# AFRICAN EXPORT-IMPORT BANK

## ABRIDGED UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

### 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

African Export-Import Bank (the Bank) is a multilateral trade finance institution, established in October 1993. It commenced 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), Kampala (Uganda) and is currently setting up a regional office in Central Africa in Yaoundé (Cameroon). The Bank has 4 classes of shareholders, class A (African Governments and/or associated institutions and African Multilateral institutions e.g African Development Bank), class B (African financial institutions, companies and private investors), class C (non-African institutions) and class D (any investor). Classes A,B and C shares are partially paid upon subscription (40%) while class D shares are fully paid. Class D shares were created in 2012 to facilitate the Bank's entry into the equity capital market. In October 2017 the Bank Listed Depository Receipts, backed by class D, shares on the Stock Exchange of Mauritius.

### REVIEW OF FINANCIAL PERFORMANCE

#### INTRODUCTION

The financial statements of the Bank for the three months ended 31 March 2020 include Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and the accompanying notes. This review discusses the Bank's financial statements for the period, paying attention to factors that influenced the outcome.

#### STATEMENT OF COMPREHENSIVE INCOME

**Operating Environment**

During the 1st Quarter of 2020, precisely on March 11, the World Health Organisation declared the novel coronavirus disease ("Covid-19") a global pandemic given the rapid spread across many countries around the world. The Covid-19 pandemic has had a sudden and profound impact on global markets. Many economies have been significantly impacted, leading analysts to project a global recession in 2020. Business operations across the world, including Africa, have been negatively affected in many ways, including supply chain disruptions, food shortages due to travel restrictions and quarantines affecting hundreds of millions of people and significant declines in some commodity prices. The most affected sectors are oil and gas, aviation, education abroad, infrastructure, tourism, entertainment, hospitality, electronics, consumer and luxury goods. On the other hand, interest rates have been increasing due to .relatively higher liquidity premiums being demanded by lenders even as most Central Banks are providing stimulus packages as a way of cushioning their economies during these turbulent times.

The Bank's Board and Management recognise that COVID-19 will negatively impact the health of citizens, countries and companies in 2020 and possibly beyond. Consequently, the Bank's customers and other stakeholders will also be impacted. In order to help member countries, central banks, financial institutions and the bank's customers to deal with the economic and health implications of the COVID-19 pandemic, on 20 March 2020, the Bank's Board of Directors approved a Pandemic Trade Impact Mitigation Facility (PATIMFA) in an amount of US$3 billion facility.

The PATIMFA will support member countries, central banks, financial institutions and corporates in meeting trade debt payments as they fall due and support and stabilise foreign currency trade payment liquidity in member countries. It will also assist member countries whose revenues are tied to specific export revenues, such as minerals, to manage the inevitable sudden fiscal revenue declines due to commodity price reduction. Additionally, PATIMFA is expected to provide emergency trade financing for importation of urgent requirements, such as medicines and medical and hospital equipment to ensure that member countries are able to effectively combat the pandemic.

The Bank also reviewed its operations with a view to assessing vulnerabilities and on the basis of extensive reviews performed on the Bank's loan portfolio, and taking into account the Bank's deep knowledge of the African market, Management and the Board are of the strong view that, as at 31 March 2020, the quality of the portfolio of Loans and Advances remained satisfactory. The Bank, through its Loan Quality Committee (LQC), is actively, and with notable success, proactively implementing measures to limit the effects of the pandemic on the Bank and its clients with the ultimate objective of continuing to maintain the Loan portfolio in a sound state. Additionally, Management and the Board are acutely aware of the need to continuously monitor, evaluate and take the necessary strategic initiatives to ameliorate the potential impact of the pandemic on the Bank's clients.

As a result of the crisis and in conformity with its Risk Management Policies and Procedures, the Bank activated its Business Continuity Plan, resulting in all Bank employees working remotely. The Bank's operations have continued uninterrupted and in full scale, demonstrating the Bank's preparedness and resilience under conditions of crisis.

On 23 April 2020 the Bank announced a US$3 million grant to complement continental efforts to combat the COVID-19 pandemic. The grant was in response to a request by African heads of state, through the auspices of the African Union Chairperson, for the mobilisation of resources to address the pandemic. A significant proportion of the grant will go to the COVID-19 Special Fund set up by the African Union (AU) as well as to the African Center for Disease Control (Africa CDC).

### Financial Results

Notwithstanding the uncertainties in the operating environment, the Bank once again delivered solid results. The Directors are pleased to report that the unaudited financial performance for the three months ended 31 March 2020 was ahead of prior year performance and in line with expectation.

The Bank achieved a 22% growth in Net Income year on year, amounting to US$ 84.23 million (2019: US$68.80 million). The achieved profits were driven by a strong growth in Fee Income which grew by 19% and Net Interest Income which grew by US$3.58 million (3%) on the back of lower Interest and Similar Expenses.

The Bank achieved a Return on Average Equity (ROAE) of 11.84% (2019: 10.6%) and a Return on the Average Assets (ROAA) of 2.31% (2019: 1.92%) for the period ended 31 March 2020.

The Bank's Capital Adequacy Ratio remained strong at 23% (2019: 23%) in line with the Bank's Capital Management Policy targets. A more detailed analysis of the Statement of Comprehensive Income is presented hereunder.

### Net Interest Income and Margin

During the period under review, Net Interest Income grew by 3%, reaching US $133.1 million (2019: US$129.52 million) largely due to the decline in Interest Expense even as Interest earning assets declined by $271 million. The decline in Interest Expense was as a result of a US$1.1 billion (22%) decrease in average interest-bearing liabilities and reduction in the average cost of funds, which was positively impacted by a combination of a general decline in the market interest rates and a cost-effective funding mix.

Net Interest Margin (NIM) at 3.84%, was higher compared to prior year levels of 3.55% on the back of a 3% increase in Net Interest Income against a 4% decline in average Interest earning assets. The 3% increase in Net Interest Income was largely due to a decline in the Interest Expense, which decreased at a disproportionate rate of 16%, compared to the decrease in Interest and Similar Income of 6%. It is however expected that the NIM will progressively gravitate to the planned NIM of around 3% as the rate of change in Interest and Similar Income converge with the rate of change in Interest Expense.

### Non-Interest Income

In line with the planned increase in capacity necessary to support implementation of the Fifth Strategy ("IMPACT 2021"), Operating Expenses grew by 19% to levels of US$ 26.01 million (2019: US$21.91 million). The primary cost drivers were:

- Staff costs, which grew by 13% largely driven by the engagement of additional staff to support the expected growth in business volumes and the development of new products;
- Depreciation and Amortisation expenses, which increased on account of the acquisition of Information Technology (IT)- related software and equipment in support of the Bank's strategy to enhance automation of its processes and activities; and
- General and administrative costs, which increased by 21% in line with growth in the business volumes and support for various strategic initiatives.

Despite the increase in Operating Expenses, the Bank's Cost to Income Ratio, at 19% (2019: 16%), remained satisfactory and relatively lower compared to industry averages. This was achieved on the back of higher revenues and contained expenses growth.

### Expected Credit Losses (Provision) on Financial Instruments

In line with IFRS 9 requirements, the Expected Credit Losses (ECL) charge in the Statement of Comprehensive Income amounted to US$ 45.07 million as at 31 March 2020 compared to a charge of US$ 42.43 million in 2019. Management and the Board believe that the ECL as at 31 March 2020 adequately reflects the risk inherent in the loan portfolio and incorporates, on a forward looking basis, the potential impact of the COVID-19 outbreak on the loan book. The ECL provision will continue to be updated in tandem with the evolving COVID-19 induced economic conditions.

The level of Non-Performing Loans (NPLs), at 2.86% (2019: 2.74%) was within the acceptable strategic target of the Bank of 4%. The NPLs outcome reflected the prudence of Structured Trade Finance-based lending, the benefits of Preferred Creditor Treatment across the Bank's member countries, sound risk management practices and very good knowledge of the African markets.

## STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position shows the position of the Bank's assets and liabilities as well as its Net Worth or Shareholders' Funds at the reporting date. A detailed discussion of assets and liabilities with respect to the period ended 31 March 2020 is presented hereunder.

### Assets

Total assets of the Bank declined slightly by 2% to close the period at US$14.76 billion (2019: US$15.03 billion) in line with expectation, largely due to lower net loans balance which, at US11.47 billion (2018: US$12.08 billion), recorded a decrease of 5% compared to a similar period in 2019. The Bank, with a strong liquid assets to total assets ratio of 21% (2019: 18%) as at 31 March 2020, has ample liquidity to fund the planned disbursements in the 2nd quarter of the year and beyond to ensure that targeted annual business volumes are achieved, including the implementation of its Covid-19 Pandemic response facility (PATIMFA).

### Liabilities

In tandem with decline in total assets, total liabilities of the Bank declined by 4% and stood at US$ 11.87 billion as at 31 March 2020 (2019: US$ 12.40 billion), mainly due to a decline of US$ 1.49 billion in customer deposit accounts which supported loans and advances. Borrowing balances (Due to Banks and Debt securities in issue) increased by 3% from US$ 9 billion as at 31 March 2019 to US$ 9.17 billion in 2020. In addition, money market deposits increased by US$815.49 million to reach US$1. 24 billion (2019: US$ 428.62 million). The increases were necessary in order to enhanced liquidity mobilised to support expected business growth. Total borrowings accounted for 77% (2019: 73%) of total liabilities, while customer deposits accounted for 10% (2019: 21%) of total liabilities.

## SHAREHOLDERS' FUNDS

As a result of the evolution of the Bank's assets and liabilities as described above, increases in Retained Earnings and General Reserves largely driven by higher profitability, the Bank's Shareholders' Funds rose by 10% to reach US$ 2.89 billion as at end of March 2020 from US$ 2.63 billion as at end March 2019. 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 credit enhanced as part of the Bank's capital management strategy, amounted to US$ 1.18 billion as at 31 March 2020 (2019: US$ 911 million).

## CONCLUSIONS AND OUTLOOK

The performance of the Bank for the three months ended 31 March 2020 was significantly better compared to the same period last year. The Bank closed the 1st Quarter ending March 2020 with a healthy financial standing reflected in satisfactory profitability levels, solid liquidity and strong capital levels to support both existing and future business volumes. Despite the prevailing uncertainties in the operating environment due to the impact of the novel coronavirus disease ("Covid-19") pandemic, the Bank maintained a good quality portfolio of Loans and Advances. In the context of the recent and rapidly evolving adverse effects of the Covid-19 outbreak, Management is confident that the reported solid financial position, together with the robust strategic measures put in place to proactively manage the adverse COVID-19 induced effects, provide strong foundation and springboard for the business going forward.

The Bank will continue to focus on maintaining a delicate and guarded balance between profitability, liquidity and safety, with the goal of maintaining a decent net interest margin, despite continued interest rate cuts, and delivering a profitable and sustainable growth and quality assets. Management will also continue to focus on improving efficiency throughout the Bank and harnessing the benefits of the core banking system which was recently implemented. A number of technology driven initiatives, such as the MANSA platform, PAPSS, Trade information portal and Corporate Internet Banking have put the Bank on the path of creating a digital bank of the future which will become the Africa Trade Gateway. The digital platform will drive fee income, and so will value be created from the Managing General Agency initiative intended to boost fee income from insurance underwritten on deals originated by the Bank.

## NET ASSET VALUE ("NAV")

The NAV per share at 31 March 2020 amounted to US$52,415 (2019: US$51,913), equivalent to U$5.24 (2019:US$5.19) 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 Financial Statements and after approval by shareholders at the Annual General Meeting. During the March 2020 Board meetings, the Directors proposed a dividend appropriation amounting to US$78,829,000 (2018: US$68,970,000), subject to approval by the shareholders at the next Annual General Meeting to be held in June 2020. The proposed dividend per Depository Receipt is US$ 0.254 (2018: US$0.252). The March 2020 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 2020 after approval by shareholders.

## KEY PERFORMANCE METRICS (%)

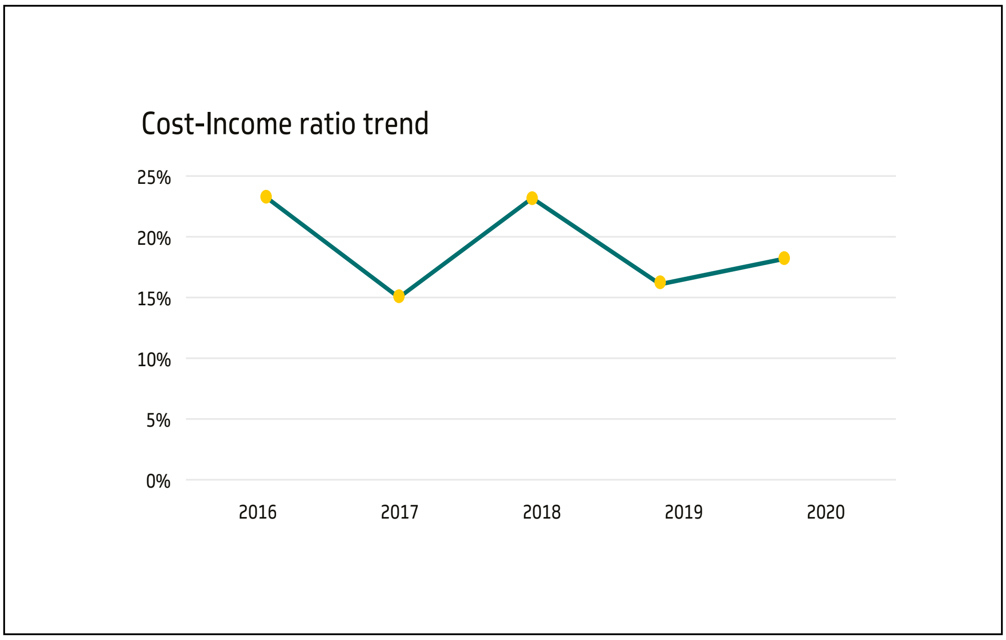
| | Mar-20 | Dec-20 | Mar-19 |
|---|---|---|---|
| **Profitability** | | | |
| Return on average assets (ROAA) | 2.31% | 2.26% | 1.92% |
| Return on average equity (ROAE) | 11.84% | 11.76% | 10.61% |
| **Operating Efficiency** | | | |
| Cost -to -income ratio | 13% | 17% | 16% |
| **Asset Quality** | | | |
| Non-performing loans ratio( NPL) | 2.86% | 2.78% | 2.74% |
| Loan loss coverage ratio | 117% | 118% | 108% |
| **Liquidity** | | | |
| Cash/Total assets | 21% | 15% | 18% |
| **Capital Adequacy** | | | |
| Capital Adequacy ratio (Basel II) | 23% | 23% | 23% |

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

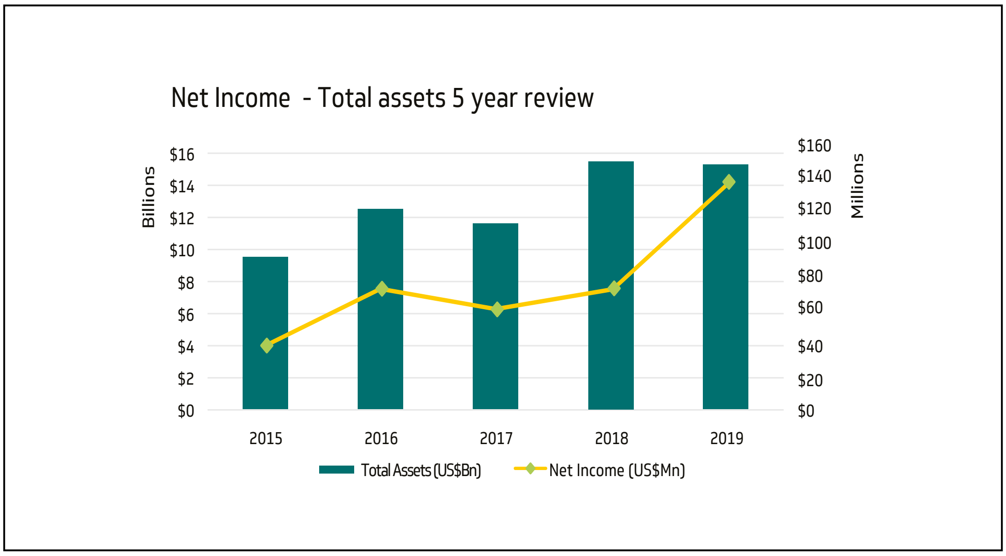
| | 31-Mar-2020 US$000 | 31-Dec-2019 US$000 | 31-Mar-2019 US$000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 3,097,549 | 2,225,470 | 2,646,680 |
| Derivative assets held for risk management | 14,472 | 541 | 10,253 |
| Loans and advances to customers | 11,469,040 | 12,029,548 | 12,076,404 |
| Prepayments and accrued income | 77,066 | 82,647 | 99,163 |
| Financial investments at amortised cost | 29,228 | 29,238 | 127,328 |
| Other assets | 13,186 | 11,598 | 22,166 |
| Property and equipment | 48,411 | 48,814 | 38,932 |
| Intangible Assets | 11,309 | 11,707 | 7,660 |
| Total assets | **14,760,261** | **14,439,563** | **15,028,586** |
| **LIABILITIES** | | | |
| Derivative liabilities held for risk management | - | 4,935 | 13,772 |
| Money market deposits | 1,244,115 | 931,620 | 428,621 |
| Due to banks | 6,091,817 | 5,225,516 | 5,969,458 |
| Deposits and customer accounts | 1,143,806 | 2,102,814 | 2,632,718 |
| Debt securities in issue | 3,081,243 | 3,080,608 | 3,028,534 |
| Other liabilities and provisions | 309,374 | 291,999 | 326,341 |
| Total liabilities | **11,870,355** | **11,637,492** | **12,399,444** |
| **CAPITAL FUNDS** | | | |
| Share capital | 551,348 | 550,548 | 506,448 |
| Share premium | 902,001 | 899,192 | 765,235 |
| Warrants | - | - | 191,531 |
| Reserves | 721,369 | 721,369 | 594,542 |
| Retained earnings | 715,188 | 630,962 | 571,386 |
| **Total capital funds** | **2,889,906** | **2,802,071** | **2,629,142** |
| **Total liabilities and capital funds** | **14,760,261** | **14,439,563** | **15,028,586** |

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

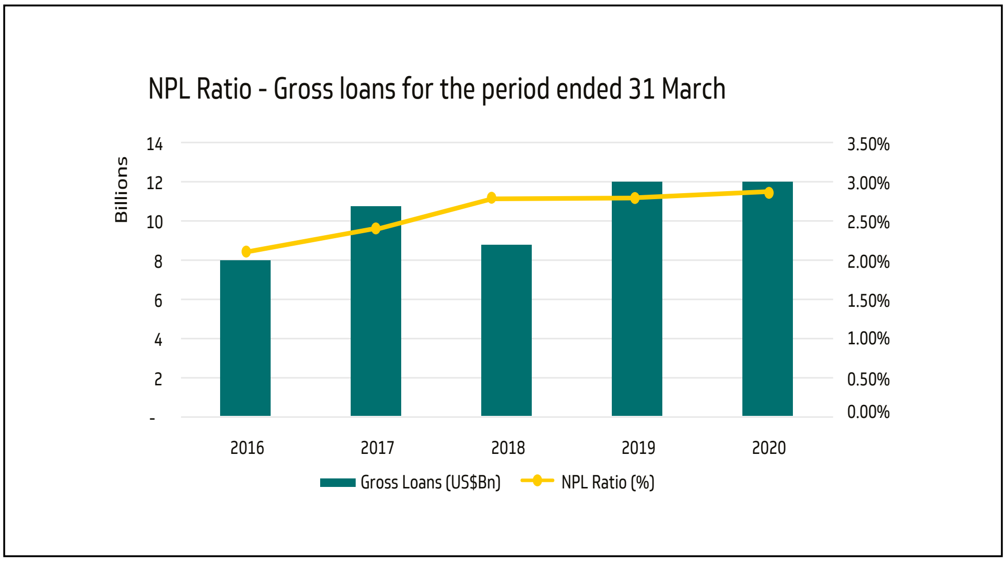
| | Mar-2020 US$000 | Mar-2019 US$000 |
|---|---|---|
| Interest and similar income using the effective interest method | 222,614 | 235,717 |
| Interest and similar expense using the effective interest method | (88,713) | (106,193) |
| Other interest and similar expense | (799) | - |
| **Net interest and similar income** | **133,102** | **129,524** |
| Fee and commission income | 6,627 | 5,577 |
| Fee and commission expense | (2,222) | (2,078) |
| **Net fee and commission income** | **4,405** | **3,499** |
| Other operating income | 91 | 395 |
| Personnel expenses | (14,168) | (12,574) |
| General and administrative expenses | (9,849) | (8,166) |
| Depreciation and amortisation expense | (1,994) | (1,170) |
| Exchange adjustments | (1,618) | (9,828) |
| Fair value gain / loss from financial instruments at FVTPL | 19,326 | 9,548 |
| Credit losses on financial instruments | (45,069) | (42,427) |
| **PROFIT FOR THE PERIOD** | **84,226** | **68,801** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **84,226** | **68,801** |



Cost-Income ratio trend
25%
20%
15%
10%
5%
0%
2016
2017
2018
2019
2020

Net Income - Total assets 5 year review
Billions
$16
$14
$12
$10
$8
$6
$4
$2
$0
$160
$140
$120
$100
$80
$60
$40
$20
$0
Millions
2015
2016
2017
2018
2019
Total Assets (US$Bn)
Net Income (US$Mn)

NPL Ratio - Gross loans for the period ended 31 March
Billions
14
12
10
8
6
4
2
-
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
2016
2017
2018
2019
2020
Gross Loans (US$Bn)
NPL Ratio (%)

## STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

| | Share Capital US$000 | Share Premium US$000 | Warrants US$000 | General Reserve US$000 | Asset Revaluation Reserve US$000 | Project preparation facility Fund reserve US$000 | Retained Earnings US$000 | Total US$000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2019** | 550,548 | 899,192 | - | 669,471 | 36,898 | 15,000 | 630,962 | 2,802,071 |
| **Total comprehensive income** | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 84,226 | 84,226 |
| **Other comprehensive income** | | | | | | | | |
| **Total other comprehensive income** | | | - | | | | | - |
| **Total comprehensive income** | | | - | | | | | 84,226 |
| **Transactions with equity owners of the Bank** | | | | | | | | |
| Issued and Paid in capital during 2020 | 800 | 2,809 | - | - | - | - | - | 3,609 |
| **Balance as at 31 March 2020** | **551,348** | **902,001** | **-** | **669,471** | **36,898** | **15,000** | **715,188** | **2,889,906** |
| | | | | | | | | |
| **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 for the year | - | - | - | - | - | - | 68,801 | 68,801 |
| **Other comprehensive income** | | | | | | | | |
| **Total other comprehensive income** | | | | | | | | - |
| **Total comprehensive income** | | | | | | | | 68,801 |
| **Transactions with equity owners of the Bank** | | | | | | | | |
| Issued and Paid in capital during 2019 | 148 | 446 | - | - | - | - | - | 594 |
| **Balance as at 31 March 2019** | **506,448** | **765,236** | **191,531** | **551,228** | **28,313** | **15,000** | **571,386** | **2,629,142** |

## STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

| | Mar-2020 US$000 | Mar-2019 US$000 |
|---|---|---|
| **CASHFLOW FROM OPERATING ACTIVITIES** | | |
| **Profit for the period** | **84,226** | **68,801** |
| **Adjustment for non-cash items:** | | |
| Depreciation and amortization of intangible assets & property and equipment | 1,994 | 1,170 |
| Allowance for impairment on loans and advances | 45,069 | 42,427 |
| Fair value adjustment from derivaties | (19,326) | (9,548) |
| | **111,963** | **102,850** |
| **Changes in :** | | |
| Prepayments and accrued income | 5,582 | 35,103 |
| Derivatives instruments | 460 | (8,089) |
| Other assets | (1,588) | (8,178) |
| Other liabilities | 18,123 | 31,435 |
| Money market deposits | 312,495 | (185,639) |
| Deposits and customer accounts | (959,007) | 267,333 |
| Loans and advances to customers | 515,466 | (984,315) |
| | **3,494** | **(749,501)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payments for property and equipment | (852) | (438) |
| Payments for software and development costs | (359) | - |
| Proceeds from / (Purchase of) treasury bills | - | 41,000 |
| **Net cash inflow / (used in) investing activities** | **(1,211)** | **40,562** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net cash from capital subscriptions and share premium | 3,609 | 594 |
| Dividends paid | (748) | - |
| Net increase in due to banks and debt securities | 866,935 | 1,436,591 |
| **Net cash inflows from financing activities** | **869,796** | **1,437,185** |
| **Net increase in cash and cash equivalents** | 872,079 | 728,246 |
| **Cash and cash equivalents at 1 January** | 2,225,470 | 1,918,434 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | **3,097,549** | **2,646,680** |
| **Represented in:** | | |
| Cash and Cash Equivalent as presented in the statement of financial position | 3,097,549 | 2,646,680 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | **3,097,549** | **2,646,680** |

## NOTES

The Bank is required to publish financial results for the three months ended 31 March 2020 as per Listing Rule 12.19 of the SEM. The abridged unaudited financial statements for the three months ended 31 March 2020 ("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 2019.

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 31 March 2020 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

18 May 2020