



# INVESTOR UPDATE

HALF YEAR 2020

RESULTS PRESENTATION

3 SEPTEMBER 2020

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

Transforming Africa's Trade

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## Introduction & strategy update

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## Introduction

- 1 Well wishes from Afreximbank in recognition of the recent health and economic challenges caused by Covid-19
- 2 2020 financial year has tested the preparedness and resilience of governments, economies, businesses, including institutions like the Bank
- 3 Like in the past, Afreximbank has risen to the occasion and demonstrated its ability to respond positively to economic and financial crises
- 4 The Bank has played a key intervention role by supporting its customers as well as growing its balance sheet and delivering profits despite operating under tough business conditions
- 5 On the back of strong capital adequacy, robust liquidity position and member support, Moody's affirmed the Bank's credit rating of Baa1, while GCR affirmed the rating of A-, both with stable outlook

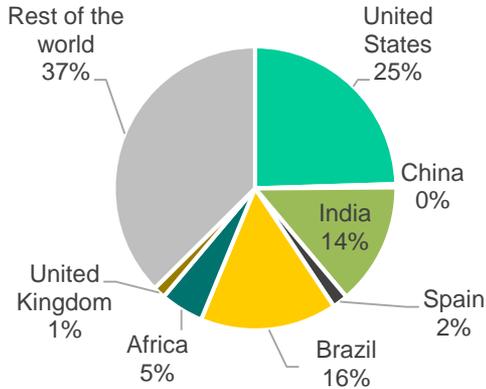
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## Strategy update in the context of Covid-19

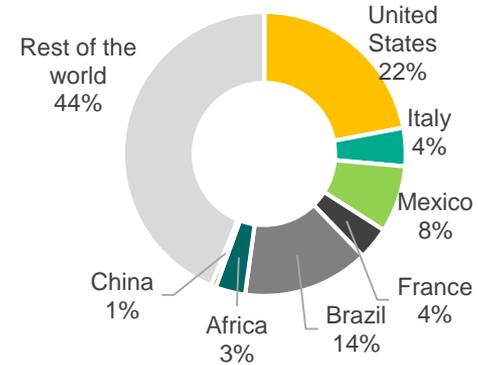
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# Health impact of Covid-19 may appear minimal (as at 26 August)

23.5m reported cases globally, only 1.17m in Africa

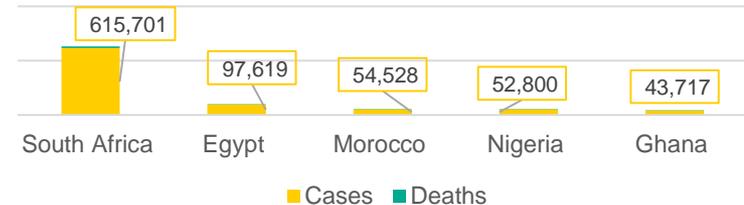


815,038 reported deaths worldwide, only 27,830 in Africa



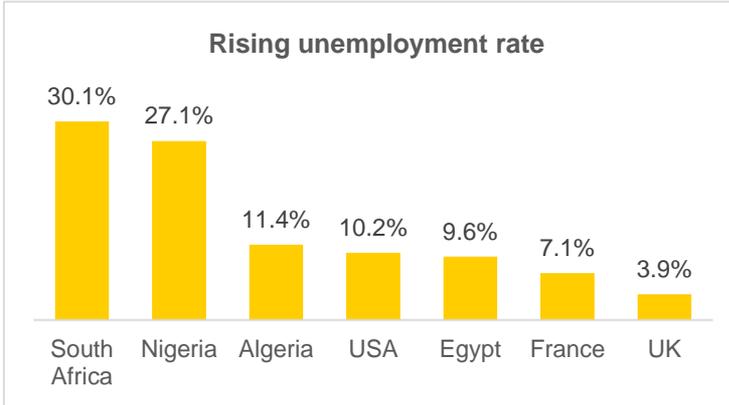
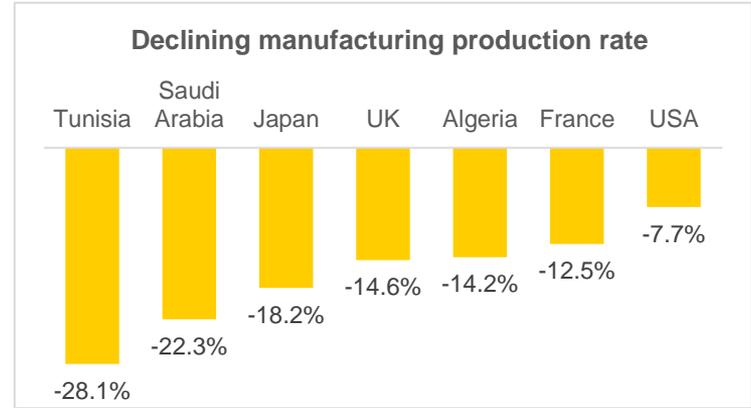
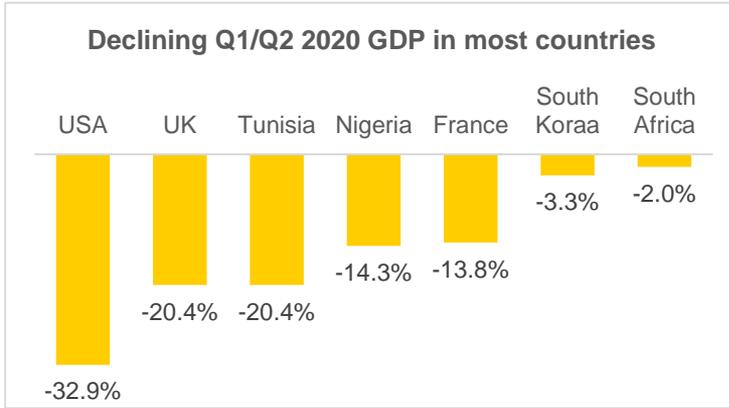
- As at 26 August 2020, there were 23.5 million reported cases and 815,038 deaths around the world – amounting to a death rate of 3.5%
- Cases and deaths in Africa are less than 5% of global figures, while Africa has 17% of world population
- Five African countries account for over 70% of total reported cases and deaths on the continent – but death rate of 2.4% is still very low (27,830 out of 1.17m).

Countries with highest cases in Africa



Source: tradingeconomics – as at 26 August 2020

# Economic and business impact of Covid-19 are significant



- Reported GDP data for first and second quarter of 2020 show decline across geographies, thereby leading to higher unemployment rates in many countries
- Africa's GDP may contract by 3.4% in 2020 with disruption in supply chains, reduction in FDI flows and cut in trade finance lines to African countries
- The anticipation of these outcomes made Afreximbank launch PATIMFA to alleviate the economic and business impact of the pandemic on African sovereigns and institutions

Source: *tradingeconomics*

# Strategy pillars remain key catalysts for intervention role

Purpose of the strategy is to address challenges encountered by customers in Africa as...



**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



**Financial Soundness and Performance**

- Maintain solid profitability, liquidity, capital adequacy and asset quality.

- ...trade finance gap remains wide and in excess of US\$110 billion per annum
- there has been an unprecedented increase in the demand for trade finance facilities as businesses were at risk of defaulting on obligations
- governments lacked access to the required funding to procure medical supplies and Covid-19 relief materials
- royalties meant for African countries and businesses suffered a major setback

# Strategy imperatives

Initiative	Purpose and status
Pan-African Payment and Settlement System (PAPSS)	<ul style="list-style-type: none"> <li>Designed to formalize cross-border trade, address payment challenges and reduce costs of completing trade</li> <li>Pilot testing is ongoing in the West African Monetary Zone. All central banks have signed participation agreements</li> </ul>
MANSA Due Diligence Platform	<ul style="list-style-type: none"> <li>Designed to be the centralised African customer due diligence repository platform</li> <li>Clients are being onboarded to the platform</li> </ul>
Trade Information and Regulation (TIP and TRIP)	<ul style="list-style-type: none"> <li>Provision of trade data, financial sector, commodity market and country reports</li> <li>TRIP will serve as a unified source of regulations &amp; legislative requirements for trade activities</li> <li>Both platforms are currently undergoing testing and evaluation</li> </ul>
Africa Medical Supply Platform (AMSP)	<ul style="list-style-type: none"> <li>Developed in collaboration with the Africa Centre for Disease Control and Prevention (Africa CDC), Econet Group, Janngo and United Nations Economic Commission for Africa (UNECA)</li> <li>Provides access to pre-selected manufacturers and AU member states to buy medical supplies</li> </ul>
Interstate Transit Guarantee Scheme	<ul style="list-style-type: none"> <li>Scheme involves launching a uniform transit guarantee to reduce multiple posting of these documents along trade routes</li> <li>Arrangement has been signed with the COMESA and it would be replicated in other regions</li> </ul>
AfCFTA Adjustment Facility	<ul style="list-style-type: none"> <li>Meant to enable African countries to adjust smoothly to the consequences of tariff removal</li> <li>The facility size is US\$5 billion</li> </ul>

Overall, capital is required to implement and drive these initiatives, which is why the AU Heads of States met in August 2020 and agreed to boost the Bank's balance sheet capacity with equity

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## Afreximbank's response

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## Afreximbank's response: the Bank...

1

Implemented its business continuity plan and adopted various measures to mitigate the impact of Covid-19 on its staff, customers, business, systems, budget, loan quality, liquidity and capital. These measures are being reviewed and validated regularly

2

Enforced Work From Home “WFH” initiative since March 2020 and restricted travel out of duty stations for staff and their family members. Entrenched governance, as Board and Management Committees met regularly, while all operations continued normally

3

Demonstrated relevance with a net amount of US\$3 billion under PATIMFA to assist member countries in managing the adverse impact of financial, economic, and health shocks caused by the pandemic. US\$200 million has been set aside to finance the production of COVID-19 equipment and medical supplies within Africa

4

Disbursed more than US\$3.5 billion as PATIMFA-related loans and provided a grant of US\$3 million towards the COVID-19 Special Fund set up by the African Union as well as to the African Center for Disease Control and other agencies

5

Conducted its 27<sup>th</sup> AGM by correspondence on 13 June 2020 and shareholders re-appointed Prof Benedict O. Oramah as President for a new 5-year term. In addition, the African Union affirmed that “Afreximbank has played a major countercyclical role in recent months” through the deployment of PATIMFA

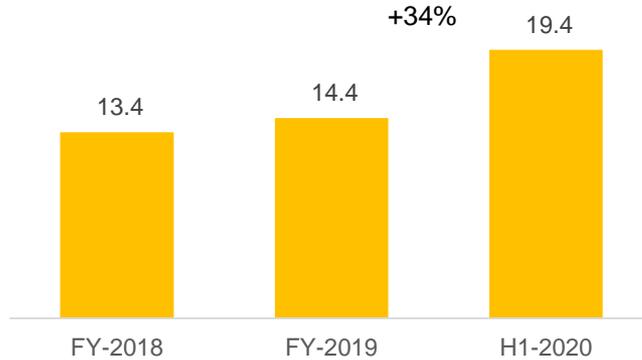
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## Financial performance review

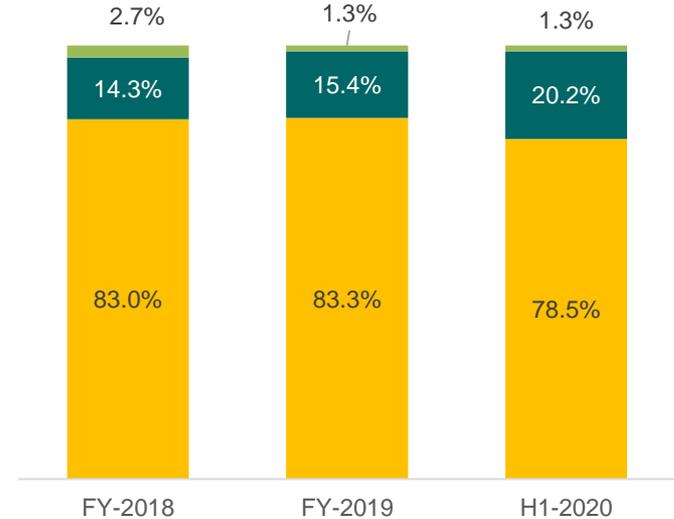
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# Strong and growing balance sheet profile

**Total assets, US\$ billion**



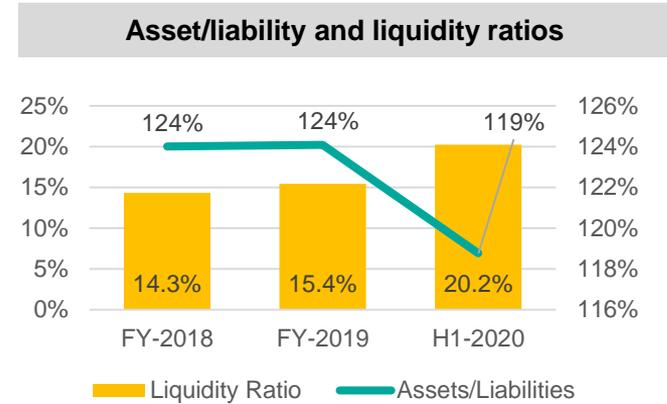
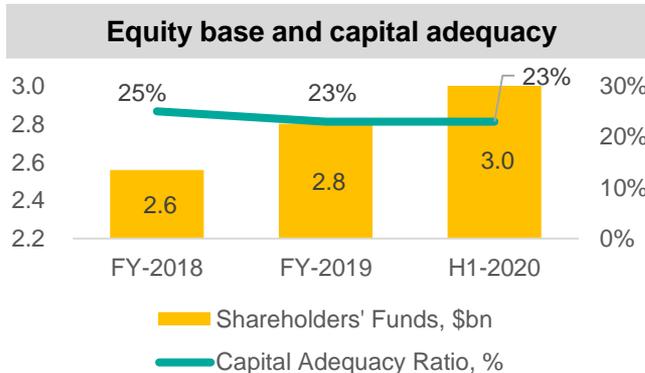
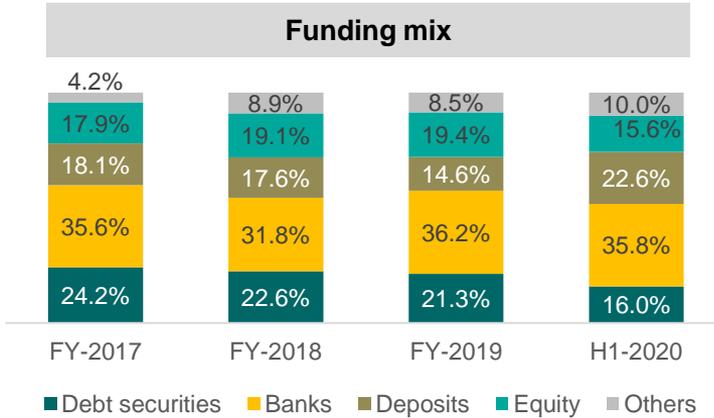
**Asset composition, %**



- The Bank's total assets grew by 34% to US\$19.4 billion (FY2019: US\$14.4 billion). The growth was driven by an increase in loans booked during the period.
- Loan book accounted for 79% of assets portfolio (FY2019: 83%), as the proportion of cash stood at 20.2% compared to 15.4% in FY2019.
- The robust cash position affirms that the Bank has the liquidity to finance planned disbursements in the second half of the year.

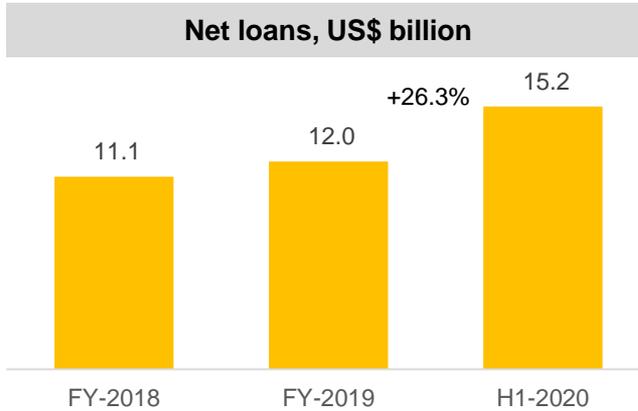
■ Loans & advances ■ Cash & equivalents ■ Other assets

# Funded by solid, diversified capital and liquidity position...



- Diversified funding sources continue to support the Bank's balance sheet evolution. Credit lines from FIs, customer deposits account for 58.4% of funding pool in the first half.
- Liquidity position improved to 20.2% (FY2019: 15.4%) due to increased funding and in anticipation for lending opportunities in the second half of the year.
- Equity base continues to grow steadily on the back of internally generated capital and new equity raise...
- ...this has enabled the Bank to maintain a strong capital adequacy ratio of 23% (FY2019: 23%) which is above strategic minimum threshold of 20%.

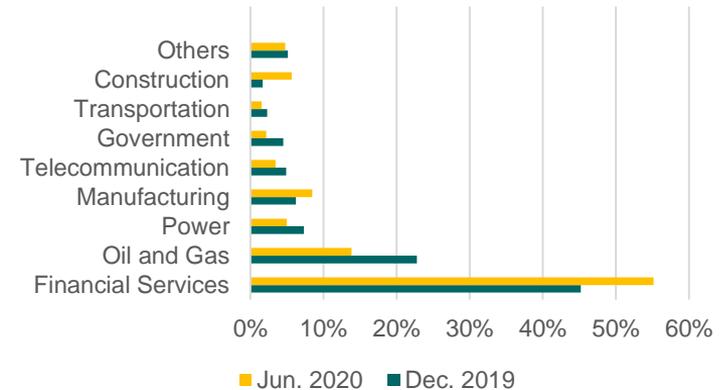
## ...with growing and diversified loan portfolio



- Loan book accelerated by 26% to \$15.2 billion (FY2019: \$12.0 billion) due to the disbursement of PATIMFA-related loans needed to support customers against the challenges that have emerged from the Covid-19 Pandemic. .
- Lending to financial services increased to 55.2%, which includes support to African central banks (22% of total loans). Exposure to Oil & Gas sector reduced to 13.8% (FY2019: 22.8%).
- Support to manufacturing sector improved to 8.5% (FY2019: 6.2%) in line with efforts to boost industrialization

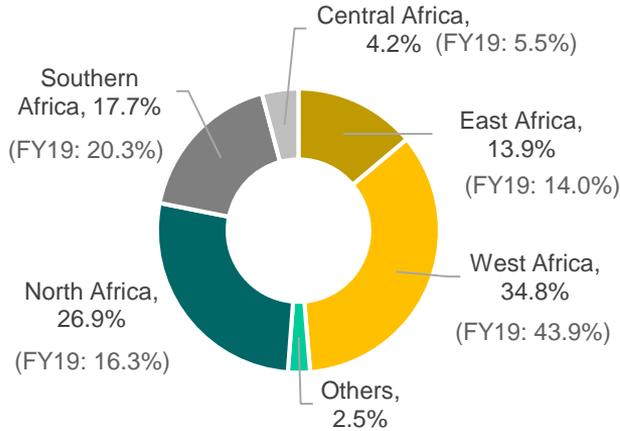
**Loan split, by sector**

	Dec. 2019	Jun. 2020
Financial Services	45.2%	55.2%
Oil and Gas	22.8%	13.8%
Power	7.3%	5.0%
Manufacturing	6.2%	8.5%
Telecommunication	4.9%	3.4%
Government	4.5%	2.2%
Transportation	2.3%	1.6%
Construction	1.7%	5.7%
Others	5.1%	4.8%



# Improving loan distribution by geography and programme

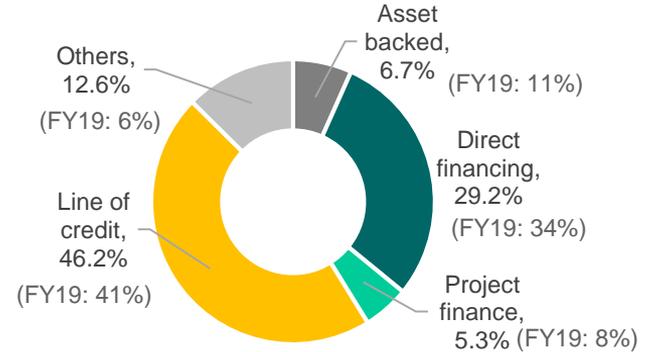
**Dynamic geography split of loans**



**Geography split of loans, US\$ million**

Region	Dec. 2019	Jun. 2020	% Chg
West Africa	5,431	5,454	+0.4%
North Africa	2,023	4,221	+108.6%
East Africa	1,732	2,170	+25.3%
Central Africa	680	655	-3.6%
Southern Africa	2,517	2,777	+10.3%

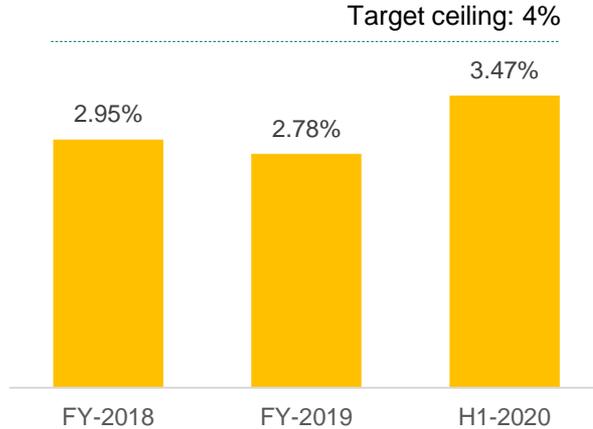
**Loan split, by programme**



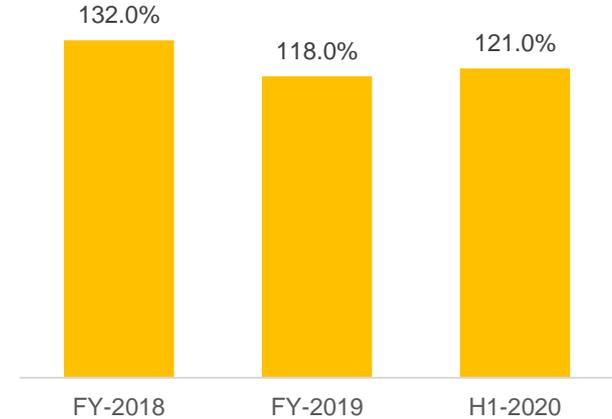
- Having received a large amount of new loans, North Africa's proportion of loan book increased to 26.9% (FY2019: 16.3%). Lending to West Africa improved over the period to \$5.5 billion to remain the region with the largest exposure.
- Actual lending amount to East Africa increased by 25.3% to \$2.2 billion, while support to Southern Africa rose by 10.3% to \$2.8 billion.
- Lines of credit and direct finance continue to be the Bank's main financing programmes accounting for 75.4% of total facilities.

## ...supporting stable asset quality

### Non-Performing Loans (NPL) Ratio

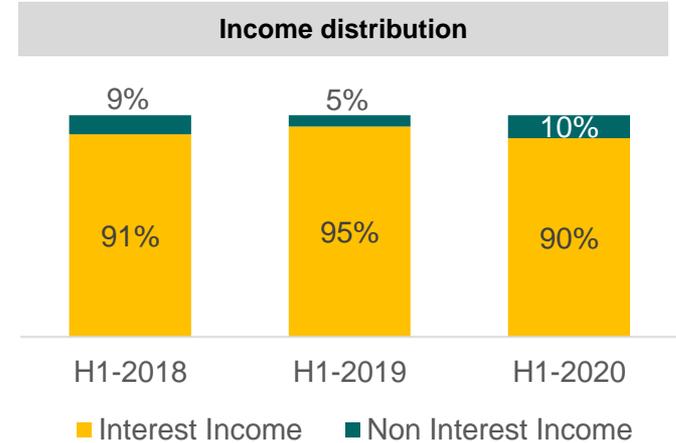
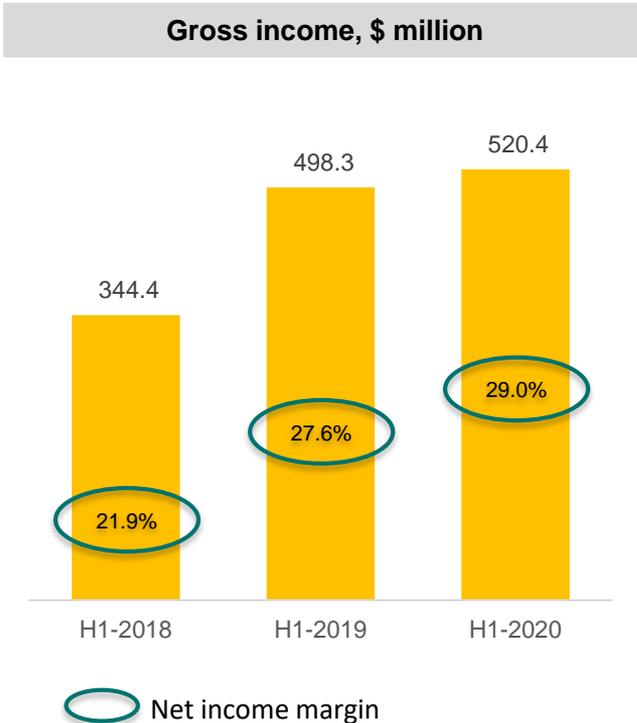


### NPL coverage ratio



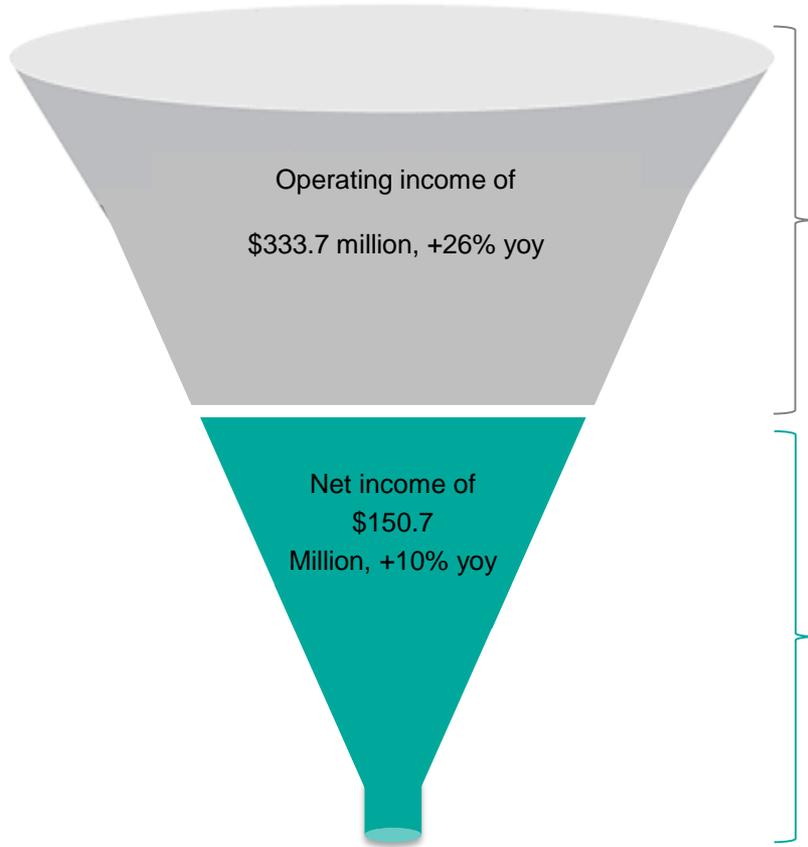
- NPL ratio was 3.47% in H1-2020, and this is still below the target ceiling of 4%. This affirms the efficacy of the various credit enhancement and risk management tools deployed by the Bank.
- The Bank's loan loss coverage ratio of 121% (FY-2019: 118%) remained satisfactory and above the minimum limit of 100%.

# Sustained income generating capacity

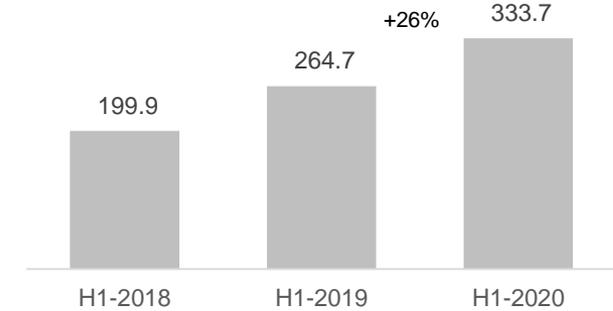


- Gross income for Half year 2020 amounted to US\$520.4 million, representing a CAGR of 22.9% from US\$334 million in June 2018. The key driver was interest income as well as increased contribution from advisory services...
- ... which has improved income mix in the first half with non-interest income accounting for 10% of total income, higher than 5% in H1-2019. Fees from Guarantees, LCs, and digital initiatives will drive fee income ratio in the medium term.
- Internal efficiencies have created better economic value with net income margin rising to 29.0% (H12019: 27.6%).

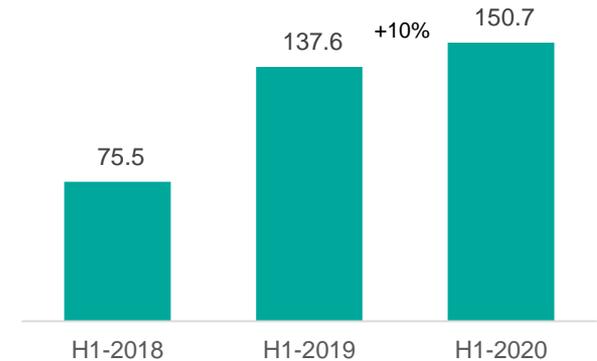
# Robust income has trickled down the economic value funnel



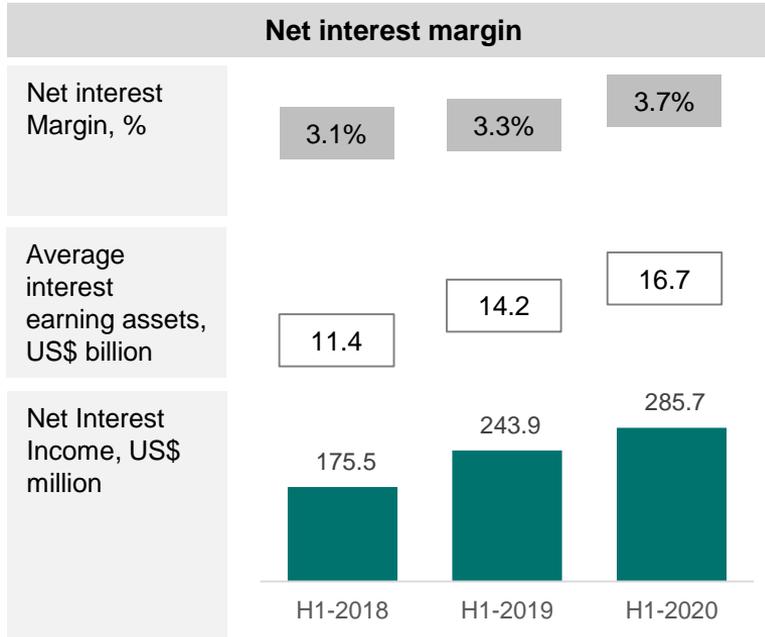
**Solid growth in operating income, US\$ million**



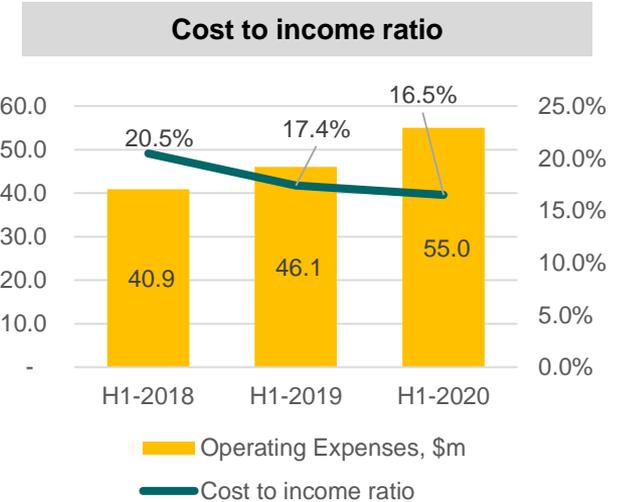
**Improving net income, US\$ million**



# Sound operating efficiency...



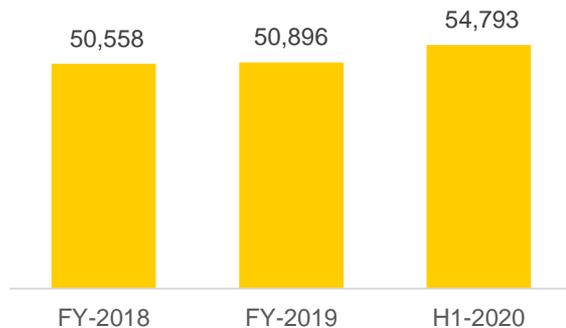
- Net interest margin increased to 3.7% (H1-2019: 3.3%), due to higher net interest income following the decline in interest expense during the period.
- The NIM remains satisfactory and is in line with expected average margins achieved on the Bank's interest-bearing assets.



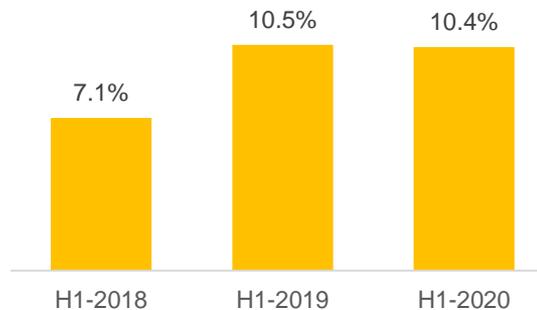
- Cost to income ratio improved to 16.5% (H1-2019: 17.4%) due to higher income and interest margins.
- Increase in operating expenses resulted mainly from increased staff numbers required to strengthen organisational capacity to support strategy and drive various initiatives in the Bank.

## ...has improved returns and value to shareholders

Net asset value per share, \$

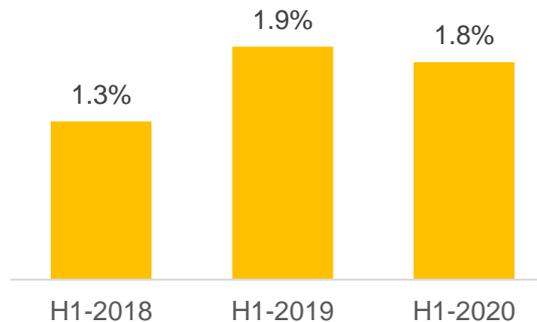


Return on average equity



- Increase in the Bank's net asset value by 7.7% to US\$54,793 (FY-2019: US\$50,896) demonstrates growth in shareholder value.
- Return on average equity and assets remained stable at 10.4% and 1.8% respectively during the first half of 2020.
- Despite raising additional equity of US\$140 million in the first half of the year, RoAE remained stable at 10.4%.

Return on average assets



## Balance sheet and income highlights

B/Sheet metric, US\$ million	FY-2018	FY-2019	H1-2020	CAGR <sup>1</sup>
Net Loans	11,134	12,030	15,196	+23.0%
Total Assets	13,419	14,440	19,350	+27.6%
Total Liabilities	10,860	11,637	16,329	+31.2%
Shareholders' Funds	2,560	2,802	3,021	+11.7%

Income metric, US\$ million	H1-2018	H1-2019	H1-2020	CAGR <sup>2</sup>
Gross Income	344.4	498.3	520.4	+22.9%
Operating Income	199.9	264.7	333.7	+29.2%
Net Income	75.5	137.6	150.7	+41.3%

<sup>1</sup> Compound annual growth rate over one-and-half years

<sup>2</sup> Compound annual growth rate over two years

## Key financial ratios

Financial parameter	H1-2018	H1-2019	H1-2020
Fee/gross income ratio	9%	5%	10%
Yield on earning assets	5.5%	6.7%	6.3%
Net interest margin	3.1%	3.3%	3.7%
Cost-to-income ratio	20.5%	17.4%	16.5%
Return on average equity	7.1%	10.5%	10.4%
Return on average assets	1.3%	1.9%	1.8%
Cash-to-total assets	14.3%	23.5%	20.2%
Equity-to-total assets ratio	20.3%	19.1%	15.6%
Capital adequacy ratio	24%	22%	23%
NPL ratio	3.8%	3.0%	3.5%
NPL coverage ratio	116%	127%	121%

## Guidance for full year 2020

Loan amount	US\$16 billion – US\$17 billion
NPL ratio	3% – 4%
Net interest margin	3% – 3.5%
Return on average equity	10% – 12%
Dividend payout ratio	20% – 26%
Capital adequacy ratio	Above 20%

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## Conclusions



## Conclusions

Afreximbank has sustained a good financial performance in H1-2020 with



- I. Solid balance sheet growth under tough operating conditions
- II. Sound asset quality and operating efficiency
- III. Sustained growth in income and profitability
- IV. Potential for further growth with solid pipeline of facilities

# Q & A

## **CONTACT**

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