# AFRICAN EXPORT-IMPORT BANK
# ABRIDGED UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

## DIRECTORS' COMMENTARY

This communique is issued pursuant to SEM Listing Rules 11.3 and 12.20 and section 8.8 of the Securities Act of Mauritius 2005.

## GENERAL INFORMATION

The African Export-Import Bank (the Bank) is a multilateral trade finance institution, established in October 1993. It commenced lending operations in September 1994. The Bank's mandate is to promote, finance and facilitate intra and extra-African trade, while operating commercially. The Bank is headquartered in Cairo, Egypt and is located at No. 72 (B) El Maahad El Eshteraky Street, Heliopolis, Cairo 11341, Egypt. In addition, the Bank has regional offices in Harare (Zimbabwe), Abuja (Nigeria), Abidjan (Cote D'Ivoire) and is currently setting up a regional office in East Africa. The Bank has four (4) classes of shareholders, Class A (African Governments and African Multilateral institutions e.g. African Development Bank) and/or associated institutions, Class B (African financial institutions and private investors), Class C (non-African institutions) and Class D (any investor). Class A, B and C shares are partially paid, 40% upon subscription, while Class D shares are fully paid. Class D shares were created in 2012 to broaden the shareholder base and sources of equity, particularly through the capital markets. In October 2017 the Bank listed Depository Receipts on the Stock Exchange of Mauritius backed by Class D shares.

## REVIEW OF FINANCIAL PERFORMANCE

The Directors are pleased to report that the unaudited financial performance for the six months ended 30 June 2019 was ahead of prior year performance and in line with expectation. Having successfully completed two years of implementing its Fifth Strategic Plan "IMPACT 2021 – Africa Transformed", the Bank began 2019 by prioritising initiatives aimed at deepening the successes achieved around the key strategic pillars of expanding intra-African trade, promoting industrialiaztion and export development, deepening and expanding access to trade finance and ensuring a solid financial performance and soundness. Significant strides were made during the first six months of 2019 towards the attainment of the key strategic goals of the Bank. The Bank delivered a solid performance with net income for the six months ended 30 June 2019 rising by 82.28% compared to the same period in 2018 (H1 -2018) despite the negative impact of IFRS 9. The increase in profitability was primarily driven by the growth in loans and advances, which grew by nearly US$ 2.55 billion on a net basis compared to H1-2018.

In line with the increase in net income, the Bank achieved an average return on shareholders' equity (ROAE) of 10.46% compared to 9.96% in the prior period (restated IFRS 9 impact: 7.07%). In addition, the Bank achieved a return on average assets (ROAA) of 1.90% compared to 1.88% in the prior year (restated IFRS 9 impact: 1.30%). The increases in ROAE and ROAA were due to higher growth in net income.

The Bank's capital adequacy ratio was strong at 23.05% (2018: 23.88%) in line with the Bank's capital management policy targets. A more detailed analysis of the statement of comprehensive income is presented hereunder.

During the period under review, the Bank posted a 50.37% growth in interest and similar income, reaching US$473.37 million (2018: US$314.81 million). The increase was as a result of higher interest rates as well as the growth in volumes of loans and advances, which increased by US$2.55 billion from US$ 8.85 billion at the end of June 2018 to US$11.40 billion as at the end of June 2019. On the other hand, interest and similar expenses increased by 64.74% to US$229.44 million (2018: US$139.27 million). This increase was as a result of higher global interest rates and the growth in interest bearing liabilities, which increased by 37.34%.

Despite the significant planned increases in staff numbers to strengthen organizational capacity, operating expenses increased modestly by 12.58% compared to H1-18, reaching US$46.07 million (H1-18: US$40.92 million). Staff costs drove the cost increases as general expenses only rose slightly by 3.16% year-on-year. Depreciation and amortisation expenses increased by 11.45% mainly due to the acquisition of new information and technology (IT) related software and equipment, in line with the Bank's strategic drive to enhance automation of its processes and activities.

The Bank adopted IFRS 9 (Financial instruments) effective 1 January 2018 and its implementation was finalised for the financial year ended 31 December 2018. The previously published financial statements for the half year ended 30 June 2018, which were prepared and published in July 2018 before the finalisation of IFRS 9 implementation, have had to be restated to reflect the impact of IFRS 9 and to ensure comparability with the current half year financial statements. The level of non-performing loans (NPLs), at 2.96% (H1-18: 2.36% and restated (IFRS 9 impact) H1-18: 3.75%) was within the acceptable strategic target of the Bank. The NPLs outcome reflected the continued reliance on the structured trade finance model, the benefits of the Bank's preferred creditor treatment across its member countries, sound risk management and very good knowledge of the African markets.

In general , following the adoption of IFRS 9 effective 1 January 2018, the loan loss provisions/impairment are expected to be comparatively higher than in previous Accounting periods when the impairment allowances were based on the International Accounting Standard No.39 (IAS39), which was based on incurred, rather than expected, credit losses (ECL). Besides expanding the financial instruments (on and off-Balance Sheet Financial Instruments) that are subjected to ECL provisioning IFRS 9 provisioning, is forward-looking and results in some ECL provisions being made even for performing financial instruments.

It is in the context of the foregoing that the expected credit losses (ECL) increased to US$ 388.78 million as at 30 June 2019 compared to US$ 382.45 million from the restated half year financial statements for 30 June 2018.

In line with plans targeted at rebuilding the balance sheet as loans and advances under the emergency countercyclical trade liquidity facility (COTRALF) got repaid, the Bank's total assets increased by 35.38% from US$11.35 billion as at 30 June 2018, to US$15.37 billion as at 30 June 2019. This increase is explained mainly by higher volumes of loans and advances, which increased on a net basis by 28.81 %, with continued notable progress in geographical diversification of the loan book, covering 33 countries (H1 - 18: 31 countries).

Total liabilities of the Bank stood at US$ 12.67 billion (2018: US$ 9.21 billion) as at 30 June 2019, an increase of 37.59% mainly due to an increase of US$ 1.62 billion in customer deposits. Borrowing increased by 23.23% from US$ 7.42 billion in 2018 to US$ 9.14 billion in 2019. This increase was necessary to enhance liquidity to support expected business growth. Total borrowings accounted for about 72.14% (2018: 80.54%) of total liabilities while customer deposits and balances accounted for about 25.04% (2018: 16.81%) of total liabilities.

As a result of the evolution of the Bank's assets and liabilities as described above, increases in retained earnings and general reserves arising from higher profitability as well as new equity injections of US$ 265.48 million, the Bank's shareholders' funds rose by 25.89% to US$ 2.70 billion from US$ 2.15 billion at end of the first half of 2018. The strong capitalisation of the Bank reflected solid support by existing shareholders, an expanded shareholder base and continued strong internal capital generation. The Bank's callable capital, which has been significantly credit enhanced as part of the Bank's capital management strategy, amounted to US$ 920.07 million (2018: US$ 771.79 million) as at 30 June 2019.

The Board of Directors are pleased with the results achieved for the first half of the year, in line with expectation. In general, all the key performance metrics were in line with budget and strategic plan targets. The results buttressed the healthy financial standing of the Bank, reflected in reported earnings growth, satisfactory profitability levels, high asset quality, solid liquidity and capital levels to support both existing and future business volumes. Expectations are that the Bank would grow the attributable income in the second half of the year to meet full year targets whilst maintaining a sustainable balance between a strong capital base, business growth and profitability to deliver sustainable returns to its shareholders.

## NET ASSET VALUE ("NAV")

The NAV per share at 30 June 2019 was US$52,648 (30 June 2018: US$43,881), equivalent to U$5.3 (30 June 2018:US$4.4) per Depository Receipt (DR).

## DIVIDENDS

The Bank's dividend policy has remained the same with dividends declared and paid once a year based on annual audited accounts. The shareholders approved a dividend appropriation amounting to US$68,970,000 (2017: US$57,534,000) at theJune annual general meeting. The June 2019 financial statements do not reflect the dividend payable, which will be accounted for in equity as an appropriation of retained earnings in the year ending 2019, after approval by shareholders.

## KEY PERFORMANCE METRICS (%)

| | Jun 19 | Dec 18 | IFRS 9 Impact Jun 18 * |
|---|---|---|---|
| **Profitability** | | | |
| Return on average assets (ROAA) | 1.90% | 2.18% | 1.30% |
| Return on average equity (ROAE) | 10.46% | 11.78% | 7.07% |
| **Operating Efficiency** | | | |
| Cost -to -income ratio | 17% | 18% | 20% |
| **Asset Quality** | | | |
| Non-performing loans ratio (NPL) | 2.96% | 2.95% | 3.75% |
| Loan loss coverage ratio | 127% | 132% | 116% |
| Liquidity | | | |
| Cash/Total assets | 23% | 14% | 21% |
| **Capital Adequacy** | | | |
| Capital Adequacy ratio (Basel II) | 23% | 25% | 24% |

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

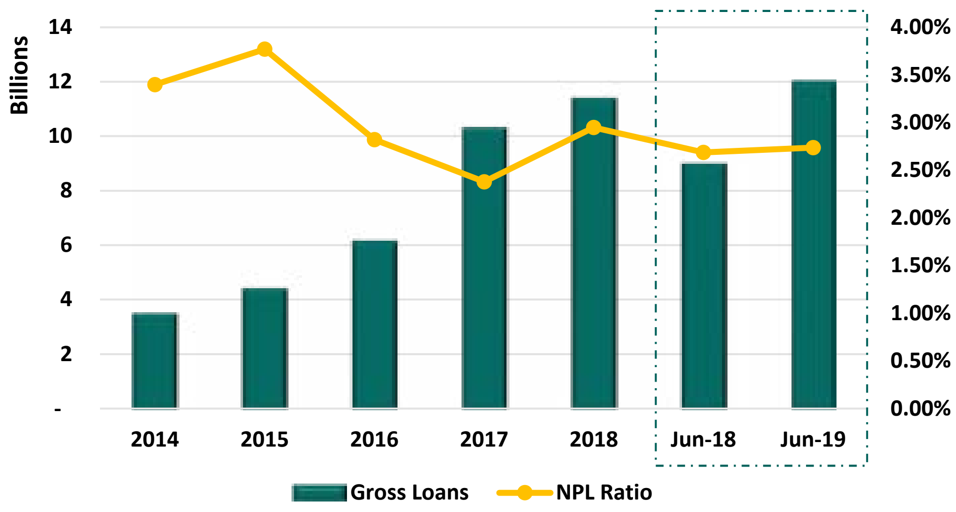
| | 30/6/2019 US$000 | 31/12/2018 US$000 | 30/6/2018* US$000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 3,605,339 | 1,918,434 | 2,331,915 |
| Derivative assets held for risk management | 6,628 | 3,684 | 102 |
| Loans and advances to customers | 11,395,028 | 11,134,424 | 8,850,852 |
| Prepayments and accrued income | 128,432 | 134,358 | 104,898 |
| Investment securities measured at amortized cost | 167,785 | 168,328 | 29,464 |
| Other assets | 18,391 | 13,988 | 3,740 |
| Property and equipment | 38,653 | 39,806 | 31,640 |
| Intangible Assets | 10,199 | 6,348 | 1,178 |
| **Total assets** | **15,370,455** | **13,419,370** | **11,353,789** |
| **LIABILITIES** | | | |
| Derivative liabilities held for risk management | 9,289 | 24,840 | 33,908 |
| Due to banks | 6,110,050 | 5,147,944 | 5,033,024 |
| Deposits and customer accounts | 3,172,183 | 2,365,385 | 1,547,838 |
| Debt securities in issue | 3,029,399 | 3,027,717 | 2,383,318 |
| Other liabilities | 348,208 | 293,737 | 209,838 |
| **Total liabilities** | **12,669,129** | **10,859,623** | **9,207,926** |
| **CAPITAL FUNDS** | | | |
| Share capital | 513,096 | 506,300 | 489,012 |
| Share premium | 786,715 | 764,790 | 669,581 |
| Warrants | 166,756 | 191,531 | 42,496 |
| Reserves | 594,541 | 594,541 | 474,733 |
| Retained earnings | 640,218 | 502,585 | 470,041 |
| **Total capital funds** | **2,701,326** | **2,559,747** | **2,145,863** |
| **Total liabilities and capital funds** | **15,370,455** | **13,419,370** | **11,353,789** |

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

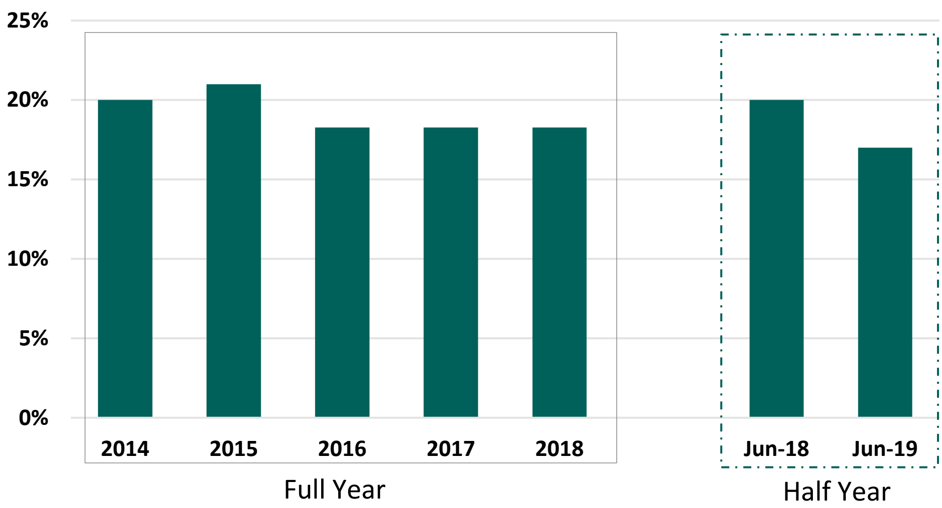
| | Jun 19 US$000 | June 18 * US$000 |
|---|---|---|
| Interest and similar income using the effective interest method | 473,365 | 314,809 |
| Interest and similar expense using the effective interest method | (229,440) | (139,272) |
| **Net interest and similar income** | **243,925** | **175,537** |
| Fee and commission income | 24,474 | 28,240 |
| Fee and commission expense | (4,213) | (5,201) |
| **Net fee and commission income** | **20,261** | **23,039** |
| Other operating income | 482 | 1,312 |
| **Operating income** | **264,668** | **199,888** |
| Personnel expenses | (25,354) | (21,011) |
| General and administrative expenses | (18,336) | (17,775) |
| Depreciation and amortisation expense | (2,375) | (2,131) |
| **Operating expense** | **(46,065)** | **(40,917)** |
| Exchange adjustments | (330) | (1,585) |
| Fair value gain / (loss) from derivatives | 12,530 | (15,327) |
| **Operating profit before impairment and provisions** | **230,803** | **142,059** |
| Expected Credit Losses provisions on financial instruments | (93,170) | (66,552) |
| **PROFIT FOR THE PERIOD** | **137,633** | **75,507** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **137,633** | **75,507** |

* These have been adjusted to reflect the impact of IFRS 9.

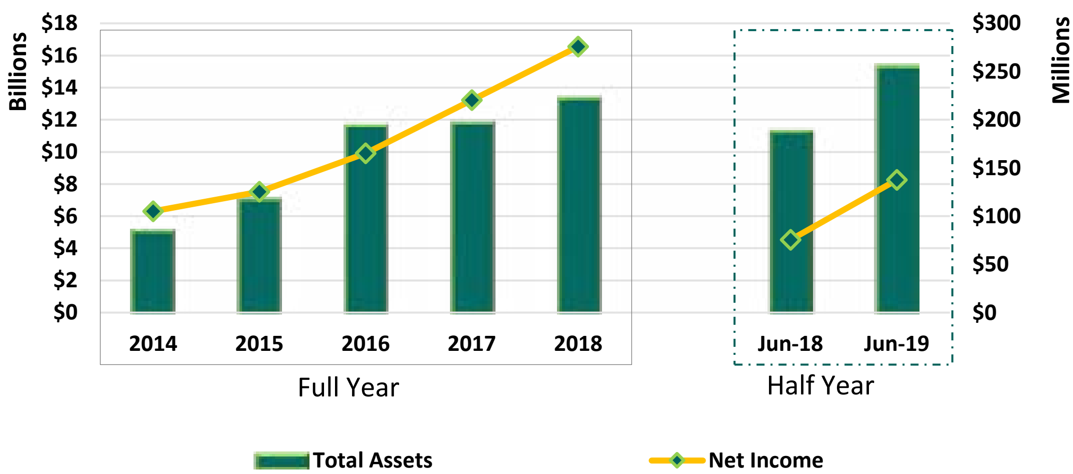
## FIG 1: NPL RATIO - GROSS LOANS 5 YEAR TREND ANALYSIS




## FIG 2: COST-TO INCOME RATIO TREND




## FIG 3. TOTAL ASSETS 5 YEAR TREND



## STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD ENDED 30 JUNE 2019

| | Share Capital | Share Premium | Warrants | General Reserve | Asset Revaluation Reserve | Project preparation facility Fund reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 |
| Balance as at 31 December 2018 | 506,300 | 764,790 | 191,531 | 551,228 | 28,313 | 15,000 | 502,585 | 2,559,747 |
| **Total comprehensive income** | | | | | | | | |
| Profit of the period | - | - | - | - | - | - | 137,633 | 137,633 |
| **Transactions with equity owners of the Bank** | | | | | | | | |
| Issued and Paid in capital during 2019 | 6,796 | 21,925 | - | - | - | - | - | 28,721 |
| Warrants retirement | - | - | (24,775) | - | - | - | - | (24,775) |
| **Balance at 30 June 2019** | **513,096** | **786,715** | **166,756** | **551,228** | **28,313** | **15,000** | **640,218** | **2,701,326** |
| | | | | | | | | |
| Balance at 31 December 2017 | 470,816 | 562,350 | 91,723 | 447,762 | 19,471 | 7,500 | 524,412 | 2,124,034 |
| Impact of Adopting IFRS 9 at 1 January 2018 | - | - | - | - | - | - | (129,878) | (129,878) |
| **Restated Balance at 1 January 2018** | **470,816** | **562,350** | **91,723** | **447,762** | **19,471** | **7,500** | **394,534** | **1,994,156** |
| **Total comprehensive income** | | | | | | | | |
| Profit of the period | - | - | - | - | - | - | 75,507 | 75,507 |
| **Transactions with equity owners of the Bank** | | | | | | | | |
| Issued and Paid in capital during 2018 | 18,196 | 107,231 | | - | - | - | | 125,427 |
| Warrants retirement | - | - | (49,227) | - | - | - | - | (49,227) |
| **Balance at 30 June 2018 *** | **489,012** | **669,581** | **42,496** | **447,762** | **19,471** | **7,500** | **470,041** | **2,145,862** |

## STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

| | Jun 19<br>US$000 | June 18 *<br>US$000 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| **Profit for the period** | **137,633** | **75,507** |
| **Adjustment for non-cash items:** | | |
| Depreciation and amortization of intangible assets & property and equipment | 2,375 | 2,131 |
| Expected Credit Losses provisions on financial instruments | 93,170 | 66,552 |
| Fair value adjustment from derivatives | (12,530) | 15,327 |
| | 220,648 | 159,517 |
| **Changes in :** | | |
| Prepayments and accrued income | 13,100 | (68,526) |
| Hedging derivatives instruments | (5,965) | 586 |
| Other assets | (4,403) | (809) |
| Other liabilities | 63,345 | (292,914) |
| Deposits and customer accounts | 806,798 | (601,518) |
| Loans and advances to customers | (366,325) | (454,805) |
| **Net cash inflows / (outflows) from operating activities** | **727,196** | **(1,258,469)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases and additions to property and equipment & intangible assets | (5,073) | (863) |
| **Net cash outflows from investing activities** | **(5,073)** | **(863)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from capital subscriptions and share premium | 28,721 | 125,427 |
| Retirement of warrants | (24,775) | (49,227) |
| Dividends paid | (2,952) | (2,872) |
| Net increase in due to banks and debt securities | 963,787 | 303,346 |
| **Net cash inflows from financing activities** | **964,781** | **376,674** |
| **Net increase / (decrease) in cash and cash equivalents** | **1,686,905** | **(882,658)** |
| **Cash and cash equivalents at 1 January** | **1,918,434** | **3,214,573** |
| **CASH AND CASH EQUIVALENTS** | **3,605,339** | **2,331,915** |

## NOTES

The Bank is required to publish financial results for the six months ended 30 June 2019 as per Listing Rule 12.19 of the SEM. The abridged unaudited financial statements for the six months ended 30 June 2019 ("financial statements") have been prepared in accordance with the requirements of IFRS and the SEM Listing Rules.

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the audited financial statements for the year ended 31 December 2018.The abridged unaudited financial statements have not been reviewed or reported on by the Bank's external auditors.

Copies of the abridged unaudited financial statements and the statement of direct and indirect interests of each officer of the Bank, pursuant to Rule8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007, are available free of charge, upon request to the Executive Secretary at the Registered Office of the Bank at No.72(B) El-Maahad El-Eshteraky Street, Heliopolis, Cairo 11341, Egypt.

This communique is issued pursuant to SEM Listing Rules 11.3 and 12.20 and section 8.8 of the Securities Act of Mauritius 2005. The Board of Directors accepts full responsibility for the accuracy of the information contained in these financial statements. Directors are not aware of any matters or circumstances arising subsequent to the period ended 30 June 2019 that require any additional disclosure or adjustment to the financial statements.

On Behalf of the Board
**African Export-Import Bank**

Executive-Secretary

**SBM Securities Limited**
SEM Authorised Representative and Sponsor

15 Aug 2019

## Announcement

*The African Export-Import Bank (Afreximbank) is continuing to explore various strategic initiatives to support the growth of its business and further strengthen its balance sheet. These options may include a new listing of Global Depositary Receipts on another stock exchange, including potentially the London Stock Exchange. At this point in time, no decisions have been taken as to whether Afreximbank will proceed with any such transaction. If Afreximbank decides to proceed with any transaction, further announcements will be made in due course in accordance with applicable laws and regulations.*