Afreximbank First Half 2022 Results Presentation

7 September 2022

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Document Classification: Unclassified

Business update

1. The Bank defied lingering challenges in the global operating environment to deliver solid financial performance in the first half of 2022

2. Solid shareholders' support has been affirmed, having contributed a net paid-in amount of US$1.1 billion (42% of the paid-in equity target of US$2.6 billion under the GCI) or US$1.35 billion pre-discount (52% of target) as at June 2022

3. Rating upgrades received from Fitch (BBB) and GCR (A), and affirmations from Moody's (Baa1), Japan Credit Rating agency "JCR" (A-) on the back of Afreximbank's strengthening credit profile

4. Afreximbank's Ukraine Crisis Adjustment Trade Financing Programme for Africa ("UKAFPA") programme has gained momentum with over US$4.5 billion disbursed as at 30 June 2022

5. Subsidiaries (FEDA and AfrexInsure), as well as digital platforms (PAPSS, MANSA, etc.) continued to make progress in 2022 in support of the Bank's mandate

Business update

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In May 2022, the African Trade Exchange ("ATEX") was soft-launched during the 54th UNECA conference of ministers. ATEX is a B2B and B2G digital platform developed by Afreximbank and Economic Commission for Africa (ECA) to facilitate trading of commodities in a transparent manner

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The co-creation partner of the African Trade Gateway ("ATG") platform has been onboarded following the completion of the RFP process. The product development is in progress as the Bank finalises all the portals that feed into ATG including Tradar and other digital assets

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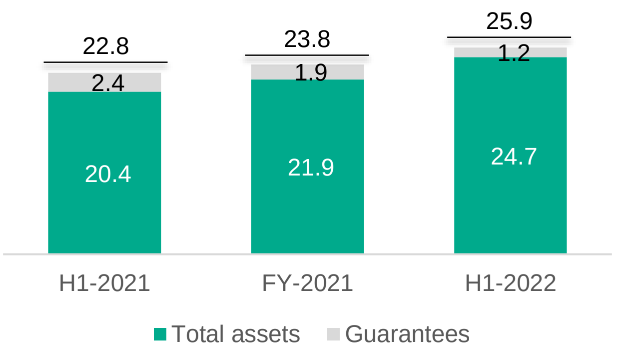
Having completed the first six months of the Bank's 5-year strategy plan dubbed "Impact 2026: Extending the Frontiers", the Bank remained on track with its strategic objectives and has made progress on key objectives including Intra-African Trade and AfCFTA implementation and Export Development finance

Business update – recent awards and accolades received

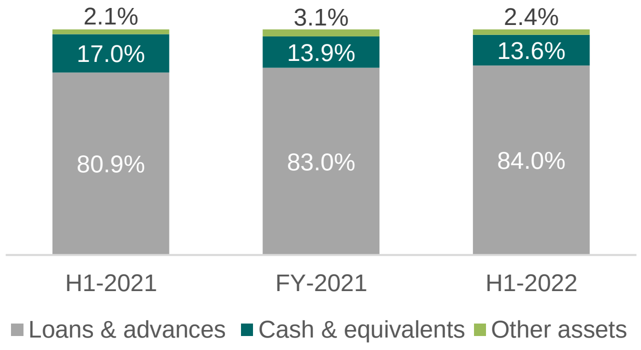
Best Structured Finance Sustainability Deal: African Vaccine Acquisition Trust's US$2bn advance procurement commitment guarantee (EMEA Finance)	Best Structured Finance Deal in North Africa: Canal Sugar's US$700mn multi-tranche syndicated facilities (EMEA Finance)	Most Innovative Structured Finance Deal in EMEA: Lucara Botswana's US$220mn trade finance and term loan (EMEA Finance)	Best supranational syndicated loan: Afreximbank's US$1.2bn three-year loan scheme (EMEA Finance)
Best syndicated loan in Africa: Cheiron Petroleum's US$405mn RBL loan (EMEA Finance)	Best mono-line loan: Orascom Construction's US$100mn AfCFTA-infrastructure linked facility (EMEA Finance)	Best Financial Institution Murabaha Facility: Afreximbank's US$200m Syndicated Murabaha Facilities (EMEA Finance)	Africa Deal of the Year, US$1.1bn financing for the acquisition of a 45% stake in OML 17 from SPDC, by Heirs Holdings Oil and Gas Limited (Project Finance Int'l Awards)
International Syndicated Loan Deal of the Year: Bank of Industry (from GFC Media Group Bonds & Loans Awards)	Africa's Best Bank: Crisis Finance Solutions (from the Global Finance Magazine Award)	Leader In Trade for Pandemic Support (from Global Trade Review Award)	African Banker of the Year Prof. Oramah was named African Banker of the year at the Banker Awards 2022

Sustained balance sheet growth

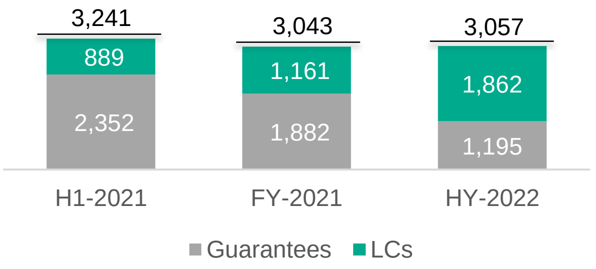
Total Assets & Guarantees, US$ billion



Asset mix, %



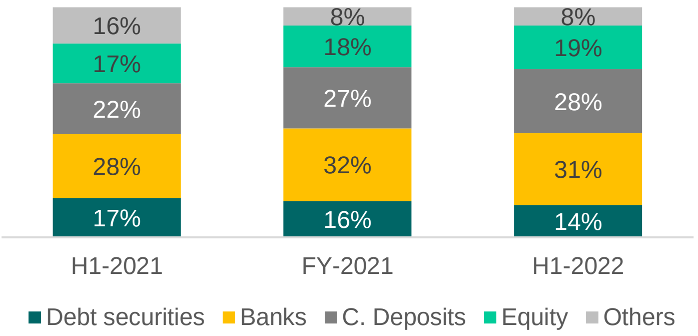
Contingent Liabilities, US$ million



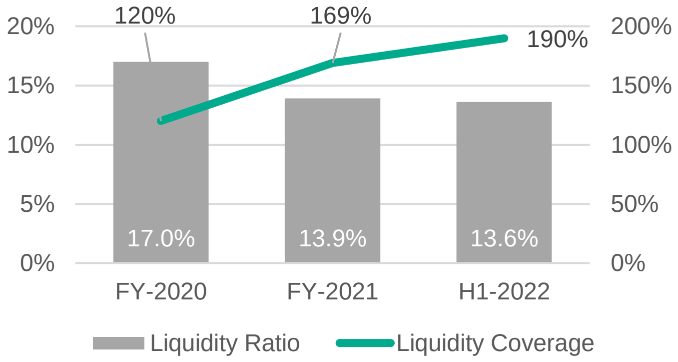
- Total assets and Guarantees increased by 9% to reach US$25.9 billion in the first half of 2022, from US$23.8 billion as at 31 December 2021. Growth was driven by increased lending and a strong pool of cash and cash equivalents.
- Included in the group's assets are investments and property worth US$40 million owned by FEDA.
- Contingent liabilities remained strong at US$3.1 billion, of which US$1.9 billion were Letters of Credits in furtherance of the Bank's mandate.
- Cash and cash equivalents amounting to 14% of Total assets will enable the Bank to achieve its planned loan disbursements and to execute its normal business activities for the remainder of 2022, including meeting maturing borrowing obligations. .

Funding and liquidity position

Funding mix, %

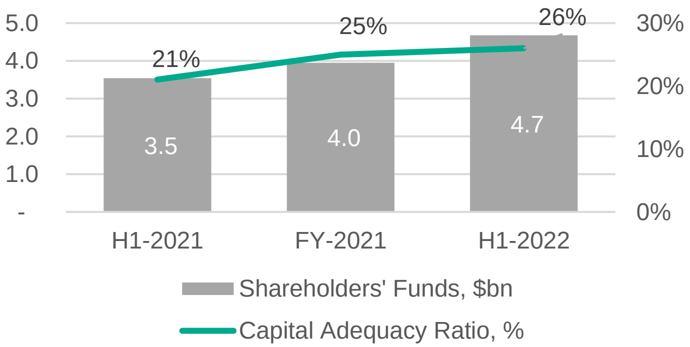


Liquidity ratio, %



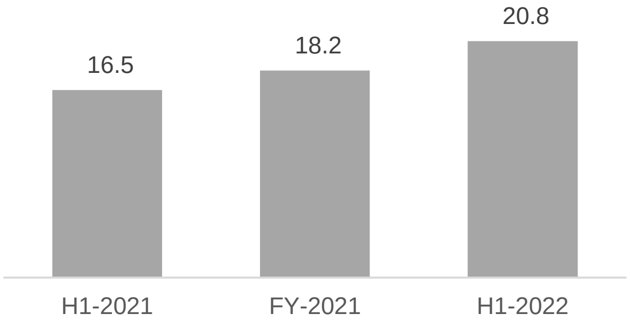
- The Group maintained its diversified funding pool with significant inflows from Deposits and customer accounts which are part of the structural elements of the Bank's financing programmes. Overall, the funding mix remained fairly stable since December 2021.
- Stable Liquidity ratio of 14% in H1-2022 (FY-2021: 14%) will enable the Bank to intervene in a timely manner in response to any market uncertainties. Liquidity coverage ratio improved to 190% (FY-2021: 169%) in line with strong liquidity position.
- Following strong shareholder support under the general capital increase and solid retained income, the Group's shareholders' equity increased by 18% to US$4.7 billion (FY2021: US$4.0 billion).
- As a result, Capital adequacy ratio improved to 26% (FY-2021: 25%).

Equity position & capital adequacy



Analysis of lending portfolio (1/2)

Loan book, US$ billion

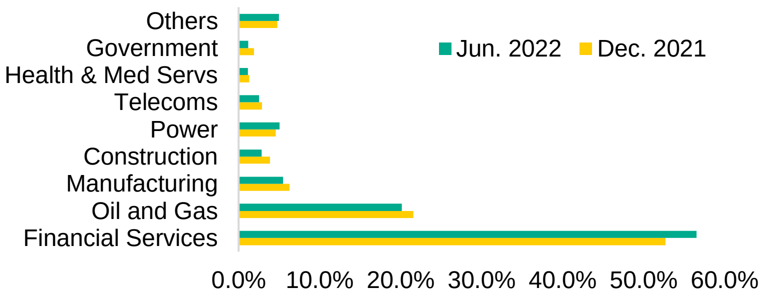


- Loan book grew by 14.3% to US$20.8 billion in H1-2022 from US$18.2 billion for FY-2021, as the Bank continued to support its customers through various products and instruments of intervention.
- From a sector distribution perspective, financial services accounted for 56.6% of the loan book (FY-2021: 52.7%), while Oil and Gas declined to 20% (FY-2021: 22%) in tandem with lending strategy .
- The contribution of the Power sector grew to 5.1% (4.6%) of the Loans and advances.

Loan split by sector, %

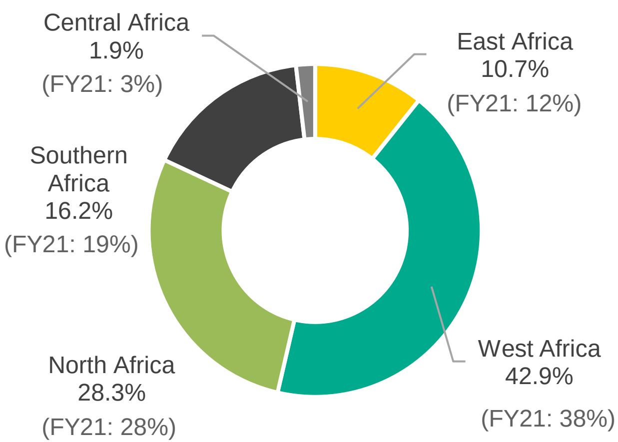
	Dec. 2021	Jun. 2022
Financial Services	52.7%	56.6%
Oil and Gas	21.6%	20.2%
Manufacturing	6.3%	5.5%
Construction	3.9%	2.9%
Power	4.6%	5.1%
Telecoms	2.9%	2.5%
Health & Med Servs	1.3%	1.2%
Government	1.9%	1.2%
Others	4.8%	5.0%

Loan split by sector, %

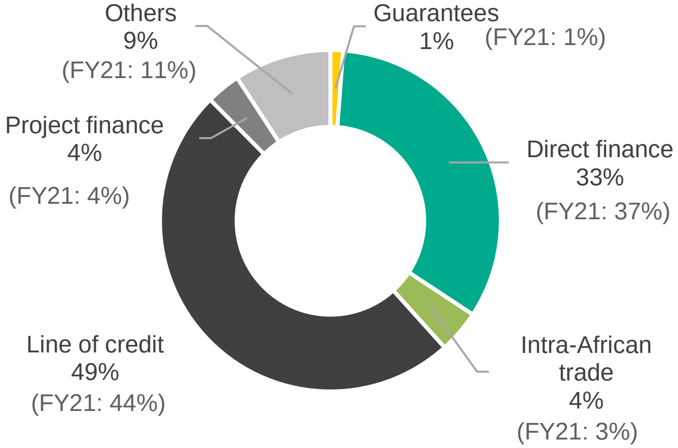


Analysis of lending portfolio (2/2)

Loan split by geography, %



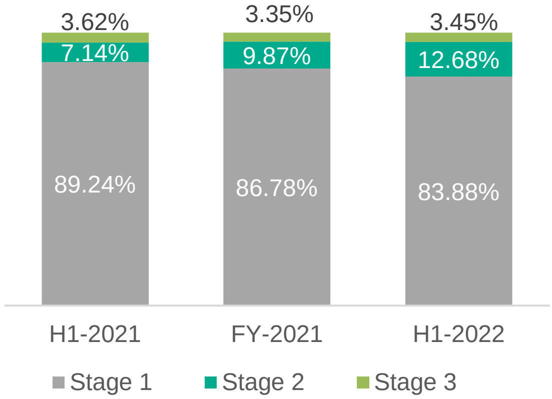
Loan split by programme, %



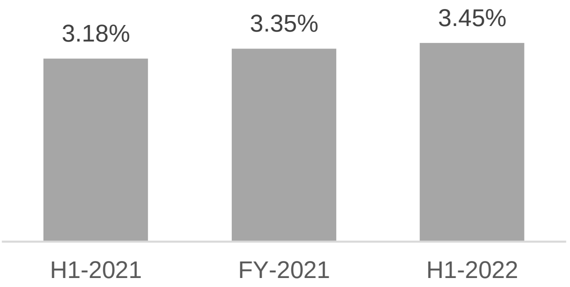
- In line with the trade patterns, West African region attracted more financing support from the Bank and accounted for 42.9% of loans (FY-2021: 38%). The major beneficiaries of this support were the financial services and oil and gas sectors. The Bank has stepped in to fill the financing gap created in the oil and gas sector following the withdrawal of international banks from this sector.
- Support to North Africa also strengthened in the first half, while lending to other regions remained stable.
- Lines of credit and Direct finance continued to be the Bank's main financing programmes as they represented, on a combined basis, 82% of facilities (FY-2021: 81%). Project finance was 4% (FY21 – 4%) of programmes in the first half of 2022.
- While Intra-African trade ("IAT") as a programme improved to 4% in H1-2022 (FY213%), in terms of nature and direction of facilities and programmes, IAT represented 25.4% of the Bank's portfolio.

Assessment of asset quality

Loan staging trend, %

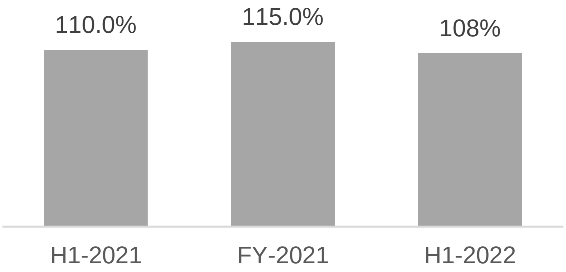


NPL trend, %



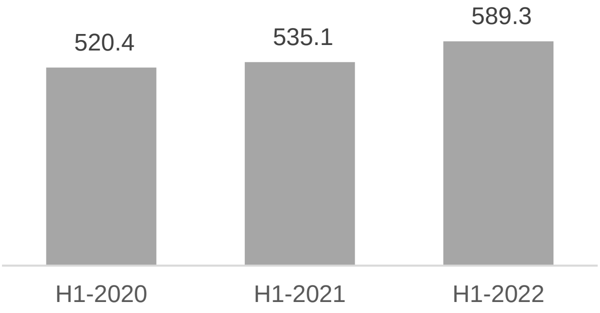
- Asset quality remained sound over the period as the proportion of loans in Stage 3 was 3.45% in the first half of 2022 (FY-2021: 3.35%).
- The relatively high proportion of facilities that are not credit impaired (i.e., facilities classified as Stage 1 and Stage 2) in relation to the total portfolio of Loans and advances is indicative of the sound quality of the portfolio as well as the low probability of significant losses arising in the near future. This outcome also reflected the prudence of the Bank's Structured Trade Finance-based lending and robust risk management practices.
- The increase in Stage 2 loans to 12.68% (FY-2021: 9.87%), is reflective of the proactive approach of the Bank in light of market uncertainties.
- Loan loss coverage ratio was 108% in H1-2022 (FY-2021: 115%) and it remained above the Bank's minimum threshold of 100%.

Loan loss coverage ratio, %

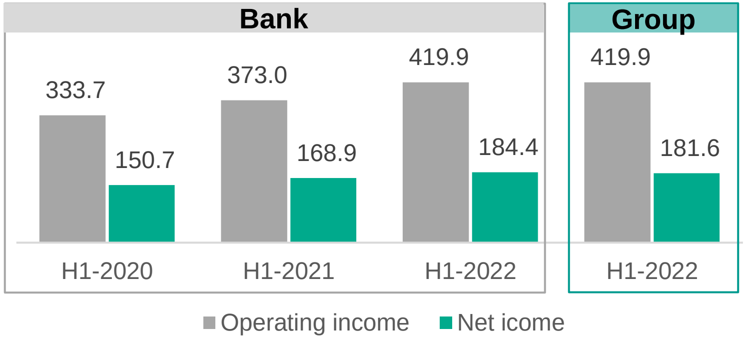


Income profile

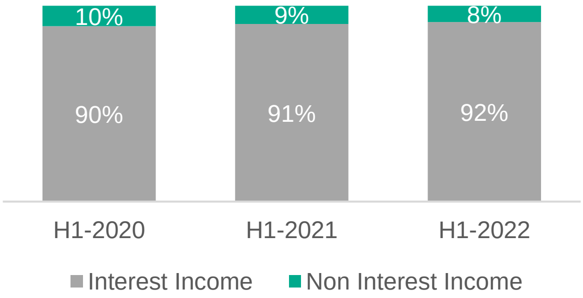
Gross income, $million (Bank & Group)



Operating and net income, $million



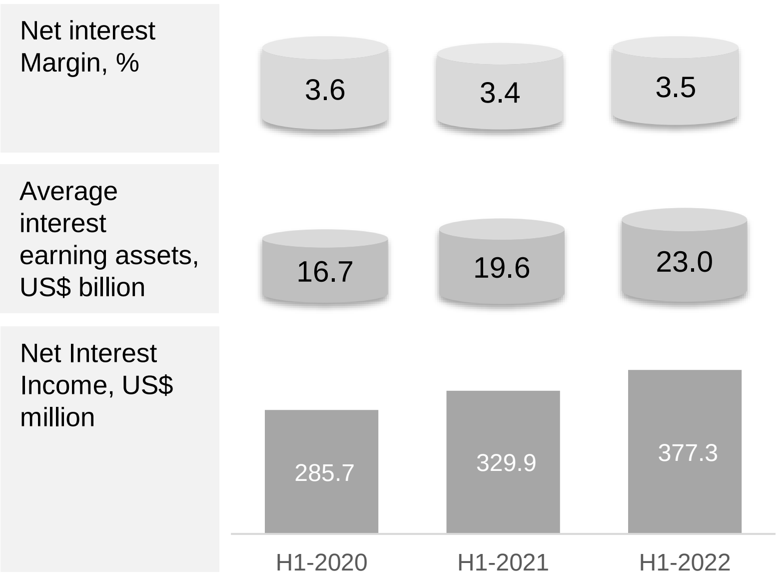
Distribution of gross income, % (Bank & Group)



- With US$589.3 million (H1-2021: US$535.1 million), the Group's gross income rose by 10.1% in the first half of the year on the back of the strong growth in Interest income, which increased by 11% during the period.
- Some growth in Fee income was recorded in H1-2022. However, the increase was much less than the increase in Funded income – this kept the proportion of fee-to-gross income at 8% (H1-2021: 9%).
- Net Operating income, at US$420 million, grew by 12.6% compared to US$373 million achieved in H1-2021. The performance was driven by higher Net interest income as well as an improved Net Fee income.
- Group's Net income of US$181.6 million is lower than Bank net income of US$184.4 million, as Operating expenses relating to subsidiaries were consolidated, while their income generating activities had not gained the expected momentum.

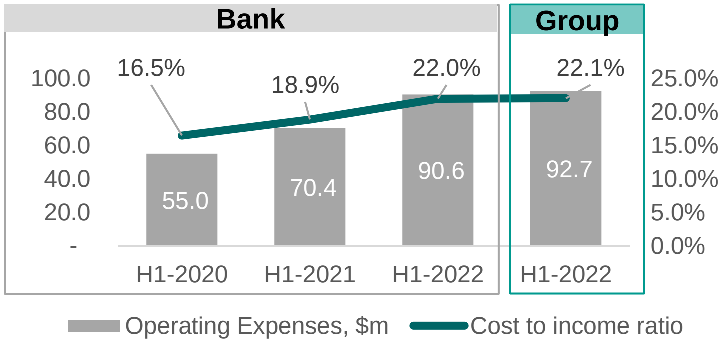
Assessment of costs and margins

Net interest margin, %



- Following a 14.4% increase in Net interest income to US$377.3 million (H1-2021: US$329.9 million), Net interest margins improved during the period to 3.5% (H1-2021: 3.4%).

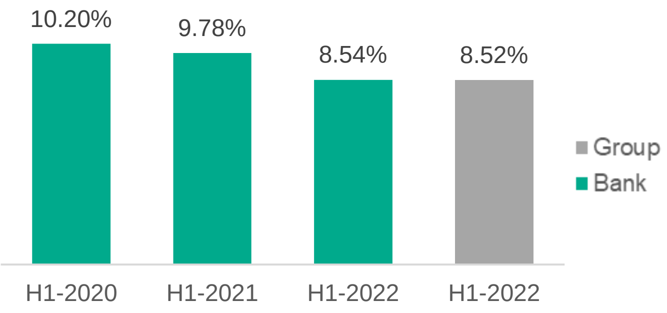
Opex & cost-to-income ratio, %



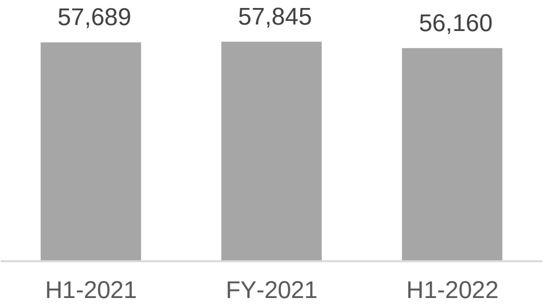
- This was largely attributed to higher average yields achieved on the Bank's interest-bearing assets, coupled with effective management of Interest expense.
- Ongoing implementation of strategic initiatives, growth in business volumes and related increase in staff size made Operating expenses to increase by 31.7% reaching US$92.7 million (H1-2021: US$70.4 million).
- The Cost to Income ratio of the Bank stood at 22% at H1-2022 compared to 19% as at H1-2021. This ratio is pertinent to the banking industry and was well within the Bank's strategic risk appetite range of 17% to 30%.

Returns and valuation data

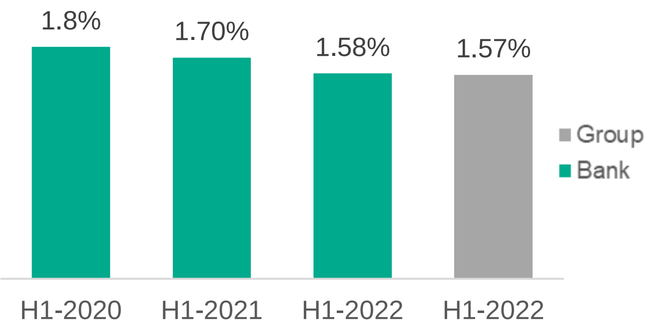
Return on equity, % (Bank & Group)



Net asset value, $ (Group)



Return on assets, % (Bank & Group)



- In spite of increased Net income, the Group's Return on average equity (ROAE) slipped to 8.5% in the first half of 2022 (H1-2021: 9.8%), due to the mobilisation of additional US$655 million equity, most of which came in June 2022 as shareholders rushed to cash in on the prevailing discount to share price that expired at the end of June 2022. These inflows depressed ROAE as they were not fully deployed during the period.
- For the same reason, Return on average asset (ROAA) reduced to 1.6% (H1-2021: 1.7%) as balance sheet resources were being deployed gradually.
- The Net asset value of the Group as at H1-2022 was US$56,160 (FY-2021: 57,845) due to the discount of 20% applied to the share price for the equity raised under the ongoing GCI (II). This level of discount expired in June 2022.

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Document Classification: Unclassified

Group income and balance sheet summary

B/Sheet metric, US$ million	FY-2020	FY-2021	H1-2022	CAGR [1]
Net Loans	16,302	18,176	20,771	+17.5%
Total Assets	19,307	21,898	24,713	+17.9%
Total Liabilities	15,940	17,946	20,036	+16.5%
Shareholders' Funds	3,367	3,952	4,677	+24,5%

Income metric, US$ million	H1-2020	H1-2021	H1-2022	CAGR [2]
Gross Income	520.4	534.6	589.3	+6.4%
Net Operating Income	333.7	373.0	419.9	+12.2%
Net Income	150.7	168.9	181.6	+9.8%

1 – one-and-half year compound annual growth rate
2 – two-year compound annual growth rate

Bank income and balance sheet summary

B/Sheet metric, US$ million	FY-2020	FY-2021	H1-2022	CAGR [1]
Net Loans	16,302	18,176	20,771	+17.5%
Total Assets	19,307	21,930	24,746	+18.0%
Total Liabilities	15,940	17,967	20,055	+16.5%
Shareholders' Funds	3,367	3,964	4,691	+24,7%

Income metric, US$ million	H1-2020	H1-2021	H1-2022	CAGR [2]
Gross Income	520.4	534.6	589.3	+6.4%
Net Operating Income	333.7	373.0	419.9	+12.2%
Net Income	150.7	168.9	184.4	+10.6%

1 – one-and-half year compound annual growth rate
2 – two-year compound annual growth rate

Trend in financial ratios

	BANK		GROUP
Financial metric	**H1-2021**	**H1-2022**	**H1-2022**
NPL Ratio	3.18%	3.45%	3.45%
Capital adequacy ratio	21%	26%	26%
Non-interest/gross income ratio	9%	8%	8%
Return on average assets	1.70%	1.58%	1.57%
Return on average equity	9.8%	8.54%	8.52%
Cost to income ratio	19%	22%	22%
Net interest margin	3.36%	3.47%	3.47%
Net asset value per share	US$57,689	US$56,331	US$56,160

Extending the frontiers with 2022–2026 strategy

AFREXIMBANK

Pillar 1
Intra-African Trade & AfCFTA Implementation

- Finance 7.4% of intra-African trade to increase Africa's share of global trade
- Expand level of intra-African trade to 24% (now 17-19%)
- Grow intra-African trade related loans/guarantees to 38% of portfolio (now 27%)
- Facilitate and operate the African Trade Gateway

Pillar 2
Industrialisation & Export Development

- Support/finance six (6) new industrial parks & Special Economic Zones (SEZs)
- Increase financing support to export development and project & asset-based finance
- Provide export advisory service to 8 counterparts
- Approve manufacturing transactions (18 large)

Pillar 3
Leadership in Global Trade Banking in Africa

- Disburse $40bn bank wide
- Grant correspondent banking lines of $8bn
- Onboard 500 regulated African banks for access to trade finance lines
- Leverage $4 for every $1 financing provided
- Expand contingent book to reach 25% of portfolio
- Rank as number **ONE** in SSA's MLA league table

Pillar 4
Financial Sustainability

- Mobilise paid-in equity capital of $2.6bn and list DRs on a more developed exchange
- African sources to bring 35% of liabilities
- Total assets of $32bn with contingents of $11b
- Net int. margin of 3-3.5% and NPL ratio of 3-4%
- Capital adequacy ratio of 20-25%
- Dividend payout ratio of 26-30%

Guidance for full year 2022

Balance sheet (total assets + guarantees)	US$26 billion – US$29 billion
Loan amount	US$20 billion – US$23 billion
NPL ratio	Less than 4%
Net interest margin	3% – 3.5%
Cost to income ratio	17% – 30%
Return on average equity	9% – 11%
Dividend payout ratio	30% – 35%
Capital adequacy ratio	Above 20%

Key takeaway

Riding on the back of the success being recorded with the ongoing General Capital Increase, the Bank is better prepared to surmount the continent's challenges and remains confident that superior long-term value will be created for all stakeholders, as the Group implements its new strategic plan (2022 – 2026)

Q & A

CONTACT

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