AFREXIMBANK

INVESTOR UPDATE

FULL YEAR 2019 RESULTS PRESENTATION

14 APRIL 2020

African Export-Import Bank
Banque Africaine D'Import-Export

Transforming Africa's Trade

Document Classification: Unclassified

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Outline

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Business highlights

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Business highlights

1. Despite the prevalence of certain economic and political challenges in the global operating environment, 2019 was generally a good year for Afreximbank and Africa

2. In July 2019, the African Continental Free Trade Area (AfCFTA) Agreement came into force following the ratification of the agreement by more than the requisite 22 African countries

3. In collaboration with African Central Banks, the Pan African Payment and Settlement System (PAPSS) is about to commence “pilot testing” in the West African Monetary Zones (WAMZ). Upon successful piloting, the system would be rolled out across the continent

4. The Bank raised US$750 million through a debut 10-year RegS/144a bond issuance under it’s recently updated Global Medium-Term Note (GMTN) programme. The issuance was five times oversubscribed

5. The Bank recorded solid financial results for the year ended 31 December 2019, evidenced by: solid balance sheet growth; strong income growth, high operating efficiency; good financial ratios; diversified and quality loan portfolio. For the first time, revenues exceeded US$1 billion

2 Strategy update

A recap of the strategy pillars under Impact 2021

The Bank's five year strategy was launched in 2016....

Intra-African Trade

- Promote / finance intra-African trade

Industrialization and Export Development

- Promote and support export manufacturing
- Promote industrialization

Trade Finance Leadership

- Expand and deepen trade finance offerings
- Improve capacity of Africans in trade finance
- Improve access to trade finance

Financial Soundness and Performance

- Maintain solid profitability, liquidity, capital adequacy and asset quality.
- Enable the Bank to make a meaningful impact on African trade

… to achieve specific set goals including the following

US$12bn
of deals in the current pipeline

US$25bn
of intra-African trade financing to be disbursed in 2017 – 2021

5%
of intra-African trade to be financed by Afreximbank

Status update on the achievement of selected strategy targets

Performance Metric	Strategic Objective under IMPACT 2021	Actual Results as at December 2019
Capital	Attain an equity base of US$3.5bn by Dec. 2021	Shareholders' equity stood at US$2.8bn, 80% of the 2021 target achieved, with two years left
	Achieve capital adequacy ratio above 20%	Capital adequacy ratio was 23.0%
	Mobilise US$1bn fresh equity by 2021	New equity of US$787mn raised so far
Income	Achieve a net income of US$298mn in 2019	Net income achieved in 2019 was US$315mn, 6% higher than expectation
	Maintain a net interest margin of 3%	Net interest margin was 3.7% in 2019
	Keep cost to income ratio below 30%	Cost to income ratio was 17.4% in 2019
Business impact due to the Bank's mandate	Intra-African trade to represent at least 24% of total lending portfolio of the Bank in 2021	Intra-African trade accounted for 28% of the Bank's lending portfolio in 2019
	Increase financing to manufactured exports by 10% annually. Target financing for 2019 amounted to US$840mn	Afreximbank successfully disbursed a total of US$1.2bn to manufactured exports – surpassing the set goal
	Disburse a total of US$3.5bn to support trade finance activities in 2019	Total value of trade finance facilities disbursed in 2019, amounted to US$6.2bn

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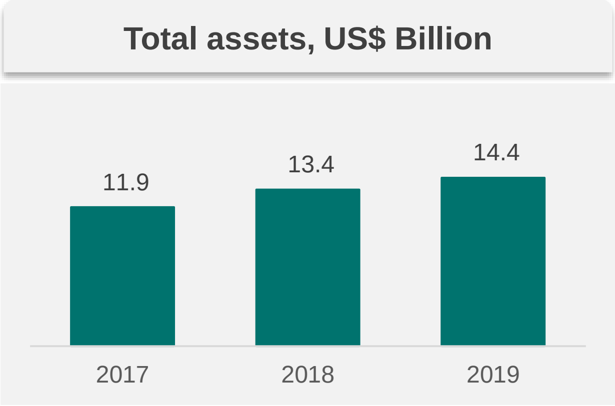
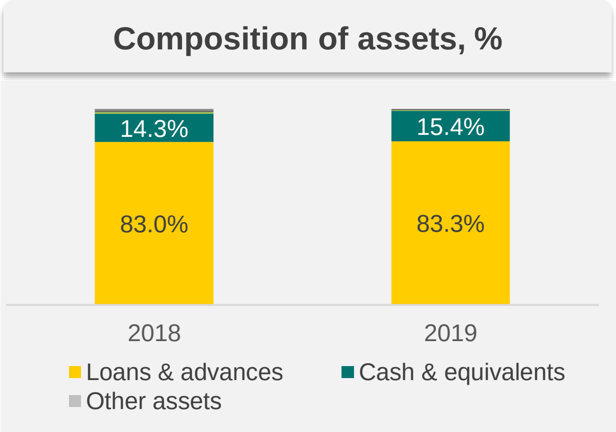
Review of full year 2019 financial results

Sustained balance sheet growth





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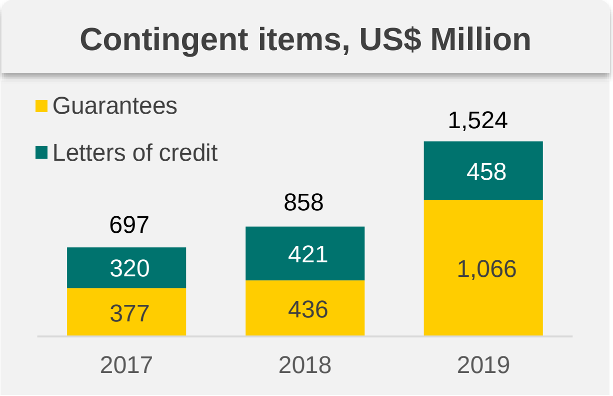

- The Bank's total assets increased by 8% from US$13.4 billion in 2018 to US$14.4 billion in 2019.
- The increase in assets is driven by loans and advances, which constitute the largest proportion of asset base, having accounted for 83.3%, compared to 83% in 2018.
- Cash and cash equivalents represented 15.4% of total assets (2018: 14.3%) to support the fluidity of the balance sheet.
- LCs and guarantees amounted to US$1.52bn, 77.6% higher than US$858 million in 2018

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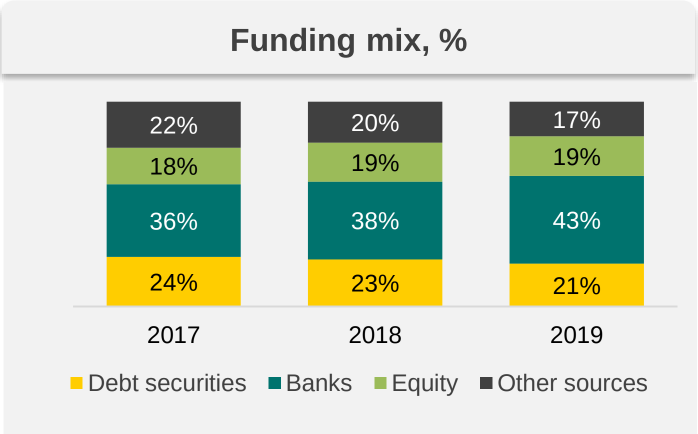
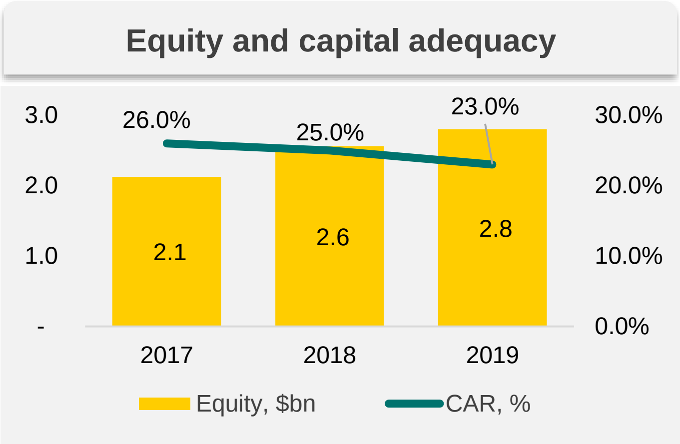
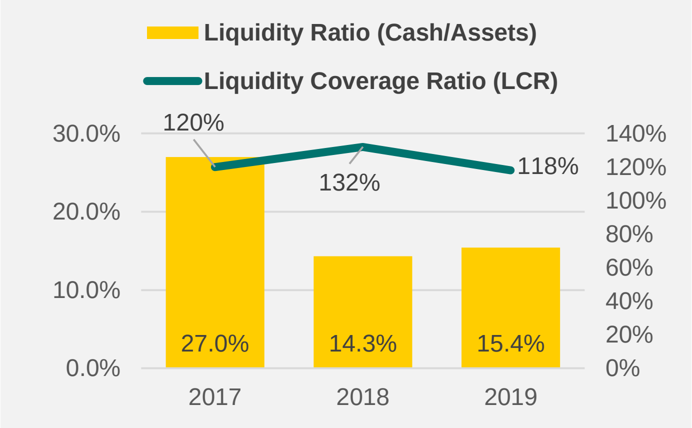
Driven by diversified and robust funding pool



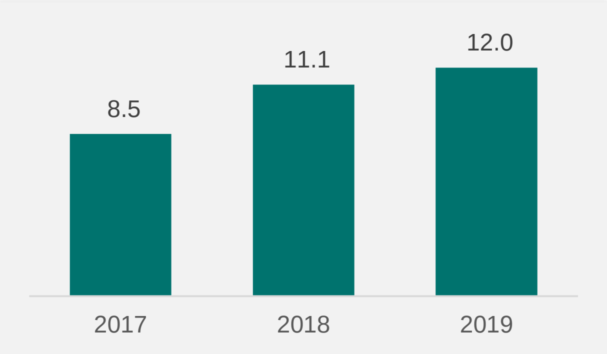




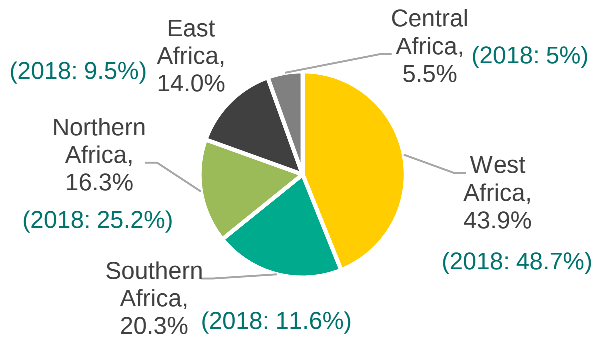
- Diversified funding sources continue to support the Bank's balance sheet and assets. Credit lines, customer deposits account for 63% (2018: 63%) of funding pool in 2019.
- Equity base continues to grow steadily, rising by 9.5%, boosted mainly by internally generated capital.
- Capital adequacy of 23% (FY2018: 25%) remains strong and higher than strategic threshold of 20%.
- Liquidity position improved to 15.4% (FY2018: 14.3%) to support new business in 2020. LCR of 118% is above the Bank's target of 100%.

With growing and diversified loan portfolio…

Loan book, US$ Billion



Loan split by African region, %



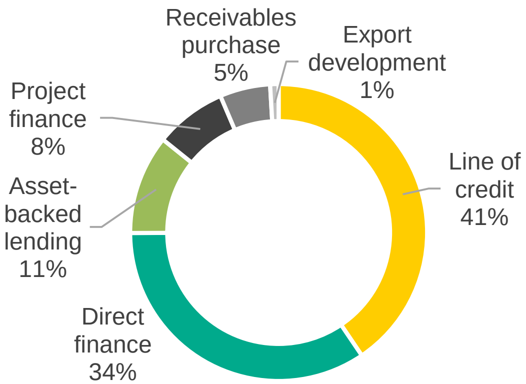
- Increase in loans is sustained with $12.03 billion (FY2018: $11.1 billion) recorded in 2019 – driven by line of credit and direct finance Programmes.
- By region, loan portfolio gets further diversified, as lending to Southern and Eastern Africa increase.
- Financial services sector attracted 45.2% of loan book (2018: 49.8%), as manufacturing increased considerably to 6.2% (2018: 2.8%).

Loan distribution, by sector

Sector	2018	2019
Financial Services	49.8%	45.2%
Oil and Gas	18.6%	22.8%
Power	5.6%	7.3%
Manufacturing	2.8%	6.2%
Telecommunication	7.0%	4.9%
Government	5.5%	4.5%
Metals and Minerals	1.0%	2.4%
Transportation	2.4%	2.3%
Others	7.4%	4.3%

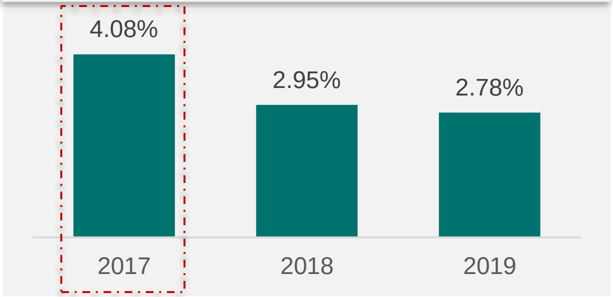
…and high quality loan portfolio

Loan split by programmes, %

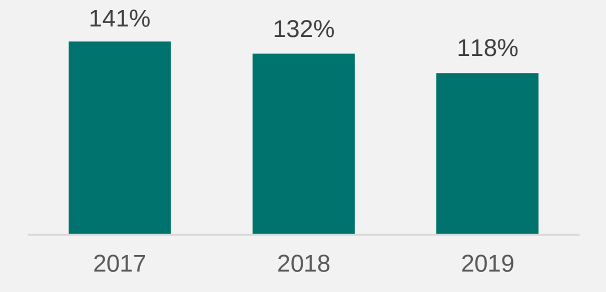


- Robust product/program portfolio, led by the Bank's line of credit programme representing 41%.
- NPL ratio improved to 2.78% compared to 2.95% recorded in the corresponding pin 2018.
- Loan loss coverage ratio of 118% (2018: 132%) remained solid and satisfactory.

NPL ratio, %

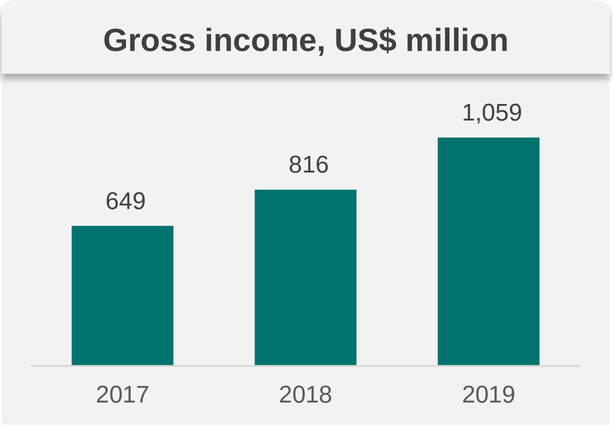


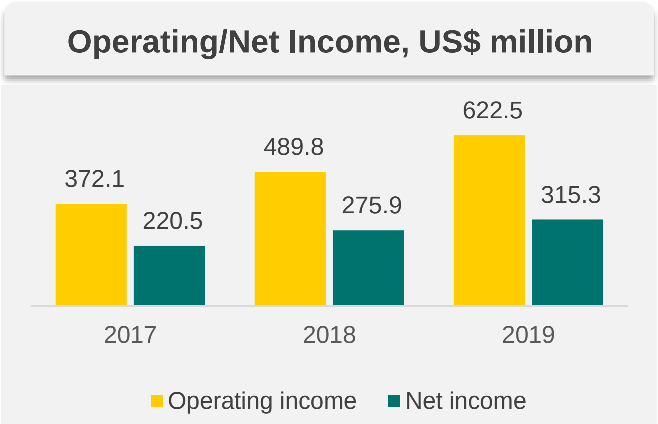
NPL coverage ratio, %

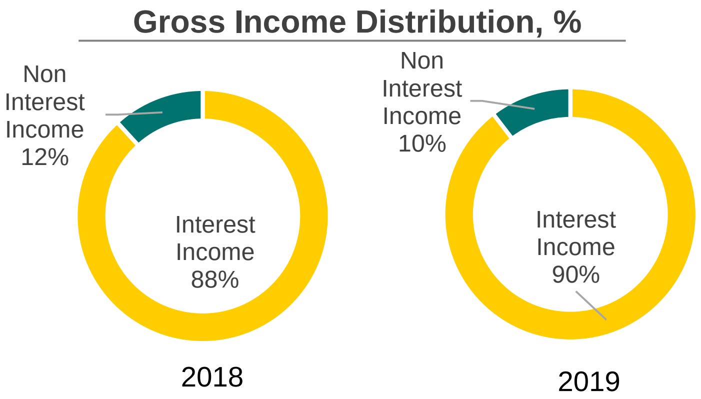


IFRS-9 adjustment affected NPL in 2017

Consistent income growth

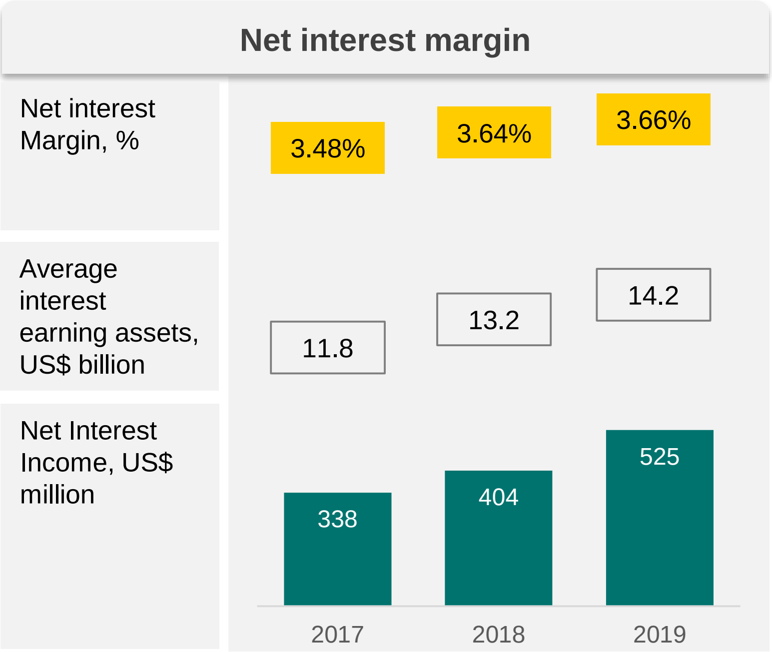


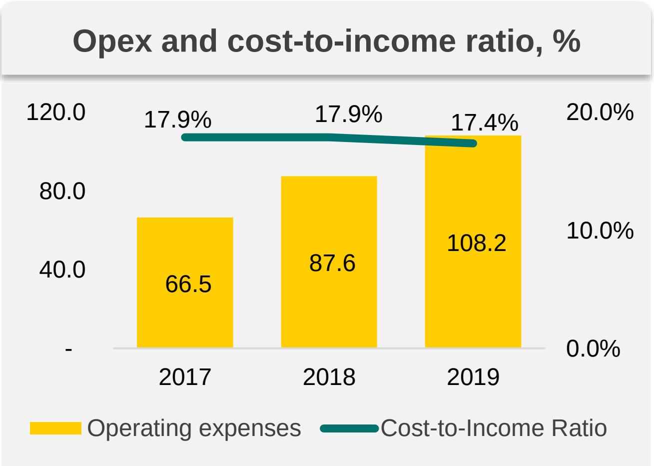




- The Bank's gross income surpassed US$1 billion in 2019 with a strong growth of 30% from US$816 million recorded in 2018. The growth was driven by increase in interest income, on higher average loan book.
- Driven by higher net interest income and fee income, the Bank's operating income increased by 27% to US$622.5 million (2018: US$489.8 million); while net Income grew by 14% to US$315.3 million (2018: US$275.9 million).
- While non-interest income grew by 15% year-on-year, Its proportion to gross income was 10.4% in 2019 (2018: 12%).

Driven by high operating efficiency

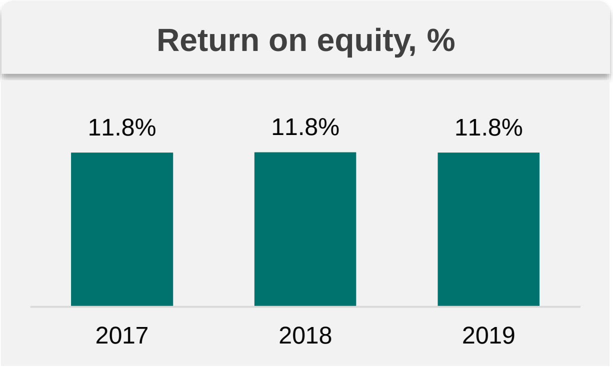


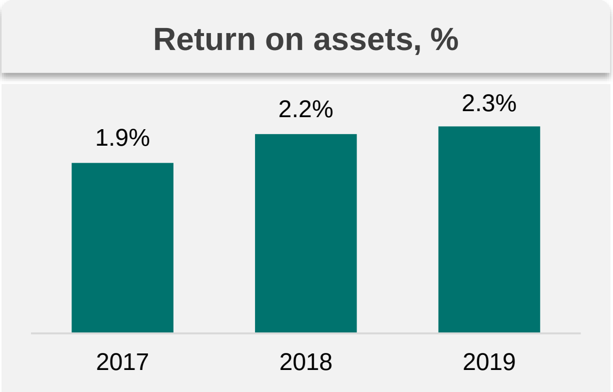


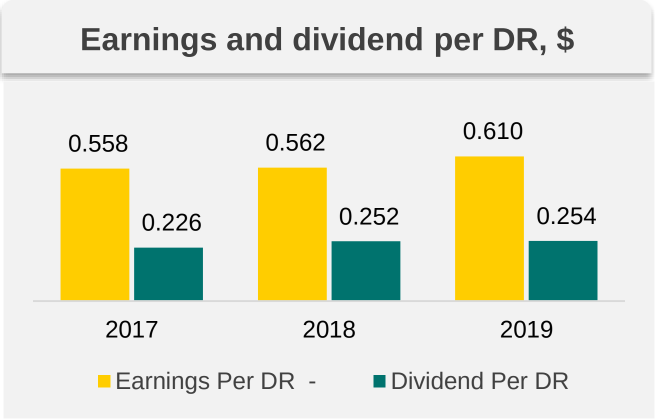
- *Higher net interest income was driven by growth in interest income, which was boosted by higher average loan book and interest margins*

- Year-on-year growth of 30% in net interest income, enabled the Bank to achieve higher net interest margin of 3.66% (2018: 3.64%).
- Although, operating expenses increased to US$108 million in line with business growth, the Bank improved its cost-to-income ratio…..
- ….which dropped to 17.4% (2018: 17.9%) on the back of Internal efficiencies and cost control measures implemented by the Bank.

and impacting overall profitability and returns







- The Bank's return on equity has been sustained around 12% in line with expectation.
- Return on assets improved to 2.3% (2018: 2.2%) due to improved net income and attesting to the earning capacity of assets.
- Basic earnings per DR was 61 cents, of which 25.4 cents is being proposed as dividends per DR.
- The proposed dividend represents a yield of 5% on net asset value and 6.2% on DR closing price on 31 December 2019 .

4

Summary of key financial outcomes

Income and balance sheet summary

B/Sheet metric, US$ million	FY-2017	FY-2018	FY-2019	CAGR
Net Loans	8,546	11,134	12,030	+18.6%
Total Assets	11,913	13,419	14,440	+10.1%
Total Liabilities	9,789	10,860	11,637	+9.0%
Contingent items (LCs & Guarantees)	697	858	1,524	+47.9%
Shareholders' Funds	2,124	2,560	2,802	+14.9%

Income metric, US$ million	FY-2017	FY-2018	FY-2019	CAGR
Gross Income	648.8	816.2	1,059	+27.8%
Operating Income	372.1	489.9	622.5	+29.3%
Net Income	220.5	275.9	315.3	+19.6%

Key financial ratios – three year trend

B/Sheet metric, US$ million	FY-2017	FY-2018	FY-2019	YoY direction
NPL Ratio	4.1%	2.9%	2.8%	⬆
Non-interest/gross income ratio	6.6%	11.9%	10.4%	⬇
Return on average assets	1.9%	2.2%	2.3%	⬆
Return on average equity	11.8%	11.8%	11.8%	⬆
Cost to income ratio	17.9%	17.9%	17.4%	⬆
Net interest margin	2.6%	3.7%	3.7%	⬆
Earnings per DR	US$0.558	US$0.562	US$0.609	⬆
Dividend per DR	US$0.226	US$0.252	US$0.254	⬆

⬆ *improved*

5 Outlook and key takeaway

Outlook

1 The emergence and spread of coronavirus (Covid-19), in early 2020, has affected business and economic activities in various parts of the world. The effect is expected to impact trade and investment flows into Africa in 2020

2 Although Africa was projected to grow by 3.5% in 2020, the GDP forecast is set to be revised downward as a result of the expected global recession that may arise from global demand and supply shocks triggered by the coronavirus pandemic

3 To ameliorate the impact of the pandemic on Africa’s trade and investment flows, the Bank has launched the Pandemic Trade Impact Mitigation Facility (PATIMFA), amounting to US$3 bn (net), to support qualifying African governments and institutions

4 The Bank expects that the pilot test of the PAPSS would be successful – and therefore, the expected benefits from the system would begin to accrue from the third quarter of 2020

5 Afreximbank would continue to monitor the impact of Covid-19 and would take the necessary steps to mitigate the risks on its staff, customers and business, particularly on loans and advances to customers that may be impacted

Key takeaways

1 Afreximbank's response to Covid-19 pandemic validates the strategic focus of the Bank on intra-African trade as well as digital approach to service delivery

2 The Bank is implementing its business continuity plan and has adopted various measures to mitigate the impact of Covid-19 on its staff, customers, business, systems, budget, loan quality, liquidity and capital – the Bank is satisfied that its operations will not be significantly impacted

3 Overall, we believe that Afreximbank presents a unique value proposition for investors seeking long-term growth at a reasonable price. The Bank would continue to seek innovative ways of fulfilling its mandate, whilst positively impacting all its stakeholders.

Q & A

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