

**ARAB BANK FOR ECONOMIC
DEVELOPMENT IN AFRICA**

**Report and financial statements
for the year ended 31 December 2022**

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Report and financial statements for the year ended 31 December 2022

	Page
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of income and expenditure	4
Statement of changes in member countries' equity	5
Statement of cash flows	6
Notes to the financial statements	7 - 30

Independent auditor's report to the Chairman and the members of the board of governors of Arab Bank for Economic Development in Africa

1

Opinion

We have audited the financial statements of **Arab Bank for Economic Development in Africa** (the "Bank"), which comprise the statement of financial position as at 31 December 2022, and the statement of income and expenditure, statement of changes in member countries' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the basis of preparation explained in Note 2 to the accompanying financial statements.

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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of preparation explained in Note 2 to the accompanying financial statements, and for such internal control as management determines 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, management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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.

Independent auditor's report to the Chairman and the members of the board of governors of Arab Bank for Economic Development in Africa (continued)

2

Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management, subject to the constraints imposed by the basis of preparation determined by the Establishment Agreement and related internal regulations.
- Conclude on the appropriateness of management's 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 Bank'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 Bank 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
2 March 2023



ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

3

Statement of financial position at 31 December 2022

	Notes	2022 USD '000	2021 USD '000
ASSETS			
Cash in hand and at banks	15	1,829	676
Investments	3	2,585,683	3,346,637
Contributions in financial institutions	4	92,202	69,822
Net trade finance	5	386,613	182,494
Net accrued interest on trade finance		4,393	1,658
Net loans	6	2,275,136	1,997,937
Net accrued interest on loans	7	59,480	11,991
Other assets	8	4,284	2,639
Fixed assets	9	12,816	13,274
		<u>5,422,436</u>	<u>5,627,128</u>
Total assets			
LIABILITIES			
Other liabilities		102,634	103,901
Provision for end of service benefits	10	11,558	9,576
		<u>114,192</u>	<u>113,477</u>
Total liabilities			
		<u>5,308,244</u>	<u>5,513,651</u>
Net assets			
MEMBERS' COUNTRIES EQUITY			
Share capital	11	5,000,000	4,200,000
General reserve	12	496,160	1,138,738
Net (loss) / income for the year		(187,916)	174,913
		<u>5,308,244</u>	<u>5,513,651</u>
Total members' countries equity			

The accompanying notes form an integral part of these financial statements.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

4

Statement of income and expenditure for the year ended 31 December 2022

	Notes	2022 USD '000	2021 USD '000
(LOSS) / INCOME			
Net (loss) / income from investments	13	(257,436)	157,708
Income from loans	14	76,385	27,618
Income from trade finance		19,033	6,891
Others		1,667	1,943
Total (loss) / income		(160,351)	194,160
EXPENDITURE			
Board of Governors		168	-
Board of Directors		1,520	837
Salaries and employee benefits		17,695	16,011
Travel and services		4,271	3,189
Utilities		1,527	973
Depreciation of fixed assets	9	752	751
Other expenditure		16	23
Total expenditure		25,949	21,784
Net (loss) / income before grants and provisions		(186,300)	172,376
Grants disbursed to beneficiary countries		(10,586)	(6,536)
Net change in provision for loans and trade finance	6 (c)	8,970	9,073
Net (loss) / income for the year		(187,916)	174,913

The accompanying notes form an integral part of these financial statements.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

5

Statement of changes in member countries' equity for the year ended 31 December 2022

	Notes	Share capital USD '000	General reserve USD '000	Net (loss) / income for the year USD '000	Total USD '000
Balance as at 1 January 2021		4,200,000	901,116	275,135	5,376,251
Transfer to general reserve	12	-	275,135	(275,135)	-
Appropriations		-	(37,513)	-	(37,513)
Net income for the year 2021		-	-	174,913	174,913
Balance as at 1 January 2022		4,200,000	1,138,738	174,913	5,513,651
Transfer from general reserve to share capital	11	800,000	(800,000)	-	-
Transfer to general reserve	12	-	174,913	(174,913)	-
Appropriations		-	(17,491)	-	(17,491)
Net loss for the year 2022		-	-	(187,916)	(187,916)
Balance as at 31 December 2022		5,000,000	496,160	(187,916)	5,308,244

The accompanying notes form an integral part of these financial statements.

**Statement of cash flows
for the year ended 31 December 2022**

	Notes	2022 USD '000	2021 USD '000
Cash flows from operating activities:			
Net (loss) / income for the year		(187,916)	174,913
Adjustments to reconcile net (loss) / income for the year with net cash (used in) / generated from operating activities:			
Dividend income		(13,399)	(13,143)
Unrealized loss from investments fair value valuation	13	304,450	63,761
Reversed provision for excluded interest from loans	7/14	(46,151)	(4,373)
Gain on sale of fixed assets		(27)	-
Depreciation of fixed assets	9	752	751
Net change in provision for loans and trade finance	6 (c)	(8,970)	(9,073)
<i>Net change in operating assets:</i>			
Investments		163,493	(35,346)
Net trade finance		(204,119)	(59,464)
Net accrued interest on trade finance		(2,735)	(30)
Net loans		(268,229)	(76,642)
Net accrued interest on loans		(1,338)	4,421
Other assets		(1,645)	92
<i>Net change in operating liabilities:</i>			
Other liabilities, net of appropriation		(18,758)	(12,552)
Net provision for end of service benefits		1,982	(526)
Net cash (used in) / generated from operating activities		(282,610)	32,789
Cash flows from investing activities:			
Contributions in financial institutions		(20,641)	(170)
Dividends received		11,314	11,448
Proceeds from sale of fixed assets		27	-
Additions to fixed assets	9	(294)	(300)
Net cash (used in) / generated from investing activities		(9,594)	10,978
Net (decrease) / increase in cash and cash equivalents		(292,204)	43,767
Cash and cash equivalents as at the beginning of the year		506,351	462,584
Cash and cash equivalents as at the end of the year	15	214,147	506,351

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2022

1. Establishment and objectives

Arab Bank for Economic Development in Africa (“BADEA”) was established in accordance with the resolution of the Sixth Arab Summit Conference held on 28 November 1973 following the recommendations of the Economic Council of the League of Arab States. BADEA was established with a capital of USD 231 million and was subsequently increased in accordance with resolutions issued by the Board of Governors until it reached USD 5,000 million as at 31 December 2022 (2021: USD 4,200 million).

BADEA is an independent international financial institution domiciled in Khartoum, Sudan. It has international legal status, enjoys full legal personality and full autonomy in administrative and financial areas. BADEA is governed by the articles of its Establishment Agreement (the “Establishment Agreement”) and by the principles of International Law. BADEA is located at the following address:

Arab Bank for Economic Development in Africa (BADEA)
P. O. Box 2640
Khartoum 11111
Republic of Sudan

BADEA aims at consolidating economic, financial and technical cooperation between African countries and the Arab world. In order to achieve its objectives, BADEA undertakes the following functions:

- a. Participation in the financing of economic development in Africa.
- b. Encouragement the participation of Arab capital in African development.
- c. Contribution in providing the technical assistance necessary for development in Africa.

2. Summary of significant accounting policies

A. Basis of preparation

The accompanied financial statements have been prepared in accordance with the Establishment Agreement, as well as the internal regulations of BADEA.

B. Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments held for trading and all financial derivatives’ contracts that are measured at fair value.

C. Functional and presentation currency

The currency used in BADEA’s operation and preparation of the financial statements is the United States Dollar (“USD”). The financial statements are expressed in USD and are rounded off to the nearest thousands.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)****2. Summary of significant accounting policies (continued)****D. Use of estimates**

The preparation of financial statements approved by the Bank requires the use of estimates and assumptions that may affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, in addition to the amounts of income and expenditure for the year then ended. Such estimates are continually reviewed, based on past experience and other factors.

The significant item in which these estimates are used comprise the following:

Provision for loans

BADEA's method for determining the provision for loans is described in Note 2(G) "loans and provision for loans" and further explained under Note 18 "credit risk".

E. Settlement date

All regular purchase and sale transactions of financial assets are recognized on the settlement date. Those are purchase and sale transactions of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

F. Financial assets

BADEA's financial assets include the following:

1 Fixed income securities and equity investments

All investments in fixed income securities and equity are classified as investments held for trading; and are initially recognized at the fair value of the consideration given.

Such investments are revaluated at fair value that is the quoted market prices at the date of the statement of financial position. Changes in the fair value are recognized in the statement of income and expenditure.

Financial assets that are not listed in the financial markets, are recorded at cost less provision for impairment, if any.

2 Securities – Sukuk

Financial assets include securities – sukuk, which are acquired to be held for indefinite period of time, and can be sold in response to needs for liquidity or in response to changes in the market conditions. Sukuk are stated at cost less provision for impairment, if any.

3 Loan balances

Financial assets of fixed or determined payments that are not traded in active market are classified as loans presented at amounts disbursed after deduction of repaid amounts and provision for loans.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)****2. Summary of significant accounting policies (continued)****G. Loans and provision for loans**

All loans granted by BADEA are recognized as assets when disbursed in cash, and are recorded at that value of amounts disbursed.

Provisions for loans is created for the past due of loans, as a deduction from the annual net income, based on the resolution of the Board of Directors no. (21-third) of 2019 approving the policy for loans to the public sector, and resolution no. (9) of 2019 approving the provisioning policy for loans to the private sector and trade finance (which was named as provision for loans for the purpose of presentation in the financial statements effective of October 2019, instead of "special provision" which was calculated in accordance with the Board of Governors' Resolution (resolution no.1 of 1989). As per the new policy, provision for loans to the public sector is calculated as a percentage from the past due installments and a percentage from the balance of the outstanding loans less past due installments. Provision for loans to the private sector and trade is calculated a percentage from the outstanding balance of loans, in accordance with the days of past due and the internal risk classification.

Loans are presented in the statement of financial position net of provision for loans.

Loans under renegotiated repayment arrangements, or installment rescheduling as well as loans under the Initiative of Highly Indebted Poor Countries (HIPC) are classified as performing loans, and treated as new loans under the new arrangements.

H. Impairment of financial assets

An assessment is made at each date of statement of financial position to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount and any impairment loss for changes in its carrying amount is determined for that asset.

I. Revenue recognition

Revenue from interest on bank deposits, fixed income securities, sukuk, market opportunities, global trade finance portfolio and loans is recognized on an accrual basis.

BADEA excludes from its revenues any interest on the principal of public sector loans when the payment of these interest is delayed for a period of more than 180 days. BADEA also excludes from its revenues any interest on the principal of the private sector and trade finance loans when the payment of these interests is delayed for a period of more than 90 days, when the value of the excluded interest provision is lower than what was charged previously, the difference will be charged to the Statement of income and expenditure.

Interest excluded during prior years are reviewed in case by case basis by the management to assess the amount of interest to be reversed prospectively to the statement of income and expenditure. The criteria considered by the management when performing such review are the absence of arrears and the regular repayment of instalments in due dates during an appropriate period so that the management will have no doubt that the amount of interest is not recoverable.

J. Dividend

Dividend income is recognized when it is declared.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

2. Summary of significant accounting policies (continued)

K. Grants

Cost of study, preparation, and technical assistance of the projects are classified as grants and charged to expenditure when disbursed.

L. Fixed assets

Fixed assets are stated at cost net of accumulated depreciation. The cost of fixed assets is depreciated using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for the current and comparative year are as follows:

	Years
Buildings	30
Furniture and equipment	5
Vehicles	5

M. Provisions

Provisions are recognized when the Bank has a present obligation, legal or constructive, arising from past events and it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably.

N. Derivative financial instruments and hedging

Derivative financial instruments, including forward contracts and futures, are initially measured at cost; and are subsequently re-measured at fair value. Fair values are generally determined by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. Any changes in the fair values of derivatives that are held for trading purposes are directly included in the statement of income and expenditure.

O. Foreign currency translation

Transactions denominated in currencies other than United States Dollars are translated into United States Dollars at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at exchange rates prevailing at the date of the statement of financial position. Foreign exchange adjustments are included in the statement of income and expenditure.

P. Provision for end of service benefits

Provision for end of service benefits for the Director General are computed in accordance with Article No. 6 of the Resolution of the Ministerial Committee selected to review the salaries and benefits of the Presidents and Directors General of Arab Financial Institutions. Provision for end of service benefits for employees are calculated in accordance with Article No. (13/1) of BADEA's Employees Regulations as amended by the Board of Directors' resolutions.

Q. Cash and cash equivalents

For the purpose of preparation of the statement of cash flows, cash and cash equivalents include cash on hand and with banks; call accounts and time deposits maturing within three months or less from the date of acquisition.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

3. Investments

These consist of investments in securities' portfolios managed by portfolio managers and held for trading, sukuk portfolio, un-listed equity, global trade finance portfolio, market opportunities and term deposits and call accounts as at 31 December, as follows:

	2022 USD '000	2021 USD '000
Securities – bonds	1,222,350	1,366,463
Securities- emerging markets bonds	158,784	195,163
Securities- Sukuk	121,510	221,528
Subtotal bonds, emerging markets and sukuk (Note 18)- (A)	1,502,644	1,783,154
Securities - equity (listed)	588,791	699,075
Securities - equity (not listed)	10,988	10,642
Subtotal listed and un-listed equity (Note 18)- (B)	599,779	709,717
Global trade finance portfolio	135,634	132,417
Market opportunities	133,937	187,446
Fair value of derivative instruments, net (Note 17)	(13,569)	3,935
Accrued interest on deposits and securities	14,940	14,141
Term deposits and call accounts*	212,318	515,827
Subtotal- (C)	483,260	853,766
Total investments (A+B+C)	2,585,683	3,346,637

* Term deposits and call accounts as at 31 December are summarised as follows:

	Managed by				Total	
	BADEA		Portfolio Managers			
	2022 USD '000	2021 USD '000	2022 USD '000	2021 USD '000	2022 USD '000	2021 USD '000
Term deposits	97,340	400,075	11,300	-	108,640	400,075
Call accounts	9,714	35,086	93,964	80,666	103,678	115,752
Total	107,054	435,161	105,264	80,666	212,318	515,827

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

4. Contribution in financial institutions

The details of contribution in financial institutions as at 31 December are as follows:

	2022	2021
	USD '000	USD '000
Contribution in the African Export And Import Bank *	56,082	33,702
Contribution in in Arab Investment & Export Credit Guarantee Corporation	25,950	25,950
Contribution in Africa Finance Corporation	10,000	10,000
Contribution in Development Bank of the Central African States	170	170
Contribution in financial institutions	92,202	69,822

***Contribution in African Export And Import Bank (AFREXIM)**

The Investment Committee approved on 22 November 2022 to use part of the bank's share from the profits of AFREXIM Bank for the year 2021 to purchase 94 additional shares amounting to USD 1.739 million (2021: 78 additional shares amounting to USD 1.372 million).

Furthermore, the Board of Directors approved on 16 December 2022 the increase of the bank's participation in AFREXIM by an amount that not exceeding USD 51.6 million, of which USD 20.641 million was paid during 2022, Accordingly BADEA's contribution in the capital of AFREXIM Bank as at 31 December 2022 amounted to USD 56.082 million (2021: USD 33.702 million) (Note 20 B).

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

5. Net trade finance

The balance of net trade finance amounted to USD 386.613 million as at 31 December 2022 (2021: USD 182.494 million) represent part of the credit facilities granted to finance Arab exports to the African countries is as follows:

	2022 USD '000	2021 USD '000
Approved loans	1,831,866	1,536,627
Less: unsigned loans (Note 20)	(507,018)	(669,116)
Total signed loans	1,324,848	867,511
Less: ineffective loans (Note 20)	(144,035)	(176,860)
Total effective loans	1,180,813	690,651
Less: undisbursed loans (Note 20)	(222,124)	(201,642)
Total disbursements from loans	958,689	489,009
Less: loan installments repaid	(573,209)	(306,515)
Outstanding balance as at 31 December	385,480	182,494
Provision for forward contracts (Note 17)	1,133	-
Net outstanding balance as at 31 December	386,613	182,494

The movement of net trade finance during the two years ended 31 December, is as follows:

	2022 USD '000	2021 USD '000
Balance as at 1 January	182,494	123,030
Disbursements during the year	469,681	204,654
Repayments during the year	(266,695)	(145,190)
Balance as at 31 December	385,480	182,494
Provision for forward contracts (Note 17)	1,133	-
Net balance as at 31 December	386,613	182,494

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

5. Net trade finance

The balance of net trade finance amounted to USD 386.613 million as at 31 December 2022 (2021: USD 182.494 million) represent part of the credit facilities granted to finance Arab exports to the African countries is as follows:

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Less: unsigned loans (Note 20)	(507,018)	(669,116)
Total signed loans	<u>1,324,848</u>	<u>867,511</u>
Less: ineffective loans (Note 20)	(144,035)	(176,860)
Total effective loans	<u>1,180,813</u>	<u>690,651</u>
Less: undisbursed loans (Note 20)	(222,124)	(201,642)
Total disbursements from loans	<u>958,689</u>	<u>489,009</u>
Less: loan installments repaid	(573,209)	(306,515)
Outstanding balance as at 31 December	<u>385,480</u>	<u>182,494</u>
Provision for forward contracts (Note 17)	1,133	-
Net outstanding balance as at 31 December	<u>386,613</u>	<u>182,494</u>

The movement of net trade finance during the two years ended 31 December, is as follows:

	2022 USD '000	2021 USD '000
Balance as at 1 January	182,494	123,030
Disbursements during the year	469,681	204,654
Repayments during the year	(266,695)	(145,190)
Balance as at 31 December	<u>385,480</u>	<u>182,494</u>
Provision for forward contracts (Note 17)	1,133	-
Net balance as at 31 December	<u>386,613</u>	<u>182,494</u>

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

6. Net loans

A- Loans balances

The details of the loan balances as at 31 December are as follows:

	2022			2021	
	Project loans Public sector USD '000	Private Sector USD '000	SAAFA Loans USD '000	Total USD '000	Total USD '000
Approved loans	5,561,222	807,399	214,244	6,582,865	6,078,105
Less: unsigned loans (Note 20)	(262,900)	(251,116)	-	(514,016)	(518,810)
Total signed loans	5,298,322	556,283	214,244	6,068,849	5,559,295
Less: ineffective loans (Note 20)	(228,200)	(80,000)	-	(308,200)	(304,532)
Total effective loans	5,070,122	476,283	214,244	5,760,649	5,254,763
Less: undisbursed loans (Note 20)	(1,515,324)	(116,999)	-	(1,632,323)	(1,482,312)
Total disbursements from loans	3,554,798	359,284	214,244	4,128,326	3,772,451
Less: loan installments repaid	(1,586,181)	(64,639)	(192,115)	(1,842,935)	(1,756,594)
Outstanding balance as at 31 December	1,968,617	294,645	22,129	2,285,391	2,015,857
Provision for forward contracts (Note 17)	-	(1,305)	-	(1,305)	-
Less: loans provision	(3,689)	-	(5,261)	(8,950)	(17,920)
Net outstanding balance as at 31 December	1,964,928	293,340	16,868	2,275,136	1,997,937

Ineffective loans represent loans signed, but their terms of effectiveness have not been fulfilled yet.

SAAFA (the "Fund") loans represent amounts granted by the Fund to non-Arab African countries prior to the merging of its loans in BADEA's capital in 1977.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

6. Net loans (continued)

The movement of net loan balances during the two years ended 31 December, is as follows:

	Project loans			Total	
	Public Sector USD '000	Private Sector USD '000	SAAFA loans USD '000	2022 USD '000	2021 USD '000
Balance as at 1 January	1,886,696	105,719	23,442	2,015,857	1,939,215
Disbursements during the year	151,241	204,634	-	355,875	163,786
Repayments during the year	(69,320)	(15,708)	(1,313)	(86,341)	(87,144)
Balance as at 31 December	1,968,617	294,645	22,129	2,285,391	2,015,857
Provision for forward contracts (Note 17)	-	(1,305)	-	(1,305)	-
Less: loans provision	(3,689)	-	(5,261)	(8,950)	(17,920)
Net balance as at 31 December	1,964,928	293,340	16,868	2,275,136	1,997,937

B- The Board of Directors approved BADEA's participation in the International Monetary Fund (IMF) and World Bank Debt Initiative for Highly Indebted Poor Countries ("HIPC"). The Board of Directors shall assess provision of loans individually in light of negotiations with the concerned beneficiary country. BADEA shall participate in such initiative through repayment arrangements of arrears; rescheduling of installments, and/or reduction of interest rates on due installments. Total rescheduled loans under the HIPC arrangements as at 31 December 2022 amounted USD 426.690 million (2021: USD 426.690 million).

C- Loans provision

Details of movement in loans provision as at 31 December are as follows:

	Public sector USD '000	SAAFA loans USD '000	Total	
			2022 USD '000	2021 USD '000
Balance as at 1 January	12,661	5,259	17,920	26,993
Charged during the year	1	2	3	4,069
Reversal during the year	(8,973)	-	(8,973)	(13,142)
Balance as at 31 December	3,689	5,261	8,950	17,920

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

7. Net accrued interest on loans

Net accrued interest on loans as at 31 December is summarized as follows:

	Public sector USD '000	Private sector USD '000	Total	
			2022 USD '000	2021 USD '000
Accrued interest on loans	64,485	4,701	69,186	67,848
Excluded interest on loans*	(9,706)	-	(9,706)	(55,857)
Net accrued interest on loans	<u>54,779</u>	<u>4,701</u>	<u>59,480</u>	<u>11,991</u>

* BADEA excludes from its revenues any interest on public sector loans when the payment of these interest is delayed for more than 180 days. BADEA also excludes from its revenues any interest on private sector loans when the payment of these interests is delayed for a period of more than 90 days.

Details of movement in provision for excluded interest from loans as at 31 December are as follows:

	2022 USD '000	2021 USD '000
Balance as at 1 January	55,857	60,230
Reversal during the year (Note 14)	(46,151)	(4,373)
Balance as at 31 December	<u>9,706</u>	<u>55,857</u>

8. Other assets

Other assets as at 31 December are summarized as follows:

	2022 USD '000	2021 USD '000
Unrecovered VAT on project	1,333	1,333
Others	2,951	1,306
Other assets	<u>4,284</u>	<u>2,639</u>

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

9. Fixed assets

The movement of fixed assets as at 31 December are as follows:

	Buildings USD '000	Furniture and equipment USD '000	Vehicles USD '000	Total USD '000
Cost:				
As at 1 January 2022	22,968	2,712	476	26,156
Additions during the year	112	144	38	294
Disposals during the year	-	(67)	(34)	(101)
As at 31 December 2022	23,080	2,789	480	26,349
Accumulated depreciation:				
As at 1 January 2022	10,394	2,183	305	12,882
Charge for the year	515	168	69	752
Relating to disposals	-	(67)	(34)	(101)
As at 31 December 2022	10,909	2,284	340	13,533
Net book value				
As at 31 December 2022	12,171	505	140	12,816
As at 31 December 2021	12,574	529	171	13,274

The lease of land on which the building is constructed was renewed for a period of 30 years commencing from 1 January 2017.

10. Provision for end of service benefits

The balance of provision for end of service benefits is invested in a separate interest bearing term bank deposit account managed by BADEA.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

11. Share capital

The Board of Governors in its 2022 meeting decided to increase the authorized capital to USD 20 billion and the subscribe capital to USD 10 billion.

The Board of Governors also decides to increase the paid-up capital by USD 800 million through transfer from the general reserve (Note 12). As at 31 December 2022, the paid-up capital amounted to USD 5,000 million (2021: USD 4,200 million).

The contribution of each member country in the paid-up capital as at 31 December is presented as follows:

Country	2022 USD '000	2021 USD '000
Hashemite Kingdom of Jordan	10,704	8,992
State of United Arab Emirates	535,217	449,582
Kingdom of Bahrain	10,704	8,992
Republic of Tunisia	44,601	37,465
People's Democratic Republic of Algeria	214,087	179,833
Kingdom of Saudi Arabia	1,284,520	1,078,997
Republic of Sudan	10,704	8,992
Arab Republic of Syria	5,947	4,995
Republic of Iraq	749,304	629,415
Sultanate of Oman	64,226	53,950
State of Palestine	10,704	8,992
State of Qatar	428,174	359,665
State of Kuwait	784,985	659,387
Republic of Lebanon	35,681	29,972
State of Libya	713,622	599,442
Arab Republic of Egypt	10,704	8,992
Kingdom of Morocco	78,498	65,938
Islamic Republic of Mauritania	7,618	6,399
Total	5,000,000	4,200,000

12. General reserve

In accordance with Article 36 of the Establishment Agreement, and based on recommendation of the Board of Directors; the Board of Governors shall annually determine the portion of net income that should be transferred to the general reserve, to the shareholders' capital, or any other transfers in line with the objectives of BADEA.

In application to Resolution No. (1) of 2022 of the Board of Governors, an amount of USD 174.913 million was transferred to the general reserve (2021: USD 275.135 million).

The Board of Governors in its 2022 meeting decided to increase the paid-up capital by USD 800 million through transfer from the general reserve (Note 11).

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

13. Net (loss) / income from investments

Net (loss) / income from securities' portfolio for the two years ended 31 December comprises the following:

	2022 USD '000	2021 USD '000
Interest from fixed income securities	34,901	35,198
Dividends from equity securities	11,042	11,224
Margin profit on sukuk	9,847	10,304
Income from global international trade finance	4,208	2,252
Income from market opportunities	8,966	8,354
Currency exchange differences and derivatives valuation	17,889	11,954
Net trading (loss) / income	(36,687)	146,383
Unrealized loss	(304,450)	(63,761)
Management fees- portfolio managers and custodians	(5,717)	(5,272)
Income from term deposits and call accounts	2,565	1,072
	<u>(257,436)</u>	<u>157,708</u>
Net (loss) / income from investments		
Unrealized loss comprise of the following:		
Unrealized (loss) / income on valuation of equity securities	(135,361)	27,625
Unrealized loss on valuation of fixed income securities	(169,089)	(91,386)
	<u>(304,450)</u>	<u>(63,761)</u>

Interest income from term deposits and call accounts for the two years ended 31 December, is as follows:

	Managed by				Total	
	BADEA		Portfolio Managers			
	2022 USD '000	2021 USD '000	2022 USD '000	2021 USD '000	2022 USD '000	2021 USD '000
Term deposits	2,412	991	66	3	2,478	994
Call accounts	25	16	62	62	87	78
Total	<u>2,437</u>	<u>1,007</u>	<u>128</u>	<u>65</u>	<u>2,565</u>	<u>1,072</u>

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

14. Income from loans

Income from loans for the two years ended 31 December comprises the following:

	2022 USD '000	2021 USD '000
Public sector loans	63,063	22,581
Private sector loans	12,050	4,963
SAAFA loans	1,272	74
	<u>76,385</u>	<u>27,618</u>
Income from loans	<u><u>76,385</u></u>	<u><u>27,618</u></u>

	Project loans			Total	
	Public Sector USD '000	Private Sector USD '000	SAAFA loans USD '000	2022 USD '000	2021 USD '000
Interest from loans	18,155	12,050	29	30,234	23,245
Reversal of excluded interest (Note 7)	44,908	-	1,243	46,151	4,373
	<u>63,063</u>	<u>12,050</u>	<u>1,272</u>	<u>76,385</u>	<u>27,618</u>
Income from loans	<u><u>63,063</u></u>	<u><u>12,050</u></u>	<u><u>1,272</u></u>	<u><u>76,385</u></u>	<u><u>27,618</u></u>

15. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents as at 31 December are composed of the following:

	2022 USD '000	2021 USD '000
Cash on hand and with banks	1,829	676
Term deposits and call accounts (maturing within 3 months of contract date)	212,318	505,675
	<u>214,147</u>	<u>506,351</u>
	<u><u>214,147</u></u>	<u><u>506,351</u></u>

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

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	Public Sector USD '000	Private Sector USD '000	SAAFA loans USD '000	2022 USD '000	2021 USD '000
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	<u>63,063</u>	<u>12,050</u>	<u>1,272</u>	<u>76,385</u>	<u>27,618</u>
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	<u><u>214,147</u></u>	<u><u>506,351</u></u>

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

16. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a current transaction between knowledgeable and willing parties in an arm length transaction conducted with other parties. Then, differences between the carrying value and fair value is generated.

The fair values of financial instruments in the statement of financial position, except for loans, trade finance and contribution in unlisted financial institutions, are not significantly different from the carrying values included in the financial statements. BADEA does not currently sell its loans nor does it believe that there is a comparable market for these assets. Accordingly, it is impractical to determine reliable fair value of these loans.

17. Derivatives

BADEA's investment guidelines in securities' portfolios allows utilisation of forward and future derivative instruments to mitigate the foreign exchange, interest rate and market risks.

The table below summarizes the positive and negative fair values of derivative financial instruments, and analysis of the nominal amounts for the remaining maturity term. The nominal amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of the related future cash flows. Thus, such nominal values do not reflect BADEA's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	Positive fair value	Negative fair value	Total nominal amount	Nominal amounts by term to maturity			
				Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
				USD '000	USD '000	USD '000	USD '000
2022							
Investments (Note 3)	7,930	(21,499)	1,122,468	821,984	220,662	74,619	5,203
Net trade finance (Note 5)	1,133	-	9,510	9,510	-	-	-
Net loans (Note 6)	934	(2,239)	47,788	1,308	1,246	45,234	-
Total	9,997	(23,738)	1,179,766	832,802	221,908	119,853	5,203
2021							
Investments (Note 3)	10,817	(6,882)	1,548,864	1,479,029	42,036	27,799	-

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

18. Risk management

The investment policy adopted by BADEA, considers BADEA a specialized development institution, whose investment objective is to preserve capital and increase resources without exposing its assets to significant risks. Therefore, the nature of BADEA necessitates the adoption of a conservative investment policy that mitigates investment risk, in the same manner as adopted by similar development financial institutions. Therefore, BADEA's investment policy is based on a combination of investment in short-term bank deposits, sukuk and securities portfolios, and changing the proportions of resources employed in each of deposits, sukuk and portfolios in the light of the prevailing and expected developments in the financial markets.

Custodian risk

BADEA has entrusted the task of safekeeping its investment portfolio components to a major custodian bank. The custodian safeguards the components of the portfolio, maintains separate accounts for each sub-portfolio, and settles the investment transactions entered into by the portfolio managers.

Credit risk

Credit risk is defined as the inability of a counter-party to pay amounts in full when due.

In respect of deposits and investment portfolio held for trading and available for sale; credit risk is managed by establishing certain limits for credit and investment guidelines based on the credit ratings; financial adequacy of the counter-party, the country or the currency. BADEA's management and the Investment Committee, monitor such limits and guidelines regularly.

The details of concentration of BADEA investments in fixed income and emerging market securities and sukuk as at 31 December are as follows:

According to the sector distribution:

	2022		2021	
	Amount USD '000	Percentage %	Amount USD '000	Percentage %
Governments	895,026	60	1,024,601	57
Corporate	318,733	21	436,828	25
Government authorities	145,475	10	144,286	8
International institutions	142,014	9	177,439	10
Other	1,396	-	-	-
Total	1,502,644	100	1,783,154	100

According to the geographical distribution:

United States and Canada	819,573	55	816,433	46
Europe	170,892	11	309,246	17
Japan	78,255	5	71,838	4
South East Asia	82,741	6	87,008	5
Other	351,183	23	498,629	28
Total	1,502,644	100	1,783,154	100

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

18. Risk management (continued)

Credit risk (continued)

According to the credit rating in accordance with Standard and Poor's Agency rating:

	2022		2021	
	Amount USD '000	Percentage %	Amount USD '000	Percentage %
AAA	240,069	16	242,961	14
AA	783,815	52	823,691	46
A	128,707	9	177,718	10
BBB	208,508	14	273,386	15
Other	141,545	9	265,398	15
Total	1,502,644	100	1,783,154	100

BADEA's lending program aims at supporting development programs in non-Arab African countries. Loan approvals are subject to a study by BADEA. The lending program of BADEA includes provision of loans to or guaranteed by governments. The outstanding loans are considered as sovereign debts. BADEA monitors regular payments of loan installments by the borrowing country, and new loans are suspended for countries that fall in arrears. Periodic reports are also developed on the repayment position of all loans. The lending program includes also financing the private sector, and Arab exports to African non-Arab countries.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

24

Notes to the financial statements for the year ended 31 December 2022 (continued)

18. Risk management (continued)

Credit risk (continued)

The following table illustrates details of BADEA's loans extended to countries as at 31 December 2022:

Country	No. of loans	Total loans USD '000	Unsigned loans USD '000	Ineffective loans USD '000	Undisbursed loans USD '000	Balance 2022 USD '000	% of total outstanding loans	Balance 2021 USD '000
Angola	5	19,950	19,950	-	-	-	-	-
Benin	33	207,128	-	50,000	96,764	60,364	3.00	60,857
Botswana	16	14,991	-	-	1,160	13,831	0.69	15,307
Burundi	16	88,090	-	-	28,214	59,876	3.01	51,686
Burkina Faso	39	215,222	-	-	84,116	131,106	6.59	135,174
Central Africa	9	36,330	-	-	27,796	8,534	0.43	5,161
Republic of Chad	25	153,591	-	12,000	50,733	90,858	4.56	81,532
Cameroon	18	110,041	-	18,900	42,606	48,535	2.44	49,050
Congo Brazzaville	8	82,610	-	-	66,730	15,880	0.80	16,053
Democratic Republic of Congo	11	119,388	-	50,000	23,761	45,627	2.29	40,360
Comoros	4	17,475	-	-	-	17,475	0.88	17,807
Cape Verde	22	91,890	-	16,500	35,273	40,117	2.02	42,210
Equatorial Guinea	6	19,000	15,000	-	4,000	-	0.00	-
Eritrea	5	61,853	-	-	50,366	11,487	0.58	13,243
Ethiopia	23	225,292	49,550	-	74,541	101,201	5.08	100,774
Gabon	3	50,000	50,000	-	-	-	0.00	1,542
Ghana	23	62,282	-	-	22,756	39,526	1.99	41,659
Gambia	24	109,277	16,000	-	28,336	64,941	3.26	60,619
Guinea Bissau	6	58,765	-	-	54,000	4,765	0.24	4,947
Guinea	31	169,534	-	-	70,064	99,470	5.00	87,803
Ivory Coast	19	209,315	50,000	-	80,211	79,104	3.97	69,769
Kenya	20	94,901	-	-	43,868	51,033	2.56	43,306
Liberia	6	29,651	-	-	9,464	20,187	1.01	20,160

Notes to the financial statements
for the year ended 31 December 2022 (continued)

18. Risk management (continued)

Credit risk (continued)

Country	No. of loans	Total loans USD '000	Unsigned loans USD '000	Ineffective loans USD '000	Undisbursed loans USD '000	Balance 2022 USD '000	% of total outstanding loans %	Balance 2021 USD '000
Lesotho	18	69,023	-	20,000	11,649	37,374	1.88	37,058
Madagascar	25	101,682	-	-	57,706	43,976	2.21	38,006
Malawi	12	76,704	-	-	7,084	69,620	3.50	67,829
Mauritius	13	25,500	-	-	22,366	3,134	0.16	-
Mali	34	136,472	-	-	77,398	59,074	2.97	62,189
Mozambique	35	143,366	-	-	37,899	105,467	5.30	99,546
Namibia	5	12,128	-	-	6,700	5,428	0.27	6,356
Nigeria	1	7,454	-	-	2,118	5,336	0.27	5,882
Niger	24	123,825	-	-	50,862	72,963	3.67	68,552
Rwanda	24	151,458	2,000	18,000	50,814	80,644	4.05	77,778
Senegal	49	264,081	25,000	-	99,811	139,270	7.00	129,899
Seychelles	12	21,488	-	-	2,662	18,826	0.95	19,082
Sierra Leone	17	136,299	-	35,000	42,795	58,504	2.94	54,159
Sao Tome and Principe	9	25,553	-	7,800	3,831	13,922	0.70	13,305
Swaziland	9	48,998	-	-	25,295	23,703	1.19	20,966
Tanzania	24	162,464	13,400	-	46,627	102,437	5.15	96,996
Togo	10	51,695	-	-	21,899	29,796	1.50	29,035
Uganda	19	119,811	20,000	-	27,194	72,617	3.65	71,287
Zambia	11	44,182	-	-	9,464	34,718	1.74	34,801
Zimbabwe	10	20,004	-	-	16,391	3,613	0.18	9,240
Other	7	8,407	2,000	-	-	6,407	0.32	9,153
Total public sector	740	3,997,170	262,900	228,200	1,515,324	1,990,746	100.00	1,910,138

Notes to the financial statements
for the year ended 31 December 2022 (continued)

18. Risk management (continued)

Credit risk (continued)

Institution	No. of loans	Total loans USD '000	Unsigned loans USD '000	Ineffective loans USD '000	Undisbursed loans USD '000	Balance 2022 USD '000	% of total outstanding loans	Balance 2021 USD '000
West African Development Bank (BOAD)	1	12,857	-	-	-	12,857	4.36	15,000
Eco Bank Group	1	40,000	-	-	-	40,000	13.58	-
East African Development Bank (EABD)	2	25,143	-	-	10,004	15,139	5.14	6,854
Development Bank of Rwanda (BRD)	2	45,833	-	30,000	-	15,833	5.37	12,500
The Bank of Central African States (BDEAC)	2	54,476	-	-	21,345	33,131	11.24	13,929
The Eastern and Southern African Trade and Development Bank (TDB)	3	78,375	19,000	-	-	59,375	20.15	11,250
SONIBANK	1	5,000	5,000	-	-	-	0.00	-
Tanzania Investment Bank (TIB)	1	7,955	-	-	7,500	455	0.15	909
Uganda Development Bank Limited (UDBL)	2	13,375	-	10,000	-	3,375	1.15	4,125
Investment and Development Bank (BIDC CEDEAO)	2	50,714	40,000	-	-	10,714	3.64	12,857
Liberian Bank for Development and Investment (LBDI)	1	1,818	-	-	10	1,808	0.61	2,717
National Fund for Credit Agriculture Senegal (CNCAS)	1	7,000	-	-	7,000	-	0.00	-
Mali Solidarity Bank (BMS)	1	7,500	-	-	-	7,500	2.55	8,750
Cotton Development Company Cameroon (SODECOTON)	1	10,000	-	-	10,000	-	0.00	-
Housing Finance Company (HFC)	1	1,168	-	-	-	1,168	0.40	1,828
Norsad Finance Limited Institution (NORSAD)	2	55,000	15,000	-	-	40,000	13.58	-
Tamweel Africa Holding	1	15,000	-	15,000	-	-	0.00	-
RAW Bank	1	15,000	-	-	-	15,000	5.09	15,000
Sterling Bank PLC	1	15,000	-	15,000	-	-	0.00	-
BRM	1	10,000	-	10,000	-	-	0.00	-
Nebo- Madagascar	1	40,000	40,000	-	-	-	0.00	-
Dynamic mining project- Guinea	1	25,000	-	-	18,055	6,945	2.36	-
First City Monument Bank (FCMB)- Nigeria	1	25,000	25,000	-	-	-	0.00	-
Afriland First Bank (AFB)- Cameroon	1	21,345	-	-	-	21,345	7.24	-
BGFI Bank- Ivory Coast	1	16,009	16,009	-	-	-	0.00	-
Victoria Commercial Bank- Kenya	1	20,000	-	-	10,000	10,000	3.39	-
Malicounda power plant- Senegal	1	33,085	-	-	33,085	-	0.00	-
Cabinda Oil Refinery- Angola	1	45,000	45,000	-	-	-	0.00	-
Postal bank- Congo	1	10,672	10,672	-	-	-	0.00	-
East African Crude Oil Pipeline (EACOP)	1	35,435	35,435	-	-	-	0.00	-
Total private sector	38	742,760	251,116	80,000	116,999	294,645	100.00	105,719
Total public and private sectors	778	4,739,930	514,016	308,200	1,632,323	2,285,391	-	2,015,857
Provision for forward contracts	-	-	-	-	-	(1,305)	-	-
Less: provision for loans	-	-	-	-	-	(8,950)	-	(17,920)
Total public and private sectors after provisions	-	-	-	-	-	2,275,136	-	1,997,937

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

18. Risk management (continued)

Credit risk (continued)

BADEA monitors the repayments of its due loans from the borrowing countries and assesses the position of recoverability in accordance with Board of Directors Resolution No.(21-third) for the year 2019, by adopting the policy of provision for loans to public sector, and resolution No. (9) of 2019 approving the policy of provisions for loans to private sector and trade finance. The following schedule shows commitment of countries in repayment of dues:

	Project loans- public sector USD '000	SAFAA loans USD '000	Total 2022 USD '000	Private sector loans USD '000
31 December 2022				
Countries Without arrears	1,498,006	10,614	1,508,620	294,645
Countries with arrears for less than 90 days	423,745	1,380	425,125	-
Countries with arrears between 91 to 180 days	39,526	-	39,526	-
Countries with arrears for more than 720 days	7,340	10,135	17,475	-
Grand total 2022	1,968,617	22,129	1,990,746	294,645
31 December 2021				
Countries Without arrears	1,503,019	8,942	1,511,961	105,719
Countries with arrears for less than 90 days	339,994	4,033	344,027	-
Countries with arrears between 541 to 720 days	34,801	-	34,801	-
Countries with arrears for more than 720 days	8,882	10,467	19,349	-
Grand total 2021	1,886,696	23,442	1,910,138	105,719

Equity price risk

Equity price risk is the risk of change in the fair values of listed securities. BADEA sets suitable instructions for investment in securities- equity securities.

The following table discloses the concentration of BADEA's investment in securities – equity securities as at 31 December.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

18. Risk management (continued)

Equity price risk (continued)

1- According to the sector distribution:

	2022		2021	
	USD '000	%	USD '000	%
Consumable commodities	112,682	19	144,382	20
Energy	34,945	6	19,389	3
Financial institutions	94,243	16	100,382	14
Healthcare	95,295	16	94,622	13
Industrial	65,074	11	76,033	11
Information technology	117,150	19	156,947	22
Production of raw materials	34,138	6	35,743	5
Telecommunication services	31,559	5	66,163	10
Public utilities	14,693	2	16,056	2
Total	599,779	100	709,717	100

2- According to the geographical distribution:

	2022		2021	
	USD '000	%	USD '000	%
United States and Canada	411,231	68	484,371	68
Europe	126,046	21	153,974	22
Japan	33,567	6	34,647	5
South East Asia	859	0	20,304	3
Others	28,076	5	16,421	2
Total	599,779	100	709,717	100

Liquidity risk

Liquidity risk is the risk that BADEA may be unable to meet its funding requirements primarily for loan commitments. BADEA maintains adequate funding to meet such obligations when they become due.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

18. Risk management (continued)

Interest rate risk

Interest rate risk is the risk that the financial position and cash flows of BADEA may be affected by future fluctuations in interest rates. Favourable fluctuations may lead to increase in the interest income, while unexpected movements may decrease this income.

In respect of deposits, sukuk and fixed income and emerging market securities, BADEA's main objective is to ensure safety and liquidity of assets. Subject to these factors, BADEA seeks the highest possible return. Performance is monitored regularly and adjustments are made to the portfolios in the light of market developments.

In respect of loans and foreign trade financing, interest rate is determined independently of market forces by the Board of Directors and at levels consistent with BADEA's strategic orientation within the framework of its development objective.

Foreign exchange risk

Foreign exchange risk is defined as the potential fluctuations in the exchange rates and its effects on BADEA's financial position and cash flows. BADEA has developed certain limits and controls on foreign exchange; as well as their percentage composition, which are monitored regularly by BADEA. BADEA uses the US Dollar in its lending operations and transactions with banks. In respect of the investment portfolios held for trading, transactions of other limited currencies are allowed. Nevertheless, the US Dollar represents the functional currency against which at least 65% of the total portfolio held for trading including derivatives should be maintained.

The following analysis illustrates assets and liabilities by currency as at 31 December:

	Currencies					% of USD
	USD USD '000	Euro USD '000	GBP USD '000	Others USD '000	Total USD '000	
2022						
Total assets	4,572,304	403,310	97,478	349,344	5,422,436	84%
Total liabilities	114,192	-	-	-	114,192	100%
2021						
Total assets	4,734,850	418,771	105,222	368,285	5,627,128	84%
Total liabilities	113,477	-	-	-	113,477	100%

19. Taxation exemption

In accordance with Article (40) of its Establishment Agreement, BADEA shall be exempted from all taxes and charges in the member countries. BADEA is also exempted from any restrictions as well as custom duties on importing materials necessary for its operations. This may not be applicable to any dues payable for actual services rendered to the Bank. BADEA is also released and declared from any responsibility related to collection or payment of any tax or duty.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

20. Financing pledges and other commitments

A- Loans and grants commitments

All loans and grants are governed by agreements and memorandums of understanding with sovereign beneficiary countries. Total of these commitments does not necessarily reflect prospective financial needs; as many of these commitments are ineffective due to non-signature or revocation of the related agreements or memorandum of understanding; or incomplete endorsement procedures. Details of these commitments as at 31 December are as follows:

	2022				2021
	Public Sector USD '000	Private Sector USD '000	Trade finance USD '000	Total USD '000	USD '000
Unsigned loans (Notes 5 & 6)	262,900	251,116	507,018	1,021,034	1,187,926
Ineffective loans (Notes 5 & 6)	228,200	80,000	144,035	452,235	481,392
Un-disbursed loans (Notes 5 & 6)	1,515,324	116,999	222,124	1,854,447	1,683,954
Un-disbursed grants	33,938	-	-	33,938	41,844
Total	2,040,362	448,115	873,177	3,361,654	3,395,116

B- Other commitments

As at 31 December 2022, BADEA is committed to settle the residual amount of BADEA's contribution in AFREXIM's capital with an amount of USD 84.122 million (2021: USD 50.553 million). This amount should be paid on demand of shareholders (Note 4).

As at 31 December 2022, BADEA is committed to settle the residual amount of BADEA's contribution in BDEAC's capital with an amount of USD 1.530 million (2021: 1.530 million). This amount should be paid on demand of shareholders.

21. Approval of the financial statements

On 19 February 2023, the Board of Directors recommended to issue and present these financial statements to the Board of Governors for final approval.