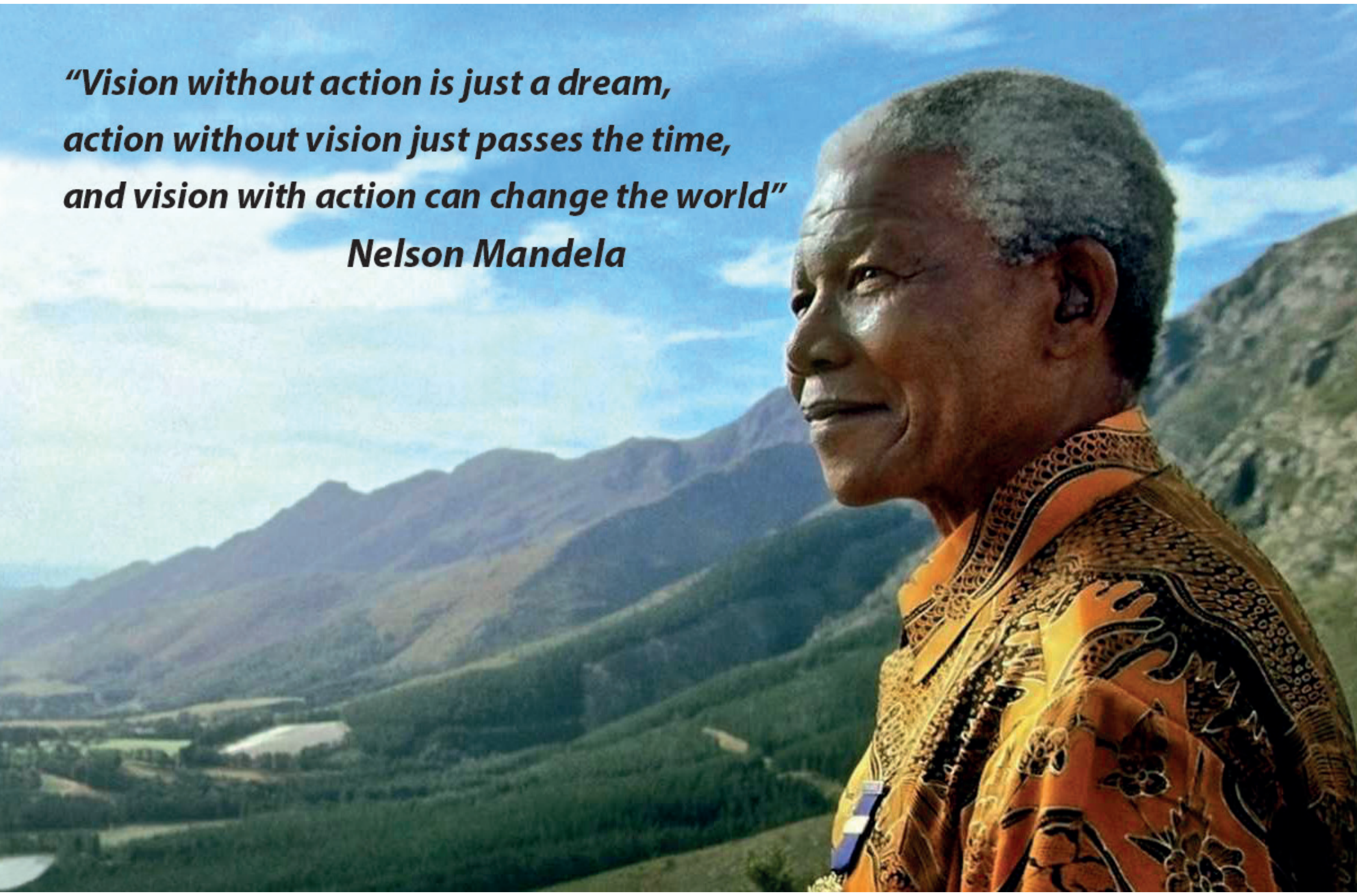
Afriland First Group

The Pact with Success

ANNUAL REPORT

2018


"Vision without action is just a dream,
action without vision just passes the time,
and vision with action can change the world"
Nelson Mandela

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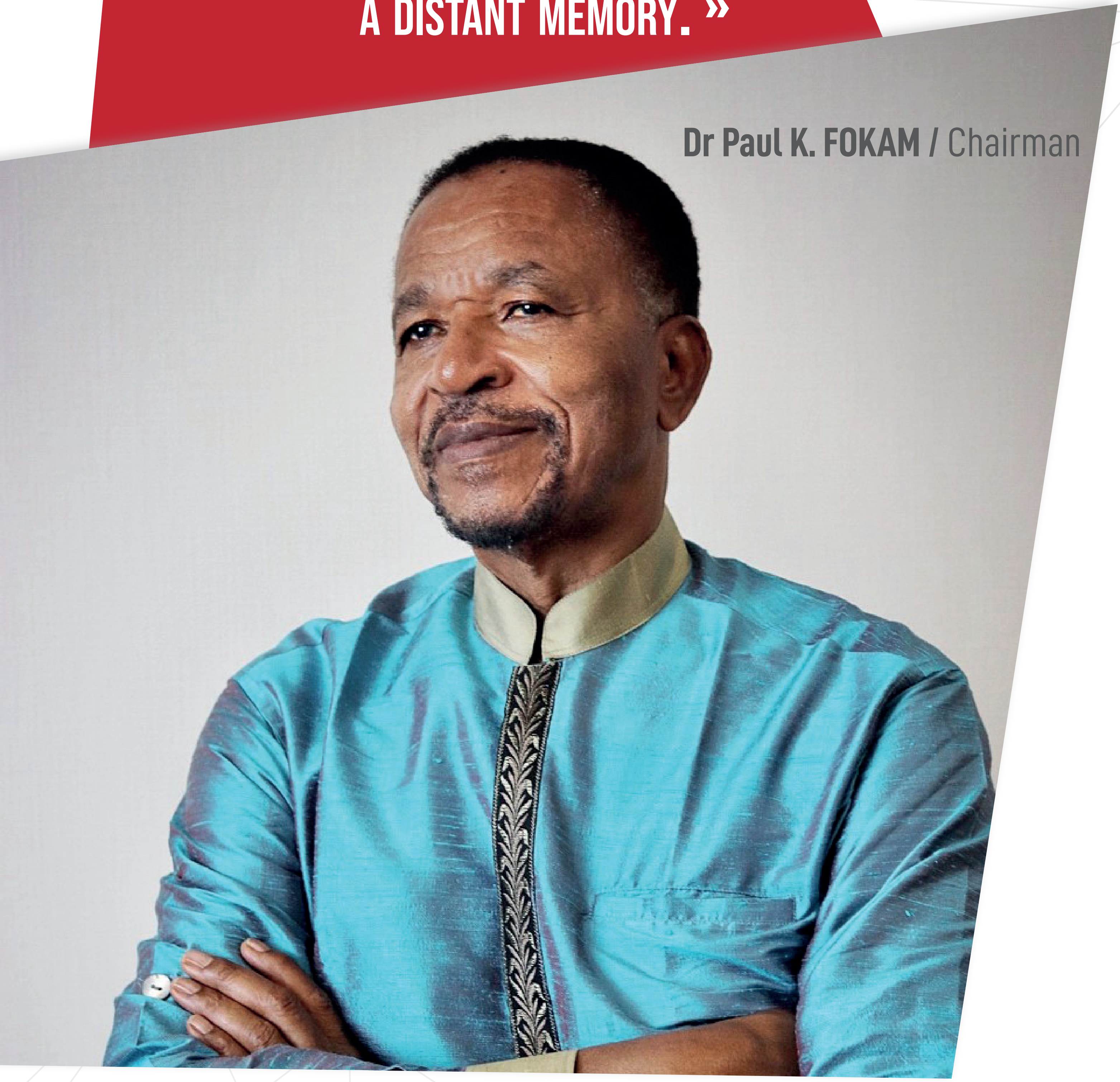
« Making poverty a distant memory. »



Dr Paul K. FOKAM / Chairman

Dear Partners,

I am delighted to, on behalf of my fellow Board members, present to you Afriland First Group's 2018 Annual Report. While the year that ended on 31 December 2018 offered us another opportunity to measure our solidity and resilience, we must constantly bear in mind that we are in a battlefield where only alertness, flexibility, and perseverance can ensure sustainable victory.

The only word that vividly captures the mood of our times and the trend of our activity is unpredictability. The challenge of being ethical and compliant while creating value for all our stakeholders keeps intensifying and defining competition.

That is why in 2018, the reduction and management of non-performing loans (NPL) remained our top priority, in which we recorded significant gains. We increased NPL coverage and provisions, but equally raised the equity of our units to enable them cope with the costs of consolidating their development and implementing new compliance standards and regulations.

We recorded a major research and innovation breakthrough in 2018 when we launched our digital banking package. It translates our commitment to offer our customers tailored solutions. We are hopeful that by 2020 we will add two million new customers to our portfolio through our digital offer.

We pursued the diversification of our offer through our choice to become and remain the leading player in the Islamic banking sector in Africa. Our units in Cameroon, the Republic of Guinea, and Côte d'Ivoire have opened Islamic banking windows while other units will equally set up Islamic banking facilities in the months ahead.

Our group stayed its development course in 2018 in Africa and across the world. Pursuant to the Board's decision, we continued disinvestment in the CEMAC region, due to environmental and regulatory constraints, and the glooming economic situation. We entered regions with strong growth while deepening our presence in the ECOWAS and pursuing our exploration of the SADC market.

In spite of a hostile regulatory environment in some markets, our corporate commitment to offer a practical, relevant, and sustainable path for wealth creation to the less privileged through self-awareness, entrepreneurial education, and savings mobilisation yielded significant results in 2018. The movement is spreading across Africa and is strengthening our relationship with the communities in which we operate.

Our reputation as a credible and major partner worldwide further firmed in 2018 as we signed agreements with several international financial institutions and corporations. The implementation of these agreements is underway.

Dear colleagues,

The volatile global economic situation, the fall in commodity prices in the regions where we operate, and investment in compliance, development, and innovation negatively impacted our performance. Our net profit after tax stands at Euro 20.880 million as of 31/12/2018 from Euro 19.521 141 as of 31/12/2017. The total balance sheet at the same period amounts to Euro 3.367 million compared to Euro 2.913 million the previous year.

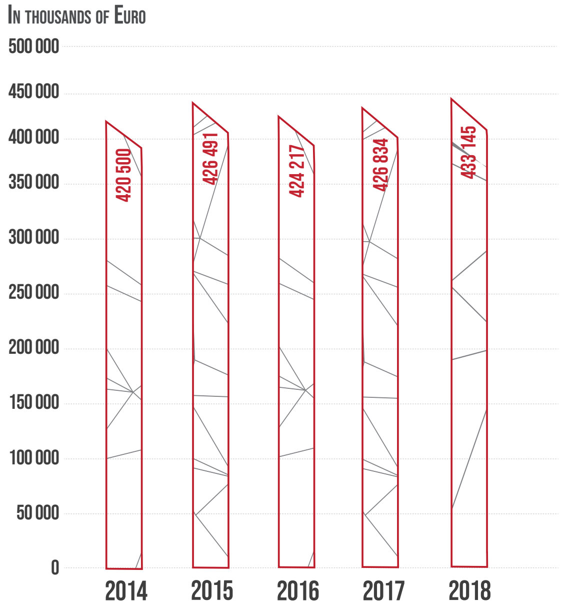
I strongly believe that the Africa we foresee today, is the Africa we are building. We must therefore think and prepare the Africa we want in the future, now. Your unwavering commitment and total dedication to transform Africa into a key player on the global scene have sustained our group on its course to success so far and will certainly propel it further by the grace of the Almighty God.

Let me, at this stage, express my sincere appreciation to you my fellow Board members, to our entire executive team, and to our operational and support staff. I would like to specially appreciate all the teams in our units, whose devotion to our vision is matchless. Their drive and perseverance are surely contributing to a great Africa

Dr. Paul K.FOKAM

Chairman

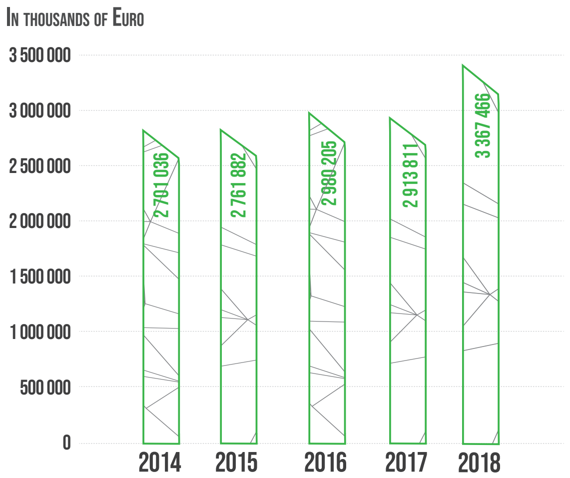
Total Equity



433
Million €
Total Equity

- Constant financial solidity to ensure our growth and expansion
- Increasing Equity, standing at 433 million Euros as at 31 December 2018

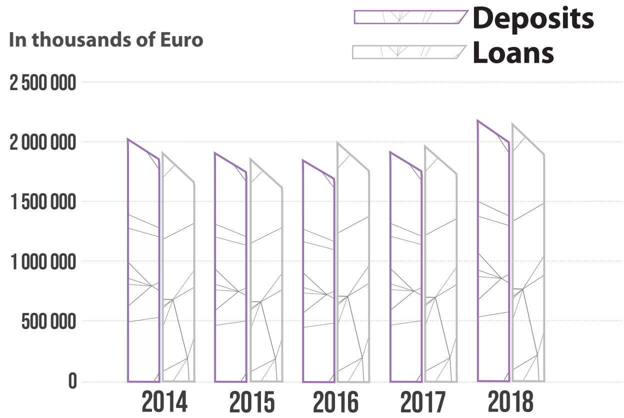
Total Assets



3 367
Million €
Total Assets

- Total Assets witnessed a sharp growth inspite of the adverse effects security crises and the persistent drop in commodity prices our major markets depend on.
- This growth is kept in check by concentrating on our core business and leveraging the principle of prudence.

Deposits and Loans



2 252
Million €
Customer Deposits

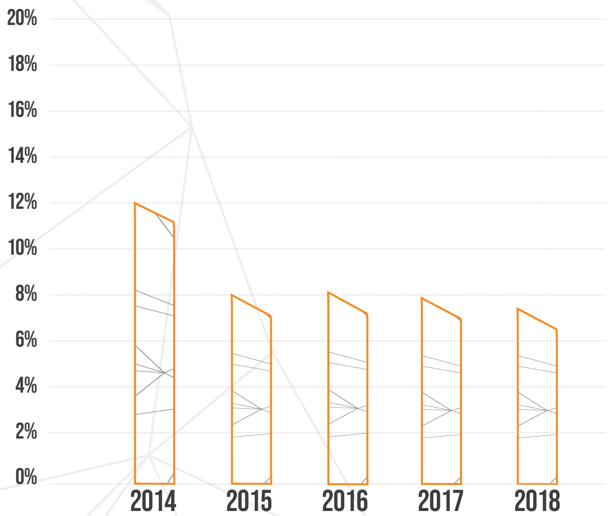
2 126
Million €
Loans to Customers

- Deposits witnessed a 17 % increase in 2018, after a 4% drop in 2017. This increase reflects greater customer confidence in our institution.
- Loans increased by 9% against the 3% drop recorded in 2017, also due to a slight upturn of activity despite a globally weak economic environment

Tier one Ratio

- The Tier one ratio, a security for creditors, was stable at 20%, from 21% recorded a year earlier.

Equity Profitability



7,3 %
Return on Equity

- Inspite of the persistent economic and financial crunch in countries where we operate our return on equity remained around 7.3%

Our Vision

The African Bank
of the Millennium

Our Mission

Become and remain a performing bank dedicated to the harmonious development of Africa.

Our Values

- Labour is the only source of wealth, personal and corporate growth.
- Customer satisfaction is our highest priority.
- Courtesy, humility, personal development and information are sources of progress.
- Savings are the key to social and economic progress.
- Liberty, Fairness, Responsibility.

Board of Directors

"Though without action is empty.
Action without though is blind"
Kwame Nkrumah

Photo : Board of Directors Meeting - Afriland First Group SA

"Stones have no hope of being anything but stones. However, through collaboration they get themselves together and become a temple."

Antoine de Saint-Exupéry

A collective commitment at all times.

Dr Paul K. FOKAM • Chairman

Dr. Paul K. FOKAM is President of Afriland First Group, a researcher, founder and President of PKFokam Institute of Excellence, a pan African University which seeks to be an incubator of world class African leaders through the promotion of African knowledge.

His vision is to restore Africa's dignity. His research focusses mainly on championing the cause of the poor, promoting their interest and engaging them in the process of wealth creation.

He sits on the Boards of several international organisations including the Mandela Endowment, Partnership to Cut Hunger and Poverty in Africa, the Consultative Group to Assist the Poorest, and the Gatsby Charitable Foundation, amongst others.

Dr Paul K. FOKAM, amongst others, winner of the German Prize for African Excellence.

He is initiating and promoting several initiatives for the emergence of a new Africa. .

M. Elson Ng KENG KWANG
Director

Mr.Ng Keng Kwang Elson is a graduate of the University of Washington/Pacific Rim Bankers Program, Stanford University/National University of Singapore Executive Program, University of Hawaii-Advance Management Program, The University of Michigan-South East Asia Business Program, The Chartered Institute of Bankers(Fellow), The Institute of Chartered Secretaries & Administrators(Fellow), and a Fellow of The Institute of Management.

He serves as President/COO/CEO/Director , and later President Strategic Projects/Chief Advisor to CEO of GMG Global Ltd, from 1998 through 2013. During this tenor, he also sit as Executive Director/Director of the group subsidiaries, namely GMG Holdings Pte Ltd, and in Cameroon, GMG International SA, Hevecam SA, Sudcam SA, and Tropical Rubber SA, Cote D'Ivoire as well as other subsidiaries in Indonesia.

He spent over 30 years with various international banks, and attended executive management training in Australia and USA. This included 17 plus years with Wells Fargo Bank NA and Bank of Hawaii, where he held Chief Executive position for the South & South East Asia, HongKong, Taiwan and China region from 1981-1997.

Thomas Vogel studied Economic Science and Politics at the University of Basel and has a Federal Licence in Organisation and Project Management in Switzerland. He started his career at Swiss Bank Corporation (today UBS) in Basel and Geneva and then moved then to Bank Edouard Constant in Geneva in charge of Projects and Business Development. He has been an Executive Director at Bank Julius Baer in Geneva and Singapore from 2000 to 2011 where he was in charge of the External Asset Manager Department and the International Private Banking team.

He opened and lead the Wealth Management Representation Office in Nigeria for UBS from 2013 to 2016 where he was also member of the UBS Africa Management Committee.

He is on the AFG Board since June 2016 and is today an independent Advisor and Business Developer. Thomas Vogel is a Swiss citizen living in Geneva.

M. Thomas VOGEL
Director

Abdelhakim Ben Hammouda holds a PhD in International Economics and regularly teaches Economic Development in several universities.

Abdelhakim Ben Hammouda was the Minister of the Economy and Finance of Tunisia.

Prior to his appointment as minister in January 2014, he occupied senior managerial positions in various international organisations. He was special adviser of the President of the African Development Bank from 2011 to 2014, Director of the Institute of Training and Technical Cooperation of the World Trade Organization from 2008 to 2011. He held various director positions in the United Nations Economic Commission for Africa (ECA): Director of the ECA Central Africa Sub-Regional Office, Director of the ECA Trade and Regional Integration Division and also Chief Economist.

M. A. Ben HAMMOUDA
Director

M. Valery FOKAM
Director

Valéry Kammogne Fokam studied Business Administration after graduating in Electrical Engineering from the University of Applied Sciences, Cologne, Germany. He joined the management committee of Afriland First Group in 2009, the same year he became a Board member of the Group.

Valéry Kammogne Fokam is presently the Deputy General Manager of Sitracel, where he began his career in 2004 as head of the Research and Development Department and then moved to the position of Head of Sales and Markets Development Department. He seats on the Boards of several other industrial, investment and insurance companies. He is fluent in English, French and German.

Executive Committee

M. Abdelhakim Ben HAMMOUDA
Executive Vice-President

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M. Joseph TOUBI
Executive Vice-President

Joseph TOUBI became Executive Vice President of Afriland First Group in 2008 and is in charge of business development and international relationships after serving as Advisor to the Afriland first Bank Chairman for 9 years.

He is equally Board Chairman of Afriland First Bank Congo Democratique, member of the Board of Directors of Afriland First Bank Côte d'Ivoire, and member of the Board of Directors of Afriland First Bank Guinea. He sits on the supervisory committee of Micro Trust Fund, a risk venture fund for micro-enterprises.

Mr TOUBI graduated as an engineer from the prestigious Ecole Centrale de Paris and has 30 years of experience in banking. He joined Afriland First Bank Cameroun as Internal auditor in 1997 after serving for two years as Assistant Financial Controller at BIAO Bank Cameroon and for five years as Head of Administration & Budget Control at the Société Générale Bank Cameroon.

M. Jean-Paulin FONKOUA KAKE
Executive Vice-President

Jean Paulin Fonkoua was appointed Afriland First Group's Executive Vice-President in charge of organisation, methods and information systems in 2007. Prior to his appointment, he was the Chief Information Officer of Afriland First Bank, Cameroon for 12 years, and later of Afriland First Group.

These appointments are the logical outcome of his Mathematics and Computer Sciences studies at the Universities of Yaounde, Cameroon and the United Nations University in Tokyo, Japan. He has also taken courses in a variety of areas like Finance, Risk Management, Monetics, etc.

Mr. Fonkoua is equally Chairman of Afriland First Bank Cameroon and of the PKFokam Institute of Excellence Scholarship Board.

M. Jean-Paul KAMDEM
Executive Vice-President

Mr. Jean-Paul Kamdem graduated from the University of Limoges where he obtained a Masters degree in Economic Sciences in 1991 and a Postgraduate Certificate (DEA) in Monetary-Economics in 1992. The following year he obtained a Msc in Banking, Money and Finance from the University of Birmingham (UK). He joined Afriland First Bank Cameroon in 1994 where he started his career in the Research and Development Department, then moved to the Inspectorate, and later to the Marketing Department, and to the Loans Department before being appointed as Head of the Paris Business Office of Afriland First Bank from 2001 to 2014.

Mr. KAMDEM holds the Certificate of Advanced Banking Studies (CESB Banking Management) from the CFPB / HEC Paris Group, and a Certificate of Higher Education in Business (CESA) from HEC-Paris (France). He was appointed Risk and Finance Manager of Afriland First Group since June 2014.

In 2017, he was promoted as Group's Executive Vice President in charge of Resources and Risks.

Social Responsibility

« Ignorance must die for knowledge to be born »

Amadou Hampâté-Bâ

HE Professor Alpha CONDE, President of the Republic of Guinea, presenting a check of 2 billion Guinean Francs in support of the development efforts of MUFFA members from the NZEREKORE community.
Since he became President, Pr Alpha has been the main actor in the fight against poverty in his country, which explains his unrelentless presence on the battlefield.

Granting of the first BNIG loans to micro-entrepreneurs in partnership with Afriland First Bank in a colourful ceremony attended by Dr. Paul FOKAM and members of the government of the Republic of Guinea

A beneficiary signing her loan convention with BNIG

Corporate social responsibility is an essential element of our strategy and growth. Our commitment to communities in which we operate lies at the heart of our corporate culture. Since 1990, we have been translating our commitment into reality through our ownership of Dr. Fokam's MC² Model, an iconoclastic model to the fight against poverty, which differs from other theories and policies popular among international bodies but whose results are questionable. According to the MC² Model, victory over poverty (VP) in African communities is possible through the combination of the means (M) and competence (C) and commitment of the community.

The model came as an innovation at a time when traditional strategies for the fight against poverty were floundering and proving inefficient. That is why Afriland First Group included the approach in its corporate social responsibility and poverty alleviation policies. Implementing the model entails supporting the State and rural communities to create wealth among the underprivileged. It further implies breaking away from the traditional approaches that rely on handouts to the underprivileged. The break up empowers rural communities by offering them the means to become producers not dependents. In the MC² Model, victory over poverty and the end to social marginalisation are predicated on production and wealth creation.

Our corporate citizenship is to raise the awareness of individuals to the reality that they are each solely accountable for their destiny and that of their country. We help them realise that if they are interested in protecting their dignity and pride, they must each give up handouts and work to change their lives. That is why we agree with President Ahmed Sékou Touré that, "We prefer poverty with dignity than wealth in slavery."

Afriland First Group supports the deployment of the MC² Model in partnership with a number of partners such as, local communities, NGOs like ADAF, SOS Faim, Peace Corps, and development institutions and the States and governments of countries where we operate.

Alongside these traditional partners, other institutions like the Islamic Development Bank and some United Nations and World Bank agencies have been showing an interest in our approach.

The implementation of the MC² Model began with an in-depth analysis of poverty in Africa. The study led to four conclusions. First, poverty is deeply entrenched across

The MC² Movement expands to the Democratic Republic of Congo

Under the impetus of President Joseph Désiré KABILA and the President of the Republic Félix TSISEKEDI, the Goveor of the Lulaba Province flanked bx Dr Paul K. FOKAM, the International Sponsor of the MC2 Movement, and laying the foundation stone for the construction of the first rural development microbank in the Lulaba province.
The verx enthusiastic populations shwored the initiators of the project with messages of gratitude and prayed for God's blessings on theit actions.

the continent and aid-centred strategies to fight the scourge that affects more than 60% of the population are weak. Second, the phenomenon is pervasive in rural communities where it permeates economic, financial and social life. Third, women are more affected by poverty. Lastly, the modern banking system is exclusive since it is not compatible with local customs, traditions, and intellectual levels.

The conventional financial system requires guarantees that local populations cannot provide. As a result, they are condemned to depend on handouts because they

Group photos of ICD and Afriland First Group teams at the 44th Annual Conference of the Islamic Development Bank (IDB)

have little or no possibilities of creating wealth. Financial exclusion strengthens poverty across Africa and the marginalisation of its growing population, thereby promoting unemployment and violent crime.

Against this backdrop, we decided to, as an African group, promote and implement, within the framework of our corporate social responsibility policy, the MC² Model, developed by our President, Dr. Paul K. Fokam. The model is in the heart of our strategy to provide support to rural communities. It is of strategic interest because it breaks away from the traditional aid-driven approaches and offers a new way for lasting victory over poverty by placing the emphasis on empowering individuals to overcome poverty through wealth creation.

The model emphasises savings, the nourishing source of investment, which is the driving force for wealth creation.

The MC² Model is underpinned by three main philosophical principles:

- raising the awareness of the poor on the need to take charge of their destiny
- awakening the poor to the tremendous entrepreneurial potential inherent in their culture

Signing of a Strategic Partnership Agreement between ICD and Afriland First Group, aimed at eradicating poverty in Africa.

- leading the rural population and underprivileged urban women to sustainable economic and financial self-empowerment and reliability

The implementation of the MC² Model comprises five main steps. The first step consists in educating the poor on the principles and basics of the model and on their capacity to take charge of their destiny. This step further implies raising the awareness of the poor to the importance of savings and the pooling resources in the wealth creation process. It is a crucial step insofar as it lays the ground for their freedom from the handout mindset, which has driven them for several years. The second step is that of mobilising savings to ensure financial autonomy. The third step is about financing common economic projects. The fourth is achieving individual projects. The fifth and last step is carrying out common social projects.

MC² units offer the following financial services: savings, loans, money transfer micro-insurance, etc. They equally offer non-financial services, the most significant of which are the promotion of agro-clusters and other activities such as the sales of various agricultural products, capacity building and business development.

Upon their launching in 1990, the MC² rural development micro-banks recorded rapid growth in Cameroon before expanding to other African countries. As of date, the services of the MC² micro-banks have impacted on about 5 million people. This rapid growth is indicative of the relevance of the initiative and the main idea behind the MC² micro-banks, that is, making wealth creation the true instrument for the fight against poverty and marginalisation for the construction of human dignity.

We are committed to breaking the vicious circle of poverty sustained by the aid-driven policies and creating a virtuous circle of dignity by emphasising production and wealth creation. It is an essential social commitment to rural communities and to women in urban areas across Africa so that they can take charge of their destiny and work to break out of poverty and earn their dignity.

Alongside its micro-economic benefits and its contribution to the improvement of living standards in rural communities, the MC² movement has contributed to revamping overall growth by bridging major economic sectors that were erstwhile separated.

2018 witnessed a ramp-up and growth of the MC² network in countries where we operate across Africa. The movement was launched in Sao Tomé et Principe and will reach out to 115 households in its first phase. The project targets several activities such as animal farming clusters, agriculture, fishing, ensuring the security of payments and financial flows and offering local communities access to sources of funding.

MC² activities equally recorded rapid growth in Liberia where twelve communities in nine of the country's fifteen provinces now each boast of a rural development microbank in remote areas that have no access to commercial banking services. About 100 000 people in Liberia have been positively affected by activities of the MC² network. It is also worth mentioning that about 30 000 state workers are paid through MC² rural development microbanks in remote areas. The success recorded by the MC² network in Liberia has led some international organisations to invest about USD 10 million in financial inclusion through the network.

In the Republic of Guinea, the MC² has witnessed speedy growth in four years. It has offered Guineans a wide network of 136 rural development microbanks (80 units have more than 80 000 direct members) as of 31 December 2019. These units reach out to more than a million members directly, they are fully operational and gave out loans to tune of more than 75 billion Guinean Francs (close to 8 million Euros) and repayment stands at 98%. The MC² movement in Guinea seeks to help at least 2 million people out of poverty in the next two years through financial inclusion.

It is in this context that that the United Nations Development Programme (UNDP) designed a national dialogue framework for all players involved in financial inclusion. The framework is chaired by Afriland First Bank Guinea's Managing Director, Mr. Guy Laurent FONDJO.

The first results of the framework are the signing of a protocol agreement between the UNDP and Afriland First Bank Guinea and another between Afriland First Bank Guinea and the association of microfinance institutions of Guinea (AIPM). The partnerships seeks to develop and strengthen financial inclusion and to facilitate access to financing at affordable costs for vulnerable groups: youths, women and the disabled.

Equally worth mentioning, as concerns responsibility, is the charity programme developed by Afriland First Bank CD to reach out to orphans and the elderly. In 2018, more than 250 orphans and 100 elderly people received care and donations of basic needs.

Besides, Afriland First Bank CD reached out to business women. 300 business women were empowered through financial education and loans in partnership with Lualaba and Tanganyika Provinces.

Our corporate social responsibility activities are not limited to the MC² movement; they extend to education, health, the environment and business incubation.

In education, Afriland First Group awarded 50 scholarships. We equally offered support to wood and mechanical engineering works training centres.

As concerns health, we offered a surgical and an emergency pavilion in two medical facilities in Cameroon. We are pursuing the offer of targeted support to health facilities in Guinea, Liberia and DR Congo.

Afriland First Group has developed a business incubation facility for young entrepreneurs in all the countries where we operate.

Corporate Culture

Culture is enriching the mind through intellectual exercise. It is the set of physical or ideological phenomena that characterise an individual, a company, a tribe, or a nation.

At Afriland First Group, the purpose of our activities and the foundation of our commitment are clearly defined. Our culture is enshrined in our Personnel Handbook in which we uphold the accountability of individuals for their destinies.

We have equally identified three means to effect lasting change. We believe that progress depends on:

- Work
- Perseverance
- Thought. On this score, we borrow from late President Kwame Nkrumah, who stated that, "Thought without action is empty. Action without thought is blind."

Our corporate culture sets us apart from other companies. It is a trademark the group developed in the course of its history. Our corporate culture is rooted in our determination and commitment to contribute to the emergence of an African capitalism and of a breed of entrepreneurs capable of driving Africa's development by building and strengthening the continent's financial autonomy. Throughout the post-colonial period, African entrepreneurs have faced challenges to access financing to carry out the investments and contribute to Africa's economic transformation. That is why since its creation, Afriland First Group's objective has been to contribute to the reduction of this gap by enabling access to financing for African entrepreneurs.

Alongside our commitment to Africa's development through the financing of African entrepreneurs, our corporate culture is equally predicated on our attachment to the cultural values and basic principles of African humanism. Contrary to other cultures where the individual, individualism, and competition are the foundations of development and economic growth, African culture relies on two major principles. The first principle underlines the pivotal role of communities in economic, social and political dynamics. African culture equally lays emphasis on solidarity and mutual help as the bases of social relationships and interaction. Accordingly, this mix of solidarity, cooperation, and mutual aid, which connects the individual and the community, is the basis of our corporate culture. The culture is at the centre of our commitments since our creation and justifies our determination to provide African entrepreneurs with relevant financing solutions. Our corporate culture and the principles of mutual aid and solidarity are equally the basis of our commitment to the poor, a commitment translated by our work through rural development microbanks.

Afriland First Group is strongly influenced by African values and our twofold commitment to drive development, provide empowerment to grassroot communities and promote wealth creation as the means of breaking out of poverty and at the same time to develop African entrepreneurs in order to enable the transformation of African economies and deliver the continent from its heavy colonial heritage and dependence on commodities.

Our unique corporate culture, deeply rooted in African traditions and the philosophies of solidarity and mutual aid within communities, enables us to not onluy tailor our offer and management to African customs but to also offer context-relevant products.

Although it is predicated on African philosophies and values, our corporate culture is flexible and open to the world and universal values. In the course of our history, we have continuously adopted international principles and practices of good governance and transparency, which are the standards of our industry.

It is Afriland First Group's corporate culture, rooted in African principles and values, that sets the group apart from other African or foreign companies and accounts for its uniqueness.

We uphold this culture and strive to enforce it at all levels of our organisation to make it the foundation of our activities. Contrary to other companies with low staff retention rates, our low turnover is accounted for by the fact that our staff quite easily embrace our corporate culture.

Management Report

World Economic Outlook

Global economic activity in 2018 was mainly marked by a slowdown compared to the previous year and, especially, to upbeat forecasts at the beginning of the year. The world economic situation witnessed a decline due to trade tensions, especially between China and the USA.

World economic growth dropped from 3.8% in 2017 to 3.7% in 2018 whereas forecasts indicated a higher rate at the beginning of the year. A confluence of factors accounts for the slowdown. The first of them is waning momentum in advanced economies, especially in Europe. Although growth remained robust in the USA due the economic policies of the Trump administration and stood at about 2.9% in 2018 recording a net progress as compared to the previous year, world economic growth slackened especially because of a slump in Europe. Growth in the euro area dipped from 2.4% in 2017 to 1.8% in 2018. The two major economies of the area account for its weak growth. Germany recorded a sharp drop in growth from 2.5% in 2017 to 1.5% in 2018, which according to experts, is due to the introduction of new emission standards. France, the other major economy of the euro area, equally recorded plunging growth from 2.3% in 2017 to 1.5% in 2018 due to social unrest in the country.

The second cause of the downturn is weak growth in emerging economies, which dropped down from 4.7% in 2017 to 4.6% in 2018. But most of all, it is China's performance and the decline of its growth below 7% that weakened global growth. The contraction of China's growth stems from a combination of factors among which are regulatory tightening to rein in shadow banking, off-budget investments of local governments, and an increase in trade tensions with the USA, which reduced exports. While in China's growth declined, India recorded a rapid upturn of 7.3% in 2018 from 6.7% in 2017 and became the new growth driver of emerging economies and global growth in general.

The third cause of slack growth in the previous year was the escalation of trade tensions that marked 2018. Global trade growth fell sharply from 5.3% in 2017 to 4% in 2018. In spite of positive signs to ease trade tensions notably the 30 November 2018 signing of US-Mexico-Canada Agreement to replace the North America Free Trade Agreement; the 90-day truce between the USA and China on tariff increases, negotiated on the fringes of the G2O Summit in Buenos Aires, Argentina; and the announced reduction of Chinese tariffs on US car imports, noise of trade war weighed on investment decisions and contributed to growth slowdown.

The fourth factor that significantly contributed to sluggish growth was the change of monetary policy priorities and the introduction of unconventional policies. Rate hikes and the end of quantitative easing weighed on global growth and on investment in advanced economies.

The global financial context, volatility, and other financial market disturbances also heavily weighed on global growth. Souring market sentiment and the strong market disturbances of 2018 were as a result of trade tensions, uncertainty in emerging economies, and budgetary policy in Italy. The persistence of tensions awakens fears of another global meltdown.

The foregoing factors are evidence that global growth is still struggling to attain its post-crisis level. While growth remained strong in the first half of 2018, it hit a relatively low level in the second half of the year because of the trade and financial tensions that marked 2018. The context weighed heavily on the banking industry and activities.

Africa's Economic Outlook

Contrary to other regions, Africa, especially sub-Saharan Africa, withstood the 2008 -2009 global financial crash. Post-crisis growth remained relatively high and Africa became the new global growth frontier, according to many observers. But the trend witnessed a reversal as from 2015 when growth plummeted to 3.4%;

« Hope is the pillar of the world »
Proverbe africain

Africa's resilience to global turbulences weakened and growth continued dropping in 2016 to about 1.4%, hitting its lowest level for several years. The continent slightly picked up to 2.7% in 2017.

The slight improvement continued throughout 2018 up to 2.9%. Several factors explain the slight upturn: commodities price increase and a steady moderate global growth.

In spite of this slight recovery, Africa's growth remains below the levels required to bolster development momentum and deliver the continent from the commodity-based economy it inherited from colonialism.

Africa's weak performance was partially accounted for by the continent's two major economies. While Nigeria's growth rose from 0.8% in 2017 to 1.9% in 2018, South Africa's growth contracted from 1.3% to 0.8% between 2017 and 2018.

Besides slackening, growth across the continent had broad variations across economies and regions. The CEMAC region recorded a 1.7% growth in 2018. Simultaneously, growth in the West Africa Economic and Monetary Union (UEMOA) region was robust rising up to 6.4%. The growth rates of both regions confirm a trend that has been observed over the past several years.

Therefore, in spite of recovery in 2018, growth in Africa remained sluggish and insufficient to address the continent's three key development priorities: poverty reduction, economic diversification, and emancipation from the commodity-based economic model inherited from colonialism with a view to engaging a new phase of sustainable and balanced development.

Weak growth in Africa has a negative impact on the performance of the banking industry and, especially on Afriland First Group's performance.

Growth was uneven in various regions of the continent illustrated by the sharp difference between growth in the CEMAC region and that of other regions, especially that of the UEMOA region. This variation is a trend that has been observed for several years and justifies the strategic choices we have made to diversify our offer in various African regions so as to benefit from the growth of more dynamic regions.

Economic Performance of Countries Where We Operate

In 2018, growth was moderate in the countries where we operate like on the rest of the continent. The only exception was Côte d'Ivoire, which recorded the highest performance in Africa with a growth rate of 7.4% in 2018. The country witnessed strong recovery at the end of the civil war. Continued growth indicates that the performance is not a catch-up effect peculiar to post-war economies, but rather it is a truly strong and self-sustained momentum. Investment in major infrastructure projects accounts for the high growth the country has been recording for a number of years.

Apart from Côte d'Ivoire, countries can be classified into three categories according to their economic performance. The first category comprises countries whose performance was above the African average growth performance. This category includes Benin with a growth rate of 6% and the Republic of Guinea with a growth rate of 5.8% in 2018.

The second category includes countries with a growth performance bordering on the African median. They are: Cameroon that recorded a growth rate of 3.8%, the Democratic Republic of Congo with a growth rate of 3.8%, and Liberia, whose growth rate stood at 3% in 2018.

The third category is made up of countries hit by economic or political crisis. The first of them is Equatorial Guinea that recorded a negative growth of -7.7% in 2018

« The tree becomes stronger in the wind »
Proverbe africain

followed by South Sudan whose growth stood at -3.2%.

Modest growth of countries where we operate had a significant negative impact on Afriland First Group's overall financial performance.

Changes in the Banking Industry

Expansionary monetary policies and relatively lower interest rates that weighed on the profitability of banks, marked the global banking industry in 2018. Although the United States started shifting from accommodative policies in 2018, interest rates were still relatively low; and at the end of 2018, the US Federal Reserve signalled a pause in its interest rates hikes. In Europe, Japan and emerging economies, monetary policies remained accommodative by maintaining low interest rates and quantitative easing. These choices weighed heavily on banking activities, especially on income and profitability.

To cope with this situation, the banking landscape adopted five major trends in 2018. The first trend is related to the implementation of new regulations, especially in Europe, with the application of new standards for online payments and use of data. All of these changes and new compliance and risk management rules implied relatively high costs that negatively affected banking profitability.

The second trend concerns the acceleration of the digital transformation of banking. Banks sought to connect with consumer habits of new young customers and developed mobile applications and online banking. These adjustments required significant investments in digitalisation.

The third trend is linked to network downsizing major banks had to implement to cope with the rapid development of digital banking and online banking. Most major retail banks were compelled to significantly downsize their network of branches to deploy online banking.

The fourth trend concerns investment in Fintech. Many banks invested in Fintech companies to stay on top of technological development and the ongoing revolution so as to keep in step with the innovation race. The investments and shareholding enable major banks to develop synergies with start-ups, which are at the centre of innovation in the financial sector.

Another trend in the banking industry worth mentioning is the rise of new players like telephone companies or the GAFA giants.

The banking industry is in the centre of major transformations and changes driven by digitalisation and new technologies. However, at the same time, the profitability of the industry was undermined by weak global growth, the pursuit of accommodative monetary policy, and investments in the implementation of new compliance and risk management standards.

The African banking industry also witnessed changes and major transformations in 2018. Most African banks and major banking groups strengthened the digitalisation of their activities and mobile banking offer. While Kenya is ahead in this area, a good number of other countries recorded major progress in the area and most African banks started the digitalisation of their products and services.

Although the 2018 performances of African banks have not yet been published, it must be noted that they picked up momentum in 2017. The continent's banks recorded significant growth after stalling for two years. Balance sheet growth attained a decade high of 18.7%, income rose by US$10 billion, and profit stood above US$25 billion. The African banking industry was the second most profitable globally with a 14.9% return on investment in 2018, just behind Latin America and at the same level with other regions like emerging Asia and the Middle East.

Several reasons account for this rebound, albeit weak. A major part of the profit was allocated to provisions for the non-performing loans of previous years.

Africa's banking industry is dominated by Southern Africa, which, driven by South African banks, and whose cumulated balance sheets account for 51%. It is followed by North Africa where Egyptian and Moroccan banks occupy the leading positions and whose cumulated balance sheets account for 30.4%. The share of West African banks contracted from 14% to 12.3% because of disruptions recorded by Nigerian banks. Central African banks occupied the least position and whose cumulated balance sheets account for 1%.

The banking industry is undergoing major transformations and changes that accelerated in 2018 and account for the unprecedented change and the advent of a new bank in the 21st century. To cope with new challenges, banks undertook major investments and restructuring programmes in a context marked by a drop in return on investment and profitability of the industry.

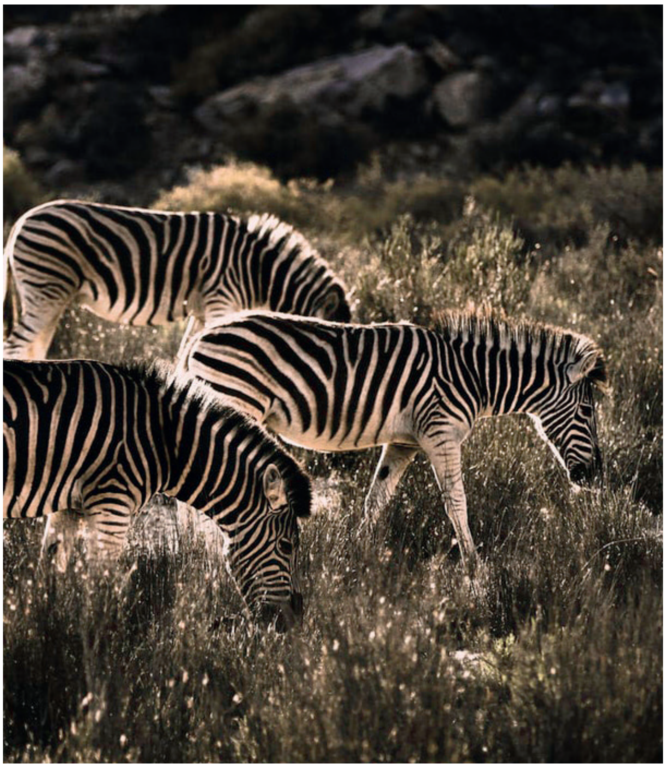
Our group equally undertook sweeping transformation measures to keep in step with changes in the banking sector and offer customers quality service that takes into account new technologies and banking digitalisation.

AFG : 2018 Highlights

Afriland First Group's activities in 2018 were marked by the global economic environment and weak growth in Africa in general and the countries where we operate, in particular. At the same time, transformations in the financial sector and increasing investments needed to comply with new compliance and risk management standards, weighed on the group's return on investment and profitability.

In spite of a challenging environment, the group strengthened its positions and pursued its development in 2018. Its units recorded a 9% increase in loans. New units like Afriland First Bank Côte d'Ivoire and Afriland First Bank RDC achieved significant progress, which justifies the group's strategic choice to diversify in different regions and other African countries. Deposits equally witnessed a 17% rise in 2018. This performance translates confidence in Afriland First Group and its units.

After so many years in Equatorial Guinea, which offered Afriland First Group the opportunity to support the development, in conjunction with its local partners, of a major banking institution, the group has decided to sell its shares to local investors. This was a necessary strategic decision whose purpose is to sustain our diversification to other African regions with a higher growth potential. We are satisfied with our activities, through which, together with our local partners, did contribute to the acceleration of the economic and social progress in Equatorial Guinea.



***« If you want to go fast, go alone.
If you want to go far, go with others. »***

Afriland First Group strengthened Cooperation with international partners, especially with the signing of financial agreements with ICD for the promotion of SMEs and poverty reduction in regions selected by mutual agreement.

Signing of a financial agreement worth 45 million Euros with ICD, the IDB's private sector subsidiary, in the presence of Dr Paul K FOKAM, Mr. Salah Babale, Mr. Mohammed ALAMMARI, Mr. Youssoufa BOUBA & Mr. Essam Osman El-Kordy.

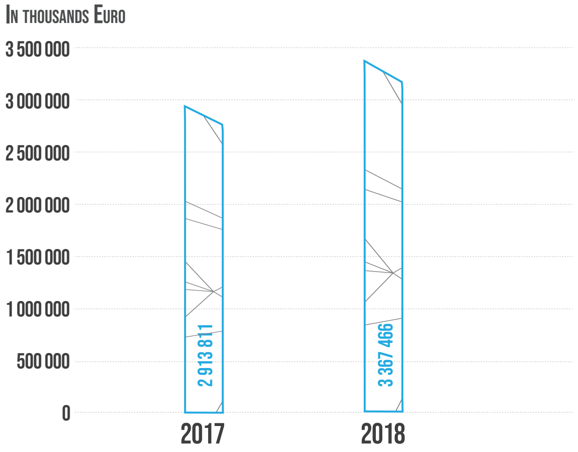
To improve its information and stay ahead of new trends and demand, Afriland First Group equally signed a partnership with TEMENOS, a global leader in banking software.

Financial and Operating Performances

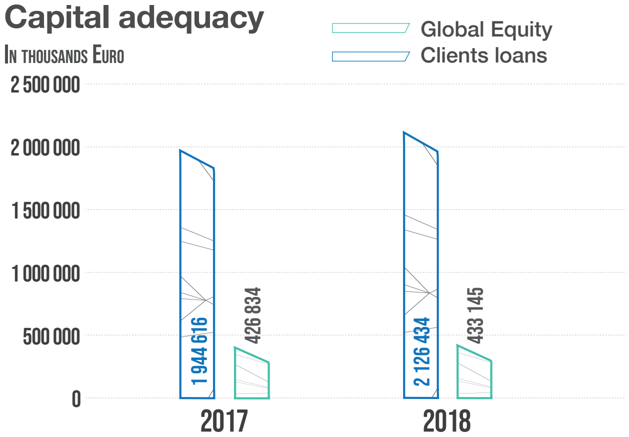
Despite the tough economic landscape, our group kept up the improvement of its financial performance. Several indicators reflect the improvement.

Balance Sheet

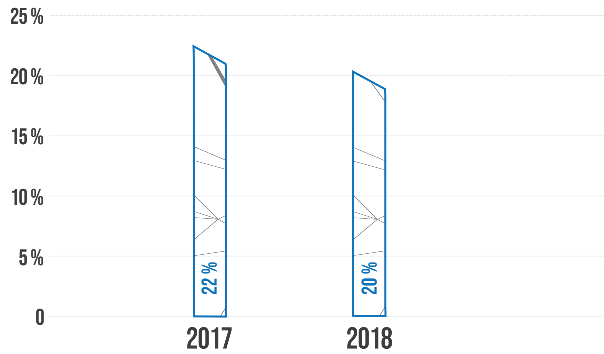
Total Assets increased by 15%, reaching up to 3,367 million Euros as at 31 December 2018.



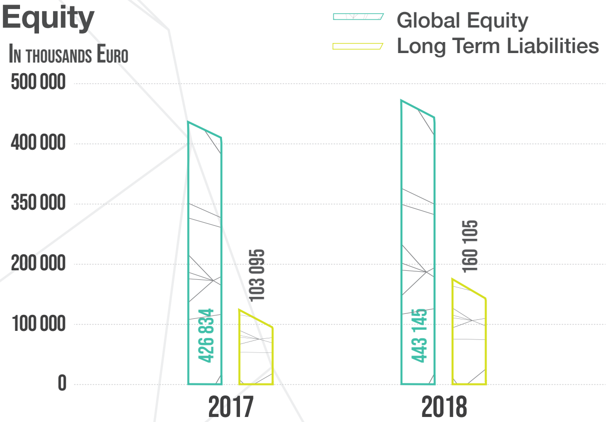
Capital adequacy



Capital adequacy ratio

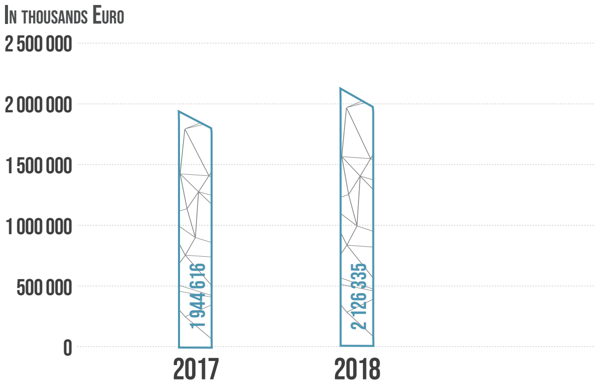


Equity



Total Equity stood at 433 million Euros as at 31 December 2018, that is, a 1% increase year on year.

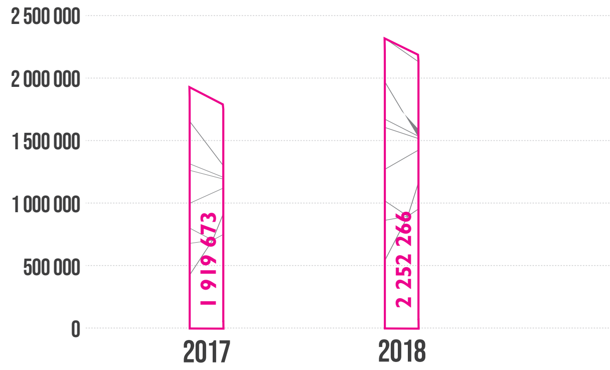
Total net loans to customers



Net loans to customers increased by 9% from 2017 to 2018, after a 3% drop from 2016 to 2017.

Total customer deposits

IN THOUSANDS EURO



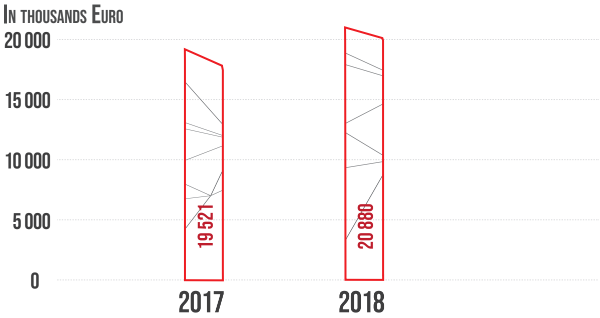
Customer deposits witnessed a 17 % increase from 2017 to 2018, reflecting greater customer confidence in our institution.

Operating account

- As at 31 December 2018, the Group's **net profit** stands at 20.8 million Euros, thus recording a 7% increase compared to 2017.

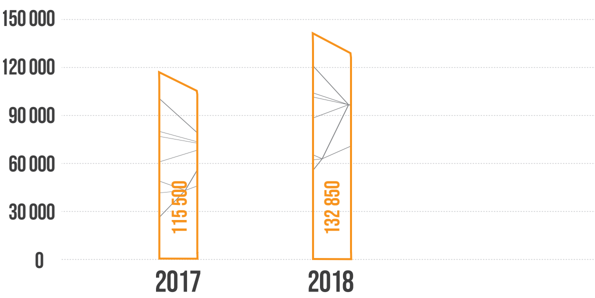
Net profit

IN THOUSANDS EURO



Interest income

IN THOUSANDS EURO

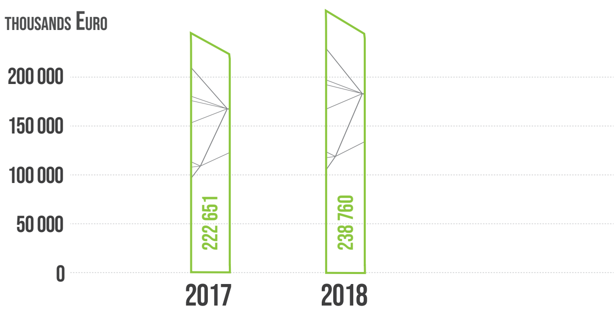


- As at 31 December 2018, **Interest income** increased by 15 %, mainly due to a considerably higher volume of loans to customers.

Operating income

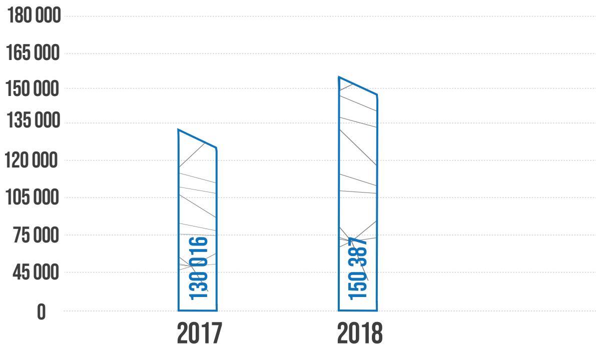
- As at 31 December 2018, **Operating income stands** at 238.7 million Euros, a 7% increase compared to 2017.

IN THOUSANDS EURO



Operating costs

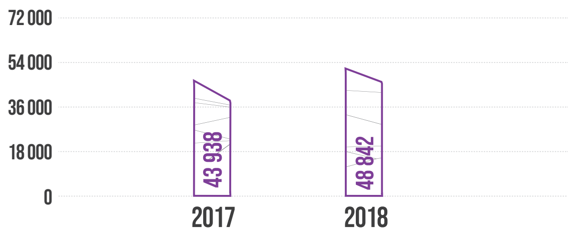
IN THOUSANDS EURO



- As at 31 December 2018, Operating charges increased by 15.7% compared to 2017. This stems from an increase in business activity and in Research and Innovation expenditure.

EBIDTA

IN THOUSANDS EURO



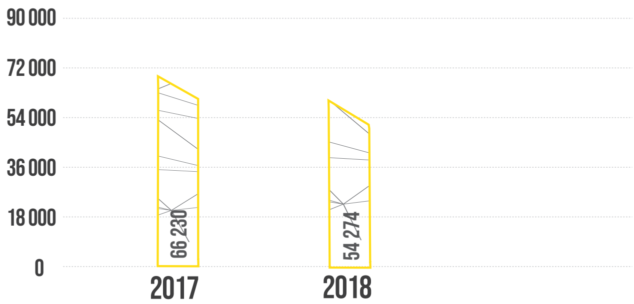
- Earnings before Interest, Taxes, Depreciation and Amortization **(EBIDTA)** amounts to 49 million Euros as at 31 December 2018, increasing by 11% compared to 2017.

Financial and Operating Performances

- We strengthened our prudential policy this year by devoting 54 million Euros as annual provision as at 31 December 2018.

Provisions for Credit Risks

IN THOUSANDS EURO



"Where there's a will, there's a way."

Winston Churchill

Risk Management

Considering current trends in world economy, risks have become primordial issues for our group. That is why, we dedicate significant technical and human resources to mitigate their frequency and impact, and thereby ensure protection against future uncertainties.

I- Risk Governance

Risk governance in AFG's units operates on the following principles:

A strong involvement of the operating unit's Board of Directors and top management in the risk management process and the promotion of a risk culture within the operating unit

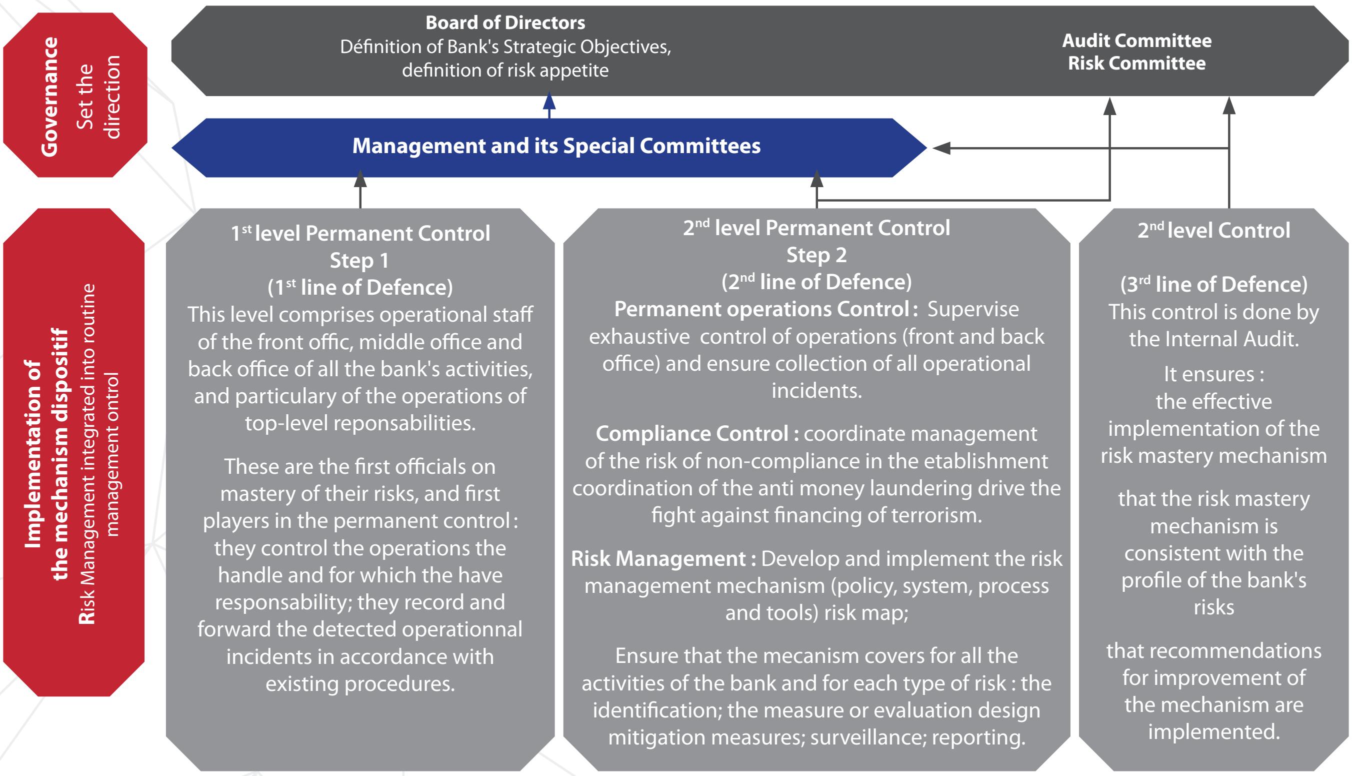
- A clear definition of internal rules and procedures;
- The appointment of a risk management officer, who reports directly to the Board's risk committee and operates independently of business units
- The permanent monitoring of the risk management framework of the independent (from business units) unit, which manages the risks to which business units are exposed
- The taking into account of the operating unit's activities within the risk management framework
- The elimination of conflicts of interests, especially through compliance to AFG's charter of ethics and the systematic separation of duties
- Compliance to local regulation ;
- The alignment of every operating unit's risk management policy to that of the group.

> The Board of Directors of every operating unit has a risk committee in charge of monitoring the implementation of the risk management policy.

> Every operating unit's risk management policy is adopted by its Board of Directors at the proposal of the Risk Committee.

> The group carries out, periodically, a qualitative and quantitative performance assessment by applying the CAMEL method to evaluate the risk management framework of every operating unit.

The risk management mechanism of Afriland First Group's operating units is a three lines of defence model structured as follows:



The three lines of defence are as follows:

1. Tier One, Level One Permanent Control

This level comprises operational staff and their hierarchy. They are primarily responsible for the management of operational risks caused by operations they perform. This line of defence includes three levels of control:

- Control prior to and after the approval of the operational staff.
- Control by hierarchy .

2. Tier One, Level Two Permanent Control

This level is made up of three units, which are independent of business units and report directly to the general manager and to the specialised committees of the Board of Directors.

- **Permanent Control of Operations Unit:** The permanent control of operations unit designs the control procedures to be implemented using the risk mapping through the process and activities of every risk management unit, coordinates proximity control, performs control at the central level, and carries out test missions on the field to ensure the comprehensive control of operations performed by front office and back office staff.
- **Compliance Control Unit.** This unit coordinates the management of non-compliance risk. Its role in the operational risk management mechanism is to monitor outstanding transactions in compliance with AML regulations. It equally ensures that every operation procedure is compliant with relevant laws and regulations.
- **The Risk Management Unit.** This unit ensures the proper functioning of the risk management system. It develops management tools for every type of risk, proposes management policies for every type of risk and submits to the Board of Directors for adoption and, monitors the implementation of various risk policies. It also promotes a risk culture.

3. Second Level Control or Periodic Control

This control is performed by the internal audit. It ensures:

- Effective implementation of the risk management system and its compliance with applicable regulations.
- Consistency of the risk management system with the risk profile of the banking unit;
- the implementation of recommendations for improving the system.

II- Credit risk management policy

II-1 Risk Management Objectives

Every year, the BoD of each of our units adopts Exposure Limits (in alignment with the overall Group Credit Policy) which defines:

- The ceiling for exposure to credit risk by business sector, country and region (the determination of the ceiling takes into account all commitments – balance sheet and off- balance sheet).
- The ceiling for exposure to credit risk by single counterparty or a Group of related companies ;
- The pricing methodology.

The general objectives of credit risk management in Afriland First Group's Units are the following:

1. Allow portfolio growth in a sustainable way, increasing shareholders value in the long term.
2. Achieve portfolio diversification in terms of single counterparty exposure, industry and geographic region.
3. Ensure that corporate and retail Non-Performing Loans (NPLs) portfolio does not exceed the limits defined in the credit policy.
4. Maintain strict compliance with internal and regulatory standards.
5. Ensure adequate Controls in the Credit Life Cycle from origination and disbursement to repayment and recovery from defaulted loans.
6. Assessing the quality of the Credit portfolio on a regular basis on normal and abnormal / stress conditions.

II-2 The Credit Risk Management Framework

The Credit Risk Management Framework of every Afriland First Group's unit is built on the following principles:

- The implementation of KYC (Know Your Customer)
- Assigning each customer to a portfolio manager ;

- Analysis of each loan application by the credit risk department; The strict respect of prudential ratios;
- The definition of internal norms at least as strict as international norms in aspects related to credit risk coverage;
- Preference of redeemable loans to overdrafts;
- Collegiality in credit approval decision ;
- Individual decisions are strictly forbidden;
- The independent monitoring of loan portfolio (top-down approach) by the department in charge of Risk.

II-3 Global Group Credit Risk Policy

Considering the Credit Risk Management Framework presented above, the Group has recently adopted a new approach to enhance Credit Risk Management in its Units. The key contents of this approach are as follows:

II-3.1 Capacity strengthening of Credit Decision at all levels

- Every loan application file must first of all be submitted to the risk department of the Unit for advice. The advice shall be justified, written, a part of the loan application file, and shall be binding on every credit committee, that is, the risk department shall only waive its objection to a file further to the provision of appropriate responses to its concerns prior to the decision of committee members.
- Every loan application file must first of all be analysed by the compliance department for advice. The advice shall be justified, written, a part of the loan application file, and shall be binding to every credit committee, that is, the compliance department shall only waive its objection to a file further to the provision of appropriate responses to its concerns prior to the decision of committee members
- Every credit file that falls within the scope of the Board of Directors of a given Unit must necessarily first of all be studied by the specialised committee appointed by the group. The committee shall provide justified written advice for every credit application file. Such advice shall be a component of the loan application file.

II-3.2 The Specific Policy Concerning Overdrafts

The tendency with new regulations is to scrape overdrafts for the benefit of redeemable or spot loans that offer advantages to the customer and to the Unit as well.

- Advantages to the customer:
- The amounts borrowed by the customer are allocated for specific use and thereby imply better management
- The customer possesses a better mastery and control of his or her treasury plan
- The interest on the loan is optimised (reduction of interest to be paid).
- Advantages to the Unit:
- Better risk management.

II-3.4 Necessary Precautions

- Forbid in anticipation, disbursement of a loan before all requirements of the committee are fulfilled ;
- Preference for redeemable loans;
- Provide financing only for businesses that are profitable over time. The customer's collateral is just an additional precaution;
- All redeemable or spot loans, in the case of disbursement, must be preceded by a promissory note signed by the order of the customer and cashable at maturity.

The sound implementation of our credit risk management policy has led to the following achievements in terms of diversification, NPLs ratios, risk coverage ratio and collateral coverage ratio:

II-4 Credit Risk Monitoring Tools

Credit risk monitoring tools were developed for the purpose of providing the Group's banking units with deeper knowledge of their credit portfolios to enable them identify negative trends beforehand and reverse them.

The tools as the methodologies of their implementation were developed according to sources of risk identified upstream such as operating in a given business sector or in a given customer segment, the concentration level or the country where the company operates. Below is a presentation of a few of the tools implemented in our units:

Tool	Primary Objective	Secondary Objectives	Frequency
Quarterly assessment of the claims history of the credit portfolio	Contribute to the minimization of sectoral risk in the financing granted by the banking unit	Inform the credit decision-making chain of the banking unit on Sector Risk by customer segment and propose guidelines.	Quarterly
		Periodically evaluate Outstanding Debt Rates by Business Line with the aim of identifying the least risky sectors of activity and the riskiest sectors of activity.	
		Update and Monitor Sector Boundaries	
		Evaluate the concentration by sector of activity at unit level	
Monthly Monitoring of Credit Portfolio Concentration	Minimize the Concentration Risk of the Credit Portfolio	Ensure compliance with the set concentration limits.	Monthly
		Detect Units with upward trends in the concentration of their portfolio on the one hand, and units that do not comply with concentration limits, on the other hand.	
		Define back-to-normal strategies and deadlines	
Monthly Monitoring of Commitments Portfolio 20/80	Individualized monitoring of the client portfolio representing in volume 80% of the unit's commitments	Ensure individualized monitoring of clients in this portfolio	Monthly
		Ensure the deconcentration in number, and by geographical area, of the customers constituting this portfolio	
		Monitor the loss ratio of this portfolio.	
Quarterly Assessment of the Recovery Effort	Contribute to the minimization of unpaid claims	Periodically review the activities of First Bank's debt collection chain	Quarterly
		Provide each link in the recovery chain with the points to improve its activity	
		Establish a basis for objective comparison of all links in the recovery chain	
Monthly Review of Prudential Ratios and Major Risks	Ensure compliance of the banking unit with prudential ratios	Periodically analyze the Bank's Major Risks, Detect the elements that may be at the origin of the non-compliance with the different prudential ratios or internal management standard	Monthly
		Determine the large variations in the level of Large Risk Commitments	
		Propose a compliance plan in the event of non-compliance with the Thresholds for Major Risks; Detect and correct any inconsistencies existing in the different ratios.	
Annual assessment of Credit Decisions	Ensure good decision-making and proper implementation	Determine periodically, in Amount, the rate of Good Decision taken (Amount of Credits Granted Fairly / Amount of Credits Granted) and Default Rate Amount (Amount of Default Credit / Amount of Credits Granted) by GFC, by Analyst, by Unit, by Region and by Committee.	Yearly
		Observe indicators such as the rate of credits passed in arrears from the first due date, overdrafts in default.	

II-5 the Group Credit Risk Sub Committee

A specialized committee has been set up within the Group, and is chiefly in charge of pre-examining, using a risk compliance approach, any loan application submitted to banking units and whose decision is within the competence of their Board of Directors.

This specialized committee, known as the Group Credit Risk Subcommittee, is mainly aimed at helping units achieve:

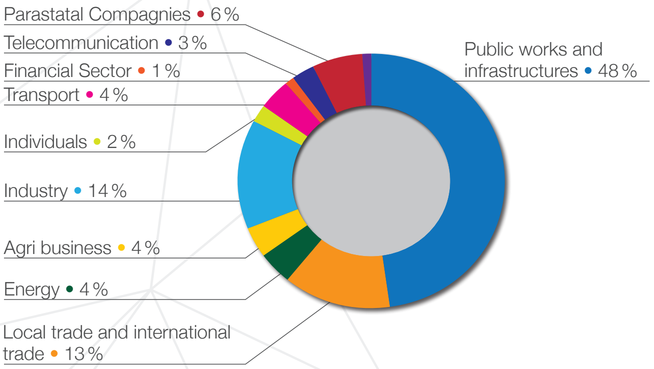
- an added value in terms of credit risk identification, compliance and prevention of legal risk
- Fairness in terms of credit rates, optimized hedging of risk exposure by appropriate guarantees
- compliance with sector limits.
- added value in terms of structuring.

This multidisciplinary subcommittee is made up of:

- Two Executive Vice-Presidents of the Group;
- In-house or external experts ;
- The Group's Compliance Manager;
- The Group's Risk Manager, serving as Rapporteur;

Diversification of our consolidated loan book

Our performance in terms of diversification as of the 31.12.2018



III. Outstanding debt risk analysis

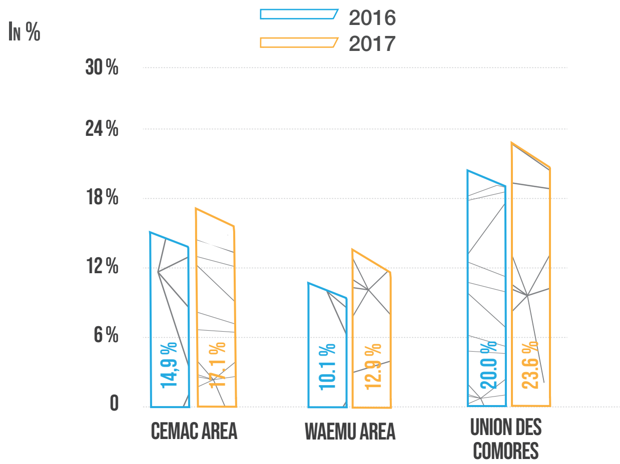
Gross outstanding debt rate

In our acting area

Gross outstanding debt rate	2016	2017	2018
CEMAC AREA	14.9 %	17.1%	NA
WAEMU AREA	10.1%	12.9%	NA
UNION OF THE COMOROS	20.0%	23.6%	NA

Source : Franc Area Report - Banque de France

Compared development of gross outstanding debt rates in Franc Area



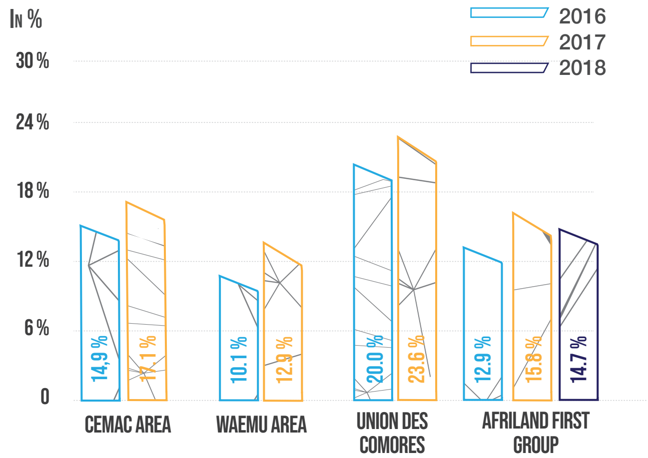
Though Africa's banking sector is the second most profitable globally, the table above shows that due to the current crisis, the loan portfolio has been deteriorating. This unfavorable situation has worsened because of a sharp decline in the prices of commodities upon which most African countries heavily rely.

Despite this overall adverse environment, our gross outstanding loans recorded the following trends:

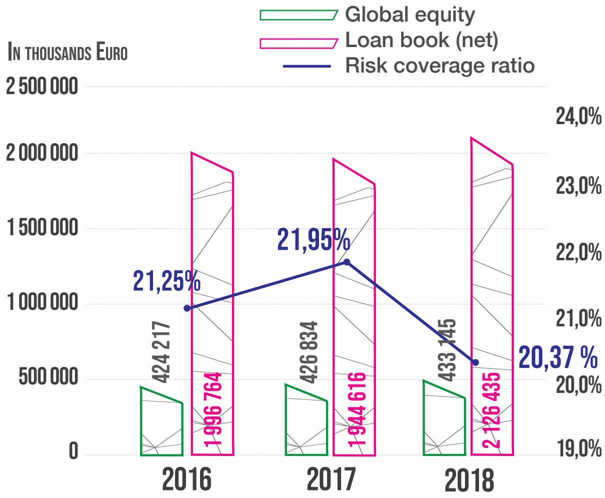
AFG : Gross outstanding loans ratio	2016	2017	2018
GROSS OUTSTANDING LOANS RATE	12.89%	15.79%	14.68 %

Trends of Gross Outstanding Loans

In our acting area



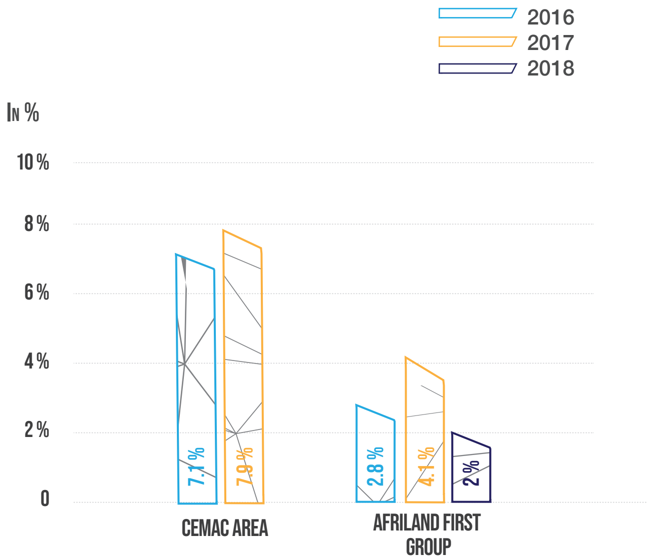
Evolution of risk coverage ratio



Net outstanding loans

The real risk exposure of our units in terms of portfolio management and quality is very weak owing to the rate of our provisions, which stands at about 88%, thanks to our policy of prudence.

Trends of Net Outstanding Loans



III- Operational Risk Management policy

III-1 General Objectives and Operational Risk Management (ORM) Strategy

Afriland First Group's Units have a prudent approach towards operational risk. Our Units seek to avoid operational losses by:

- Strict compliance with procedures,
- a process-based organization of Units,
- applying operational, regulatory and internal risk management tools,
- developing controls to be carried out based on a risk mapping,
- monitoring the actual enforcement of controls.

The general objectives of the ORM is to mitigate operational risks to the maximum extent possible through a robust system of operational and system controls, in the same time being mindful of the strains these additional controls are putting on operational efficiency and service quality.

In order to achieve the General Objective, the ORM Department or each Unit aims at:

- Creating operational risk awareness within the organization, including annual training for all employees,
- Ensure compliance with the legislative, regulatory and best practices requirements for operational risk
- Monitoring and strengthen the internal control systems to ensure that appropriate operational risk controls are maintained
- Ensuring that all operations run smoothly in all conditions by having appropriate Business Continuity plan.
- Mitigating the operational risks which the Unit is exposed to, by having appropriate insurance coverage for third party claims resulting from errors and omissions, employee or third-party fraud, and natural disasters
- Developing and tracking key risk indicators (KRIs), where appropriate, to act as early warnings of increased risk of potential losses
- Establishing effective monitoring and internal reporting of operational risks
- Establishing controls to mitigate the risks during a New Products Approval process to each new product, activity, process and system, or their amended versions, that should be identified and assessed, and mitigating.
- Monitoring operational risk events by having operational risk incidents data base and KRIs.

III-2 Mechanism for Operational Risk Management :

The mechanism in each of our units to manage operational risk covers all the activities and personnel of the Unit. The principle is that each employee is at his level a risk manager. The control of operational risks is based on the following principles:

- The strict application of KYC (Know Your Customer) procedures "Know Your Customer"
- The definition of strict (written) procedures for each operation
- The existence of five control levels within each Unit of the Group
- The mapping of operational risk by the Risk Department
- The definition and follow up of Key Risk Indicators (KRIs)
- The definition of internal prudential norms linked to the coverage of operational risks. These prudential norms are at least as strict as international norms

III-2.1 The KYC (Know Your Customer) Procedure

This procedure applies immediately when the customer enters into relationship with the Unit. It entails a legal obligation for our Units to know:

- The exact identity of the customer, their address, and their location;
- their activity and a justification of the origin of funds;
- their legal capacity, level of indebtedness as well as their relatives
- their commercial environments
- The implementation of this procedure serves as a preventive measure and enables the Unit to identify risky customers. This procedure is also an indispensable instrument in the fight against money laundering and the financing of terrorist activities, which is one of the main preoccupations of our group.

III-2.2 Procedures

This procedure applies immediately when the customer enters into relationship with the Unit. It entails a legal obligation for our Units to know:

III-2.3 Control Levels

The objectives of control consist in:

- Ensuring that procedures are respected during the execution of transactions
- Identifying and correcting errors occurred during operations
- Identifying frauds
- Ensuring that accounting information is reliable.

In each of our Units, there are five levels of control and these levels are implemented progressively with the development of the business:

1. The first level is operational control, which can be divided into two sub levels:

- Control done by operational agent themselves before validating the transaction;
- Control done by the operational agent's manager.

2. The second level of control is done by the proximity accounting controller. This is implemented at the branch level where the operation is being done.

3. The third level is done by the computer analyst

4. The fourth level of control is done by the central accounting Unit. The accounting documents of the various operations carried out in the various branches are forwarded for control in this Unit before being filed.

5. The fifth level of control is done by the Internal Audit Department. The Audit Department reports both to the Board via the audit Committee and to the General Manager of the Unit.

III-2.4 Mapping of Operational Processes

According to ISO 9001 (2015) standard, a process is defined as any set of interrelated or interactive activities through which inputs are converted into outputs.

Operational process mapping involves a graphical representation of all processes interconnected by logical links of information, matter or production. It provides an overview of the company's business and enables an objective understanding of work flow.

It is a management tool used to assess the performance of each process, and identifying risks by process and activities.

The mapping of processes has been implemented in the main units of the Group, and is part of the process approach the units are progressively adopting.

A software to enable management, among others, of process and risk mapping, incident database ... etc. has been acquired for one of our largest banking units and will in the future be extended to other units, as their business develops.

This software, through its various modules, enables:

- an overall monitoring of the company's organization;
- to organize and monitor the overall IS architecture;
- to design and draft operational procedures (in BPM language)
- to manage all risk management and mapping stages in accordance with the prescribed methodology: definition of the risk environment, risk identification, analysis, classification (according to the Basel categories), evaluation and processing
- to centralize incidents and follow-up implementation of action plans
- to manage internal control system assessment

III-2.5 Operational risks mapping by the Risk Department:

Depending on the level of its business development, AFG's Units implement an operational risk mapping which is periodically updated. We have this already done in the biggest Units and we will repeat the operational risk mapping tool in other Units progressively as they will be growing their business.

IIII-2.6 Definition and Follow up of Key Risk Indicators (KRIs)

After setting set up risk and compliance departments in our main Units and also at the Group level, we are now considering the implementation of KRIs, starting with the biggest Units. Key risk indicators shall provide information on the risk of potential future losses. They shall identify areas with elevated risks early on and to take appropriate measures. Thresholds ("triggers") will be defined for KRIs wherever practical/possible. Trends in KRIs will serve as indicators in early-warning systems for ORM. More specifically the KRIs shall serve the following purpose:

- Track changes in the risk profile of certain processes

- Analyze trends and anticipate losses
- Model risks, controls and losses
- Create a "no-surprise" environment and integrate risk management and measurement effectively
- Clarification of the risk appetite (by setting KRI thresholds and triggers for action) and the day-to-day management of routine risks in various business and support processes.

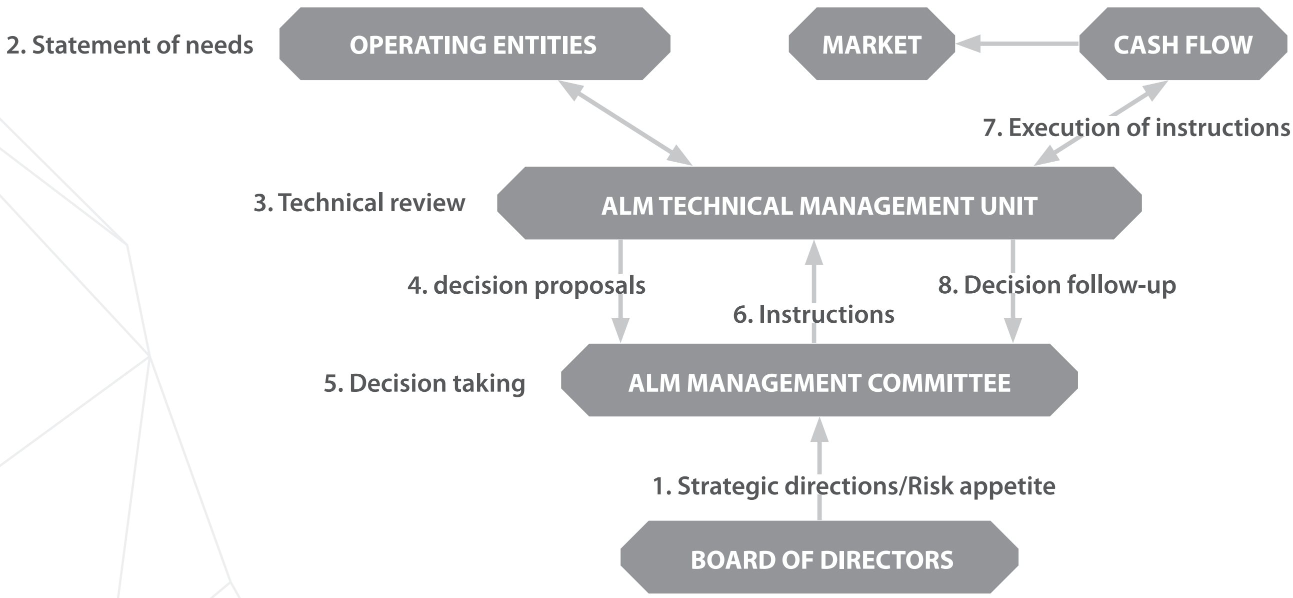
Given the growing uncertainty affecting the international environment, our Units have for several years committed into a policy of important reserves for general risks (at least 1% of the loan book on an annual basis) in order to cushion against the future's uncertainties.

By the end of 2018, our cushion in terms of provision for general risks amounted to euro 147.9 million.

IV- Management of Liquidity, Interest and Foreign Exchange rate Risks:

Asset Liability Management Policy Asset-liability management (ALM) is a strategic management tool for managing liquidity, foreign exchange and interest rate risks.

The Bank's ALM management tool operates as summarized in the diagram below:



IV-1 Mandate and functioning of the ALM Committee

The asset-liability management policy of Afriland First Group's banking units is based on an Asset Liability Committee (ALCO) set up by the General Management of each banking unit, and tasked with coordinating all activities towards protecting the unit's balance sheet value.

The man mission of the ALCO committee are :

- Proposing to the Board of Directors a policy for collecting resources and distributing credits, in line with prudential regulations and categories of assets and liabilities operated by the bank;
- Review the adequacy between the different categories of assets and liabilities in the balance sheet, particularly in terms of maturity and rate;
- Reviewing rules for the disposal of different categories of assets and liabilities and the results of stress scenarios developed in this respect.
- Making decisions as to the proposed actions
- Still with regard to the global balance sheet objectives, whether present or future, assessing the relevance of commercial or financial proposals
- Arbitrating on differences between commercial and financial functions: some commercial actions entail financial risks that must be minimized or hedged. Conversely, excessive financial constraints may hinder commercial development. Depending on the overall balance sheet balances, the committee makes arbitrations.
- Monitoring execution of firm decisions. The committee makes decisions and ensures it has what it takes to follow up their timely execution, to promptly mitigate any unwanted effect, or even change direction where the initial projections are no longer relevant
- Proposing to the General Management and the Board of Directors a cash management and financing policy, including the types of facilities the treasury department may provide, and the exposure limits set.

The ALCO Committee meets once a month, or upon being convened by its Chair

IV-2 ALM Technical team

The ALM technical unit is a multidisciplinary team made up of a risk analyst, a treasurer, a financial controller, and an accountant. These people are responsible for preparing ALM committees and monitoring the Asset-Liability risk indicators.

To this end, they are assigned with the following missions:

- Conducting regular (monthly) diagnoses using Asset Liability management tools. This is achieved through collecting and reprocessing all balance sheet and offbalance sheet data.
- Defining and updating the credit pricing grid. This aims at a more accurate determination of the base lending rate by maturity
- Preparing ALM risk indicator monitoring reports for ALM committee members.

IV-3 Standard ALM Committee Composition and Standard Meeting

- Agenda ALM Committee composition

The ALM Committee shall be comprised of the following full membres:

> Chairperson: The General manager or one of his/ her deputies

> Members :

> The Accounting Officer

> The Credit and Commitments Officer

> The Treasury Officer

> The Risk Officer

> The Officer in charge of permanent monitoring of operations

> The Commercial Officer

> The Management Control Officer

Typical Agenda of a Meeting

- Follow up of the execution of resolutions of previous meetings
- Updates
- Trend of balance sheet and interest margin
- Credit Profitability
- Financial Risk Management
- Liquidity risk
- Rate risk
- Exchange risk

- Equity
- Compliance
- Monitoring of regulatory ratios
- Regulatory watch on areas covered by ALCO
- Medium-term objectives
- Any other business

We have already implemented this policy in two of our largest banking units, and we are gradually extending same to other banking units.

V- 2018 Achievements

Besides the activities described above, in 2018 risk management teams in our units focused on strengthening risk governance and the mastery of IT, social and environmental risk. These achievements, which bolster the risk mastery mechanism of Afriland First Group's units, are presented below.

V-1 Risk Governance :

The strengthening of risk governance consisted in the reorganisation and monitoring of the mechanism for the outsourcing and the creation of cross-functional technical committees for every risk category in keeping with best practices and regulations in some of the countries in which we operate.

V-1.1 Reorganisation of Outsourcing Process

Outsourced activities are defined as, activities whose performance is confided, by an institution, in a lasting or habitual manner, through sub-contracting, mandate or delegation, to a third party, who is a non-staff member or another company.

These activities are specific because they are confided to third parties and are not under the unit's direct control. The main issue is ensuring that the performance of such activities is governed by at least standards similar to those of the unit.

The new outsourcing process is governed by the outsourcing policy drafted and approved by the Board of Directors of the pilot unit. The policy defines:

- Prior analyses for outsourcing
- The scope of activities that can be outsourced;
- The minimum clauses of an outsourcing contract;
- The organisation required of a third party to qualify as the unit's outsourcing supplier;
- The necessary due diligence to be carried out at the outsourcing supplier's business by the risk, compliance, permanent control and audit units.

The new tool has already been implemented in our largest banking unit and we are gradually extending it to the other units.

V-1.2 Technical Committees

The setting up of cross-functional technical committees under the general manager was prescribed by certain regulations and best practices to provide the risk management unit with support to take specific measures concerning any major risk identified. This synergy enables the deepening of risk culture and the consideration of experience in drafting action plans.

In addition to the Assets and Liability Management Committee and the Credit Committees, the Committee of Operational Risk and the Committee for the Approval of New Products were created. Their main missions are defined as follows :

> Opertional Risk Committee

The operational risk committee provides the risk management unit with support to takes specific measures to handle major risks identified in the operational process of a banking unit. The committee meets at least bi-monthly if at least half of its permanent members are present. They shall be as follows:

- Head of the risk management unit;
- Head of the compliance unit;
- Heads of:
- Permanent Control of Operations unit;
- Banking Operations unit;
- IT production unit.

The committee is chaired by the head of the risk management unit.

The main missions of the operational risk committee are as follows:

- Participating in the designing of operational risk management policy;
- Advising on the evaluation and/or self-evaluation of operational inherent in every activity and on measures for mastering every risk.
- Advising on and providing suggestions for drafting the report on the assessment of recorded operational losses during the period under review and if necessary, proposing additional control and mitigation measures for risks that have already occurred.
- Advising on the monitoring of key risk indicators by the risk management unit.
- Participating in the approval of updates of the business continuity plan and assessing results of periodical tests of the plan.

In 2018, operational risk committee meetings regularly held in our largest unit. We are gradually extending the practice to the other units.

> New Products Committee

The New Products Committee is a specialised organ whose role is to provide the general manager with advice on all new businesses, products and services before their rolling out. The committee holds once a new product has been developed if at least half of its members are present. The are as follows:

- Head of the risk management unit;
- Head of the compliance unit;
- Heads of :
- Permanent Control of Operations unit ;
- Banking Operations unit;
- Commercial and Marketing unit;
- Accounting unit ;
- IT production unit.

The committee is chaired by the head of the risk management unit.

The main missions of the New Products Committee are as follows:

- Provide advice on required conditions and the approach for developing new products, services and the start of new businesses;
- Approve new products, services and businesses;
- Provide advice on the implementation of procedures for the identification of risks inherent to new products, services and businesses. .

The committee is not a substitute of the team in charge of the operational development of the new product, service or business and its role is limited to providing mainly technical approvals on the risk, process organisation and compliance sides.

In 04 sessions of the New Products Committee held in largest banking unit, which is the pilot unit.

We are gradually extending the mechanism to the other units.

V-2 Improvement of IT Risk Management

V-2.1 Why Classify IT Risks?

According to best practices and regulations that comply with the prescriptions of the Basel Committee (Basel II and III), IT risk is not explicitly concerned, but classified as an operational risk as the "risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events." This proceeds from the line of thought of regulars according to which IT tools and the entire information system are only business tools and not the purpose of institutions.

Considering its growing and cross-functional impact in banking, work on IT risk was intensified by regulators (Basel Committee, FED, etc.). However, they keep unanimously classifying it among operational risks, delaying the crafting of an appropriate definition and defining its measure management procedures.

In view of the impact of IT risk, it is necessary to specifically define IT risk and properly classify in order to identify its main factors and to better master it.

Our research led us to developing a management framework for IT risk inspired by the reflections of the Basel Committee on the one hand, and the central banks of some OECD countries on the other hand.

V-3 Environmental and Social Risk Management (ESM)

As a financial institution whose commitment is to include environmental and social aspects in its business, our banking units comply with the Equator Principles in the credit process and with relevant local laws on the environment and social issues.

E&S risk management activities in 2018 centred on the following points:

> Environmental and Social (E&S) Risk Governance

The environmental and social risk governance is the definition of a general framework and guiding principles for the management of E&S risk. In 2018 the environmental risk management team drafted :

- Une E&S risk management general policy ;
- 5 projects of sectoral policies of environmental and social responsibilities (ESR):
- Energy ESR sectoral policy
- Logging ESR sectoral policy
- Agro-pastoral ESR sectoral policy
- Construction Industry ESR policy
- Proposal of an approach for the financing of the poultry industry ;
- Operational measures for the prevention and management of environmental risks in the credit process

E&S risk management in the credit process operates in four steps:

> Customer profiling according to level of environmental risk;

- Information and data gathering on projects to be financed;
- Field visit and evaluation of projects that require financing,
- Proposal of compliance action plans, if necessary. .

> Classifying Environmental Risk

The types of social and environmental risk categories are inspired by the Equator Principles and recommendations of the International Financial Corporation (IFC). The categories are on a two-tier scale :

Category A (high): for projects/companies with social impacts or a potentially significant environmental impact or an irreversible impact or an unprecendented impact

Category B (medium): for projects/companies with social impacts or limited, little environmental impact, generally peculiar to a site, mostly reversible and easily manageable through mitigation measures

Category C (weak) : for projects/companies with social impacts or with minimum or no environmental impact.

A procedure and an evaluation guide for environmental risk were drafted and published and the staff of the credit chain of the major unit of the group were trained on the matter.

We are gradually extending the mechanism to our other banking units.

Corporate Governance

Afriland First Group's corporate governance policy is compliant with the principles and best practices of transparency and management. Our teams monitor the trend of thought and practices as concerns governance and the ever-changing international standards so as to adapt them and introduce them into our practices and management rules.

For several years, we have endeavoured to translate our governance philosophy, policies, standards, and practices into a series of documents and manuals that have become good governance references for our managers at group and unit levels.

These corporate documents include the Articles of Association, the Organisational Guidelines and Regulations, the Charter of our Board of Directors and the Charter of every Board Committee, and the Employee Handbook (code of conduct). At the same time our Board of Directors has adopted a set of Corporate Governance Guidelines aimed at explaining and promoting sound understanding of our governance structure and to encourage managers at various levels to comply with our good governance code.

Our Shareholders

Our shareholders' participation in our decision-making process is fundamental to our governance policy. We respect the principle of equal treatment of all shareholders and we place no restriction on share ownership and voting rights. Summons to general meetings and the Boards report to the general meeting are dispatched to members at least 15 days prior to the meeting date to ensure that they have enough time to examine them and fully participate in the decision-making process. All legal documents are made available in the group's headquarters 21 days prior to the general meeting date.

We are committed to equally encourage shareholders to take part in general meetings and provide them with the necessary documents in time so that they can vote. Our commitment is necessary in order to promote good governance principles in our group.

The Board of Directors

The Board of Directors supervises the implementation of the group's good governance principles and ensures the functioning of a sustainable and prudent control mechanism. It is responsible for delivering sustainable shareholder value for the group.

The Board defines the group's strategy and its overall direction. It supervises and controls the company's functioning and management. The Board equally ensures that our units are compliant with the various regulations defined by their regulators and consistent with the group's policies.

Shareholders individually elect every Board member and members of the Board's committees.

In 2018, the Board of Director comprised 5 persons:

Name	Year of appointment	Function
Dr Paul KAMMOGNE FOKAM	2008	Chairman
M.Elson Ng KENG KWANG	2012	Non-Executive Director
Dr Abdelhakim Ben HAMMOUDA	2015	Non-Executive Director
M.Valery KAMMOGNE FOKAM	2009	Non-Executive Director
M.Thomas VOGEL	2016	Non-Executive Director

The Board of Directors has two standing committees : the Risk Committee and the Corporate Governance and Human Resource Committee.

The Risk Committee meets at least three times a year.

Risk Committee

Name	Year of appointment	Function
M.Elson Ng KENG KWANG	2013	Chairman
M.Valery KAMMOGNE FOKAM	2013	Member

Corporate Governance Committee

Name	Year of appointment	Function
M.Valery KAMMOGNE FOKAM	2016	Chairman
M.Thomas VOGEL	2016	Member
M.Joseph TOUBI	2016	Member

The Board of Directors comprises five members one of whom is independent. Independence criteria are defined by the Board on the basis of governance guide lines and standards. The standards are periodically evaluated according to international best practices.

Procedures and Board Chairmanship

In keeping with the rules of independence, ethics and integrity expected of Board members, a Directors' Charter was drafted to ensure that every member will effectively and efficiently deliver up to expectations in terms of the performance of duties and contributions.

• Administration and Social Interest:

Every Director must act at all times in the social interest of the company. A Director must, regardless of method of his/her appointment to the Board, consider himself/herself as a representative of all the shareholders and should equally take into consideration the expectations of other stakeholders.

• Respect of Laws and Statutes

Directors must be fully aware of their rights and duties. They must full knowledge of the laws and regulations governing their functions, the relevant codes and best practices, and company-specific rules arising from the articles of association and the internal rules of its Board.

• Performance of Duties

It is mandatory that all Directors perform their duties with independence, integrity, loyalty and professionalism.

• Independence, Courage, and the Duty to Speak Up

Directors must at all times ensure the independence of their judgement, decision, and action. analysis, judgment, decision and action in all circumstances. They must not be influenced by whatsoever or whomsoever is foreign to the social interest they have committed themselves to protect. Directors have the duty to inform the Board of Directors of any threat to the group's interests. It is equally their duty to raise issues and state their opinions clearly. They endeavour to convince the Board of the relevance of their views; and in the case of disagreement, they make sure that the divergence is explicitly recorded in the minutes of deliberations.

• Independence and Conflict of Interest

Every Director must avoid any conflict between his or her moral and material interests and those of the group. In the case where such a conflict cannot be avoided, the Director must abstain from discussions and decisions on the matters involved.

• Loyalty, Good Faith, and the Duty of Circumspection

The Director must act in good faith at all times and must not take any initiative that may threaten the group's interest. He/She must be personally committed to handle with full confidentiality information obtained through Board deliberations or decisions. It is forbidden for a Director to use confidential information or undisclosed information pertaining to the Board for his or her personal benefit or that of anyone else. Every Director must refrain from using such information or making a third party use them to carry out transactions.

• Professionalism and Involvement

Every Director must give the necessary attention and time to his or her duties. He or she must ensure that the number and the burden his or Board and committee memberships offers him or her enough allowance to carry out executive duties, should he or she be equally holding an executive position. A Director must seek to know the activities and specificities of the group, its stakes, and values including by querying the company's senior executives. As a member of the Board and all or any one of its specialised committees, every Director must regularly and actively participate in the meetings of the Board and its specialised committees in which he or she is a member. Every Director must attend general meetings of shareholders and must, prior to Board meetings, obtain, within appropriate deadlines, the necessary information to make relevant contributions in deliberations. Every Director must update his or her relevant knowledge and requests whatever information is necessary for the proper discharge of his or her duties.

• **Application of the Charter**

With regard to principles essential to the proper functioning of a Board of Directors, the Directors strive to ensure the correct application of this Charter on the boards in which they participate

Where a Director is no longer in position to exercise his functions in accordance with the Charter, either of his own making, or for any other reason including holding to the rules specific to the Institution where he operates, he must inform the Chairman of the Board, seek solutions to remedy and, if no solution is found, do take the personal consequences on the exercise of his mandate.

• **Afriland First Group's Values**

The Director adheres to the group's values: professionalism, partnership, team spirit, creating value and ethics; he is committed to promote and to ensure their implementation. As a result, he takes into account in his decisions the financial and economic impact of these, but also considers their implications towards social relations, the satisfaction of customers and the general interest of the communities where the Group operates. Each Director adheres to this Charter by accepting his function. A Director who is no longer in accordance with the present Charter shall draw conclusions and deliver his mandate available to the Board of Directors.

Evaluation of the Board of Directors

• **Board Meeting Attendance**

The members of the Board are expected to attend all meetings of the Board and the committees on which they serve. The Chairman may approve exceptions. The Chairman attends selected committee meetings as a guest. The table below shows the attendance for the year under review:

Name	Number of Meetings	Number of Attendances
Dr Paul KAMMOGNE FOKAM	3	3
M.Elson Ng KENG KWANG	3	3
Dr Abdelhakim Ben HAMMOUDA	3	3
M.Valery KAMMOGNE FOKAM	3	3
M.Thomas VOGEL	3	3

• **Other criteria**

In Afriland First Group, the evaluation of Directors is essentially a self-evaluation exercise. The evaluation process involves identification of areas for evaluation; formulating a questionnaire on the areas for evaluation; obtaining responses of individual directors to the questionnaire on a rating scale.

The Board deliberates on the report, develops an action plan

The other main criteria for evaluating Director are as follows:

- Director's contribution to the Board's strategic thinking,
- Director's contribution to the business development,
- Director's contribution to risk management

• **Conflicts of Interest and Sensitive Information**

Our most valuable asset is our reputation for integrity and fair dealing. Our institution encourages its employees to report violations of laws, rules, regulations or the Code of Conduct internally. Reports should be made directly to the relevant line managers and the members of the Legal and Compliance Department or, where appropriate, directly to the corresponding higher level in accordance with our policies and procedures.

This year we will create The First Group Integrity Hotline, another tool to escalate potential legal, regulatory or ethical misconduct. In the case of alleged violations by the Chief Executive Officer or senior financial officers (Chief Financial Officer, Head of Accounting or Controlling and persons performing similar functions) reports should be made to the President or to the Audit Committee of the Board of Directors.

In our Group, retaliation against any employee for report made in good faith is prohibited. The whistle-blowing process is subject to supervision by the Audit Committee of the Board of Directors. Persons outside our institution who wish to report violations of laws, rules and regulations or Group's Code of Conduct may address their reports in writing directly to the Secretary to the Board of Directors.

Auditing

• Internal Audit

In our Group, Internal Audit is an independent and objective function that performs an independent and objective assurance function that is designed to add value to our operations. It also supports the Group in achieving its strategic, operational, financial and compliance objectives, and the Board of Directors in discharging its governance responsibilities.

Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes. Internal Audit is responsible for carrying out periodic audits in line with the Charter for Internal Audit approved by the Audit Committee. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining key risk themes and specifying resource requirements for approval by the Audit Committee.

The Head of Internal Audit reports to the Audit Committee more frequently as appropriate. Internal Audit coordinates its operations with the activities of the External Auditor for maximum effect.

• External Audit

Audit is an integral part of corporate governance. While safeguarding their independence, the External Auditors closely coordinate their work with Group Internal Audit. The Audit Committee, and ultimately the Board of Directors, supervises the effectiveness of audit work.

Our statutory External Auditor is Deloitte SA, Rue du Pré-de-la-Bichette 1, 1202 Geneva, Switzerland. The mandate was first given to Deloitte for the business year.

Human Resource Policy

Afriland First Group pursued the implementation of its innovative human resource management policy.

Alongside our corporate culture made up of African values and a commitment to the emergence of an African social capitalism capable of driving Africa's independence, adherence to our group (the First Family) is also due to our dynamic human resources strategy.

In AFG our human resources management strategy concentrates on valuing, developing our staffs and making them responsible. We consider them the main asset of our group.

AFG's human resources management strategy is laid down in the Employee Handbook, an essential document that defines new approaches to staff performance evaluation with emphasis on self-evaluation. The manual defines our group's philosophy and its commitment to putting our customer's interest first in order to ensure the latter's optimal satisfaction.

The manual contains ethical and professional rules and standards the staff have to comply with in the exercise of their duties. The manual clearly states that in the exercise of their duties, staffs must not practise discrimination on the basis of race, ethnic origin, gender, religion, age, disability, or political belief.

The manual emphasises staff autonomy, the prevention of conflicts of interest and the prohibition of money laundry and the financing of terrorism.

Our human resources policy is articulated in four main components:

1. The Definition of Clear and Competitive Recruitment Procedures:

Afriland First Group is the only company that uses self-evaluation to measure staff performance. This choice is justified by our conviction that every individual is in charge if his or her destiny. Self-evaluation enables staff become aware of their individual strengths and weaknesses and to develop a programme for performance improvement.

Through circular letters and memos, the group has instituted clear recruitment procedures, which not only ensure transparency in the recruitment process but also guarantee it is fair and just. The competitive procedures enables the group to recruit highly competent and skilled people.

Our group has laid down a five-phase clear recruitment procedure.

1.Analysis and selection of applications

2.Written test,

3.Oral test,

4.Training in a specialised school,

5.Successful candidates are absorbed by the Group.

These procedures ensure the transparency of the process and make it just and fair.

2. Definition of a Staff Development: :

Afriland First Group pays great attention to staff development. That is why we designed an active and dynamic strategy for staff development for the purpose of sharing our specific culture with staff and striking a balance between financial necessities on the one hand and African principles and values on the other hand.

We have therefore developed different development programmes for different categories of staff. In this regard, we signed a partnership with the Business Excellence Academy (BEA) of the Business School of a high-profile university, which offers precise and specialised diverse technical, management and philosophical workforce training six-month programmes.

Alongside the foregoing provision, the Group has equally provided an annual training programme for senior staffs.

3. Definition of a Career Plan:

Afriland First Group has developed a career plan for staff of all categories. The plan ensures their progress in their careers.

The career plan is a major factor of staff retention. It equally ensures staff's autonomy, liberty and independence and guarantees personal fulfilment and team cohesion.

4. Definition of a Self-Evaluation System:

The First Family grants the staff liberty and responsibility to act and to evaluate himself or herself. That is why a self-evaluation system or a Standard Expected Performance (SEP) assessment was defined. It implies enabling every staff to set his or her objectives at the beginning of every period on the basis of the pre-determined standards and personal ambition; after which, the staff will personally proceed to assess their results and compare them with the predefined objectives and then draw the relevant conclusion. The possible conclusions that can be cited, without being exhaustive are: the need for additional training, promotion, or demotion.

The role of the Human Resource Department in the self-evaluation process is to ensure consistency of the data provided by the staff with the available accounting statistics. On the basis of the staff's data and those of the Human Resource Department, the Annual Evaluation Committee approves the evaluation and their application.

This system grants the staff great liberty, great autonomy to act and think and protects staffs from any form of pressure and harassment. The group's objective is to apply a Human Resource Management policy that combines African culture and values and modern management techniques

Compliance

In order to maintain and further develop customer and partner trust, Afriland First Group is continually faced with numerous challenges relating to compliance with international standards and legal norms in force in the areas where its subsidiaries operate. In 2018, several challenges stemming from WAEMU instructions N°01-2017 / CB / C on the governance of credit institutions and financial companies have been the focus of activities carried out by Afriland First Group's compliance function.

In general, Afriland First Group compliance activities in 2018 were centred on the following thrusts:

- Organization of the compliance function;
- AML and KYC diligences;
- FATCA ;
- Corporate governance;
- Staff training and sensitization;
- Ethics and professional deontology;
- Compliance audit and regulatory watch;

I. IMPLEMENTATION OF THE COMPLIANCE FUNCTION

•Intensification of the compliance culture in the various Afriland First Group subsidiaries was one of the priority activities in 2018. Afriland First Bank Congo Democratic thus adopted a new compliance policy and Charter that we drafted to comply with the instructions of its regulator. Still, the Unit hired a new Compliance Officer who completed a six months training in PKF Institute of Excellence. We realized compliance control missions in the subsidiaries to ensure that, all they all comply with their relevant regulations. These controls lead to the consolidation of achievements. New recommendations were issued to reinforce the compliance control where some functional failures were identified: staff, independence, policies and charter's update…

Compliance Structure and Functional Organization

UNIT	POLICY	CHARTE	COMPLIANCE OFFICER	STAFF	POSITIONNEMENT
First Bank S.A	approved	approved	Vacancy	12	Risk Department
CCEI BANK GE	approved	approved	Appointed	01	Legal Affairs Department
First Bank CI	approved	approved	Appointed	03	Risk Department
First Bank RDC	approved	approved	Appointed	01	Legal Affairs Department
First Bank Guinea	approved	approved	Appointed	01	Legal Affairs Department
First Bank Liberia	approved	approved	Appointed	01	Risk Department
First Bank STP	approved	approved	Appointed	01	Legal Affairs Department
First Bank South Soudan	approved	approved	Appointed	01	n.a.

II. KYC AND AML/CTF MONITORING MEASURES

1. Know Your Customer

Within our subsidiaries, KYC policies and procedures establishing the necessary steps for entering into business relations with customers comply with international standards, including the GAFI standards and the regulatory requirements established by the banking regulators. However, generally, the KYC controls in place require additional automation. Especially in Cameroon, the implementation of Portal lead to the improvement of customer's admission activity.

Moreover, the consolidation of the functionalities of "Due Diligence", our customized automated filtering tool has been successfully implemented in our subsidiaries. These tools operate based on sanctions lists from OFAC, the European Union and the United Nations, and needs to be updated regularly.

For more efficiency, we intend to subscribe an authorization from Swift, to get access to its AML sanctions data base. This will be done for each of our banking Units.

In addition, a new core banking namely Temenos is being implemented. The said core banking is expected to issue automated reports and data, so as to ease the operational monitoring.

In the context of strengthening the fight against money laundering in First Group Subsidiaries and the necessity to comply with international standards, including the GAFI standards and the regulatory requirements established by the banking regulators, we emphasized the risk-based approach to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified in all customer's relationship. So, Compliance Function issued its AML/CFT and Compliance "GO AHEAD" for all the new products and services that the banks put in place. A Risk Assessment Methodology to AML/CFT has been developed and implemented for a better categorization of customers. The implementation of the new Core Banking is expected to ensure a better transaction's monitoring and customer filtering.

2. 1. Anti-money laundering and combating terrorism financing (AML/CTF)

None of our Units reported to have been sanctioned, as regarding the AML rules breach. This is due to the intensification of sensitization and trainings that were delivered during the year, and the mastery of the new regulations that were issued by our staff. In this frame work, we launched a campaign of the AML procedures. The said campaign is completed in some Units, namely Cote d'Ivoire and Guinea, they are ongoing in DRC, SAO TOME and Cameroon.

AML/CTF in subsidiaries

UNITS	POLICIES AND PROCEDURES	SUSPICIOUS TRANSACTION REPORT / RESPONSE TO INQUIRIES
FIRST BANK S.A	Follow-up of compliance of procedures with the new CEMAC CEMAC R-2016/01 regulation	Implemented
CCEI BANK GE	Updating of the AML procedures and policy specifically for PEPs and casual customers	Implemented
FIRST BANK CI	Updating of AML procedures	Implemented
FIRST BANK RDC	Updating of procedures based on proposals and recommendations from missions carried out in 2016	Implemented
FIRST BANK GUINEA	Updating of AML procedures	Implemented
FIRST BANK STP	Updating of AML procedures	Ongoing
FIRST BANK SOUTH SOUDAN	Compliance Function assessment	Implemented

III. FATCA (Foreign Account Tax Compliance Act)

FATCA is a US tax law designed to prevent tax evasion by US taxpayers (taxed on their worldwide income) by investing in foreign investment vehicles. During the 2018 fiscal year, the FATCA declaration for the 2018 fiscal year was completed as well as the various GIIN were updated. US persons were identified and reported to IRS. The table below shows the FATCA inventory for the various units.

FATCA SUMMARY TABLE

UNITS	IRS Registration	GIIN	US person identification	2017's REPORTING
FIRST BANK S.A	Updated	ok	ok	ok
CCEI BANK GE	Updated	ok	ok	ok
FIRST BANK CI	Updated	ok	ok	ok
FIRST BANK RDC	Updated	ok	ok	ok
FIRST BANK GUINEA	Updated	ok	ok	ok
FIRST BANK LIBERIA	Updated	ok	ok	ok
FIRST BANK STP	Updated	ok	ok	ok
FIRST BANK SOUTH SOUDAN	Updated	ok	ok	ok

IV. GOVERNANCE

One of our Group's main objectives for 2018 was the strengthening of corporate governance within the subsidiaries. The Corporate Governance Charter, the Directors' Charter, the Governance and Compensation Committee Charter and the Social and Environmental Responsibility Policy were put in place for Afriland First Bank SA.

V. ETHICS AND DEONTOLOGY

One of our Group's main objectives for 2018 was to develop compliance culture. In this scope, the Afriland First Group's Employee Hand Book was updated and distributed to all the staff in Cameroon. This has to be extended in the other Units. Sensitization sessions on ethical and deontological principles were organized for new recruits. These new recruits were also sensitized on bank secrecy and compliance's principles. The compliance culture was particularly intensified in 2018, especially in Cameroon through the intensification of training and sensitization with regard to ethic and professional deontology. The training manuals designed and prepared by the Group Compliance Department was shared with the subsidiaries dedicated staff to facilitate the training campaign

VI. STAFF TRAINING AND SENSITIZATION

Staff training and sensitization are part of Afriland First Group's compliance priority actions to intensify the compliance culture. Several KYC/AML training sessions are organized for staff in subsidiaries. Also worthy of note is the admission of Afriland First Group employees from various subsidiaries into the BUSINESS EXCELLENCE ACADEMY of the PKF Institute of Yaoundé. However, the training offer was more intense at First Bank Cameroon owing to the compliance campaign, during which branch managers were sensitized to ethics and deontology, AML and FATCA.

The year 2017 was also marked by the participation of two Afriland First Group employees and Afriland First Bank RDC and CCEI Bank compliance officers in the training seminar on the management of noncompliance risk organized by the Banking and Finance Training Institute (BFTI).

VII. CONTRIBUTION OF THE MASTERY OF NON-COMPLIANCE RISK IN FINANCING

In this regard, a compliance check to examine the completeness and credibility of the documents in the file is now required before any discussion at the credit committees attended by compliance officers. We've pursued discussions with the Credit Department in Cameroon in order to simplify the Credit Compliance Form.

VIII. 2019 OUTLOOK

What is the 2019 outlook for Afriland First Group compliance?

In 2019 we intend to reinforce the capacity of Unit's Officers so as to enlarge our network of correspondents all over the world. To that effect, we focus on the following:

The duplication in all the remaining units, of the organization put in place the Compliance Department in Cameroon;

The improvement of the "Due Diligence" tool so as to enable the automatic categorization and extraction data relating to Anti Money Laundering purpose;

The selection and the training of new recruits dedicated to Compliance Department;

The supply of the Swift AML data base;

The completion of the customer's files with the FATCA Forms;

The intensification in each subsidiary, of the Risk based Approach as for the compliance risk assessment through trainings.

2018 Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2018

with comparative figures for the year 2017

(Expressed in Euro)

ASSETS	Notes	2018	2017
CURRENT ASSETS			
Cash and cash equivalents	4	263'825'772	93'627'380
Amounts due from money-market papers		7'856'723	7'259'105
Amounts due from banks		218'212'808	233'423'593
Amounts due from customers	5	2'126'434'620	1'944'615'752
Securities and precious metals held for trading	6	212'577'899	100'791'576
Accrued income and prepaid expenses		44'232'568	37'413'184
Other assets		94'483'989	28'375'290
Total current assets		*2'967'624'379*	*2'445'505'880*
NON-CURRENT ASSETS			
Non-consolidated investments	3	2'178'424	2'714'975
Investment in associate	3	2'016'687	1'630'684
Tangible assets, net of depreciation	2.2	129'533'163	111'419'294
Intangible assets, net of depreciation	2.2	37'968'624	42'060'304
Financial investments	7	228'145'079	310'479'563
Total non-current assets		*399'841'977*	*468'304'820*
TOTAL ASSETS		**3'367'466'356**	**2'913'810'700**

CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2018

with comparative figures for the year 2017

(Expressed in Euro)

LIABILITES AND SHAREHOLDERS' EQUITY	Notes	2018	2017
CURRENT LIABILITIES			
Checks and bills payables		7'856'724	7'223'419
Amounts due to banks		376'219'055	312'773'425
Amounts due to customers savings or deposits		954'122'677	699'034'236
Amounts due to customers	8	1'096'164'514	1'012'779'078
Saving bonds		201'978'750	207'859'255
Accrued expenses and deferred income		87'257'598	79'033'437
Other liabilities		9'028'419	31'877'203
Valuation adjustments and provisions		41'588'290	33'301'199
Total current liabilities		*2'774'216'027*	*2'383'881'252*
LONG TERM LIABILITIES			
Loans from third party		153'616'895	97'139'204
Shareholders' loans	9	6'488'280	5'955'926
Total long-term liabilities		*160'105'175*	*103'095'130*
Reserves for general banking risks		147'931'794	172'119'090
SHAREHOLDERS' EQUITY			
Share capital		92'630'084	92'630'084
Voluntary retained earnings		2'096'463	2'096'463
Optional retained earnings		97'027'357	84'002'242
Non-controlling interest	3.1	78'732'149	71'255'531
Translation reserve	3.2	2'178'619	-7'922'358
Group profit		12'548'688	12'653'264
Total shareholders' equity		*285'213'360*	*254'715'226*
TOTAL ASSETS		**3'367'466'356**	**2'913'810'700**

CONSOLIDATED OFF BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2018

with comparative figures for the year 2017

(Expressed in Euro)

OFF BALANCE SHEET TRANSACTIONS	2018	2017
Contingent liabilities	101'525'766	74'284'803
Irrevocable commitments	22'468'453	30'003'485
Confirmed credits	512'382'337	435'338'643
Total off-balance sheet transactions	**636'376'556**	**539'626'931**

These are guarantees, endorsements and other signature commitments issued by Group companies.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED AT DECEMBER 31,2017

with comparative figures for the year 2016 (Expressed in Euro)

	Notes	2017	2016
RESULT FROM INTEREST OPERATIONS			
Interest and discount income		90'708'836	83'662'164
Interest and dividend income from financial investments		42'140'736	31'837'715
Interest expenses		-45'633'462	-40'481'941
Total net results from interest operations		*87'216'110*	*75'017'938*
RESULT FROM COMMISSION AND SERVICE FEE ACTIVITIES			
Commission income from credit operations		55'303'264	65'198'452
Interest and dividend income from financial investments		1'526'378	1'430'544
Commission income from other services		37'521'385	35'498'070
Commission expenses		-13'691'453	-13'091'475
Total net results from commission and service fee activities		*80'659'574*	*89'035'591*
RESULT FROM TRADING OPERATIONS			
Result from trading operations		*175'991*	*16'497*
OTHER ORDINARY RESULTS			
Other ordinary income		11'383'097	5'007'534
Other ordinary expenses		-3'795'987	-1'637'840
Total other ordinary results		*7'587'110*	*3'369'694*
OPERATING EXPENSES			
Personnel expenses	10	-30'952'127	-25'550'307
Other operating expenses		-56'313'538	-49'254'134
Total operating expenses		-87'265'665	-74'804'441
Depreciation and write-offs on non-current assets		-16'045'161	-13'149'005
Valuation adjustment, provisions and losses		-54'274'019	-66'230'017
GROSS PROFIT		**18'053'940**	**13'256'258**
Net result from investment under equity method		29'083	-134'047
Extraordinary income	11	22'921'451	19'920'758
Extraordinary expenses		-8'207'969	-2'253'600
Taxes		-11'916'146	-11'268'227
NET PROFIT FOR THE PERIOD		**20'880'358**	**19'521'141**
Group net profit		*12'548'687*	*12'653'261*
Minority shareholders' profit		*8'331'671*	*6'867'880*

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

with comparative figures for the year 2017

(Expressed in Euro)

	2017	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	20'880'359	19'521'141
Provisions	54'274'019	79'973'774
Depreciation and write-offs on non-current assets	16'045'161	13'149'005
Reserves for general banking risks	-78'461'314	-86'340'442
Accrued income and prepaid expenses	-72'928'084	7'178'020
Accrued expenses and deferred income	-6'337'532	16'398'734
Total cash flow from operating activities	**-66'527'391**	**49'880'231**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments	**-193'547'079**	**-238'097'048**
- Investment in tangible assets	-26'701'740	-19'533'111
- Investment in intangible assets	-2'690'373	-5'565'987
- Investment in financial assets	-38'450'614	-107'400'055
- Investment in securities portfolio and precious metal held for trading	-125'704'351	-105'597'896
Sales	**134'178'440**	**80'101'899**
- Divestment in tangible assets	6'541'250	3'883'951
- Divestment in intangible assets	6'576'028	8'527'173
- Divestment in financial assets	116'883'660	40'243'366
- Divestment in securities portfolio and precious metal held for trading	4'177'503	27'447'409
Total cash flow from investing activities	**-59'368'637**	**-157'995'150**
Free Cash flow	*-125'896'029*	*-108'114'918*
CASH FLOW FROM FINANCING ACTIVITIES		
CASH FLOW FROM CLIENT LOANS	**-167'205'704**	**162'590'206**
Increase in receivables	**-407'092'131**	**-48'125'906**
- Increase in due from banks	-196'138'069	-19'791'851
- Increase in due from customers	-210'026'558	-28'298'369
- Increase in receivables from money market papers	-927'504	-35'686
Cash flow from customers' deposits	**239'886'427**	**210'716'113**
- Decrease in due from banks	211'348'854	126'839'009
- Decrease in due from customers loans	28'207'689	80'447'049
- Decrease in receivables from money market papers	329'885	3'430'055
CASH FLOW FROM CUSTOMERS' DEPOSITS	**396'672'307**	**-130'055'226**
Increase in amounts	**595'328'587**	**424'787'604**
- Increase in amounts from money-market papers	927'503	-
- Increase in amounts due to banks	172'636'701	37'778'086
- Increase in amounts due to customers savings or deposits	336'536'459	232'586'086
- Increase in other amounts due to customers	83'606'007	143'390'808
- Increase in cash certificates	1'621'917	13'479'000
Decrease in amounts	**-198'656'280**	**-557'289'206**
- Decrease in amounts from money-market papers	-294'198	-2'615'683
- Decrease in amounts due to banks	-109'191'072	-233'981'379
- Decrease in amounts due to customers savings or deposits	-81'448'018	-38'948'592
- Decrease in other amounts due to customers	-220'571	-272'935'000
- Decrease in cash certificates	-7'502'422	-8'808'552
Cash flow from banking activities	*229'466'603*	*32'534'980*
CASH FLOW FROM LOANS	**57'010'044**	**44'644'908**
- New loans	72'719'254	60'643'132
- Repayment of loans	-15'709'210	-15'998'223
CASH FLOW FROM EQUITY	**-483'201**	**1'026'147**
- Increase in share capital made in the subsidiaries	-	2'055'354
- Distribution of dividends by the subsidiaries	-870'308	-309'902
- Repurchase of the minority shares	1'131'204	-89'398
- Deconsolidation of subsidiary	-744'098	-629'908
Sub-total cash flow not related to banking activity	*56'526'843*	*45'671'055*
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**285'993'446**	**78'206'035**
CHANGE IN CASH AND CASH EQUIVALENTS	**160'097'417**	**-29'908'883**
Cash and cash equivalents on 1 January	93'627'380	135'099'798
Effect of foreign exchange rate changes	10'100'977	-11'563'534
Cash and cash equivalents on 31 December	263'825'772	93'627'380

1. Activities of the Company

Afriland First Group SA ("the Company) is a company incorporated under Swiss law created on 19 March 2008 and headquartered at 7 Route des Falaises, 2000 Neuchâtel. With a registered capital of CHF 138'439'707, it specializes in the purchase, holding, management and sales of participations in Switzerland and abroad.

The Company has invested in several companies, banking and non-banking institutions, both in Switzerland and abroad, mainly in Africa.

2. Summary of significant accounting policies

2.1 Basics

The consolidation principles applied in the preparation of consolidated financial statements of the Group are in accordance with the new Swiss Code of Obligations.

The consolidated accounts of Afriland First Group SA are derived from the audited financial statements of the holding company and its subsidiaries as at 31 December 2018.

Certain comparative information for the year ended 31 December 2017 has been reclassified in order to conform to the current year presentation and in order to improve the quality of information given on the face of the balance sheet.

2.2 Specific accounting policies

Tangible assets

Facilities and equipment are stated at cost of acquisition or internal production, net of accumulated depreciation.

Set-up cost and other capitalized costs are recorded at their acquisition costs and filing fees and protection after deducting accumulated depreciation. The goodwill arising on first consolidation is depreciated during 20 years. Based on the new CO, goodwill created since January 1, 2015 is amortized over a period of 10 years.Depreciation is calculated on a straight-line basis according to the following categories:

	Annual rate
Installation and fixtures	***5% - 10%***
Office equipment	***10% - 25%***
Telecommunication equipment	***25%***
Computer equipment	***33.33%***
Transport equipment	***25%***

The Company performs at least once a year, impairment tests to test the value of goodwill. Similarly, whenever an indication of impairment is identified, an impairment test is carried out with a view to identifying any potential difference between the book value and the realizable value of an asset. Where appropriate, necessary value adjustments are performed.

3. Consolidation principles

3.1 Scope of consolidation

The subsidiaries, in which the Company holds an investment greater than 50% of the total voting shares, are subject to full consolidation. Assets and liabilities, and expenses and the revenues are fully recorded (100%). The third-party shareholders' interests (minority interests) are recorded separately in the consolidated balance sheet and in the consolidated statement of income.

The investments in associates where the Company holds a participating interest of 20%-50% of total voting shares are subject to the equity consolidation method. An equity investment is initially recorded at cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate.

Minor holdings of less than 20%, are recorded under non-consolidated investments at their purchase price, after deduction of appropriate provisions, if any.

3.2 Consolidated participations

The percentage of shares held by the Group in its twelve subsidiaries using the full consolidation method1 is as follows (except for Afriland First Bank South Sudan and Intelligentsia for whom the equity consolidation method is applied):

UNITS	% de détention au 31 décembre 2018			% de détention au 31 décembre 2017			Auditeur(s)	Méthode de consolidation
	Direct	Indirect	Total	Direct	Indirect	Total		
Afriland First Bank SA, Yaoundé, Cameroun	73.86	-	73.86	73.86	-	73.86	Deloitte / Hubert Feze	Global Integration
CCEI Bank SA, Malabo, Guinée Equatoriale	52.13	10.24	62.37	52.13	10.24	62.37	Hubert Feze / Pricewaterhouse Coopers	Global Integration
Afriland First Bank CD SA, Kinshasa, République Démocratique du Congo	73.24	9.46	82.70	71.70	9.46	81.16	Pricewaterhouse Coopers	Global Integration
Afriland First Bank, Sao Tomé & Principe, Sao Tomé	52.20	33.38	85.58	52.20	33.38	85.58	CHF & Associés	Global Integration
Afriland First Group Management SA, Genève, Suisse	97.00	-	97.00	97.00	-	97.00	Fiduciaire Rochat SA	Global Integration
Afriland First Bank Liberia Ltd, Monrovia, Libéria	75.20	-	75.20	75.20	-	75.20	PKF Liberia, Accountants & business advisers	Global Integration
Afriland First Bank Guinée, Conakry, Guinée	56.00	16.54	72.54	56.00	14.77	70.77	Fiduciaire Internationale d'Audit -Guinee	Global Integration
Afriland First Bank South Sudan, Juba, Soudan du Sud	16.00	9.70	25.70	16.00	9.70	25.70	Goldstar & Partners	Equity Method
Afriland First Bank Côte d'Ivoire, Abidjan, Côte d'Ivoire	84.72	-	84.72	89.45	-	89.45	Deloitte Cote d'Ivoire	Global Integration
African Leasing Company, Yaoundé, Cameroun	-	-	-	-	48.34	48.34	Cabinet Nomo Tsanga	Global Integration[1]
Intelligentsia, Yaoundé, Cameroun	-	16.41	16.41	-	16.41	16.41	Fidaco	Equity Method
CCEI Benin, Cotonou, Benin	0.88	31.85	32.73	0.88	31.85	32.73	Deloitte	Global Integration[1]
Afriland First Holding, Ile Maurice	-	-	-	100.00	-	100.00	Kemp Chatteris Chartered Accountants	Global Integration[1]

1 These subsidiaries are consolidated according to the global integration method because they are controlled by Afriland First Group SA.

Investment in Afriland First Bank Ivory Coast

During 2018, Afriland First Group SA has invested EUR 3'139'916.86 for two capital increases.

Investment in Afriland First Bank Democratic Congo

Afriland First Group SA has acquired 239 shares worth USD 500,000.

Dissolution of Afriland First Holding

Afriland First Holding was dissolved in 2018.

Absorption of Africa Leasing Company by Afriland First Bank Cameroon

Africa Leasing Company was absorbed by Afriland First Bank Cameroon in 2018.

Closing date

The closing date for all companies is 31 December

Currency conversion

The Group's consolidated financial statements are expressed in the Company's functional currency which is the Euro.

The financial statements of companies in the portfolio are reported in their respective local currencies. The table below summarizes the reporting currency of each subsidiaries:

FCFA (XAF)	Afriland First Bank SA, Yaoundé, Cameroon CCEI Bank SA, Malabo, Guinée Equatoriale Afriland First Bank SA, Abidjan, Ivory Coast CCEI Benin, Cotonou, Benin Intelligentsia, Yaoundé, Cameroon African Leasing Company, Yaoundé, Cameroon
STD	Afriland First Bank, Sao Tomé & Principe, Sao Tomé
CDF (RDC)	Afriland First Bank CD SA, Kinshasa, Democratic Republic of Congo
LRD	Afriland First Bank Liberia Ltd, Monrovia, Liberia
GNF	Afriland First Bank Guinea, Conakry, Guinea
SSP	Afriland First Bank South Sudan, Juba, South Sudan
CHF	Afriland First Group Management SA, Geneva, Switzerland
EUR	Afriland First Group SA
USD	Afriland First Holding

The Group reports in Euro. Transactions in non-Euro currencies are recorded at the transaction date exchange rate. Monetary assets and liabilities denominated in non-Euro currencies are retranslated to Euro at the reporting date exchange rate. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized in the consolidated income statement in the period in which they arise.

The individual financial statements of each Group's entity are maintained in the currency of the primary economic environment in which it operates (its functional currency). Assets and liabilities of non-Euro consolidated subsidiaries are translated to Euro at the reporting date exchange rate. Income and expenditures are translated at the annual average exchange rate. All currency translation differences are included in a translation reserve in equity.

Closing and average annual conversion rate are:

CCY	Closing year 31.12.2018	Avergae rates 2018	Closing year 31.12.2017	Avergae rates 2017
CDF/ EUR	1808.63	1856.96	1877.95	1635.01
STD/ EUR	24431.73	24477.02	24297.36	24416.26
CHF/ EUR	1.12	1.154646907	1.16	1.11
FCFA/EUR	656.00	656.00	656.00	656.00
USD/EUR	1.14	1.18085726	1.19	1.12
LRD/EUR	179.07	169.03	149.83	116.79
SSP/EUR[2]	176.37	166.87	152.21	126.41
GNF/EUR	10362.04	10601.77	10720.56	10206.96

- **Elimination of intercompany positions and internal transactions**

All internal balances such as debts, claims, provisions of the parent company, subsidiaries and between the affiliates are eliminated.

FOR THE YEAR ENDED DECEMBER 31, 2017

• *Goodwill / Badwill*

During the first consolidation of each unit and, if necessary, to the date where Afriland First Group SA has purchased additional shares, goodwill (goodwill or badwill), is calculated by taking the difference between the purchase price of participation and its fair value. Any positive difference, called 'goodwill', is accounted in the category of "intangible assets" and amortized over a period of 20 years for all the goodwill recorded prior to January 1, 2015, and over a period of 10 years for all new goodwill accounted after January 1, 2015. The negative goodwill, also known as "badwill" is accounted as a liability and depreciated over a period of 5 years.

4. Cash and cash equivalent	2018	2017
Current account at the central banks	158'363'123	18'443'526
Cash	105'462'649	75'183'854
TOTAL CASH AND CASH EQUIVALENTS	**263'825'772**	**93'627'380**

5. Amount due from customers	2018	2017
Client's loans	1'743'310'628	1'550'251'273
Long-term receivables	339'963'528	314'659'488
Overdue and doubtful loans	358'432'500	349'614'191
Provisions	-315'272'036	-269'909'201
NET CLIENT'S LOANS	**2'126'434'620**	**1'944'615'752**

6. Securities and precious metals held for trading and short-term investment	2018	2017
Treasury bonds	204'130'558	-
Equity investments	5'049'895	25'410'518
Money market papers	3'397'446	75'381'059
SECURITIES AND PRECIOUS METALS	**212'577'899**	**28'498'948**

7. Financial investments	2018	2017
Public investment securities	199'888'040	291'829'797
Private investment securities	31'160'404	11'540'383
Bonds and treasury bills	-	5'701'739
Investments held to maturity	-	7'350'408
Securities of credit institutions	1'016'906	-
GROSS FINANCIAL INVESTMENTS	**232'065'350**	**316'422'328**
Provisions	-3'920'271	-5'942'764
NET FINANCIAL INVESTMENTS	**228'145'079**	**310'479'563**

[2] *The South Sudanese pound is South Sudan's official currency*

8. Amounts due to customers	2018	2017
Term deposit	260'669'054	65'893'892
Demand deposit	835'495'459	946'885'185
AMOUNTS DUE TO CUSTOMERS	**1'096'164'514**	**1'012'779'078**

9. Loans from third parties

These are medium- and long-term loans from foreign banks, central banks or third parties.

10. Shareholders' loans	2018	2017
Commitments from 1 to 5 years	-	-
Commitments over 5 years	6'488'280	5'955'926
SHAREHOLDERS' LOANS	**6'488'280**	**5'955'926**

11. Charges de personnel

This item includes Group's staff salaries and social insurance expenses. In 2018, the annual average staff strength is 1'641 (as against 1'441 in 2017).

12. Comments on extraordinary items

Extraordinary income includes several different items, in particular reversals of provisions that are not related to operating activities and that are no longer economically necessary. In 2018, the Group has dissolved MEUR 21.2 from the reserve for general banking risks, which were not allocated to a specific risk or charge.

From 2017 accounts, MEUR 13.7 were reclassified from extraordinary items to "valuation adjustments, provisions and losses" account due to the fact that the nature of the reversals of provision concerns the operational activity and not the extraordinary items.

13. Risks and contingent liabilities

A thorough analysis of a contract signed in 2016 with a Company's shareholder led the Management to consider it null and void by virtue of the law. This contract has been terminated and the consequences thereof cannot be estimated to date. Uncertainty still remains as to the settlement of this issue with the shareholder concerned. No impact has been reflected in the accounts.

14. Fees for audit services and other services	2018	2017
Audit fees	772'333	1'183'062
Other services	199'317	139'286
AUDITORS FEES	**971'650**	**1'322'348**

15. Other legal information (Swiss Code of Obligations)

As at 31 December 2018, AFGM (a subsidiary with no leasing option) owes LPP (institution) an amount of EUR 5'692 (6'375.50 CHF) as against EUR 20'394 a year earlier. Moreover, there is no leasing liability on any of the Group's entities as at 31 December 2018.

16. Subsequent events to the closing date

No significant event occurred after the balance sheet date.

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English translation of the official French version

Report of the Statutory Auditor

To the General Meeting of
Afriland First Group SA, Neuchâtel

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Afriland First Group SA, which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated income statement, cash flow statement and notes to the consolidated financial statements for the year then ended.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with the requirements of Swiss law and the consolidation and valuation principles as set out in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2018 comply with Swiss law and the consolidation and valuation principles as set out in the notes.

Deloitte.

Afriland First Group SA
Report of the statutory auditor for
the year ended December 31, 2018

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In our opinion, an internal control system for the preparation of financial statements exists in accordance with the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

We draw attention to the fact that the annual General Meeting for the year ended December 31, 2018 was not held within six months following the balance sheet date, which is in breach of article 699 paragraph 2 CO.

Deloitte SA

Thierry Aubertin Licensed Audit Expert Auditor in Charge	Philippe Bouniol Licensed Audit Expert

Geneva, August 2, 2019
THA/PBO/nvi

Enclosures : Consolidated financial statements (balance sheet, income statement, cash flow statement and notes)

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Ce rapport est publié par Afriland First Group SA.

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