

# **ANNUAL REPORTS AND ACCOUNTS**

# **2020**

**WITH SUTAINABILITY REPORTS**

**FINANCIAL INCLUSION •**

**CAPACITY BUILDING •**



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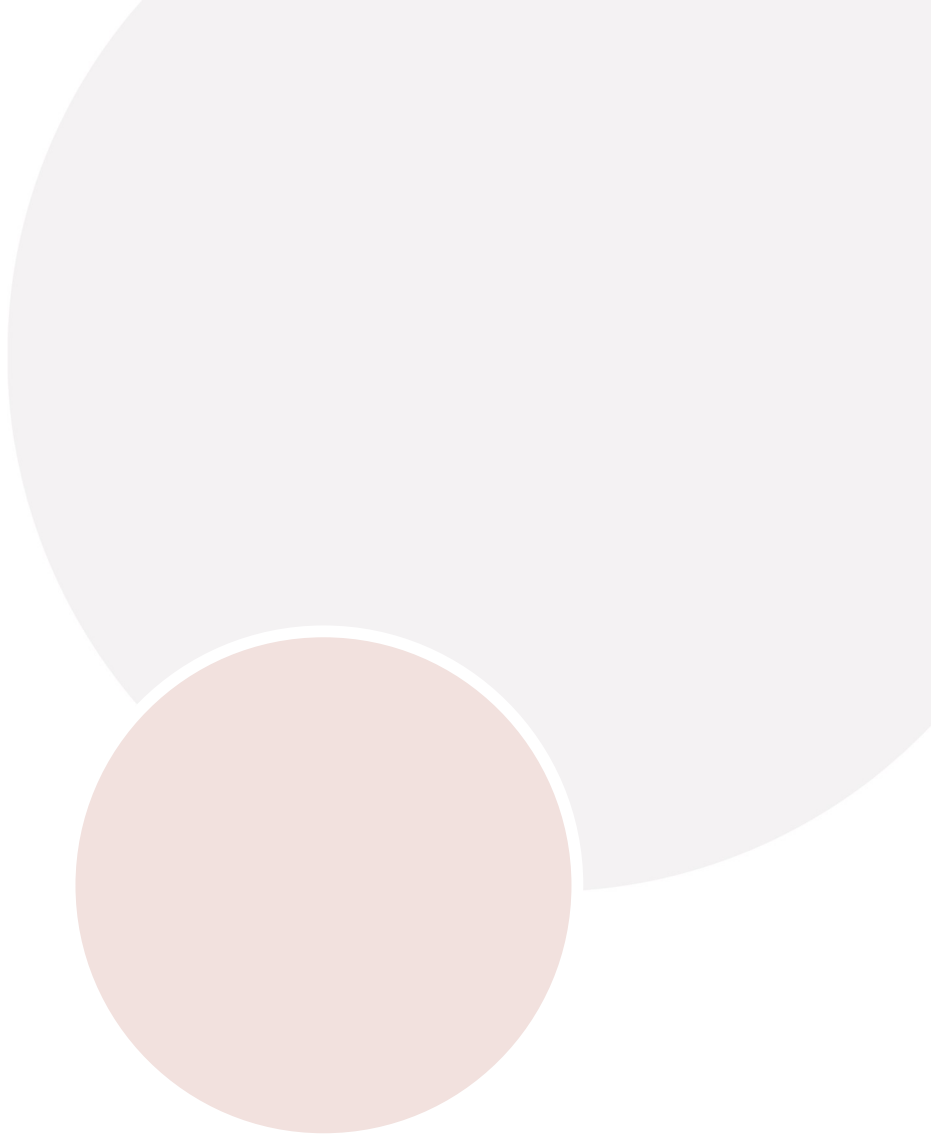
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# COMPANY INFORMATION

**CHIEF EXECUTIVE OFFICER - CEO**

**Acc. Ferdinand Gibbs R.**

**REGISTERED OFFICE ADDRESS:**

**Glasgow, Scotland.**

**REGISTRATION NUMBER:**

**724430**

**NATURE OF BUSINESS:**

**Investment Banking and Finance,  
Trading and Investments, and assets  
management which includes, but  
not limited to Crypto.**

**INSURER:**

**ALVINS - Alvin Insurance LLC**

**Canberra, Australia.**

**[www.alvininsurance.com](http://www.alvininsurance.com)**

The information provided about the company, **E-FINANCE** as enlisted herein and elsewhere on every of our documents, issuances or any other material is certified authentic by the **Company Registry, United Kingdom - U.K**

For further details about us, please endeavor to visit: **[www.efinancebank.com](http://www.efinancebank.com)**

# AUDITOR'S REPORT

To the **Board of Trustees** and **Directors** of **E-FINANCE**,

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of **E-FINANCE Bank** (the **Bank** or the **Firm**), which comprise the statement of financial position as at **31 December 2020** and the statements of income and comprehensive balance - changes in equity and cash flows for the year then ended and drafts to the financial statements as relating to significant accounting policies and target revenue for the upcoming year.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **E-FINANCE Bank** as at **31 December 2020**, and its financial performance and its cash flows for the year then ended in accordance with International **Financial Reporting Standards (IFRSs)**.

### BASIS FOR OPINION

We conducted our audit in accordance with **International Standards on Auditing (ISAs)** as these have been incorporated into English legislation. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We have been independent of the Bank during the whole period of our appointment in accordance with the **International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)** as incorporated into the English legislation and the ethical requirements in the **United Kingdom - U.K** relevant to the audit of the financial statements and we have fulfilled our ethical requirements in accordance with the applicable legislation and the abovementioned Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year.

These matters and the assessed risks of material misstatements were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **OTHER INFORMATION**

Management is responsible for the other information. The other information comprises the information included in the **Annual Financial Statements and Reports**, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

We have nothing to report in this regard.

## **RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Bank is responsible for overseeing the Bank's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with **ISAs**, as these have been incorporated into English legislation, will always detect a material misstatement when it exists.

Misstatements can rise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

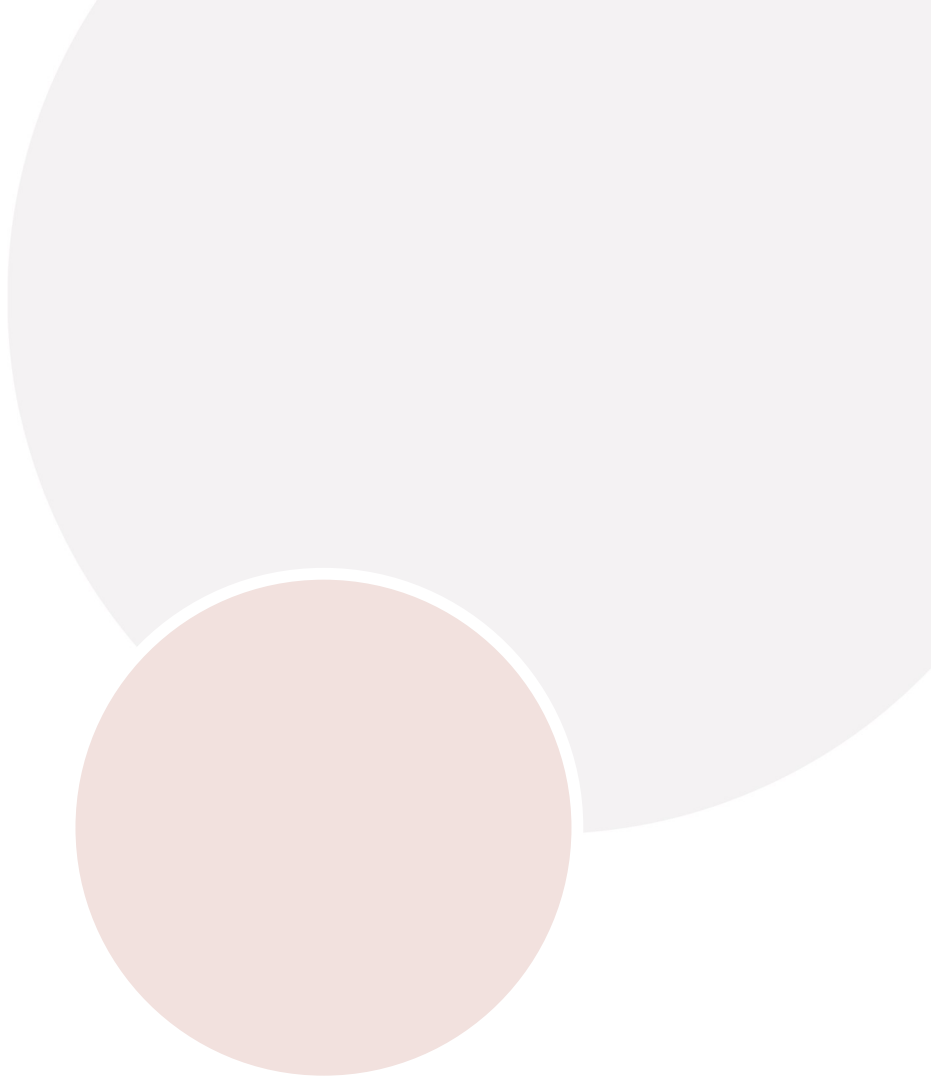
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

**December, 2020.**

**Pete Drurrier B.**

Chief Auditor,  
**E-FINANCE LLC**  
**Glasgow, Scotland.**



**PROFIT AND LOSS ACCOUNTS**  
**DRAFTS TO THE FINANCIAL ACCOUNTS**



# PROFIT AND LOSS ACCOUNTS

Presented in – x **1,000,000.00 USD**

	<b>2020</b>	<b>2019</b>
Interest and similar income	97.856	93.969
Interest and similar expense	61.048	53.274
Net interest income – expenses on derivatives	7.427	4.113
<b>Net Interest Income</b>	<b>44.235</b>	<b>36.582</b>
Net fees and commissions	2.040	0.967
Dividend income	0.164	-
Net gains from equity investments through profit and loss	0.284	0.268
Net losses – gains on derecognition of debt investment securities at fair value through other comprehensive income	1.752	0.119
Net losses on derecognition of financial liabilities at amortized cost	2.049	-
Unrealized net fair value gains on derivative instruments	7.410	-
Fair value losses – gains on loans measured at a fair value through profit or loss.	0.299	0.477
Fair value losses on equity investments measured at a fair value through profit or loss.	7	0.217
Foreign exchange income - losses	78	1.064
Other – losses income	4	4
<b>Operating Income</b>	<b>50.170</b>	<b>37.133</b>
Personal expenses	16.097	15.758
Administrative expenses	4.161	5.187

Depreciation and amortization	0.525	0.572
<b>Income Before Impairment</b>	<b>29.387</b>	<b>15.616</b>
Impairment losses on loan	12.894	1.841
Impairment losses on debt investment securities measured at fair value through other comprehensive balance or income	2.278	0.111
<b>Income of the Year</b>	<b>14.215</b>	<b>13.664</b>

## FINANCIAL POSITION - STATEMENT

Presented in – x **1,000,000.00 USD**

	<b>2020</b>	<b>2019</b>
<b>Total Assets</b>	<b>809.019</b>	<b>347.987</b>
<b>Total Liabilities and Member's Equity</b>	<b>809.019</b>	<b>347.987</b>

## OFF - BALANCE - SHEET ITEMS

<b>Commitments</b>	<b>74.031</b>	<b>53.496</b>
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The members have not required the company to obtain an audit of its financial statements for the period through the year ended **December 31, 2020**.

The managing director further acknowledges his responsibilities for:

- Ensuring that the company in its entirety keeps accounting records which comply with the corresponding sections of the **Companies Law** and also
- Preparing financial statements which give an unbiased view of the state of affairs of the firm as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements in the also corresponding sections and which otherwise comply with the requirements of the **Companies Law** relating to the financial statements, so far as applicable to the firm.

# DRAFTS TO THE FIN. ACCOUNTS

## PURPOSE OF THE BANK

### ESTABLISHING AND PURPOSE OF THE BANK

Purpose of the Bank is to accelerate development by creating portfolios for traditional banking, trading and investment purposes and promote cooperation among its shareholder countries. As a regional development institution, the Bank is well placed to mobilize financial resources and to improve access to financing for businesses in the whole region as well as for those active only in its individual Member Countries.

The Bank offers project and trade financing facilities, equity participations and guarantees.

Bank financing of projects and programs is available directly or in cooperation with other national and international development institutions. The Bank may also, where appropriate, provide technical assistance to potential clients.

## BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### BASIS OF PREPARATION

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

These financial statements for the year ended **2020** were submitted by the Management Committee to the Board of Directors for approval on **January 10, 2021** and were approved for issuance on that date.

### BASIS OF MEASUREMENT

- The financial statements have been prepared on a historical cost basis except for the below assets and liabilities which have been measured at fair value:
- Debt investment securities at fair value through other comprehensive income;
- Loans at fair value through profit or loss;
- Equity investments at fair value through profit or loss;
- Equity investments at fair value through other comprehensive income;

- Derivative financial instruments; and
- Plan assets.

The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

## **FUNCTIONAL AND PRESENTATION CURRENCY**

The Bank's functional currency is the **United State Dollar (USD)**. USD is most representative of the Bank's operations and environment as a significant percentage of the Bank's lending operations are in USD, and the administrative expenses and capital expenditures are primarily denominated and settled in this currency.

The Bank's presentation currency is the USD and values are rounded to the nearest millions unless otherwise stated.

## **USE OF ESTIMATES AND JUDGMENTS**

The preparation of the financial statements in conformity with **IFRS** requires management to make judgments and use of estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

Actual results may differ from those reported. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas where the Bank has applied judgement and used estimates and assumptions are: estimation of expected credit losses of loans-and-receivables, valuation of financial instruments not quoted in active markets, including **OTC** derivatives and certain debt securities, impairment of investment securities, estimation of retirement benefits obligation, and contingencies from litigation.

## **FOREIGN CURRENCIES TRANSLATION**

Foreign currency transactions are initially recorded in USD by applying to the foreign currency amount the exchange rate between the USD and the foreign currency at the rate prevailing at the date of transaction.

When preparing the financial statements exchange gains and losses arising from the translation of monetary assets and liabilities denominated in foreign currencies at year end are recognized in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rate at the reporting date. The foreign exchange gains or loss on monetary items is the difference between the amortized cost in Euro at the beginning of the year, adjusted for the effective interest, impairment and prepayments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the year.

## **CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, placements with other financial institutions and debt securities with maturities of three months or less from the financial position date. These are highly liquid assets that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value due to the movements in market rates.

## **RECOGNITION AND INITIAL MEASUREMENT, AND DERECOGNITION OF FINANCIAL INSTRUMENTS**

The Bank recognizes a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual rights or obligations.

## **FINANCIAL LIABILITIES**

The Bank recognizes a financial liability in its financial statements at the time of the arising from the item (that is, the day the transaction took place). Financial liabilities primarily include **borrowings** and **other liabilities**.

## **BORROWINGS**

Borrowing transactions which are amounts due to financial institutions and debts evidence by certificates, are recognized in the statement of financial position at the time the funds are transferred to the Bank. They are measured initially at the fair value of the funds transferred, less any transaction costs. They are subsequently measured at amortized cost unless they qualify for

hedge accounting in which case the amortized cost is adjusted for the fair value movements attributable to the to the risks being hedged. Interest expense is accrued in the income statement within “**Interest expense**” using the effective interest rate method.

## **OTHER LIABILITIES**

Other liabilities that are not derivatives or designated at **FVTPL**, are recorded at amortized cost. The amounts include accrued finance charges on borrowings and other accounts payable.

## **OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

Offsetting of financial assets and liabilities in the financial statements is permitted if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## **DERIVATIVES**

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

The Bank primarily makes use of derivatives for the below strategic purposes:

- Many of the Bank’s issued securities, excluding commercial paper, are individually paired with a swap to convert the issuance proceeds into the currency and interest rate structure sought by the Bank.
- To manage the net interest rate risks and foreign exchange risks arising from all financial assets and liabilities.
- Through currency swaps, to manage funding requirements for the Bank’s loan portfolio.

Derivatives can include interest rate and cross currency swaps, forward foreign exchange contracts, interest rate future contracts, and options on interest rates and foreign currencies. Such financial instruments are initially recognized in the statement of financial position at cost and are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in fair value of derivatives are included in the income statement. Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate.

## FINANCIAL GUARANTEES

Issued financial guarantees are initially recognized at their fair value, being the premium (fee) received and subsequently measured at the higher of the unamortized balance of the related fees received and deferred, and the expenditure required to settle the commitment at the financial position date. The latter is recognized when it is both probable that the guarantee will require to be settled and that the settlement amount can be reliably estimated. Financial guarantees are recognized within other financial assets and other financial liabilities.

## PROPERTY AND EQUIPMENT

Property and equipment include leasehold improvements and transportation and other equipment. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition. Subsequently to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs incurred subsequently to the acquisition of an asset, which is classified as property and equipment are capitalized, only when it is probable that they will result in future economic benefits to the Bank beyond those originally anticipated for the asset, otherwise they are expensed as incurred.

## SHARE CAPITAL AND DIVIDENDS

In accordance with the Establishing Agreement, the Board of Trustees shall determine annually what part of net income or surplus of the Bank from operations shall be allocated to reserves, provided that no part of the net income or surplus of the Bank shall be distributed to members by way of profit until the general reserves of the Bank shall have attained the level of **10%** of the subscribed capital including all paid, unpaid but payable, and unpaid but callable share capital.

## INCOME AND EXPENSE

Interest income and expense are recognized in the income statement using the effective interest method. The **effective interest rate (EIR)** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

## RISK MANAGEMENT

The Bank's activities are subject to a variety of risks, some of which are not within the Bank's control: including risks relating to changes in interest rates, foreign exchange rates, declines in liquidity and deterioration in the credit quality of its loan portfolio. The Bank monitors and manages the maturities of its loans, its interest rate and exchange rate exposure, its liquidity position and the credit quality of each individual loan and equity investment in order to minimize the effects of changes in them relative to the Bank's profitability and liquidity position.

The Board of Directors has approved risk management policies and guidelines that are delegated to the Management of the Bank for the identification and measurement of risk, as well as being subject to risk limits and controls.

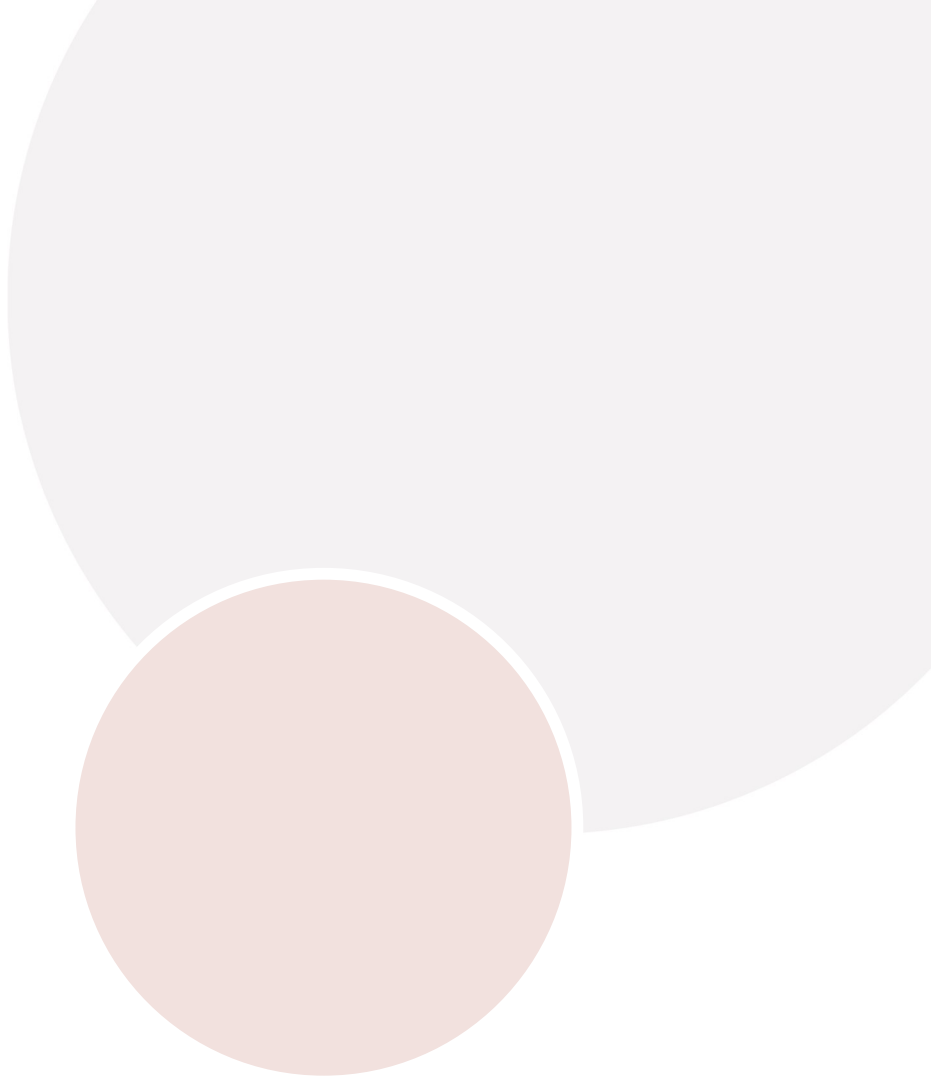
To manage risks, the Bank has established an **Asset and Liability Committee (ALCO)**, a Credit Committee that implement the Bank's credit and lending policies, the Office of the General Counsel, the Department of Risk Management and the Department of Financial Analysis, which together are responsible for devising, implementing and monitoring the Bank's risk management policies, including financial, credit and market risks.

## EMPLOYEE BENEFITS - UNDER THE DEFINED BENEFIT SCHEME

If separated or after the normal retirement age - **60 years old**, a staff member will be entitled to a full immediate pension equal to **2%** of his or her annual pensionable salary (that is, average of the two best out of the six previous years) multiplied by his or her years of service at the Bank. If separated at or after the early retirement age - **50 years old**, a staff member will be entitled to a reduced immediate pension, or deferred pension payable from any month until the staff member's normal retirement age. If separated before the early retirement age, a staff member will be entitled to a deferred pension payable from any month between the staff member's early and normal retirement age.

Upon separation at any age, a staff member will have a choice between the appropriate type of pension and a lump sum termination benefit.





**INCOME AND BALANCE SUMMARY**  
**SUSTAINABILITY AND NEXT REV. TARGET**

# PROFIT AND LOSS ACCOUNTS

Presented in – x **1,000,000.00 USD**

	<b>2020</b>	<b>2019</b>
Income of the year	14.215	13.664
<b>Other comprehensive income:</b>		
<b>Items which may not be classified sub. to profit or loss:</b>		
Actuarial gains on defined benefit scheme	2.063	3.020
Gains on equity investments financial assets	3.577	4.219
<b>Items which are or maybe classified sub. to profit or loss:</b>		
Gains on investment securities financial assets	4.697	12.518
Other comprehensive income	0.916	13.717
<b>Total Comprehensive Income</b>	<b>13.299</b>	<b>27.381</b>

# SUSTAIN. AND NEXT REV. TARGET

## SUSTAINABILITY EFFORTS

### SUSTAINABILITY AND COMMUNITY INVESTMENT

Sustainability is one of our core values and continues to guide our actions – our service to our customers; our business governance; and our contribution to our operating environment.

**E-Finance's** sustainability agenda is largely influenced by the pillars of the **International Sustainable Investment Principles (ISIPs)**, developed and adopted by the Investors' Committee.

The principles encourage banks to promote economic growth, whilst protecting communities and the environment in the normal course of duty.

### WOMEN'S ECONOMIC EMPOWERMENT

We recorded an increase in the number of female employees at **E-Finance** versus the previous year. In addition, we have one **(01)** woman on the Firm's Board and five **(5)** of the Firm's **25-member** Executive Management Committee are women.

Having achieved a female staff strength of **20%** at the Firm, we are putting strategies in place to replicate this at the Group level.

We have successfully passed the bill to launch our **skill acquisition programme**, through which we would be able to empower close to **2,300** women-owned businesses.

### FINANCIAL INCLUSION

Our Firm caters to people who do not have access to the four walls of the digital assets' investments, development and management hall, providing them with basic management services within their communities.

Currently we have over **33** agents spread across the globe and we fully intend to increase this figure substantially in **2021**.

### CAPACITY BUILDING

Apart from knowledge improvement programs held to sensitize employees on sustainability principles, we conducted online and classroom training sessions covering topics such as sustainable energy finance, clean mini grid development, analyzing energy efficiency and

renewable energy projects and sustainability in digital assets investments, development and management, with a total of **1,280** combined participants.

## NEXT REVENUE TARGET

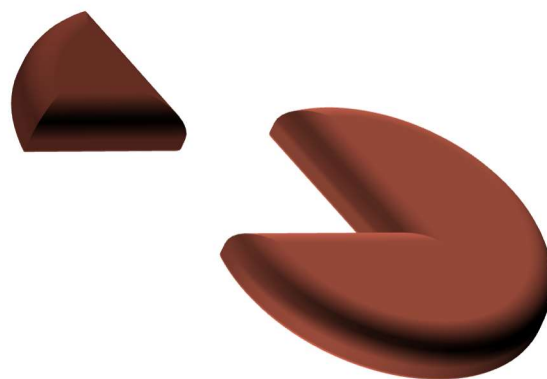
Presented in – x **1,000,000.00 USD**

	E-Finance	Investments	Arbitrage	Annuities	Affiliate Programs	Total
<b>Value (Million USD)</b>	7.55	9.33	15.87	5.07	5.18	43.00
<b>Value (Percent - %)</b>	17.55	21.70	36.91	11.80	12.04	100

In the board meeting held on the **31<sup>st</sup>** day of December **2020**, emphasis was laid on the need for more advancement and improvement in our trading sector as it stimulates other sectors simultaneously.

For the year **2021**, we have targeted a total of **43.00 Million USD** profit (after tax) with a whopping **21.70%** of this gross total coming from the **INVESTMENT SECTOR** alone out of the entire revenue structure.

For this, things have been put together in the needed places to facilitate this.



**E-FINANCE BANK - E-FINANCE LLC**

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SCOTLAND G40 4RL,  
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[WWW.EFINANCEBANK.COM](http://WWW.EFINANCEBANK.COM)