training and professional development.
- Risk mitigation (including insurance, where this is effective).

Compliance with the Group's standards is supported by a program of regular reviews undertaken by the Internal Control department. The results of internal audit reviews are discussed with the management of the department to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management

When managing capital, the principal objective of the Group is to earn the maximum risk-adjusted return that is compatible with keeping the capital intact in the medium- and long-term and being able to settle all obligations in full as they fall due.

| | Group | | Company | |
|--------------------------|--------------------|-------------|--------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Trade and other payables | 1,635,066 | 467,790 | 1,415,253 | 366,708 |
| Borrowed funds | – | – | 9,523,910 | 8,557,665 |
| Other liabilities | 1,537,633 | 1,653,244 | 435,069 | 897,075 |
| | 3,172,699 | 2,121,034 | 11,374,232 | 9,821,448 |
| Equity | 164,963,174 | 170,822,021 | 148,878,452 | 158,913,149 |
| Total capital | 164,963,174 | 170,822,021 | 148,878,452 | 158,913,149 |
| Capital and net debt | 168,135,873 | 172,943,055 | 160,252,684 | 168,734,597 |
| Gearing ratio | 2% | 1% | 7% | 6% |

7. FAIR VALUE MEASUREMENTS

| Debt instrument at amortized cost | Group 2020 | | Group 2019 | | Company 2020 | | Company 2019 | |
|--|------------------------|-------------------|------------------------|-------------------|------------------------|-------------------|------------------------|-------------------|
| | Carrying amount USD | Fair value USD |
| European Investment Bank | 5,971,076 | 5,948,991 | 6,036,623 | 5,694,007 | 5,971,076 | 5,948,991 | 6,036,623 | 5,694,007 |
| Poland | 5,693,858 | 5,677,539 | 5,849,351 | 5,430,541 | 5,693,858 | 5,677,539 | 5,849,351 | 5,430,541 |
| Kingdom of Morocco | 9,000,960 | 9,158,316 | 5,978,107 | 5,278,946 | 9,000,960 | 9,158,316 | 5,978,107 | 5,278,946 |
| State of Qatar | 8,139,174 | 8,237,435 | 6,089,102 | 5,492,472 | 8,139,174 | 8,237,435 | 6,089,102 | 5,492,472 |
| Republic of Chile | 3,986,242 | 4,150,920 | 3,970,962 | 3,709,486 | 3,986,242 | 4,150,920 | 3,970,962 | 3,709,486 |
| Bk Nederlandse Gemeenten | 2,363,149 | 2,331,043 | 2,405,487 | 2,257,206 | 2,363,149 | 2,331,043 | 2,405,487 | 2,257,206 |
| African Export-Import Bank 2019 | 8,051,089 | 8,028,320 | 2,925,475 | 2,732,841 | 8,051,089 | 8,028,320 | 2,925,475 | 2,732,841 |
| Export-Import Bank Korea | 5,900,800 | 6,032,315 | 5,968,845 | 5,274,359 | 5,900,800 | 6,032,315 | 5,968,845 | 5,274,359 |
| Banque Ouest Africaine de Développement | 1,722,242 | 1,710,452 | 1,744,604 | 1,610,452 | 1,722,242 | 1,710,452 | 1,744,604 | 1,610,452 |
| Westpac Banking Corporation | 3,450,233 | 3,439,270 | 3,438,864 | 3,213,482 | 3,450,233 | 3,439,270 | 3,438,864 | 3,213,482 |
| Lithuania | 3,404,243 | 3,311,234 | 3,504,555 | 3,126,555 | 3,404,243 | 3,311,234 | 3,504,555 | 3,126,555 |
| Iceland | 5,649,539 | 5,598,920 | 5,870,383 | 5,869,415 | 5,649,539 | 5,598,920 | 5,870,383 | 5,869,415 |
| Bank of China Hong Kong | - | - | 5,517,432 | 5,369,229 | - | - | 5,517,432 | 5,369,229 |
| International Lease Finance Corp | - | - | 3,445,605 | 3,219,781 | - | - | 3,445,605 | 3,219,781 |
| Ras Laffan LNG | - | - | 2,629,220 | 2,376,013 | - | - | 2,629,220 | 2,376,013 |
| Ford Motor Credit LLC | - | - | 3,483,261 | 3,397,512 | - | - | 3,483,261 | 3,397,512 |
| Abu Dhabi | 7,235,829 | 7,364,560 | 102,693 | 102,837 | 7,235,829 | 7,364,560 | - | - |
| Bermuda | 8,239,365 | 8,283,480 | - | - | 8,239,365 | 8,283,480 | - | - |
| Indonesia | 5,908,010 | 5,162,640 | - | - | 5,908,010 | 5,162,640 | - | - |
| Romania | 5,890,876 | 5,873,010 | - | - | 5,890,876 | 5,873,010 | - | - |
| Commonwealth Bank Australia | 2,939,558 | 2,933,350 | - | - | 2,939,558 | 2,933,350 | - | - |
| Banque Ouest Africaine de Développement | 37,156 | 37,156 | - | - | - | - | - | - |
| Société Immobilière et Financière de la Côte Africaine | 46,445 | 45,835 | - | - | - | - | - | - |
| Etat du Niger | - | - | 128,366 | 118,495 | - | - | - | - |
| Etat du Togo | - | - | 29,919 | 27,038 | - | - | - | - |
| Etat du Benin | - | - | 1,095,543 | 1,446,904 | - | - | - | - |
| Banque d'Investissement et de Développement de la CEDEAO | 928,896 | 924,675 | 855,738 | 834,671 | - | - | - | - |
| Etat du Mali | 7,747 | 7,747 | - | - | - | - | - | - |
| Caisse Régionale Refinancement Hypothécaire | 78,770 | 77,753 | 35,669 | 35,663 | - | - | - | - |
| Etat du Sénégal | 104,761 | 102,456 | 539,107 | 548,333 | - | - | - | - |
| Etat du Sénégal (EOS) | 48,395 | 22,192 | 139,383 | 130,247 | - | - | - | - |
| Guinea Bissau | 75,216 | 74,846 | 105,367 | 109,423 | - | - | - | - |
| Impact on IFRS 9 | 51,286 | 51,053 | 180,026 | 181,877 | - | - | - | - |
| | (28,539) | - | (37,846) | - | (20,515) | - | (30,984) | - |
| Total | 94,896,376 | 94,585,508 | 72,031,841 | 67,587,785 | 93,525,728 | 93,241,795 | 68,826,892 | 64,052,297 |

The bonds are listed on various stock markets. Their fair values are therefore determined based on the listed prices at year end. The fair values of the debt instruments are classified with level 1 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7. FAIR VALUE MEASUREMENTS (continued)

At 31 December, the Group and the Company held the following financial instruments measured at fair value:

Recurring fair value measurement of guarantee contracts at fair value through profit or loss.

| | Group | | Company | |
|-------------------------------------|--------------------|-------------|--------------------|-------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Opening balance | 22,024,327 | 15,513,323 | 19,329,526 | 12,457,020 |
| Fair value movement during the year | (2,687,500) | 987,002 | (2,784,730) | 2,816,157 |
| Movement in deferred income account | 6,111,570 | 5,584,957 | 6,555,306 | 4,056,349 |
| FX translation | 230,263 | (60,955) | – | – |
| | 25,678,660 | 22,024,327 | 23,100,102 | 19,329,526 |

The guarantee contracts at fair value through profit or loss have been fair valued based on the Discounted Cash Flow (“DCF”) methodology at year end and are classified under Level 3 of the fair value hierarchy (this was the same for 2019).

The DCF methodology derives the value of an instrument by calculating the present value of expected cash flow or future earnings. Under the DCF methodology, the cash flow projections on a free cash flow basis (including the appropriate discount rate) have been used.

The FX translation amount of USD 230,263 in 2020 is the impact of foreign exchange differences in the opening and closing balance of the subsidiary’s fair value amount in 2020.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the year.

At 31 December 2020, the nominal amount of guarantee contracts at fair value through gain or loss amounted to USD 214,059,436 (2019: USD 203,787,298) for the loan portfolio guarantee product.

The fair value of receivables and deposits, trade and other payables and other liabilities are disclosed in Note 18 and Note 19 respectively. Refer to note 8(b) for sensitivity analysis and key inputs used in the valuations.

Valuation process

The board of directors of the Fund is responsible for the valuation of guarantee contracts including the policies and procedures. The valuation of the portfolio of guarantee contracts is carried out on a quarterly basis and is reviewed by the risk committee of the Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8.(a) DEBT INSTRUMENTS AT AMORTIZED COST GROUP

| 2020 | Purchase Value (including commission) USD | Maturity Date | Coupon Rate % | Book Value USD |
|---|--|------------------|---------------------|-------------------|
| ABU DHABI | 7,258,365 | 30/09/2024 | 2.13% | 7,235,829 |
| AFREXIM | 8,171,655 | 20/06/2024 | 4.13% | 8,051,089 |
| Bank Nederlandse Gemeenten | 2,598,433 | 16/02/2021 | 4.38% | 2,363,149 |
| Banque Ouest Africaine de Développement | 1,824,269 | 05/06/2021 | 5.50% | 1,722,242 |
| Bermuda | 8,315,092 | 03/01/2023 | 4.14% | 8,239,365 |
| BIDC.03 SGI | 35,669 | 30/03/2021 | 6.50% | 7,747 |
| BOAD SGI | 102,693 | 05/02/2021 | 5.95% | 37,156 |
| Commonwealth Bank Australia | 2,941,546 | 16/03/2023 | 2.70% | 2,939,558 |
| European Investment Bank | 2,596,771 | 13/05/2021 | 4.00% | 5,971,076 |
| Export-Import Bank Korea | 6,088,830 | 11/01/2022 | 4.50% | 5,900,800 |
| Iceland | 5,988,782 | 05/11/2022 | 5.88% | 5,649,539 |
| Indonesia | 5,919,306 | 15/01/2025 | 4.13% | 5,908,010 |
| Lithuania | 3,466,229 | 02/01/2022 | 6.63% | 3,404,243 |
| Morocco | 6,078,938 | 12/11/2022 | 4.25% | 9,000,960 |
| Poland | 6,146,839 | 21/04/2021 | 5.13% | 5,693,858 |
| Republic of Chile | 3,903,335 | 30/10/2022 | 2.25% | 3,986,242 |
| Romania | 5,508,795 | 07/02/2022 | 6.75% | 5,890,876 |
| State of Qatar | 6,337,255 | 14/03/2024 | 5.00% | 8,139,174 |
| Westpac Banking Corporation | 3,432,910 | 15/05/2023 | 2.72% | 3,450,233 |
| Bond Guinea Bissau | 47,769 | 27/01/2025 | 5.90% | 51,286 |
| CRRH SGI | 139,383 | 17/01/2024 | 6.10% | 104,761 |
| EO-ETAT MALI AFRICA BOURSE | 90,712 | 20/04/2024 | 6.50% | 78,770 |
| Etat du Senegal | 52,096 | 01/01/2023 | 6.50% | 48,395 |
| Etat du Senegal (EOS) | 108,852 | 01/01/2021 | 6.50% | 75,216 |
| OAT BENIN | 855,738 | 07/09/2021 | 6.10% | 928,896 |
| OBLIG. SIFCA AFRICA BOURSE | 128,366 | 08/08/2021 | 6.90% | 46,445 |
| | | | | (28,539) |
| Total | 88,138,628 | | | 94,896,376 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8.(a) DEBT INSTRUMENT AT AMORTISED COST (continued)

| | 2019 | Group | | |
|--|-------------------|---|---------------|-------------------|
| | | Purchase Value (including omission) USD | Maturity Date | Coupon Rate % |
| Bank Nederlandse Gemeenten | 2,598,433 | 16/02/2021 | 4.38% | 2,405,487 |
| European Investment Bank | 2,596,771 | 16/02/2021 | 4.00% | 2,418,590 |
| European Investment Bank | 3,648,294 | 13/05/2021 | 2.38% | 3,618,033 |
| Bank of China Hong Kong | 5,870,582 | 11/02/2020 | 5.55% | 5,517,432 |
| Poland | 6,152,037 | 21/04/2021 | 5.13% | 5,849,351 |
| Morocco | 6,086,364 | 11/12/2022 | 4.25% | 5,978,107 |
| State of Qatar B | 1,849,888 | 14/03/2024 | 3.38% | 1,858,395 |
| State of Qatar | 4,490,130 | 20/01/2022 | 4.50% | 4,230,707 |
| Republic of Chile | 3,903,335 | 30/10/2022 | 2.25% | 3,970,962 |
| Commonwealth Bank Australia | 2,945,926 | 16/03/2023 | 2.70% | 2,925,475 |
| Export-Import Bank Korea B | 4,959,062 | 01/11/2022 | 3.00% | 4,908,346 |
| | 1,137,097 | | 5.00% | 1,060,499 |
| Export-Import Bank Korea | | 11/04/2022 | | |
| Banque Ouest Africaine de Développement | 1,824,269 | 06/05/2021 | 5.50% | 1,744,604 |
| Westpac Banking Corporation | 3,438,050 | 15/05/2023 | 2.72% | 3,438,864 |
| Ras Laffan LNG | 3,963,553 | 30/09/2020 | 5.30% | 2,629,220 |
| Lithuania | 3,471,398 | 01/02/2022 | 6.63% | 3,504,555 |
| Ford Motor Credit LLC | 3,462,382 | 15/01/2020 | 8.13% | 3,483,261 |
| Iceland | 5,997,590 | 11/05/2022 | 5.88% | 5,870,383 |
| International Lease Finance Corp | 3,556,936 | 15/12/2020 | 8.25% | 3,411,071 |
| BIDC.03 SGI | 35,669 | 3/30/2021 | 6.50% | 35,669 |
| BOAD SGI | 102,693 | 2/5/2021 | 5.95% | 102,693 |
| CRRH SGI | 92,965 | 1/17/2024 | 6.10% | 92,965 |
| CRRH UEMOA Top Finance | 46,417 | 7/21/2024 | 6.10% | 46,417 |
| Eos-Etat Mali Africa Bourse | 90,712 | 4/20/2024 | 6.50% | 90,712 |
| Eos 04 | 19,079 | 12/14/2019 | 6.70% | 19,079 |
| Eos 05 | 52,096 | 1/1/2023 | 6.50% | 52,096 |
| Eos 06 | 108,852 | 1/1/2021 | 6.50% | 108,852 |
| Etat du Niger Africa Bourse | 14,999 | 10/16/2024 | 6.00% | 14,999 |
| Etat du Togo SGI | 1,161,059 | 1/19/2023 | 6.90% | 1,161,059 |
| Etat Senegal Top Finance | 61,616 | 2/28/2021 | 6.60% | 61,616 |
| OAT Benin | 855,738 | 9/7/2021 | 6.10% | 855,738 |
| Oblig. Sifcafrica Bourse | 128,366 | 8/8/2021 | 6.90% | 128,366 |
| TPS | 43,751 | 10/25/2018 | 5.90% | 43,751 |
| Tresor Public Mali | 366,068 | 7/7/2020 | 6.81% | 366,068 |
| Tresor Public Niger Africa Bourse | 14,920 | 10/16/2024 | 6.00% | 14,920 |
| Tresor Public Cote D'Ivoire Africa Bourse | 81,484 | 8/5/2019 | 6.00% | 81,484 |
| Tresor Public Senegal Africa Bourse | 844 | 4/10/2019 | 6.25% | 844 |
| Total gross value | 75,229,425 | | | 72,100,670 |
| Allowance for expected credit loss | — | | | (68,829) |
| Total carrying value | 75,229,425 | | | 72,031,841 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

| 2020 | Company | | | |
|--|---|------------------|----------------|-----------------------|
| | Purchase Value (including commission) | Maturity Date | Coupon Rate | Book Value |
| | USD | | % | USD |
| Abu Dhabi | 7,258,365 | 30/09/2024 | 2.13% | 7,235,829 |
| Afrexim | 8,171,655 | 20/06/2024 | 4.13% | 8,051,089 |
| Bank Nederlandse Gemeenten | 2,598,433 | 16/02/2021 | 4.38% | 2,363,149 |
| Banque Ouest Africaine de Développement | 1,824,269 | 05/06/2021 | 5.50% | 1,722,296 |
| Bermuda | 8,315,092 | 03/01/2023 | 4.14% | 8,239,365 |
| Commonwealth Bank Australia | 2,941,546 | 16/03/2023 | 2.70% | 2,939,558 |
| European Investment Bank | 2,596,771 | 13/05/2021 | 4.00% | 5,971,076 |
| Export-Import Bank Korea | 6,088,830 | 11/01/2022 | 4.50% | 5,900,800 |
| Iceland | 5,988,782 | 05/11/2022 | 5.88% | 5,649,539 |
| Indonesia | 5,919,306 | 15/01/2025 | 4.13% | 5,908,010 |
| Lithuania | 3,466,229 | 02/01/2022 | 6.63% | 3,404,242 |
| Morocco | 6,078,938 | 12/11/2022 | 4.25% | 9,000,960 |
| Poland | 6,146,839 | 21/04/2021 | 5.13% | 5,693,858 |
| Republic of Chile | 3,903,335 | 30/10/2022 | 2.25% | 3,986,242 |
| Romania | 5,508,795 | 07/02/2022 | 6.75% | 5,890,876 |
| State of Qatar | 6,337,255 | 14/03/2024 | 5.00% | 8,139,174 |
| Westpac Banking Corporation | 3,432,910 | 15/05/2023 | 2.72% | 3,450,180 (20,515) |
| Total | 86,577,350 | | | 93,525,728 |

| 2019 | Company | | | |
|--|---|------------------|----------------|-------------------|
| | Purchase Value (including commission) | Maturity Date | Coupon Rate | Book Value |
| | USD | | % | USD |
| Bank Nederlandse Gemeenten | 2,598,433 | 16/02/2021 | 4.38% | 2,405,487 |
| European Investment Bank | 2,596,771 | 13/05/2021 | 4.00% | 2,418,590 |
| European Investment Bank B | 3,648,294 | 13/05/2021 | 2.38% | 3,618,033 |
| Bank of China Hong Kong | 5,870,582 | 11/02/2020 | 5.55% | 5,517,432 |
| Poland | 6,152,037 | 21/04/2021 | 5.13% | 5,849,351 |
| Morocco | 6,086,364 | 11/12/2022 | 4.25% | 5,978,107 |
| State of Qatar | 4,490,130 | 20/01/2022 | 4.50% | 4,230,707 |
| State of Qatar B | 1,849,888 | 14/03/2024 | 3.38% | 1,858,395 |
| Republic of Chile | 3,903,335 | 30/10/2022 | 2.25% | 3,970,962 |
| Commonwealth Bank Australia | 2,945,926 | 16/03/2023 | 2.70% | 2,925,475 |
| Export-Import Bank Korea B | 4,959,062 | 01/11/2022 | 3.00% | 4,908,346 |
| Export-Import Bank Korea | 1,137,097 | 11/04/2022 | 5.00% | 1,060,499 |
| Banque Ouest Africaine de Développement | 1,824,269 | 06/05/2021 | 5.50% | 1,744,604 |
| Westpac Banking Corporation | 3,438,050 | 15/05/2023 | 2.72% | 3,438,864 |
| Ras Laffan LNG | 3,963,553 | 30/09/2020 | 5.30% | 2,629,220 |
| Lithuania | 3,471,398 | 01/02/2022 | 6.63% | 3,504,555 |
| Ford Motor Credit LLC | 3,462,382 | 15/01/2020 | 8.13% | 3,483,261 |
| Iceland | 5,997,590 | 11/05/2022 | 5.88% | 5,870,383 |
| International Lease Finance Corp | 3,556,936 | 15/12/2020 | 8.25% | 3,445,605 |
| Total gross value | 71,952,097 | | | 68,857,876 |
| Allowance for expected credit loss | - | | | (30,984) |
| Total carrying value | 71,952,097 | | | 68,826,892 |

The allowance for the expected credit loss (ECL) of the Group and Company has been derived from the Standard & Poor credit rating for Kenya. An average loss given default of 45% (2019: 45%) has been used to calculate the ECL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8.(b) GUARANTEE CONTRACTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair value of guarantee contracts: USD 25,678,660 and USD 23,100,102 for the Group and Company respectively (2019: USD 22,024,327 and USD 19,329,526 respectively).

| | Group 2020 USD | 2019 USD | Company 2020 USD | 2019 USD |
|--|-------------------------------|-------------------|---------------------------------|-------------------|
| Opening balance | 22,024,327 | 15,513,323 | 19,329,526 | 12,457,020 |
| Movement through profit & loss account | (2,687,500) | 987,002 | (2,784,730) | 2,816,160 |
| Movement in deferred income account | 6,111,570 | 5,584,958 | 6,555,306 | 4,056,346 |
| FX translation | 230,263 | (60,956) | – | – |
| Closing balance | 25,678,660 | 22,024,327 | 23,100,102 | 19,329,526 |

Fair valuation gain/(loss) on financial guarantee contracts is the net effect of the changes in the valuation of the guarantees classified as loan portfolio products.

The group's net loss in fair value of USD 2,687,500 was mainly due to a lower performance in terms of annual growth in utilization in 2020 compared to expected growth (as projected in December 2019).

The net claim (less recoveries) paid on the loan portfolio guarantee contracts in 2020 was USD 1,380,039 for the group and the same amount for the company. This amount was paid directly through the profit or loss statement.

Sensitivity analysis for the assumptions used in the fair valuation of the guarantee contracts at fair value through profit or loss are as follows:

| | Group 2020 USD | 2019 USD | Company 2020 USD | 2019 USD |
|--|-------------------------------|-------------|---------------------------------|-------------|
| If the Company's average annual growth in utilization is lower by 100 basis points (-1%) relative to the management assumption (from 25% to 24%), the fair value gain will decrease by: | (324,565) | 100,604 | (303,204) | 97,404 |
| If the Company's annual default rate over the period of the contract is higher by 10 basis points (+0.1%) relative to the management assumption (from 0.3% to 0.4%), the fair value gain will decrease by: | (1,229,267) | 1,016,117 | (1,110,218) | 900,316 |
| If the Company's average recovery rate is lower by 100 basis points (-1%) relative to the management assumption (from 5% to 4%), the fair value gain will decrease by: | (29,451) | 23,670 | (27,003) | 21,232 |
| If the Company's discount rate is higher by 100 basis points (+1%) relative to the management assumption (from 5% to 6%), the fair value gain will decrease by: | (877,891) | 584,663 | (826,233) | 518,887 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8.(c) OTHER FINANCIAL INSTRUMENTS

Other financial instruments consist of long-term deposits made by the Group in different African Bank. Interests rate are fixed. Details are provided as follows:

| Bank | Group 2020 Annual rates | Terms | Amount (USD) |
|------------------------|-------------------------------|-------------------------|---------------------|
| BGFI Bank Benin | 6.00% | 27/01/2010 – 29/01/2021 | 1,857,793 |
| BOA Senegal | 6.00% | 17/06/2015 – 17/06/2021 | 2,786,689 |
| Banque Atlantique Togo | 6.54% | 15/06/2018 – 15/06/2021 | 1,857,793 |
| Banque Atlantique Togo | 6.00% | 19/07/2018 – 18/07/2021 | 1,486,234 |
| Banque Atlantique Togo | 5.50% | 7/04/2017 – 6/04/2020 | 1,300,455 |
| Coris Burkina Faso | 6.50% | 3/12/2010 – 3/12/2019 | 2,786,689 |
| BSIC Togo | 6.00% | 8/06/2015 – 8/06/2021 | 928,896 |
| Orabank Togo | 5.95% | 28/04/2012 – 27/04/2021 | 928,896 |
| BOA Togo | 5.75% | 24/01/2018 – 24/01/2021 | 928,896 |
| BOA Togo | 5.50% | 7/04/2017 – 6/04/2020 | 928,896 |
| BOA Togo | 5.75% | 13/07/2018 – 12/07/2021 | 928,896 |
| Coris Bank CI | 6.00% | 8/06/2016 – 7/06/2020 | 4,644,482 |
| Orabank Cote D'ivoire | 6.00% | 8/06/2016 – 7/06/2020 | 3,715,586 |
| Societe Generale Togo | 5.50% | 24/04/2017 – 20/04/2020 | 928,896 |
| Societe Generale Togo | 6.00% | 24/07/2018 – 23/07/2021 | 1,857,793 |
| SIB CI | 5.50% | 30/05/2020 – 30/04/2023 | 1,857,793 |
| Ecobank Togo | 5.75% | 24/01/2018 – 24/01/2021 | 2,786,689 |
| BCEAO | 0.00% | on call | 7,498,608 |
| Stanbic Bank | 3.00% | 21/12/17 – 21/12/22 | 1,266,370 |
| | | | (439,747) |
| Total | | | 40,836,603 |
| | Company 2020 | | |
| | Annual rates | Terms | Amount (USD) |
| Stanbic Bank | 3.00% | 21/12/17 – 21/12/22 | 1,266,370 |
| | | | (15,973) |
| | | | 1,250,397 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8.(c) OTHER FINANCIAL INSTRUMENTS (continued)

| Bank | Annual rates | Group 2019 | Terms | Amount (USD) |
|------------------------------------|--------------|-------------------------|-------|-------------------|
| BOA Benin | 7.00% | 27/01/2010 – 29/01/2021 | | 3,423,093 |
| BOA Senegal | 6.00% | 17/06/2015 – 17/06/2021 | | 2,567,319 |
| Banque Atlantique Togo | 6.54% | 15/06/2018 – 15/06/2021 | | 1,711,546 |
| Banque Atlantique Togo | 6.00% | 19/07/2018 – 18/07/2021 | | 1,369,237 |
| Banque Atlantique Togo | 5.50% | 7/04/2017 – 6/04/2020 | | 1,198,082 |
| Coris Bank | 6.50% | 3/12/2010 – 3/12/2019 | | 2,567,319 |
| BSIC Togo | 6.00% | 8/06/2015 – 8/06/2021 | | 855,773 |
| Orabank Togo | 5.95% | 28/04/2012 – 27/04/2021 | | 855,773 |
| BOA Togo | 5.75% | 24/01/2018 – 24/01/2021 | | 855,773 |
| BOA Togo | 5.50% | 7/04/2017 – 6/04/2020 | | 855,773 |
| BOA Togo | 5.75% | 13/07/2018 – 12/07/2021 | | 855,773 |
| Coris Bank CI | 6.00% | 8/06/2016 – 7/06/2020 | | 4,208,295 |
| Orabank Cote d'Ivoire | 6.00% | 8/06/2016 – 7/06/2020 | | 3,423,093 |
| Societe Generale Togo | 5.50% | 24/04/2017 – 20/04/2020 | | 855,773 |
| Societe Generale Togo | 6.000% | 24/07/2018 – 23/07/2021 | | 1,711,546 |
| Ecobank Togo | 5.75% | 24/01/2018 – 24/01/2021 | | 3,001,651 |
| BCEAO | 0.00% | on call | | 3,203,546 |
| Stanbic Bank | 3.00% | 21/12/17 – 26/09/24 | | 1,266,370 |
| Total gross value | | | | 34,785,735 |
| Allowance for expected credit loss | | | | (388,241) |
| Total carrying value | | | | 34,397,494 |

| | Annual rates | Company 2019 | Terms | Amount (USD) |
|------------------------------------|--------------|-----------------|---------------------|--------------|
| Stanbic Bank | 3.00% | | 21/12/17 - 26/09/24 | 1,266,370 |
| Allowance for expected credit loss | | | | (34,541) |
| Total carrying value | | | | 1,231,829 |

The allowance for the expected credit loss (ECL) of the Group and Company has been derived from the Standard & Poor credit rating for Kenya. A probability default rate of an average of 2.76% and a loss given default of 45% has been used to calculate the ECL.

9. UTILIZATION FEES

| | Group 2020 USD | 2019 USD | Company 2020 | 2019 |
|---|----------------------|-------------|-----------------|-------------|
| Live financial guarantees volume | 745,202,551 | 682,490,833 | 444,190,650 | 379,580,216 |
| Cumulative disbursed guarantees under live guarantee volume as at 31st December | 614,857,293 | 503,781,411 | 378,762,492 | 303,678,361 |
| Cumulative utilization percentage on live guarantees | 83% | 74% | 85% | 80% |
| Utilization fees | 4,910,331 | 3,762,942 | 2,598,710 | 2,192,638 |

Utilization fees are calculated during the lifetime of the guarantee, with an annual fee rate depending on the risk of the product. The fees are paid on a semi-annual or quarterly basis, and on the average outstanding guaranteed amount. The utilization volume fluctuates on an annual basis depending on the disbursement and the repayment of the loans to the SMEs. The cumulative utilization percentage is a function of cumulative disbursed guarantees under live guarantees and the outstanding live financial guarantees volume.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10. ASSESSMENT AND COMMISSION FEES

| | Group | | Company | |
|------------------|------------------|------------------|------------------|------------------|
| | 2020 USD | 2019 USD | 2020 | 2019 |
| Origination fees | 934,411 | 1,467,241 | 746,779 | 889,978 |
| Commission fees | <u>291,785</u> | <u>705,020</u> | <u>291,785</u> | <u>705,020</u> |
| | <u>1,226,196</u> | <u>2,172,261</u> | <u>1,038,564</u> | <u>1,594,998</u> |

11. INCOME FROM INVESTMENTS

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Interest from debt instruments at amortized cost | 1,971,969 | 1,003,143 | 1,971,969 | 1,003,143 |
| Interest received on fixed-term deposits | 282,355 | 980,501 | 282,355 | 980,501 |
| Interest income on Central Bank (AGF WA) | 88,921 | – | – | – |
| Interest income on bonds (AGF WA) | <u>1,580,771</u> | <u>1,802,158</u> | <u>–</u> | <u>–</u> |
| Interest income on term deposits (AGF WA) | <u>3,924,016</u> | <u>4,034,253</u> | <u>2,254,324</u> | <u>1,983,644</u> |

12. OTHER INCOME

| | Group | | Company | |
|-------------------------------------|---------------|----------------|-------------|--------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| AGF West Africa amortized income ** | 86,906 | 85,271 | – | – |
| Previous year origination income | – | 4,990 | – | 4,990 |
| Sundry income | <u>7,364</u> | <u>98,913</u> | <u>–</u> | <u>–</u> |
| | <u>94,270</u> | <u>189,174</u> | <u>–</u> | <u>4,990</u> |

** Please refer to Note 23 on deferred income regarding AGF West Africa amortized income. The recoveries relate to amounts that had been under-billed in the previous year and have been recovered in the current year in AGF West Africa.

13. NET FOREIGN EXCHANGE DIFFERENCES

Net Foreign Exchange differences represent the net impact resulting from the translation of foreign currencies to USD. Revaluation – This occurs on consolidation of the operations in subsidiary and group with the AGF West Africa books denominated in XOF but consolidated to USD.

Intercompany borrowing – This refers to the net gain/(loss) that occurs on reporting of the intercompany loan from AGF West Africa to the Group of XOF 5bn.

The foreign currency translation has been calculated as follows:

| | |
|--|-------------------------|
| AGF WA closing balance sheet as at 31 December 2019 in XOF (IFRS adjusted) | 25,588,928,622 |
| AGF WA closing balance sheet in USD using 2019 USD/XOF rate at 584.3 (a) | 43,796,635 |
| AGF WA closing balance sheet in USD using 2020 USD/XOF rate at 538.27 (b) | 47,538,932 |
| Exchange differences on translation of the closing balance sheet (a) – (b) | 3,742,297 |
| Exchange differences on translation of other adjustments | <u>195,835</u> |
| Exchange differences on translation of foreign subsidiary | <u>3,938,132</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14. STAFF EXPENSES

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Wages and salaries | 4,615,398 | 5,045,577 | 3,903,996 | 4,218,022 |
| Pension costs | 412,902 | 239,872 | 134,144 | 123,872 |
| Social security contributions and similar taxes | 754 | 733 | 754 | 733 |
| | 5,029,054 | 5,286,182 | 4,038,894 | 4,342,627 |

15. EXPENSES BY NATURE

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Administrative expenses | 47,700 | 48,200 | 47,700 | 48,200 |
| Board expenses | 216,064 | 503,752 | 139,330 | 345,913 |
| Legal and tax advisory fees | 343,876 | 594,526 | 300,517 | 559,457 |
| Administrative and legal fees | 607,640 | 1,146,478 | 487,547 | 953,570 |
| Telephone | 90,149 | 126,753 | 76,531 | 115,642 |
| Courier and postage | 20,137 | 29,958 | 16,986 | 21,394 |
| Others | 55,496 | 52,305 | 12,242 | 14,185 |
| Communication expenses | 165,782 | 209,016 | 105,759 | 151,221 |
| Marketing material and public relations | 274,679 | 229,309 | 226,914 | 169,109 |
| Conference sponsorship | 96,310 | 166,268 | 96,310 | 166,268 |
| Marketing expenses | 370,989 | 395,577 | 323,224 | 335,377 |
| Rent | 242,621 | 239,567 | 193,233 | 167,347 |
| Service charges | 29,102 | 28,065 | 29,102 | 28,065 |
| Security and maintenance | 36,980 | 65,560 | 36,980 | 58,560 |
| Parking and electricity | 16,324 | 26,409 | 16,324 | 24,649 |
| Insurance | 8,278 | 8,676 | 5,454 | 5,858 |
| Premises expenses | 333,305 | 368,277 | 281,093 | 284,479 |
| Staff recruitment | 171,425 | 41,351 | 171,425 | 41,351 |
| Staff succession planning & staff training | 73,274 | 1,230 | 73,274 | - |
| Consultancy | 375,727 | 283,046 | 266,732 | 212,004 |
| Provision & audit fees | 246,835 | 231,978 | 178,250 | 109,246 |
| Office supplies | 40,362 | 60,007 | 33,468 | 42,435 |
| Bank charges | 17,600 | 27,203 | 13,495 | 22,013 |
| Sundry expenses* | 216,524 | 309,331 | 120,210 | 192,599 |
| Other expenses | 1,141,747 | 954,146 | 856,854 | 619,648 |

*Sundry expenses include IT maintenance, vehicle maintenance and other repair and maintenance costs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

16. TAXATION

Mauritius

The Company, being the holder of a Category 1 Global Business License, is liable for income tax in Mauritius on its taxable profit arising from its worldwide income at the rate of 15%. The Company's foreign-sourced income is eligible for a foreign tax credit, which is computed as the lower of the Mauritian tax and the foreign tax on the foreign-sourced income in question. The foreign tax for a GBL1 company is based on either the foreign tax charged by the foreign country or a presumed amount of foreign tax; the latter is based on 80% of the Mauritian tax on the relevant foreign-sourced income. In computing its total foreign tax credit, the Company is permitted to pool all its foreign-sourced income. Capital gains are outside the scope of the Mauritian tax net, while trading profits made by the Company from the sale of shares are exempt from tax.

As from 1 July 2021, the company will not be allowed to compute its foreign tax according to a presumed amount of 80% of the Mauritian tax of the relevant foreign-sourced income. Furthermore, transactions with GBL corporations and non-residents will not necessarily be considered as foreign-sourced income. Effective 1 January 2019, the company may apply a partial exemption on its foreign dividend income, interest income and profits from foreign permanent establishments; the partial exemption is computed at 80% of the relevant foreign-sourced income. The partial exemption is not mandatory, and the company may apply the credit system if it so wishes. This change has no impact on the company in the coming years as the company is in a tax loss position; therefore, no tax is currently payable.

Kenya

The Company undertakes its operations in Kenya and thus has a branch in Kenya. As such, it is entitled to tax obligations. Resident and non-resident companies are subject to income tax on income accrued or derived from Kenya. Different rates apply to resident and non-resident companies. The rate of corporate income tax for resident companies, including subsidiary companies of foreign parent companies, is 30%. The corporate income tax rate for branches of foreign companies is 37.5%. The company's Kenyan branch pays all its liable taxes, including withholding tax at the rate of 5% for local goods and services and 20% for imported goods and services, value-added tax at the rate of 16% for goods and services and capital gains tax at the rate of 5% of the net gain on the transfer of property. The branch has unused accumulated tax losses as at 31 December 2020 and 2019.

Togo

The company's subsidiary is located in Togo. Being a financial institution under the supervision of the banking commission, it is liable for income tax at the rate of 29%. However, the Company has an agreement with the government of Togo, of which Article 6.1 indicates that the organization's assets, revenues and operation transactions are exempt from all taxes. This exemption applies in particular to direct taxes (e.g. corporate taxes, taxes on income from capital, taxes on financial activities) and indirect taxes (value-added taxes, consumption taxes on petroleum products, etc.)

The unused tax losses not recognized in the books as at 31 December 2020 for the Group and the Company amounted to USD 16,127,845 (Company 2019: USD 14,478,512) Deferred tax assets have not been recognized in respect of tax losses carried forward, as the Directors consider it improbable that future taxable profits will be available against which the unused tax losses can be utilized.

| Year of Assessment | Expiry Year | Group and Company | |
|--------------------|-------------|-------------------|-------------------|
| | | 2020 USD | 2019 USD |
| 2012 | 2017 | - | 475,931 |
| 2013 | 2018 | 1,488,855 | 1,488,855 |
| 2014 | 2019 | 1,035,462 | 1,035,462 |
| 2015 | 2020 | - | |
| -2016 | 2021 | 1,643,634 | 1,643,634 |
| 2017 | 2022 | 2,325,838 | 2,325,838 |
| 2018 | 2023 | 3,698,209 | 3,698,209 |
| 2019 | 2024 | 2,649,004 | 2,649,004 |
| 2020 | 2025 | 2,125,264 | |
| | | <u>16,127,845</u> | <u>14,478,512</u> |

17. PROPERTY AND EQUIPMENT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Office equipment | Fittings | Furniture | Group | Motor vehicles | Assets under construction | Total |
|-----------------------|------------------|--------------------|------------------|------------------|------------------|---------------------------|--------------------|
| | USD | USD | USD | USD | USD | USD | USD |
| COST | | | | | | | |
| At 1 January 2020 | 319,805 | 1,183,827 | 302,216 | 339,708 | 328,468 | 9,964,453 | 12,438,477 |
| Additions | 8,218 | 620 | 0 | 30,927 | — | 3,915,667 | 3,955,432 |
| At 31 December 2020 | 328,023 | 1,184,447 | 302,216 | 370,635 | 328,468 | 13,880,120 | 16,393,909 |
| At 1 January 2019 | 314,528 | 1,183,827 | 298,170 | 324,112 | 328,468 | 7,360,553 | 9,809,658 |
| Additions | 5,277 | — | 4,046 | 15,596 | — | 2,603,900 | 2,628,819 |
| At 31 December 2019 | 319,805 | 1,183,827 | 302,216 | 339,708 | 328,468 | 9,964,453 | 12,438,477 |
| DEPRECIATION | | | | | | | |
| At 1 January 2020 | (286,895) | (961,997) | (264,915) | (265,588) | (291,688) | — | (2,071,083) |
| Charge for the year | (16,534) | (86,046) | (21,424) | (45,129) | (28,121) | — | (197,254) |
| At 31 December 2020 | (303,429) | (1,048,043) | (286,339) | (310,717) | (319,809) | — | (2,268,337) |
| At 1 January 2019 | (250,824) | (817,078) | (227,644) | (228,067) | (265,895) | — | (1,789,508) |
| Charge for the year | (36,071) | (144,919) | (37,271) | (37,521) | (25,793) | — | (281,575) |
| At 31 December 2019 | (286,895) | (961,997) | (264,915) | (265,588) | (291,688) | — | (2,071,083) |
| NET BOOK VALUE | | | | | | | |
| At 31 December 2020 | 24,594 | 136,404 | 15,877 | 59,918 | 8,659 | 13,880,120 | 14,125,572 |
| At 31 December 2019 | 32,910 | 221,830 | 37,301 | 74,120 | 36,780 | 9,964,453 | 10,367,394 |

(**) Included in assets under construction is a land grant from the Government of Togo. Refer to note 23 for more details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

17. PROPERTY AND EQUIPMENT (continued)

| COST | Office equipment | Fittings | Furniture | Company | Motor vehicles | Assets under construction | Total |
|---------------------------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|---------------------------|--------------------------|
| | USD | USD | USD | Computer USD | USD | USD | USD |
| At 1 January 2020 Additions | 194,814 — | 1,164,811 — | 302,217 — | 216,628 20,149 | 231,288 — | 4,219,099 1,851,020 | 6,328,857 1,871,169 |
| At 31 December 2020 | 194,814 | 1,164,811 | 302,217 | 236,777 | 231,288 | 6,070,119 | 8,200,026 |
| At 1 January 2019 Additions | 189,791 5,023 | 1,164,811 — | 298,170 4,047 | 206,754 9,874 | 231,288 — | 3,041,953 1,177,146 | 5,132,767 1,196,090 |
| At 31 December 2019 | 194,814 | 1,164,811 | 302,217 | 216,628 | 231,288 | 4,219,099 | 6,328,857 |
| DEPRECIATION | | | | | | | |
| At 1 January 2020 Charge for the year | (175,354) (4,984) | (960,109) (74,323) | (264,914) (21,424) | (162,649) (19,858) | (205,852) (25,436) | — — | (1,768,878) (146,025) |
| At 31 December 2020 | (180,338) | (1,034,432) | (286,338) | (182,507) | (231,288) | — | (1,914,903) |
| At 1 January 2019 Charge for the year | (151,269) (24,085) | (815,488) (144,621) | (227,643) (37,271) | (142,712) (19,937) | (180,417) (25,435) | — — | (1,517,529) (251,349) |
| At 31 December 2019 | (175,354) | (960,109) | (264,914) | (162,649) | (205,852) | — | (1,768,878) |
| NET BOOK VALUE | | | | | | | |
| At 31 December 2020 | 14,476 | 130,379 | 15,879 | 54,270 | — | 6,070,119 | 6,285,123 |
| At 31 December 2019 | 19,460 | 204,702 | 37,303 | 53,979 | 25,436 | 4,219,099 | 4,559,979 |

** Assets under construction

Included in property, plant and equipment as at 31 December 2020 was an amount of USD 3,364,621 (2019: USD 1,777,146) relating to expenditure for the construction of a building that will be used for office purposes by the Fund (excluding the cost of the land: USD 2,705,267). The value of the construction in progress for the building was certified by a certified Quantity Surveyor.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. INTANGIBLE ASSETS

| | Group | | | |
|--------------------------------|--------------------|-----------------|------------------------------|--------------------|
| | Software USD | Website USD | Assets in progress USD | Total USD |
| COST | | | | |
| At 1 January 2020 | 3,259,084 | 55,988 | 717,442 | 4,032,514 |
| Additions | 297,122 | – | 58,402 | 355,524 |
| At 31 December 2020 | 3,556,206 | 55,988 | 775,844 | 4,388,038 |
| At 1 January 2019 | 2,601,038 | 55,988 | 1,141,688 | 3,798,714 |
| Transfer from work in progress | 650,033 | – | (650,033) | – |
| Additions | 8,013 | – | 225,787 | 233,800 |
| At 31 December 2019 | 3,259,084 | 55,988 | 717,442 | 4,032,514 |
| AMORTIZATION | | | | |
| At 1 January 2020 | (1,157,462) | (34,423) | – | (1,191,886) |
| Charge for the year | (528,594) | (5,106) | – | (533,700) |
| At 31 December 2020 | (1,686,056) | (39,529) | – | (1,725,585) |
| At 1 January 2019 | (886,282) | (29,317) | – | (915,599) |
| Charge for the year | (271,181) | (5,106) | – | (276,287) |
| At 31 December 2019 | (1,157,463) | (34,423) | – | (1,191,886) |
| NET BOOK VALUE | | | | |
| At 31 December 2020 | 1,870,150 | 16,459 | 775,844 | 2,662,453 |
| At 31 December 2019 | 2,101,621 | 21,565 | 717,442 | 2,840,628 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. INTANGIBLE ASSETS (continued)

| | Company | | | Total USD |
|--------------------------------|--------------------|-----------------|------------------------------|--------------------|
| | Software USD | Website USD | Assets in progress USD | |
| COST | | | | |
| At 1 January 2020 | 2,943,577 | 44,864 | 633,480 | 3,621,921 |
| Additions | 296,118 | – | 51,972 | 348,090 |
| At 31 December 2020 | 3,239,695 | 44,864 | 685,452 | 3,970,011 |
| At 1 January 2019 | 2,286,544 | 44,864 | 1,107,434 | 3,438,842 |
| Transfer from work in progress | 650,033 | – | (650,033) | – |
| Additions | 7,000 | – | 176,079 | 183,079 |
| At 31 December 2019 | 2,943,577 | 44,864 | 633,480 | 3,621,921 |
| AMORTIZATION | | | | |
| At 1 January 2020 | (850,910) | (34,422) | – | (885,332) |
| Charge for the year | (507,756) | (5,106) | – | (512,862) |
| | (1,358,666) | (39,528) | – | (1,398,194) |
| At 1 January 2019 | (580,586) | (29,316) | – | (609,902) |
| Charge for the year | (270,324) | (5,106) | – | (275,430) |
| | (850,910) | (34,422) | – | (885,332) |
| NET BOOK VALUE | | | | |
| At 31 December 2020 | 1,881,029 | 5,336 | 685,452 | 2,571,817 |
| At 31 December 2019 | 2,092,668 | 10,442 | 633,480 | 2,736,589 |

19. RECEIVABLES AND DEPOSITS

| | Group | | Company | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Trade receivables | 9,038,689 | 8,726,025 | 7,749,701 | 6,874,783 |
| ECL impact | (4,938,699) | (4,117,170) | (4,259,508) | (3,444,789) |
| Net receivables | 4,099,990 | 4,608,855 | 3,490,192 | 3,429,994 |
| CD Trust | 889,622 | 1,032,422 | 889,622 | 1,032,422 |
| Other receivables | 4,904,453 | 4,458,863 | 1,402,201 | 1,339,797 |
| Receivables written down | | (1,377,219) | | (917,226) |
| Deposits | 51,805 | 971,183 | 51,805 | 971,183 |
| | 9,945,869 | 9,694,104 | 5,833,820 | 5,856,170 |

Trade receivables are non-interest bearing. These are invoices that have been sent to the clients and the accrual of income to be invoiced for the last semester in 2020. Deposits include utility payments. Other receivables mainly comprise income fees receivable (utilization and commission fees).

Other receivables are accounted as they fall due. The fair values of other receivables classified under amortized cost are not materially different to their carrying values. Please refer to note 29 for an ECL breakdown.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. RECEIVABLES AND DEPOSITS (continued)

| | Total | Neither past due nor impaired | 31– 60 | 61– 90 | 91 – 1 year | More than 1 year |
|---------------------|------------------|-------------------------------|---------------|---------|----------------|------------------|
| | USD | USD | USD | USD | USD | USD |
| Group 2020 | 4,099,990 | 2,835,205 | 118,042 | 299,476 | 665,850 | 181,416 |
| 2019 | 4,608,855 | 3,074,757 | 63,427 | – | 514,311 | 956,360 |
| Company 2020 | 3,490,192 | 2,835,205 | 101,399 | 42,085 | 358,660 | 152,845 |
| 2019 | 3,429,994 | 2,524,452 | 63,427 | – | 184,643 | 657,472 |

20. TRADE, OTHER PAYABLES AND OTHER LIABILITIES

| | Group | | Company | |
|--------------------------|------------------|---------|------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Trade and other payables | | | | |
| Trade payables | 282,592 | 212,551 | 62,779 | 111,469 |
| Accrued payables | 1,352,474 | 255,239 | 1,352,474 | 255,239 |
| | 1,635,066 | 467,790 | 1,415,253 | 366,708 |

The carrying values of trade payables and accrued payables approximate their fair values at 31 December 2020 and 2019. Trade payables are interest-free and are repayable within a period of three months.

| | Group | | Company | |
|---|------------------|-----------|----------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Other liabilities | | | | |
| Statutory payables | 96,660 | 228,719 | 96,660 | 228,719 |
| Amount payable to related party (Note 24) | – | – | – | – |
| Sundry liabilities | 1,440,973 | 1,424,525 | 338,409 | 668,356 |
| | 1,537,633 | 1,653,244 | 435,069 | 897,075 |

The amount payable to the related party is repayable on demand, unsecured and carries no interest.

21. OTHER GUARANTEES

Other guarantees represent guarantees under the loan individual portfolio and the bank fundraising portfolio. The total volume of AGF's live financial guarantees as at 31 December 2020 stood at USD 745,202,551 for the Group (2019: USD 682,490,833) and USD 444,190,650 for the Company (2019: USD 379,580,216).

| | Group | | Company | |
|----------------------------------|------------------|-------------|------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Opening balance | 5,294,804 | 9,640,269 | (1,937,329) | 96,309 |
| Claims paid for other guarantees | (998,949) | (3,181,174) | – | (750,000) |
| Movement in other guarantees | 4,496,030 | (973,616) | 1,830,593 | (1,283,638) |
| FX movement | 660,942 | (190,675) | – | – |
| Closing balance | 9,452,827 | 5,294,804 | (106,736) | (1,937,329) |

Movement in other guarantees is the change in the calculation of the expected credit loss for the guarantees classified as loan individual products and bank fundraising products.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. OTHER PROVISIONS

| | Group | |
|---------------------------|---------------------|----------------|
| | Pensions (i) USD | Total USD |
| 2020 | | |
| Balance 1 January, | 45,306 | 45,306 |
| Foreign exchange movement | 96,023 | 96,023 |
| Movement in the year | - | - |
| Balance 31 December | <u>141,329</u> | <u>141,329</u> |

| | Group | |
|---------------------------|---------------------|---------------|
| | Pensions (i) USD | Total USD |
| 2019 | | |
| Balance 1 January, | 108,002 | 108,002 |
| Foreign exchange movement | (62,696) | (62,696) |
| Movement in the year | - | - |
| Balance 31 December | <u>45,306</u> | <u>45,306</u> |

- (i) **Pensions:** This caption includes provisions and liabilities relating to employee benefits under defined benefit plans. The defined benefit plans are unfunded. Refer to Note 21 for additional details.
- (ii) **Litigations and other provisions:** Since 2012, the subsidiary “AGF West Africa” has been assigned to Tribunal due to a dispute between a third party and the Fund. In 2015, the Court of Appeal delivered its verdict (decision n° 0500/2014) and the Fund was ordered to pay the complainant the amount of USD 835,454. In accordance with IFRS, the Fund booked a provision for the total amount claimed and definitively valued by the Court.

23. CLASSES OF SHARES

| | Group and Company 2020 | |
|----------------|---------------------------|--------------------|
| | Number | USD |
| Class B shares | 4,454 | 44,540,016 |
| Class C shares | 13,520 | 135,351,136 |
| Class D shares | 3 | 3 |
| | <u>17,977</u> | <u>179,891,155</u> |

| | Group and Company | |
|----------------|-------------------|--------------------|
| | Number | 2019 USD |
| Class B shares | 4,454 | 44,540,016 |
| Class C shares | 13,520 | 135,351,136 |
| Class D shares | 3 | 3 |
| | <u>17,977</u> | <u>179,891,155</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

23. CLASSES OF SHARES (continued)

The Company has four classes of shares: namely, Class A, Class B, Class C and Class D shares.

Share rights in terms of dividends, redemption, voting and liquidation are defined below:

Class A, B and C Shares

Class A, B and C shares are redeemable at the option of the Shareholder or at the option of the Company.

Class A, B and C shares confer on their holders the right to attend and exercise one vote at any Shareholders' Meeting at a poll.

In the event of the winding up of the Company, the holders of Class A, Class B and Class C shares shall be entitled to such portion of the assets of the Company as is set out in Clause 40 of the Constitution of the Company.

Class D Shares

Class D Shares shall not be entitled to any dividend.

Class D Shares shall not be redeemable.

Class D Shares have no voting rights and have no right to receive notice of, attend or participate in any Shareholders' Meeting for as long as there is any other Class of Shares in issue. If at any time there are no other Classes of Shares in issue, then each Class D Share shall confer on its holder the right to exercise one vote at any Shareholders' Meeting at a poll.

In the event of the winding up of the Company, the holders of Class D Shares shall be entitled to US \$1 for each Share held.

The percentages of shareholding for financial years 2019 and 2020 are presented below.

| Shareholders | Paid in capital | Number of shares | Percentage |
|--------------|-----------------|------------------|------------|
| KFW | 61,750,000 | 6,175 | 34.3% |
| DANIDA | 36,500,001 | 3,650 | 20.3% |
| AECID | 20,000,001 | 2,000 | 11.1% |
| NDF | 17,101,136 | 1,695 | 9.5% |
| IFU | 15,540,016 | 1,554 | 8.6% |
| AFD | 14,000,001 | 1,400 | 7.8% |
| AFDB | 15,000,000 | 1,500 | 8.3% |
| Total | 179,891,155 | 17,974 | 100.0% |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

24. DEFERRED INCOME

| | 2020 Group USD | 2019 Group USD | 2020 Company USD | 2019 Company USD |
|---|----------------------|----------------------|------------------------|------------------------|
| Deferred income – Land grant (i) | 2,045,256 | 1,969,900 | – | – |
| Deferred income – Guarantee contracts at fair value through profit or loss (ii) | 23,086,019 | 16,604,594 | 18,831,416 | 12,276,111 |
| Year 1 Movement | 25,131,275 | 18,574,494 | 18,831,416 | 12,276,111 |

(i) **Land Grant** – The government of Togo allocated a parcel of land to the group's subsidiary, AGF West Africa, for construction of its headquarters. The estimated value of the land is USD 2,184,769 (XOF 1,251,030,000). The group has recognized the grant as a non-current asset and a liability in respect to the condition attached for a period of 25 years.

| | Group | Group |
|------------------------|----------------|----------------|
| Asset | 2,184,769 | 2,184,769 |
| FX movement | 121,206 | (40,087) |
| Deferred income | (2,045,256) | (1,969,900) |
| Year 1 Movement | 260,719 | 174,782 |

(ii) Guarantee contracts at fair value through profit or loss

| | Group USD | Group USD | Company USD | Company USD |
|--|--------------|--------------|----------------|----------------|
| Opening balance after IFRS 9 adjustments | 16,604,594 | 11,076,613 | 12,276,111 | 10,503,214 |
| Deferred income from new guarantee contracts | 11,506,780 | 9,768,792 | 11,314,273 | 6,480,281 |
| Deferred income recognized during the year | (5,025,355) | (4,240,811) | (4,758,968) | (3,451,613) |
| Reversal of deferred income from cancelled contracts | – | – | – | (2,455,269) |
| Closing balance | 23,086,019 | 16,604,594 | 18,831,416 | 11,076,613 |

25. RELATED PARTY DISCLOSURES

During the year ended 31 December 2020 and 2019, the Company transacted with related entities. Details of the nature and volume of these transactions and the balances with the related entities are as follows:

| Transactions | Relationship | Nature of transactions | 2020 | 2019 | 2020 | 2019 |
|----------------------------------|-----------------------------|-------------------------------------|---------|-----------|-----------|-----------|
| | | | USD | USD | USD | USD |
| Directors of the Company | Directors | Remuneration and allowances | 10,733 | 290,331 | 10,733 | 290,331 |
| Capacity Development Trust | Common directorship | Administration fees | 889,622 | 1,009,614 | 889,622 | 1,009,614 |
| AGF West Africa | Subsidiary | Loans and borrowings | – | – | 9,523,910 | 8,521,634 |
| Capacity Development Trust | Common directorship | Amount payable | – | – | – | – |
| Rogers Capital Fund Services Ltd | Administrator and Secretary | Administration and Secretarial fees | 42,700 | 43,200 | 42,700 | 43,200 |

Directors' remuneration and allowances include board members' flights and accommodation, as well as board member remuneration. Capacity development includes administration fees owed to AGF and disbursements made on behalf of the trust. Administration and secretarial fees in 2020 were paid to Rogers capital fund services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. RELATED PARTY DISCLOSURES (continued)

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Short-term benefits | 18,500 | 20,000 | 18,500 | 20,000 |
| Long-term benefits | 89,611 | 79,800 | 89,611 | 79,800 |
| Other Board expenses | 10,733 | 91,149 | 10,733 | 91,149 |
| | <u>118,844</u> | <u>190,949</u> | <u>118,844</u> | <u>190,949</u> |

26. INVESTMENT IN SUBSIDIARY

Details of the Investment are as follows:

| | 2020 USD | 2019 USD |
|---|-------------------|-------------------|
| Unquoted investment At 1 January 2020 and 31 December 2020 | <u>31,887,765</u> | <u>31,887,765</u> |

| Name of subsidiary company | Place of incorporation | Business activity | 2020 & 2019 Ownership | 2020 USD | 2019 USD |
|----------------------------|------------------------|--------------------|-----------------------|-------------|-------------|
| AGF West Africa | Togo | Guarantee Business | 80.56% | 31,887,765 | 31,887,765 |

AGF West Africa ("AGFWA") was acquired during the year 2015; effective date of acquisition is 18th December 2015.

The directors have performed an impairment assessment over the investment in AGF West Africa and concluded that the recoverable amount of the investment is higher than its carrying amount. Thus, no provision for impairment is required (the same was true for 2019).

The profit for the year is attributable to the non-controlling interests at 19.44% of AGFWA's profit and is shown below:

| | Group 2020 | Group 2019 | Subsidiary 2020 | Subsidiary 2019 |
|-----------------------------------|---------------|---------------|--------------------|--------------------|
| Profit for the year | (9,796,979) | (43,449) | 465,055 | 2,168,997 |
| Controlling interest (80.56%) | (9,843,182) | (465,103) | 374,648 | 1,747,344 |
| Non-controlling interest (19.44%) | 46,203 | 421,654 | 90,407 | 421,653 |

Details of the Investment are as follows:

| Name | Country of incorporation and operation | 2020 | 2019 |
|------------------------------------|--|--------|--------|
| African Guarantee Fund West Africa | Togo | 19.44% | 19.44% |

| | 2020 USD | 2019 USD |
|---|-------------|-------------|
| African Guarantee Fund West Africa | | |
| Accumulated balances of material non-controlling interest | 9,287,069 | 8,775,287 |
| Profit allocated to material non-controlling interest | 46,203 | 292,870 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. INVESTMENT IN SUBSIDIARY (continued)

Details of the Investment are as follows:

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Statement of profit or loss

| | | |
|------------------------------------|--------------|--------------|
| African Guarantee Fund West Africa | 2020 | 2019 |
| | USD | USD |
| Income | 4,581,062 | 4,129,247 |
| Expenses | (4,343,392) | (1,960,251) |
| Net profit | 237,670 | 2,168,996 |
| African Guarantee Fund West Africa | 2020 | 2019 |
| | USD | USD |
| Total assets | 62,046,102 | 55,705,790 |
| Total liabilities | (14,073,663) | (10,565,420) |
| Net assets | 47,972,439 | 45,140,370 |
| African Guarantee Fund West Africa | 2020 | 2019 |
| | USD | USD |
| Operating activities | (665,630) | (1,862,989) |
| Financing activities | 966,245 | 226,959 |
| Investing activities | (5,009,614) | 2,912,271 |

27. LOANS AND BORROWINGS

As at 31 December 2020, the Company held an outstanding amount of USD 9,523,910 (2019: USD 8,557,665) for its subsidiary, "AGF West Africa". This amount is equivalent to an unsecured fixed deposit bearing interest at 2.5% per annum and maturing in May 2021. During consolidation, the borrowing is netted off.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

28. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

| | Group | | Company | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Financial guarantees (live) | 745,202,551 | 682,490,833 | 444,190,650 | 379,580,216 |
| Financial guarantees re-guaranteed | (156,145,772) | (136,189,000) | (83,096,440) | (64,336,650) |
| Net exposure | <u>589,056,779</u> | <u>546,301,833</u> | <u>361,094,210</u> | <u>315,243,566</u> |
| Re-guarantee fees | <u>(1,313,951)</u> | <u>(1,484,866)</u> | <u>(1,313,951)</u> | <u>(1,484,866)</u> |

At year end, there were no claims arising from these guarantee contracts. This would indicate the probability that an outflow of economic resources would be required to settle the obligation. Thus, the life guarantees are disclosed as contingent liabilities, until a claim is received from the guaranteed parties; guarantees are accounted for as assets when claims lodged by the Company to the guarantors are approved.

Custodian fees

The Group and the Company pay custodian fees to Barclays Bank for holding its financial securities at the following rate:

| | |
|------------|-------|
| \$0–50m | 25bps |
| \$50m–100m | 20bps |
| \$100m+ | 15bps |

| | Group | | Company | |
|--------------|----------------|---------------|----------------|---------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Custody fees | <u>183,134</u> | <u>98,107</u> | <u>177,600</u> | <u>85,325</u> |

Operating lease commitments

African Guarantee Fund's branch in Nairobi's office space lease is for a period of four years. Construction of offices is in progress for both branches; this will be completed in financial year 2021. The rental lease for the current floor space will be terminated within a period of less than 12 months.

The future minimum lease payments under non-cancellable operating leases are as follows:

| | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---------------------------------|----------------|----------------|----------------|----------------|
| | USD | USD | USD | USD |
| Properties | | | | |
| Within 1 year | 176,784 | 170,496 | 176,784 | 170,496 |
| After 1 year but within 5 years | <u>603,409</u> | <u>193,824</u> | <u>603,409</u> | <u>737,603</u> |
| | <u>780,193</u> | <u>364,320</u> | <u>780,193</u> | <u>908,099</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below presents an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively.

The Group

| As at 31 December 2020 | Within 12 months USD | After 12 months USD | Total USD |
|--|---------------------------------|--------------------------------|----------------------|
| Assets | | | |
| Property and equipment | – | 14,125,572 | 14,125,572 |
| Intangible assets | – | 2,662,453 | 2,662,453 |
| Debt instrument at amortized cost | 31,557,147 | 63,339,229 | 94,896,376 |
| Guarantee at fair value through profit or loss | – | 25,678,660 | 25,678,660 |
| Prepayments | 603,623 | 2,018,400 | 2,622,023 |
| Receivables and deposits | 9,489,450 | 456,419 | 9,945,869 |
| Other financial instruments | 35,151,959 | 5,684,644 | 40,836,603 |
| Cash and cash equivalent | 43,967,051 | (31,980,039) | 11,987,012 |
| Total assets | 120,769,230 | 81,985,338 | 202,754,568 |
| Liabilities | | | |
| Provision for guarantees | – | 9,452,827 | 9,452,827 |
| Other provisions | – | 141,329 | 141,329 |
| Other liabilities | 1,484,335 | 53,298 | 1,537,633 |
| Loans and borrowings | – | – | – |
| Deferred income | 260,719 | 1,784,537 | 2,045,256 |
| Trade and other payables | 1,635,066 | – | 1,635,066 |
| Total Liabilities | 3,380,120 | 11,431,991 | 14,812,111 |
| As at 31 December 2019 | Within 12 months USD | After 12 months USD | Total USD |
| Assets | | | |
| Property and equipment | – | 10,367,394 | 10,367,394 |
| Intangible assets | – | 2,840,628 | 2,840,628 |
| Debt instrument at amortized cost | 15,586,744 | 56,445,097 | 72,031,841 |
| Guarantee at fair value through profit or loss | – | 22,024,327 | 22,024,327 |
| Prepayments | 603,623 | 931,197 | 1,534,820 |
| Receivables and deposits | 7,891,026 | 1,803,078 | 9,694,104 |
| Other financial instruments | 16,366,833 | 18,030,661 | 34,397,494 |
| Cash and cash equivalent | 43,967,051 | – | 43,967,051 |
| Total assets | 84,415,277 | 112,442,382 | 196,857,659 |
| Liabilities | | | |
| Provision for guarantees | – | 5,294,804 | 5,294,804 |
| Other provisions | – | 45,306 | 45,306 |
| Other liabilities | 1,653,244 | – | 1,653,244 |
| Loans and borrowings | – | – | – |
| Deferred income | 174,782 | 1,795,118 | 1,969,900 |
| Trade and other payables | 419,691 | 48,099 | 467,790 |
| Total Liabilities | 2,247,717 | 7,183,327 | 9,431,044 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The Company

| As at 31 December 2020 | Within 12 months USD | After 12months USD | Total USD |
|--|-------------------------|-----------------------|--------------------|
| Assets | | | |
| Property and equipment | – | 6,285,123 | 6,285,123 |
| Intangible assets | – | 2,571,817 | 2,571,817 |
| Debt instrument at amortized cost | 30,474,111 | 63,051,617 | 93,525,728 |
| Guarantee at fair value through profit or loss | – | 23,100,102 | 23,100,102 |
| Prepayments | 603,623 | 2,018,400 | 2,622,023 |
| Receivables and deposits | 5,531,911 | 301,909 | 5,833,820 |
| Other financial instruments | – | 1,250,397 | 1,250,397 |
| Cash and cash equivalent | 43,109,808 | (31,209,172) | 11,900,636 |
| Total assets | 79,719,453 | 67,370,193 | 147,089,646 |
| Liabilities | | | |
| Provision for guarantees | – | – | – |
| Other provisions | – | – | – |
| Other liabilities | 381,771 | 53,298 | 435,069 |
| Loans and borrowings | – | 9,523,910 | 9,523,910 |
| Trade and other payables | 1,415,253 | – | 1,415,253 |
| Total Liabilities | 1,797,024 | 9,577,208 | 11,374,232 |

| As at 31 December 2019 | Within 12 months USD | After 12months USD | Total USD |
|--|-------------------------|-----------------------|--------------------|
| Assets | | | |
| Property and equipment | – | 4,559,979 | 4,559,979 |
| Intangible assets | – | 2,736,590 | 2,736,590 |
| Debt instrument at amortized cost | 15,075,519 | 53,751,373 | 68,826,892 |
| Guarantee at fair value through profit or loss | – | 19,329,526 | 19,329,526 |
| Prepayments | 603,623 | 931,197 | 1,534,820 |
| Receivables and deposits | 5,026,306 | 829,864 | 5,856,170 |
| Other financial instruments | 150,000 | 1,081,829 | 1,231,829 |
| Cash and cash equivalent | 43,109,808 | – | 43,109,808 |
| Total assets | 63,965,256 | 83,220,358 | 147,185,614 |
| Liabilities | | | |
| Provision for guarantees | – | 96,309 | 96,309 |
| Other provisions | – | – | – |
| Other liabilities | 661,675 | 235,400 | 897,075 |
| Loans and borrowings | – | 8,557,665 | 8,557,665 |
| Trade and other payables | 318,609 | 48,099 | 366,708 |
| Total Liabilities | 980,284 | 8,937,473 | 9,917,757 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. EXPECTED CREDIT LOSS

The table below shows the ECL charges on financial instruments for the year recorded in the income statement.

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| Debt instruments at amortized costs (i) | (40,290) | 14,832 | (10,470) | 23,030 |
| Other financial instruments, cash and cash equivalents (ii) | (10,449) | (249,540) | (36,093) | 16,824 |
| Receivables (iii) | 821,528 | (855,651) | 814,720 | (491,384) |
| Charge/(Reversal) in profit or loss ((i)+(ii)+(iii)) | 770,787 | (1,090,359) | 768,157 | (451,530) |
| Financial guarantee charge in profit or loss (iv) | 4,496,030 | (973,616) | 1,830,593 | (1,283,638) |

The tables below presents the ECL charges and the ECL balance on the volume of the financial instruments for the year 2020 and 2019. Gross carrying amount is the volume of the gross financial assets. ECL charged is the expected credit loss in accordance with IFRS 9 on financial assets. Refer to Note 4 on the classification and measurement of financial instruments.

(i) Debt instruments at amortized cost

The Group

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|--------------|
| Gross carrying amount as at 01 January 2020 | – | 72,031,841 | – | 72,031,841 |
| Transfers between stages | – | – | – | – |
| Other movement | – | 22,893,074 | – | 22,893,074 |
| ECL charged for the financial year | – | (8,024) | – | (8,024) |
| Gross carrying amount at 31 December 2020 | – | 94,916,891 | – | 94,916,891 |
| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL balance at 01 January 2020 | – | 68,829 | – | 68,829 |
| ECL charged for the financial year | – | (40,290) | – | (40,290) |
| ECL balance at 31 December 2020 | – | 28,539 | – | 28,539 |

The Company

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|--------------|
| Gross carrying amount as at 01 January 2020 | – | 68,826,892 | – | 68,826,892 |
| Transfers between stages | – | – | – | – |
| Other movement | – | 24,719,351 | – | 24,719,351 |
| ECL charged for the financial year | – | – | – | – |
| Gross carrying amount at 31 December 2020 | – | 93,546,243 | – | 93,546,243 |
| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL balance at 01 January 2020 | – | 30,985 | – | 30,985 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | – | (10,470) | – | (10,470) |
| ECL balance at 31 December 2020 | – | 20,515 | – | 20,515 |

Other movement relates to bonds matured during the year and adjustment for amortized costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. EXPECTED CREDIT LOSS (continued)

(i) Debt instruments at amortized cost (Continued)

The Group

| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Gross carrying amount as at 01 January 2019 | – | 32,849,644 | – | 32,849,644 |
| Transfers between stages | – | – | – | – |
| Other movement | – | 39,251,026 | – | 39,251,026 |
| ECL charged for the financial year | – | (68,829) | – | (68,829) |
| Gross carrying amount at 31 December 2019 | – | 72,031,841 | – | 72,031,841 |
| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL charged at 01 January 2019 | – | 53,997 | – | 53,997 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | – | 14,832 | – | 14,832 |
| ECL charged at 31 December 2019 | – | 68,829 | – | 68,829 |

The Company

| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Gross carrying amount as at 01 January 2019 | – | 28,979,103 | – | 28,979,103 |
| Transfers between stages | – | – | – | – |
| Other movement | – | 39,878,773 | – | 39,878,773 |
| ECL charged for the financial year | – | (30,984) | – | (30,984) |
| Gross carrying amount at 31 December 2019 | – | 68,826,892 | – | 68,826,892 |
| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL charged at 01 January 2019 | – | 7,955 | – | 7,955 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | – | 23,030 | – | 23,030 |
| ECL charged at 31 December 2019 | – | 30,985 | – | 30,985 |

(ii) Other financial instruments, cash and cash equivalents

The Group

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Gross carrying amount as at 01 January 2020 | 43,967,051 | 34,397,494 | – | 78,364,545 |
| Transfers between stages | (306,941) | 306,941 | – | – |
| Movement | (31,558,009) | 6,587,888 | – | (24,970,122) |
| ECL charged for the financial year | (57,987) | (439,746) | – | (497,734) |
| Gross carrying amount at 31 December 2020 | 12,044,113 | 40,852,576 | – | 52,896,690 |
| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL charged at 01 January 2020 | 85,400 | 422,783 | – | 508,183 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | (27,413) | 16,963 | – | (10,449) |
| ECL charged at 31 December 2020 | 57,987.29 | 439,746.25 | – | 497,734 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. EXPECTED CREDIT LOSS (continued)

(ii) Other financial instruments, cash and cash equivalents (Continued)

The Company

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-------------------|------------------|----------------|-------------------|
| Gross carrying amount as at 01 January 2020 | 43,109,808 | 1,231,830 | – | 44,341,638 |
| Transfers between stages | (60,058) | 60,058 | – | 0 |
| Movement | (31,092,013) | (41,491) | – | (31,133,504) |
| ECL charged for the financial year | (57,101) | – | – | (57,101) |
| Gross carrying amount at 31 December 2020 | 11,900,636 | 1,250,397 | – | 13,151,033 |
| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL charged at 01 January 2020 | 74,626 | 34,542 | – | 109,168 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | (17,525) | (18,569) | – | (36,093) |
| ECL charged at 31 December 2020 | 57,101 | 15,973 | – | 73,075 |

The Group

| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Gross carrying amount as at 01 January 2019 | 306,941 | 35,023,376 | – | 35,330,317 |
| Transfers between stages | (306,941) | 306,941 | – | – |
| Movement | 44,052,452 | (510,040) | – | 43,542,411 |
| ECL charged for the financial year | (85,401) | (422,783) | – | (508,183) |
| Gross carrying amount at 31 December 2019 | 43,967,051 | 34,397,494 | – | 78,364,545 |
| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL charged at 01 January 2019 | 94,595 | 663,128 | – | 757,723 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | (9,195) | (240,345) | – | (249,540) |
| ECL charged at 31 December 2019 | 85,400 | 422,783 | – | 508,183 |

The Company

| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Gross carrying amount as at 01 January 2019 | 60,058 | 449,102 | – | 509,160 |
| Movement | (60,058) | 60,058 | – | – |
| ECL charged for the financial year | 43,184,434 | 757,211 | – | 43,941,644 |
| Gross carrying amount at 31 December 2019 | 43,184,434 | 1,266,371 | 0 | 44,450,804 |
| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL charged at 01 January 2019 | 84,389 | 7,955 | – | 92,343 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | (9,763) | 26,587 | – | 16,824 |
| ECL charged at 31 December 2019 | 74,626 | 34,542 | – | 109,167 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. EXPECTED CREDIT LOSS (continued)

(iii) Receivables

The Group

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------|------------------|----------------|------------------|
| Gross carrying amount as at 01 January 2020 | – | 9,366,048 | 328,055 | 9,694,103 |
| Transfer between stages | – | (4,448,455) | 4,448,455 | – |
| Movement | – | 5,190,460 | – | 5,190,460 |
| ECL charged for the financial year | – | (997,725) | (3,940,974) | (4,938,699) |
| Gross carrying amount at 31 December 2020 | – | 9,110,333 | 835,536 | 9,945,869 |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------|------------------|------------------|------------------|
| ECL charged at 01 January 2020 | – | 1,118,255 | 2,998,916 | 4,117,171 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | – | (120,530) | 942,058 | 821,528 |
| ECL charged at 31 December 2020 | – | 997,725 | 3,940,974 | 4,938,699 |

The Company

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------|------------------|----------------|------------------|
| Gross carrying amount as at 01 January 2020 | – | 5,601,428 | 254,742 | 5,856,170 |
| Transfer between stages | – | (3,751,883) | 3,751,883 | – |
| Movement | – | 4,237,157 | – | 4,237,157 |
| ECL charged for the financial year | – | (713,729) | (3,545,779) | (4,259,508) |
| Gross carrying amount at 31 December 2020 | – | 5,372,973 | 460,846 | 5,833,819 |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------|----------------|------------------|------------------|
| ECL charged at 01 January 2020 | – | 728,138 | 2,716,651 | 3,444,789 |
| Transfers between stages | – | 431,452 | (431,452) | – |
| ECL charged for the financial year | – | (445,861) | 1,260,580 | 814,719 |
| ECL charged at 31 December 2020 | – | 713,729 | 3,545,779 | 4,259,508 |

The Group

| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---------|-------------|-------------|-------------|
| Gross carrying amount as at 01 January 2019 | – | 8,357,346 | – | 8,357,346 |
| Transfer between stages | – | (3,326,971) | 3,326,971 | – |
| Movement | – | 5,453,928 | – | 5,453,928 |
| ECL charged for the financial year | – | (1,118,255) | (2,998,916) | (4,117,170) |
| Gross carrying amount at 31 December 2019 | – | 9,366,048 | 328,055 | 9,694,103 |

| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|------------------------------------|---------|-----------|-------------|-----------|
| ECL charged at 01 January 2019 | – | 333,314 | 4,639,507 | 4,972,821 |
| Transfers between stages | – | 499,826 | (499,826) | – |
| ECL charged for the financial year | – | 285,115 | (1,140,765) | (855,651) |
| ECL charged at 31 December 2019 | – | 1,118,255 | 2,998,916 | 4,117,170 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. EXPECTED CREDIT LOSS (continued)

(iii) Receivables (Continued)

The Company

| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---------|-------------|-------------|-------------|
| Gross carrying amount as at 01 January 2019 | – | 5,791,851 | – | 5,791,851 |
| Transfer between stages | – | (2,971,393) | 2,971,393 | – |
| Movement | – | 3,509,108 | – | 3,509,108 |
| ECL charged for the financial year | – | (728,138) | (2,716,651) | (3,444,789) |
| Gross carrying amount at 31 December 2019 | – | 5,601,428 | 254,742 | 5,856,170 |

| 2019 | Stage 1 | Stage 2 | Stage 3 | Total |
|------------------------------------|---------|---------|-----------|-----------|
| ECL charged at 01 January 2019 | – | 130,240 | 3,552,006 | 3,682,246 |
| Transfers between stages | – | 431,452 | (431,452) | – |
| ECL charged for the financial year | – | 166,446 | (403,903) | (237,457) |
| ECL charged at 31 December 2019 | – | 728,138 | 2,716,651 | 3,444,789 |

(iv) Financial guarantee

The table below presents the classification and measurement of the loan individual guarantees (LIGs) and bank fund raising guarantees (BFRGs). These types of guarantees are treated as financial guarantee contracts and are initially measured at fair value (NPV). Subsequently, these contracts are measured at the higher of the amount initially recognized less expected credit loss.

The financial guarantees are assessed on a yearly basis; thereafter, the staging is reallocated. As a result of this reallocation, a substantial portion of guarantees in stage 2, as of 31st December 2019, have been classified as stage 3 in December 2020.

With a higher provisioning rate for stage 3 transactions, the overall expected credit loss has significantly increased in 2020.

The Group Classification

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------|-------------|------------|-------------|
| Gross carrying amount as at 01 January 2020 | 221,132,789 | 37,530,246 | 8,538,626 | 267,201,660 |
| Transfers between stages | (35,599,823) | (4,731,569) | 19,925,030 | -20,406,362 |
| New volume in 2020 | 8,704,015 | – | – | 8,704,015 |
| Gross carrying amount at 31 December 2020 | 194,236,981 | 32,798,676 | 28,463,656 | 255,499,313 |

Measurement

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------|--------------|--------------|-------------|
| ECL charged at 01 January 2020 (A) | 1,140,789.05 | 4,942,091.14 | 4,469,414.59 | 10,552,295 |
| NPV at 01 January 2020 (B) | 4,739,603.80 | 327,212.19 | – | 5,066,816 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | (292,889) | (3,288,032) | 5,163,664 | 1,582,743 |
| NPV charged for the financial year | (1,908,400) | (5,939) | – | (1,914,339) |
| NPV at 31 December 2020 (C) | 2,831,204 | 321,274 | – | 3,152,477 |
| ECL charged at 31 December 2020 (D) | 847,900 | 1,654,059 | 9,633,078 | 12,135,037 |
| ECL on claims (E) | – | – | 998,949 | 998,949 |
| Expected credit loss charge to profit or loss (C-B)-(D-A)-E | (1,615,511) | 3,282,093 | (6,162,613) | (4,496,030) |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. EXPECTED CREDIT LOSS (continued)

(iv) Financial guarantee (Continued)

The Company

Classification

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------|--------------|------------|-------------|
| Gross carrying amount as at 01 January 2020 | 78,199,531 | 18,526,039 | – | 96,725,570 |
| Transfers between stages | (12,896,368) | (17,177,317) | 11,133,753 | -18,939,931 |
| New volume in 2020 | 5,534,620 | – | – | 5,534,620 |
| Gross carrying amount at 31 December 2020 | 70,837,782 | 1,348,723 | 11,133,753 | 83,320,258 |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|-----------|-----------|-------------|-----------|
| ECL charged at 01 January 2020 (A) | 474,191 | 944,956 | – | 1,419,148 |
| NPV at 01 January 2020 (B) | 2,525,753 | (155) | – | 2,525,598 |
| Transfers between stages | – | – | – | – |
| ECL charged for the financial year | 10,997 | (927,152) | 1,533,438 | 617,283 |
| NPV charged for the financial year | (674,233) | 291,801 | – | (382,431) |
| NPV at 31 December 2020 (C) | 1,851,520 | 291,647 | – | 2,143,167 |
| ECL charged at 31 December 2020 (D) | 485,188 | 17,804 | 1,533,438 | 2,036,431 |
| ECL on claims (E) | – | – | – | – |
| Expected credit loss charge to profit or loss (C-B)-(D-A)-E | (685,230) | 1,218,954 | (1,533,438) | (999,714) |

31. POST-BALANCE SHEET EVENTS AFTER THE REPORTING DATE

There were no events post-balance sheet.





A GUARANTEE FOR AFRICAN GROWTH



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