

**ARAB BANK FOR ECONOMIC
DEVELOPMENT IN AFRICA (“BADEA”)**

Financial statements and Independent Auditor’s Report

For the year ended 31 December 2023

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

**Financial statements and independent auditor's report
For the year ended 31 December 2023**

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Independent auditor’s report to the Board of Governors of Arab Bank for Economic Development in Africa (“BADEA”)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Arab Bank for Economic Development in Africa (“BADEA” or the “Bank”) are prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the financial statements as approved by the Board of Directors.

What we have audited

The Bank’s financial statements comprise:

- the statement of financial position as at 31 December 2023;
 - the statement of income and expenditure for the year then ended;
 - the statement of changes in member countries’ equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, comprising the notes to the financial statements, which include significant accounting policy and other explanatory information.
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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which describes the basis of accounting approved by the Board of Directors that has been adopted in the preparation of these financial statements. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



Independent auditor's report to the Board of Governors of Arab Bank for Economic Development in Africa ("BADEA") (Continued)

Report on the audit of the financial statements (Continued)

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of these financial statements in accordance with the basis of preparation specified in note 2 as approved by the Board of Directors, 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.

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

- Identify and assess the risks of material misstatement of the 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.



Independent auditor’s report to the Board of Governors of Arab Bank for Economic Development in Africa (“BADEA”) (Continued)

Report on the audit of the financial statements (Continued)

Auditor’s responsibilities for the audit of the financial statements (Continued)

- 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.
- 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.

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.

A handwritten signature in blue ink, appearing to read 'Khalid Ebrahim Al-Shatti'.

Khalid Ebrahim Al-Shatti
License No. 175
PricewaterhouseCoopers (Al-Shatti and Co.)
21 May 2024

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Statement of financial position

(All amounts in USD thousands unless otherwise stated)

	Notes	As at 31 December	
		2023	2022 (Restated)
Assets			
Cash and cash equivalents	3	288,028	108,886
Investments	4	2,266,032	2,260,621
Net trade finance	5	437,942	467,053
Net accrued interest on trade finance		5,017	5,298
Net loans	6	2,781,506	2,396,051
Net accrued interest on loans	7	62,534	61,761
Equity participation in financial institutions	8	108,895	103,190
Fixed assets		5,848	12,816
Other assets		12,678	6,760
Total assets		5,968,480	5,422,436
Liabilities			
Deposits from another financial institution	9	110,465	-
Borrowings from another financial institution	10	149,128	-
Other liabilities		94,763	102,634
Provision for end of service benefits		13,862	11,558
Total liabilities		368,218	114,192
Net assets		5,600,262	5,308,244
Member countries' equity			
Share capital	11	5,000,000	5,000,000
General reserve	12	308,244	496,160
Net income / (loss) for the year		292,018	(187,916)
Total member countries' equity		5,600,262	5,308,244

The accompanying notes set out on pages 8 to 41 form an integral part of these financial statements.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA**Statement of income and expenditure***(All amounts in USD thousands unless otherwise stated)*

	Notes	Year ended 31 December	
		2023	2022 (Restated)
Operating income / (loss)			
Net income / (loss) from investments	13	241,613	(273,989)
Income from net loans and net trade finance	14	90,283	105,206
Interest expenses on deposits and borrowings		(4,529)	-
Profit on exchange and derivatives valuation		1,920	3,684
Other income		12,426	4,748
Net operating income / (loss)		341,713	(160,351)
Expenses			
Grants disbursed to beneficiary countries		(9,654)	(10,586)
Loss from impairment of fixed and other assets	15	(8,109)	-
Provisions for loans	6	(261)	8,970
General and administrative expenses	16	(31,671)	(25,949)
Total expenditure		(49,695)	(27,565)
Net income / (loss) for the year		292,018	(187,916)

The accompanying notes set out on pages 8 to 41 form an integral part of these financial statements.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Statement of changes in member countries' equity

(All amounts in USD thousands unless otherwise stated)

	Notes	Share capital	General reserve	Net income / (loss) for the year	Total
Balance 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		-	-	(187,916)	(187,916)
Balance at 1 January 2023		5,000,000	496,160	(187,916)	5,308,244
Transfer from general reserve	12	-	(187,916)	187,916	-
Net income for the year		-	-	292,018	292,018
Balance at 31 December 2023		5,000,000	308,244	292,018	5,600,262

The accompanying notes set out on pages 8 to 41 form an integral part of these financial statements.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Statement of cash flows

(All amounts in USD thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2023	2022 (Restated)
Cash flows from operating activities:			
Net income / (loss) for the year		292,018	(187,916)
Adjustments to reconcile net income / (loss) for the year with net cash generated from / (used in) operating activities:			
Dividend income		(15,355)	(13,399)
Unrealized (gain) / loss on investments	13	(112,085)	315,697
Interest expense on deposits and borrowings		4,529	-
Depreciation of fixed assets	16	757	752
Reversed provision for excluded interest from loans	7	-	(46,151)
Gain on sale of fixed assets		-	(27)
Loss from impairment of fixed and other assets		8,030	-
Net change in provisions for loans	6	261	(8,970)
Provision charge for end of service benefits		1,625	1,927
		179,780	61,913
Net change in operating assets and liabilities:			
Investments		106,674	67,974
Net trade finance		29,111	(211,451)
Net accrued interest on trade finance		281	2,577
Net loans		(385,716)	(216,699)
Net accrued interest on loans		(773)	(2,865)
Other assets		(6,831)	(943)
Deposits from another financial institution		110,465	-
Interest paid on deposits and borrowings		(1,941)	-
Other liabilities, net of appropriation		(10,459)	(18,439)
End of service benefits paid		(2)	(471)
Dividends received		12,151	11,314
Net cash generated from / (used in) operating activities		32,740	(307,090)
Cash flows from investing activities:			
Equity participation in financial institutions		(2,501)	(20,641)
Proceeds from sale of fixed assets		-	27
Additions to fixed assets		(225)	(294)
Net cash used in investing activities		(2,726)	(20,908)
Cash flows from financing activities:			
Proceeds from borrowings from other financial institutions		149,128	-
Net cash generated from financing activities		149,128	-
Net increase / (decrease) in cash and cash equivalents		179,142	(327,998)
Cash and cash equivalents at the beginning of the year		108,886	436,884
Cash and cash equivalents at the end of the year	3	288,028	108,886

The accompanying notes set out on pages 8 to 41 form an integral part of these financial statements.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

1 ESTABLISHMENT AND OBJECTIVES

Arab Bank for Economic Development in Africa ("BADEA" or the "Bank") 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.

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.

Following the recent events in Sudan, the Board of Governors decided to relocate the bank's headquarters to Kingdom of Saudi Arabia. The address of BADEA's new headquarter is Al-Amiriya Tower, Al-Olaya District, King Fahd Road, Building Number 7922, Postal Code 12333- Riyadh.

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:

- Participation in the financing of economic development in Africa.
- Stimulate the participation of Arab capital to African development.
- Support in Provision of technical assistance required for African development.
- Support the development of private sector institutions in African countries.
- Financing Arab African trade and Intra-African trade.

As per BADEA's agreement of establishment, the parties that may benefit from the Bank's operations are as follows:

- The Governments of the African countries, including any province, agency or organisation thereof.
- Public or private companies, organisations and projects carrying out their business in African countries and in which capital the governments or citizens of those countries have a majority holding.
- Mixed, African or Arab-African companies whose purpose is economic development and that need financing for a specific project.

The financial statements for the year ended 31 December 2023 were authorised for issuance by the Board of Directors on 16 April 2024 subject to approval of the Board of Governors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements for the year ended 31 December 2023 have been prepared in accordance with the accounting policies prescribed in the Bank's manual of accounting approved by the Board of Directors and set out in note 2.2 through note 2.18. These accounting policies have been consistently applied in prior years.

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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.

2.3 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.

2.4 Accrual basis

The bank prepares its financial statements using the accrual basis. All regular purchases and sales of financial assets are recognized on the trade date.

2.5 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 items in which these estimates are used comprise the following:

Provision for impairment of loans

BADEA's method for determining the provision for impairment of loans is described in note 2.8 "loans and provision for loans".

Impairment of investments carried at cost

Financial assets that are not listed are carried at cost less impairment. At the end of each reporting period, management assesses whether any impairment indicators exist considering different factors stated in the bank's accounting policies. If such an indicator is identified, an impairment assessment is carried out whereby the fair value of the investee is compared to its carrying amount. Fair value for the purpose of the impairment assessment is determined using either discounted cash flows or matrix pricing.

2.6 Investments

Investment in bonds and equity securities

Investments in bonds and equity securities 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.

Investment in managed funds

Investments in managed funds that are not listed in the financial markets, are recorded at cost less provision for impairment, if any.

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investments (Continued)

Sukuk

Sukuk are financial assets which are acquired to be held to maturity. Sukuk are stated at cost less provision for impairment, if any.

2.7 Equity participations in financial institutions

Equity participations in financial institutions represents participations in regional and international development organizations are carried at cost.

2.8 Loan balances

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

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

Impairment of loans is performed based on Provision policies approved by the Board of Directors. According to these policies, the bank regularly performs a classification of loans based on past due date and other qualitative indicators and an internal rating is allocated to each counterparty. At each reporting period:

- Provision for loans to the public sector is calculated as a percentage from the past due instalments and a percentage from the balance of the outstanding loans less past due instalments; Provision percentage is determined based on the counterparty internal rating.
- Provision for loans to the private sector and trade is calculated as a percentage from the outstanding balance of loans, in accordance with the days of past due and the internal risk classification; Provision percentage is determined based on the counterparty internal rating.

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

Loans under renegotiated repayment arrangements, or instalment 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.

2.9 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 and recognized in the statement of income and expenditure.

2.10 Income recognition

Income 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 income any interest on the principal of public sector loans when the payment of interest is delayed for a period of more than 180 days. BADEA also excludes from its income any interest on the principal of the private sector and trade finance loans when the payment of interest 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.

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Income recognition (continued)

Interest excluded during prior years are reviewed on a 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.

Dividend income is recognized when it is declared.

2.11 Grants

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

2.12 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:

Buildings	30 years
Furniture and equipment	5 years
Vehicles	5 years

The Bank assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.13 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.

2.14 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.

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 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.

2.17 Cash and cash equivalents

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 and excluding any cash within externally managed investment portfolios.

2.18 Deposits and borrowings from other financial institutions

Deposits and borrowings from other financial institutions are interest bearing instruments maturing within one year and can be renewed for additional periods. These are recognised initially at fair value of amounts received less transaction costs.

3 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022 (Restated)
Cash on hand	-	59
Bank balances	134,520	11,487
Term deposits*	153,508	97,340
	288,028	108,886

*Represents deposits held at regional and international financial institutions with original maturity of less than three months. These deposits are denominated in USD and Euro under commercial terms.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

4 INVESTMENTS

These consist of investments in externally managed equity and debt portfolios held for trading as well as directly managed sukuk, as follows:

	As at 31 December	
	2023	2022 (Restated)
Investments in managed portfolios		
Bonds	1,438,753	1,222,350
Bonds – emerging markets	180,209	158,784
Equity securities	461,223	588,791
Cash and deposits within managed portfolios	46,944	95,544
Fair value of derivative instruments	(20,536)	(8,523)
Accrued interest and other payable balances	(81,508)	9,020
	2,025,085	2,065,966
Direct investments		
Sukuk	180,703	136,510
Investment in managed funds	58,674	54,615
Fair value of derivative instruments	1,570	3,530
	240,947	194,655
Total investments	2,266,032	2,260,621

5 NET TRADE FINANCE

Net trade finance represents credit facilities granted to finance Arab exports to the African countries. The balance and its movement during the year are as follows:

	As at 31 December	
	2023	2022 (Restated)
Approved loans	2,991,262	1,912,884
Less: unsigned loans	(1,044,593)	(507,018)
Total approved and signed loans	1,946,669	1,405,866
Less: ineffective loans	(260,000)	(144,035)
Total effective loans	1,686,669	1,261,831
Less: undisbursed loans	(279,706)	(222,124)
Total disbursements from loans	1,406,963	1,039,707
Less: loan instalments repaid	(969,021)	(573,209)
Balance at reporting date	437,942	466,498
Fair value of forward contracts	-	555
Net balance at reporting date	437,942	467,053

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

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

5 NET TRADE FINANCE (CONTINUED)

The movement on net trade finance is as follows:

	Year ended 31 December	
	2023	2022 (Restated)
Opening balance	467,053	255,602
Disbursements during the year	339,105	601,044
Repayments during the year	(368,863)	(390,148)
Effect of foreign currency translation	647	-
Balance at reporting date	437,942	466,498
Fair value of forward contracts	-	555
Net balance at reporting date	437,942	467,053

6 NET LOANS

	As at 31 December	
	2023	2022 (Restated)
Project loans	2,680,381	2,258,268
SAFAA Loans	16,051	16,868
Total bilateral loans (a)	2,696,432	2,275,136
Participation in syndicated loans (b)	85,074	120,915
Net balance as at reporting date	2,781,506	2,396,051

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

6 NET LOANS (CONTINUED)

a) Bilateral loans

The details of bilateral loan balances are as follows:

	31 December 2023				31 December 2022
	Project Loans			Total	
	Public Sector	Private Sector	SAFAA Loans		
Approved loans	6,447,947	1,241,861	214,244	7,904,052	6,582,865
Less: unsigned loans	(369,000)	(396,086)	-	(765,086)	(514,016)
Total approved and signed loans	6,078,947	845,775	214,244	7,138,966	6,068,849
Less: ineffective loans	(489,500)	(25,000)	-	(514,500)	(308,200)
Total effective loans	5,589,447	820,775	214,244	6,624,466	5,760,649
Less: undrawn loans	(1,840,263)	(102,114)	-	(1,942,377)	(1,632,323)
Total disbursements from loans	3,749,184	718,661	214,244	4,682,089	4,128,326
Less: loan instalments repaid	(1,659,866)	(120,717)	(192,781)	(1,973,364)	(1,842,935)
Balance at reporting date	2,089,318	597,944	21,463	2,708,725	2,285,391
Fair value of forward contracts	-	(3,082)	-	(3,082)	(1,305)
Less: loans provisions	(3,799)	-	(5,412)	(9,211)	(8,950)
Net balance at reporting date	2,085,519	594,862	16,051	2,696,432	2,275,136

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

SAFAA (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.

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

6 NET LOANS (CONTINUED)

a) Bilateral loans (Continued)

The movement of net bilateral loan balances during the year is as follows:

	Year ended 31 December				2022
	2023				
	Project Loans				
	Public Sector	Private Sector	SAFAA Loans	Total	
Opening balance	1,968,617	294,645	22,129	2,285,391	2,015,857
Disbursements during the year	194,385	353,276	-	547,661	355,875
Repayments during the year	(73,684)	(56,079)	(666)	(130,429)	(86,341)
Effect of foreign currency translation	-	6,102	-	6,102	-
Balance as at reporting date	2,089,318	597,944	21,463	2,708,725	2,285,391
Fair value of forward contracts	-	(3,082)	-	(3,082)	(1,305)
Less: loans provision	(3,799)	-	(5,412)	(9,211)	(8,950)
Net balance as at reporting date	2,085,519	594,862	16,051	2,696,432	2,275,136

Loans provisions

Details of the movement on provision for impairment of bilateral loans during the year is as follows:

	Year ended 31 December				2022
	2023				
	Project Loans				
	Public Sector	Private Sector	SAFAA Loans	Total	
Opening balance	3,689	-	5,261	8,950	17,920
Charge during the year	110	-	151	261	3
Reversal during the year	-	-	-	-	(8,973)
Closing balance as at reporting date	3,799	-	5,412	9,211	8,950

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

6 NET LOANS (CONTINUED)

b) Syndicated loans

Participation in syndicated loans represents BADEA's share in loans extended jointly by multiple lenders that are arranged and administered by other financial institutions. As at 31 December 2023, BADEA has USD 85.074 million of participation in syndicated loans (31 December 2022: USD 120.915 million).

Previously, syndicated loans were classified within investments, specifically, under the note line, market opportunities. During the year ended 31 December 2023, the Board of Directors resolved to reclassify these syndicated loans from investments to net loans as such classification is more consistent with the nature of the balance and results in a more relevant presentation of the financial statements.

7 NET ACCRUED INTEREST ON LOANS

	As at 31 December				2022
	2023		2022		
	Project loans		Syndicated loans	Total	
	Public Sector	Private Sector			
Accrued interest on loans	63,532	6,745	1,963	72,240	71,467
Excluded interest on loans*	(9,706)	-	-	(9,706)	(9,706)
Net balance as at reporting date	53,826	6,745	1,963	62,534	61,761

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

Details of movement on excluded interest from loans during the year is as follows:

	Year ended 31 December	
	2023	2022
Opening balance	9,706	55,857
Reversal during the year	-	(46,151)
Net balance as at reporting date	9,706	9,706

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8 EQUITY PARTICIPATION IN FINANCIAL INSTITUTIONS

These represent participation in the equity of international and regional financial institutions as follows:

	As at 31 December	
	2023	2022 (Restated)
African Export & Import Bank	58,872	56,082
Arab Investment & Export Credit Guarantee Corporation	25,950	25,950
Trade and Development Bank	11,403	10,988
Africa Finance Corporation	12,500	10,000
Development Bank of the Central African States	170	170
	108,895	103,190

9 DEPOSITS FROM ANOTHER FINANCIAL INSTITUTION

During the year ended 31 December 2023, deposits from another financial institution amounting to EUR 240 million were placed with BADEA; of which deposits amounting to EUR 140 million matured during the year. These deposits are denominated in EURO under commercial terms.

10 BORROWINGS FROM ANOTHER FINANCIAL INSTITUTION

During the year ended 31 December 2023, BADEA has obtained borrowings from another financial institution amounting to USD 149.128 million. These borrowings are unsecured, denominated in EURO under commercial terms. All principal borrowing balances have maturities more than one year from financial position date.

Under the terms of the borrowings, which has a carrying amount of USD 149.128 million (31 December 2022: Nil), the bank is required to comply with the following financial covenants at the end of each annual and interim reporting period:

- "Tangible Net Worth" shall not be less than USD 4,000 million.
- The bank must maintain a minimum capital adequacy ratio of 25% of Tier 1 capital against risk weighted assets calculated in accordance with the provisions of the Basel Paper.

The Bank has complied with these covenants throughout the reporting period.

11 SHARE CAPITAL

As at 31 December 2023, the authorised capital amounted to USD 20 billion (31 December 2022: USD 20 billion), the subscribed capital amounted to USD 10 billion (31 December 2022: USD 10 billion) and the paid-up capital amounted to USD 5 billion (31 December 2022: USD 5 billion). The contribution of each member country in the paid-up capital as at reporting date is as follows:

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Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

11 SHARE CAPITAL (CONTINUED)

Country	As at 31 December	
	2023	2022
Hashemite Kingdom of Jordan	10,704	10,704
State of United Arab Emirates	535,217	535,217
Kingdom of Bahrain	10,704	10,704
Republic of Tunisia	44,601	44,601
People's Democratic Republic of Algeria	214,087	214,087
Kingdom of Saudi Arabia	1,284,520	1,284,520
Republic of Sudan	10,704	10,704
Arab Republic of Syria	5,947	5,947
Republic of Iraq	749,304	749,304
Sultanate of Oman	64,226	64,226
State of Palestine	10,704	10,704
State of Qatar	428,174	428,174
State of Kuwait	784,985	784,985
Republic of Lebanon	35,681	35,681
State of Libya	713,622	713,622
Arab Republic of Egypt	10,704	10,704
Kingdom of Morocco	78,498	78,498
Islamic Republic of Mauritania	7,618	7,618
Total	5,000,000	5,000,000

Suspension and withdrawal of memberships are governed by article no. 42 of BADEA's agreement of establishment.

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 2023 of the Board of Governors, an amount of USD 187.916 million was transferred from the general reserve (31 December 2022: USD 174.913 million transferred to general reserve and 800 million transferred from general reserve to share capital pursuant to the resolution of the Board of Governors).

13 NET INCOME / (LOSS) FROM INVESTMENTS

	Year ended 31 December	
	2023	2022 (Restated)
Interest income	51,868	46,361
Dividends income	11,782	11,042
Net realized gain / (loss)	56,725	(36,687)
Net unrealized gain / (loss)	112,085	(315,697)
Foreign currency exchange gain	14,252	26,709
Investment expenses	(5,099)	(5,717)
	241,613	(273,989)

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA**Notes to the financial statements***(All amounts in USD thousands unless otherwise stated)***14 INCOME FROM NET LOANS AND NET TRADE FINANCE**

	Year ended 31 December	
	2023	2022 (Restated)
Public sector loans	19,215	63,063
Private sector loans	32,636	11,492
SAAFA loans	71	1,272
Syndicated loans	8,533	7,480
Income from loans	60,455	83,307
Income from trade finance	29,828	21,899
	90,283	105,206

15 LOSS FROM IMPAIRMENT OF FIXED AND OTHER ASSETS

	Year ended 31 December 2023
Loss from impairment of cash	79
Loss from impairment of fixed assets- building	5,923
Loss from impairment of fixed assets- furniture and fixtures	356
Loss from impairment of fixed assets- vehicles	158
Loss from impairment of other assets	1,593
	8,109

As a result of the recent clashes in Sudan, management evacuated the bank's building located in Khartoum. Management considered these events as an impairment indicator and proposed recording an impairment loss of USD 8,109 on assets located in Sudan during the year ended 31 December 2023. The proposal was approved by the Board of Directors in its meeting dated 19 December 2023.

16 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2023	2022
Board of Governors	123	168
Board of Directors	1,767	1,520
Salaries and employee benefits	19,274	17,269
Travel and services	4,306	4,607
Utilities	1,226	1,527
Depreciation of fixed assets	757	752
Relocation costs	1,997	-
Audit fees and other related charges	170	90
Others	2,051	16
	31,671	25,949

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17 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's length transaction conducted with other parties. Then, differences between the carrying value and fair value are generated.

The carrying value of investments in equity and bonds approximates their fair value as at the date of the statement of financial position.

BADEA doesn't currently sell its net loans, net trade finance nor equity participation in financial institutions. Accordingly, it is impractical to determine reliable fair value of these instruments.

18 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 summarises 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 amount by term to maturity			
				Within 3 months	3-12 months	1-5 years	Over 5 years
31 December 2023							
Forward contracts – note 4	4,258	23,224	1,176,408	1,143,533	991	31,884	-
Forward contracts - note 6	620	3,710	87,942	8,579	21,270	56,415	1,678
Total	4,878	26,934	1,264,350	1,152,112	22,261	88,299	1,678
31 December 2022							
Forward contracts – Note 4	15,799	20,792	1,072,443	821,440	213,955	33,523	3,525
Forward contracts – Note 5	1,133	578	17,547	17,547	-	-	-
Forward contracts – Note 6	3,041	2,367	99,752	3,791	7,953	86,330	1,678
Total	19,973	23,737	1,189,742	842,778	221,908	119,853	5,203

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

19 RISK MANAGEMENT

BADEA is exposed to risks that are considered inherent in its activities. These risks are managed in a structured, systematic manner through the internal risk management policies and guidelines which embeds comprehensive risk management into organisational structure, risk measurement and monitoring processes. The Board of Directors supported by the audit committee are responsible for the direction and oversight of BADEA's risk management. BADEA's broad two activities are investment and lending.

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 deposits, sukuk and securities portfolios, and changing the proportions of resources employed in these categories of investments in the light of the prevailing and expected developments in the financial markets. Taking into consideration the nature of operations, BADEA is exposed to credit risk, market risk (price risk, interest rate risk and foreign currency risk) as well as liquidity risk.

19.1 Credit risk

'Credit risk' is the risk of financial loss to BADEA if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the net loans, net trade finance, and investment debt securities. While cash and cash equivalents are also subject to credit risk, the assessment credit risk is immaterial.

Credit risk associated with investment activities

In respect of investment portfolios 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 counterparty, 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, emerging market securities and sukuk are as follows:

According to the sector distribution:

	As at 31 December			
	2023		2022	
	Amount	Percentage	Amount	Percentage
Governments	1,092,804	61%	910,026	60%
Corporate	341,294	19%	318,733	21%
Government authorities	166,692	9%	145,475	10%
Government institutions	184,778	10%	142,014	9%
Other	14,097	1%	1,396	-
Total	1,799,665	100%	1,517,644	100%

According to geographical distribution:

United States and Canada	792,991	44%	819,573	54%
Europe	329,712	18%	170,892	11%
Japan	151,501	8%	78,255	5%
South East Asia	42,887	2%	82,741	5%
Other	482,574	28%	366,183	25%
	1,799,665	100%	1,517,644	100%

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19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

According to the credit ratings of counterparties as per Standard and Poor's agency rating:

	As at 31 December			
	2023		2022	
	Amount	Percentage	Amount	Percentage
AAA	259,546	14%	240,069	16%
AA	880,170	49%	783,815	52%
A	147,662	8%	128,707	8%
BBB	245,316	14%	208,508	14%
Other	266,971	15%	156,545	10%
Total	1,799,665	100%	1,517,644	100%

Credit risk associated with lending activities

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 instalments 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 also includes financing the private sector, and Arab exports to African non-Arab countries.

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19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(a) Net trade finance

Institution	As at 31 December 2023							As at 31 December 2022			
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
Government of Kenya (under MRPA with TDB)	1	200,000	-	-	-	-	200,000	45.67	1	200,000	42.87
Cocoa Board (Ghana)	3	270,000	-	-	17,517	191,833	60,650	13.85	2	87,611	18.78
Ethiopian Banks (under MRPA with TDB)	6	910,214	500,000	-	87,430	287,564	35,220	8.04	4	58,665	12.58
Mali Solidarity Bank (BMS)	1	33,139	-	-	-	16,570	16,569	3.78	1	8,004	1.72
Government of Burundi	1	10,000	-	-	7,000	2,700	300	0.07	1	1,200	0.26
National Oil Company of Malawi	2	200,000	100,000	-	510	49,490	50,000	11.42	1	-	-
Government of Guinea	1	55,000	-	-	22,924	-	32,076	7.32	1	-	-
Development Bank of the Central African States (BDEAC)	1	22,093	-	-	11,046	-	11,047	2.52	1	-	-
Uganda Development Bank Limited (UDBL)	2	20,000	-	-	-	15,000	5,000	1.14	2	-	-
African Export & Import Bank	2	125,000	-	-	-	125,000	-	-	2	-	-
Reserve Bank of Malawi	1	30,000	-	-	-	30,000	-	-	1	30,000	6.43

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19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(a) Net trade finance (continued)

Institution	As at 31 December 2023							As at 31 December 2022			
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
African Refining Company Senegal (SAR)	1	165,697	165,697	-	-	-	-	-	-	-	-
AFRILAND-Cameroon	1	100,000	-	100,000	-	-	-	-	-	-	-
Atlantic Bank Cameroun (BACM)	1	33,139	-	-	33,139	-	-	-	-	-	-
Bank Misr – Egypt	2	75,000	60,000	-	-	15,000	-	-	2	-	-
Regional Markets Bank (BRM)	1	20,000	-	20,000	-	-	-	-	1	-	-
BSIC	1	15,000	-	-	15,000	-	-	-	1	-	-
Coris Bank (Burkina Faso)	1	33,140	33,140	-	-	-	-	-	1	-	-
CORIS BANK (Ivory Coast)	1	90,000	-	90,000	-	-	-	-	1	-	-
Cotton Development Company Cameroon (SODECOTON)	1	17,630	-	-	-	17,630	-	-	1	-	-
CRDB – Tanzania	1	50,000	50,000	-	-	-	-	-	1	-	-
Development Bank of Mali (BDM)	1	8,000	-	-	-	8,000	-	-	1	-	-
ECOAS Bank for Investment and Development (EBID-BIDC)	1	10,459	-	-	-	10,459	-	-	1	-	-
GEPPA – Ivory Coast	1	5,000	-	-	-	5,000	-	-	1	-	-
Government of Gambia	1	50,000	-	-	50,000	-	-	-	1	-	-
Government of South Sudan	1	25,000	25,000	-	-	-	-	-	1	-	-

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19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(a) Net trade finance (continued)

Institution	As at 31 December 2023								As at 31 December 2022		
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
International Bank for Trade and Industry - Gabon (BICIG)	1	60,756	60,756	-	-	-	-	-	-	-	-
Liberian Bank for Development and Investment (LBDI)	1	10,000	-	-	2,000	8,000	-	-	1	-	-
Mudarabah transaction with ITFC in favor of Burkina Faso	2	27,064	-	-	-	27,064	-	-	2	-	-
ORA GROUP	-	-	-	-	-	-	-	-	1	-	-
National Bank for Economic Development - Senegal (BNDE)	1	33,140	-	-	33,140	-	-	-	1	-	-
SONABHY- Burkina Faso	1	50,000	50,000	-	-	-	-	-	-	-	-
Sterling Bank	1	50,000	-	50,000	-	-	-	-	1	-	-
West African Development Bank (BOAD)	2	80,000	-	-	-	80,000	-	-	2	-	-
African Export & Import Bank	1	16,000	-	-	-	16,000	-	-	1	16,000	3.43
SONANGOL-Angola	2	50,000	-	-	-	22,920	27,080	6.19	2	37,236	7.98
SENELEC-Senegal	1	15,966	-	-	-	15,966	-	-	1	8,559	1.83
The General Authority for Supply Commodities-Egypt (GASC)	2	14,825	-	-	-	14,825	-	-	2	14,204	3.04
Government of Pakistan-Ministry of Finance	1	10,000	-	-	-	10,000	-	-	1	5,019	1.08
Total trade finance	53	2,991,262	1,044,593	260,000	279,706	969,021	437,942	100	45	466,498	100
Fair value of forward contracts										555	
Net trade finance							437,942			467,053	

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19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(b) Bilateral loans – Public sector

The following table illustrates details of BADEA's loans extended to countries as at 31 December 2023:

Country	As at 31 December 2023								As at 31 December 2022		
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
Angola	5	43,339	19,950	-	-	23,389	-	-	5	-	-
Benin	33	323,224	-	50,000	133,464	69,467	70,293	3.33	33	60,364	3.03
Botswana	16	86,431	-	-	1,160	73,168	12,103	0.57	16	13,831	0.69
Burundi	17	150,927	-	34,000	21,208	29,732	65,987	3.13	16	59,876	3.01
Burkina Faso	40	386,886	-	75,000	68,905	104,891	138,090	6.54	39	131,106	6.59
Central Africa	9	44,929	-	-	23,680	9,514	11,735	0.56	9	8,534	0.43
Republic of Chad	26	210,047	-	6,300	54,712	52,631	96,404	4.57	25	90,858	4.56
Cameroon	18	165,748	-	-	50,911	58,917	55,920	2.65	18	48,535	2.44
Congo Brazzaville	8	104,264	-	-	66,507	22,530	15,227	0.72	8	15,880	0.80
Democratic Republic of Congo	11	138,259	-	-	68,464	19,154	50,641	2.40	11	45,627	2.29
Comoros	4	18,496	-	-	-	1,021	17,475	0.83	4	17,475	0.88
Cape Verde	22	153,607	-	-	49,580	64,152	39,875	1.89	22	40,117	2.02
Equatorial Guinea	6	28,167	15,000	-	2,000	9,167	2,000	0.09	6	-	-
Eritrea	5	75,161	-	-	45,751	14,421	14,989	0.71	5	11,487	0.58
Ethiopia	23	272,898	49,550	-	72,700	51,756	98,892	4.69	23	101,201	5.08
Gabon	3	59,208	-	50,000	-	9,208	-	-	3	-	-
Ghana	24	161,873	14,500	-	19,510	88,563	39,300	1.86	23	39,526	1.99
Gambia	24	151,138	-	-	33,494	42,403	75,241	3.56	24	64,941	3.26
Guinea Bissau	6	114,834	50,000	-	54,000	6,269	4,565	0.22	6	4,765	0.24
Guinea	31	260,026	-	-	61,055	92,177	106,794	5.06	31	99,470	5.00

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19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(b) Bilateral loans – Public sector (continued)

As at 31 December 2023

As at 31 December 2022

Country	As at 31 December 2023								As at 31 December 2022		
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
Ivory Coast	19	311,073	-	75,000	124,067	29,448	82,558	3.91	19	79,104	3.97
Kenya	20	142,164	-	-	39,436	48,874	53,854	2.55	20	51,033	2.56
Liberia	6	32,611	-	-	7,138	3,281	22,192	1.05	6	20,187	1.01
Lesotho	18	114,163	-	-	29,280	46,670	38,213	1.81	18	37,374	1.88
Madagascar	26	200,255	-	28,000	50,999	72,239	49,017	2.32	25	43,976	2.21
Malawi	13	112,254	16,000	-	2,576	21,663	72,015	3.41	12	69,620	3.50
Mauritius	14	138,342	-	50,000	18,054	62,842	7,446	0.35	13	3,134	0.16
Mali	34	283,612	-	-	122,579	100,641	60,392	2.86	34	59,074	2.97
Mozambique	36	279,218	20,000	-	30,480	120,962	107,776	5.11	35	105,467	5.30
Namibia	5	24,912	-	-	6,700	13,571	4,641	0.22	5	5,428	0.27
Nigeria	1	8,000	-	-	2,118	730	5,152	0.24	1	5,336	0.27
Niger	25	262,792	50,000	50,000	42,258	40,606	79,928	3.79	24	72,963	3.67
Rwanda	24	189,918	2,000	-	62,482	38,577	86,859	4.12	24	80,644	4.05
Senegal	50	530,368	-	-	248,170	132,698	149,500	7.08	49	139,270	7.00
Seychelles	12	45,963	-	-	2,278	26,111	17,574	0.83	12	18,826	0.95
Sierra Leone	17	150,793	-	-	74,594	15,650	60,549	2.87	17	58,504	2.94
Sao Tome and Principe	9	37,663	-	7,800	3,048	12,277	14,538	0.69	9	13,922	0.70
Swaziland	9	72,980	-	-	18,565	25,838	28,577	1.35	9	23,703	1.19
Tanzania	24	190,452	-	13,400	42,007	28,254	106,791	5.06	24	102,437	5.15
Togo	10	112,062	-	50,000	19,494	11,383	31,185	1.48	10	29,796	1.50

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19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(b) Bilateral loans – Public sector (continued)

Country	As at 31 December 2023								As at 31 December 2022		
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
Uganda	19	179,333	20,000	-	45,984	40,843	72,506	3.44	19	72,617	3.65
Zambia	12	125,901	50,000	-	9,464	32,469	33,968	1.61	11	34,718	1.74
Zimbabwe	10	64,243	-	-	11,391	44,695	8,157	0.39	10	3,613	0.18
Other	7	103,657	62,000	-	-	39,795	1,862	0.08	7	6,407	0.29
Total public sector loans	751	6,662,191	369,000	489,500	1,840,263	1,852,647	2,110,781	100	740	1,990,746	100

(c) Bilateral loans – Private sector

Institution	As at 31 December 2023								As at 31 December 2022		
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
West African Development Bank (BOAD)	2	115,000	-	-	-	15,000	100,000	16.72	1	12,857	4.36
Eco Bank Group	1	40,000	-	-	-	13,333	26,667	4.46	1	40,000	13.58
East African Development Bank (EABD)	2	82,000	-	-	50,004	8,571	23,425	3.92	2	15,139	5.14
Development Bank of Rwanda (BRD)	2	55,000	-	-	-	18,750	36,250	6.06	2	15,833	5.37

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(All amounts in USD thousands unless otherwise stated)

19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(c) Bilateral loans – Private sector (continued)

Institution	As at 31 December 2023								As at 31 December 2022		
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
Development Bank of the Central African States (BDEAC)	2	59,186	-	-	-	5,357	53,829	9.00	2	33,131	11.24
The Eastern and Southern African Trade and Development Bank (TDB)	3	84,000	19,000	-	-	7,500	57,500	9.62	3	59,375	20.15
Uganda Development Bank Limited (UDBL)	2	16,000	-	-	-	3,375	12,625	2.11	2	3,375	1.15
ECOAS Bank for Investment and Development (EBID-BIDC)	2	55,000	-	-	-	6,429	48,571	8.12	2	10,714	3.64
Liberian Bank for Development and Investment (LBDI)	1	5,000	-	-	10	4,091	899	0.15	1	1,808	0.61
Agriculture Bank Senegal (EXCNCAS)	1	10,000	-	-	1,989	4,002	4,009	0.67	1	-	-
Mali Solidarity Bank (BMS) Housing Finance Company (HFC)	1	15,000	-	-	-	10,000	5,000	0.84	1	7,500	2.55
Norsad Finance Limited (NORSAD)	1	2,250	-	-	-	1,742	508	0.08	1	1,168	0.40
RAW Bank	2	55,000	15,000	-	-	-	40,000	6.69	2	40,000	13.58
Victoria Commercial Bank-Kenya	1	15,000	-	-	-	1,500	13,500	2.26	1	15,000	5.09
	1	20,000	-	-	-	2,500	17,500	2.93	1	10,000	3.39

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19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(c) Bilateral loans – Private sector (continued)

Institution	As at 31 December 2023								As at 31 December 2022		
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
Dynamic mining project-Guinea	1	25,000	-	-	5,665	-	19,335	3.23	1	6,945	2.36
Afriland First Bank (AFB)-Cameroon	1	22,093	-	-	-	-	22,093	3.69	1	21,345	7.24
Malicounda power plant-Senegal	1	33,269	-	-	2,035	2,154	29,080	4.86	1	-	-
Cabinda Oil Refinery – Angola	1	45,000	-	-	26,888	-	18,112	3.03	1	-	-
Postal bank- Congo	1	11,046	-	-	-	-	11,046	1.85	1	-	-
National Bank for Economic Development - Senegal (BNDE)	1	24,855	-	-	-	-	24,855	4.16	-	-	-
National Bank of Investment (BNI)- Ivory cost	1	33,140	-	-	-	-	33,140	5.54	-	-	-
Tanzania Investment Bank (TIB)	1	2,500	-	-	-	2,500	-	-	1	455	0.15
SONIBANK	1	5,000	5,000	-	-	-	-	-	1	-	-
Development Bank of Mali (BDM)	1	4,000	-	-	-	4,000	-	-	1	-	-
Cotton Development Company Cameroon (SODECOTON)	1	10,000	-	-	10,000	-	-	-	1	-	-
National Oilseed Marketing Company of Senegal (SONACOS)	1	9,913	-	-	-	9,913	-	-	-	-	-
Sterling Bank PLC	1	15,000	-	15,000	-	-	-	-	1	-	-

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(All amounts in USD thousands unless otherwise stated)

19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(c) Bilateral loans – Private sector (continued)

As at 31 December 2023

As at 31 December 2022

Institution	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	As at 31 December 2022		
									No. of loans	Balance	% of outstanding loans
BRM	1	10,000	-	10,000	-	-	-	-	1	-	-
Neho- Madagascar First City Monument Bank (FCMB)- Nigeria	1	40,000	40,000	-	-	-	-	-	1	-	-
BGFI Bank- Ivory Coast	1	25,000	25,000	-	-	-	-	-	1	-	-
East African Crude Oil Pipeline (EACOP)	1	16,570	16,570	-	-	-	-	-	1	-	-
Atlantic Bank Cameroun (BACM)	1	100,000	100,000	-	-	-	-	-	1	-	-
International Bank for Trade and Industry - Gabon (BICIG)	1	5,523	-	-	5,523	-	-	-	-	-	-
Kigali Innovation City- Rwanda	1	5,523	5,523	-	-	-	-	-	-	-	-
Development Bank of Southern Africa (DBSA)	1	4,760	4,760	-	-	-	-	-	-	-	-
International Bank for Industry and Trade- Benin (BIIC)	1	100,000	100,000	-	-	-	-	-	-	-	-
National Development Bank of Botswana (NDB)	1	55,233	55,233	-	-	-	-	-	-	-	-
Total private sector loans	48	1,241,861	396,086	25,000	102,114	120,717	597,944	100	38	294,645	100

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Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

19 RISK MANAGEMENT (CONTINUED)

19.1 Credit risk (Continued)

Credit risk associated with lending activities (continued)

(d) Syndicated loans

Country/Institution	As at 31 December 2023								As at 31 December 2022		
	No. of loans	Total loan amount	Unsigned loans	Ineffective loans	Undisbursed loans	Repaid loans	Balance	% of outstanding loans	No. of loans	Balance	% of outstanding loans
Benin	1	13,256	-	-	-	-	13,256	15.58	1	12,807	10.77
Ivory Coast	2	38,663	-	-	-	14,203	24,460	28.75	2	31,255	26.28
Malawi reserve bank	1	20,000	-	-	-	18,000	2,000	2.35	1	4,000	3.36
Tanzania	1	15,000	-	-	-	2,727	12,273	14.42	1	15,000	12.61
The Eastern and Southern African Trade and Development Bank (TDB)	1	11,000	-	-	-	-	11,000	12.93	2	14,761	12.41
Senegal	1	22,093	-	-	-	-	22,093	25.97	-	-	-
Bank of Ghana	-	-	-	-	-	-	-	-	1	30,000	25.22
BOI Nigeria	-	-	-	-	-	-	-	-	1	11,113	9.35
Total syndicated loans	7	120,012	-	-	-	34,930	85,082	100	9	118,936	100
Total bilateral and syndicated loans	806	8,024,064	765,086	514,500	1,942,377	2,008,294	2,793,807		787	2,404,327	
Fair value of forward contracts (bilateral & syndicated)							(3,090)			674	
Loans provision							(9,211)			(8,950)	
Total loans after provision							2,781,506			2,396,051	
Total credit exposure from net loans and trade finance							3,219,448			2,863,104	

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Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

19 RISK MANAGEMENT (CONTINUED)

19.2 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: equity price risk, interest rate risk and currency risk.

a) Equity price risk

Equity price risk is the risk of change in the fair values of listed securities that are carried at fair value. BADEA sets suitable instructions for investment in portfolios-equity securities.

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

According to sector distribution

	2023		2022	
	Amount	Percentage	Amount	Percentage
Consumable commodities	83,771	18%	112,682	19%
Energy	22,806	5%	34,945	6%
Financial institutions	76,345	17%	83,255	14%
Healthcare	61,716	13%	95,295	16%
Industrial	49,943	11%	65,074	11%
Information technology	104,325	23%	117,150	21%
Production of raw materials	23,572	5%	34,138	6%
Telecommunication services	27,769	6%	31,559	5%
Public utilities	10,976	2%	14,693	2%
Total	461,223	100%	588,791	100%

According to the geographical distribution

	2023		2022	
	Amount	Percentage	Amount	Percentage
United States and Canada	323,949	70%	411,231	70%
Europe	96,269	21%	126,046	21%
Japan	23,326	5%	33,567	6%
South East Asia	929	-	859	-
Others	16,750	4%	17,088	3%
Total	461,223	100%	588,791	100%

The table below summarises the impact of increase in equity prices on the bank's profit for the year. The following analysis is based on the assumption that the equity prices would increase by 5% with all other variables held constant.

	Impact on profit / (loss) for the year ended 31 December	
	2023	2022
Increase in equity prices by 5%	23,061	29,440
Decrease in equity prices by 5% would have an opposite effect on profit/(loss) for the year.		

Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

19 RISK MANAGEMENT (CONTINUED)

19.2 Market Risk (Continued)

b) 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 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. Net profit for the year is sensitive to higher/lower interest income/expenses as a result of changes in interest rates of interest-bearing assets and liabilities:

	Impact on profit for the year ended 31 December	
	2023	2022
Increase by 100 basis points	49,130	44,781
Decrease by 100 basis points	(49,130)	(44,781)

c) 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. BADEA had the following significant net exposures denominated in foreign currencies:

	As at 31 December	
	2023	2022
Euro	393,020	403,310
GBP	121,947	97,478
Others	382,268	349,344
Total	897,235	850,132

Notes to the financial statements*(All amounts in USD thousands unless otherwise stated)***19 RISK MANAGEMENT (CONTINUED)****19.2 Market Risk (Continued)****c) Foreign exchange risk (Continued)**

The table below analyses the effect on profit of an assumed 5% strengthening in value of the currency rate against USD from levels applicable at the year-end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit, whereas a positive amount reflects a net potential increase.

	Change in currency rate	Effect on profit for the year and member countries' equity	
		2023	2022
Euro	-5%	(19,651)	(20,166)
GBP	-5%	(6,097)	(4,874)
Others	-5%	(19,113)	(17,467)
		(44,861)	(42,507)

19.3 Liquidity risk

Liquidity risk is the risk that BADEA will be unable to meet its financial liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a daily basis.

The table below summarises the maturity profile of BADEA's assets, liabilities and equity based on contractual cash flows and/or practicability of liquidation. This does not necessarily take account of the effective maturities.

31 December 2023	Up to 3 months	3 to 12 months	Over 1 year	Total
Assets				
Cash and cash equivalents	288,028	-	-	288,028
Investments	2,028,541	3,456	234,035	2,266,032
Net trade finance	22,667	152,465	262,810	437,942
Net accrued interest on trade finance	5,017	-	-	5,017
Net loans	37,445	210,476	2,533,585	2,781,506
Net accrued interest on loans	-	62,534	-	62,534
Equity participation in financial institutions	-	-	108,895	108,895
Fixed assets	-	-	5,848	5,848
Other assets	6,907	1,955	3,816	12,678
	2,388,605	430,886	3,148,989	5,968,480
Liabilities and equity				
Deposits from another financial institution	55,233	55,232	-	110,465
Borrowings from other financial institutions	-	-	149,128	149,128
Other liabilities	7,834	10,321	76,608	94,763
Provision for end of service benefits	1,050	1,467	11,345	13,862
Share capital	-	-	5,000,000	5,000,000
General reserve	-	-	308,244	308,244
	64,117	67,020	5,545,325	5,676,462

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Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

19 RISK MANAGEMENT (CONTINUED)

19.3 Liquidity risk (Continued)

	Up to 3 months	3 to 12 months	Over 1 year	Total
31 December 2022				
<i>Assets</i>				
Cash and cash equivalents	108,886	-	-	108,886
Investments	2,069,950	3,984	186,687	2,260,621
Net trade finance	146,790	93,183	227,080	467,053
Net accrued interest on trade finance	5,298	-	-	5,298
Net loans	23,047	102,715	2,270,289	2,396,051
Net accrued interest on loans	-	61,761	-	61,761
Equity participation in financial institutions	-	-	103,190	103,190
Fixed assets	-	-	12,816	12,816
Other assets	3,607	389	2,764	6,760
	<u>2,357,578</u>	<u>262,032</u>	<u>2,802,826</u>	<u>5,422,436</u>
<i>Liabilities and equity</i>				
Other liabilities	2,378	8,242	92,014	102,634
Provision for end of service benefits	-	-	11,558	11,558
Share capital	-	-	5,000,000	5,000,000
General reserve	-	-	496,160	496,160
	<u>2,378</u>	<u>8,242</u>	<u>5,599,732</u>	<u>5,610,352</u>

The liquidity profile of financial liabilities of BADEA summarised below reflects the contractual undiscounted cash flows except for other liabilities which are non-interest bearing and are presented in the below schedule net of future interest.

	Up to 3 months	3 to 12 months	Over 1 year	Total
31 December 2023				
<i>Financial liabilities</i>				
Deposits from another financial institution	55,233	55,232	-	110,465
Borrowings from other financial institutions	-	-	156,594	156,594
Other liabilities	7,834	10,321	76,608	94,763
	<u>63,067</u>	<u>65,553</u>	<u>233,202</u>	<u>361,822</u>
<i>Financing pledges and other commitments</i>				
Loans and grants commitments	144,849	815,372	3,880,358	4,840,579
	<u>144,849</u>	<u>815,372</u>	<u>3,880,358</u>	<u>4,840,579</u>
31 December 2022				
<i>Financial liabilities</i>				
Other liabilities	2,378	8,242	92,014	102,634
	<u>2,378</u>	<u>8,242</u>	<u>92,014</u>	<u>102,634</u>
<i>Financing pledges and other commitments</i>				
Loans and grants commitments	196,411	708,489	2,456,754	3,361,654

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Notes to the financial statements

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19 RISK MANAGEMENT (CONTINUED)

19.4 Capital risk management

BADEA's capital comprises contributions made by member states as set out in note 11 "Share capital" above.

BADEA's objectives when managing capital is to safeguard its ability to continue as a going concern in order to achieve its objectives prescribed in note 1 and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, BADEA may increase its capital (subject to approval of the Board of Governors).

The Bank monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as due to counterparties (which includes short term borrowings and other liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position, plus net debt.

	As at 31 December	
	2023	2022
Deposits from another financial institution	110,465	-
Borrowings from other financial institutions	149,128	-
Other liabilities	94,763	102,634
	354,356	102,634
Less: cash and cash equivalents	(288,028)	(108,886)
Net debt	66,328	(6,252)
Total equity	5,600,262	5,308,244
Total capital	5,666,590	5,301,992
Gearing ratio	1.17%	-

20 TAXATION EXEMPTIONS

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.

21 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:

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Notes to the financial statements

(All amounts in USD thousands unless otherwise stated)

21 FINANCING PLEDGES AND OTHER COMMITMENTS (CONTINUED)

(a) *Loans and grants commitments*

	As at 31 December				2022
	2023			Total	
	Public sector	Private sector	Trade finance		Total
Unsigned loans (Notes 5 & 6)	369,000	396,086	1,044,593	1,809,679	1,021,034
Ineffective loans (Notes 5 & 6)	489,500	25,000	260,000	774,500	452,235
Undisbursed loans (Notes 5 & 6)	1,840,263	102,114	279,706	2,222,083	1,854,447
Undisbursed grants	34,317	-	-	34,317	33,938
Total	2,733,080	523,200	1,584,299	4,840,579	3,361,654

(b) *Other commitments*

As at 31 December 2023, BADEA is committed to settle the residual amount of BADEA's contribution in the capital of African Export & Import Bank, classified within equity participation in financial institutions, with an amount of USD 88.308 million (2022: USD 84.122 million). This amount should be paid on demand of shareholders.

As at 31 December 2023, BADEA is committed to settle the residual amount of BADEA's contribution in the capital of Development Bank of the Central African States, classified within equity participation in financial institutions, with an amount of USD 1.530 million (2022: 1.530 million). This amount should be paid on demand of shareholders.

22 PUBLIC ISSUE OF DEBT SECURITIES

On 29 November 2023, BADEA established a Euro Medium Term note ("EMTN") Programme with unlimited size with the underlying notes to be listed in London stock exchange. On 8 January 2024, BADEA launched an inaugural issuance under the aforementioned EMTN programme, with pricing completed on 18 January 2024 and settlement of USD 500M completed on 24 January 2024.

Notes to the financial statements*(All amounts in USD thousands unless otherwise stated)***23 RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS**

During the year ended 31 December 2023, management assessed the classification of certain balances as to whether these balances are classified within financial statement line items that are consistent with their nature. Based on this assessment, the following key reclassifications were made:

- Syndicated loans classified under “market opportunities” and “global trade finance” note lines within investments were reclassified to net loans and net trade finance respectively as this classification is more consistent with their nature. Also, accrued interest on these syndicated loans classified under “accrued interest” note line within investments were reclassified to the financial statement line items “accrued interest on loans” and “accrued interest on trade finance”.
- Interest income from syndicated loans was reclassified from “net income from investments” to “income from loans and trade finance”.
- Directly managed bank balances and short-term deposits (with original maturity less than three months) were reclassified from investments to cash and cash equivalents as these balances are highly liquid and subject to insignificant risk of changes in value.
- Accrued interest on directly managed bank balances, short-term deposits (with original maturity less than three months) and sukuk were reclassified from investments to other assets as this classification is more consistent with their nature.
- An investment in unlisted security was reclassified from investments to equity participation in financial institutions as such classification is consistent with the nature of investment.

The below schedule shows the effect of the reclassification of the related financial statement line items:

	31 December 2022 (As previously stated)	Increase / (Decrease)	31 December 2022 (Restated)
Items in the statement of financial position			
Cash and cash equivalents	1,829	107,057	108,886
Investments	2,585,683	(325,062)	2,260,621
Net trade finance	386,613	80,440	467,053
Net accrued interest on trade finance	4,393	905	5,298
Net loans	2,275,136	120,915	2,396,051
Net accrued interest on loans	59,480	2,281	61,761
Equity participation in financial institutions*	92,202	10,988	103,190
Other assets	4,284	2,476	6,760

*The name of this financial statement line item was changed from “Contributions in financial institutions” to “equity participation in financial institutions”.

Management has not presented a third statement of financial position. However, the above reclassifications did not impact total assets, total liabilities, net assets as at 1 January 2022

Notes to the financial statements*(All amounts in USD thousands unless otherwise stated)***23 RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS (CONTINUED)**

	Year ended 31 December 2022 (As previously stated)	Increase / (Decrease)	Year ended 31 December 2022 (Restated)
Items in the statement of income and expenditure			
Net loss from investments	(257,436)	(16,553)	(273,989)
Income from loans and trade finance	95,418	9,788	105,206
Profit on exchange and derivatives valuation	-	3,684	3,684
Other income	1,667	3,081	4,748
Items in the statement of cash flows			
Net cash used in operating activities	(282,610)	(24,480)	(307,090)
Net cash used in investing activities	(9,549)	(11,359)	(20,908)

Changes on disclosures to the financial statements

- Investment note was split by nature into two categories, externally managed and under management.
- Unrealized income note lines from all financial instruments were aggregated.
- The note lines “interest from fixed income securities” and “margin profit on Sukuk” within “Net income / (loss) from investments” note, were aggregated under a new note line named “Interest income”.