AFREXIMBANK

Annual Report
2020

Performance Highlights

In 2020, Afreximbank intensified its lending operations in support of its member states, not only in pursuance of its planned targets under its medium-term strategic pillars, but also as a proactive escalation of interventions to shield African economies against the ramifications of the COVID-19 pandemic.

34%

Year-on-year increase in total assets to US$19.31 billion at the end of 2020

12%

Year-on-year increase in profit in 2020 to US$351.7 million

US$3.37bn

Total capital increased by 20 percent in 2020.

11%

Return on average equity in 2020

Key macroeconomic indicators

World real GDP contracted by 3.5 percent in 2020 compared with 3.6 percent growth in 2019.

Africa's real GDP contracted by 2.3 percent in 2020 after having expanded by 3 percent in 2019.

Loan approvals (US$ billions)

Total	**16.29 (+31 percent from 2019)**
Line of Credit Programme	**10.08 (+40 percent from 2019)**

TABLES

FIGURES

BOXES

Vision

Transforming Africa's Trade

Mission

To stimulate a consistent expansion, diversification, and development of African trade while operating as a first-class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters.

Awards 2020

Awarding Entity	Award
1. *African Banker Magazine*	'Deal of the Year - Debt' for the Afreximbank-arranged €1 billion syndicated loan for Bank of Industry
2. *Bloomberg 2020 League Table Ranking*	No 1 Mandated Lead Arranger of Sub-Saharan Africa Borrower Loans
3. *Bloomberg 2020 League Table Ranking*	No 3 Administrative Agent of Sub-Saharan Africa Borrower Loans
4. *EMEA Finance*	'Best Structured Finance Deal of the Year in North Africa' for the Rufiji Dam project in Tanzania; Afreximbank provided the performance guarantees for the Egyptian contractors

Transmittal Letter
26 March 2021

Dear Chair,

In accordance with Article 35 of the Afreximbank charter, I have the honour, on behalf of the Board of Directors, to submit herewith the report of the Bank's activities for the period 1 January 2020 to 31 December 2020, including its audited financial statements covering the same period.

The report also contains a review of the international and African economic environments under which the Bank operated and highlights the trade development impact of some of the Bank's operations and activities during the period.

Please accept the assurances of my highest consideration.

Professor Benedict Oramah
President and Chairman
of the Board of Directors

The Chairman

General Meeting of Shareholders
African Export-Import Bank
Cairo, Egypt

Professor Benedict Oramah

President and Chairman of the Board of Directors

Board of Directors

Professor Benedict Okey Oramah
President and Chairman

Dr George Elombi
Executive Secretary

Members of the Board of Directors

Class A

Mr Aliyu Ahmed

Dr Denny Kalyalya

Mr Stefan Luis-François Nalletamby

Mr Gamal Mohamed Abdel-Aziz Negm

Class B

Mr Kee Chong Li Kwong Wing

Dr John Panonetsa Mangudya

Mr Jean-Marie Benoît Mani

Mr Victor Jérôme Nembelessini-Silué

Class C

Mr Daniel Hanna

Ms Xu Yan

Independent Directors

Mr Anil Dua

Mr Ronald Sibongiseni Ntuli

External Auditors

Pricewaterhouse Coopers

KPMG

Management Team

Professor Benedict Okey Oramah
President and Chairman
of the Board of Directors

Mr Denys Denya
Executive Vice President
(Finance, Administration,
and Banking Services)

Dr George Elombi
Executive Vice President
(Governance, Legal, and Corporate
Services)

Mr Amr Kamel
Executive Vice President
(Business Development and Corporate
Banking)

Ms Kanayo Awani
Managing Director
(Intra-African Trade Initiative)

Mr Nyevero Hlupo
Chief Financial Officer

Mr Samuel Loum
Director (Credit Assessment)

Dr Hippolyte Fofack
Chief Economist and Director
(Research and International
Cooperation)

Dr Robert Ochola
Director (Strategy and Innovation)

Dr Robert Tomusange
Director (Administration)

Mr Elias Kagumya
Chief Risk Officer

Mr Stephen Tio Kauma
Director (Human Resources)

Ms Gwen Mwaba
Director (Trade Finance)

Mr Constantin Von Moltke
Director (Syndications and Agency)

Mr Rene Awambeng
Global Head (Client Relations)

Ms Samallie Kiyingi
Director (Legal Services)

Mr Ibrahim Sagna
Director (Advisory and Capital Markets)

Mr Kwabena Ayirebi
Director (Banking Operations)

Mr Tito Alai
Director (Communications and Events)

Mr Chandi Mwenebungu
Director (Treasury and Markets)

Mr Idrissa Diop
Director (Compliance)

Mr Abel Osuji
Director (Internal Audit)

Mr Olaleye Babatunde
Director (Information Technology)

Chapter One

Executive Summary

Despite the immense challenges posed by the COVID-19 pandemic, Afreximbank launched several new initiatives—including the Pandemic Trade Impact Mitigation Facility—and intensified its lending, with total facility approvals growing by 31.4 percent in 2020 year-on-year.

01

Chapter One

Executive Summary

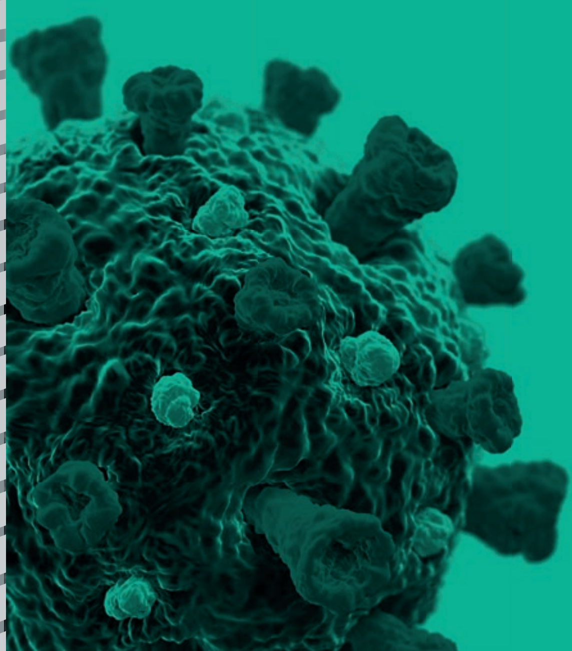
US$
11.81bn

The Afreximbank was mandated lead arranger for 14 syndicated transactions amounting to US$11.81 billion in 2020.

US$
6.08bn

Approved under PATIMFA and PATIMFA-related facilities

Under its Pandemic Trade Impact Mitigation Facility, Afreximbank provided emergency trade finance facilities for imports of urgent need to combat the pandemic, including, among others, medicine, test kits, personal protective and medical equipment, and hospital refitting. The facility was made available through direct funding, lines of credit, guarantees, cross-currency swaps, and other instruments.



Executive Summary

2020 was a very challenging year. The global COVID-19 pandemic, which set in early in the year, swept across the world, leading to unprecedented and synchronised disruptions at various levels.

Besides the devastating, unprecedented death toll, the social and economic impact of the pandemic was unparalleled in modern history, with all aspects of everyday life, including work and travel, affected.

In 2020, the Bank undertook its operations and activities in line with the revised work programme and budgets and in the context of the COVID-19-induced global and regional economic crisis. In addition to intensifying its support under existing programmes and facilities, the Bank launched several new initiatives and products during the year specifically tailored to curb the socio-economic impact of the pandemic on its member states while protecting the Bank's assets and staff.

1.1 THE OPERATING ENVIRONMENT

Global GDP contracted by 3.5 percent in 2020 after having expanded by 2.8 percent in 2019. Developed economies growth fell by 4.9 percent in 2020, sharply down from an expansion of 1.6 percent in 2019, reflecting sharp contractions in the euro area and the United States. Output developments were underpinned by broad-based weak economic activity across the region owing to strict COVID-19 containment measures.

In line with developments across the world, output in developing economies contracted by 2.5 percent in 2020, a sharp deceleration from the 3.6 percent output expansion achieved in 2019. The quick recovery in China, which led to an estimated growth of 2.3 percent, helped avert a deeper contraction among countries in the group. For many developing economies, excluding China, growth resumption was tepid, reflective of a combination of factors, including the continued spread of the pandemic and overwhelmed health care systems; the economy-wide impact of severely-affected sectors, such as tourism; and the significant dependence on external finance, including remittances.

The World Trade Organization's most recent estimates show that growth in the volume of global merchandise trade, which had decelerated by 1.2 percent in 2019, contracted further by 9.2 percent in 2020. Trade in current US dollar terms is estimated to have contracted to US$34.86 trillion in 2020 from US$38.39 trillion in 2019. The sharp contraction in global trade was largely due to COVID-19-related restrictive measures, such as lockdowns, which undermined demand and global economic activity.

In 2020, Africa contended with an unprecedented health and economic crisis occasioned by the COVID-19 pandemic—one that reversed years of hard-won development gains and upended the lives and livelihoods of millions. Overall, the region suffered its first recession in 25 years amid contracting global trade and a sharp fall in commodity prices and tourism revenues. Africa's GDP contracted by an estimated 2.3 percent in 2020. The continent's merchandise trade, which had grown by 1.4 percent to close to US$1.08 trillion in 2019 after strong growth of 11.9 percent in 2018, was significantly affected, contracting by 11.9 percent to US$948.30 billion in 2020.

1.2 OPERATIONS AND ACTIVITIES

In 2020, the Bank intensified its lending operations in support of its member states, not only in pursuance of its planned targets under its medium-term strategic pillars, but also as a proactive escalation of interventions to shield African economies against the ramifications of the COVID-19 pandemic. The programmes deployed included, among others, the Line of Credit, Direct Financing, Project Financing, Export Development, Asset-Backed Lending, Country, Syndications, and Afreximbank Guarantee Programmes, and the newly launched Pandemic Trade Impact Mitigation Facility (PATIMFA).

Accordingly, the Bank's total facility approvals rose by 31.4 percent from US$12.39 billion in 2019 to US$16.29 billion in 2020. Total facility approvals since the inception of the Bank approached the US$100 billion mark, reaching US$97.73 billion. This was a remarkable achievement as the Bank strived to maintain a balance between tackling the pandemic-induced crisis faced by its member states and maintaining solid business operations and risk management fundamentals. Due to higher gross disbursements, amounting to US$10.95 billion in 2020, outstanding loans rose by 35.4 percent from US$12.38 billion in 2019 to US$16.77 billion in 2020. Adding the unfunded exposure (US$2.35 billion in 2020), the value of loans and contingent liabilities stood at US$19.12 billion in 2020 compared with US$13.80 billion in the 2019 (a 38.5 percent increase).

The Line of Credit Programme (LOCP) and the Direct Financing Programme were the largest lending programmes deployed by the Bank in 2020, together accounting for about 85 percent of total approvals and 80 percent of outstanding loans. The LOCP, which remains the Bank's main lending instrument, provides funded and unfunded credit lines to creditworthy African and non-African banks active in African trade finance. Relative to 2019, total approvals and outstanding loans under the LOCP increased, respectively, by 40.4 percent (to US$10.08 billion) and 79.4 percent (to US$8.73 billion) in 2020. Approvals under the Direct Financing Programme rose to US$4.07 billion in 2020 (up 16.4 percent from 2019), accounting for about 25 percent of total approvals. Outstanding loans also increased, reaching US$5.0 billion, a 15.9 percent increase from 2019.

In 2020, the Bank again confirmed its relevance to its member states by launching a COVID-19 crisis response facility—PATIMFA—to help them deal with the economic and health impacts of the pandemic. Approved by the Bank's Board of Directors on 20 March 2020 (nine days after the World Health Organization declared COVID-19 a pandemic), PATIMFA provided financing to assist the Bank's member states to adjust in an orderly manner to the financial, economic, and health care shocks caused by the COVID-19 pandemic. The facility supported central banks and other financial institutions to meet trade debt payments that fell due and to avert trade payment defaults. It also assisted member states in procuring critical imports under emergency conditions.

In addition, PATIMFA assisted member states whose fiscal revenues were tied to specific export revenues, such as mineral royalties, to manage any sudden fiscal revenue declines as a result of reduced export earnings. It successfully provided emergency trade finance facilities for imports of urgent need to combat the pandemic, including, among others, medicine, test kits, personal protective and medical equipment, and hospital refitting. The facility was made available through direct funding, lines of credit, guarantees, cross-currency swaps, and other instruments.

The Bank approved US$6.08 billion under PATIMFA and PATIMFA-related facilities,

79.4%

Total outstanding loans under the Letter of Credit Programme increased by 79.4 percent to US$8.73 billion in 2020.

16.3%

Approvals under the Direct Financing Programme increased by 16.3 percent to US$4.07 billion in 2020.

January 2021

Trade under the African Continental Free Trade Area agreement started on 1 January 2021.

Executive Summary

with outstanding loans amounting to US$4.94 billion in 2020 and the facility's share of loans amounting to just under 30 percent.

In 2020, the Bank continued to play a major role in leveraging financing into Africa. Attesting to its leading role in the African syndicated loan market, the Bank was ranked Africa's top mandated lead arranger in sub-Saharan Africa in Bloomberg's 2020 Capital Markets League Tables. This ranking recognises the Bank's leadership role in mobilising capital from both within and outside the continent from a diverse range of investors and stakeholders to support the financing needs of African borrowers.

In 2020, the Bank was the mandated lead arranger for 14 syndicated transactions amounting to US$11.81 billion compared with US$5.45 billion in 2019. The Bank's share in these syndicated transactions amounted to US$1.74 billion, reflecting a leverage ratio of 6.8 compared with 5.1 in 2019.

In line with the Bank's fifth Strategic Plan (IMPACT 2021: Africa Transformed), the Intra-African Trade pillar, which aims to promote trade under the African Continental Free Trade Area (AfCFTA) agreement, remained a key business priority for the Bank in 2020 in the context of challenges posed by the COVID-19 pandemic. To that end, approved transactions in support of intra-African trade rose by 42.3 percent, year over year, to US$1.44 billion in 2020. The balance of outstanding intra-African trade loans stood at US$5.21 billion in 2020, accounting for 31.1 percent of the Bank's total exposure.

To promote intra-African trade facilitation, the Bank embarked on several continental initiatives. In this regard, it made progress in implementing its initiative to facilitate the emergence and growth of creative and cultural industries across Africa. Progress in this area included the launch of a US$500 million Creative Industries Support Facility to provide a one-stop-shop solution for governments and creative companies and individuals to find and access technical support, finance, investment, and market opportunities; establishment of the Creative Africa Advisory Group to provide support on the creative industry; development of a concept note on the establishment of the Venture Capital Fund to support creative industries; and approval of the first transaction, valued at US$5 million, in support of the creative economy for a film production company.

The issue of product quality and standards is critical to the implementation of the AfCFTA, as it will ensure that producers of goods and services across the continent comply with minimum agreed regulatory and customer requirements, in turn allowing them to supply the continental market with goods that meet those standards. In this regard, the Bank mobilised US$500,000 in grant funding from partners and provided a matching grant of US$720,000 to support the harmonisation of standards for pharmaceuticals and medical devices across Africa. The standards, which will be developed by the African Organisation for Standardisation, seek to promote quality and safety in the production of pharmaceutical products, medicines, and medical devices on the continent. This builds on a similar effort for the harmonisation of standards in the automotive sector conducted under the auspices of African Organisation for Standardisation and supported by the Bank, the Physikalisch-Technische Bundesanstalt (the national metrology institute of Germany), and the United Nations Economic Commission for Africa.

Another major development to drive intra-African trade facilitation was the launch of the Afreximbank–African Collaborative Transit Guarantee (AACTG) scheme, which aims to facilitate the movement of goods under a single transit bond (as opposed to issuing a bond at every border) to reduce the cost of moving goods in transit. Designed to be implemented in collaboration with other transit bond issuers, the Bank's participation will increase capacity and support the modernisation of technology for efficient transit trade. To roll out the AACTG scheme, the Bank engaged with the African Union and regional economic communities. In this context, the Bank negotiated accession to the Common Market for Eastern and Southern Africa Regional Customs Transit Guarantee scheme to pilot the scheme that will be jointly expanded across Africa under the auspices of the African Union. The accession agreement is expected to be signed in 2021.

A major highlight of 2020 was the reappointment by the shareholders of Professor Benedict Oramah as president of the Bank for a second five-year term. The decision was announced at the Bank's 27th Annual General Meeting of Shareholders, which was held by circulation of resolutions due to COVID-19-related restrictions.

In 2020, the president of the Bank was appointed as chair of the Board of Trustees of the African Union COVID-19 Response Fund. The fund aims to raise resources to strengthen the continental response to COVID-19 by supporting pooled procurement of diagnostics and other medical commodities by Africa Centres for Disease Control and Prevention for distribution to member states to mitigate the pandemic's socio-economic and humanitarian impact on African populations.

President Oramah was also appointed by HE President Cyril Ramaphosa of South Africa, the chairperson of the African Union, as a member of the COVID-19 African Vaccine Acquisition Task Team. The task team's objectives include defining the most appropriate approaches to secure funding to procure sufficient COVID-19 vaccine doses to achieve coverage of 60 percent of the African population; and scoping the additional needs and financing required for the successful

Afreximbank approved US$6.08 billion under PATIMFA and PATIMFA-related facilities, with outstanding loans amounting to US$4.94 billion as at the end of December 2020. The share of the facility in total loans stood at close to 30 percent.

Executive Summary

delivery and administration of vaccines, including for human resources, facilities and equipment, logistics, community engagement, and communication.

The interim governing council of the Pan-African Payment and Settlement System (PAPSS) held its inaugural meeting in Cairo on 3 December 2020, a historic step towards the operationalisation of the payment system in early 2020. Developed by the Bank under the auspices of the AfCFTA Secretariat and the African Union, the PAPSS will enable intra-African trade and commerce payments to be made in African currencies to further AfCFTA's goals. The governing council, charged with providing regulatory oversight to ensure the success of the payment system, is composed of central bank governors of the six countries of the West African Monetary Zone (where the PAPSS pilot phase will be carried out), the African Union Commissioner for Economic Affairs, the Secretary General of the AfCFTA, and a representative from the African Development Bank and the Afreximbank.

Adopted in July 2019 by the African Union heads of state as the payment and settlement system to support the implementation of the AfCFTA, the PAPSS is expected to create new financial flows and successfully facilitate trade and other economic activities among African countries. As operator and main settlement agent for the PAPSS, the Bank will provide settlement guarantee on the payment system as well as overdraft facilities to all settlement agents.

In 2020, risk management activities continued to focus on strengthening the Bank's Enterprise Risk Management Framework, with a focus on managing the adverse impact of the COVID-19 pandemic on the Bank's operations and activities. Key initiatives in this regard included the ongoing implementation of the Bank's Pandemic Response Plan, Environmental and Social Risk Management, and Operational Risk Management Tools (including Risk Control Self Assessments, Key Risk Indicators, and the enhancement of the Incident Management and Operational Loss Reporting processes).

To shield its business operations from the impact of the crisis, the Bank set up or strengthened its Loan Quality Committee, Liquidity Management Working Group, COVID-19 Business Response Committee, and Budget Impact Workstream. These efforts were supported by the Bank's Emergency Management Committee and helped institute a robust Work-from-Home policy that had been rehearsed as part of the Bank's Business Continuity Management.

2020 was extremely challenging for funding desks of banks across the world and more so for banks in developing economies. Nonetheless, despite the challenges posed by COVID–19, the Bank was able to achieve its funding objectives in line with its COVID-19-revised budgets. The Bank mobilised about US$9.20 billion from both international and African entities in 2020, raising US$5.60 billion under the Africa Resource Mobilisation Programme, with about US$1.14 billion raised from partner international banks through bilateral lines, about US$1.03 billion from the syndicated loan market, and US$1.32 billion from development finance institutions and export credit agencies.

In 2020, the Bank continued to implement its strategic objective of mobilising equity to respond to the strong demand for financing by its member states and other clients. This demand was heightened in 2020 due to the extraordinary support requirements for the export, tourism, financial, and health care sectors, among others, that were impacted by the COVID-19 pandemic. Despite the challenges posed by the pandemic, shareholders continued to support the Bank by injecting new capital, including through reinvesting dividends. In this regard, new and existing shareholders acquired an additional 8,244 shares across all classes, bringing in US$163.74 million in additional capital, with US$251.1 million in additional callable capital. Additional equity capital in the form of share warrants, amounting to US$122.12 million, was also raised.

On account of the COVID-19 pandemic, several events planned by the Bank and its partner institutions were cancelled or held virtually. The Bank's flagship Intra-African Trade Fair, for example, was postponed to 2021 from September 2020. The Bank adapted to worldwide travel bans and lockdowns by organising and participating in a number of virtual meetings, seminars, conferences, and workshops. These included, among others, the Bank's Annual General Meeting, the Afreximbank Founders' Day, the Afreximbank Annual Babacar Ndiaye Lecture, the Afreximbank–Factor Chain International Africa Chapter Factoring Workshop, and the Creative Africa Exchange.

1.3 DEVELOPMENT IMPACT

While the COVID-19 pandemic has evolved more slowly across Africa than other regions, it has exerted a sizable toll on economic activity. In fulfilling its role as a countercyclical financial institution, the Bank moved rapidly to mobilise African and global partnerships to scale up the size and scope of its support to the continent. The Bank ended 2020 with US$10.95 billion in disbursements to support entities and governments of its member states to curb the pandemic and stimulate African trade. Despite the challenges the Bank faced in 2020, with its resilience put to the test, it made good progress in delivering on each of its strategic pillars—the promotion of Intra-African Trade, Industrialisation and Export Development, Trade Finance Leadership, and Financial Soundness and Performance.

In 2020, the Bank successfully deployed 73 financial interventions across the continent. These investments are estimated to create an additional 71,030 jobs, provide 48,960 small and medium-sized enterprises with access to trade finance, and directly add more than US$1 billion to fiscal revenues across Africa.

Under the Bank's Intra-African Trade strategic pillar, the projects financed in 2020 are projected to connect 100,000 rural farmers and small and medium-sized enterprises in East, Southern, and West Africa to formal markets. In the area of trade facilitation, the 374-kilometre cross-border roads in West Africa and the upgrade and expansion of a one-stop border post between Zimbabwe and South Africa are anticipated to increase the volume of trade in these regions by US$400 million and reduce the pass-through waiting time for commercial vehicles from 35–39 hours to 2–3 hours. The Bank also continued to work on various initiatives to support the implementation of the AfCFTA, including the rollout of the PAPSS; the development of the Statutes and the Resource Mobilisation Plan for the AfCFTA Adjustment Facility; the operationalisation of the AACTG scheme in East, North, and Southern Africa; and the harmonisation of African standards. Through its Global Facility for African Multinational Corporations (Intra-African Trade Champions), the Bank supported an Egyptian company in winning a US$35 million contract in the Democratic Republic of Congo for the purpose of financing the engineering, supply, installation, and commissioning of the Kasumbalesa HV substation project. The Bank also supported another Egyptian company in signing a US$30 million contract with the government of South Sudan for the construction of the Juba-Nimule road. In addition, with the help of the Bank, a memorandum of understanding was signed between an Egyptian oil and gas company and the Ministry of Mines and Hydrocarbons of Equatorial Guinea to construct modular refineries (the Kogo refinery project).

In advancing its work under the Industrialisation and Export Development strategic pillar, the Bank continued to deepen its support through financing and technical services for the development of industrial infrastructure and creation of value-added exports. The expansion of an existing out-patient project to encompass a 100-bed fit-for-purpose greenfield out-patient medical centre and in-patient medical facility is projected to create about 800 direct jobs and enhance positive health outcomes in West Africa. In addition, the development of two industrial parks in East Africa promises 21,000 direct jobs and 45,000 indirect jobs; in Southern Africa, six aircraft will soon be added to one of the regional airlines, which is expected to create 100 direct jobs; and the construction of the first African Quality Assurance Centres in West Africa is under way, as are studies on similar projects in East and North Africa.

With respect to the Trade Finance Leadership strategic pillar, the Bank contributed to the narrowing of Africa's trade finance gap by almost 13.5 percent in 2020 (a 3.5 percent increase over 2019). By the end of 2020, the Bank had granted 286 trade finance lines, amounting to US$6.5 billion to 20 countries across Africa (predominantly least-developed countries) to meet their trade financing needs. This resulted in 48,960 subloans to small and medium-sized enterprises, mostly women and the youth. The Bank's payment services also made it possible for smaller economies in East, Southern, and West Africa to access payment services.

Chapter Two

The Operating Environment

Global output contracted by 3.5 percent in 2020 as the COVID-19 pandemic caused significant economic and social costs, with Africa suffering its first recession in 25 years. Tighter global financing conditions triggered massive capital outflows from emerging and frontier economies.

02

Chapter Two

The Operating Environment

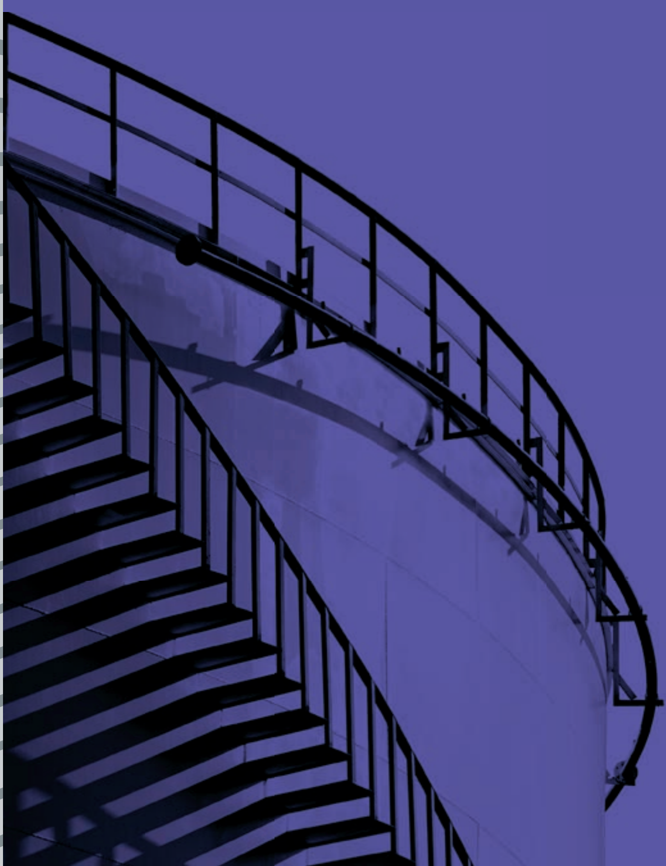
–42%

Global foreign direct investment fell by 42 percent to US$859 billion in 2020.

–20%

Remittances to low- and middle-income countries fell by 20 percent in 2020.

The Afreximbank deployed its Project Preparation Facility to part finance the preparation of bankability and feasibility studies (technical, financial, market, environmental) and procurement of transaction advisors (legal and financial) of two industrial parks to be located in Lilongwe and Blantyre.



The Operating Environment

The COVID-19 pandemic, the first pandemic since the Spanish influenza pandemic of the early 20th century, has imposed significant health and economic costs across the world.

2.1 THE GLOBAL ECONOMIC ENVIRONMENT

2.1.1 Output Developments

Since 11 March 2020—the date when the World Health Organization declared COVID-19 a global pandemic—infections and deaths have increased exponentially, rising from 124,101 infections and 6,315 deaths to about 115 million infections and 2.5 million deaths as of the end of February 2021, and increasing every day. With the exception of South Africa, which has been particularly affected, the number of recorded cases and casualties across Africa has remained relatively low compared with the global burden.

The economic and social costs of the pandemic have been equally significant, perhaps even more so for African countries, which were hit by several shocks in addition to global demand and supply disruptions.

In a major reversal, global growth contracted by 3.5 percent in 2020, significantly down from the pre-pandemic forecast of 3.4 percent growth, and the 2.8 percent expansion in 2019 (Table 2.1 and Figure 2.1). Containment measures (lockdowns, social and physical distancing, and border closures) taken by governments throughout the world to stem the spread of the virus led to sharp global demand and supply shocks, setting the stage for a synchronised global downturn. As a result, Africa suffered its first recession in 25 years.

Table 2.1 Developments in Global Output, 2018-20

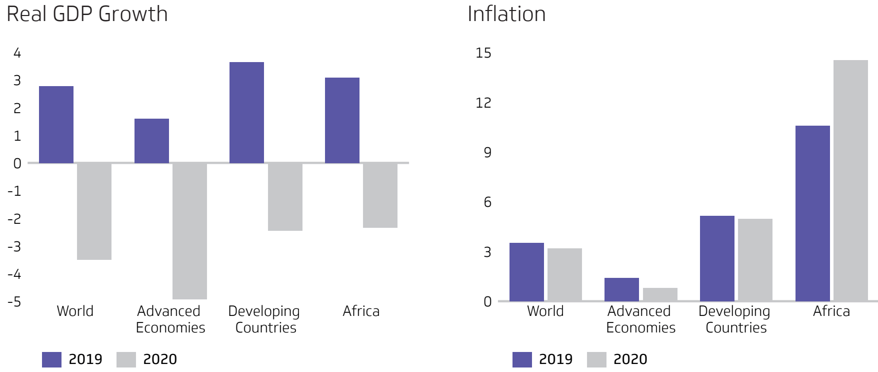
	Real GDP Growth (annual percent change)			Inflation Rate (annual percent change)		
	2018	**2019**	**2020**	**2018**	**2019**	**2020**
WORLD	3.51	2.78	-3.50	3.59	3.51	3.18
DEVELOPED ECONOMIES	2.24	1.60	-4.93	1.96	1.40	0.81
United States	3.00	2.16	-3.41	2.44	1.81	1.52
United Kingdom	1.34	1.43	-10.01	2.48	1.79	0.77
France	1.79	1.51	-9.03	2.10	1.30	0.46
Japan	0.28	0.27	-5.11	0.98	0.48	-0.06
Italy	0.80	0.34	-9.24	1.24	0.63	0.13
Canada	2.01	1.86	-5.50	2.27	1.95	0.62
Germany	1.27	0.56	-5.35	1.95	1.35	0.50
Memorandum Item						
Euro Area	1.84	1.29	-7.25	1.76	1.20	0.38
DEVELOPING ECONOMIES	4.48	3.64	-2.45	4.86	5.14	4.96
Africa	3.26	3.08	-2.34	11.58	10.56	14.53
Developing Asia	6.34	5.39	-1.07	2.67	3.28	3.19
Latin America and the Caribbean	1.06	0.18	-7.37	6.57	7.65	6.24
Developing Europe	3.30	2.15	-2.80	6.37	6.64	5.16

Sources: International Monetary Fund, World Economic Outlook (WEO) database; January 2021 WEO Update; and Afreximbank.

In 2020, world merchandise trade volume fell by 9.2 percent after contracting by 21 percent at the height of the pandemic during the second quarter of the year. Across developing economies, most notably commodity-based economies, a sharp deterioration in commodity terms of trade widened fiscal and current account deficits, exacerbating balance of payments pressures and heightening uncertainty. Tighter global financing conditions triggered sudden stops and massive capital outflows from emerging and frontier market economies. As the epidemic spread, the rapid deterioration in the global economic outlook accelerated the widening of interest rate spreads and temporarily shut out sub-investment-grade borrowers from global capital markets. Global foreign direct investment fell by 42 percent from US$1.5 trillion in 2019 to an estimated US$859 billion in 2020 (see United Nations Conference on Trade and Development 2021 World Investment Report). The pressure on balance of payments was further exacerbated by the synchronised nature of the pandemic-induced downturn, which affected remittance flows to emerging market and developing economies. According to the latest migration and remittances data, remittances to low- and middle-income countries dropped by 20 percent, and even more so to Africa.

The sharp contraction in global trade and heightened uncertainty triggered by the COVID-19 outbreak and subsequent containment measures affected growth prospects differently across countries and regions. Advanced economies that were severely hit by the first wave of the COVID-19 outbreak and imposed strict confinement measures in response, were particularly affected. On average, aggregate output for this group of countries contracted by 4.9 percent in 2020 compared with a 1.6 percent expansion in 2019. This sharp contraction reflects the magnitude of the downturn in the United States and Europe, both leading drivers of global growth and trade.

Figure 2.1 Global Output and Inflation, 2019-20 (percent)



Sources: International Monetary Fund, January 2021 World Economic Outlook Update; and Afreximbank.

In a major growth reversal, the US economy—which had been rapidly expanding, turbocharged by large tax cuts and deregulation, and witnessing stock market and unemployment rates setting new historical records—suddenly collapsed. After expanding by 2.2 percent in 2019 and forecast to strengthen further, US output contracted by 3.4 percent in 2020, with the pandemic dealing a blow to the global economy and unemployment rates rising as fast as the spread of COVID-19. While unemployment rates have since fallen following the resumption of economic activity in response to the relaxation of containment measures and effective bold monetary and fiscal stimulus, they remain significantly above pre-crisis levels, setting the stage for continued easing of monetary policy.

After expanding by 1.3 percent in 2019, the euro area contracted by 7.3 percent in 2020, in part reflecting the magnitude of the COVID-19 shock on the largest economies in the European Union. Germany, the largest, highly export-oriented economy in the euro area, contracted by 5.3 percent on account of falling private consumption, business investment, and global demand and supply shocks. Similarly, other major economies in the euro area suffered a major growth reversal, with France, the second-largest economy in the euro area, contracting by 9 percent in 2020 compared with a 1.5 percent expansion in 2019. Italy and Spain, which entered the global COVID-19 curve early, were also particularly affected, with output in 2020 contracting by 9.2 percent and 11.1 percent, respectively, compared with a 0.3 percent and 2.0 percent expansion in 2019.

While bold and swift fiscal and monetary stimulus enacted by EU member states and the European Central Bank are setting the stage for a strong rebound, the recovery process across the euro area is likely to be uneven. The stickiness of risk-aversive behaviour is such that the recovery in tourism-dependent economies in Southern Europe could be subdued and even delayed. In fact, International Monetary Fund (IMF) estimates point to a sharper contraction in these countries, with about 9.5 percent for Greece, 10 percent for Portugal, and 11.1 percent for Spain.

Outside the euro area, the UK economy contracted by 10 percent in 2020 from 1.4 percent growth in 2019. In addition to fallout from COVID-19, growth prospects in the United Kingdom were further undermined by uncertainty associated with the outcome of Brexit negotiations, specifically the contours of the trade agreement that will regulate commerce between the United Kingdom and the European Union post-Brexit. The two

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parties finally concluded a last-minute trade deal in December 2020, bringing to a positive end a divorce that has been made more difficult by the Irish question. The European Union avoided a hard border on Ireland and preserved the 'four freedoms' underpinning the single market: free movement of goods, services, capital, and people. The United Kingdom achieved 'zero tariff, zero quota' goods trade with its main trading partners.

Output in Japan, the second-largest economy among the group of advanced economies, contracted by 5.1 percent in 2020 from 0.3 percent growth in 2019. The effectiveness of fiscal and monetary measures enacted by the Japanese government to contain the spread of the virus helped contain the fallout of the COVID-19 pandemic-induced downturn on the Japanese economy in the second half of 2020. Economic activity bounced back strongly in the third quarter, with GDP increasing by 21.4 percent in seasonally adjusted terms, in contrast with the historic 28.8 percent fall logged in the second quarter of 2020.

To further highlight the synchronised nature of the COVID-19 pandemic-induced downturn, developing economies, which have been the leading drivers of global growth over the past two decades, contracted by 2.5 percent in 2020, a sharp deceleration from 3.6 percent expansion in 2019. Asia, which has been the world's fastest-growing region, suffered its first recession in six decades. However, headline figures mask important variations across developing economies. While China—Africa's largest trading partner and the largest economy among developing economies—showed resilience, achieving an output expansion of 2.3 percent, and India—Africa's second-largest trading partner and the second-largest economy among developing economies—contracted by 8 percent, significantly down from 4.2 percent growth in 2019.

The Middle East was particularly affected by fallout from the COVID-19 pandemic as well, not just through the global demand and supply shocks triggered by the implementation of containment measures, but also by the dramatic collapse of oil prices. The breakdown of the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) agreement among oil suppliers weighed on commodity prices. Despite the recovery in oil prices in the second half of the year, overall output in the region contracted by 3.2 percent in 2020 from 1.4 percent growth in 2019. Elsewhere across developing economies, output in developing Europe contracted by 2.8 percent in 2020 from 2.2 percent growth in 2019. The moderate contraction was driven by a gradual normalization of activity in the second half of the year, some recovery in external demand, and a boost from funds from the European Union.

2.1.2 Price Developments

Despite the increase in the prices of medical supplies in the face of disruptions in global supply chains and the shortage of COVID-19-related equipment, weak aggregate demand appears to have outweighed the impact of supply interruptions in 2020.

The abrupt decline in global aggregate demand on account of containment measures implemented to halt the spread of the virus (border closures, lockdowns, and social distancing) drove the collapse of prices of oil and fossil fuels, commodities, and fuel-based energy to historic lows, although the prices of agricultural commodities and metals remained relatively stable.

On the back of these developments, global inflation eased from 3.5 percent in 2019 to 3.2 percent in 2020, with important variations across regions and countries. Inflation in advanced economies remained below pre-pandemic levels, and deflationary threats emerged as an important factor in the euro area and across emerging market and developing economies, including some in Africa. Inflation, which declined sharply in the initial stages of the pandemic, picked up during the latter part of the year, perhaps reflecting increased intensity of inflationary pressures in the post-containment phase of gradual reopening. However, inflation is expected to remain subdued in the face of the persistent output gap.

2.1.3 Financial Markets

Bold and swift measures undertaken by leading economies in the form of fiscal and monetary support, including the purchase of government bonds and other interventions, helped assuage liquidity constraints and boost investor confidence. These global, coordinated measures, which mitigated inflationary pressures and eased financial constraints in leading economies, contributed to a domestic surge in asset prices, especially in developing economies.

Equity markets regained, and in some cases exceeded, pre-pandemic levels. Sovereign bond yields remained broadly unchanged or declined further, as observed in Italy after the establishment of the European Union's pandemic recovery package, as well as the European Central Bank's pandemic emergency purchase programme, while corporate spreads dropped. Sovereign yields in emerging markets declined as well. Spreads over US Treasury securities, which had begun falling after the Federal Reserve's aggressive actions taken in March 2020 to support the flow of credit to households and businesses, continued to compress.

Equity prices in emerging market and developing economies firmed up as well, supported by enhanced policy coordination at the global level and supportive monetary policy in emerging market and developing economies.


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Nonetheless, as noted in the IMF's October 2020 Global Financial Stability Report, the recovery in portfolio flows was uneven, though generally broad based, especially in the second half of the year.

Among major currencies, the US dollar depreciated by more than 4.5 percent in real effective terms between April and late September 2020, reflecting increasing global risk sentiment and concerns about the impact of rising COVID-19 cases on the speed of the US recovery. The biggest gain was made by the euro, which appreciated accordingly, supported by improving economic prospects and slower increases in the number of COVID-19 cases. The pound sterling edged higher, gaining 0.2 percent against both the US dollar and the euro, and rising by 0.5 percent against the Chinese yuan in 2020. The Russian ruble depreciated on geopolitical concerns and a sharp decline in oil prices.

The currencies of other emerging market economies, either severely affected by the pandemic or with deteriorating current and fiscal accounts (such as Argentina, Brazil, and Turkey), also weakened. The Nigerian naira weakened to record lows against all major currencies by the end of 2020 on account of massive capital outflows and balance of payments challenges. The South African rand, which is also susceptible to movements in global commodity prices and short-term capital flows, depreciated by 20 percent in real effective terms.

Most emerging market currencies recovered later in the year from severe pressures that followed the market turmoil in March. The Chinese renminbi strengthened, while the currencies of other Asian emerging market economies generally remained stable in real effective terms. African currencies, as tracked by the Bloomberg African Currency Basket, fell sharply in the first quarter of 2020 and remained at depressed levels for most of the second half of 2020. The African Currency Index started appreciating in July 2020 but remained largely rangebound until October 2020, when it experienced a steady appreciation to close the year at its highest level in nine months.

The MSCI All-World Index gained 14.1 percent in 2020, with an increase of 13.2 percent in the final quarter of the year, making it the largest gain in the final quarter of the year since 2003. All three major indices hit record highs in 2020, with the S&P 500 gaining 15.5 percent, the Dow Jones up 6.6 percent, and the NASDAQ up a whopping 44 percent, on account of impressive gains in technology stocks, such as Apple, Amazon, and Tesla. The FTSE 100 suffered its worst year since 2008, declining by 14.4 percent from the peak of 7,542.44 points reached on 31 December 2019. Paris' CAC 40 Index and Madrid's IBEX 35 Index traded down by 0.6 percent and 0.5 percent, respectively. The performance was largely driven by developments in the United States and emerging market and developing economies, especially those in Africa.

The Shanghai Composite Index closed up 1.7 percent, bringing its gains for the year to 13.4 percent, while the MSCI Asia Index, which excludes Japan, finished 1.9 percent higher, closing 2020 with an increase of 19.8 percent. The South Korean KOSPI Composite Index stood out in 2020 compared with other exchanges across Asia Pacific. The KOSPI Index recorded the highest year-over-year gain ahead of the Nikkei 225, Shanghai Composite Index, Taiwan Weighted Stock Index, and Bursa Malaysia. The index gained 26.8 percent to close at 2,759.82 points as at 22 December 2020 from 2,176.67 points as at 31 December 2019.

2.1.4 Financing Conditions

Mounting worries about the pandemic heightened uncertainty and exacerbated global volatility at the onset of the COVID-19 pandemic. The Chicago Board Options Exchange Volatility Index (VIX), an index of US high-yield corporate spreads, spiked. Financial market sentiment deteriorated further in the first quarter as the COVID-19 death toll rose and a growing number of countries enacted containment measures. Signs of US dollar shortages emerged amid the general rebalancing of portfolios towards cash and safe-haven assets.

Tighter global financing conditions triggered capital outflows from emerging and frontier market economies, as investors flight-to-quality interest rate spreads widened sharply and temporarily shut out sub-investment grade borrowers from global capital markets. Interest rates widened by over 1,000 basis points, twice as much as at the height of the global financial crisis in 2007-09.

The widening of interest rate spreads was accompanied by large capital outflows from emerging and developing market economies, with capital outflows setting a record of US$82 billion in March alone. Across Africa, outflows averaged about 0.5 percent of GDP and were the largest ever relative to GDP in South Africa (1.3 percent), Cote d'Ivoire (0.8 percent of GDP), and Egypt (0.5 percent of GDP).

Despite the prevailing expansionary fiscal and monetary policies, financing conditions in Africa remained relatively tight in a context of liquidity challenges, occasioned by the disruptions from the pandemic downturn and the withdrawal of large international financial institutions from African markets in response to an ongoing stringent regulatory environment and implementation of sanctions.

Furthermore, challenges with letters of credit confirmation created by the large-scale withdrawal of major banks in the context of the pandemic downturn, among others, meant that access to funds by African entities remained difficult or has been at a higher premium.

2.1.5 Developments in Trade and Trading Environment

The COVID-19 outbreak and the implementation of containment measures (lockdowns, social distancing, and border closures) generated both supply and demand shocks and resulted in a sharp contraction of global trade. Estimates from the World Trade Organization indicate that growth in the volume of global merchandise trade, which decelerated by 1.2 percent in 2019, deteriorated further in 2020, contracting by 9.2 percent. Trade in current US dollar terms is estimated to have contracted to US$34.86 trillion in 2020 from US$38.39 trillion in 2019.

Developed economies' merchandise exports were hit hard, contracting by about 13.2 percent in volume in 2020 after a modest expansion of 0.6 percent in 2019. Merchandise imports followed a similar trend, contracting by 9.5 percent in 2020 compared with sluggish growth of 0.05 percent in 2019. North America's merchandise exports shrank by about 14.7 percent in 2020 compared with a 1 percent expansion in 2019, and merchandise imports plunged by about 8.7 percent compared with a sluggish contraction of 0.4 percent in 2019. Europe's merchandise exports declined by about 11.7 percent in 2020 compared with growth of 0.1 percent in 2019, and merchandise imports declined by 10.3 percent after growth of 0.5 percent in 2019.

Developing economies were also dealt a blow, with the volume of their merchandise exports contracting by about 7.2 percent in 2020 compared with a contraction of 1.4 percent in 2019, and merchandise imports shrinking by 11.3 percent compared with a contraction of 0.4 percent in 2019.

Asia's merchandise exports contracted by 4.5 percent in 2020 from a modest expansion of 0.9 percent in 2019, and imports remained on a downward trend, declining by 4.4 percent in 2020 from a contraction of 0.6 percent in 2019.

South and Central America's merchandise exports declined by 7.7 percent in 2020 from a contraction of 2.2 percent in 2019, while merchandise imports suffered a 13.5 percent contraction compared with a contraction of 2.1 percent over the same period. The fallout from the pandemic was exacerbated by an already-challenging economic environment, especially in leading economies. Trade growth remained flat as Argentina faced its worst economic crisis with a prolonged recession. Brazil was already facing macroeconomic management challenges, and its struggling economy was hit particularly hard, including via commodity and investment channels. In Chile, the prolonged impact of social unrest in 2019 on small and medium-sized enterprises exacerbated the dampening effect of COVID-19 on output.

While forecasts reported a sharp contraction of global trade in 2020 due to uncertainties related to COVID-19, the performance of trade exceeded expectations. Trade and economic activities accelerated in the third and fourth quarters of 2020 as lockdown measures eased in most parts of the world alongside the surge in digital technology, which became instrumental in the growth of e-commerce. While global trade is forecast to recover in 2021, overall risks to the forecast are significant and remain heavily

2%

East Africa remained the fastest-growing subregion, expanding by 2 percent in 2020 despite the pandemic.

–2.3%

African GDP contracted by 2.3 percent in 2020.

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tilted to the downside, especially with uncertainties related to the pace of vaccination, equity over access to vaccines, and the duration of COVID-19 in a context of new and more resistant variants of the virus.

2.2 THE AFRICAN ECONOMIC ENVIRONMENT

2.2.1 Output Developments

In 2020, Africa contended with an unprecedented health and economic crisis occasioned by COVID-19 pandemic containment measures taken by governments around the world to stem the spread of the virus. These containment measures led to global demand and supply shocks, setting the world on a path of synchronised global recession. Global trade contracted sharply, heightening balance of payments pressures in a region where economic livelihoods are heavily dependent on trade.

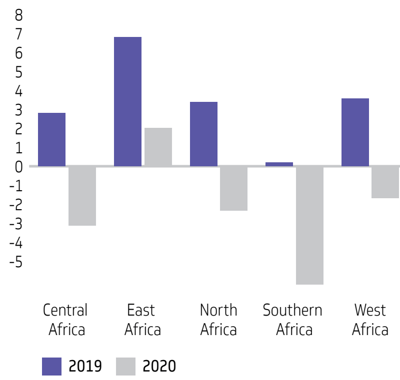
Although the COVID-19 infection rate and death toll across Africa have been less severe than in other regions (with the exception of South Africa), the economic and social costs of the global crisis have been significant. Overall, the region suffered its first recession in 25 years amid contracting global trade and a sharp fall in commodity prices, tourism revenues, and remittances. Nevertheless, in the midst of the pandemic-induced downturn, Africa showed relative resilience, with its economy contracting by an estimated 2.3 percent in 2020, significantly less than the world average of 3.5 percent (Table 2.1 and Figure 2.1). This resilience is illustrated by the performance of a number of economies across the region, some of which posted output expansion, even as the world economy sharply contracted. According to the IMF, six of the top 10 fastest-growing economies in the world in 2020 were in Africa. For instance, Egypt and South Sudan posted growth rates of 3.5 percent and 4.1 percent, respectively.

The resilience of African economies reflects the effectiveness of supportive measures at the regional and global levels. Across the region, most governments acted swiftly and drew on fiscal and monetary stimulus to protect the most-affected population and businesses. In addition to ramping up health care capacity and fiscal spending to save lives and contain COVID-19, governments' exceptional measures are providing a lifeline to financially sound corporations and stemming the risk of a cascade of avoidable bankruptcies. In addition, international and African development finance institutions are providing countercyclical liquidity support to alleviate pressures on balance of payments, avert risks of payment defaults, and support trade and investment to accompany the process of economic recovery post-containment phase. For instance, through its US$3 billion Pandemic Trade Impact Mitigation Facility (PATIMFA), the Bank is providing timely support to its member states, helping them to finance critical imports under emergency conditions and adjust in an orderly manner to the financial, economic, and social shocks caused by the COVID-19 pandemic. Through PATIMFA, the Bank is also supporting the process of structural transformation to mitigate the exposure of the region to future global shocks.

2.2.1.1 Regional Variations

Notwithstanding Africa's economic resilience in 2020, the continent's growth fortune was uneven across subregions. For the third consecutive year, **East Africa** remained the fastest-growing subregion, posting an estimated 2 percent growth in 2020, albeit significantly lower than the 6.8 percent growth achieved in 2019 (Table 2.2 and Figure 2.2). The subregion's growth was supported by moderate growth in Kenya (1 percent), Tanzania (1.9 percent), Ethiopia (2 percent), Rwanda (2 percent), and South Sudan (4.1 percent)—driven by strong public spending in infrastructure, rising domestic demand, improved stability, new investment opportunities, and incentives for industrial development.

Figure 2.2 Africa: Output by Subregion, 2019–20 (percent)



Sources: International Monetary Fund, January 2021 World Economic Outlook Update; and Afreximbank.

Western Africa recorded a contraction of 1.7 percent in 2020 compared with growth of 3.6 percent in 2019. After expanding by 2.2 percent in 2019, Nigeria, the largest economy in the subregion, contracted by an estimated 3.2 percent in 2020, dragging down the combined GDP of the subregion. In addition to pandemic-related challenges, Nigeria's GDP outturn was driven by low oil prices, reduced production under the (OPEC+) agreement, and declining domestic demand from the lockdown. Moderate growth in Ghana (0.9 percent), Guinea (1.5 percent), and Côte d'Ivoire (1.8 percent) enhanced the overall outturn of the subregion, which emerged as the second-best performer after East Africa.

North Africa emerged as the third-best-performing subregion on the continent, with an average contraction estimated

Table 2.2 Africa: Real GDP Growth, 2018–20 (annual percent change)

Country	2018	2019	2020	2021
Algeria	1.40	0.80	-5.46	3.16
Angola	-1.20	-0.90	-4.01	3.23
Benin	6.70	6.87	2.00	4.99
Botswana	4.48	2.97	-9.63	8.71
Burkina Faso	6.82	5.69	-2.03	3.89
Burundi	1.64	1.77	-3.24	3.13
Cabo Verde	4.53	5.67	-6.77	4.48
Cameroon	4.06	3.86	-2.77	3.44
Central African Republic	3.82	2.97	-0.96	2.99
Chad	2.30	2.96	-0.67	6.09
Comoros	3.64	1.87	-1.82	2.90
Congo, Democratic Republic	5.82	4.38	-2.15	3.60
Congo, Republic	-6.43	-0.62	-7.00	-0.82
Côte d'Ivoire	6.79	6.52	1.80	6.20
Djibouti	8.41	7.50	-1.00	7.00
Egypt	5.31	5.56	3.55	4.00
Equatorial Guinea	-5.80	-6.10	-6.02	2.20
Eritrea	13.03	3.84	-0.63	5.74
Eswatini	2.35	1.15	-3.47	1.44
Ethiopia	7.70	8.97	1.95	6.00
Gabon	1.01	3.78	-2.67	2.14
Gambia	7.24	6.06	-1.80	6.00
Ghana	6.26	6.48	0.93	6.00
Guinea	6.18	5.65	1.45	6.65
Guinea-Bissau	3.36	4.50	-2.90	3.00
Kenya	6.32	5.37	1.05	6.50
Lesotho	0.38	0.96	-4.80	3.86
Liberia	1.24	-2.52	-3.01	3.24
Libya	17.88	9.89	-66.65	76.02
Madagascar	4.57	4.76	-3.16	3.16
Malawi	3.17	4.50	0.60	2.50
Mali	5.18	5.06	-1.98	4.00
Mauritania	2.12	5.86	-3.23	2.03
Mauritius	3.76	3.02	-14.20	9.90
Morocco	2.99	2.20	-6.97	4.92
Mozambique	3.44	2.28	-0.50	2.10
Namibia	0.70	-0.95	-5.86	3.44
Niger	7.22	5.90	0.50	6.91
Nigeria	1.92	2.21	-3.20	3.00
Rwanda	8.58	9.40	1.99	6.32
São Tomé and Príncipe	3.03	1.30	-6.50	3.00
Senegal	6.36	5.29	-0.69	5.25
Seychelles	3.75	3.90	-13.78	4.17
Sierra Leone	3.46	5.35	-3.09	2.74
Somalia	2.80	2.90	-1.50	2.90
South Africa	0.79	0.15	-7.50	2.80
South Sudan	-1.93	0.87	4.11	-2.27
Sudan	-2.30	-2.52	-8.38	0.76
Tanzania	6.96	6.97	1.90	6.00
Togo	4.91	5.30	0.00	3.00
Tunisia	2.72	0.98	-7.04	4.50
Uganda	6.14	6.66	-0.29	4.93
Zambia	4.04	1.44	-4.83	0.58
Zimbabwe	3.50	-6.54	-10.38	4.16
Africa Aggregate	**3.26**	**3.08**	**-2.34**	4.32

Sources: International Monetary Fund, World Economic Outlook (WEO) database; January 2021 WEO Update; and Afreximbank.

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at 2.3 percent in 2020 compared with an expansion of 3.4 percent in 2019. The subregion's moderate contraction is partly attributable to the sterling performance of the Egyptian economy, which registered growth of 3.5 percent in 2020 on the back of broad-based economic reforms and swift implementation of bold supportive monetary and fiscal stimulus.

Central Africa, the most natural-resource-dependent subregion on the continent, registered an estimated contraction of 3.1 percent in 2020 compared with growth of 2.8 percent in 2019. In addition to COVID-19 related challenges, the subregion, which remains economically least diversified, was particularly affected by adverse commodity terms of trade—most notably the collapse of oil prices. Persistent security challenges, which have undermined public investment and diverted scarce public resources away from productive infrastructure, have further undermined economic activity.

Southern Africa's economy contracted by an estimated 6.1 percent in 2020 from 0.2 percent growth in 2019, mainly driven by the deep recession in South Africa, the largest economy in the subregion, which accounted for half of all COVID-19 cases on the continent. The subregion was also affected by adverse commodity terms of trade, weather-related events, and structural challenges. Overall, growth in the subregion was affected by a sharp contraction in key economies, including Angola (4 percent), South Africa (7.5 percent), and Zimbabwe (10.4 percent), as well as countries that rely heavily on tourism, such as Mauritius and Seychelles, which felt the brunt of pandemic-related containment measures that put severe constraints on contact-oriented service industries.

2.2.1.2 Price Developments

Prices declined by one percentage point from 11.6 percent in 2018 to 10.6 percent in 2019, and average inflation in Africa inched up to 14.5 percent in 2020, mostly reflecting higher food prices and the impact of currency depreciation across the continent. The pandemic-induced downturn, characterised by disruptions to local and imported food supplies, depreciation pressures, and heightened food insecurity, pushed up prices of key food items in many countries.

The dynamics in oil-exporting countries, especially the two largest oil-producers (Angola and Nigeria), where inflation rose sharply, also shaped price developments across the region. At the same time, large fluctuations in exchange rates in some countries, including Sudan—and especially Zimbabwe, where inflation increased from 255.3 percent in 2019 to 622.8 percent in 2020—stoked the rise in the continent's average price level.

Inflationary pressures in West Africa, which moderated in 2018 and 2019, inched up in 2020 on account of the pandemic. Average inflation in the subregion increased to 10.7 percent in 2020 from 8.5 percent in 2019. Inflation was generally lower in the West African Economic and Monetary Union (WAEMU) region than in the non-WAEMU group of countries, averaging less than 2 percent compared with about 10 percent, respectively. The rise in inflationary pressures in 2020 largely reflects upward movements in food prices and high pass-through in a context of sharp depreciation in exchange rates, especially in non-WAEMU countries. The COVID-19 outbreak contributed to constraints on productive capacity on the back of supply shocks and disruptions in supply chains, which further fuelled inflationary pressures.

East Africa recorded the highest rate of inflation on the continent, with inflation rising from 14.2 percent in 2019 to 17.3 percent in 2020, largely as a result of the effects of currency devaluation on domestic prices in Sudan (where prices increased by 141.6 percent), monetization of fiscal deficits, and reduced agricultural productivity due to poor rainfall. Heightened inflationary pressures were also driven by price developments (a 20.2 percent increase) in Ethiopia.

Southern Africa also experienced sharp inflationary pressures, with the inflation rate increasing to 12.5 percent in 2020 from 9.8 percent in 2019, driven by widening fiscal deficits, sharp currency depreciations, adverse weather conditions, as well as expansionary fiscal policy and repo rate cuts implemented by regional central banks to counter the economic impact of COVID-19 (interest rates in South Africa fell to a historical low). Heightened inflationary pressures in the subregion were also driven by developments in Angola (where inflation rose from 17 percent in 2019 to 21 percent in 2020), Zimbabwe (from 255 percent in 2019 to 623 percent in 2020), and Zambia (from 9.8 percent in 2019 to 14.5 percent in 2020).

North Africa felt inflationary pressures as well, with inflation averaging 6.9 percent in 2020, up from 4.9 percent in 2019. Developments in a few countries fuelled inflationary pressures, notably in Libya, where inflation increased by 22.3 percent. In most other countries in the subregion, inflation was either subdued (Algeria and Mauritania) or decreased in 2020. Inflation continued to decline in Egypt, standing at 5.7 percent in 2020, down from 13.9 percent in 2019 (the lowest rate since December 2005), mainly driven by lower annual food price inflation and changes in the reference basket of goods and the base year. Inflation measured relatively low in Morocco, allowing for accommodative monetary policy.

Central Africa recorded the lowest rate of inflation across the continent's five subregions, with average inflation

Table 2.3 Africa: Inflation, 2018–20 (annual percent change)

Country	2018	2019	2020
Algeria	0.00	1.95	3.50
Angola	19.63	17.08	21.02
Benin	0.85	-0.93	2.50
Botswana	3.24	2.85	1.62
Burkina Faso	1.96	-3.23	2.00
Burundi	-2.77	-0.71	7.56
Cabo Verde	1.28	1.11	1.00
Cameroon	1.07	2.45	2.80
Central African Republic	1.61	2.69	2.95
Chad	4.04	-0.97	2.80
Comoros	1.70	3.70	3.00
Congo, Democratic Republic	29.27	4.71	11.50
Congo, Republic	1.15	2.21	2.49
Côte d'Ivoire	0.42	0.81	1.20
Djibouti	0.15	3.32	2.88
Egypt	20.85	13.88	5.68
Equatorial Guinea	1.35	1.21	3.03
Eritrea	-14.40	-16.37	4.70
Eswatini	4.83	2.58	4.12
Ethiopia	13.83	15.81	20.16
Gabon	4.78	2.02	3.00
Gambia	6.52	7.12	6.15
Ghana	9.84	7.18	10.60
Guinea	9.83	9.47	9.10
Guinea-Bissau	0.38	0.25	2.03
Kenya	4.69	5.20	5.30
Lesotho	4.75	5.19	4.26
Liberia	23.55	26.97	11.89
Libya	-1.20	4.56	22.26
Madagascar	8.60	5.62	4.30
Malawi	9.22	9.38	9.31
Mali	1.73	-2.89	0.50
Mauritania	3.05	2.31	3.85
Mauritius	3.23	0.45	2.55
Morocco	1.57	0.24	0.20
Mozambique	3.91	2.79	3.63
Namibia	4.29	3.72	2.33
Niger	2.75	-2.52	4.40
Nigeria	12.09	11.40	12.88
Rwanda	1.36	2.43	6.90
São Tomé and Príncipe	8.27	8.36	7.87
Senegal	0.46	1.02	1.99
Seychelles	3.70	1.81	3.90
Sierra Leone	16.03	14.80	15.70
Somalia			
South Africa	4.62	4.13	3.34
South Sudan	83.50	51.19	27.08
Sudan	63.29	50.99	141.60
Tanzania	3.51	3.45	3.56
Togo	0.93	0.69	1.40
Tunisia	7.31	6.72	5.84
Uganda	2.62	2.87	4.18
Zambia	6.99	9.80	14.45
Zimbabwe	10.61	255.29	622.78
Africa Aggregate	**11.58**	**10.56**	**14.53**

Sources: International Monetary Fund, World Economic Outlook database; and Afreximbank.

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falling to 2.5 percent in 2020 from 3.8 percent in 2019. The six countries of the Central African Economic and Monetary Community share a single currency, the Central African CFA franc, managed by the Bank of Central African States. Like in the WAEMU, the peg of the CFA franc to the euro, used by Central African countries, has been a driver of relative price stability.

2.2.2 External Reserves and Exchange Rates

The pandemic-induced downturn had significant adverse effects on global demand and commodity prices, especially oil prices. The sharp contraction in global demand and trade widened current account deficits and exacerbated balance of payments pressures. Accordingly, Africa's foreign exchange reserves, which suffered a 1.5 percent decline from US$409.7 billion in 2018 to US$403.2 billion in 2019, experienced a more difficult year in 2020, dropping sharply by 9.7 percent to US$364.2 billion (Table 2.4). In a region where oil exports account for more than 37.4 percent of total exports, the steep decline in oil prices had significant knock-on effects on Africa's overall reserve position. The stock of reserves contracted by 23 percent in Algeria, 14.3 percent in Angola, 9.8 percent in Chad, 38.1 percent in the Republic of Congo, 21.4 percent in Equatorial Guinea, and 10.4 percent in Nigeria in 2020.

In addition to sharp declines in commodity prices, the reversal in capital flows and depreciation of local currencies also weighed down the continent's stock of reserves. Further, the implementation of COVID-19 containment measures, including lockdowns, restrictions in movement, mandatory quarantines, and border closures, alongside increasing uncertainty over the evolution of the virus, hindered tourist arrivals, remittances, and foreign direct investment inflows. Despite the relative decline in the level of foreign reserves, average import cover remained relatively stable: 7 months in 2020 relative to 7.1 months in 2019, and largely above the IMF threshold of 3 months of import cover.

The decline in export revenues resulting from the sharp drop in commodity prices and a contraction in tourist receipts arising from a decline in international tourist arrivals, capital flow reversals, and widening deficits had significant dampening effects on the performance of many national currencies in 2020. Accordingly, the vast majority of African currencies depreciated against the US dollar (Table 2.5). The currencies of Angola, Ethiopia, Nigeria, Seychelles, Sudan, Zambia, and Zimbabwe were among the worst-performing currencies in 2020.

The Angolan kwanza and the Nigerian naira depreciated by 58.5 percent and 16.9 percent, respectively, against the US dollar on account of pandemic-driven balance of payments pressures and other constraints associated with the collapse in oil prices and the sudden stop in capital flows. The Ethiopian birr depreciated by 20.2 percent, largely on account of sudden stops and capital flow reversals in response to heightening uncertainties. The Zambian kwacha depreciated by 43.3 percent due to the sharp decline in commodity prices, especially copper, as well as sudden stops and capital flow reversals. The Zimbabwean dollar depreciated by more than 504 percent, largely due to the abandonment of the currency peg in lieu of a currency auction system, heightening balance of payments pressures and liquidity constraints in the face of falling commodity prices. The Seychelles rupee depreciated by more than 25.5 percent as tourist revenue collapsed in the face of implementation of containment measures.

The best-performing African currencies were the Egyptian pound, the Tunisian dinar, and the Gambian dalasi. The Egyptian pound appreciated by more than 5.7 percent in 2020 on the back of successful monetary and fiscal policies, falling inflation, and implementation of an IMF support programme. The resilience of foreign direct investment inflows and the gradual pickup of tourist arrivals following the easing of containment measures in the second half of 2020 were other supporting measures. Intervention by the Central Bank of Tunisia enabled the dinar to exhibit good performance, appreciating by 4.2 percent in 2020. The CFA franc, the currency of 14 countries in West and Central Africa, also performed well, appreciating by 1.8 percent as the CFA franc is pegged to the euro at CFA franc 655.96:€1, and therefore fluctuates in line with euro–US dollar movements.

Table 2.4 Africa: Reserve Position of African Countries, 2018–20 (US$ billions, unless otherwise indicated)

	Reserves			Growth (percent)			Months of Import Cover		
Country	2018	2019	2020	2018	2019	2020	2018	2019	2020
Algeria	80.23	63.30	48.76	-17.81	-21.10	-22.96	19.40	24.03	22.94
Angola	15.41	16.33	14.00	-11.72	6.00	-14.29	13.36	14.07	14.56
Benin	1.00	1.03	1.92	29.00	2.40	87.17	3.67	4.24	10.25
Botswana	6.66	6.17	5.22	-11.13	-7.31	-15.48	12.72	11.30	9.99
Burkina Faso	1.57	1.71	1.97	-3.50	9.06	14.98	4.45	5.75	4.83
Burundi	0.07	0.11	0.07	-30.43	64.30	-40.22	1.01	1.49	0.79
Cameroon	0.61	0.74	0.76	-1.77	21.69	2.62	8.93	11.21	12.63
Cape Verde	3.46	3.72	3.84	8.21	7.54	3.19	7.17	8.39	8.25
Central Africa Republic	0.36	0.37	0.27	-0.25	2.07	-27.08	11.29	9.69	7.19
Chad	0.15	0.11	0.10	1622.03	-24.26	-9.83	2.08	1.30	1.24
Comoros	0.20	0.20	0.19	-4.18	1.35	-5.24	10.37	11.97	11.12
Congo Dem. Rep. of	0.67	0.62	0.50	-4.33	-7.03	-18.46	0.53	0.51	0.93
Congo Republic	0.50	0.55	0.34	0.87	11.62	-38.09	1.71	2.96	1.93
Côte d'Ivoire	6.31	7.42	7.02	2.03	17.63	-5.43	6.88	8.47	7.29
Djibouti	0.44	0.49	0.59	-18.82	10.86	19.83	4.72	4.15	4.94
Egypt	38.61	40.69	32.46	16.24	5.38	-20.21	7.06	6.16	5.66
Equatorial Guinea	0.05	0.04	0.03	32.08	-25.94	-21.40	0.52	0.41	0.38
Eritrea	0.16	0.19	0.14	13.67	17.61	-26.24	5.90	7.48	5.25
Eswatini	0.44	0.44	0.37	-21.74	-0.09	-15.56	2.83	2.86	3.64
Ethiopia	3.98	2.98	2.34	31.04	-25.06	-21.54	1.87	1.38	1.37
Gabon	1.32	1.37	1.43	36.88	3.91	4.00	6.74	6.86	7.97
Gambia	0.19	0.24	0.17	12.83	25.78	-28.32	4.56	5.86	4.71
Ghana	5.93	7.14	6.99	-10.77	20.23	-2.00	5.99	8.20	7.62
Guinea, The	1.14	1.23	1.55	22.32	7.46	26.05	3.56	4.20	5.08
Guinea, Bissau	0.47	0.49		3.96	5.22		20.30	20.53	0.00
Kenya	8.16	9.11	8.47	11.45	11.65	-7.07	5.62	6.31	5.49
Lesotho	0.73	0.77	0.49	10.77	6.26	-36.64	4.67	4.85	0.69
Liberia	0.56	0.35	0.28	-6.73	-37.62	-19.51	5.81	2.00	1.66
Libya	80.53	78.95	73.72	8.01	-1.96	-6.63	71.47	59.29	68.27
Madagascar	1.74	1.69	1.42	8.71	-2.67	-15.91	5.35	5.44	5.59
Malawi	0.76	0.82	0.63	-1.40	8.56	-23.18	3.37	3.36	3.56
Mali	0.91	1.17	1.31	41.94	28.84	12.08	2.39	3.04	3.17
Mauritania	0.92	1.03	1.43	7.07	11.86	39.30	3.47	3.51	6.03
Mauritius	5.84	6.75	5.09	6.86	15.63	-24.60	12.34	14.44	14.99
Morocco	23.52	25.33	34.69	-6.90	7.68	36.96	5.56	6.03	8.02
Mozambique	3.08	3.70	3.61	-3.19	20.07	-2.24	5.43	5.14	6.74
Namibia	2.15	2.05	1.99	-11.61	-4.62	-2.97	5.49	3.04	4.20
Niger	1.08	1.57	1.23	-17.04	46.06	-21.84	4.86	5.30	4.27
Nigeria	42.59	38.60	34.60	8.24	-9.39	-10.36	12.11	10.00	9.99
Rwanda	1.36	1.46	1.15	14.96	8.10	-21.45	5.54	5.50	5.13
São Tomé and Príncipe	0.04	0.05	0.06	-25.90	7.94	24.92	3.53	3.83	4.34
Senegal	2.40	2.91	3.01	25.32	21.30	3.50	4.06	4.28	3.96
Seychelles	0.55	0.58	0.54	0.79	5.65	-6.31	5.80	4.85	5.20
Sierra Leone	0.50	0.53	0.75	-8.47	5.95	40.85	6.09	3.69	4.73
Somalia									
South Africa	46.48	48.92	38.15	2.15	5.25	-22.02	5.65	6.29	6.15
South Sudan									
Sudan	0.15	0.17	0.11	-14.50	8.48	-34.97	0.23	0.21	0.15
Tanzania	5.04	5.57	4.92	-14.59	10.48	-11.66	7.10	6.14	5.25
Togo	0.74	1.34	1.78	-22.42	80.49	32.88	4.66	8.69	14.25
Tunisia	5.02	7.22	8.87	-7.41	43.80	22.79	2.66	3.90	5.66
Uganda	3.22	3.24	3.82	-11.86	0.62	18.00	5.67	5.19	4.90
Zambia	1.57	1.45	0.87	-24.63	-7.69	-39.75	1.99	2.41	2.00
Zimbabwe	0.09	0.15	0.14	-70.41	74.28	-5.99	0.22	0.45	0.42
Total	409.65	403.17	364.17	-1.47	-1.58	-9.67			
Average							7.09	7.13	7.03

Sources: International Monetary Fund, World Economic Outlook (WEO) database; January 2021 WEO Update; and Afreximbank.
†Growth rates are Afreximbank staff calculations. Blank - Not available.

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Table 2.5 Africa: Exchange Rate Developments, 2018–20 (per US$, unless otherwise indicated)

Country	2018 (2)	2019 (3)	2020 (4)	Percentage Change between (2) & (1)	(3) & (2)	(4) & (3)
(3) & (2)	116.59	119.35	126.78	5.06	2.37	6.22
Angola - kwanza	252.86	364.83	578.26	52.40	44.28	58.50
Benin - franc	555.45	585.95	575.59	-4.34	5.49	-1.77
Botswana - pula	10.20	10.76	11.46	-1.42	5.45	6.51
Burkina Faso - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Burundi - franc	1,782.88	1,845.62	1,915.10	3.11	3.52	3.76
Cameroon - franc	93.41	98.50	96.69	-4.49	5.44	-1.83
Cape Verde - escudos	555.45	585.91	575.59	-4.34	5.48	-1.76
Central African Republic - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Chad - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Comoros - franc	416.58	439.46	430.72	-4.34	5.49	-1.99
Congo, Dem. Rep. of - Congo franc	1,622.52	1,647.76	1,851.12	10.80	1.56	12.34
Congo, Rep. of - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Côte d'Ivoire - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Djibouti - franc	177.72	177.72	177.72	0.00	0.00	0.00
Egypt - pound	17.77	16.77	15.82	-0.09	-5.61	-5.70
Equatorial Guinea - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Eritrea - nakfa	15.08	15.08	15.08	0.00	0.00	0.00
Eswatini - lilangeni	13.23	14.45	16.47	-0.67	9.20	13.97
Ethiopia - birr	27.43	29.07	34.95	14.93	5.98	20.23
Gabon - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Gambia - dalasi	48.15	50.06	51.50	3.31	3.97	2.87
Ghana - cedi	4.59	5.22	5.60	5.40	13.78	7.25
Guinea - Guinea franc	9,011.13	9,183.88	9,641.50	-0.85	1.92	4.98
Guinea-Bissau - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Kenya - shilling	101.30	101.99	106.45	-2.04	0.68	4.37
Lesotho - loti	13.23	14.45	16.47	-0.67	9.18	14.01
Liberia - Liberia dollar	144.06	186.43	191.00	27.81	29.42	2.45
Libya - dinar	1.36	1.40	1.40	-2.07	2.44	0.20
Madagascar - ariary	3,334.75	3,618.32	3,797.80	7.02	8.50	4.96
Malawi - kwacha	732.33	745.54	745.50	0.28	1.80	-0.01
Mali - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Mauritania - ouguiyas	35.68	36.69	37.40	-0.33	2.84	1.93
Mauritius - rupee	33.93	35.47	39.35	-1.59	4.54	10.92
Morocco - dirham	9.39	9.62	9.50	-3.16	2.46	-1.25
Mozambique - meticals	60.33	62.55	69.40	-5.12	3.68	10.95
Namibia - namibia dollar	13.23	14.45	16.71	-0.59	9.18	15.65
Niger - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Nigeria - naira	306.08	306.92	358.81	0.10	0.27	16.91
Rwanda - franc	861.09	899.35	943.28	3.55	4.44	4.88
São Tomé and Príncipe - dobra	20.75	21.88	21.48	-4.55	5.46	-1.85
Senegal - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Seychelles - rupee	13.91	14.03	17.62	1.93	0.88	25.53
Sierra Leone - leone	7,931.63	9,010.22	9,829.93	7.41	13.60	9.10
Somalia - shilling						
South Africa - rand	13.23	14.45	16.46	-0.67	9.18	13.92
South Sudan - pound	141.39	158.00	165.91	24.41	11.75	5.01
Sudan - pound	24.33	45.77	54.20	264.02	88.12	18.43
Tanzania - shilling	2,263.78	2,288.21	2,294.12	1.57	1.08	0.26
Togo - franc	555.45	585.91	575.59	-4.34	5.48	-1.76
Tunisia - dinar	2.65	2.93	2.81	9.40	10.86	-4.16
Uganda - shilling	3,727.07	3,704.05	3,718.25	3.21	-0.62	0.38
Zambia - kwacha	10.46	12.89	18.34	9.89	23.25	42.31
Zimbabwe - US dollar*	1.00	8.50	51.30	0.00	750.00	503.53

Sources: Economist Intelligence Unit; and International Monetary Fund, International Financial Statistics database.
*The US dollar has been used as the official currency since 2009. † Growth rates are Afreximbank staff calculations. Blank - Not available

2.2.3 Commodity Price Developments

After a lacklustre performance in 2019, largely due to slow growth, weak global demand, and escalating trade tensions, commodities experienced mixed performance in 2020 despite heightened volatility stemming from the COVID-19 outbreak. The mixed fortune derived from the variation in the impact of the pandemic on different types of commodities and the recovery of a broad range of commodities towards the end of the year.

Energy markets were significantly weakened, dragged down by episodes of steep declines in energy prices. Oil prices faced a historical shock, collapsing by about 60 percent between the middle of the first quarter and early in the second quarter of 2020 as the spread of COVID-19 put pressure on global demand. At the same time, the lack of agreement between OPEC members and non-OPEC members about an oil production cut created a supply glut in the oil market, exacerbated by a price war between two oil giants, Russia and Saudi Arabia. These developments had significant dampening effects on oil markets, with crude oil prices in the United States dropping into negative territory and Brent oil plunging below US$20 a barrel in April 2020.

However, the downward trajectory gradually reversed as energy prices recovered, driven by a rebound in oil prices, which nearly doubled to an average of about US$41 a barrel at the end of the third quarter of 2020 from their low of US$21 a barrel at the start of the second quarter of 2020. The recovery in oil markets arose largely as the oil cartel agreed to a gradual cut in production by 9.7 million barrels a day from May to July and by 7.7 million barrels a day up to December 2020. The momentum in the recovery was sustained in the fourth quarter, with oil prices averaging about US$44.3 a barrel, aided by an improvement in demand as COVID-19-related restrictions eased and optimism over the rollout of COVID-19 vaccines increased.

Nonetheless, the oil market ended the year with losses. Oil prices averaged about US$42.3 a barrel in 2020 compared with US$64 a barrel in 2019 as slow growth in China, the world's largest consumer of oil, still maintained pressure on global demand, exacerbated by a subdued volume of international flights.

Agricultural commodity prices were relatively more stable, ending the year with price gains despite some episodes of volatility. Accordingly, the World Bank's Agricultural Price Index gained 6 percent at the end of the third quarter of 2020 (quarter over quarter), reversing the losses experienced earlier in the year. The momentum was sustained to the end of 2020 for most agricultural commodities on account of supply shortages of some food items, depreciation of the US dollar, and easing of COVID-19 restrictions. Prices of agricultural commodities were also supported by strong performance of coffee prices, which gained about 16.6 percent as delayed harvest in Vietnam, concerns over the prolonged drought in Brazil, and damage caused by hurricanes in Central America boosted prices of the commodity towards the end of the year.

Palm oil prices followed a similar trajectory, increasing during the year as bad weather conditions in Malaysia and Indonesia (the world's largest producers of palm oil), low fertiliser use, lack of replanting, and a shortage of labour caused by social distancing and other restrictions imposed by countries in response to the pandemic triggered a supply shortfall. A shortage of some vegetable oils, driven by disruptions in the production of soy, sunflower, and grapeseed also contributed to the increase in palm oil prices. Accordingly, palm oil prices gained 26.6 percent in 2020 compared with a loss of 5.8 percent in 2019.

The cocoa market also improved, albeit modestly, ending the year with a price gain of about 2.3 percent from 2.1 percent in 2019. The improvement in prices arose largely as tensions between chocolate companies and the world's two largest producers (Côte d'Ivoire and Ghana) over a US$400-a-ton premium on cocoa sales drove major chocolate producers to source cocoa through futures markets. This move gave impetus to cocoa prices, which rallied during the third and fourth quarters of 2020. The imposition of a fixed 'living income differential' of US$400 a ton on all cocoa contracts sold by either country for the 2020/21 season is an attempt to boost the incomes of cocoa farmers as part of an ongoing effort to improve the global distribution of income along the cocoa value chain. It replaces an earlier proposal for a floor price for cocoa contracts.

Metals and minerals experienced a mixed fortune during the year. Prices of most base metals monitored by the Bank experienced losses at the end of the year as slow global industrial activity caused by the spread of the pandemic adversely impacted global demand. This put pressure on prices, particularly during the first quarter of 2020 and between September and October, even though supply disruptions in mining and the gradual resurgence of industrial activity improved demand in September.

For instance, after contracting by 14.9 percent in 2019, aluminium prices contracted further in 2020 by 4.1 percent as demand stalled in China while production continued, creating excess supply in the aluminium market. In contrast, the precious metals market strengthened as uncertainties associated with the pandemic prompted a rush to safe-haven assets by risk-averse investors. In this context, prices of gold ended the year up by 28.4 percent compared with a 9.7 percent increase in 2019, while silver gained 27.9 percent from 3.2 percent.

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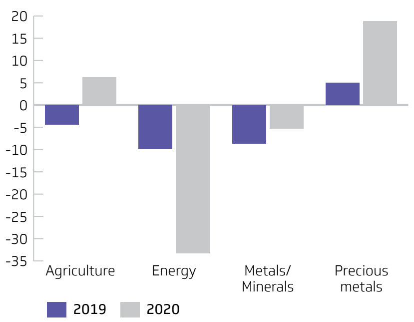
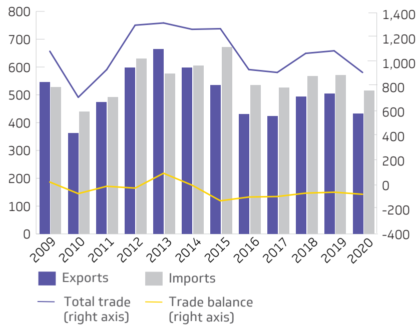
Figure 2.3 Price Developments in Commodity Groups (percent)



Sources: Bloomberg; and Afreximbank.

Figure 2.4 Trends in Africa's Merchandise Trade (US$ billions), 2009–20



Sources: International Monetary Fund, Direction of Trade Statistics database; and Afreximbank.

2.2.4 Developments in African Trade

2.2.4.1 African Trade Performance

The fallout from the COVID-19 pandemic particularly affected African commodity-exporting countries. The continent's merchandise trade, which decelerated by 1.4 percent to about US$1.08 trillion in 2019 after strong growth of 11.9 percent to about US$1.06 trillion in 2018, was significantly affected, contracting by 11.9 percent to US$948.30 billion in 2020. (Figure 2.4 and Table 2.6). The sharp contraction in the growth of Africa's merchandise trade arose largely from the widespread restrictions adopted to contain the pandemic, including lockdowns, quarantines, curfews, travel bans, and border closures. In addition to disrupting logistics networks and supply chains and depressing global demand for commodities, these measures had significant dampening effects on the continent's merchandise exports.

In a region where oil remains a major source of export revenues, accounting for more than 37.4 percent of total exports, heightened volatility in crude oil prices, which plunged by more than 33 percent to about US$42.3 a barrel in 2020, negatively impacted trade performance in 2020 (Table 2.6). The sharp drop in both global demand for oil and oil prices put significant pressure on the group of net oil exporters, whose exports declined by 36.8 percent in 2020 after expanding by 0.9 percent in 2019. Leading oil exporters— Algeria, Angola, Libya, and Nigeria—were hardest hit. For instance, Nigeria, Africa's largest oil exporter, suffered a 27.7 percent decline in its total merchandise trade to US$85.66 billion in 2020, and Angola, Africa's second-largest oil exporter, suffered a 15 percent decline in total merchandise trade to US$47.58 billion in 2020 (Table 2.6). In both countries, oil accounts for the lion's share of government revenues and foreign exchange earnings. In addition, after contracting by 15.4 percent in 2019, Algeria's merchandise trade contracted further, falling by 24.3 percent in 2020, with a sharp fall in export demand and oil prices largely driving the contraction. Libya recorded a similar trend in 2020, with its total merchandise trade declining by 20 percent driven by a 61.5 percent decline in merchandise exports.

Adverse demand shocks to other major commodities of export interest to Africa—especially in the base metal/ mineral and agriculture sectors, including aluminium, lead, tin, zinc, and cotton—arising largely from worldwide COVID-19-induced restrictions, negatively affected the performance of Africa's total merchandise exports in 2020. As a result, Africa's merchandise exports contracted by 14.4 percent from US$505.08 billion in 2019 to US$432.58 billion in 2020.

While several smaller economies experienced considerable pressure on their exports, the largest economies contributed significantly to the sharp decline in African exports. Specifically, four of Africa's five largest trading economies—Algeria, Angola, Egypt, and South Africa—accounted for about 59.5 percent of the decrease in Africa's aggregate exports in 2020. Together, these four countries accounted for more than 40 percent of total African exports. The sharp reduction in exports in leading oil-producing countries—Algeria (42.8 percent) and Angola (26.1 percent)—was a major driver of aggregate contraction (Table 2.6).

Africa's imports also experienced a significant decline in 2020 after expanding (albeit modestly) in 2019. As shown in (Table 2.6), the continent's merchandise imports grew by 0.7 percent to US$571.15 billion in 2019, then reversed in 2020, dropping by 9.7 percent to US$515.72 billion in 2020. The larger decline in imports recorded by the region in 2020 widened its trade deficit to US$83.14 billion in 2020 from US$66.07 billion in 2019. Several factors caused the sharp drop in Africa's merchandise imports in 2020, including challenges in accessing trade finance, liquidity constraints, a sharp contraction of economic activity, and a reduction in investment growth.

Table 2.6 Commodity Prices, 2018–20

Agriculture	Units	2018	2019	2020	Annual Growth Rate 2018/2019	Annual Growth Rate 2019/2020
Barley	($/mt)	125.89	128.07	**89.60**	1.74	**-30.04**
Cocoa Bean	($/mt)	2293.77	2340.82	**2394.10**	2.05	**2.28**
Coffee (Arabica)	($/mt)	2925.97	2879.77	**3357.60**	-1.58	**16.59**
Cotton	($/mt)	2014.58	1716.94	**1602.00**	-14.77	**-6.69**
Maize	($/mt)	164.41	170.07	**167.16**	3.44	**-1.71**
Palm Oil	($/mt)	638.66	601.61	**761.53**	-5.80	**26.58**
Rubber TSR20	($/mt)	1367.83	1410.44	**1444.10**	3.11	**2.39**
Soybeans	($/mt)	394.42	368.35	**410.78**	-6.61	**11.52**
Sugar	($/mt)	275.61	280.02	**286.02**	1.60	**2.14**
Tea	($/mt)	2847.47	2567.46	**2727.08**	-9.83	**6.22**
Wheat	($/mt)	203.89	201.69	**214.18**	-1.08	**6.19**
Average		**1204.77**	**1151.39**	**1223.10**	**-4.43**	**6.23**
Crude Oil						
Crude Oil	($/bbl)	71.07	64.03	**42.73**	-9.91	**-33.27**
Precious Metals						
Gold	($/troy oz)	1,269.23	1,392.50	**1,788.32**	9.71	**28.43**
Platinum	($/troy oz)	879.55	863.99	**892.41**	-1.77	**3.29**
Silver	($/troy oz)	15.71	16.22	**20.75**	3.22	**27.91**
Metals and Minerals						
Aluminium	($/mt)	2,108.48	1,794.49	**1,721.38**	-14.89	**-4.07**
Copper	($/mt)	6,529.80	6,010.15	**6,236.79**	-7.96	**3.77**
Lead	($/mt)	2,240.44	1,996.51	**1,843.51**	-10.89	**-7.66**
Tin	($/mt)	20,145.21	18,661.16	**17,299.41**	-7.37	**-7.30**
Zinc	($/mt)	2,922.38	2,550.41	**2,289.58**	-12.73	**-10.23**
Average		**6,789.26**	**6,202.54**	**5,878.13**	**-8.64**	**-5.23**

Sources: *The Financial Times*; and World Bank, Commodities Price Data.

2.2.4.2 Intra-African Trade

The value of total intra-African trade fell for the second consecutive year, from US$153.17 billion in 2019 to an estimated US$137.79 billion in 2020, a decline of 10 percent compared with a marginal decline of 0.14 percent in 2019. While the sharp decline in 2020 most likely reflects the impact of containment measures on trade, extra-African trade still contracted more than intra-African trade, falling by 11.9 percent. The relatively lower decline in the value of intra-African trade increased the overall contribution of intra-regional trade to overall African trade from about 14.2 percent in 2019 to 14.5 percent in 2020.

Despite its decline in both extra- and intra-African trade in 2020, South Africa maintained its position as the leading intra-African trading nation, with a total intra-African trade value of US$27.17 billion, down from US$34.17 billion in 2019. This was largely due to the collapse in the price of oil, which accounts for the lion's share of South Africa's imports from the rest of the continent. South Africa accounted for 19.7 percent of total intra-African trade in 2020 compared with 22.3 percent in 2019. While Africa is an important source of South Africa's imports, accounting for 11.2 percent of

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Table 2.7 Africa: Merchandise Trade, 2018–20

Country	Merchandise Exports (US$ billions)			Growth Rate (percent)			Share of Merchandise Exports (percent)			Merchandise Imports (US$ billions)			Growth Rate (percent)		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Algeria	41.17	43.82	25.09	17.13	6.45	-42.76	8.34	8.68	5.80	49.63	31.62	26.05	-0.99	-36.30	-17.61
Angola	40.53	48.59	35.92	20.23	19.89	-26.08	8.21	9.62	8.30	13.84	13.94	11.66	-10.66	0.69	-16.31
Benin	0.95	0.85	1.12	27.18	-10.59	31.21	0.19	0.17	0.26	3.28	2.91	2.26	7.12	-11.39	-22.17
Botswana	6.37	5.28	3.78	7.83	-17.16	-28.43	1.29	1.05	0.87	6.28	6.55	6.24	16.99	4.39	-4.85
Burkina Faso	3.20	3.24	7.70	14.86	1.08	137.58	0.65	0.64	1.78	4.24	3.57	4.93	13.89	-15.71	37.89
Burundi	0.17	0.18	0.15	13.30	6.74	-18.02	0.03	0.04	0.03	0.79	0.89	1.00	1.30	11.80	12.48
Cabo Verde	0.08	0.06	0.05	28.15	-18.38	-16.63	0.02	0.01	0.01	0.81	0.79	0.72	2.65	-3.06	-8.76
Cameroon	3.94	4.58	3.97	20.56	16.30	-13.21	0.80	0.91	0.92	5.79	5.32	5.60	11.39	-8.14	5.23
Central African Republic	0.06	0.05	0.06	-72.13	-16.16	34.09	0.01	0.01	0.01	0.38	0.46	0.45	-8.21	18.96	-1.76
Chad	1.65	1.26	1.42	35.03	-23.63	12.86	0.33	0.25	0.33	0.85	1.04	0.97	36.32	21.67	-6.04
Comoros	0.05	0.05	0.04	20.13	4.85	-19.62	0.01	0.01	0.01	0.23	0.20	0.21	9.85	-12.24	2.41
Congo, Democratic Republic	14.97	14.63	6.82	89.87	-2.28	-53.38	3.03	2.90	1.58	14.97	14.63	6.49	14.43	-2.28	-55.64
Congo, Republic	11.14	5.58	5.03	42.77	-49.91	-9.77	2.26	1.10	1.16	3.49	2.24	2.15	-23.56	-35.68	-4.34
Côte d'Ivoire	11.80	12.73	11.55	-5.58	7.84	-9.28	2.39	2.52	2.67	11.00	10.52	11.64	14.10	-4.44	10.67
Djibouti	0.29	0.22	0.20	8.05	-22.98	-12.96	0.06	0.04	0.05	1.13	1.43	1.45	-2.81	26.20	1.76
Egypt	27.56	32.24	25.73	18.31	16.97	-20.20	5.58	6.38	5.95	65.66	79.20	69.90	10.80	20.62	-11.74
Equatorial Guinea	5.99	4.70	2.52	22.60	-21.60	-46.36	1.21	0.93	0.58	1.12	1.06	0.88	25.84	-5.46	-16.75
Eritrea	0.46	0.33	0.33	80.29	-28.09	1.15	0.09	0.07	0.08	0.33	0.31	0.32	-7.41	-7.30	4.36
Eswatini	1.84	2.00	1.66	2.28	8.58	-17.04	0.37	0.40	0.38	1.87	1.85	1.22	15.16	-1.31	-33.84
Ethiopia	2.88	3.28	3.11	-6.80	13.66	-5.05	0.58	0.65	0.72	25.56	25.95	21.56	10.79	1.51	-16.91
Gabon	5.26	5.57	4.37	33.78	5.86	-21.44	1.07	1.10	1.01	2.35	2.40	2.16	1.69	2.22	-10.27
Gambia	0.01	0.03	0.02	-3.76	84.06	-18.34	0.00	0.01	0.01	0.50	0.49	0.44	9.47	-2.05	-10.06
Ghana	17.10	16.78	18.49	19.09	-1.88	10.22	3.46	3.32	4.27	11.88	10.44	11.01	-6.59	-12.13	5.49
Guinea	2.37	2.90	3.91	-0.63	22.55	34.87	0.48	0.57	0.90	3.85	3.51	3.63	-3.41	-8.86	3.36
Guinea-Bissau	0.17	0.24	0.07	-53.35	45.77	-71.32	0.03	0.05	0.02	0.28	0.29	0.31	-4.68	4.01	5.92
Kenya	6.05	5.83	5.82	5.32	-3.63	-0.28	1.23	1.15	1.34	17.43	17.33	18.60	4.46	-0.53	7.31
Lesotho	1.20	0.99	0.97	16.41	-17.82	-1.08	0.24	0.20	0.23	1.87	1.91	8.33	2.56	2.25	335.47
Liberia	0.48	0.44	0.36	-67.21	-8.46	-17.96	0.10	0.09	0.08	1.16	2.10	2.02	-40.77	81.75	-3.78
Libya	29.99	27.59	10.63	38.85	-8.01	-61.46	6.07	5.46	2.46	13.52	15.98	12.94	34.46	18.19	-19.05
Madagascar	2.97	2.56	2.40	6.79	-14.01	-5.95	0.60	0.51	0.56	3.90	3.74	3.06	6.32	-4.27	-18.09
Malawi	0.89	0.92	0.79	-0.29	3.67	-14.51	0.18	0.18	0.18	2.71	2.94	2.14	6.26	8.66	-27.15
Mali	2.05	2.23	2.87	7.18	9.21	28.33	0.41	0.44	0.66	4.57	4.64	4.99	5.27	1.39	7.51
Mauritania	2.07	2.29	1.57	3.56	10.52	-31.53	0.42	0.45	0.36	3.18	3.52	2.84	-9.63	10.57	-19.26
Mauritius	2.00	1.89	1.47	-4.02	-5.66	-22.02	0.41	0.37	0.34	5.68	5.61	4.09	8.18	-1.23	-27.10
Morocco	27.64	27.69	30.90	12.44	0.18	11.58	5.60	5.48	7.14	50.73	50.38	52.59	13.84	-0.69	4.38
Mozambique	5.22	5.01	3.81	10.77	-3.96	-23.88	1.06	0.99	0.88	6.80	8.63	6.69	19.07	27.00	-22.50
Namibia	4.50	6.34	5.82	-13.24	41.11	-8.29	0.91	1.26	1.34	4.70	8.09	5.72	-30.11	72.23	-29.31
Niger	1.56	0.89	1.02	-21.46	-42.83	13.94	0.32	0.18	0.24	2.66	3.56	3.46	49.85	33.71	-2.90
Nigeria	66.58	67.07	43.96	35.31	0.73	-34.45	13.49	13.28	10.16	42.21	46.31	41.70	19.67	9.73	-9.97
Rwanda	0.85	1.16	1.20	28.17	37.27	3.62	0.17	0.23	0.28	2.93	3.19	2.68	64.60	8.90	-15.98
São Tomé and Príncipe	0.01	0.00	0.00	18.33	-78.77	-11.02	0.00	0.00	0.00	0.15	0.15	0.17	0.88	-0.38	12.92
Senegal	3.04	4.33	6.32	22.82	42.44	45.91	0.62	0.86	1.46	7.09	8.15	8.93	17.80	14.96	9.56
Seychelles	0.77	0.71	0.76	28.53	-7.13	6.79	0.15	0.14	0.18	1.14	1.44	1.25	-15.72	26.50	-12.79
Sierra Leone	0.21	0.30	2.43	72.28	42.49	722.72	0.04	0.06	0.56	0.99	1.73	1.90	-8.05	74.78	10.00
Somalia	0.53	0.61	0.50	15.70	14.81	-17.90	0.11	0.12	0.12	2.61	3.07	3.91	4.41	17.53	27.37
South Africa	94.33	89.97	88.52	5.49	-4.62	-1.61	19.11	17.81	20.46	98.70	93.37	74.36	12.03	-5.39	-20.37
South Sudan	1.59	1.61	0.88	26.36	1.23	-45.60	0.32	0.32	0.20	0.64	0.82	0.89	-6.86	28.00	8.26
Sudan	3.48	9.52	9.86	-15.02	173.14	3.62	0.71	1.88	2.28	7.85	9.22	8.81	-14.33	17.40	-4.41
Tanzania	3.67	5.46	16.34	-4.81	48.94	199.14	0.74	1.08	3.78	8.52	10.88	11.41	-14.85	27.71	4.90
Togo	1.02	0.92	0.50	17.98	-10.51	-45.74	0.21	0.18	0.11	1.91	1.85	1.53	16.73	-3.33	-16.88
Tunisia	15.53	15.17	14.17	9.37	-2.34	-6.59	3.15	3.00	3.28	22.63	22.19	18.82	9.54	-1.91	-15.20
Uganda	2.95	3.52	4.32	1.36	19.28	22.65	0.60	0.70	1.00	6.82	7.49	9.37	20.41	9.76	25.14
Zambia	9.05	7.30	8.02	9.78	-19.33	9.84	1.83	1.45	1.85	9.46	7.22	5.26	8.83	-23.68	-27.22
Zimbabwe	3.44	3.57	3.24	16.54	3.61	-9.15	0.70	0.71	0.75	4.71	4.04	4.02	8.38	-14.24	-0.42
Total	**493.70**	**505.08**	**432.58**	16.61	**2.30**	**-14.35**	**100.00**	**100.00**	**100.00**	**567.40**	**571.15**	**515.72**	8.09	**0.66**	**-9.71**

Sources: International Monetary Fund, Direction of Trade Statistics; and Afreximbank.

Share of Merchandise Imports (percent)			Total Merchandise Trade (US$ billions)			Growth Rate (percent)			Share of Total Merchandise Trade (percent)			Total Balance Value (Export-Imports) (US$ billions)		
2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
8.75	5.54	5.05	90.80	75.44	51.13	5.53	-15.36	-24.30	8.56	7.01	5.39	-8.46	12.21	-0.96
2.44	2.44	2.26	54.37	62.52	47.58	5.17	8.16	-14.95	5.12	5.81	5.02	26.69	34.65	24.25
0.58	0.51	0.44	4.23	3.76	3.38	0.42	-0.47	-0.38	0.40	0.35	0.36	-2.32	-2.05	-1.14
1.11	1.15	1.21	12.65	11.84	10.02	1.37	-0.82	-1.82	1.19	1.10	1.06	0.10	-1.27	-2.46
0.75	0.63	0.96	7.44	6.81	12.62	0.93	-0.63	5.81	0.70	0.63	1.33	-1.04	-0.33	2.77
0.14	0.16	0.19	0.96	1.07	1.15	0.03	0.11	0.08	0.09	0.10	0.12	-0.62	-0.71	-0.85
0.14	0.14	0.14	0.89	0.85	0.77	0.04	-0.04	-0.08	0.08	0.08	0.08	-0.74	-0.73	-0.67
1.02	0.93	1.09	9.73	9.90	9.57	1.26	0.17	-0.33	0.92	0.92	1.01	-1.85	-0.74	-1.62
0.07	0.08	0.09	0.44	0.50	0.51	-0.18	0.06	0.01	0.04	0.05	0.05	-0.33	-0.41	-0.39
0.15	0.18	0.19	2.50	2.30	2.40	0.66	-0.21	0.10	0.24	0.21	0.25	0.80	0.22	0.45
0.04	0.04	0.04	0.28	0.25	0.25	0.03	-0.03	0.00	0.03	0.02	0.03	-0.18	-0.15	-0.17
2.64	2.56	1.26	29.95	29.26	13.31	8.97	-0.68	-15.95	2.82	2.72	1.40	0.00	0.00	0.33
0.61	0.39	0.42	14.63	7.82	7.18	2.26	-6.80	-0.64	1.38	0.73	0.76	7.65	3.34	2.89
1.94	1.84	2.26	22.81	23.24	23.18	0.66	0.44	-0.06	2.15	2.16	2.44	0.80	2.21	-0.09
0.20	0.25	0.28	1.42	1.65	1.65	-0.01	0.23	0.00	0.13	0.15	0.17	-0.84	-1.20	-1.26
11.57	13.87	13.55	93.22	111.44	95.63	10.67	18.22	-15.81	8.79	10.35	10.08	-38.10	-46.96	-44.17
0.20	0.19	0.17	7.11	5.76	3.40	1.33	-1.36	-2.36	0.67	0.54	0.36	4.88	3.64	1.64
0.06	0.05	0.06	0.79	0.64	0.66	0.18	-0.15	0.02	0.07	0.06	0.07	0.13	0.02	0.01
0.33	0.32	0.24	3.72	3.85	2.88	0.29	0.13	-0.97	0.35	0.36	0.30	-0.03	0.16	0.44
4.51	4.54	4.18	28.44	29.22	24.67	2.28	0.78	-4.55	2.68	2.72	2.60	-22.68	-22.67	-18.45
0.41	0.42	0.42	7.61	7.97	6.53	1.37	0.36	-1.44	0.72	0.74	0.69	2.91	3.16	2.22
0.09	0.09	0.09	0.52	0.52	0.47	0.04	0.00	-0.05	0.05	0.05	0.05	-0.49	-0.47	-0.42
2.09	1.83	2.14	28.98	27.22	29.50	1.90	-1.76	2.29	2.73	2.53	3.11	5.22	6.34	7.48
0.68	0.61	0.70	6.22	6.41	7.54	-0.15	0.19	1.13	0.59	0.60	0.80	-1.48	-0.61	0.28
0.05	0.05	0.06	0.45	0.53	0.38	-0.20	0.09	-0.16	0.04	0.05	0.04	-0.11	-0.05	-0.24
3.07	3.03	3.61	23.48	23.16	24.42	1.05	-0.31	1.25	2.21	2.15	2.57	-11.37	-11.50	-12.78
0.33	0.34	1.62	3.07	2.90	9.31	0.22	-0.17	6.41	0.29	0.27	0.98	-0.67	-0.93	-7.36
0.20	0.37	0.39	1.63	2.54	2.38	-1.77	0.91	-0.16	0.15	0.24	0.25	-0.68	-1.67	-1.66
2.38	2.80	2.51	43.51	43.57	23.57	11.86	0.06	-20.00	4.10	4.05	2.49	16.47	11.61	-2.30
0.69	0.65	0.59	6.88	6.29	5.47	0.42	-0.58	-0.83	0.65	0.58	0.58	-0.93	-1.18	-0.66
0.48	0.52	0.42	3.60	3.86	2.93	0.16	0.27	-0.93	0.34	0.36	0.31	-1.82	-2.02	-1.36
0.81	0.81	0.97	6.62	6.87	7.85	0.37	0.25	0.98	0.62	0.64	0.83	-2.53	-2.40	-2.12
0.56	0.62	0.55	5.25	5.81	4.41	-0.27	0.55	-1.40	0.49	0.54	0.46	-1.11	-1.23	-1.28
1.00	0.98	0.79	7.68	7.50	5.56	0.35	-0.18	-1.94	0.72	0.70	0.59	-3.68	-3.72	-2.62
8.94	8.82	10.20	78.38	78.08	83.49	9.22	-0.30	5.41	7.39	7.25	8.80	-23.09	-22.69	-21.69
1.20	1.51	1.30	12.01	13.64	10.50	1.60	1.63	-3.14	1.13	1.27	1.11	-1.58	-3.62	-2.88
0.83	1.42	1.11	9.19	14.43	11.54	-2.71	5.24	-2.90	0.87	1.34	1.22	-0.20	-1.75	0.10
0.47	0.62	0.67	4.23	4.45	4.48	0.46	0.23	0.02	0.40	0.41	0.47	-1.10	-2.67	-2.44
7.44	8.11	8.09	108.79	113.38	85.66	24.31	4.59	-27.72	10.25	10.53	9.03	24.38	20.76	2.26
0.52	0.56	0.52	3.78	4.36	3.89	1.34	0.58	-0.47	0.36	0.40	0.41	-2.09	-2.03	-1.48
0.03	0.03	0.03	0.16	0.15	0.17	0.00	-0.01	0.02	0.02	0.01	0.02	-0.13	-0.14	-0.16
1.25	1.43	1.73	10.13	12.48	15.25	1.64	2.35	2.77	0.95	1.16	1.61	-4.05	-3.81	-2.60
0.20	0.25	0.24	1.90	2.15	2.01	-0.04	0.25	-0.14	0.18	0.20	0.21	-0.37	-0.73	-0.50
0.17	0.30	0.37	1.20	2.03	4.34	0.00	0.83	2.31	0.11	0.19	0.46	-0.78	-1.43	0.53
0.46	0.54	0.76	3.15	3.68	4.41	0.18	0.54	0.73	0.30	0.34	0.47	-2.08	-2.46	-3.41
17.39	16.35	14.42	193.02	183.34	162.88	15.51	-9.68	-20.46	18.19	17.04	17.18	-4.37	-3.41	14.17
0.11	0.14	0.17	2.23	2.43	1.77	0.28	0.20	-0.67	0.21	0.23	0.19	0.95	0.79	-0.01
1.38	1.61	1.71	11.33	18.73	18.67	-1.93	7.40	-0.06	1.07	1.74	1.97	-4.37	0.30	1.05
1.50	1.90	2.21	12.18	16.34	27.75	-1.67	4.15	11.41	1.15	1.52	2.93	-4.85	-5.41	4.93
0.34	0.32	0.30	2.93	2.76	2.03	0.43	-0.17	-0.73	0.28	0.26	0.21	-0.89	-0.93	-1.04
3.99	3.89	3.65	38.16	37.37	32.99	3.30	-0.79	-4.37	3.60	3.47	3.48	-7.09	-7.02	-4.65
1.20	1.31	1.82	9.77	11.01	13.69	1.20	1.23	2.68	0.92	1.02	1.44	-3.87	-3.97	-5.05
1.67	1.26	1.02	18.51	14.52	13.28	1.57	-3.99	-1.25	1.74	1.35	1.40	-0.41	0.08	2.76
0.83	0.71	0.78	8.15	7.61	7.26	0.85	-0.55	-0.34	0.77	0.71	0.77	-1.26	-0.47	-0.78
100.00	100.00	100.00	1061.10	1076.23	948.30	11.89	1.43	-11.89	100.00	100.00	100.00	-73.70	-66.07	-83.14

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the country's total imports, the continent is an even more important export destination for South Africa. In 2020, Africa was the destination for more than 27 percent of total South African exports.

South Africa imports about 40 percent of its crude oil from the continent, 63 percent of which comes from Nigeria. Nigeria is the leading global supplier of crude oil to South Africa, ahead of Saudi Arabia. While South African imports from Africa are dominated by energy, accounting for about 55 percent of all imports from the continent, its exports to the rest of the continent are more diverse and include fuel and fuel products, precious stones, vehicles, and machinery. Botswana is South Africa's largest bilateral trade partner in the region, followed by Mozambique, Namibia, Zambia, and Zimbabwe.

In Central Africa, the Democratic Republic of Congo remains the largest intra-African trading nation, trading more with countries in Southern Africa than with other Economic Community of Central African States (ECCAS) member states. The challenging pandemic environment significantly affected its engagement with the rest of the continent. Its share of total African trade fell by more than 50 percent from US$10.57 billion in 2019 to US$5.28 billion in 2020. As a result of this sharp contraction, the Democratic Republic of Congo became the fourth-largest intra-African trading nation, down from its second-highest ranking in 2019. South Africa remains its major bilateral trade partner in Africa, accounting for the bulk of the Democratic Republic of Congo's imports from the continent, dominated by machinery and mechanical appliances and pharmaceutical products.

Elsewhere, the government of the Democratic Republic of Congo remains committed to regional integration and is strengthening cooperation across the continent by expanding trade with neighbouring countries, including with members of the ECCAS. In that regard, the Democratic Republic of Congo and other ECCAS member states ratified the revised ECCAS treaty in 2020. In addition, the legal documents of the institutional reform process, which was adopted in 2019, began implementation in 2020. Further, the Democratic Republic of Congo has pledged to work together on joint projects with a number of countries, including Uganda, on trade-facilitating infrastructure in support of regional integration and to take advantage of opportunities offered by the African Continental Free Trade Area (AfCFTA) agreement.

In North Africa, Algeria emerged as the leading intra-African trading nation, moving up to third place in the distribution of leading intra-African trade nations in a general context of synchronised deceleration of both extra- and intra-African trade, although its trade with the continent fell by 24.7 percent to US$5.94 billion in 2020. About 18.8 percent (US$4.89 billion) of Algeria's total imports are sourced from Africa, while 4.2 percent (US$1.05 billion) of its total exports are to Africa. Authorities in Algeria continued to make efforts to boost trade with the rest of Africa. The country ratified the AfCFTA agreement in December 2019 and remained an active member of the Pan-Arab Free Trade Area (PAFTA) under which import duties are removed for intra-regional economic community imports from Egypt, Libya, Morocco, Tunisia, and Sudan.

In West Africa, although the value of Nigeria's trade with the continent contracted by 16 percent to US$8.70 billion from a revised US$10.35 billion in 2019, its share of total intra-African trade remained relatively high at about 6.7 percent relative to 6.9 percent in 2019. In the process, Nigeria became the second-largest intra-African trading nation in 2020, up two spots from 2019. About 14.3 percent of Nigeria's exports are to African countries, with South Africa, Togo, and Côte d'Ivoire being the top three destinations. Nigeria's imports from the rest of the continent remained relatively low, accounting for less than 6 percent of its total imports from the world. Although crude oil still dominates Nigeria's export to the rest of Africa, the composition of its cross-border trade is becoming more diversified.

Other important contributors to intra-African trade include Botswana, Côte d'Ivoire, Ghana, Namibia, Senegal, Tanzania, Uganda, and Zimbabwe, which jointly accounted for about 29 percent of total intra-African trade in 2020, up from 24 percent in 2019. Ghana, Senegal, Tanzania, and Uganda also recorded large gains in their trade volume, with growth of 21.4 percent, 58 percent, 89.9 percent, and 45.3 percent, respectively. These countries were exceptions, as the vast majority of countries experienced a contraction in their intra-African trade. The largest declines were recorded by the Democratic Republic of Congo (50.1 percent), Mozambique (37.4 percent), and Togo (37.2 percent), with their shares of African trade falling to 3.8 percent (from 6.9 percent), 1.5 percent (from 2.2 percent), and 0.4 percent (from 0.6 percent), respectively, in 2020.

One of the key achievements in ongoing efforts to boost intra-African trade in 2020 was the remarkable progress made in the implementation of the AfCFTA. African leaders approved the launch of the trading phase of the AfCFTA on 1 January 2021 during their extraordinary virtual summit held in December 2021. Although some issues remain, especially regarding ratification, negotiations for tariff concessions and rules of origin under the protocol on trade in goods, and the protocol on rules and procedures on the settlement of disputes, the approval to launch the start of the trading phase is a historic milestone for the continent in its efforts to create a single African market and boost intra-African trade.

The Bank is working closely with the African Union Commission to support the implementation of the AfCFTA through a number of strategic initiatives, including the Intra-African Trade Fair, the Pan-African Payment and Settlement System (which will facilitate the clearing and settlement of intra-African trade transactions in African currencies and lift the liquidity constraints to enhance the growth of intra-African trade), and the Pan-African Private Sector Trade and Investment Committee as an advocacy platform to enhance African private sector participation in trade negotiations and investment policy formulation. The Bank is also working with the African Union Commission, including with regard to the AfCFTA Adjustment Facility, to enable countries to adjust in an orderly manner to sudden significant tariff revenue losses as a result of the implementation of the agreement.

Forecasts point to a strong recovery in 2021, with global output expanding by 5.5 percent, supported by large and bold monetary and fiscal stimulus measures; recovery in global trade; and increasing understanding and management of the COVID-19 pandemic, with growing vaccine availability and improved therapies and testing. Strong recovery in the euro area, United States, China, India—where aggregate output is forecast to expand above historical trends (by 4.2 percent, 5.1 percent, 8.1 percent, and 11.5 percent, respectively)—could emerge as a major catalyst on the path to a synchronised global recovery. These major economies are Africa’s leading trading partners and could lift growth prospects in the region above 4.3 percent through trade and investment channels. Nevertheless, the evolution of the COVID-19 pandemic remains the main downside risk to the forecast recovery.

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Table 2.8 Intra-African Trade, 2018-20

	Intra-African Exports (US$ billions)			Growth Rate (percent)			Country Share of Total Intra-African Exports (percent)			Intra-African Imports (US$ billions)			Growth Rate (percent)		
Country	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Algeria	1.78	1.83	1.05	27.37	3.09	-42.68	2.33	2.33	1.43	9.59	6.06	4.89	15.64	-36.82	-19.31
Angola	1.45	2.72	2.03	-15.17	88.21	-25.39	1.90	3.46	2.76	1.70	1.05	0.87	7.71	-38.23	-17.19
Benin	0.15	0.15	0.14	-5.31	0.19	-6.27	0.20	0.19	0.19	0.69	0.71	0.46	53.42	2.72	-35.00
Botswana	0.87	0.75	0.50	2.81	-14.81	-32.25	1.15	0.95	0.69	4.70	4.52	4.71	19.96	-3.96	4.39
Burkina Faso	0.42	0.37	0.70	14.95	-12.47	89.05	0.55	0.47	0.95	1.12	1.07	1.32	16.19	-4.65	24.01
Burundi	0.04	0.04	0.03	-4.00	2.70	-32.03	0.06	0.06	0.04	0.19	0.22	0.25	-9.01	20.00	10.04
Cabo Verde	0.00	0.00	0.00	-80.23	254.99	-45.80	0.00	0.00	0.00	0.03	0.01	0.02	3.63	-52.53	59.82
Cameroon	0.37	0.48	0.47	-4.27	29.51	-1.51	0.49	0.61	0.64	0.96	0.92	0.85	6.21	-3.69	-8.23
Central African Rep.	0.01	0.01	0.02	-59.99	-17.52	69.93	0.02	0.01	0.02	0.07	0.06	0.06	-15.02	-12.29	3.49
Chad	0.01	0.01	0.01	23.76	-7.46	-4.23	0.01	0.01	0.01	0.17	0.20	0.17	-10.40	14.24	-12.70
Comoros	0.00	0.01	0.01	-63.74	363.23	56.93	0.00	0.01	0.01	0.02	0.02	0.02	50.47	-21.98	7.72
Congo, Democratic Republic	5.26	5.28	2.69	133.96	0.47	-49.09	6.91	6.71	3.65	5.26	5.28	2.59	97.95	0.47	-51.03
Congo, Republic	1.30	0.31	0.29	-26.95	-76.42	-4.21	1.70	0.39	0.40	0.99	0.58	0.49	-33.29	-41.56	-15.17
Côte d'Ivoire	2.84	2.86	2.60	-0.75	0.44	-8.88	3.74	3.63	3.53	2.46	2.38	2.52	28.80	-3.30	5.86
Djibouti	0.16	0.11	0.09	15.54	-34.27	-16.79	0.21	0.14	0.12	0.06	0.07	0.07	-22.40	4.66	-1.94
Egypt	2.44	4.10	3.21	75.23	67.70	-21.75	3.21	5.20	4.35	1.12	1.94	1.77	-11.19	73.02	-8.86
Equatorial Guinea	0.07	0.07	0.05	-54.28	-10.46	-30.83	0.10	0.08	0.06	0.09	0.07	0.06	13.77	-16.04	-12.69
Eritrea	0.00	0.00	0.00	-60.93	76.47	12.73	0.00	0.00	0.00	0.03	0.02	0.02	-36.57	-31.45	-11.80
Eswatini	1.71	1.85	1.45	0.97	7.79	-21.29	2.25	2.34	1.97	1.45	1.41	0.72	12.63	-3.11	-49.11
Ethiopia	0.93	0.98	0.96	0.02	5.03	-2.09	1.22	1.24	1.30	0.70	0.66	0.46	-18.63	-4.96	-30.08
Gabon	0.11	0.09	0.10	7.21	-17.12	8.08	0.15	0.12	0.14	0.21	0.22	0.18	6.07	7.00	-19.69
Gambia	0.01	0.02	0.01	0.73	100.35	-26.99	0.01	0.02	0.02	0.21	0.11	0.09	18.83	-48.33	-11.79
Ghana	2.55	2.95	3.88	25.99	15.66	31.38	3.35	3.75	5.26	1.15	1.04	0.97	6.28	-9.68	-6.75
Guinea	0.27	0.26	0.28	3.91	-2.96	9.20	0.35	0.33	0.38	0.26	0.25	0.19	24.85	-5.35	-22.07
Guinea-Bissau	0.02	0.03	0.05	-28.95	41.74	52.82	0.03	0.04	0.07	0.04	0.05	0.06	-10.77	18.19	29.99
Kenya	1.81	1.87	1.88	-0.64	3.77	0.34	2.37	2.38	2.55	1.74	1.76	1.91	9.20	1.14	8.18
Lesotho	0.49	0.39	0.29	38.24	-19.54	-25.63	0.64	0.50	0.40	1.58	1.55	3.09	26.19	-2.07	99.36
Liberia	0.02	0.01	0.01	-49.10	-55.80	-23.34	0.03	0.01	0.01	0.17	0.21	0.20	-41.86	18.42	-3.13
Libya	0.24	0.07	0.02	143.98	-70.71	-75.75	0.32	0.09	0.02	0.61	0.88	0.73	22.15	44.61	-17.47
Madagascar	0.36	0.20	0.19	71.11	-45.00	-3.01	0.47	0.25	0.26	0.38	0.38	0.40	10.78	1.85	5.70
Malawi	0.27	0.27	0.26	9.94	-1.83	-0.36	0.36	0.34	0.36	0.79	0.79	0.51	8.38	-0.53	-35.41
Mali	0.73	0.73	0.43	-36.03	-0.80	-40.34	0.96	0.92	0.59	1.95	2.01	2.03	5.80	3.32	0.63
Mauritania	0.24	0.22	0.20	72.78	-7.81	-11.48	0.32	0.29	0.27	0.27	0.29	0.23	38.56	6.54	-19.02
Mauritius	0.47	0.45	0.29	4.50	-4.31	-34.26	0.61	0.57	0.40	0.74	0.68	0.51	3.52	-7.72	-25.58
Morocco	1.83	1.91	2.30	-15.33	4.61	20.13	2.40	2.43	3.12	1.41	1.16	1.09	31.19	-17.64	-6.44
Mozambique	1.09	1.01	0.78	4.38	-7.30	-23.09	1.43	1.28	1.05	2.03	2.38	1.35	8.65	17.51	-43.43
Namibia	1.15	2.22	2.13	-48.01	92.09	-4.07	1.52	2.81	2.89	2.76	5.15	2.75	-39.00	86.91	-46.70
Niger	0.29	0.42	0.48	-82.14	43.09	13.42	0.39	0.53	0.65	0.50	0.56	0.51	32.85	11.21	-8.99
Nigeria	8.85	8.24	6.30	60.83	-6.94	-23.60	11.63	10.46	8.55	1.75	2.11	2.40	24.50	20.20	13.95
Rwanda	0.37	0.52	0.49	88.03	39.73	-5.80	0.48	0.65	0.66	0.71	0.88	1.05	25.68	24.04	19.24
São Tomé and Príncipe	0.00	0.00	0.00	37.11	-19.63	-22.39	0.00	0.00	0.00	0.04	0.04	0.04	6.52	4.66	-7.95
Senegal	1.09	1.80	3.62	1.10	65.15	101.29	1.43	2.28	4.92	1.28	1.00	0.80	27.11	-21.86	-19.81
Seychelles	0.03	0.03	0.02	6.75	-16.14	-14.97	0.04	0.03	0.03	0.13	0.12	0.07	-4.81	-2.45	-40.74
Sierra Leone	0.07	0.15	2.08	78.19	107.85	1304.80	0.09	0.19	2.83	0.12	0.39	0.38	44.25	226.73	-1.18
Somalia	0.09	0.14	0.11	35.86	57.27	-20.61	0.12	0.18	0.15	0.28	0.27	1.11	-6.26	-3.96	305.98
South Africa	24.78	23.78	20.01	6.03	-4.04	-15.86	32.55	30.18	27.16	11.59	10.39	7.17	35.21	-10.35	-31.06
South Sudan	0.00	0.00	0.00	55.36	-38.42	-45.12	0.00	0.00	0.00	0.42	0.56	0.56	-19.25	32.65	-0.88
Sudan	0.13	0.07	0.07	-35.83	-50.10	-0.31	0.17	0.08	0.09	0.31	0.39	0.38	-4.82	25.54	-3.76
Tanzania	1.48	2.10	4.97	3.51	41.82	137.11	1.94	2.66	6.75	0.95	1.10	1.10	50.19	16.24	0.02
Togo	0.72	0.63	0.35	19.93	-11.88	-44.76	0.94	0.80	0.47	0.40	0.26	0.21	46.84	-35.52	-18.35
Tunisia	1.07	1.00	0.92	4.81	-6.54	-8.26	1.41	1.27	1.25	1.14	1.62	1.44	18.33	42.37	-10.97
Uganda	1.23	0.97	1.04	3.80	-21.35	7.48	1.62	1.23	1.42	1.31	2.02	3.30	44.59	54.04	63.48
Zambia	1.81	1.68	1.72	14.41	-7.28	2.21	2.38	2.13	2.33	4.97	3.33	1.98	-3.00	-33.05	-40.39
Zimbabwe	2.61	2.64	2.07	-1.97	1.40	-21.56	3.43	3.36	2.82	3.66	3.20	3.03	7.76	-12.67	-5.14
Total	**76.13**	**78.78**	**73.66**	10.12	**3.48**	**-6.50**	**100.00**	**100.00**	**100.00**	**77.26**	**74.39**	**64.13**	14.37	**-3.71**	**-13.80**

Sources: International Monetary Fund, Direction of Trade Statistics database; and Afreximbank.

Country Share of Total Intra-African Imports (percent)			Total Intra-African Trade (US$ billions)			Growth Rate (percent)			Country Share of Total Intra-African Trade (percent)			Total Balance Value (Export-Imports) (US$ billions)		
2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
12.41	8.14	7.62	11.37	7.89	5.94	17.32	-30.58	-24.74	7.41	5.15	4.31	-7.81	-4.23	-3.84
2.21	1.42	1.36	3.15	3.78	2.90	-4.16	19.83	-23.10	2.06	2.47	2.11	-0.26	1.67	1.16
0.89	0.95	0.71	0.84	0.86	0.60	38.04	2.27	-29.94	0.55	0.56	0.44	-0.54	-0.55	-0.32
6.09	6.07	7.35	5.58	5.26	5.22	16.90	-5.66	-0.80	3.64	3.43	3.79	-3.83	-3.77	-4.21
1.45	1.44	2.06	1.54	1.44	2.02	15.85	-6.79	40.70	1.00	0.94	1.47	-0.70	-0.70	-0.63
0.24	0.30	0.39	0.23	0.27	0.28	-8.12	16.78	3.16	0.15	0.18	0.20	-0.14	-0.18	-0.22
0.04	0.02	0.04	0.03	0.02	0.02	0.15	-50.02	53.68	0.02	0.01	0.02	-0.03	-0.01	-0.02
1.24	1.24	1.32	1.33	1.40	1.32	3.06	5.58	-5.92	0.87	0.92	0.96	-0.59	-0.44	-0.37
0.08	0.08	0.09	0.08	0.07	0.08	-27.94	-13.12	13.55	0.05	0.04	0.06	-0.05	-0.05	-0.04
0.22	0.26	0.27	0.18	0.20	0.18	-9.33	13.31	-12.40	0.12	0.13	0.13	-0.16	-0.19	-0.16
0.03	0.02	0.03	0.02	0.02	0.03	28.29	-0.83	20.34	0.02	0.02	0.02	-0.02	-0.01	-0.01
6.81	7.10	4.03	10.52	10.57	5.28	114.45	0.47	-50.06	6.86	6.90	3.83	0.00	0.00	0.10
1.28	0.77	0.76	2.28	0.88	0.78	-29.83	-61.36	-11.37	1.49	0.58	0.57	0.31	-0.27	-0.20
3.19	3.20	3.93	5.31	5.24	5.13	11.08	-1.30	-2.18	3.46	3.42	3.72	0.38	0.47	0.08
0.08	0.09	0.10	0.23	0.17	0.15	1.44	-23.20	-11.04	0.15	0.11	0.11	0.10	0.04	0.02
1.45	2.61	2.76	3.57	6.04	4.98	34.16	69.38	-17.61	2.33	3.94	3.61	1.32	2.16	1.44
0.11	0.10	0.10	0.16	0.14	0.11	-32.25	-13.49	-21.26	0.10	0.09	0.08	-0.01	-0.01	-0.02
0.04	0.03	0.03	0.03	0.02	0.02	-37.04	-30.17	-11.07	0.02	0.01	0.01	-0.03	-0.02	-0.02
1.88	1.89	1.12	3.16	3.25	2.17	6.00	2.79	-33.32	2.06	2.12	1.57	0.26	0.44	0.74
0.90	0.89	0.72	1.63	1.64	1.42	-8.90	0.76	-13.37	1.06	1.07	1.03	0.24	0.32	0.50
0.27	0.30	0.28	0.32	0.32	0.28	6.46	-1.45	-11.51	0.21	0.21	0.20	-0.10	-0.13	-0.08
0.27	0.14	0.15	0.22	0.13	0.11	17.96	-42.27	-13.93	0.14	0.08	0.08	-0.20	-0.09	-0.08
1.49	1.40	1.51	3.70	3.99	4.85	19.11	7.77	21.43	2.42	2.61	3.52	1.40	1.91	2.91
0.34	0.34	0.30	0.53	0.51	0.48	13.38	-4.15	-6.17	0.35	0.33	0.35	0.00	0.01	0.09
0.05	0.06	0.10	0.06	0.08	0.11	-18.58	27.02	39.53	0.04	0.05	0.08	-0.02	-0.01	-0.01
2.26	2.37	2.98	3.55	3.64	3.79	3.97	2.48	4.14	2.31	2.37	2.75	0.06	0.11	-0.03
2.05	2.08	4.81	2.07	1.94	3.38	28.84	-6.19	74.04	1.35	1.27	2.45	-1.09	-1.15	-2.79
0.22	0.28	0.31	0.19	0.21	0.21	-42.69	10.86	-3.95	0.13	0.14	0.15	-0.15	-0.20	-0.19
0.79	1.19	1.14	0.85	0.95	0.75	42.27	11.95	-21.79	0.56	0.62	0.54	-0.37	-0.81	-0.71
0.49	0.52	0.63	0.73	0.58	0.60	33.77	-20.99	2.75	0.48	0.38	0.43	-0.02	-0.19	-0.21
1.03	1.06	0.79	1.06	1.05	0.77	8.77	-0.86	-26.58	0.69	0.69	0.56	-0.52	-0.52	-0.25
2.52	2.71	3.16	2.68	2.74	2.46	-10.21	2.20	-10.22	1.75	1.79	1.78	-1.22	-1.29	-1.59
0.35	0.38	0.36	0.51	0.51	0.43	52.99	-0.29	-15.70	0.33	0.33	0.31	-0.02	-0.06	-0.03
0.95	0.91	0.79	1.20	1.13	0.80	3.89	-6.39	-29.02	0.78	0.73	0.58	-0.27	-0.23	-0.21
1.83	1.56	1.70	3.24	3.08	3.39	0.14	-5.09	10.09	2.11	2.01	2.46	0.42	0.75	1.21
2.62	3.20	2.10	3.12	3.39	2.12	7.12	8.84	-37.37	2.03	2.21	1.54	-0.94	-1.37	-0.57
3.57	6.92	4.28	3.91	7.37	4.87	-41.97	88.43	-33.87	2.55	4.81	3.54	-1.60	-2.93	-0.62
0.65	0.75	0.79	0.80	0.98	0.99	-60.67	22.99	0.64	0.52	0.64	0.72	-0.21	-0.14	-0.03
2.27	2.83	3.75	10.61	10.35	8.70	53.43	-2.45	-15.95	6.92	6.76	6.31	7.10	6.13	3.89
0.92	1.18	1.64	1.08	1.40	1.53	41.76	29.41	9.99	0.70	0.91	1.11	-0.34	-0.36	-0.56
0.05	0.05	0.06	0.04	0.04	0.04	7.43	3.73	-8.38	0.03	0.03	0.03	-0.04	-0.04	-0.04
1.66	1.35	1.25	2.37	2.80	4.43	13.68	18.10	57.97	1.55	1.83	3.21	-0.19	0.80	2.82
0.16	0.16	0.11	0.16	0.15	0.10	-2.63	-5.29	-36.01	0.10	0.10	0.07	-0.09	-0.09	-0.05
0.15	0.52	0.60	0.19	0.54	2.47	55.38	182.04	360.63	0.12	0.35	1.79	-0.05	-0.24	1.70
0.37	0.37	1.73	0.38	0.42	1.22	1.35	10.86	193.85	0.24	0.27	0.89	-0.19	-0.13	-1.00
15.01	13.97	11.17	36.37	34.17	27.17	13.86	-6.05	-20.48	23.71	22.31	19.72	13.18	13.38	12.84
0.55	0.75	0.87	0.42	0.56	0.56	-19.21	32.59	-0.90	0.28	0.37	0.40	-0.42	-0.56	-0.56
0.40	0.52	0.58	0.44	0.46	0.44	-16.81	2.98	-3.26	0.29	0.30	0.32	-0.18	-0.32	-0.31
1.23	1.48	1.72	2.43	3.20	6.08	17.82	31.82	89.88	1.58	2.09	4.41	0.53	1.00	3.87
0.51	0.34	0.32	1.11	0.89	0.56	28.28	-20.29	-37.17	0.73	0.58	0.40	0.32	0.38	0.14
1.47	2.18	2.25	2.21	2.62	2.36	11.36	18.61	-9.93	1.44	1.71	1.71	-0.06	-0.62	-0.52
1.70	2.72	5.15	2.55	2.99	4.35	21.45	17.48	45.30	1.66	1.95	3.15	-0.08	-1.05	-2.26
6.43	4.47	3.09	6.78	5.01	3.70	1.12	-26.15	-26.08	4.42	3.27	2.69	-3.15	-1.64	-0.26
4.74	4.30	4.73	6.27	5.84	5.11	3.49	-6.82	-12.57	4.09	3.81	3.71	-1.05	-0.55	-0.96
100.00	100.00	100.00	153.39	153.17	137.79	12.22	-0.14	-10.04	100.00	100.00	100.00	-1.13	4.38	9.53

The Operating Environment

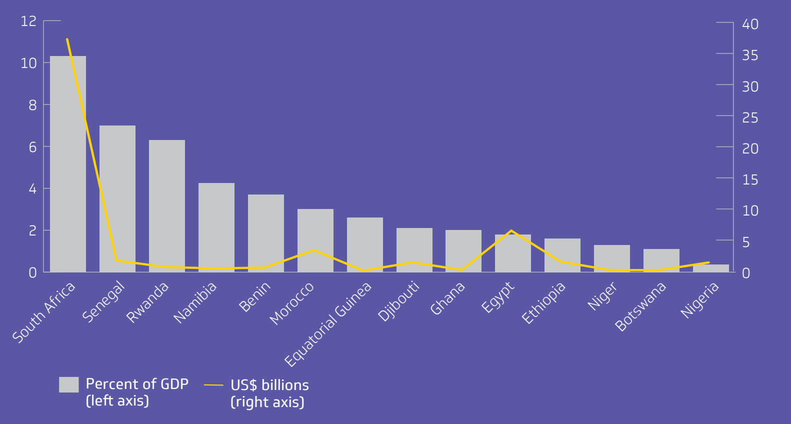
Box 2.1 Africa's Response to the COVID-19 Pandemic

The COVID-19 pandemic has had a devastating socio-economic impact across Africa since its onset in early 2020. Fatalities continue to rise, with more than 42,000 Africans having lost their lives and more than 1.8 million cases of infection on the continent as at 31st Dec 2020 (WHO, 2021). While these numbers pale in comparison to other regions, the economic impact of the pandemic on the continent has been far-reaching. Containment measures adopted by governments to stem the spread of the virus led to global demand and supply shocks, shrinking government revenues and setting the stage for a synchronised global downturn and macroeconomic management challenges. In 2020, Africa registered its first recession in more than 25 years, and Africa's merchandise trade contracted by about 12 percent, exacerbating current account and fiscal deficits in a region where growth remains highly correlated with commodity price cycles.

In addition to economic disruptions from the domestic health shock, growth prospects across the region were affected through several other channels, including a sharp contraction in tourism and remittance inflows as well as sudden stops and capital flow reversals. Combined with real sector shocks, the tightening of global financial conditions further exacerbated liquidity constraints and balance of payments pressures. However, the rebound in commodity prices as well as bold and swift supportive measures on the part of development finance institutions and governments eased global financial conditions and set the stage for a speedy recovery in the post-containment phase of the pandemic.

Liquidity injections by systemically important central banks and large-scale discretionary fiscal support from leading economies as well as the rapid response from the International Monetary Fund and multilateral development banks complemented interventions by African governments and development finance institutions. On the fiscal front, the majority of African governments, especially those with sufficient fiscal space, enacted sweeping stimulus to counteract the disruption caused by COVID-19 and provided relief to those suffering from the pandemic. As shown in Figure 2.1.1, among the largest African economies, South Africa and Egypt provided the most sizable fiscal stimulus (in absolute terms), which, excluding new health care spending, amounted to more than US$37 billion (10.3 percent of GDP) and US$6.5 billion (1.8 percent of GDP), respectively.

Figure 2.1.1 Fiscal Stimulus in Selected African Countries in 2020



Sources: International Monetary Fund (IMF), October 2020 *World Economic Outlook*; IMF April 2021 Policy Tracker; and Afreximbank.

These broad-based fiscal stimulus measures included support to microfinance institutions to extend interest-free loans to vulnerable households; low-interest loans to pay for consumer goods and provide ration card subsidies; income compensation to provide financial support to individuals operating in the informal sector; support to strengthen the capacities of medical staff, laboratories, and hospitals; subsidies and allowances to the unemployed; a social resilience fund to alleviate the repercussions of the COVID-19 pandemic on vulnerable groups and households; expanded public works programmes to support the incomes of the vulnerable; support to small and medium-sized enterprises under stress, mainly in the tourism and hospitality sectors, and to small-scale farmers; government guarantees for mortgages and business and consumer loans made by banks and consumer finance companies; and subsidies paid to exporters.

The successful implementation of macroeconomic reforms and decreasing inflationary pressures in a growing number of countries enabled central banks to ease monetary policy and adopt other supportive measures to sustain the growth of small and medium-sized enterprises, helping them avert payment defaults. In more than 35 countries across the region, monetary authorities cut policy rates to lower borrowing costs, with cumulative policy rate reductions of as much as 400 basis points (bps) in Egypt, 275 bps in South Africa, and 200 bps in Nigeria throughout 2020. The full allotment strategy at a fixed rate of 2.5 percent (the minimum monetary policy rate) adopted by the West African Economic and Monetary Union enabled banks to satisfy their liquidity needs fully at a rate of about 25 bps lower than before the crisis. Furthermore, to increase lending to firms and small and medium-sized enterprises and support the recovery, some central banks strengthened the loan-to-deposit ratio policy. Across Africa, other monetary authorities reduced reserve requirement ratios, reinstated permanent overnight liquidity provision facilities to provide support to banks, relaxed prudential requirements, and/or promoted flexibility in the application of Basel III regulations to free up bank capital with a view to facilitating credit availability and quickening the recovery process. Others encouraged banks to extend further support to clients, either through temporary moratoria on loan payments or restructuring of existing obligations to assuage liquidity constraints.

Countercyclical support provided by African development finance institutions also played a key role in the coordinated crisis response effort. For instance, through its Pandemic Trade Impact Mitigation Facility (PATIMFA), the Afreximbank (the Bank) helped its member states adjust in an orderly manner to the pandemic-induced financial, economic, and health shocks. More specifically, PATIMFA has enabled financial institutions and central banks to meet trade debt payments falling due, support critical imports under emergency conditions, and avert payment defaults. Through PATIMFA, the Bank has also leveraged additional financing and support from within the continent and globally, including from the European Investment Bank, Agence Francaise de Developpement (France), KFW (Germany), International Islamic Trade Finance Corporation (ITFC), and Arab Bank for Economic Development in Africa. As at the end of March 2021, the Bank disbursed more than US$6.5 billion under the facility.

To help build back and further enhance growth resilience in its member states post-pandemic, the Bank worked with the United Nations Economic Commission for Africa to create a US$200 million facility to boost the manufacturing of medical supplies, such as ventilators, testing kits, personal protective equipment, and essential pharmaceutical products. The Bank also provided a US$3 million grant to the Africa Centres for Disease Control and Prevention, the African Union COVID-19 Response Fund and others, to assist them in the fight against the virus. In partnership with the International Islamic Trade Finance Corporation and the Arab Bank for Economic Development in Africa (BADEA), the Bank also launched a US$1.5 billion Collaborative COVID-19

The Operating Environment

Box 2.1 Africa's Response to the COVID-19 Pandemic

Pandemic Response Facility to support African economies with rapid financial assistance to reduce the impact of COVID-19.

In addition, the African Development Bank launched a US$10 billion COVID-19 Response Facility to help its member states navigate through the challenges of the pandemic. Of this facility, about 85 percent is dedicated to governments confronting both widening current account and fiscal deficits in the face of a sharp increase in social expenditures and decline in government revenues. The remaining 15 percent is dedicated to the private sector. Other contributions, most notably by regional and subregional development finance institutions, include US$100 million availed by the Arab Bank for Economic Development in Africa to its member states, US$220 million by the Banque Ouest Africaine de Developpement, and US$32 million by the Industrial Development Cooperation to support imports of essential medical products into South Africa.

The African Union has also been very instrumental in the continent's fight against the pandemic. In addition to the COVID-19 Response Fund that it established to mobilise support from high-net-worth individuals, financial institutions, corporates, governments, donors, among others, it set up the African Vaccine Acquisition Trust (AVAT) to ensure timely, equitable, and cost-effective availability of COVID-19 vaccines across Africa, with the objective of inoculating a minimum of 60 percent of the African population. In a history-making move, AVAT signed an agreement in March 2021 to access 400 million doses of the Johnson & Johnson single-dose COVID-19 vaccine. The transaction was made possible through the US$2 billion facility approved by the Bank, which also acted as the financial and transaction adviser, guarantor, instalment payment adviser, and payment agent. Under the agreement with Johnson & Johnson, most of the vaccine supplies will be produced in South Africa. The vaccines will be made available across Africa through the African Medical Supplies Platform set up by the Bank to harmonise the procurement of essential medical supplies, ensure equitable access to these supplies by all countries, and give market access opportunities to pre-selected African manufacturers.

The COVID-19 pandemic-induced socio-economic shocks have been unprecedented, as have been the responses to them. The swift and bold supportive measures provided by African governments and development finance institutions, along with external support from development partners, have helped mitigate the impact of the crisis and set the stage for a speedy recovery in the post-containment phase of the pandemic. Looking ahead, the strength of the recovery largely depends on access to vaccines and, in this regard, recent developments on vaccine acquisition by AVAT are salutary.


31 Oct

The Operating Environment

Box 2.2 Implications of the COVID-19 Pandemic for the African Continental Free Trade Area Agreement

The COVID-19 pandemic has inflicted massive health and economic costs worldwide since it emerged in early 2020. In Africa, it has taken a severe human toll, with 42,000 Africans having lost their lives and more than 1.8 million cases of infection on the continent as at 31 December 2020. The impact on Africa's economy has been equally devastating. Growth contracted by about 2.3 percent in 2020—the continent's first recession in 25 years—and trade shrunk by close to 12 percent, reversing solid growth and progress in poverty reduction achieved over the past two decades.

The pandemic also gave rise to protectionism as it forced many governments to focus on the immediate health concerns of their citizens and domestic economic issues. The resultant lockdowns, border closures, barriers to trade, and restrictions on economic activity underline the interconnectedness and interdependence of the global economy and highlights Africa's vulnerability in a context of globally integrated value and supply chains. The latter, in turn, underscores the need for stronger trading relationships within the continent, which the African Continental Free Trade Area (AfCFTA) agreement is designed to advance. This initiative, too, has felt the impact of the pandemic: disruptions to ongoing negotiations forced a rescheduling of the commencement of trading under the agreement from 1 July 2020 to 1 January 2021. A number of other pandemic-related developments have implications for the AfCFTA as well, as outlined below.

Growing Digitalisation

The pandemic has accelerated the adoption of digital technologies to facilitate commerce in response to restrictions on physical interaction mandated by health and safety protocols. In fact, globally, e-commerce-related companies are among the few that have maintained or even increased their activities during the course of the pandemic. In recognition thereof, the AfCFTA agreement should include clear rules on digital trade, which are currently lacking. The inclusion of an e-commerce protocol would help ensure that the agreement is up to date and suitable for a post-pandemic economy.

Important Role of Services

The pandemic has also brought into focus the critical role of services—transport and logistics as well as financial, communication, and professional services—in facilitating e-commerce and trade. As the AfCFTA member states undertake liberalisation commitments and develop regulatory frameworks, they must pay attention to these key service sectors to ensure their competitiveness and integration across the continent. The Pan-African Payment and Settlement System, developed by the Afreximbank and endorsed by the African Union as the payment platform to support AfCFTA implementation, is expected to further AfCFTA's goals by creating new financial flows and facilitating trade and other economic activity among African countries, and is an important example of one such service.

Building Productive Capacity

In addition, the pandemic has highlighted the importance of building African productive capacity. The initial months of the pandemic were marked by critical shortages around the world of personal protective equipment (face masks, sanitizers, and gloves), which are crucial for slowing down the spread of the virus. The lack of productive capacity in Africa meant that countries across the continent had to procure such equipment from external partners and, in many cases, had to rely on philanthropic donations by other countries. The establishment of the African Medical Supplies Platform—an online marketplace for the sale and purchase of medical supplies and equipment by African governments on a pooled basis—helped alleviate some of this pressure and shows how digital technologies can be used to facilitate trade. Nevertheless, developing local productive capacity remains critical for avoiding similar challenges in the future and, more generally, to enable the continent to service its markets and export to the rest of the world. It is therefore important that countries maintain a high level of ambition as they implement their tariff reduction commitments and conclude rules of origin negotiations under the AfCFTA agreement.

Cooperation and Engagement

The pandemic has also underscored the benefits of working together, as evidenced by the coordinated efforts of African countries to procure vaccines through the African Vaccine Acquisition Task Team. The task team has been able to secure close to 400 million doses of vaccines for African countries by leveraging the size of the African market in negotiations with vaccine producers, including by scaling up vaccine manufacturing in Africa.

Africa's efforts in responding to the pandemic demonstrate the promise and potential of a single African market as envisaged under the AfCFTA agreement. Looking ahead, the implementation of the agreement requires continuous engagement and rulemaking by member states through the AfCFTA Secretariat. The pandemic offers the opportunity to fast-track the adoption of digital tools for negotiation and engagement among member states and the AfCFTA Secretariat. To that end, the Afreximbank is supporting the creation of digital portals to enable secure and speedy transfer of information among member states necessary for the effective negotiation of the agreement. These should be leveraged and advanced as negotiations enter their second phase to ensure that a robust agreement is in place to boost intra-African trade and development.

Chapter Three

Operations and Activities

In 2020—the fourth year of the implementation of its fifth Strategic Plan *(IMPACT 2021: Africa Transformed)*, which is focused on promoting intra-African trade, industrialisation and export development, trade finance leadership, and financial soundness—Afreximbank also took proactive measures to support member states affected by the pandemic.

03

Chapter Three

Operations and Activities

39%

Approved transactions under the Receivables Purchase/Discounting Programme increased by 39 percent to US$785 million in 2020.

5 COUNTRIES

Burundi, Cabo Verde, Côte d'Ivoire, Sudan, and Zimbabwe were eligible for support under the Country Programme in 2020.

Following engagement and support provided by Afreximbank, the African Organization for Standardization developed the African Quality Policy with the objective of harmonising automotive sector standards that it identified for prioritisation as key to supporting the development and growth of the automotive industry in Africa.

Operations and Activities

In 2020, Afreximbank's operations and activities were executed in the context of the COVID-19 pandemic that swept across the world causing unprecedented health, social, and economic challenges.

3.1 OPERATIONS

During the fourth year of implementation of its fifth, five-year Strategic Plan (IMPACT 2021: Africa Transformed), the Bank took several proactive measures at the onset of the pandemic, including the immediate launch of new programmes and initiatives, carefully designed to assist member states affected by the pandemic; and the introduction of and/or strengthening/repurposing of the Loan Quality Committee, Liquidity Management Working Group, COVID-19 Business Response Committee, and Budget Impact Workstream. These efforts were supported by the Bank's Emergency Management Committee, which helped launch a robust Work-from-Home policy that had been rehearsed over many years as part of the Bank's Business Continuity Management. In addition to proving its resilience in the face of the pandemic, these actions helped the Bank fulfil its mandate and support its member states during these extraordinary times.

3.1.1 Review of Lending Operations

As the pandemic rippled through African economies, the Bank intensified its lending operations in support of its member states through a range of existing and new programmes and initiatives. These programmes were deployed in line with the Bank's mandate to proactively intervene to shield African economies against the ramifications of countercyclical events, such as the COVID-19 pandemic, and to ensure attainment of the Bank's priorities under its fifth Strategic Plan, based on the plan's four pillars—to promote Intra-African Trade, Industrialisation and Export Development, Trade Finance Leadership, and Financial Soundness and Performance. In this context, the programmes included, among others, the Line of Credit, Direct Financing, Project Financing, Export Development, Asset-Backed Lending, Country, Syndications, and Afreximbank Guarantee Programmes, and the newly launched Pandemic Trade Impact Mitigation Facility (PATIMFA).

In 2020, the Bank continued to enhance its operating efficiency and grow its loan assets. Total facility approvals rose by 31.4 percent from US$12.39 billion in 2019 to US$16.29 billion in 2020, with total facility approvals since the inception of the Bank approaching US$100 billion.

Despite the difficult operating environment stemming from disruptions in supply chains and the sudden drop in global demand brought about by COVID-19, an escalating trade war between the United States and China, and uncertainties over Brexit, among other challenges, the Bank intensified its interventions, with gross disbursements rising to US$10.95 billion in 2020 from US$8.90 billion in 2019. Outstanding loans rose by 35.4 percent from US$12.38 billion in 2019 to US$16.77 billion in 2020 (Figures 3.1 and 3.2). Adding the unfunded exposure (US$2.35 billion in 2020 against US$1.42 billion in 2019), the total value of loans and contingent liabilities stood at US$19.12 billion in 2020 compared with US$13.80 billion in 2019 (a 38.5 percent increase).

3.1.1.1 Line of Credit Programme

The Line of Credit Programme (LOCP) is an instrument through which the Bank provides loan and guarantee facilities to small and medium-sized trading entities whose balance sheet size and trade turnover would not normally qualify them for the Bank's direct lending. The facilities provided under the LOCP include, among others, the Trade Finance (Export-Import), Pre- and Post-Export Financing, Letter of Credit Confirmation and Refinancing, and Reimbursement Guarantee Facilities.

Total approvals under the LOCP increased by 40.4 percent from US$7.18 billion in 2019 to US$10.08 billion in 2020, reflecting the Bank's efforts to tame the COVID-19-induced economic and social crisis. At 61.9 percent, the programme accounted for the largest share of total approvals in 2020, up from 57.9 percent in 2019. Outstanding loans under the LOCP rose from US$4.86 billion in 2019 to US$8.73 billion in 2020 (an increase of 79.4 percent), with the programme accounting for 52 percent of the total portfolio in 2020 (Table 3.1 and Figure 3.3).

3.1.1.2 Direct Financing Programme

Under the Direct Financing Programme (DFP), the Bank provides pre- and post-export financing and trade-related corporate facilities directly to corporates with a balance sheet size of at least US$2 million and an annual trade turnover of at least US$10 million.

Approvals under the DFP rose from US$3.49 billion in 2019 to US$4.07 billion in 2020 (a 16.4 percent increase). The programme accounted for approximately 25 percent of total approvals in 2020, making it the second-largest programme after the LOCP. Outstanding loans under the programme increased from US$4.32 billion in 2019 to US$5 billion in 2020 (a 15.9 percent increase), and its share in total outstanding loans stood at 29.9 percent at the end of 2020 (Table 3.1 and Figure 3.3).

3.1.1.3 Project Financing Programme

Through the Project Financing Programme, the Bank provides limited recourse financing in support of export projects, including mining, manufacturing, and related projects, and infrastructure projects that facilitate exports or generate tradable infrastructure services, such as power, ports, telecommunications, among others. The programme also aims to assist private sector operators and African government agencies executing essential projects that may not be directly export-generating but that create a conducive environment for investments in the export sector.

Approvals under the Project Finance Programme rose to US$616.13 million in 2020 from US$288.64 million and US$593.13 million in 2018 and 2019, respectively. The Bank's approvals under the programme in 2020 mainly targeted the energy, manufacturing, and transportation sectors. The balance of outstanding loans under the programme amounted to US$798.19 million in 2020, accounting for 4.8 percent of the Bank's loan portfolio (Table 3.1 and Figure 3.3).

3.1.1.4 Receivables Purchase/ Discounting Programme

The Receivables Purchase/Discounting Programme comprises a family of facilities involving purchase of specific or groups of receivables from the sale of goods and services to foreign or domestic buyers, with or without recourse to the seller. Facilities operated under this programme are forfaiting, invoice/receivables discounting, factoring and receivables management, and joint bill discounting/financing and refinancing.

In 2020, approved transactions under the Receivables Purchase/Discounting Programme amounted to US$784.58 million, an increase of 39.2 percent over 2019, and accounting for about 5 percent of total approvals. Outstanding loans under the programme stood at US$636.97 million, accounting for 3.8 percent of the total portfolio in 2020 (Table 3.1 and Figure 3.3).

3.1.1.5 Export Development Programme

The Industrialisation and Export Development pillar of the Bank's fifth Strategic Plan is positioned to drive structural transformation of Africa's production and exports into higher value-added and manufactured exports through the Export Development Programme. Through this programme, the Bank combines credit, risk bearing, twinning, market access, and advisory services geared towards creating non-commodity export products for sale to a broad range of export markets. Through the programme, the Bank aims to facilitate non-commodity export production, especially export manufacturing, and to foster regional projects, including tradable infrastructure services.

In 2020, approvals under the Export Development Programme decreased to US$36.99 million from US$551 million in 2019. Approved facilities under the programme mainly supported the agriculture and manufacturing sectors. Outstanding loans under the programme rose slightly from US$115.88 million in 2019 to US$135.77 million in 2020, with the programme accounting for about 1 percent of the total portfolio (Table 3.1 and Figure 3.3).

Operations and Activities

Table 3.1 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Programme, 2018-20

Type of Programme	Approvals (US$ millions)			Growth Rate (percent)	
	2018	2019	2020	2018/2019	2019/2020
Line of Credit	7,950.01	7,182.36	10,083.94	-9.66	40.40
Direct Financing	3,379.29	3,496.54	4,068.09	3.47	16.35
Project Finance	288.64	593.13	616.13	105.49	3.88
Receivables Purchase/Discounting	297.02	563.81	784.58	89.82	39.16
Export Development	471.15	551.00	36.99	16.95	-93.29
Asset-Backed Lending	0.00	0.00	55.25	-	-
Others*	26.22	12.70	650.00	-51.56	5018.11
Memorandum Items					
Country Programme	1,191.34	1,360.86	3,103.91	14.23	128.08
Syndications[a]	2,542.64	3,797.91	2,838.73	49.37	-25.26
Afreximbank Guarantee Programme	2,173.41	2,791.73	1,550.81	28.45	-44.45
Pandemic Trade Impact Mitigation Facility	-	-	6,085.22	-	-
Total	12,412.33	12,399.54	16,294.98	-0.10	31.42
Cumulative Totals[b]	69,040.92	81,440.46	97,735.44	17.96	20.01

Source: Afreximbank.
* Notes Purchase Programme and Future Flows Pre-Financing Programme.
[a] Includes cofinancing and participations.
[b] Since the Bank began operations in September 1994.

3.1.1.6 Asset-Backed Lending Programme

The Asset-Backed Lending Programme helps meet the growing demand by African entrepreneurs for financing to acquire physical assets within the framework of privatisation and local-content-promotion opportunities. One of the advantages of this programme is that the assets can serve as solid collateral, as their values are normally expected to rise with inflation.

In 2020, the Bank approved US$55.25 million under the programme, primarily for the energy and transportation sectors. Outstanding loans under the programme fell to US$945.77 million in 2020 from US$1,378.51 million in 2019, accounting for about 5.6 percent of the total loan portfolio (Table 3.1 and Figure 3.3).

3.1.1.7 Other Programmes

Through the Note Purchase Programme, the Bank provides financing to corporates via the purchase of promissory notes or similar instruments issued or accepted by them and avalised or guaranteed by an acceptable bank or other corporates.

In cases where other forms of collateral are not easily available, debt offerings under the Future-Flows Pre-Financing Programme provide flexibility in financing difficult transactions. These offerings rely, for their repayment, on receivables not generated from the export of physical goods, including credit card or cheque receivables, tourism receivables, migrant remittances, royalties arising from bilateral air services agreements, overflight fees, and fishing royalties.

In 2020, approval under these two programmes stood at US$650 million compared with US$12.70 million in 2019, accounting for about 4 percent of total approvals, mainly on account of two large transactions under the Note Purchase Programme for the benefit of a financial institution in Southern Africa and a services company in East Africa. Outstanding loans under the two

Share of Approvals by Type of Programme (percent)			Outstandings (US$ millions, end of period)			Growth Rate (percent)		Share of Outstandings by Type of Programme (percent)		
2018	2019	2020	2018	2019	2020	2018/2019	2019/2020	2018	2019	2020
64.05	57.92	61.88	5,250.69	4,865.71	8,731.66	-7.33	79.45	47.25	39.29	52.06
27.23	28.20	24.97	2,571.86	4,321.82	5,007.94	68.04	15.88	23.14	34.90	29.86
2.33	4.78	3.78	246.67	960.78	798.19	289.50	-16.92	2.22	7.76	4.76
2.39	4.55	4.81	162.22	665.78	636.97	310.42	-4.33	1.46	5.38	3.80
3.80	4.44	0.23	311.57	115.88	135.77	-62.81	17.16	2.80	0.94	0.81
0.00	0.00	0.34	164.14	1,378.51	945.77	739.84	-31.39	1.48	11.13	5.64
0.21	0.10	3.99	614.43	74.94	517.11	-87.80	590.03	5.53	0.61	3.08
9.60	10.98	19.05	1,381.55	1,802.23	2,258.24	30.45	25.30	12.43	14.55	13.46
20.48	30.63	17.42	1,729.69	5,777.29	8,128.95	234.01	40.71	15.56	46.65	48.46
17.51	22.51	9.52	858.00	1,424.85	1,348.02	66.07	-5.39	7.72	11.51	8.04
-	-	37.34	-	-	4,945.29	-	-	-	-	29.48
100.00	100.00	100.00	11,113.15	12,383.42	16,773.41	11.43	35.45	100.00	100.00	100.00

programmes increased to US$517.11 million in December 2020 from US$74.94 million in December 2019 and, together, they accounted for 3.1 percent of the total portfolio in 2020 (Table 3.1 and Figure 3.3).

3.1.1.8 Memorandum Items

3.1.1.8.1 Country Programme

Under the Country Programme, the Bank assists its member states in peculiar circumstances not amenable to solutions offered by any one of the Bank's menu of products. The programme was designed to assist African countries undergoing economic difficulties or to support the economic development strategy of a country. In 2020, five countries—Burundi, Cabo Verde, Côte d'Ivoire, Sudan, and Zimbabwe—were eligible for support under this programme.

In 2020, total approvals under the programme stood at US$3.10 billion, up from US$1.36 billion in 2019. Financial institutions, transportation, and mining were the main sectors benefiting from the programme in 2020. In terms of outstanding loans, the Bank's exposure to the programme rose from US$1.80 billion in 2019 to US$2.25 billion in 2020, accounting for 13.5 percent of the Bank's total exposure in 2020 (Table 3.1 and Figure 3.3).

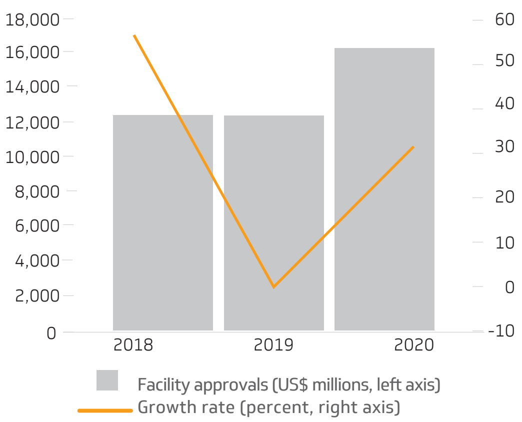
3.1.1.8.2 Syndications Programme

The Syndications Programme is a risk-sharing programme used by the Bank to leverage international financing in support of trade- and project-related activities across the continent. Under this programme, the Bank arranges or joins a syndicate or club of reputable international and/or African banks to provide financing to African entities.

In 2020, the Bank approved US$2.83 billion under the Syndications Programme, accounting for 17.4 percent of the year's total approvals. Companies operating in the energy and financial

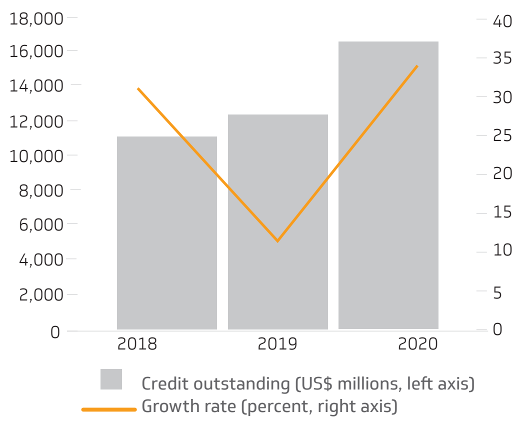
Operations and Activities

Figure 3.1 Afreximbank: Facility Approvals, 2018–20



Source: Afreximbank.

Figure 3.2 Afreximbank: Credit Outstanding as at December 31, 2018–20



Source: Afreximbank.

services sectors accounted for the largest share of these syndications. Outstanding syndicated loans in 2020 amounted to US$8.12 billion, 40.7 percent higher than in 2019. The programme accounted for about 48.5 percent of the total portfolio in 2020, slightly up from 46.7 percent in 2019 (Table 3.1 and Figure 3.3).

3.1.1.8.3 Afreximbank Guarantee Programme

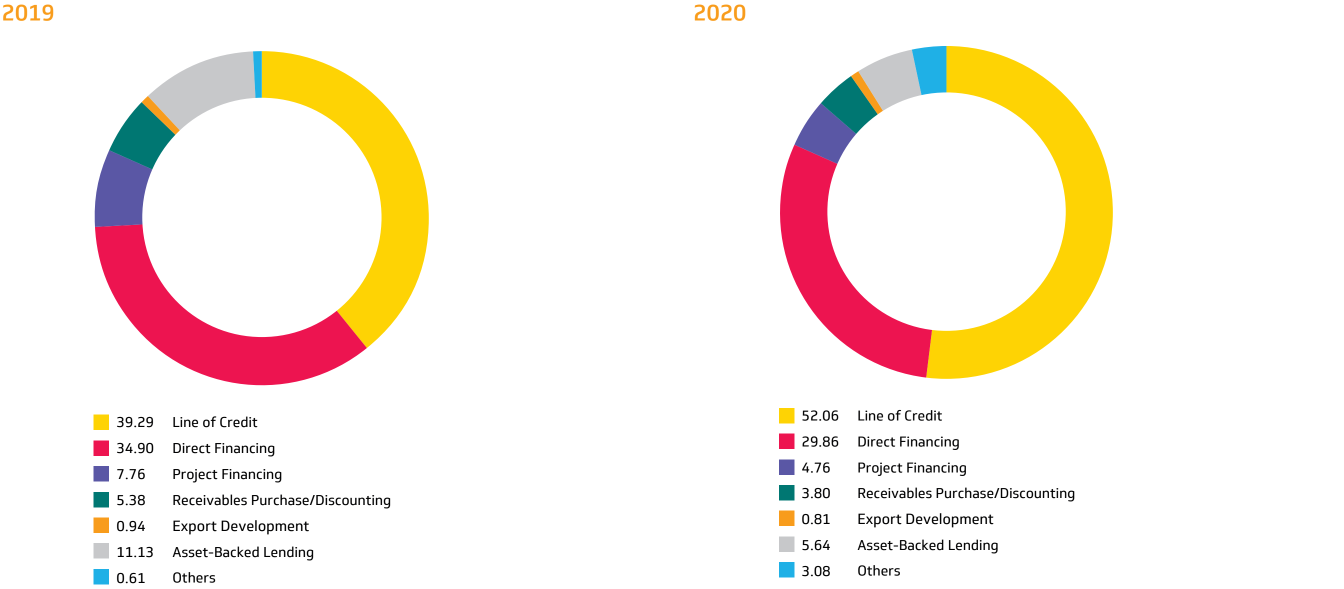
Under IMPACT 2021: Africa Transformed, a key strategic focus is the deployment of a bouquet of guarantee products under the Afreximbank Guarantee Programme (AFGAP). The AFGAP, launched one year into the Bank's fifth Strategic Plan, offers a variety of credit enhancement solutions as part of the Bank's 'Exim-Plus' strategy, which offers comprehensive trade facilitation and financing solutions associated with export credit and specialised trade finance. The AFGAP is aimed at unlocking capital and leveraging financing into Africa by helping to de-risk African transactions to make them more attractive to investors and financiers.

Approvals under the AFGAP Programme stood at US$1.55 billion in 2020, down from US$2.79 billion in 2019. The programme accounted for close to 10 percent of total approvals in 2020. The outstanding balance under the programme amounted to US$1.34 billion in 2020, accounting for 8 percent of the Bank's total portfolio (Table 3.1 and Figure 3.3).

3.1.1.8.4 Pandemic Trade Impact Mitigation Facility

In March 2020, the Bank launched the Pandemic Trade Impact Mitigation Facility (PATIMFA) to assist its member states in managing the adverse impact of the economic and health shocks caused by the COVID-19 pandemic (see Section 3.1.3 for more details on PATIMFA). In 2020, the Bank approved US$6.08 billion under PATIMFA, with outstanding loans amounting to US$4.94 billion at the end of the year, and the share of the facility in total outstanding loans amounting to about 30 percent (Table 3.1 and Figure 3.3).

Figure 3.3 Afreximbank: Distribution of Outstanding Loans by Type of Programme, 2019-20 (percent)



Source: Afreximbank.

3.1.2 Analysis of Transactions

3.1.2.1 Sectors Financed

The financial services sector remained the largest beneficiary of the Bank's lending, with total approvals to the sector amounting to US$12.16 billion, a 57.5 percent increase over US$7.72 billion recorded in 2019. The sector accounted for about 75 percent of total approvals in 2020. This increase indicates growing support provided by the Bank during the COVID-19-induced economic crisis. The financial services sector, especially banks, was the key channel for transmitting the Bank's loans and facilities to various economic sectors. In 2020, the Bank approved 42 new trade finance intermediaries, raising the total number approved to 71 in 31 member states. At US$9.17 billion in 2020, the sector accounted for 54.7 percent of outstanding loans, making it the sector with the largest exposure for the Bank.

A traditionally important economic driver in Africa, the energy sector was hit by broad-based disruptions affecting global commodity markets. Approved transactions to the energy sector (oil and gas, power, and so on) decreased by 28.49 percent from US$3.38 billion in 2019 to US$2.41 billion in 2020, partly reflecting developments in global energy markets as falling demand and lower prices of key commodities adversely affected investor appetite for both existing and new projects. Nevertheless, the sector remained the second-largest in terms of the Bank's approvals, with a share of 14.9 percent. The Bank's lending to the sector was channelled through several programmes, including the Direct Financing, Project Financing, and Export Development Programmes. In terms of outstanding loans, the Bank's exposure to the energy sector amounted to US$3.32 billion in 2020, accounting for about 19.8 percent of the total loan portfolio, making it the sector with the second-largest exposure for the Bank.

With 10 manufacturing projects approved in 2020, approvals to the manufacturing sector rose from US$270.38 million in 2019 to US$483.82 million in 2020. Gross disbursements to manufacturing projects stood at US$1.98 billion in 2020, with outstanding loans to the sector increasing from US$1 billion in 2019 to US$1.42 billion in 2020, reflecting higher net disbursements

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Table 3.2 Afreximbank: Distribution of Loan Approvals and Outstandings by Sector, 2018-20

Sector Financed	Approvals (US$ millions)			Growth Rate (percent)	
	2018	2019	2020	2018/2019	2019/2020
Financial Services	7,312.25	7,728.38	12,168.55	5.69	57.45
Energy	2,743.02	3,383.20	2,419.38	23.34	-28.49
Telecommunications	1,024.10	429.10	240.00	-58.10	-44.07
Services	353.99	339.41	268.48	-4.12	-20.90
Manufacturing	363.07	270.38	483.82	-25.53	78.94
Metals and Minerals	0.00	142.00	10.00	-	-92.96
Transportation	445.13	89.68	303.05	-79.85	237.92
Agriculture	170.77	17.39	401.70	-89.82	2209.95
Total	12,412.33	12,399.54	16,294.98	-0.10	31.42
Cumulative Totals[a)]	69,040.92	81,440.46	97,735.44	17.96	20.01

Source: Afreximbank.
[a)] Since the Bank began operations in September 1994.
Note: Gaps represent infinity.

and making it the third-largest sector in terms of outstanding loans after the financial services and energy sectors. Manufacturing accounted for 8.5 percent of the loan portfolio.

In 2020, the Bank approved US$401.70 million for the agriculture sector, up from US$170.77 million and US$17.39 million in 2018 and 2019, respectively. These approvals were provided under the Direct Financing and Export Development Programmes benefiting export trading companies and other African corporations. The balance of loans outstanding to the agriculture sector increased from US$91.75 million in 2019 to US$177.28 million in 2020.

Various programmes, including the Direct Financing, Project Financing, and Receivables Purchase/Discounting Programmes, were deployed in support of the transportation sector, with the level of approvals increasing from US$89.68 million in 2019 to US$303.05 million in 2020. The sector accounted for about 2 percent of total approvals in 2020. Outstanding loans to the sector amounted to US$1.08 billion in 2020, representing 6.5 percent of the Bank's total loan portfolio.

In 2020, transactions approved by the Bank in support of the services, telecommunications, and metals and minerals sectors amounted to US$268.48 million, US$240 million, and US$10 million, respectively. Together, these three sectors accounted for about 4 percent of total approvals in 2020. The balance of outstanding loans under the three programmes stood at close to US$999.99 million, US$536.75 million, and US$50.84 million, respectively. Combined, they accounted for about 10 percent of the total portfolio in 2020 (Table 3.2 and Figure 3.4).

3.1.2.2 Beneficiary Institutions

In 2020, the Bank approved transactions to financial institutions (including central banks, commercial banks, and multilateral financial institutions), corporates and sovereigns. Financial institutions remained the largest beneficiaries of the Bank's lending facilities, with approvals amounting to US$10.98 billion in 2020, up from US$7.40 billion in 2019 (a 48.2 percent increase) and representing 67.4 percent of total approvals in 2020. The implementation of PATIMFA in 2020 contributed significantly to the increase in approvals for financial institutions. In the same vein, outstanding loans to financial institutions stood at US$9.23 billion in 2020, up 63.9 percent from US$5.63 billion in 2019. Financial institutions accounted for about 55 percent of the Bank's total portfolio in 2020.

Share of Approvals by Sector (percent)			Outstandings (US$ millions, end of period)			Growth Rate (percent)		Share of Outstandings by Sector (percent)		
2018	2019	2020	2018	2019	2020	2018/2019	2019/2020	2018	2019	2020
58.91	62.33	74.68	5,494.23	5,592.40	9,179.61	1.79	64.14	49.44	45.16	54.73
22.10	27.28	14.85	2,704.28	3,730.95	3,321.06	37.96	-10.99	24.33	30.13	19.80
8.25	3.46	1.47	778.31	612.22	536.75	-21.34	-12.33	7.00	4.94	3.20
2.85	2.74	1.65	172.05	725.88	999.99	321.90	37.76	1.55	5.86	5.96
2.93	2.18	2.97	707.27	1,000.87	1,421.76	41.51	42.05	6.36	8.08	8.48
0.00	1.15	0.06	491.97	302.32	50.84	-38.55	-83.18	4.43	2.44	0.30
3.59	0.72	1.86	310.69	327.03	1,086.12	5.26	232.12	2.80	2.64	6.48
1.38	0.14	2.47	454.35	91.75	177.28	-79.81	93.22	4.09	0.74	1.06
100.00	100.00	100.00	11,113.15	12,383.42	16,773.41	11.43	35.45	100.00	100.00	100.00

In 2020, approvals to sovereigns (governments, state-owned companies, and parastatals) rose by more than 100 percent to US$2.90 billion in 2020 relative to 2019, reflecting, once again, the Bank's support to the public sector. Sovereigns accounted for 17.9 percent of total approvals in 2020 compared with 11.3 percent in 2019. Outstanding loans to sovereigns amounted to US$3.22 billion, 54.8 percent higher than in 2019. The share of sovereigns in the total portfolio stood at about 19.2 percent in 2020, up from 16.8 percent in 2019.

Despite decreasing by 33 percent, approvals to corporates remained high—at US$2.40 billion in 2020—accounting for 14.8 percent of total approvals. This decrease mainly reflects the Bank's efforts to directly support African sovereigns through existing and new programmes, including the Direct Financing Programme and PATIMFA. The value of outstanding loans to corporates decreased by 7.5 percent to US$4.31 billion in 2020 compared with US$4.66 billion in 2019 (Table 3.3).

3.1.2.3 Direction of Trade Financed

At the forefront of the Bank's fifth Strategic Plan are efforts to boost intra-African trade. In 2020, this remained a key business priority, particularly given the challenges posed by the COVID-19 pandemic. In support of this strategic pillar, the value of approved transactions in support of intra-African trade rose by 42.3 percent year over year to US$1.44 billion in 2020. In 2020, the share of intra-African trade transactions to total approvals stood at about 9 percent, and the balance of outstanding intra-African trade loans stood at US$5.21 billion, accounting for 31.1 percent of the Bank's total exposure. As the Bank executes the final year of its fifth Strategic Plan, the share of intra-African trade approvals is projected to remain high. This also aligns with the Bank's ongoing efforts to support trade under the African Continental Free Trade Area (AfCFTA) agreement.

With approvals amounting to US$14.26 billion in 2020, mixed-directional trade (transactions with both extra- and intra-African trade components) accounted for about 87 percent of total approvals, an increase of 39.4 percent over US$10.23 billion in 2019. Mixed-directional outstanding loans stood at US$6.26 billion in 2020, accounting for 37.3 percent of total exposure. Outstanding loans to extra-African trade transactions rose to US$5.29 billion in 2020, accounting for 31.6 percent of the total (Table 3.4).

3.1.2.4 Transaction Size and Other Transaction Features

The strong support the Bank provided to African countries in the context of a

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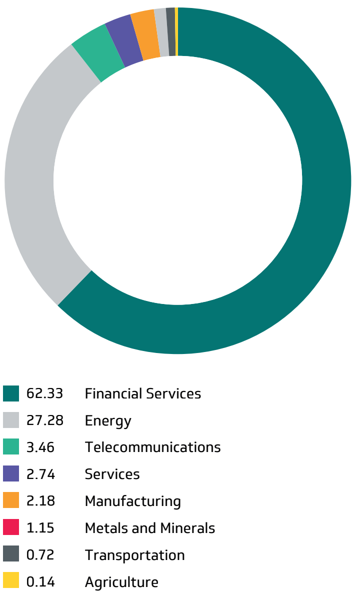
Table 3.3 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Beneficiary Institution, 2018-20

Type of Beneficiary Institution	Approvals (US$ millions)			Growth Rate (percent)	
	2018	2019	2020	2018/2019	2019/2020
Financial Institutions	7,012.25	7,408.78	10,982.61	5.65	48.24
Corporates	4,232.85	3,593.54	2,404.19	-15.10	-33.10
Sovereigns	1,167.23	1,397.22	2,908.18	19.70	108.14
Total	**12,412.33**	**12,399.54**	**16,294.98**	**-0.10**	**31.42**
Cumulative Totals[a)]	**69,040.92**	**81,440.46**	**97,735.44**	**17.96**	**20.01**

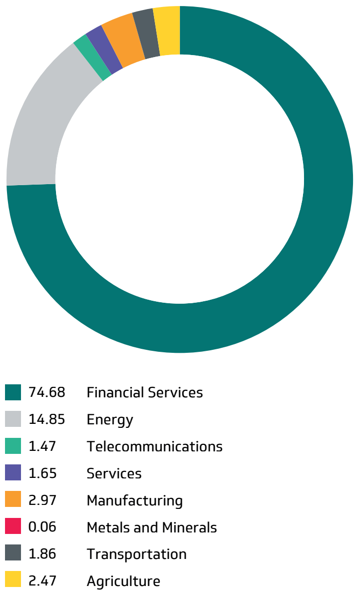
Source: Afreximbank.
[a)] Since Afreximbank began operations in September 1994.

Figure 3.4 Distribution of Loan Approvals by Sector, 2019-20 (percent)

2019



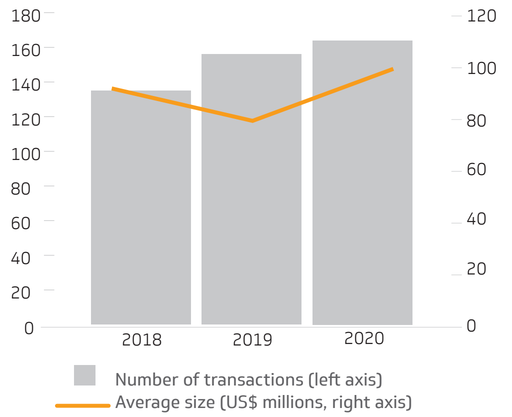
2020



Source: Afreximbank.

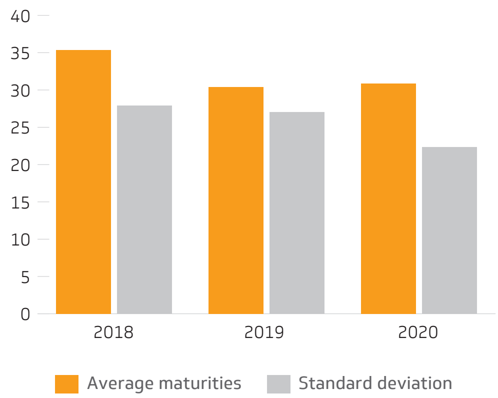
Share of Approvals by Type of Beneficiary Institution (percent)			Outstandings (US$ millions, end of period)			Growth Rate (percent)		Share of Outstandings by Type of Beneficiary Institution (percent)		
2018	2019	2020	2018	2019	2020	2018/2019	2019/2020	2018	2019	2020
56.49	59.75	67.40	5,810.12	5,631.93	9,232.83	-3.07	63.94	52.28	45.48	55.04
34.10	28.98	14.75	4,516.32	4,669.48	4,318.51	3.39	-7.52	40.64	37.71	25.75
9.40	11.27	17.85	786.71	2,082.01	3,222.07	164.65	54.76	7.08	16.81	19.21
100.00	100.00	100.00	11,113.15	12,383.42	16,773.41	11.43	35.45	100.00	100.00	100.00

Figure 3.5 Afreximbank: Number and Average Size of Approved Transactions, 2018–20



Source: Afreximbank.

Figure 3.6 Afreximbank: Average Maturity and Standard Deviation of Approved Transactions, 2018–20 (months)



Source: Afreximbank.

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Table 3.4 Afreximbank: Distribution of Loan Approvals and Outstandings by Trade Direction, 2018-20

Trade Direction	Approvals (US$ millions)			Growth Rate (percent)	
	2018	2019	2020	2018/2019	2019/2020
Intra-African[a)]	1,836.14	1,015.37	1,444.65	-44.70	42.28
Extra-African[b)]	479.97	1,152.00	583.17	140.02	-49.38
Mixed-Directional[c)]	10,096.22	10,232.17	14,267.16	1.35	39.43
Total	**12,412.33**	**12,399.54**	**16,294.98**	**-0.10**	**31.42**
Cumulative Totals[d)]	**69,040.92**	**81,440.46**	**97,735.44**	**17.96**	**20.01**

Source: Afreximbank.
[a)] Related to transactions that are expected to have impact exclusively on intra-African trade.
[b)] Related to transactions that are expected to have impact exclusively on extra-African trade.
[c)] Related to transactions that are expected to have impact on both intra- and extra-African trade (mixed-directional trade).
[d)] Since the Bank began operations in September 1994.

challenging and uncertain international economic and trade environment was manifested in the growth in the number of transactions. In 2020, the Bank approved 164 transactions compared with 135 and 156 in 2018 and 2019, respectively. The average size of approved transactions rose from US$79.5 million in 2019 to US$99.4 million in 2020 (Figure 3.5). In addition, the average maturity of approved transactions increased, albeit marginally, to 30.85 months in 2020 from 30.38 months in 2019. The standard deviation (measuring the dispersion around the average value) of approved transactions decreased from 27.02 months in 2019 to 22.37 months in 2020 (Figure 3.6).

3.1.2.5 Leveraging Financing into Africa

Traditional instruments used by the Bank to leverage financing into Africa include arranging or co-arranging syndicated loans and club deals and inviting other financing partners to share the risk of such transactions; granting guarantees to lenders taking African exposures thereby enabling them to fund such facilities; raising money in its name from the financial markets and on-lending to borrower entities that would ordinarily be unable to access the international financial markets; and providing advisory services that facilitate the flow of loans and foreign direct investment into Africa.

In 2020 the Bank acted as mandated lead arranger for 14 syndicated loan transactions amounted to US$11.81 billion, compared with US$5.45 billion in 2019. The Bank's share in these syndicated transactions amounted to US$1.74 billion, reflecting a leverage ratio of 6.8 (US$6.8 leveraged into the continent for every US$1 committed by the Bank), compared with US$5.1 recorded in 2019 (Figure 3.7).

Attesting to its leading role on the African syndicated loans market, the Bank was ranked Africa's top mandated lead arranger in Africa in the Bloomberg's 2020 full year "Capital Markets League Tables". This ranking recognised the Bank's leadership role in mobilizing capital from both within and outside the continent from a diverse range of investors and stakeholders for the financing needs of African borrowers.

3.1.3 Major Operational Highlights

3.1.3.1 Re-appointment of Professor Benedict Oramah as President of Afreximbank

On 14 June 2020, the shareholders of the Bank voted and reappointed Professor Benedict Oramah as president of the Bank for a second five-year term. The decision was announced during the Bank's 27th Annual General Meeting of Shareholders, which was held by circulation of resolutions due to COVID-19-related restrictions.

In his acceptance statement, President Oramah announced that the Bank's ultimate goal under his second term of office would be the realisation of Africa's strategic ambition to create an integrated market. He highlighted

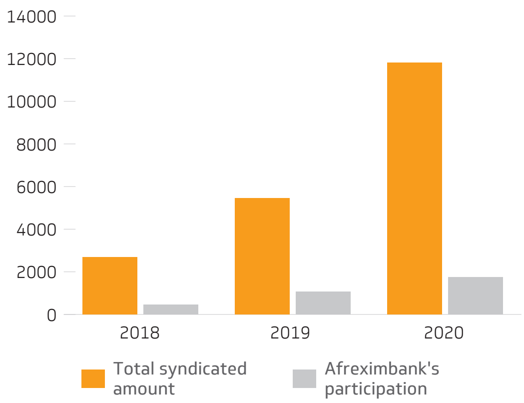
Share of Approvals by Trade Direction (percent)			Outstandings (US$ millions, end of period)			Growth Rate (percent)		Share of Outstandings by Trade Direction (percent)		
2018	2019	2020	2018	2019	2020	2018/2019	2019/2020	2018	2019	2020
14.79	8.19	8.87	2,766.65	3,931.30	5,211.50	42.10	32.56	24.90	31.75	31.07
3.87	9.29	3.58	365.48	2,195.77	5,298.60	500.79	141.31	3.29	17.73	31.59
81.34	82.52	87.56	7,981.02	6,256.35	6,263.31	-21.61	0.11	71.82	50.52	37.34
100.00	100.00	100.00	11,113.15	12,383.42	16,773.41	11.43	35.45	100.00	100.00	100.00

that, between 2015 and 2019, the Bank disbursed more than US$30 billion in support of African trade, with more than US$15 billion channelled towards the financing and promotion of intra-African trade. The president also pledged the Bank's unwavering support to the AfCFTA through various initiatives, including the Intra-African Trade Fair (IATF), Pan-African Payment and Settlement System (PAPSS), Trade Information Portal, and African Customer Due Diligence Repository Platform (MANSA)[1] to continue to remove trade bottlenecks across the continent.

3.1.3.2 Pandemic Trade Impact Mitigation Facility

In March 2020, the Bank launched the Pandemic Trade Impact Mitigation Facility (PATIMFA) to help African countries deal with the economic and health impacts of COVID-19. PATIMFA, approved by the Bank's Board of Directors during its sitting on 20 March 2020 (nine days after the World Health Organization declared COVID-19 a pandemic) provided financing to assist the Bank's member states adjust in an orderly manner to the financial,

Figure 3.7 Syndications/Club Deals Arranged or Co-Arranged by the Afreximbank, 2018–20 (US$ millions)



Source: Afreximbank.

[1]The MANSA Platform derives its name from Mansa Musa, the King of Mali (1312–37), who was the pioneer of trade in Africa.

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Box 3.1 Afreximbank's Pandemic Trade Impact Mitigation Facility: A Crisis Management Tool

Prior to the first reported case of COVID-19 in Africa, signs of potential economic distress associated with the pandemic began to surface. By early February 2020, many African commercial banks, corporates, and governments were beginning to face stricter credit terms in international financial markets and by March 2020 credit lines were no longer available to many African countries. Cuts in credit lines, coupled with a sharp decline in export earnings and inward remittances, which represent a significant source of foreign exchange inflows, constricted the debt service capacities of most African governments, financial institutions, and private corporates. Further, public, and private sector investments were halted as a consequence.

As the rate of infections began to rise, the limits and fragility of Africa's health infrastructure became evident. With the number of hospital beds at 26 per 1,000 persons, the health care sector could not contain rapidly expanding demands, and the prospect of Africa being an epicentre of COVID-19 became a major concern. Immediate action was required to contain the spread of the disease and deal with the economic fallout.

In response, the Afreximbank (the Bank), on 20 March 2020, with the approval of its Board of Directors, announced a commitment of US$3 billion (net disbursements) under a Pandemic Trade Impact Mitigation Facility (PATIMFA) to minimise the health and economic impact of the pandemic on African countries and to contribute to an expeditious economic recovery. PATIMFA was launched just nine days after COVID-19 was declared a pandemic by the World Health Organisation. The facility supports member state central banks and other financial institutions to meet trade debt payments falling due and to avert trade payment defaults; assists member states in procuring critical imports under emergency conditions; assists member states whose fiscal revenues are tied to specific export revenues, such as mineral royalties, to manage any sudden fiscal revenue declines as a result of reduced export earnings; and provides emergency trade finance facilities for import of urgent needs to combat the pandemic, including medicine, medical equipment, hospital refitting, among others. The facility is available through direct funding, lines of credit, guarantees, cross-currency swaps, and other similar instruments.

Through PATIMFA—which is essentially a crisis management tool and adds to the Bank's array of facilities in support of its member states—the Bank has once again demonstrated its relevance and systemic importance. As at the end of December 2020, the Bank disbursed about US$6.5 billion under PATIMFA and PATIMFA-related facilities, with outstanding loans amounting to about US$5 billion and the share of the facility in the Bank's total loans at close to 30 percent.

Looking ahead, several long-term benefits will accrue to the Bank's member states under this facility, as follows:

- History has shown that if countries default on trade debt payments, they lose access to international markets and take years to regain the confidence of markets after conditions have normalised. Lack of access to trade finance can significantly reduce a country's development prospects, as many African countries experienced in the 1980s. PATIMFA will help prevent trade debt payment defaults and thereby allow trade to continue.
- PATIMFA will enable member states to access finance on favourable terms to meet their foreign currency needs and finance critical basic imports, including essential medical supplies. This, in turn, will help reduce mortality rates caused by the COVID-19 and future pandemics.
- Curtailment of trade caused by pandemics and other crises can result in especially severe fiscal strains for African economies that are highly dependent on commodity exports and tariffs for foreign exchange and fiscal revenues. PATIMFA will help fill the gaps created by declining commodity-linked fiscal revenues, enabling African countries to meet their budget objectives and avoid defaults on their international obligations.
- Corporates engaged in trade and export manufacturing are exposed to the negative consequences of pandemics by a lack of access to financing, disruptions in supply chains, a sharp drop in demand, and extensive downtimes due to lockdowns. Financing provided through PATIMFA is expected to help corporates manage liquidity shocks and avoid bankruptcy.

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economic, and health care service shocks caused by the pandemic. The facility supported member state central banks and other financial institutions to meet trade debt payments that fell due and to avert trade payment defaults. It also assisted member states in procuring critical imports under emergency conditions.

In addition, PATIMFA was aimed at assisting member states whose fiscal revenues are tied to specific export revenues, such as mineral royalties, to manage any sudden fiscal revenue declines as a result of reduced export earnings. It provided emergency trade finance facilities for imports of urgent need to combat the pandemic, including, among others, medicine, test kits, personal protective and medical equipment, and hospital refitting. The facility was available through direct funding, lines of credit, guarantees, cross-currency swaps and other similar instruments.

3.1.3.3 Collaborative COVID-19 Pandemic Response Facility

In November 2020, the Bank announced its partnership with the International Islamic Trade Finance Corporation (ITFC), the trade finance arm of the Islamic Development Bank Group, and the Arab Bank for Economic Development in Africa to launch a US$1.5 billion Collaborative COVID-19 Pandemic Response Facility (COPREFA) with the objective of providing African economies with rapid financial assistance to reduce the impact of the COVID-19 pandemic.

COPREFA was designed to be accessed by eligible central banks, commercial banks, and businesses to finance imports of medical supplies as well as agricultural equipment and fertilisers essential for addressing the pressing food production deficit.

The facility also supports African economies to overcome a myriad of challenges, including commodity price shocks, a significant drop in tourism, disruption to supply chains and export manufacturing, as well as sudden declines in financial flows, including in trade and project finance, migrant remittances, portfolio investment, and foreign direct investment.

3.1.3.4 COVID-19 Grant

In April 2020, the Bank provided a grant of US$3 million towards the COVID-19 Special Fund set up by the African Union as well as to the Africa Centres for Disease Control and Prevention (Africa CDC) and other agencies. The grant was in response to a request by African heads of state, through the auspices of the chairperson of the African Union, HE President Cyril Ramaphosa of South Africa, for the mobilisation of resources to address the pandemic. According to President Ramaphosa, the resource constraints and urgent need for interventions on the ground required significant grant financing to ensure timely support for emergency interventions in combating the pandemic.

3.1.3.5 Support to the African Union's COVID-19 Activities

In 2020, the president of the Bank was appointed as chair of the Board of Trustees of the African Union COVID-19 Response Fund, which aims to ‘raise resources to strengthen the continental response to COVID-19 by, for example, supporting pooled procurement of diagnostics and other medical commodities by Africa CDC for distribution to the member states, and mitigating the pandemic’s socio-economic and humanitarian impact on African populations.’ President Oramah was also appointed by HE President Cyril Ramaphosa of South Africa, the chairperson of the African Union, as a member of the COVID-19 African Vaccine Acquisition Task Team (AVATT). The primary objectives of the AVATT include defining the most appropriate approaches to secure funding to procure sufficient COVID-19 vaccine doses to achieve coverage of 60 percent of the African population; and scoping the additional needs and financing required for the successful delivery and administration of the vaccines, including for human resources, facilities and equipment, logistics, community engagement and communication.

3.1.3.6 The Africa Medical Supplies Platform

The Bank partnered with Africa CDC, Mr Strive Masiyiwa (African Union COVID-19 Response Envoy), and the United Nations Economic Commission for Africa to develop the Africa Medical Supplies Platform (AMSP)—a non-profit initiative as an immediate, integrated, and practical response to the COVID-19 pandemic—to provide an online marketplace for the sale and purchase of medical supplies and equipment by African governments on a pooled basis. The AMSP was created to leverage Africa’s collective buying power for essential COVID-19 medical equipment and supplies to secure substantial discounts on dedicated bulk supply for the continent.

In addition to enabling trade payments under the platform, the Bank offered a US$100 million overdraft facility to support governments and other buyers in member states to be able make payments for medical equipment and supplies in a timely manner.

By the end of 2020, the AMSP had become a critical marketplace for COVID-19 procurements throughout Africa. The platform was also opened to Caribbean Community and Common Market countries in 2020, enabling them to easily make COVID-19 procurements.

3.1.3.7 Creative Economy

In 2020, the Bank made progress in implementing its initiative in support of the creative economy to facilitate the emergence and growth of creative and cultural industries across Africa. Given that the stakeholders in the creative industry are very small and fragmented, the Bank also developed a cooperative framework to support the creative industry. Progress in this area in 2020 included launching a $500 million Creative Industries Support Facility to provide a one-stop shop solution for governments, creative companies, and individuals to find and access technical support, finance, investment, and market opportunities; establishing the Creative Africa Advisory Group to guide the implementation of the Bank's strategy to support the growth and emergence of Africa's creative and cultural industries; developing a concept note on the establishment of a venture capital fund; and approving the first transaction on the creative economy for a Nigerian film production company valued at US$5 million.

In 2020, the Bank also launched the Creative Africa Nexus programme as a one-stop-shop for creative and cultural industries, governments, and individuals to find and access technical support, finance, investment, and market opportunities. It is designed to invest in talented people and their creative ideas across the creative industries in Africa, in particular fashion, film, music, arts, and crafts.

3.1.3.8 Harmonisation of Standards

In 2020, the Bank mobilised a grant of US$500,000 from the ITFC and provided a matching grant of US$720,000 to support the harmonisation of standards for pharmaceuticals and medical devices in Africa. The standards, which will be developed by the African Organisation for Standardisation (ARSO), seek to promote quality and safety in the production of pharmaceutical products, medicines, and medical devices on the continent. Product quality and standards are critical to the implementation of the AfCFTA agreement as they will ensure that producers of goods on the continent comply with one set of minimum regulatory and customer requirements, in turn allowing them to supply the continental market with goods that meet those standards. The standards will also facilitate the development of regional value chains and local production of medical and pharmaceutical products, thereby contributing towards building the continent's resilience against future pandemics.

Following engagement and support provided by the Bank, ARSO developed the African Quality Policy with the objective of harmonising automotive sector standards that were identified by ARSO for prioritisation as key to supporting the development and growth of the automotive industry in Africa. In this first stage, the broad areas for automotive sector standards harmonisation prioritised under the project included the evaluation of new vehicles, roadworthiness assessment of used vehicles, construction of passenger vehicles, automotive fuels, replacement parts/components, lubricating oils and greases, and transmission fluids. The project targeted a preliminary list of 18 standards to be harmonised but, beyond that, has been successful in harmonising 29 international standards and 13 African standards.

3.1.3.9 African Collaborative Transit Guarantee Scheme

Another major development to drive intra-African trade facilitation was the launch of the Bank's African collaborative transit guarantee (AACTG) scheme. The scheme is expected to facilitate movement of goods under a single transit bond (as opposed to issuing a bond at every border) to reduce the cost of moving goods in transit and facilitate intra-African trade. Designed to be implemented in collaboration of other Transit Bond issuers the Bank participation will increase capacity and support the modernization of technology for an efficient transit trade. In order to roll out the Transit Guarantee Scheme, the Bank engaged with the African Union (AU) and the Regional Economic Communities. In this context, the Bank negotiated accession to the Common Market for Eastern and Southern Africa (COMESA) Regional Customs Transit Guarantee (RCTG) Scheme to enable COMESA, RCTG and the Bank to pilot the scheme that will be jointly expanded across Africa under the auspices of the African Union. The accession agreement is expected to be signed early in 2021.

3.1.3.10 AfCFTA Adjustment Facility – Implementation Progress

Recognising the Bank's work thus far, the African Union heads of state, at their 33rd Ordinary Session, requested African ministers of trade and finance, in partnership with the Bank, to conclude the development of the AfCFTA Adjustment Facility in 2020. Pursuant to the summit mandate, the Bank, in consultation with the African Union, developed a concept note on the Adjustment Facility, which provides guidance on the detailed work to be done.

3.1.3.11 MANSA Platform

The MANSA workplan for 2020 was not spared from the negative impact of the pandemic-related lockdowns,

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as execution of the plan was anchored on physical interactions, which were disrupted by travel bans and social distancing requirements. Nevertheless, through virtual interactions, the Bank was able to increase the number platform contributors from 42 in January 2020, to 251 in December 2020, of which 133 are financial institutions, 46 corporates, and 72 small and medium-sized enterprises.

In November 2020, the Bank successfully hosted the operational launch of the platform, opening it to both contributors and subscribers. Acceleration in populating the platform was made possible through the Bank's close work with both internal and external stakeholders.

The Bank continued to identify key African stakeholders to assist in accelerating the onboarding of entities on the MANSA Platform by assuming the role of verifier or agency whose role is to ensure that data contributed on the platform have undergone rigorous checks.

3.1.3.12 Inaugural Meeting of the Governing Council of the PAPSS

The interim governing council of the PAPSS held its inaugural meeting virtually on 3 December 2020, a historic step towards the operationalisation of the payment system in early 2021. Developed by the Bank, under the auspices of the African Continental Free Trade Area (AfCFTA) Secretariat and the African Union, the PAPSS will enable intra-African trade and commerce payments to be made in African currencies in furtherance of the goals of the AfCFTA agreement. The governing council, charged with providing regulatory oversight to ensure the success of the payment system, is composed of central bank governors of the six countries of the West African Monetary Zone (WAMZ), where the PAPSS pilot phase will be carried out; the African Union Commissioner for Economic Affairs; the Secretary General of the AfCFTA; and a representative of the African Development Bank and the Afreximbank.

Adopted in July 2019 by the African Union heads of state as the payment and settlement system to support the implementation of the AfCFTA agreement, the PAPSS is expected to create new financial flows and successfully facilitate trade and other economic activity among African countries. As the operator and main settlement agent for the PAPSS, the Bank will provide settlement guarantee on the payment system as well as overdraft facilities for settlement agents.

3.1.3.13 Syndications Developments

2020 proved to be a particularly challenging year as the COVID-19 pandemic caused a sudden retreat of capital and investors from the continent and greatly impacted both loan and capital markets. In the face of these challenges, the Bank took decisive action to mobilise its significant partnership building expertise and investor reach and fulfilled its role as a countercyclical financial institution, broadening access to commercial capital, even for borrowers from those countries where access to international finance remains challenging. These achievements attest to the Bank's leadership role in mobilising capital from both within and outside the continent from a diverse range of investors and stakeholders for the financing needs of borrowers in Africa. The Bank's mandated-lead-arranger activity also greatly mitigated the impact of the pandemic-induced downturn for many borrowers—easing the rise of potential borrower defaults in the sovereign, financial institution, and corporate sectors—and contributed to general continued investor confidence, despite extraordinary adverse economic conditions.

3.1.3.14 Credit Rating

In 2020, despite an extremely challenging global economic environment due to the COVID-19 pandemic, Moody's, Fitch, and GCR—the three credit rating agencies that rate the Bank—affirmed the Bank's credit rating at Baa1, BBB-, and A-, respectively, with stable outlooks. These ratings reflect the Bank's strong solvency and liquidity positions and balance sheet, among others attributes.

3.2 ACTIVITIES

3.2.1 Treasury Activities, Risk Management, and Compliance

3.2.1.1 Treasury Activities

2020 was extremely challenging for funding desks of banks across the world, especially in developing economies, owing to the COVID-19 outbreak. Notwithstanding the challenges occasioned by the pandemic, however, the Bank was able to fulfil its funding objectives in line with its COVID-19-revised budgets. In addition to funding activities, the other main strategic focus areas for the Treasury and Markets Department during 2020 included hedging of non-US dollar exposures of the Bank, improving the Bank's liquidity position to withstand market dislocations, investing in surplus and/or strategic resources, enhancing the department's operating system, and managing the annual credit rating review process, among others.

The Bank mobilised US$9.20 billion from diverse funding sources, including international and local markets. About 60.9 percent was raised under the Africa Resource Mobilisation Initiative, which includes African central banks and non-central bank African institutions; another

12.4 percent from bilateral lines; 11.3 percent from loan market syndications; 14.4 percent from development finance institutions and export credit agencies; and slightly above 1 percent through money market lines from international financial market sources. US$5.60 billion was raised under the Africa Resource Mobilisation Programme, with about US$1.14 billion raised from partner international banks through bilateral lines, US$1.03 billion from loan market syndications, and US$1.32 billion from development finance institutions and export credit agencies.

Out of the US$9.20 billion raised in 2020, about US$1 billion was in reference to a syndicated loan market transaction that was concluded at the height of the COVID-19-occasioned financial market crisis. In May 2020, the Bank closed a highly successful syndicated loan market transaction, raising dual currency (US dollar and euro) US$907.50 million equivalent in a transaction that was launched at US$600 million, representing a more-than-1.5-times oversubscription. Following the oversubscription, the facility was upsized to US$1.10 billion through an accordion feature. The final deal size, the relatively short period over which funding was raised, and the tight market conditions reflect the confidence the market has in the Bank's financial strength and the important role it plays on the continent.

In addition, the Bank concluded a groundbreaking US$520 million financing in December 2020 under its export credit agency/development finance institution structure in a transaction that was covered by Nippon Export and Investment Insurance. The transaction was arranged to fund the Pandemic Trade Impact Mitigation Facility (PATIMFA) that was launched in March 2020 in response to the COVID-19 outbreak. The transaction targeted investors in the mainstream Japanese market and was the first of its kind to be arranged for any African institution in the Japanese market. The conclusion of this transaction was a major milestone for the Bank as it fulfilled some of the key objectives of its liability management which, among others, includes diversification of the liability book by geography, investor type, and tenor. The successful execution of the transaction is also testimony to the Bank's ready access to funding in new source markets during difficult market conditions as well as its ability to leverage its strong relationships with its partners across the world.

On the domestic funding front, the marketing of the Bank's Africa Resource Mobilisation Initiative continued to gain traction. The initiative was marketed to new central banks in the Bank's member states and targeted non-central bank African institutions, with significant progress made in 2020. US$5.6 billion was raised between January and December 2020—with the bulk raised at the height of the COVID-19 crisis—from African central banks, commercial banks, insurance companies, and corporates, among others.

In addition, significant progress was made under the Local Currency Funding Programme (LCFP), which is aimed at raising local currency to fund customers in the same local currency to help expand the use of local currencies in the conduct of intra-African trade and, together with the PAPSS, to ensure that foreign currency risks that inhibit intra-regional trade are minimised. In this regard, in 2020, the Bank raised local currency under the LCFP to fund local-currency-denominated assets. The funding was arranged in the South African rand through bilateral lines and foreign currency swaps with the Bank's relationship banks in South Africa. In addition, the Bank signed a N=300 billion domestic bond issuance programme with Nigeria in January 2020 and will continue to roll out the LCFP to other jurisdictions.

With regard to repayments, the major repayment in 2020 was related to a matured syndicated loan amounting to US$913 million. Other repayments in the international markets included a US$60 million bilateral in February, a US$280 million bilateral in June, and a total of €215 million in December 2020. In addition to these repayments, the Bank prepaid a syndicated loan that was arranged in May 2020 and had a first maturity in February 2021. The Bank had an option to extend the loan on the first maturity date. In this regard, €448.41 million and US$505 million were paid to the lenders in December 2020. In terms of African central bank deposits, the Bank achieved its set target retention rate of at least 85 percent of deposits.

Furthermore, in 2020, the Bank continued to manage the foreign exchange risk arising from its financing operations by borrowing in currency of lending and/or entering into foreign exchange derivative contracts with creditworthy counterparties where the currency of borrowing is non-functional. All foreign exchange derivatives entered into by the Bank in 2020 yielded a competitive cost, well below the funding cost in the Bank's functional currency.

The Bank continued its practice of placing excess/surplus funds in liquid short-term investment instruments with investment-grade-rated counterparties approved by the Board of Directors. As at 31 December 2020, US$1.72 billion was placed with a number of approved counterparties and some were invested in fixed-income securities that qualify for high-quality liquid assets under Basel III. In addition, about US$1.16 billion was maintained in current accounts to ensure sufficient liquid balances in line with the Bank's liquidity management policy. Thus, the Bank closed 2020 with a strong liquidity position of about US$2.88 billion.

In 2020, the Bank, through its Treasury and Markets Department, developed a client hedging solution product, which it offered to its clients to help them manage their balance sheet exposure to market risks. The product also provided the Bank with some protection against market volatility for its own credit extensions.

As part of enhancing the treasury management system, the Bank stepped up the implementation of a number of technology systems. To that end, implementation of the Bloomberg Collateral Management Module, which began in 2019, was successfully completed and will help in the management of derivative products. Implementation of an asset and liability management system (Ambit Focus) in the Treasury and Markets Department was intensified during 2020. Once completed, Ambit Focus will result in a major improvement in reporting and decision-making processes. And, to appropriately resource the Treasury and Markets Department to adapt to the ever-evolving markets, the Bank upgraded its treasury management system to include Basel III compliant reporting capabilities, derivative modules for handling derivative instruments, and other new products.

The annual credit rating review meetings were conducted in May 2020 with the three rating agencies that rate the Bank (GCR, Moody's, and Fitch), who affirmed the Bank's long-term credit rating at A-, Baa1, and BBB- respectively, all with a stable outlook. This is testament to the Bank's credit strength, especially in the wake of the COVID-19 pandemic.

3.2.1.2 Risk Management

The Bank's key risk universe includes business and strategy, credit, operational, liquidity, market, compliance, reputational, and mandate risks. The overall risk profile of the Bank as at 31 December 2020 was satisfactory and within the Board-approved Risk Appetite Statement.

In 2020, risk management activities continued to focus on strengthening the Bank's Enterprise Risk Management Framework, with a focus on managing the adverse impact of the COVID-19 pandemic on the Bank's operations and activities. Key initiatives in this regard included the ongoing implementation of the Bank's Pandemic Response Plan, Environmental and Social Risk Management, Operational Risk Management tools (including Risk Control Self-Assessments, Key Risk Indicators, and the enhancement of the Incident Management and Operational Loss Reporting processes). The loan remediation function continued to make significant progress in ensuring that the Bank's asset quality is sound through effective recovery and remediation efforts.

Key milestones achieved in 2020 included Board approval and launch of the Bank's revised Enterprise Risk Management Framework, including the attendant policies and tools. Additionally, the Bank commenced the development of risk management procedures, which will guide the implementation of the approved risk management policies.

The Bank, through various workstreams, also took action to mitigate the risks posed by the COVID-19 pandemic to its staff, customers, and business operations. In this regard, it set up and strengthened four workstreams—the Loan Quality Committee, Liquidity Management Working Group, COVID-19 Business Response Committee, and the Budget Impact Workstream. These efforts were supported by the Bank's Emergency Management Committee and helped institute a robust Work-from-Home (WFH) policy that had been rehearsed as part of the Bank's Business Continuity Management. Regular Business Continuity Management testing, simulation drills, and WFH rehearsals enabled the Bank to respond swiftly and effectively to the impact of the COVID-19 pandemic. With staff safety at the forefront, the Bank took the early decision to activate the WFH protocols in March 2020, and continuously provided medical briefings, knowledge sharing sessions, and information disseminated through electronic circulars to staff and their families.

Furthermore, the Bank strengthened its risk management capacity through risk awareness activities, Bank-wide risk training, and continued the drive to automate its risk management processes. Initiatives concluded in 2020 included integrated stress testing, rollout of a Bank-wide Risk Management Awareness program, and monitoring of the impact of COVID-19 and implementation of remedial efforts.

3.2.1.3 Compliance Processes

In 2020, the Bank launched the Compliance Enhancement Initiative. Some of the key activities undertaken under the initiative include:

Compliance Policies and Governance: Several policies, procedures, and the charter were reviewed to adapt the compliance governance framework to the compliance risks induced by the Bank's activities, and compliance processes and procedures were updated to enhance controls and efficiency in management of compliance risk. The proposed amendments were approved by the Board of Directors.

Framework of the Compliance Monitoring Systems: The Bank redesigned its compliance monitoring framework to enhance the monitoring of compliance risks across all systems that manage transactions. The Bank's capacity in terms of customer

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risk rating, monitoring customer transactions, and customer due diligence is expected to improve the rollout of the automated processes.

Compliance Awareness and Culture: In a bid to enhance the Bank's compliance culture, several events took place, including compliance training for the Board of Directors and staff. In addition, the Compliance E-Learning Programme was launched.

3.2.2 Shareholders' Matters

In the context of COVID-19 pandemic-related travel restrictions and social distancing measures, the Bank's 27th Annual General Meeting, initially scheduled for 13 June 2020 in Sharm el Sheikh, Egypt, was held by correspondence instead of physically.

Shareholders approved all of the proposed resolutions, including the Annual Report and Financial Statements, together with the Declaration and Distribution of Dividends for the year ended 31 December 2019, as recommended by the Board of Directors. Shareholders also approved the reappointment of PricewaterhouseCoopers, Zimbabwe, and KPMG, Egypt, as joint external auditors for the 2020 financial year audit. In addition, shareholders approved the reappointment of Professor Benedict Okechukwu Oramah as president of the Bank and chairman of the Board of Directors for his second and final term of five years, and renewed the terms of two directors in Class A and Class B, Mr Stefan-Luis Francois Nalletamby and Mr Kee Chong Li Kwong Wing, respectively. Shareholders were updated on the status of the implementation of the ongoing equity mobilisation exercise as well as the various initiatives for optimising the capital of the Bank and took note of the efforts. An additional equity increase of US$500 million was also approved to support the Bank in delivering on its mandate.

In 2020, the Bank continued with the implementation of its strategic objective to mobilise equity to respond to the high demand for its financing and initiatives from its participating states and other clients. This was particularly so in 2020 due to the extraordinary support requirements arising from the economic and health impact of the COVID-19 pandemic. Thus, shareholders continued to support the Bank by injecting new capital, including through reinvesting their dividends. In this regard, the new and existing shareholders acquired an additional 8,244 shares across all classes, bringing in US$163.74 million in additional capital, with US$251.1 million in additional callable capital. Additional equity capital in the form of share warrants, amounting to US$122.12 million was also raised. One new shareholder (the Development Bank of Central African States) joined the Bank and one existing Class A shareholder (the Central Bank of Nigeria) transferred its Class A shares to the government of Nigeria. Thus, in 2020, the number of shareholders remained at 156. The total number of shares subscribed stood at 135,516 shares with a nominal value of US$1.36 billion compared with 127,272 shares with a nominal value of US$1.27 billion in 2019. In 2020, all shareholders met their call obligations.

3.2.3 Meetings and Cooperation

In 2020, due to COVID-19 pandemic-related worldwide travel bans and lockdowns, several of the events planned by the Bank and its partner institutions were either cancelled or held virtually. This was the case, for instance, with the Bank's flagship IATF, which was postponed to September 2021 from September 2020. Among the events that were held virtually are the following:

Afreximbank Annual Meetings

The Bank's 27th Annual General Meeting, which was initially scheduled to be held in Sharm el Sheikh, Egypt, in June 2020, was held by correspondence. In addition, the series of events around the Annual General Meeting, including the seminars and the advisory group meetings, were cancelled.

Founders' Day

On 8 May 2020, the Bank held its second Founders' Day Celebration. The event, which was held virtually, honoured the Bank's founding fathers and their vision, highlighted the Bank's achievements since its inception in 1993, and recognised and rewarded long-service staff.

Intra-African Trade Fair 2021 Advisory Council

In December 2020, the advisory council of the second IATF held its eighth meeting to review progress made on the organisation of the continental trade exhibition scheduled to take place in Kigali, Rwanda, from 6–12 September 2021. The meeting, held virtually, reviewed the event workplan approved during the seventh advisory council meeting to align with the new timeline. The status of local preparations pertaining to readiness of successfully hosting the IATF in September 2021 was also discussed. In addition, the advisory council reviewed progress made in organising other segments of the event, including the Trade and Investment Forum, Creative Africa Nexus, Automotive Show, and Youth Start-Up programmes.

Afreximbank's Annual Babacar Ndiaye Lecture

In October 2020, the Bank hosted its fourth annual Babacar Ndiaye Lecture under the theme 'Africa and the Remaking of the New World Order'. HE Professor Kishore Mahbubani, a world-renowned geopolitical thinker and founding Dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore, delivered the keynote address. The lecture provided the platform to reflect on options and policies to take advantage of emerging opportunities associated with geopolitical realignment and an emerging new world order.

Afreximbank–Factor Chain International Africa Chapter Factoring Workshop

On 3 December 2020, the Bank, in collaboration with Factor Chain International (FCI), organised a virtual workshop on factoring on the sidelines of the FCI Africa Chapter Annual General Meeting. The objective of the workshop was to showcase the benefit and growth opportunities of factoring and bring additional focus on cross-border open account trade as well as supply chain finance services in Africa. The workshop attracted more than 240 attendees from factoring companies, banks, non-bank financial institutions, government agencies, consulting firms, and information technology providers. It highlighted how factoring plays an important role in financing economic activities and discussed the current state of the factoring industry in Africa, including new challenges, products, market developments, and opportunities.

Creative Africa Exchange

In January 2020, the Bank, along with several partners, sponsored the Creative Africa Exchange event held in Kigali, Rwanda. The event, which attracted more than 2,000 participants from 68 countries in Africa and beyond, was Africa's first continental event dedicated to promoting the exchange of views and ideas across the creative and cultural industry. It featured 250 exhibitors and brought together African creative talents from the music, arts, design, fashion, literature, publishing, film, and television sectors. During the event, the Bank announced a US$500 million Creative Industry Support Facility to support the production and trade of African cultural products.

Specialised Loans Events

Throughout 2020, the Bank was at the forefront of shaping the dialogue relating to African loan markets by supporting the main specialised loans conferences and events for Africa. The Bank was represented through speaker roles at the annual GFC Africa Bonds, Loans, and Sukuk Conference as well as the Loan Market Association and Developing Market events. These events were attended by more than 500 lenders, law firms, borrowers, and issuers and provided a forum for presentation and debate of all aspects of the development of African loan and capital markets. They also provided the Bank with a platform to promote its mandate and strategic initiatives and market its position as leader in Africa's syndicated loan market.

Afreximbank Annual Insurance Underwriter Days

In 2020, the Bank hosted two, one-day insurance underwriter events (in April and November). At these recurring annual events, the Bank presents its mandate, financials, strategic initiatives, as well as its lending pipeline to private insurance market underwriters. The insurance market underwriters remain close partners and unfunded risk participants in many of the Bank's loan interventions as well as other specific initiatives and thereby contribute to the Bank's leveraging of capital into the continent.

Africa Syndications Forum

The Bank, through its Syndication and Agency Team, hosts and administers a recurring quarterly meeting in London, bringing together investors active in the African syndicated loan market. The event is attended by 25–35 institutions and has established itself as a forum for dialogue and fostering a syndicated loan market community focussed on Africa. London continues to remain one of the most important financial centres for the raising of capital. Due to COVID-19 pandemic-related travel restrictions, the Africa Syndications Forum could only be held in the first quarter of 2020.

3.2.4 The Board of Directors

The Board of Directors and its committees held statutory and special meetings throughout 2020 and complied with the charter requirements. All meetings were held virtually due to COVID-19 pandemic-related restrictions, with the exception of the Strategy and Risk Committee meeting held on 29 February 2020 before the onset of restrictions. A number of resolutions were also passed by circulation, as provided for by the charter. The Board met quarterly and addressed issues affecting the growth and expansion of the Bank's financing activities, investments, borrowings, advisory services, risk management, human resources, compliance, and information technology. It also reviewed and approved the Bank's Annual Report and Financial Statements for the year ended 31 December 2019, together

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with the Declaration and Distribution of Dividends, and the appointment and remuneration of the external auditors for the financial year 2020, which were submitted to the 27th General Meeting of Shareholders for approval.

The Board also reviewed various other reports, including updates on its subsidiary, the Fund for Export Development in Africa, and noted the Bank's progress made in implementing the PAPSS and the Managed General Agency (AfrexInsure). The Board was provided with regular updates on the implementation of the Bank's strategic initiatives, including the Industrialisation and Export Development Programme, African Quality Assurance Centres, and African Medical Centres of Excellence.

The Board further noted the status of the preparations for the second IATF and the progress on the equity mobilisation exercise, including the status of depositary receipts issuance.

Particular attention was paid to the impact of the COVID-19 pandemic on the Bank's activities and its stakeholders and various initiatives developed by the Bank in response to the pandemic. On that note, the Board approved a number of programmes—the Pandemic Trade Impact Mitigation Facility (PATIMFA), COVID-19 Grant Support, AMSP, and Africa COVID-19 Vaccine Development and Access Strategy—aimed at supporting member states to respond to the COVID-19 pandemic-related challenges.

As part of the measures to enhance its effectiveness, the Board reviewed its governance charter, conflict of interest guidelines, and its committees' terms of reference, and carried out its annual self-evaluation process.

There was only one change in the membership of the Board in 2020. Dr Mahmoud Isa-Dutse resigned and was replaced by his alternate, Mr Aliyu Ahmed, on an interim basis in line with the charter, pending elections at the next Annual General Meeting.

In 2020, the committees of the Board deliberated on issues relating to the Bank's operations and activities. In this regard, the Executive Committee, Branch Management Committee, Audit Committee, Strategy and Risk Committee, and Remuneration Committee of the Board met virtually and deliberated on issues within their respective terms of reference. The Branch Office Construction Committee considered various matters by circulation.

The Executive Committee reviewed and approved various financing transactions as well as reports on the Bank's credit operations, loan portfolio, investment and borrowings, compliance, syndication and guarantees, and advisory services. Other matters considered by the Executive Committee included a review of PATIMFA and an update on recent political and economic developments in selected participating states and their impact on the Bank's activities.

The Branch Management Committee considered the reports on the activities of the branch offices and proposed measures for improving their operational and administrative efficiency. The committee also reviewed the proposal for the construction of the permanent offices in Abuja and Harare under the Afreximbank–Africa Trade Centre concept. The committee noted the progress in the setting up a branch office in Cameroon covering Central Africa and the management's plan to expand the role of branches.

The Audit Committee reviewed various audit reports from the Bank's internal and external auditors, including corresponding follow-up reports to ensure the effective implementation of the auditors' recommendations as well as the Annual Report and Financial Statements and the Strategy and Risk Reports. The committee also approved the scope of work of internal and external auditors as well as the audit charter.

The Strategy and Risk Committee reviewed and assessed the risks of the Bank and duly considered the Risk Management and Loan Remediation Reports. The committee's first meeting was dedicated to a detailed review of the loan portfolio, including past due obligations, the watch list, and the transactions written off. The committee also reviewed various initiatives of the Bank, including PATIMFA, COPREFA, the United Nations Economic Commission for Africa Facility, and the AMSP, all aimed at supporting its member states manage the adverse impact of COVID-19.

The Remuneration Committee reviewed various matters intended to enhance the remuneration and reward of staff, including a review of the performance and reward policy.

The Branch Office Construction Committee, renamed the Afreximbank–African Trade Centre Development Committee, provided strategic oversight to the construction of the Bank's permanent branch offices. In this regard, the committee noted the important milestones achieved in the construction of the Afreximbank–African Trade Centres in the first two cities selected (Abuja and Harare), and the progress made towards the acquisition of land for the construction of trade centres in Abidjan, Kampala, New Capital City (Egypt), and Yaoundé.

3.2.5 Membership Mobilisation

The number of African member states remained at 51 in 2020. Discussions continued with non-member states with a view to encouraging them to join the Bank. Efforts to encourage member states to ratify the Bank Agreement resulted in the confirmation of ratification by two countries—the Democratic Republic of Congo and Eswatini.

3.2.6 Branch Offices

In 2020, the activities of the Bank's branch offices in Abidjan, Abuja, Harare, and Kampala were in line with the set operational targets.

3.2.6.1 Abidjan Branch Office

In 2020, the Abidjan Branch Office, covering francophone West and Central Africa, witnessed an upsurge in the volume of business generated from US$2.8 billion in 2019 to US$3.6 billion, an increase of 28.5 percent. Transactions amounting to US$1,129 million were approved during the year against US$811 million in 2019, an increase of 39 percent. Cumulative loan disbursements stood at US$607 million in 2020 against US$405 million in 2019, translating into loans outstanding of US$1.5 billion in 2020. US$122 million in income generated reflected preferential pricing granted in the context of the COVID-19 pandemic.

3.2.6.2 Abuja Branch Office

The Abuja Branch Office, covering anglophone West Africa, recorded a 32 percent increase in total disbursements, closing at US$3.04 billion in 2020 compared with US$2.30 billion in 2019. Transactions amounting to US$642 million were approved and are awaiting conclusion of documentation and disbursement. The volume of proposals in the pipeline stood at US$3.06 billion as at 31 December 2020, and loans outstanding increased to US$5.30 billion in 2020 from US$4.38 billion in 2019. In terms of income generation, the branch office contributed US$383 million in 2020, up from US$347 million in 2019.

3.2.6.3 Harare Branch Office

The volume of business generated by the Harare Branch Office decreased by 12 percent from US$8.10 billion in 2019 to US$7.10 billion in 2020. The volume of transactions approved by the Executive

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Committee of the Board of Directors amounted to US$3.6 billion (2019: US$3.4 billion), representing an increase of about 6 percent above the level reached in 2019. The volume of transactions at different stages of development remained the same—at US$5.5 billion. The volume of operational facilities in 2020 amounted to US$3.8 billion (comprising funded facilities of US$3.3 billion and unfunded facilities of US$0.4 billion), representing an increase of 15 percent compared with US$3.3 billion in 2019. These trends in business activities of the Harare Branch Office translated into annual revenue attributable to the branch of US$284 million in 2020, up from US$238 million in 2019, representing an increase of 19.3 percent.

3.2.6.4 Kampala Branch Office

The Kampala Branch Office, covering 11 countries in the Horn of Africa and East Africa, recorded a 25 percent increase in loan assets from US$1.65 billion in 2019 to US$2.08 billion in 2020. The branch office maintained an average pipeline volume of US$1.7 billion in 2020 and achieved total facility approvals of US$1.1 billion, up 17 percent from US$950 million in 2019. Total disbursements in 2020 were almost unchanged from US$1.07 billion in 2019 to US$1.06 billion in 2020. Income generated by the branch office in 2020 amounted to US$156 million compared with US$130 million in 2019, representing 20 percent growth.

3.2.7 Human Resources and Administration

3.2.7.1 Human Resources

Resourcing: The Bank's human resources capacity grew by 15.5 percent from 213 permanent staff as at 31 December 2019 to 246 permanent staff as at 31 December 2020. In response to the logistical challenges posed by the COVID-19 pandemic, the Bank quickly adapted to virtual recruitment processes to ensure the availability of resources to meet the Bank's current and future needs. Key appointments made in 2020 were that of a director for communications and events to replace a member of staff who retired. Additional staff were recruited for the areas of trade finance, client relations, Intra-African Trade Initiative, project and asset-based finance, export development, internal audit, risk management, compliance, strategy and innovation, banking operations, and administration.

Building Afreximbank through Development: Through various capacity building initiatives, the Bank continued to support its staff in enhancing their skills and competencies that are critical for effective execution of the Bank's fifth Strategic Plan. In this regard, in January 2020, the Bank rolled out a digital learning platform with more than 25,000 courses by leading training providers for the staff to use as part of a move towards using a hybrid learning strategy. The intervention proved to be timely as the launch of the digital learning platform coincided with the implementation of the WFH directive in response to the COVID-19 pandemic and enabled staff to carry on with training.

In 2020, the Bank also introduced a Research Sabbatical Programme with the engagement of an inaugural research fellow from Stellenbosch University (South Africa) who will carry out research over a one-year period on intra-African foreign direct investment. In addition, the Bank recruited 16 analysts in various functions to join its inaugural Junior Professionals Programme, a management training initiative focused on equipping capable young African professionals with the skills to effectively contribute to the transformation of the African continent.

The Bank continued to implement talent mapping to gauge the quality of available talents across the institution. This included critical role analysis, which helped identify roles in the Bank that are most impactful in supporting the implementation of its Strategic Plan. This exercise provided useful information for the Bank's manpower planning process. Additionally, in 2020, overall team effectiveness improved through the design and facilitation of team building engagements, including the introduction of a team emotional resilience survey. Commendable achievements were reflected in the 2020 employee engagement and values survey results, with the total favourable score for teamwork in the Bank having improved significantly to 89 percent from 74 percent in 2019.

Building Afreximbank through Performance: As part of encouraging a value- driven performance culture to ensure that the desired Bank culture is well embedded among staff in a structured and systematic manner across the employee lifecycle, the Bank launched a values re-education campaign. This included listing behavioural anchors for each of the Bank's seven core values as well as updating the performance appraisal form to reflect an assessment of how staff members are living the Bank's core values.

Employees' Wellness: As part of its agenda to promote employee wellness and address the challenges posed by the COVID-19 pandemic, the Bank engaged three medical consultants at its headquarters and two medical consultants at each of its branch offices to provide medical support and advice to staff. In addition, the Bank facilitated a number of COVID-19 awareness sessions managed by various service providers, including Allianz International and International SOS, to provide staff with support and information to manage the physical and mental challenges posed by the pandemic and corresponding lockdown.

Bank Anthem: Through a bidding process, the Bank received various proposals for a Bank anthem from music composers across Africa. A committee evaluated several bids and awarded the successful bid to a studio in Cairo. The next step is for the Bank to invite a select number of well-known African singers to participate in the production of the anthem. The IATF anthem will be produced in parallel with this exercise.

3.2.7.2 Administration

In 2020, the Administration Department enabled the Bank's functions through several projects and activities as outlined below.

Premises and Office Management: The Bank put in place and fully implemented a comprehensive 2020 action plan, including operations and maintenance plans for all Bank premises, equipment, and systems. Several professional contractors and service providers were enlisted to carry out a range of planned and unplanned preventive and corrective maintenance works. The Bank also successfully implemented several energy and environmental savings measures with the aim to reduce its energy consumption and carbon footprint.

Afreximbank – Africa Trade Centre: In furtherance of IMPACT 2021: Africa Transformed, the Bank set out to establish trade centres in Africa to bridge the trade information gap and harness opportunities to expand intra-African trade. It intends to transform its existing and future buildings into iconic business complexes that provide an integrated one-stop-shop for trade information, trade services, and trade finance, with the Abuja and Harare Branch Offices as the locations for the first such centres. To that end, key efforts have included conducting comprehensive feasibility studies, preparing business plans, developing architectural designs, and engaging a number of consultants to carry out pre-construction works.

3.2.8 Business Continuity and Crisis Management

The Bank continued to enhance and exercise its Business Continuity, Crisis Management, and Security Evacuation Plans and further embed business continuity management in its day-to-day operations. The Bank carried out a number of Business Continuity Management activities successfully in 2020, most notably the WFH arrangement, which was approved by management in March 2020 in response to the COVID-19 outbreak. The Bank was able to carry out almost all of its critical activities and processes, in line with business impact analysis, under this arrangement.

3.2.9 Information and Communication Technology

In response to the unprecedented operating challenges brought on by the COVID-19 pandemic, secure Cloud-based technology platforms were proactively deployed and the information security infrastructure was enhanced to ensure seamless business operations and an effective WFH arrangement.

Key business automation initiatives implemented in 2020 included enhancement and digitisation of the workflow processes covering customer onboarding, 'know-your-customer' checks, credit assessment, and legal documentation; implementation of enterprise data warehouse and business intelligence (the functional blueprint design was completed as part of phase 1 of building intelligent dashboards and insights); upgrading and enhancement of the treasury management system (Ambit Quantum)—the upgrade ushered in new treasury system functionalities and reporting in addition to keeping up with changes in technology and treasury markets; and implementation of an invoice management system to streamline and improve procurement and payment processes and enable automated budgetary control.

3.2.10 Banking Relationships

In 2020, the Bank approved 85 new correspondent banking, trade service, and trade finance intermediary relationships (including 29 new AFTRAF relationships with approved lines). With more than 200 relationships established (new and renewed), the Bank's various correspondent banking, trade finance intermediary, and Trade Facilitation Programme relationships covered 32 out of the Bank's 51 member states, raising the geographical coverage to 62.7 percent in 2020. In line with these developments, the Bank strengthened its relationships with African financial institutions, becoming their partner of choice, with trade finance line disbursements in excess of US$6.5 billion over the year. The Bank also made significant efforts to strengthen business relationships with major financial institutions in the euro credit market through business calls and participation in syndicated and/or club deals originated by some of those partner banks, as well as through co-origination of some of the trade and project finance deals accomplished in 2020.

Operations and Activities

Box 3.2 Building the Foundation of an Automotive Industry in Africa

As one of the most capital- and knowledge-intensive industries globally, the automotive sector plays an instrumental role in supporting economic growth and development. For instance, estimates indicate that, in developed countries, a 1 percent growth in the automotive industry leads to an additional 1.5 percent growth in GDP, and that the average annual turnover of the global automobile industry is more than US$3 trillion (3.65 percent of world GDP). In addition, it is projected that by 2030 the gross revenue of the automotive industry will increase by 30 percent and that revenue from car sales, after-sales maintenance, and sales of spare parts will increase to US$5.2 trillion a year from US$3.5 trillion in 2015.

The indirect impact of the automotive industry on GDP is strengthened through related industries—the sector consumes steel, iron, aluminium, plastic, glass, carpeting, textiles, computer chips, rubber, and much more. For example, about 50 percent of the world's consumption of oil and rubber, and about 25 percent of the world's output of glass and 16 percent of steel is accounted for by the automotive industry. And, despite major disruptions brought on by the emergence of electric vehicles, self-driving and artificial intelligence technologies, and new mobility trends, the automotive industry remains one of the key branches of the global economy by directly or indirectly supporting the development of other industries across the world.

In Africa, the automotive market is underdeveloped, as the continent has not yet taken advantage of the opportunities presented by the automotive industry and remains relatively isolated from global auto value chains. Motor vehicles sales in Africa represent a marginal proportion in global sales. In 2019, 1.1 million new motor vehicles were sold in Africa, compared with 25 million in the United States and 20 million in Europe. The African automotive industry is also dominated by imports of second-hand vehicles, which reduces opportunities to establish auto assembly or manufacturing plants. Other challenges include poor fuel quality, low income/limited affordability, inadequate infrastructure, and high logistics costs. Due to this myriad of challenges, the motorization rate stands at 42 vehicles per 1,000 inhabitants in Africa compared with the global average of 180 vehicles per 1,000 inhabitants.

With an integrated market, as envisaged under the African Continental Free Trade Area (AfCFTA) agreement, abundant and cheap labour, natural resource wealth, and a growing middle class, African countries are increasingly turning their attention to developing and implementing appropriate policies to support the emergence of the automotive industry. Recent success in Morocco and South Africa shows the potential of the sector in supporting growth. Other African countries, including Egypt, Ghana, Kenya, Nigeria, and Rwanda, have embarked on national strategies to develop their automotive sectors.

It is against this background that the Afreximbank (the Bank) has developed a strategy to provide a comprehensive set of financing instruments and trade facilitation interventions to be deployed in collaboration with strategic partners to facilitate the emergence and growth of a strong and viable automotive industry across the continent. The key factors considered in the development of this strategy include low labour costs in Africa, potential migration of production capacity from Asia, the rise of Africa's middle-class, the growing significance of the African automotive industry, Africa's drive towards integration and structural transformation, and the emergence of new technologies. Alignment with the Bank's mandate and medium-term strategic pillars are among the organisational factors considered in the design of the strategy.

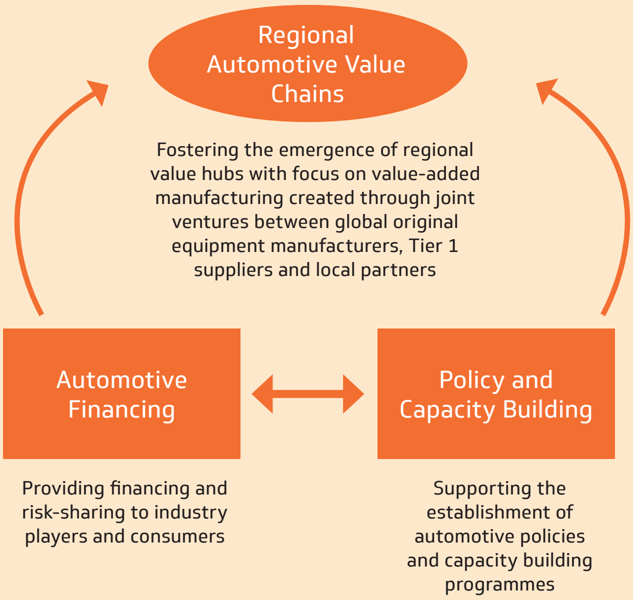
As illustrated in Figure 3.2.1, the strategy focuses on facilitating the emergence of regional automotive value chains, which will operate through joint ventures between original equipment manufacturers and their African partners. To that end, the Bank will provide financing through lines of credit, direct financing, supply chain financing, and guarantees as well as trade facilitation, trade information, and advisory services. To support the emergence of regional hubs in Africa, coherent national policies

and programmes and effective capacity building initiatives are also called for. To help achieve these objectives, the Bank will develop strategic partnerships with regional and international partners, including, among others, African governments, commercial banks, original equipment manufacturers, suppliers, regional trade bodies, and automotive associations.

The Bank's interventions to promote the automotive industry will focus on:

- Developing a continental automotive strategy that can be used to guide countries to develop national automotive policies and programmes and promote the development of regional automotive value chains to support the implementation of the AfCFTA agreement;
- Providing trade facilitation, export development, twinning, advisory, trade, and market information services to the automotive industry;
- Providing financial instruments to support the automotive industry (the Bank will package its relevant products and develop an automotive financing facility that can be marketed easily to the automotive industry);
- Engaging local banks through dedicated trade finance and project finance support as well as co-financing, risk-sharing, and trade services, among others;
- Fostering capacity building;
- Forging strategic partnerships, including with the AfCFTA Secretariat, the African Union's regional economic communities, and the African Association of Automotive Manufacturers; and
- Advocating for the adoption of continental standards in the automotive sector that will support the industry's players.

Figure 3.2.1 Pillars of the Afreximbank Automotive Strategy



Source: Afreximbank staff compilation

Operations and Activities

Box 3.3 Ensuring Resilience through Robust COVID-19 Contingency Plans and Actions

On the back of its robust financial performance in 2019, the Afreximbank ('the Bank') entered the COVID-19 crisis in a position of strength, with a solid capital base, high operating efficiency, good financial ratios, a diversified and quality loan portfolio, and a strong liquidity position. As a proactive response to the potential impact of the COVID-19 pandemic, management in March 2020 constituted or reactivated various working groups and committees focusing on four main areas—business continuity management, liquidity management, loan quality management, and business response (see Table 3.3.1).

Business Continuity Management

The Bank relied on its Pandemic Response Plan and existing operational and institutional structures to ensure that it remained resilient during the COVID-19 pandemic. Key business continuity management activities in response to the pandemic were coordinated within the frameworks of the Bank's Emergency Management and Crisis Management Committees to ensure that its operations were delivered optimally during this period. Regular business continuity management testing, simulation drills, and work-from-home rehearsals enabled the Bank to respond swiftly and effectively to contain the adverse impact of the pandemic on its operations. With staff safety at the forefront, the Bank took the early decision to activate its work-from-home capability in March 2020, with medical briefings, knowledge sharing sessions, and circulars to staff and their families. The Bank also established a detailed case management plan and engaged additional medical consultants at its branch offices to support staff and their families. To proactively respond to the risks associated with travel during the pandemic, the Bank suspended non-essential travel and

Table 3.3.1 Afreximbank COVID-19 Working Groups and Committees

Working Group/Committee	Mandate
Liquidity Management Working Group (Existing, but given expanded/emergency mandate)	• Assess the impact of the COVID-19 pandemic on the Bank's liquidity position and recommend appropriate response, strategies, and actions. • Assist in the implementation of the agreed actions.
Loan Quality Committee (Existing, but given expanded/emergency mandate)	• Proactively identify facilities that may be vulnerable to COVID-19-induced risks and recommend remedial actions to minimize the risk of default on loans in the Bank's portfolio.
COVID-19 Business Response Committee (New)	• Estimate demand, especially regarding the implementation of the Pandemic Trade Impact Mitigation Facility and other COVID-19-related response facilities; assist in prioritizing support based on impact, diversification, return, capital use, and liquidity. • Assist in identifying regular facilities that should be de-emphasized for optimal capital and liquidity management.
Budget Committee (Existing)	• Assess the impact of the COVID-19 pandemic on the Bank's approved budget and business plan and propose appropriate revisions for Board consideration.
Crisis Management Committee (Existing)	• Coordinate enterprise-wide response actions to COVID-19 to ensure staff safety, protection of the Bank's assets and systems, and continuity of critical business activities.

Source: Afreximbank staff compilation.

restricted out-of-station travel. In addition, the Bank developed a Work-from-Office Resumption Plan, which allowed for the weekly assessment of risks associated with the pandemic, leveraging the guidelines provided by the World Health Organization, Africa Centres for Disease Control and Prevention, and governments across the continent. Thanks to these preventive measures, the Bank has not registered any fatalities due to COVID-19, business has continued normally, the Board of Directors and Management Committees have met as scheduled, and all operations continue to be undertaken normally.

Liquidity Management

The Bank entered the pandemic-induced crisis with cash balances of US$3.1 billion and has since maintained a healthy cash position, with liquidity coverage and net stable funding ratios far above internal conservative targets. Ensuring sufficient liquidity to withstand ongoing market turbulence, while still being able to support the Bank's member states, remained the primary objective of the liquidity management effort. To assess the potential liquidity implications of the pandemic, the Liquidity Management Working Group conducted stress tests to determine the Bank's resilience to severe liquidity stresses, including disruptions in the international debt, equity, and syndicated loan markets. Recommendations arising from the stress tests were promptly implemented.

The Bank maintains adequate and stable internal and other sources of funding, which enable it to respond to its asset requirements. These include loan repayments, as well as borrowings through syndicated loans, drawings on committed lines from development finance institutions, export credit agencies, and commercial banks, and expanded access to African resources through the Africa Resource Mobilisation Programme. As a result, the Bank was able to maintain sufficient liquidity to fund its business in the wake of the pandemic while continuing to meet its prudential ratio targets.

Loan Quality Management

To enable the Bank to manage loan quality proactively, management tasked the Loan Quality Committee with a review of the Bank's credit portfolio of funded and unfunded exposures to identify those that may be vulnerable to the direct or indirect impact of the pandemic. The Bank then engaged each of its clients to assess the level of their vulnerability and to identify and implement mutually beneficial solutions to mitigate the impact of the pandemic. Clients worked with the Bank to avoid default and either (1) deposited cash in the collection accounts to cover all repayments to December 2020; (2) provided additional collateral/sources of repayment, such as the assignment of additional oil cargoes; or (3) confirmed that they would be in a position to meet all their contractual repayments for 2020 as they fall due.

Additionally, structured trade finance helped to mitigate losses, ensuring firm demand for oil and certain metals, even when prices collapsed, and afforded price protection through hedging derivatives held as collateral. Consequently, the Bank's asset quality remained within its risk appetite, reflecting the Bank's ability to respond to and manage through crisis, the prudence of structured trade finance-based lending, the benefits of preferred creditor treatment across the Bank's member states, and sound risk management.

Business Response

Periods of economic dislocation present the Bank with opportunities to execute its mandate and demonstrate its relevance. In line with its mandate, the Bank launched the US$3 billion Pandemic Trade Impact Mitigation Facility (PATIMFA) to assist member states in managing the adverse impact of financial, economic, and health shocks caused by the COVID-19 pandemic. The Bank set aside US$200 million to finance the production of COVID-19-related medical equipment and supplies within Africa and, as at 31 December 2020, had disbursed more than US$6 billion under the PATIMFA facility. In addition, in April 2020, the Bank's Board of Directors approved US$3 million in grant financing for the Africa Centres for Disease Control and Prevention, Africa Union

Operations and Activities

Box 3.3 Ensuring Resilience through Robust COVID-19 Contingency Plans and Actions

COVID-19 Response Fund, and others to help ameliorate the adverse effects of the pandemic.

The Bank also partnered with African Union Special Envoy Mr Strive Masiyiwa, the African Centres for Disease Control and Prevention, and the Economic Commission for Africa to launch the Africa Medical Supplies Platform in June 2020. The platform has been adopted as a single online marketplace to facilitate the provision of COVID-19-related medical supplies in Africa. The Bank supports the platform as (1) the payment services provider responsible for the settlement of purchases by all buyers on the platform; (2) a trade services bank, offering guarantees and letters of credit to support purchases by approved buyers on the platform; and (3) a funding bank, providing overdraft facilities to enable African countries to access a short-term facility to cater to short-term cash flow timing differences. The Bank's Board of Directors approved a US$2 billion advance purchase commitment under PATIMFA for participating suppliers, allowing the finalization of supply contracts. Through this facility, the Bank is enabling countries across the continent to rapidly access the COVID-19 vaccines at competitive prices and in a timely manner.

In November 2020, the Bank, in partnership with the International Islamic Trade Finance Corporation (the Trade Finance Arm of the Islamic Development Bank Group) and the Arab Bank for Economic Development in Africa, launched a US$1.5 billion Collaborative COVID-19 Pandemic Response Facility (COPREFA) to provide African countries with rapid financial assistance to reduce the impact of COVID-19. COPREFA will be accessed by eligible central banks, commercial banks, and businesses to finance imports of medical supplies as well as agricultural equipment and fertilizers essential for addressing the pressing food production deficit. COPREFA is also designed to support African economies to overcome a myriad of challenges, including commodity price shocks, a significant drop in tourism, and disruption to supply chains and export manufacturing. It will also address the sudden declines in financial flows, including in trade and project finance, migrant remittances, portfolio investment, and foreign direct investment.

On the operational front, to help management take appropriate action in a timely manner, the Budget Committee provided support by running various scenarios that took into account the impact of COVID-19 on various factors, including the Bank's existing exposure, new business generation, liquidity and funding, and equity raising, and the London Interbank Offer Rate. As a consequence of the Bank's ability to respond to shocks and its strong partnership with its member states, the Bank's net loans and advances grew by 36 percent in 2020.

Conclusion

The Bank has demonstrated resilience over the years, including in times of crisis, and continues to maintain a relatively strong performing portfolio, which is testimony to its ability to appropriately manage risks in its operating environment. The robust COVID-19 contingency plans and actions put in place by management to mitigate the risks posed by the pandemic to its staff, customers, and business operations—particularly asset quality, liquidity, business continuity, and business development—have enabled the Bank to withstand another crisis and emerge even stronger.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Chapter Four

Trade Development Impact of Operations and Activities

In its commitment to accelerate intra-African trade, Afreximbank is supporting the African Continental Free Trade Area agreement by improving access to trade finance and promoting value addition and industrialisation. To help meet those objectives, it disbursed US$10.95 billion to entities across Africa in 2020.

04

Chapter Four

Trade Development Impact of Operations and Activities

286

Afreximbank granted 286 trade finance lines totalling US$6.5 billion in 2020, resulting in 48,960 subloans to small and medium-sized enterprises.

2020

Afreximbank's African Customer Due Diligence Repository Platform was launched on 30 November 2020.

Afreximbank is helping Angolan Airlines set the standards for airlines in Africa in operating modern and fuel-efficient fleets. In the short term, six additional aircraft will be added to the airlines, which currently operate in 58 destinations, to strengthen their regional routes and to assist with aircraft replacement.

Trade Development Impact of Operations and Activities

As the Bank embarks on the final year of implementation of its fifth Strategic Plan (IMPACT 2021: Africa Transformed), its momentum to boost Africa's trade through the delivery of impactful projects has continued.

The transformation agenda is premised on the promise to transform Africa by accelerating intra-African trade in support of the African Continental Free Trade (AfCFTA) agreement by promoting value addition and industrialisation and ensuring improved access to trade finance.

In keeping with its commitment to Africa's transformation, the Bank ended 2020 with US$10.95 billion in disbursements in favour of entities across Africa. In response to the challenges faced in 2020, with the Bank's resilience put to the test, it made good progress in delivering on each of its strategic pillars, especially from a development impact perspective.

In this regard, the projects financed during the year under the Bank's Intra-African Trade strategic pillar are expected to connect 100,000 rural farmers and small and medium-sized enterprises in East, Southern, and West Africa to formal markets. With respect to trade facilitation, the 374-kilometre cross-border roads in West Africa and the upgrade and expansion of a one-stop border post between Zimbabwe and South Africa are expected to increase the volume of trade in these regions by US$400 million and reduce the pass-through waiting time for commercial vehicles from 35–39 hours to 2–3 hours.

Under this strategic pillar, the Bank is also working on various initiatives to support the successful implementation of the AfCFTA agreement, including the rollout of the Pan-African Payment and Settlement System (PAPSS); development of the statutes and resource mobilisation plan for the AfCFTA Adjustment Facility; operationalisation of the Afreximbank–African Collaborative Transit Guarantee (AACTG) scheme in East, North, and Southern Africa; and harmonisation of African standards.

Furthermore, through its global facility for African multinational corporations (Intra-African Trade Champions), the Bank supported an Egyptian company in winning a US$35 million contract in the Democratic Republic of Congo for the purpose of financing the engineering, supply, installation, and commissioning of the Kasumbalesa HV substation project. The Bank also supported another Egyptian company in signing a US$30 million contract with the government of South Sudan for the construction of the Juba-Nimule road. And, with the help of the Bank, a memorandum of understanding was signed between an Egyptian oil and gas company and the Ministry of Mines and Hydrocarbons of Equatorial Guinea to construct modular refineries (the Kogo refinery project).

In advancing its work under the Industrialisation and Export Development strategic pillar, the Bank continued to deepen its support through financing and technical services for the development of industrial infrastructure and creation of value-added exports. The expansion of an existing out-patient project to encompass a 100-bed fit-for-purpose greenfield out-patient medical centre and in-patient medical facility is expected to create about 800 direct jobs and enhance positive health outcomes in West Africa. In addition, the development of two industrial parks in East Africa promises 21,000 direct jobs and 45,000 indirect jobs.

In Southern Africa, six aircraft will soon be added to one of the regional airlines, which is expected to create 100 direct jobs. Furthermore, the construction of the first African Quality Assurance Centres in West Africa is under way and discussions are advanced towards similar projects in East and North Africa.

With respect to the Trade Finance Leadership strategic pillar, the Bank contributed to the narrowing of the trade finance gap in Africa by almost 13.5 percent in 2020 (a 3.5 percent increase over 2019). By the end of 2020, the Bank had granted 286 trade finance lines, amounting to US$6.5 billion to 20 countries across Africa (predominantly least-developed countries) to meet their trade financing needs. This resulted in 48,960 subloans to small and medium-sized enterprises, mostly women and the youth. The Bank's payment services also made it possible for smaller economies in East, Southern, and West Africa to access payment services.

In 2020, a significant milestone was achieved with the development of the guidelines for the Trade Development Impact Assessment (TDIA) rating and the adoption of the TDIA roadmap for full implementation. Each year, the Bank reports to management and stakeholders on the contribution of its interventions on Africa's trade and development through its Annual Trade Development Effectiveness Report, which was first issued in 2020. As the Bank enters the final year of its fifth Strategic Plan, the TDIA roadmap will enable the Bank to work more effectively, achieve greater development impact, and further strengthen its role as Africa's leading trade development finance institution. The COVID-19 pandemic makes this more pertinent, as it requires the Bank to use its resources even more effectively.

4.1 INTRA-AFRICAN TRADE

Increased intra-African trade leads to greater exchange of manufactured and processed goods, knowledge transfer, and income generation to help eradicate poverty. By creating a single, competitive, and richer African market, the AfCFTA is expected to increase intra-African trade by more than 50 percent, boost exports by US$560 billion (29 percent mostly in manufacturing), and lift 30 million people out of extreme poverty. But significant gaps in logistics, cross-border payments, and harmonisation of standards persist, which the Bank is working to address.

4.1.1 Supporting the Implementation of the AfCFTA

In 2020, the Bank approved an institutional grant of US$3 million to the AfCFTA Secretariat to help accelerate the implementation of the AfCFTA agreement. To facilitate the implementation of the agreement, the African Union heads of state adopted the PAPSS, which will begin operations with the onboarding of the central banks of the six West African Monetary Zone (WAMZ) countries. The first meeting of the PAPSS governing council, held on 3 December 2020, was the start of the implementation of a system that will enable intra-African trade and commerce payments to be made in African currencies, making access to inputs and enhanced market access for final products and services easier and more cost effective. The payment system could save the continent more than US$5 billion in payment transaction costs every year and help formalise a significant portion of the estimated US$50 billion of informal cross-border trade in the region.

As operator and main settlement agent for the PAPSS, the Bank will provide settlement guarantee on the payment system as well as overdraft facilities to all settlement agents. An initial sum of US$500 million has been approved by the Bank for settlement support to central banks in the WAMZ.

The Bank is also working with the African Union to support the rollout of the AACTG scheme, a single transit bond that will facilitate the movement of goods across regional economic communities and under the AfCFTA agreement. The AACTG scheme will soon become operational in the Common Market for East and Southern Africa (COMESA), with hauliers expected to be able to pass on US$300 million in savings annually, or 4 percent of the value of goods transited under the scheme.

The Bank is also close to finalising the development of the statutes and resource mobilisation plan for the AfCFTA Adjustment Facility, as mandated by the African Union heads of state at their 33rd Ordinary Session in February 2020. When completed, the plan will provide a mechanism for member states of the African Union to access financial and technical resources to implement the agreement and mitigate short-term disruptions and associated losses.

In addition, the Bank is partnering with the African Organisation for Standardisation (ARSO) to develop the African Quality Policy and African automotive standards to support the implementation of the AfCFTA agreement, boost intra-African trade, and contribute to African industrialisation. The development of the African Quality Policy brought together experts from 49 African countries and seven regional economic communities and is currently being considered by the African Union for adoption. The project to develop African

Trade Development Impact of Operations and Activities

automotive standards has harmonised 29 international standards (more than the initially planned target of 18) and 13 African standards, all of which are contributing to the elimination of tariff and non-tariff barriers to widen the markets for the automotive industry in Africa.

The COVID-19 pandemic has highlighted Africa's need for more essential medical supplies. In 2020, the Bank and the International Islamic Trade Finance Corporation (ITFC) partnered with the African Organisation for Standardisation (ARSO) to launch a new Arab–Africa Trade Bridges Programme initiative (the Harmonisation of Standards for Pharmaceutical and Medical Devices in Africa), aimed at promoting the quality and safety of medicines and medical devices imported or produced on the continent. As part of the response to the COVID-19 pandemic, this initiative will facilitate and enhance the distribution of medical supplies across Africa. In the long term, it could lead to the emergence of regional supply chains for pharmaceutical and medical devices.

4.1.2 Connecting African Industries to Markets

In 2020, the Bank continued its efforts to promote intra-African investment. To that end, through its global facility for African multinational corporations (Intra-African Trade Champions), the Bank is connecting a number of African entities to African markets through financing, enabling market access, and other forms of technical assistance. In 2020, the Bank supported an Egyptian company in winning a US$35 million contract in the Democratic Republic of Congo to finance the engineering, supply, installation, and commissioning of the Kasumbalesa HV substation project. The Bank also facilitated the signing of a US$30 million contract between another Egyptian company and the government of South Sudan for the construction of the Juba-Nimule road. And, with the help of the Bank, a memorandum of understanding was signed between an Egyptian oil and gas company and the Ministry of Mines and Hydrocarbons of Equatorial Guinea to construct modular refineries (the Kogo refinery project).

The Bank also assisted an Egyptian holding company to expand its activities into Ethiopia, which has contributed to a 1-million-hectoliter increase in brewery capacity a year, creating 233 jobs, and benefiting 243 Ethiopian small businesses.

The Bank's Intra-African Trade Fair initiative is already enabling an opening up of the African continent, with the second fair to be held in Kigali, Rwanda, during 6–12 September 2021 under the theme, 'Building Bridges for a Successful AfCFTA'.

4.1.3 Transforming Intra-African Trade through Innovation

Experiences from the COVID-19 pandemic underscore the importance of digital innovation in improving market access and competitiveness. To seize the new opportunities, the Bank is creating a digital ecosystem (the Africa Trade Gateway), comprising five digital platforms: the Trade Information Portal, Africa Trade Exchange, African Customer Due Diligence Repository Platform, Customer Online Application, Trade Regulatory Platform, and PAPSS. The Africa Trade Gateway will accelerate intra-African trade through the reduction or elimination of major bottlenecks to trade and financial flows across the continent by providing incentives for greater private sector participation in trade through increased access to trade services and intra-African payments and finance. It is estimated that, when completed, this innovative platform will help triple the share of intra-African trade in Africa's total trade.

4.1.4 Leveraging for Intra-African Trade Facilitation

Constraints to African trade are largely attributable to its high costs. As a result, trade facilitation remains crucial for the successful implementation of the AfCFTA agreement. To that end, in 2020, the Bank financed the construction of a 224-kilometre cross-border road within the trade corridor between Burkina Faso, Côte d'Ivoire, Guinea, and Mali and a 100-kilometre corridor from the Kankan-Mandina border to Côte d'Ivoire and Mali. The road project is expected to boost trade among these countries, increasing their contribution to intra-African trade by 4.4 percent and creating more than 400 jobs. The Bank is also investing in upgrading and expanding a one-stop border post between Zimbabwe and South Africa to reduce the pass-through waiting time for commercial vehicles from 35–39 hours to 2–3 hours.

4.2 INDUSTRIALISATION AND EXPORT DEVELOPMENT

Africa is making progress in industrialisation. The continent's manufacturing share of exports has expanded from 35.5 percent in 2008 to 48.9 percent in 2018, though aggregate trade and production values mask huge variations in performance across firms. Exports are highly concentrated, with a few 'super exporters' dominating the export bundle. Mitigating direct constraints to industrial development would boost participation by firms across all industries, with stronger effects for medium-sized firms.

2020 Project Overview

ENERGY SECTOR

The energy sector of **Angola**, **Niger**, **Nigeria**, **Senegal**, **South Sudan**, and **Tunisia**, through financial support for maintenance contracts and capital expenditures as well as for imports of oil and gas products to help meet industries' power supply needs

An Egyptian holding company to expand its activities into **Ethiopia**, which has contributed to a 1-million-hectoliter increase in brewery capacity a year, creating 233 jobs and benefiting 243 Ethiopian small businesses

Orascom Construction in signing a US$30 million contract with the government of **South Sudan** for the construction of the Juba-Nimule road

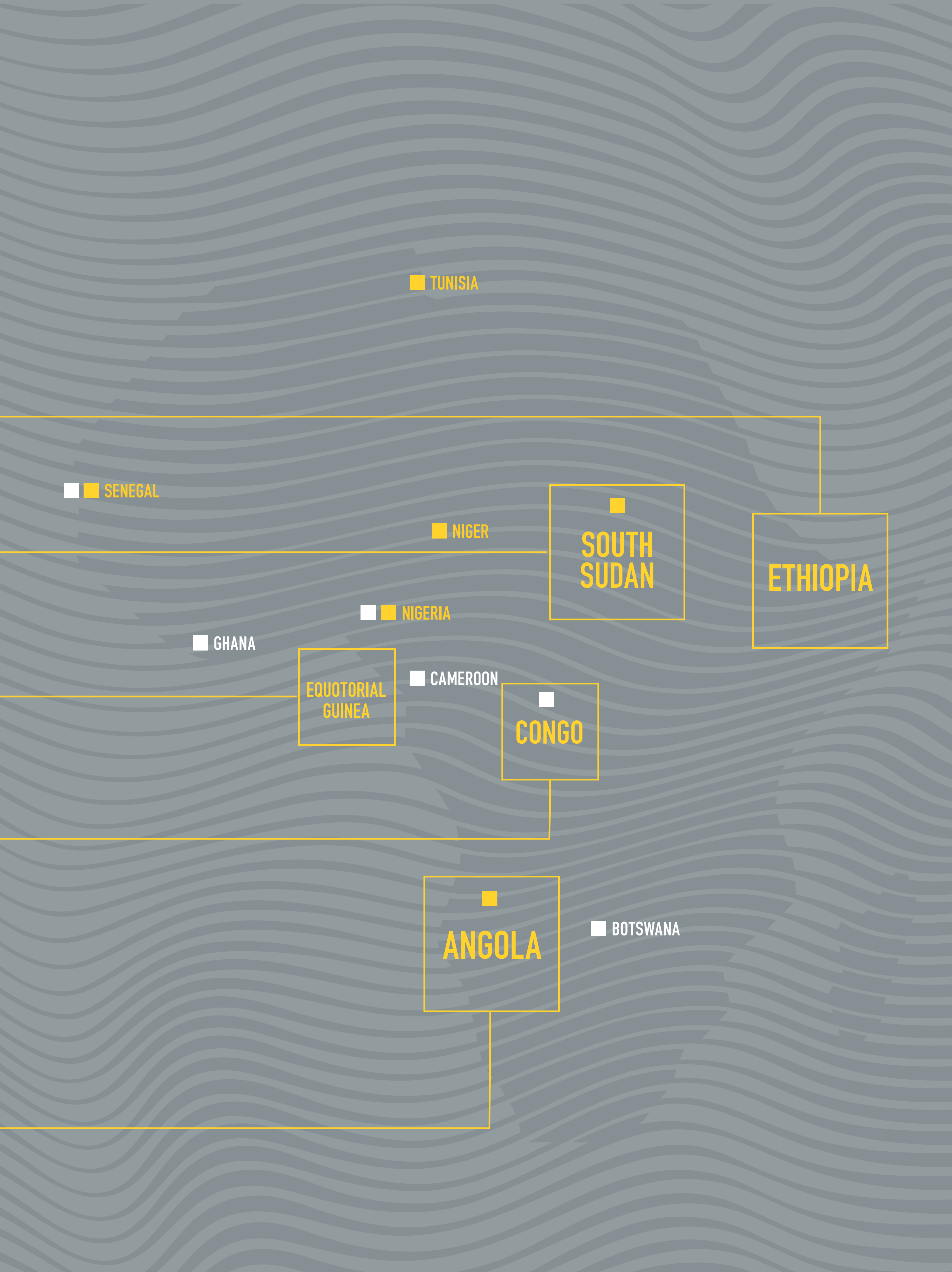
Petrojet and the Ministry of Mines and Hydrocarbons of **Equatorial Guinea** in signing a memorandum of understanding to construct modular refineries (the Kogo refinery project)

El Sewedy in winning a US$35 million contract in the **Democratic Republic of Congo** to finance the engineering, supply, installation, and commissioning of the Kasumbalesa HV substation project

FACTORING COMPANIES

Factoring companies in Africa, in the amount of US$4 million, benefiting small and medium-sized enterprises in **Botswana**, **Cameroon**, **the Democratic Republic of Congo**, **the Republic of the Congo**, **Ghana**, **Nigeria**, and **Senegal**

Angolan Airlines to set the standards for airlines in Africa in operating modern and fuel-efficient fleets


TUNISIA
SENEGAL
NIGER
SOUTH SUDAN
ETHIOPIA
NIGERIA
GHANA
EQUOTORIAL GUINEA
CAMEROON
CONGO
ANGOLA
BOTSWANA

Trade Development Impact of Operations and Activities

The COVID-19 pandemic has severely strained African industries, threatening to undermine decades of progress and jeopardise long-term goals, but it also presents new opportunities and could lead to a reshaped and more resilient African manufacturing sector, provided that constraints to industrialisation are addressed.

4.2.1 Driving Agribusiness to Diversify Economies

The Food and Agriculture Organisation estimates that up to 50 percent of Africa's agricultural production is lost every year from farm-to-market due to problems ranging from suboptimal use of inputs to improper post-harvest storage, processing, and transportation facilities. These challenges have been exacerbated by the COVID-19 pandemic, which has disrupted supply chains, heightened price volatility, and could further undermine household consumption.

Under its strategy to promote the emergence and expansion of export trading companies, the Bank, through its investment in one of the largest and fastest-growing integrated agricultural conglomerates in Africa, has scaled up support to provide smallholder farmers in several countries—Burkina Faso, Ethiopia, Kenya, Malawi, Mozambique, Nigeria, South Africa, Tanzania, Togo, Uganda, Zambia, and Zimbabwe—with market access and a range of services to facilitate exports and to ensure that a fair share of value added goes to producers. This support is estimated to create about 400 additional direct jobs across the continent, benefiting 4,500 local farmers, and provide African governments with an additional US$60 million in revenue.

In 2020, the Bank also invested in Africa's tobacco value chain by supporting the purchase of green leaf from local farmers in Africa's three main tobacco-producing countries (Zimbabwe, Malawi and Tanzania) for processing, packaging, and exporting tobacco. This intervention is anticipated to increase tobacco processing capacity in East and Southern African by 200,000 metric tons, creating about 200 jobs, and benefiting 100,000 local farmers (mostly women and the youth).

4.2.2 Enabling Access to Trade-Related Infrastructure

The COVID-19 pandemic has highlighted the need for a more robust and enduring health care system in Africa. For example, in Liberia, while the government has sought to build a resilient health care system, the country faces a drastic lack of ventilators, with only five functional machines for a population of approximately 4.9 million. In addition, according to World Health Organization, Liberia has one of the highest mortality maternal rates, estimated at 1,072 per 100,000 live births versus the continent's average mortality rate of 533 per 100,000 live births and an under-five years infant mortality rate of 94 per 1,000 live births versus the continent's average of 34 per 1,000 live births. Cognisant thereof, and in line with its efforts to promote regional centres of excellence in the health care sector, in 2020, the Bank approved the deployment of its Project Preparation Facility to finance feasibility studies, environmental impact assessments, and procurement of transaction advisory services for the expansion of an outpatient project to encompass a 100-bed fit-for-purpose outpatient medical centre and an in-patient medical facility in Monrovia. When completed, the project is expected to create about 300 jobs during the construction phase and about 500 jobs at the operations phase and enhance positive health outcomes.

In its efforts to develop industrial parks and special economic zones, the Bank is supporting member states to leverage their comparative advantages to produce value-added goods and services that can be assimilated into regional and global value chains. In 2020, the Bank deployed its Project Preparation Facility to help finance the preparation of bankability and feasibility studies (technical, financial, market, environmental) and procurement of transaction advisors (legal and financial) of two industrial parks in Malawi to be located in Lilongwe and Blantyre. When completed, these projects are expected to attract investments of about US$2 billion (equivalent to 20 percent of Malawi's GDP) into the labour-intensive agro-processing and light manufacturing sectors in Malawi and create about 21,000 direct jobs and 45,000 indirect jobs. The Bank is also working to develop the Abidjan PK-24 industrial park in Côte d'Ivoire after securing the development agreement with the Ivorian authorities.

To ensure that African products are manufactured to international standards and enhance the competitiveness and attractiveness of 'made-in-Africa' products, the Bank is supporting the emergence of internationally accredited African Quality Assurance Centres across Africa. The construction of the first such centre in Nigeria is under way and studies are advanced towards similar projects in Egypt, Ethiopia, and Tanzania. In 2020, the Bank also approved a grant of US$150,000 to the Southern African Development Community Accreditation Service (SADCAS), which will help further SADCAS' efforts to assist African manufacturers meet standards and access new markets, attract new investors, and achieve greater buyer satisfaction.

In support of intra-African air transport, as envisioned in the African Union's Single African Air Transport Market Strategy, the Bank is helping Angolan Airlines set the standards for airlines in Africa in operating modern and fuel-efficient fleets. In the short term, six additional aircraft will be added to the airlines, which currently operate in 58 destinations, to strengthen their regional routes and assist with aircraft replacement. The project will help facilitate trade across Southern Africa and create about 100 direct jobs and many more indirect jobs.

In the energy sector, the Bank has supported investments in Angola, Niger, Nigeria, Senegal, South Sudan, and Tunisia through availing resources for financing of maintenance contracts and capital expenditures as well as imports of oil and gas products to help ensure that industries have reliable access to power. For example, support to the Société Tunisienne de L'Électricité et du Gaz for Tunisia's strategic imports of gas (mainly from Algeria and Egypt) will assist companies in the Tunisian mining, manufacturing, and agribusiness sectors increase productivity and capacity utilisation and, hence, contribute to exports, GDP growth, employment, and foreign currency generation.

4.2.3 Supporting Small and Medium-Sized Enterprises Operating in Export Supply Chains

African small and medium-sized enterprises have a fundamental role to play in transforming African economies and accelerating the continent's pace of industrialisation. However, currently only 15 percent of Africa's estimated 90 million small and medium-sized enterprises operate in the formal sector. To incentivise these enterprises to enter the formal economy, the Bank, through its strategy to promote the emergence and expansion of export trading companies, is generating market access for them. For example, the Bank's Creative Africa Nexus programme assists small enterprises in the fashion, film, music, and arts and crafts industries (which are mostly in the informal sector) to access technical support, finance, investment, and market opportunities.

In addition, the Bank supports small and medium-sized enterprises in the export supply chain that cannot obtain traditional bank funding with a viable alternative source of finance. More specifically, in 2020, the Bank approved US$4 million for factoring companies in Africa, benefiting small and medium-sized enterprises in Botswana, Cameroon, the Democratic Republic of Congo, the Republic of the Congo, Ghana, Nigeria, and Senegal.

The Bank is also supporting the creation of a facilitative legal and regulatory environment for factoring, providing guarantees and technical assistance and forming strategic partnerships to promote the development of factoring on the continent. Through the efforts of the Bank and Factors Chain International, three companies (from Kenya, Mauritius, and Nigeria) joined the latter in 2020.

4.2.4 The Fund for Export Development in Africa

Africa's drive towards diversifying its exports away from commodities cannot be realised without a fund that is able to provide the long-term equity financing that such projects require. The Fund for Export Development in Africa (FEDA), a development-oriented equity investing subsidiary of the Bank, was launched in 2018 and became operational in 2019. It expands the Bank's offerings to include equity investments and will facilitate foreign direct investment into African export sectors and fill the equity funding gap (which amounts to US$110 billion a year) in trade-related sectors.

FEDA will invest across all market segments, but with greater focus on small and medium-sized enterprises that have substantial funding shortages. It will also invest in mature companies and start-up businesses where there is a gap in the marketplace and where investments have high value added and development impact in Africa. The Bank has committed about US$350 million to the fund, including commitments for operation of a credit fund and investments in the Bank's strategic initiatives and those to be deployed under limited partnership frameworks. The Bank and the government of Rwanda, on 22 November 2020, signed key documents related to the establishment of the fund, which will be headquartered in Rwanda. Subsequently, the government of Mauritania signed an establishment agreement.

4.3 TRADE FINANCE LEADERSHIP

In the same way that trade supply and demand has been affected by COVID-19, trade finance has also been impacted. Falling export revenues and deteriorating balance sheets, due to the pandemic, limit access to foreign exchange liquidity; increase trade finance rejection rates, particularly for small and medium-sized enterprises; and slow down trade finance approval rates, owing to banks' inability to better conduct due diligence and increase the trade finance gap in Africa. The crisis calls for emergency facilities, such as trade finance lines of credit and risk-mitigation instruments earmarked for trade-related transactions.

Building on its past experiences, the Bank moved rapidly to mobilise African

Trade Development Impact of Operations and Activities

and global partnerships to scale up the size and scope of its support to the continent and help make trade finance more accessible and affordable, while helping to narrow the knowledge gap in Africa's trade finance market. In 2020, the Bank contributed to the narrowing of trade finance gap in Africa by almost 13.5 percent compared with 10 percent in 2019.

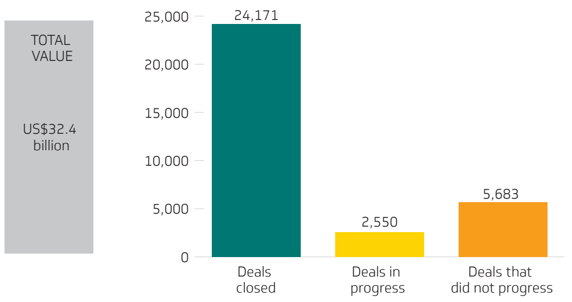
Through its Trade Facilitation Programme, which comprises the Letter of Credit Confirmation Programme and Letter of Confirmation Guarantee Programme, the Bank onboarded 370 African banks and extended letter of credit confirmation lines to 128 banks, benefiting 33 member states. The Bank also granted 286 trade finance lines, amounting to US$6.5 billion to 20 countries across Africa (predominantly least-developed countries) to meet their trade financing needs. This resulted in 48,960 subloans to small and medium-sized enterprises, mostly women and the youth.

The Bank's African Customer Due Diligence Repository Platform was launched on 30 November 2020. The platform will provide the single trusted source of primary data required to conduct customer due diligence and 'know-your-customer' checks on African entities, including financial institutions, corporates and small and medium-sized enterprises, in accordance with best practices. The platform will also serve to address key trade-related challenges facing the continent, including the lack of market information and the high cost of doing business and discovering African counterparties. In 2020, 251 profiles were published on the platform, composed of financial institutions (53 percent), corporates (18 percent), and small and medium-sized enterprises (29 percent).

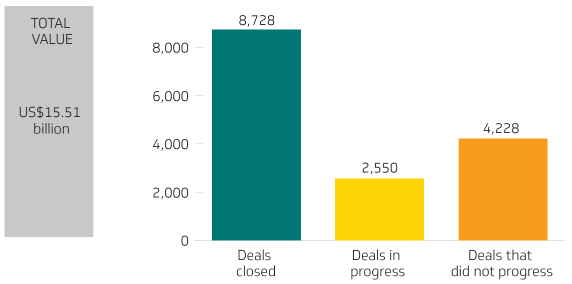
Finally, in 2020, the Bank helped develop national and continental export credit structures through its Country Export Programme to assist African exporters compete favourably with exporters from other parts of the world. In addition, the Bank assisted the Central Bank of Egypt to establish an export credit risk guarantee company and signed a mandate with the Export Development Fund of Malawi for repurposing and repositioning the fund.

INTRA-AFRICAN TRADE FAIR (2018) DEALS DASHBOARD REPORT

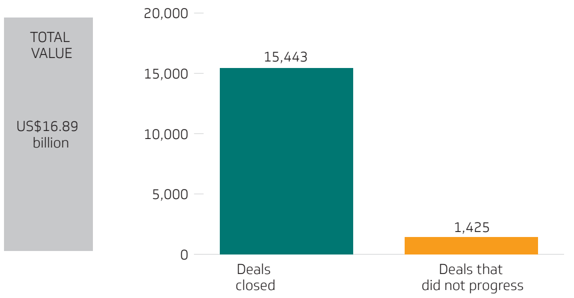
Financing and Non-Financing Deals (Memorandum of Understanding/Partnerships) (US$ millions)



Financing Deals (US$ millions)



Non-Financing Deals (Memorandum of Understanding/ Partnerships) (US$ millions)



Deals worth US$32.4 billion were concluded during the Intra-African Trade Fair (IATF) 2018. The Bank tracked the deals to closure after IATF 2018 for a period of two years. The overall status of the deals as per the close out report is as follows:

(i) Deals closed: deals worth US$24.17 billion and constituting 74.6 percent of the total value of deals concluded during IATF 2018.

(ii) Deals still in process: deals worth US$2.55 billion and constituting 7.9 percent of the total value of deals concluded during IATF 2018.

(iii) Deals that did not materialise: deals worth US$5.68 billion and constituting 17.5 percent of the total value of deals concluded during IATF 2018.

Trade Development Impact of Operations and Activities

Box 4.1 Pooled Procurement under the Africa Medical Supplies Platform

The world has struggled to contain the COVID-19 outbreak since the first quarter of 2020 and, during this period, a global scramble for the limited supply of medical equipment and vaccines ensued. Against this backdrop, the Afreximbank (the Bank), Africa Centres for Disease Control and Prevention (Africa CDC), United Nations Economic Council for Africa, Jango, and ECONET collaborated to develop the Africa Medical Supplies Platform (AMSP).

The AMSP is a non-profit initiative designed to provide access to a global database of vetted manufacturers and procurement partners to enable African Union member states to purchase certified medical equipment and supplies with increased cost-effectiveness and transparency. To ensure equitable and efficient access to these critical products, the platform provides volume aggregation, quota management, payment facilitation, logistics, and transportation. Through the AMSP, on behalf of the Africa Centres for Disease Control and Prevention, the COVID-19 vaccines pre-order programme for all African Union member states has commenced.

The Bank handles all payment requirements for AMSP and, as the payment services provider, is responsible for the settlement of purchases by all buyers. In addition, the Bank offers complementary products, including guarantees and letters of credit to support purchases by approved buyers on the platform. It also provides overdraft facilities to approved buyers on the AMSP.

AFRICA MEDICAL SUPPLIES PLATFORM

Trade Development Impact of Operations and Activities

Box 4.2 Innovations in Vaccine Procurement and Financing for Africa

In a historic agreement signed recently, all African Union member states, through the African Vaccine Acquisition Trust (AVAT), will have access to 220 million doses of the Johnson & Johnson single-shot COVID-19 vaccine, with the potential to order an additional 180 million doses. AVAT, established in November 2020, is a key component in support of the Africa Vaccine Strategy endorsed by the African Union Bureau of Heads of State and Government.

The successful conclusion of the agreement was made possible with support from the United Nations Economic Commission for Africa (UNECA) and the United Nations International Children's Emergency Fund (UNICEF), which assisted in the negotiation process with Johnson & Johnson. UNICEF is also acting as procurement and logistics agent. In addition, the World Health Organization provided valuable advice to the African Vaccine Acquisition Task Team (AVATT), established in August 2020 to ensure Africa's access to sufficient COVID-19 vaccine doses to curb the pandemic. The team is chaired by President Cyril Ramaphosa of South Africa, and includes Chairperson Moussa Faki Mahamat, Dr Zweli Lawrence Mkhize, Mr Strive Masiyiwa, Dr Donald Kaberuka, Professor Benedict Oramah, HE Amira Elfadi, Dr John Nkengasong, and others to be nominated by the Chair of the African Union and the Chairperson of the Commission.

The transaction to secure the initial doses of the Johnson & Johnson vaccine was made possible by a US$2 billion facility approved by the Bank, which also acted as financial and transaction advisor, guarantor, instalment payment advisor, and payment agent. Countries will be able to purchase the vaccines with cash or through a Bank facility. The Bank has also commenced engagement with its financial partners to secure funding to support procurement of the additional 180 million doses.

The Bank's vaccine financing builds on the success of its Pandemic Trade Impact Mitigation Facility, through which more than US$6.5 billion has been disbursed. Other COVID-19 response efforts by the Bank include the US$1.5 billion Collaborative Pandemic Response Facility, created jointly with the International Islamic Trade Finance Corporation and the Arab Bank for Economic Development in Africa. In addition, in partnership with UNECA, the Bank launched a US$200 million initiative to promote the production of essential medical materials in Africa. And, working with the Africa Centres for Disease Control and Prevention, UNECA, and the African Union Special Envoy, Mr Strive Masiyiwa, the Bank established the African Medical Supplies Platform to provide an online marketplace for the sale and purchase of medical supplies and equipment by African governments on a pooled basis.

The acquisition of vaccines by African countries through AVAT is part of the continental objective to achieve a minimum of 60 percent immunisation of the African population. This target is in line with those set elsewhere, for example, in Europe and the United States. The international donor community has pledged to provide 27 percent of the required vaccines through the COVAX Initiative (which is coordinated by Gavi, the Vaccine Alliance, the Coalition for Epidemic Preparedness Innovations, and the World Health Organization). The vaccines to be procured under the agreement with Johnson & Johnson will be produced, for the most part, at the pharmaceutical manufacturing plant in South Africa operated by Aspen Pharma, and will be made available through the African Medical Supplies Platform over a period of 18 months.

Africa's vaccine procurement and financing initiatives are significant milestones in protecting the health of all Africans and are a powerful demonstration of African unity and of what can be achieved through partnership between the public and private sectors and international institutions. They will also boost job creation (through the local production of vaccines), support intra-African trade, and could lead to the emergence of regional supply chains for pharmaceutical and medical devices in the long term.

Trade Development Impact of Operations and Activities

Box 4.3 Trade Finance in Challenging Times: The Afreximbank Trade Facilitation Programme

Despite Africa's increasing financial openness, the continent has consistently faced a shortage of trade finance, which has held back the expansion of intra- and extra-African trade. The financing gap is considerable and has been growing over the past few years as many international banks have scaled back their lending activities across the continent in response to rising compliance costs stemming from more stringent regulatory requirements. In addition, confirming banks face risk capital and capacity constraints.

To address this shortcoming, in line with the Trade Finance Leadership pillar of its current Strategic Plan, the Afreximbank (the Bank) established a Trade Services Unit and introduced the Afreximbank Trade Facilitation (AFTRAF) Programme in 2018. The main objective of AFTRAF is to enhance confidence of counterparties in the settlement of international trade transactions for critical imports into Africa to support intra-African trade and facilitate the purchase of equipment for the production of export goods. To that end, the Bank leverages its credit rating and supranational status to bridge the trade finance gap and unlock capital to support African exporters and importers.

The AFTRAF Programme is an uncommitted revolving short-term line of credit that can be used interchangeably through five trade instruments: (1) letters of credit confirmation with optional discounting or refinancing; (2) bank-to-bank irrevocable reimbursement undertaking; (3) promissory notes and bills of exchange aval; (4) bonds, guarantees, and indemnities; and (5) trade confirmation guarantee.

Under the programme, as at 31 December 2020, the Bank had established contact with 468 banks in 51 member states and completed customer due diligence/know-your-customer requirements with 370 of them, allowing for an exchange of 262 Swift Keys/RMA (Relationship Management Application). In addition, the Bank has provided 128 AFTRAF lines to financial institutions in 33 member states, representing about US$2.3 billion in approved limits. These are spread across the Bank's regions of operations as follows: Southern Africa (US$597 million), Anglophone West Africa (US$568 million), East Africa (US$482 million), North Africa (US$425 million), and Francophone West Africa (US$274 million). A variety of sectors are covered, including oil and gas (crude oil products, refined petroleum products, and lubricants); soft commodities (wheat, sugar, and rice); and equipment (pipeline construction, industrial machinery, and new (light or heavy) vehicles).

The AFTRAF Programme has helped boost trade in strategic and vital goods and services across the continent; supported local African banks in expanding their correspondent banking relationships; assisted African banks, importers, and exporters to enter into new or challenging markets; and enabled foreign correspondent banks to increase their trade volumes in Africa.

Chapter Five

Management's Discussion and Analysis of the Financial Year Ended 31 December 2020

The Afreximbank achieved strong financial results in 2020, with a 37 percent increase in total assets, 13 percent growth in operating income, a return on average shareholders' equity of 11.4 percent, and a capital adequacy ratio of 23 percent.

Its strategic initiatives included the establishment of its Fund for Export Development in Africa and progress with its preparations for the Pan-African Payment and Settlement System.

05

Chapter Five

Management's Discussion and Analysis of the Financial Year Ended 31 December 2020

13%

Operating income increased by 13 percent in 2020 to US$714 million.

US$ 2bn

The Afreximbank availed an advance procurement commitment guarantee of up to US$2 billion to the vaccine manufacturers on behalf of African countries.

The foundation stone was laid in Nigeria for the commencement of construction of the Afreximbank's first Africa Quality Assurance Centre. Discussions were advanced towards implementation of similar projects in Egypt, Ethiopia, and Tanzania.

Management's Discussion and Analysis of the Financial Year Ended 31 December 2020

The Afreximbank will continue to focus on maintaining a cautious balance between profitability, liquidity, and risk, with the goal of delivering profitable and sustainable growth of its assets.

5.1 INTRODUCTION

The financial statements of the Bank include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and the accompanying notes. The ensuing discussion presents the Bank's audited financial statements for the year ended 31 December 2020, paying attention to the factors that influenced the outcome.

5.2 STATEMENT OF COMPREHENSIVE INCOME

5.2.1 Operating Environment

As 2019 came to an end, the Global environment was already being reshaped by a number of developments, such as the trade tension between the UK and EU over Brexit, tensions between the USA and China, uncertainties arising from the impending US elections, continued low interest rate environment and the ever fast changing technology innovations. In 2020 the global economy experienced significant challenges due to outbreak of COVID-19 disease which the World Health Organisation declared a pandemic on March 11, 2020. The pandemic resulted in severe economic shocks which prompted Governments the world over, to take drastic measures aimed at containing the spread of the virus. Some of these measures such as restrictions on local and international travel, shutdown of entire economies and disruption of supply chain led to significant reduction in economic activities, sharp drop in commodity prices and significant contraction in trade and financial flows.

The most affected sectors included oil and gas, aviation, transport and tourism, education, entertainment, electronics, consumer and luxury goods. The pandemic plunged Africa's economy into its first contraction in more than two and a half decades, dislocated intra-regional supply chains, and caused Africa's merchandise trade to contract by about 17 per cent.

As a direct response to the economic and market impacts of the COVID-19 pandemic, central banks eased monetary policies and materially reduced interest rates to record low levels. The declining interest rate environment increased pressure on net interest margins. The Bank responded by focusing on growing its business and in diversifying its pool of liabilities and achieve lower average cost of funds.

The Bank launched a crisis response facility, namely the Pandemic Trade Impact Mitigation Facility (PATIMFA) aimed at supporting the African continent in managing the impact of the COVID-19 pandemic. Through this facility, the Bank disbursed an aggregate amount of US$6 billion in support of African sovereigns, central and commercial banks, as well as corporations and Small and Medium Scale Enterprises (SMEs) in meeting trade debt payment obligations, facilitating the procurement of COVID-19 containment materials, food and agricultural input as well as promoting manufacturing of medical and healthcare products within Africa.

Working with Partners, the Bank co-developed the African Medical Supplies Platform (AMSP), an e-commerce Platform that facilitated pooled procurement of the COVID-19 containment supplies by African Governments and related entities, under a whole-of-Africa approach. The Bank launched an overdraft facility in an amount of US$100 million to ease procurement by African Union (AU) Member States through the platform. Afreximbank also actively supported the African Union COVID-19 Response Fund in the mobilisation of resources to support the implementation of the Continental Strategy Against COVID-19. A grant funding amounting to US$3 million was made available to Africa CDC, the AU COVID-19 Response Fund and others in support of the fight against the pandemic.

Following the significant deterioration in economic conditions in the first half of the year, some signs of rebound were noted in the second half, particularly driven by the economic recovery in China where the recovery in international trade has been stronger. In addition, robust monetary and fiscal interventions propped up global economic activities. The development and approval of multiple COVID-19 vaccines in the last quarter of 2020 improved market sentiments and raised hopes of a more positive 2021 outlook.

5.2.2 Financial Results

Against this background, the Bank achieved results for the financial year ended December 2020 that were ahead of the reported results for 2019. Good profitability ratios and a solid growth in total assets were underpinned by strong growth in business volumes across all product lines.

Net Income increased by 12% to reach US$351.7 million, compared to prior year figure of US$315.3 million. The growth in Net Income was largely due to growth in net Interest Income on the back of a 35% growth in loan assets and a 13% decline in Interest Expense. Interest Expense amounted to US$358.8 million compared to US$413.5 million in 2019.

In line with expectation, the Bank achieved a return on average shareholders' equity (ROAE) and return on average assets (ROAA) of 11.4% (2019: 11.76 %) and 2.1% (2019: 2.26%) respectively. In tandem with the increase in the Net Income, the basic earnings per equivalent of fully paid shares improved from US$6,099 in 2019 to US$6,316 in 2020.

The Bank's Capital Adequacy Ratio remained at a sound level of 23% in 2020 (2019: 23%) in line with its long-term Capital Management Strategic and Policy targets. The achieved result was on the back of the successful equity mobilization initiatives pursued by the Bank during the year which raised US$289 million in new equity, as well as strong internal capital generation achieved through higher Net Income.

A further detailed analysis of the Statement of Comprehensive Income is presented hereunder.

5.2.3 Net Interest Income and Margin

During the period under review, Net Interest Income grew by 10% to US$ 575.16 million (2019: US$524.91 million), largely because of a 13% reduction in Interest Expense which closed the year at US$358.83 million compared to US$413.55 million recorded in 2019. Interest Income and Interest Expense were lower than 2019 as a result of a general decline in market interest rates. Cost-effective funding mix on interest bearing liabilities also contributed to the decline in Interest Expense.

Net Interest Margin (NIM) at 3.32%, declined compared to the prior-year level of 3.68%, reflecting the lower interest rate environment as well as a change in interest-earning assets mix.

5.2.4 Non-Interest Income

Fees and Commission Income reached US$111.29 million for the year ended 31 December 2020, a 6% increase from US$104.68 million which was recorded in 2019. Included in Fees and Commission Income is Advisory fees amounting to US$78.25 million, a slight decline from prior year performance of US$87.52 million. The slight decline was largely attributable to fewer advisory mandates completed in 2020 on account of the COVID-19-induced reduction in global economic activities. However, the decline in Advisory fees was offset by the increase in Letters of credit and Guarantee fees. This line of business grew by a combined 47%. The solid growth in Letter of credit and Guarantee fees is in line with the Bank's strategic intent to grow the Trade Services activities of the Bank as well as the fee-based income base for the Bank.

5.2.5 Other Operating Income

Other operating income increased by 501% to US$34.55 million during the year 2020, mostly as a result of recoveries on previously written off facilities, which accounted for 99% of the Other operating income.

5.2.6 Operating Income

Operating income, which is the sum of Net Interest Income, Net Fees and Commissions Income and Other Operating Income, increased by 13% in 2020 to US$713.87 million (2019: US$628.96 million). The increase was largely on account of relatively lower Interest expense and increase in other operating income.

5.2.7 Operating Expenses

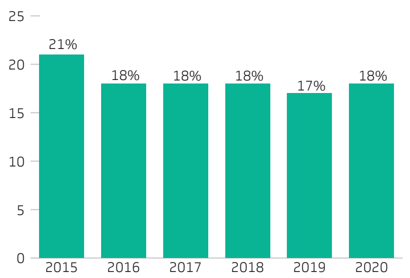
Total Operating Expenses increased by 10% reaching US$126.58 million (2019: US$114.66 million). The increase was mainly driven by personnel costs which grew by 9% to US$65.41 million (2019: US$59.9 million) due to the implementation of planned increase in the staff complement to strengthen organizational capacity. Administration expenses increased by 7% to US$51.78 million, from US$48.17 million recorded in the previous year. Depreciation and amortisation expenses increased by 43% mainly due to the acquisition of new information technology (IT) related software and equipment, in line with the Bank's strategic drive to enhance automation of its processes and activities in a bid to continuously improve operating efficiency.

5.2.8 Cost to Income Ratio

Notwithstanding the 10% increase in Operating Expenses, Cost to Income ratio, increased slightly to 18% compared to 17% in 2019. This result was also in line with the Bank's strategic target range of 17% to 30%. The outcome also reflected the Bank's ability to generate income efficiently.

Management's Discussion and Analysis of the Financial Year Ended 31 December 2020

Figure 5.1 Afreximbank: Cost to income ratio: 2015-2020



Source: Afreximbank.

5.2.9 Expected Credit Loss

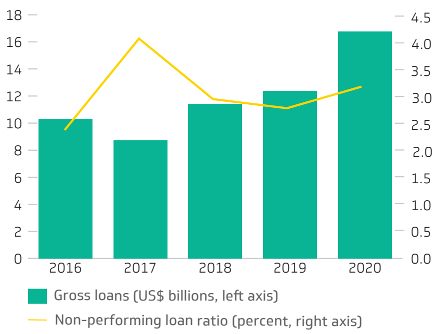
The economic uncertainties arising from the COVID-19 pandemic impacted model estimates of credit risks, raising its level. Management reflected the assessed increase in credit risk in the Expected Credit Loss (ECL) for the period. To account for the perceived increase in credit risk in line with IFRS 9 guidelines, especially in such unusual circumstances, management applied an ECL overlay across all customers, both at individual and portfolio levels. Management and the Board believe that the ECL, as of 31 December 2020, adequately reflected the risks inherent in the loan portfolio and sufficiently incorporated forward-looking information.

Specifically, ECL amounting to US$345 million (2019: US$326.7 million) was reported as at 31 December 2020, an increase of 6%. This increase resulted in allowance for impairment charge to the Profit or Loss Statement of the Bank amounting to US$233.48 million (2019: US$216.02 million). ECL arising from Loans and Advances accounted for 90% (2019: 91%) of the total reported ECL as at 31 December 2020. This was in alignment with the significant percentage contribution of Loans and Advances to the Bank's total credit risk exposure, at 71% in 2020 and 2019.

The Bank's asset quality was within acceptable levels as reflected in the Non-Performing Loans (NPL) ratio of 3.18%, 2019: 2.78%). This outcome in the midst of an unprecedented pandemic (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. In addition, the provisions coverage ratio on loans and advances at 119% (2019: 118%), was well above the 100% minimum threshold. ECL coverage ratio on loans and advances was 2.1% (2019: 2.52%) reflecting the significant increase in new loans.

Management and the Board are aware of the need to proactively and continuously monitor, evaluate and take the necessary initiatives to alleviate the potential impact of the COVID-19 pandemic on the Bank's loan book.

Figure 5.2 Afreximbank: Non-Performing Loan Ratio versus Gross Loans, 2016-20 (US$ thousands)



Source: Afreximbank.

5.2.10 Dividends

Given higher Net Income achieved during the year and in line with historical trends, the Board of Directors recommends a dividend payout amounting to US$87.92 million (2019: US$78.83 million) to shareholders, equivalent to a 25% (2019: 25%) payout ratio*.

In making its recommendation on the level of ordinary dividends, the Board of Directors took into consideration, amongst other issues, the Bank's tradition of maintaining higher dividends payments to shareholders as well as meeting the objective of continuing an orderly growth trend in dividend payments. The other factors considered included profit performance, need to retain earnings to support on-going business growth, capital adequacy, inflation, as well as the need to balance internal and external financing.

As the Bank is raising capital to support business growth, shareholders will have an option of receiving the dividend entitlement through acquiring additional ordinary shares of the Bank.

5.3 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 these items with respect to 2020 is presented hereunder.

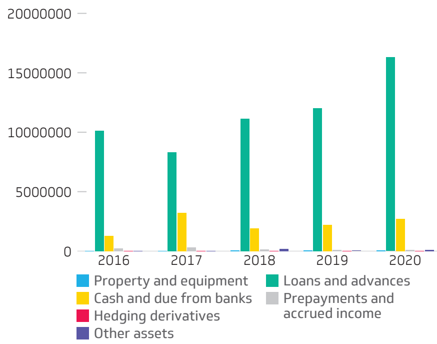
5.3.1 Assets

Total assets grew by 34% from US$14.44 billion as at 31 December 2019 to US$19.31 billion as at 31 December 2020 explained largely by the solid growth in net Loans and Advances which grew by 36% on the back of the PATIMFA facility,

*Classes A, B and C shares are partially paid, that is 40% at subscription with 60% remaining as callable capital.

under which the Bank disbursed in excess of US$6 billion during the year. This solid growth in the loan book was in line with expectation and consistent with capital position of the Bank. Liquid assets increased by 22% to reach US$ 2.72 billion (2019: US$2.23 billion) and accounted for 14% (2019: 15%) of total assets. Net Loans and Advances at US$16.30 billion (2019: US$12.03 billion) contributed significantly to the total assets position of the Bank at 84% (2019: 83%).

Figure 5.3 Afreximbank: Assets, 2016-20 (US$ thousands)



Source: Afreximbank.

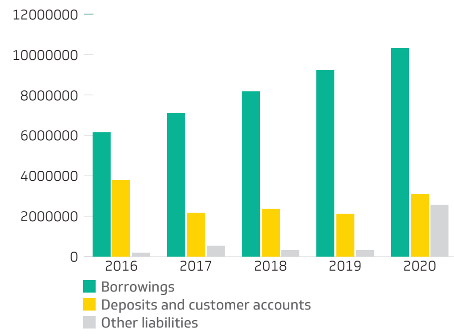
The Bank's loans and advances are mostly structured trade finance facilities, either funded directly by the Bank on a bilateral basis or within syndicates. An analysis of the loan portfolio by beneficiary as at end of 2020 shows that corporates' share of the portfolio including state owned enterprises was 25.92% (2019: 37.71%), financial institutions' share was 55.15% (2019: 45.48%) of the portfolio and sovereign's (government's) share was 18.93% (2019: 16.81%) of the portfolio. The Bank also provides financial institutions with credit lines to support their trade finance business with local counterparties who cannot access financing from the Bank directly. The average maturity of loans remained in line with prior year position at 19 months (2019: 20 months) given that the typical loans extended by the Bank were short term, self-liquidating trade finance facilities. The Bank continued to achieve a wider geographical diversification of the portfolio with the Bank operating facilities in 42 (2019: 37) countries.

5.3.2 Liabilities

Total Liabilities of the Bank rose from US$11.64 billion recorded as at 31 December 2019 to US$15.94 billion as at 31 December 2020, an increase of 37%. This increase was mainly driven by a 113% increase in Deposits and Customer Accounts and a 24% increase in Due to Banks and Debt Securities In Issue, which increased from US$8.31 billion in December 2019 to US$10.31 billion in December 2020. Deposits and Customer Accounts increased on the back of a continued growth in central bank deposits under the Bank's Central Bank Deposits Programme (CENDEP). The increase in Due to Banks and Debt Securities In Issue was in support of the general growth in loan assets and as a precautionary measure given the prevailing market uncertainties occasioned by the COVID-19 pandemic.

As at 31 December 2020, total borrowings accounted for 65% of the Bank's liabilities compared to 71% recorded as at 31 December 2019. As at 31 December 2020 and 31 December 2019 Deposits and Customer Accounts accounted for 28% and 18% of Total Liabilities, respectively.

Figure 5.4 Afreximbank: Liabilities, 2016-20 (US$ thousands)



Source: Afreximbank.

Major components of debt liabilities were syndicated loans and debt securities. In terms of geographical distribution, the outstanding borrowings were spread across mainland Europe, UK, Asia, Middle East, Africa, North and South America.

A significant proportion of deposit accounts held with Afreximbank were mostly accounts used as structural elements in trade finance transactions as well as deposits underpinning the highly impactful PATIMFA facilities.

5.3.3 Shareholders' Funds

The Bank's Shareholders' Funds increased by 20% from the prior year position of US$2.80 billion to US$3.37 billion, primarily on account of new equity injection and internal capital generation arising from higher profitability. In line with the current strategic plan to raise equity to enable the Bank to write more business, the Bank raised new capital amounting to US$286 million, largely through warrants and share issues. The Bank's callable capital, a significant proportion of which has been credit enhanced as part of the Bank's capital management strategy, amounted to US$1.4 billion as at 31 December 2020

Management's Discussion and Analysis of the Financial Year Ended 31 December 2020

(31 December 2019: US$1.2 billion). The Bank maintains the callable capital as an additional buffer in case of need.

5.3.4 Status of Strategic Initiatives

Despite the constraints brought about by the pandemic, the Bank made substantial progress on its flagship initiatives. Afreximbank began the process of formally establishing its first subsidiary, the Fund for Export Development in Africa in Kigali, Rwanda. The Bank inched closer to the rollout of the Pan-African Payments and Settlement System (PAPSS) with the onboarding of the central banks of six West African Monetary Zone (WAMZ) countries. The PAPSS Governing Council and the PAPSS Management Board were installed.

The Bank also made good progress in connection with the onboarding of African entities onto the MANSA Platform, a pan-African customer due diligence repository for financial institutions and corporate entities. The operational launch was held at the end of November 2020 setting the stage for commercial utilisation of the platform. The Bank has also finalised the development of the Trade and Investments Regulations Platform (TRIP) which is currently undergoing testing. The purpose of the platform is to facilitate easy access to trade and investment regulations information thereby enhancing trade as well as promoting investment opportunities in Africa.

The foundation stone has been laid in Nigeria for the commencement of construction of Afreximbank's first Africa Quality Assurance Centre (AQAC). Discussions were advanced towards implementation of similar projects in Egypt, Ethiopia, and Tanzania. These AQACs are part of the Bank's initiative to enhance compliance of African producers with international standards and technical regulations. Additionally, preparatory work for the establishment of the African Medical Centre of Excellence has also been concluded and development is expected to commence in mid-2021.

The Bank concluded the development of a Pan-African Automotive Strategy with the main objective being to foster the emergence of regional automotive value chains. Additionally, the Bank formally operationalised the Afreximbank Creative Economy Strategy, which aims to mitigate the constraints facing the creative and culture industries which include performing and visual arts, film and media content, design and fashion, crafts amongst others as well as stimulating intra and extra African export of such products.

In an effort to promote intra-African trade under the African Continental Free Trade Agreement (AfCFTA), the Bank has also made good progress with respect to the launch of the Africa's Collaborative Transit Guarantee Scheme. The main objective is to address some of the transit challenges faced as goods are transported across borders and therefore facilitate the smooth movement of goods within Regional Economic Communities (RECs) and throughout the continent under a single technology-enabled continental bond. The Scheme is expected to become operational in the COMESA region by the end of first quarter of 2021.

Progress was also made on the development of the Statutes and the Resource Mobilization Plan for the AfCFTA Adjustment Facility, as mandated by the African Union (AU) Summit at their 33rd Ordinary Session in February 2020. The Bank expects to hold Intra-African Trade Fair in the second half of 2021 in Kigali, Rwanda.

The Bank's work towards creating a vehicle, that will enable it to benefit from the huge insurance business its financing operations generate, is close to conclusion with the impending registration of AfrexInsure in a member country. In this regard, AfrexInsure will largely act as a business developer and insurance general agency.

While work has not commenced on the Industrial Park Project planned for development in Abidjan, Cote d'Ivoire, the Bank has made significant progress towards the Concession Agreement with the Ivorian authorities.

CONCLUSIONS AND OUTLOOK

Despite the prevailing uncertainties in the operating environment due to the impact of the COVID-19 pandemic, the financial results for 2020 indicate that the Bank, once again performed well and closed the period in a healthy financial position reflected in satisfactory profitability levels, healthy liquidity, and strong capital levels to support both existing volumes and future business prospects.

Looking ahead, 2021 brings hope as the world makes significant progress in containing the COVID-19 pandemic. Most importantly, African countries will commence trading under the AfCFTA on 1st January 2021 in a historic journey towards full integration, economic independence, and industrialisation of Africa. Afreximbank is playing a central role in assisting a smooth take-off of the AfCFTA, building on the substantial contributions the Bank has made so far. The Bank will therefore have to double its efforts in implementing the various intra-African trade-enabling initiatives.

To support African economies in their bid to contain the pandemic, the Bank availed an advance procurement commitment guarantee of up to US$2 billion to the vaccine manufactures on behalf of African countries. By providing this facility, the Bank will ensure that African states are able to rapidly access the COVID-19 vaccines, at competitive prices and in a timely manner.

In addition, during the course of 2021 Afreximbank will develop a new strategic plan to succeed 'IMPACT 2021: Africa Transformed'. The core elements of the sixth strategic plan will remain intra-African trade and industrialisation.

The Bank's Management remains committed to the full implementation of Afreximbank's Africa Trade Gateway project, an ecosystem of a number of technology-driven initiatives, including the MANSA platform, the Pan African Payments and Settlements System (PAPSS), The Trade and Investment Regulations Platform (TRIP), the Trade Information Portal (TIP), and Corporate Internet Banking. These technology initiatives together with the incorporation of AfrexInsure and the implementation of the African Collaborative Transit Guarantee Scheme, will drive and enhance the Bank's non-interest income. Finally, the Bank, through its Fund for Export Development in Africa (FEDA) will commence the development of several flagship projects, including the construction of regional trade centres in at least two regions, the Africa Quality Assurance Centres, the Industrial Parks, and the Africa Medical Centre of Excellence, building on years of preparatory work. The Bank will also support FEDA's physical establishment in Rwanda and operationalise the Banks's 5th Branch in Yaoundé, Cameroon.

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 a strong foundation for the business going forward. The Bank will continue to focus on achieving sustainable development of Africa and maintaining a delicate and guarded balance between profitability, liquidity and safety.

Chapter Six

Financial Statements for the Year Ended 31 December 2020

This section contains the Independent Auditors' Report to the Shareholders of the African-Export-Import Bank and provides detailed financial information on the Bank's performance during 2020, together with comparative figures for 2019.

06

Chapter Six

Financial Statements for the Year Ended 31 December 2020

36%

Net loans and advances to customers increased by 36 percent to US$16.3 billion.

113%

Deposits and customer accounts increased by 113 percent to US$4.47 billion.

The Afreximbank supported El Sewedy in winning a US$35 million contract in the Democratic Republic of Congo for the purpose of financing the engineering, supply, installation, and commissioning of the Kasumbalesa HV substation project.

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Financial Statements for the Year Ended 31 December 2020

Report of the Audit Committee to the Board of Directors and General Meeting of the African Export-Import Bank

In compliance with the provisions of Article 30(1) and (3) of the Charter of the African Export-Import Bank and pursuant to the terms of Resolution No. Afrexim/BD/9/95/02 concerning the establishment, membership, functions and powers of the Audit Committee of the African Export-Import Bank (as amended), the Audit Committee considered the audited Financial Statements for the year ended 31 December, 2020, at its meeting held on 26 March 2021.

In our opinion, the scope and planning of the audit for the year ended 31 December 2020 were adequate.

The Committee reviewed Management's comments on the Auditors' findings and both the Committee, and the Auditors are satisfied with Management's responses.

Attributable earnings amounted to US$351.7 million (2019: US$315.3 million), a 11.5% growth compared to the prior year. The Bank maintained excellent operating efficiency with a low cost to income ratio of 18% (2019: 17%). The Return on Average assets (ROAA) and Return on Average Equity (ROAE) were satisfactory and in line with internal targets at 2.1% (2019: 2.26%) and 11.4% (2019: 11.76%) respectively.

Asset quality remained relatively high, despite a difficult and uncertain environment, with NPL ratio of 3.18% (2019: 2.78%), while loan loss coverage ratio stood at 119% (2019: 118%) well above the minimum target of 100%. The Bank's Shareholders' funds at US$3.4 billion grew by 20% year on year on the back of capital injections and internally generated capital arising from higher profitability, indicating that the Bank's capitalisation is adequate.

After due consideration, the Committee accepted the Report of the Auditors to the effect that the Financial Statements were prepared in accordance with the ethical practice and international financial reporting standards and gave a true and fair view of the state of affairs of the Bank's financial condition as at 31 December 2020.

The Committee, therefore, recommended that the audited Financial Statements of the Bank for the Financial Year ended 31 December 2020 and the Auditors' Report thereon be approved by the Board and presented for consideration to Shareholders at the twenty eighth General Meeting.

The Committee accepted the provision made in the Financial Statements for the remuneration of the Auditors for the year ended 31 December 2020 and recommends that the Board accepts same. Furthermore, the Audit Committee recommends to the Shareholders the reappointment of KPMG Hazem Hassan of Egypt and PricewaterhouseCoopers Zimbabwe as the Bank's External Auditors for the Financial Year 2021 at the combined Audit fee level of US$237,000.

Jean-Marie Benoit Mani
Chairman, Audit Committee

Members of the Committee
Mr J-M. B. Mani, Ms XU Yan, Mr Ronald.S. Ntuli, Mr Aliyu Ahmed

Financial Statements for the Year Ended 31 December 2020

Independent Auditors' Report to the Shareholders of African Export-Import Bank

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of African Export-Import Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of African Export-Import Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	How our Audit Addressed the Key Audit Matter
Expected credit losses on financial assets IFRS 9 Financial Instruments requires the recognition of expected credit losses (ECL) on certain financial assets and off-balance sheet exposures within the scope of its impairment model. The ECL on instruments which are in scope of IFRS 9 for impairment purposes is measured using the 3-stage model, which is outlined in Note 2.2 to the financial statements. The impairment of financial assets was considered to be a matter of most significance in the current year audit due to the significant management judgement applied and in incorporating the impact of COVID-19 pandemic, which had a negative effect on the economy and business activities of many countries, in determining the impairment, particularly in relation to: – classifying exposures into the relevant impairment stage (as informed by significant increase in credit risk (SICR) criteria, and default status taking the impact of COVID-19 into account); – determining credit risk grade; – incorporation of macro-economic inputs and the impact of COVID-19 on the forward-looking information in determining the ECL; – determining the probability of default (PD), loss given default (LGD), and exposure at default (EAD); and – application of overlays, which are required to address shortcomings where models or data have limitations as outlined in Note 3.3.2 to the financial statements. The Bank's financial assets, both on and off-balance sheet, subject to credit risk, were US$23.56 billion as at 31 December 2020, which represents a material portion of the statement of financial position. Furthermore, the total impairment recognised by the Bank on these financial assets amounted to US$390 million, for the year ended 31 December 2020.	Our audit of the ECL on financial assets included the following procedures, taking into account the impact of COVID-19: We assessed the appropriateness of accounting policies and evaluated the impairment methodologies applied by the Bank against the requirements of IFRS 9. We utilised our valuation expertise to assess whether the models used by the Bank comply with the requirements of IFRS 9. We assessed the design and implementation, and tested the operating effectiveness, of controls over the following areas considering the expected impact of COVID-19: – the modelling process, including governance over monitoring of the models and approval of key assumptions; – the classification of financial assets and off-balance sheet exposures into the various stages of impairment; and – the integrity of data inputs into the ECL model. We selected a sample of stage 1 and stage 2 exposures and assessed whether the stage classification was appropriate in terms of the Bank's accounting policy for SICR at reporting date since origination of the exposures. These procedures included the inspection of credit risk ratings at reporting date relative to origination date. For a sample of stage 1 and stage 2 exposures, we recalculated the ECL based on our assessment of expected cash flows and recoverability of collateral at individual exposure levels. For a sample of exposures, we assessed the reasonableness of the credit risk grade applied by management by discussing the credit rating report with management, obtaining an understanding of the assumptions used and comparing these assumptions with the financial information and other publicly available information relating to the borrower. Where ECL has been raised for stage 3 exposures, we considered the impairment indicators, uncertainties and assumptions applied by management in their assessment of recoverability. For a sample of stage 3 exposures, we recalculated the ECL based on our assessment of expected cash flows and recoverability of collateral at individual exposure level. We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing it to independent industry data. This evaluation included the latest developments related to COVID-19. We evaluated management's economic response models by developing an independent expectation based on industry data and comparing it to those included in the ECL models to assess whether the macro-economic inputs are appropriately incorporated into the ECL models.

Financial Statements for the Year Ended 31 December 2020

KEY AUDIT MATTER	How our Audit Addressed the Key Audit Matter (continued)
	For collateral held, we inspected legal agreements and relevant underlying documentation to assess the existence, valuation and legal right to collateral. We agreed the inputs used in the model including the exposures at default and the type of product to the information in the credit portfolio and evaluated the appropriateness of the effective interest rate applied. We assessed the judgment applied by management in determining the PD, LGD and EAD against credit ratings, historical performance of exposures, contractual terms and other appropriate data. Where management overlays were used, we assessed these against our understanding of relevant external factors such as the economic environment affecting the Bank's customers, assessing key assumptions against historical trends, inspecting the calculation methodology and tracing a sample of overlay adjustments back to source data, including those which were applied as a result of COVID-19. We tested the mathematical accuracy of the ECL calculation for a sample of loans. We assessed the adequacy of disclosures in the financial statements against the requirements of IFRS 7.

Other Information

Management is responsible for the other information. The other information comprises the information included in the document titled "African Export-Import Bank Financial Statements for the year ended 31 December 2020", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "African Export-Import Bank Annual Report 2020", which is expected to be made available to us after that date. Other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting processes.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Financial Statements for the Year Ended 31 December 2020

pwc

KPMG Hazem Hassan
Public Accountants & Consultants

Report on Other Legal and Regulatory Requirements

In accordance with the Bank's charter, we also report that we have obtained all the information and explanations we consider necessary for the purposes of our audit. The Bank's financial statements agree to the accounting records. The engagement partners on the audit resulting in this independent auditors' report are Tinashe Rwodzi (ICAZ/253568 and PAAB/100) and Abdel Hadi M. Ibrahim (GRAA/18795).

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants Zimbabwe
Building No. 4, Arundel Office Park
Norfolk Road, Mount Pleasant
Harare, Zimbabwe

31 MARCH 2021

Date

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants & Consultants
B (105) - Avenue (2) Smart Village
Km 28 Cairo/Alexandria Desert Road
Cairo, Egypt

31/03/2021

Date

AFRICAN EXPORT-IMPORT BANK

Statement of Financial Position for the Year Ended 31 December 2020

	Note	2020 US$ 000	2019 US$ 000
ASSETS			
Cash and cash equivalents	16	2,717,453	2,225,470
Derivative assets held for risk management	5	5,704	541
Loans and advances to customers	17	16,302,118	12,029,548
Prepayments and receivables	18	104,846	82,647
Financial investments at amortised cost	20	93,590	29,238
Other assets	19	11,184	11,598
Property and equipment	24	58,031	48,814
Intangible assets	25	13,951	11,707
Total assets		19,306,877	**14,439,563**
LIABILITIES			
Derivative liabilities held for risk management	5	1,953	4,935
Money market deposits	22	823,416	931,620
Due to banks	21	7,228,681	5,225,516
Deposits and customer accounts	26	4,470,126	2,102,814
Debt securities in issue	23	3,082,970	3,080,608
Other liabilities and provisions	27	332,764	291,999
Total liabilities		15,939,910	**11,637,492**
CAPITAL FUNDS			
Share capital	28	583,524	550,548
Share premium	29	1,029,964	899,192
Warrants	33	122,128	-
Reserves	30	858,451	721,369
Retained earnings	31	772,900	630,962
Total capital funds		3,366,967	**2,802,071**
Total liabilities and capital funds		19,306,877	**14,439,563**

The financial statements were approved by the Board of Directors on 26 March 2021 and signed on its behalf as follows:

Professor Benedict Okey Oramah
Chairman of the Board of Directors

The accompanying notes to the financial statements form part of this statement

Financial Statements for the Year Ended 31 December 2020

AFRICAN EXPORT-IMPORT BANK

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 US$ 000	2019 US$ 000
Interest income using the effective interest method	8	932,922	948,422
Interest expense using the effective interest method	9	(358,834)	(413,549)
Other interest income/(expense)		1,076	(9,963)
Net interest income		575,164	**524,910**
Fee and commission income	10	111,292	104,683
Fee and commission expense	11	(7,138)	(6,382)
Net fee and commission income		104,154	**98,301**
Other operating income	12	34,551	5,754
Personnel expenses	13	(65,406)	(59,892)
General and administrative expenses	14	(51,783)	(48,170)
Depreciation and amortisation expense	24, 25	(9,395)	(6,593)
Exchange adjustments		(7,026)	(732)
Fair value gain from financial instruments at fair value through profit/loss		4,915	17,761
Credit losses on financial instruments	17.1.b	(233,488)	(216,024)
PROFIT FOR THE YEAR		351,685	315,315
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Gains on revaluation of land and buildings	24	6,164	8,860
Total items that will not be reclassified to profit or loss in subsequent periods		6,164	**8,860**
Total other comprehensive income		6,164	**8,860**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		357,849	324,175
Earnings per share			
Basic earnings per share (expressed in US$000 per share)	15	6.32	6.10
Diluted earnings per share (expressed in US$000 per share)	15	2.69	2.56

The above statement of compressive income should be read in conjunction with the accompanying notes.

AFRICAN EXPORT-IMPORT BANK

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Share Capital (Note 28) US$ 000	Share Premium (Note 29) US$ 000	Warrants (Note 33) US$ 000	General Reserve (Note 30) US$ 000	Asset Revaluation Reserve (Note 30) US$ 000	Project Preparation Facility Fund Reserve (Note 30) US$ 000	Retained Earnings (Note 31) 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	-	-	-	-	-	-	351,685	**351,685**
Other comprehensive income								
Asset revaluation reserve	-	-	-	-	6,164	-	-	**6,164**
Total other comprehensive income								**6,164**
Total comprehensive income								**357,849**
Transactions with equity owners of the Bank								
Transfer to general reserve	-	-	-	131,882	-	-	(131,882)	**-**
Depreciation transfer: buildings	-	-	-	-	(964)	-	964	**-**
Warrants issue	-	-	161,665	-	-	-	-	**161,665**
Warrants retirement	-	-	(39,537)	-	-	-	-	**(39,537)**
Issued and Paid in capital during the year	32,976	130,772	-	-	-	-	-	**163,748**
Dividends for year 2019	-	-	-	-	-	-	(78,829)	**(78,829)**
Balance as at 31 December 2020	**583,524**	**1,029,964**	**122,128**	**801,353**	**42,098**	**15,000**	**772,900**	**3,366,967**
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	-	-	-	-	-	-	315,315	**315,315**
Other comprehensive income								
Asset revaluation reserve	-	-	-	-	8,860	-	-	**8,860**
Total other comprehensive income								**8,860**
Total comprehensive income								**324,175**
Transactions with equity owners of the Bank								
Transfer to general reserve	-	-	-	118,243	-	-	(118,243)	**-**
Depreciation transfer: buildings	-	-	-	-	(275)	-	275	**-**
Warrants retirement	-	-	(191,531)	-	-	-	-	**(191,531)**
Issued and Paid in capital during the year	44,248	134,402	-	-	-	-	-	**178,650**
Dividends for year 2018	-	-	-	-	-	-	(68,970)	**(68,970)**
Balance as at 31 December 2019	**550,548**	**899,192**	**-**	**669,471**	**36,898**	**15,000**	**630,962**	**2,802,071**

Financial Statements for the Year Ended 31 December 2020

AFRICAN EXPORT-IMPORT BANK

Statement of Cash Flows for the Year Ended 31 December 2020

	Note	2020 US$ 000	2019 US$ 000
CASHFLOW FROM OPERATING ACTIVITIES			
Profit for the year		351,685	**315,315**
Adjustment for net interest income and non-cash items:			
Credit losses on financial instruments	17.1 (b)	233,488	216,024
Depreciation of property and equipment	24	6,160	5,103
Amortisation of intangible assets	25	3,235	1,490
Net interest income		(575,164)	(524,910)
Fair value gain on derivative instruments		(4,915)	(17,761)
		14,490	(4,741)
Changes in :			
Prepayments and receivables		(15,152)	42,526
Derivatives instruments		(3,229)	999
Other assets		414	2,390
Other liabilities		24,798	(4,286)
Money market deposits		(108,204)	53,288
Deposits and customer accounts		2,367,312	(262,572)
Loans and advances to customers		(4,492,416)	(1,100,326)
		(2,211,987)	**(1,272,722)**
Interest received		754,646	679,660
Interest paid		(174,850)	(211,923)
Net cash outflows used in operating activities		(1,632,191)	**(804,985)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property and equipment	24	(9,215)	(2,256)
Payments for software and development costs	25	(5,479)	(6,849)
Proceeds from sale of property and equipment		-	3,055
Purchase of financial investments held at amortised cost		(69,074)	-
Proceeds from financial investments held at amortised cost		-	140,000
Net cash (outflow)/inflow on investing activities		(83,768)	**133,950**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash from capital subscriptions and share premium		117,046	146,745
Proceeds from issue of warrants	33	161,665	-
Retirement of warrants	33	(39,537)	(191,531)
Dividends paid		(36,758)	(39,226)
Proceeds from borrowed funds and debt securities		15,211,323	14,312,658
Repayment of borrowed funds and debt securities		(13,205,797)	(13,250,575)
Net cash inflows from financing activities		2,207,943	**978,070**
Net increase in cash and cash equivalents		491,983	307,036
Cash and cash equivalents at 1 January		2,225,470	1,918,434
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		2,717,453	**2,225,470**
Represented in:			
Cash and cash equivalent as presented in the statement of financial position	16	2,717,453	2,225,470
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		2,717,453	**2,225,470**

The accompanying notes to the financial statements form part of this statement

AFRICAN EXPORT-IMPORT BANK

Notes to the Financial Statements for the Year Ended 31 December 2020

1 GENERAL INFORMATION

The African Export-Import Bank ("the Bank"), headquartered in Cairo, Egypt, is a supranational institution, established on 27 October 1993. The Bank started lending operations on 30 September 1994. The principal business of the Bank is the finance and facilitation of trade among African countries and between Africa and the rest of the world. The Bank's headquarters is located at No. 72 (B) El Maahad El Eshteraky Street, Heliopolis, Cairo 11341, Egypt. In addition, the Bank has branches in Abuja (Nigeria), Harare (Zimbabwe), Abidjan (Cote D'Ivoire), Kampala (Uganda) and Younde (Cameroon).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank have been approved by the Board of Directors of the Bank and in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board. The accounting policies adopted are consistent with those used in the previous financial year.

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared on a historical cost basis except for land and buildings and derivative financial instruments that have been measured at fair value and are presented in United States Dollar (US$) in accordance with the Bank's Charter. The functional currency of the Bank is the US based on the fact that most of the activities of the Bank are conducted in US$. The financial statements are presented in US$ and all values are rounded to the nearest thousand (US$'000). The Bank has not applied any IFRS before their effective dates.

The preparation of financial statements complying with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6 below.

2.2 Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument. The Bank's financial instruments consist primarily of cash and deposits with banks, loans and advances to customers, investment securities, other assets, amounts due to banks, derivative financial instruments, debt securities in issue, deposit and customer accounts and other liabilities. The Bank borrows funds to meet disbursements in foreign currency as part of its matching of assets and liabilities in order to manage foreign currency risks. The proceeds from loans repayments are used to repay the borrowings.

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date. Loans and advances to customers are recognised when funds are transferred to the customers' account.

A financial asset or financial liability is initially measured at fair value, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue are recognised as part of the asset or liability.

Subsequent measurement

A financial asset is classified as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL on the basis of both the Bank's business model for managing the financial asset and the contractual cash flows characteristics of the financial asset.

A debt instrument is measured at amortised cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at Fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All other financial assets are classified as measured at FVTPL.

On initial recognition of an equity investment that is not held for trading,

Financial Statements for the Year Ended 31 December 2020

the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis. Amount presented in OCI shall not be subsequently transferred to profit or loss on disposal or derecognition but the Bank may transfer the cumulative gain or loss to Retained earnings or within equity.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Bank also designates financial liabilities at fair value through profit or loss when

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets; how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non- recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

Reclassifications of financial assets and financial liabilities

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are not reclassified.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any costs or fees incurred as part of the modification are recognised as part of the gain or loss on derecognition.

If the cash flows of the modified asset are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset using the original EIR and recognises any difference arising between this recalculated amount and the existing gross carrying amount as a modification gain or loss in profit or loss. Any costs or fees incurred as part of the modification adjust the carrying amount of the modified financial asset, and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Bank derecognised a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

When the cash flows of the modified financial liability are not substantially different, then the modification does not result in derecognition of the financial liability and any difference in recognised in profit or loss similar to the principle for accounting for modification of financial asset that do not result in derecognition.

Offset of financial assets

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has currently enforceable a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The financial assets and liabilities are presented on a gross basis.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

Derecognition of financial assets and financial liabilities

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit and loss.

Cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial recognition of assets pledged as collateral is at fair value, whilst subsequently measured at amortised cost or fair value as appropriate.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. The Bank has discontinued its hedge accounting from 1 January 2017.

The Bank enters into interest rate swaps, cross currency swaps and foreign exchange forward contracts to hedge its exposure to changes in the fair value and cash flows attributable to changes in market interest and exchange rates on its assets and liabilities. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

Expected credit losses

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- other assets and trade receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than other receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for other assets and receivables are always measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Life time ECL are credit losses that result from all possible default event over the expected life of a financial instrument.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover from the holder, the debtor or any other party.

IFRS 9 introduces a three-stage model for impairment based on changes in credit risk since initial recognition. The three-stage model is described below;

Stage 1 - Financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. The financial instruments in stage 1 have their ECL measured at expected credit losses on a 12months basis.

Stage 2 - Financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. The financial instruments in stage 2 have their ECL measured based on expected credit losses on a lifetime basis.

Stage 3 - Financial assets that have objective evidence of impairment at the reporting date and those purchased or originated credit impaired. Financial instruments in this stage are considered non-performing. The financial instruments in stage 3 have their ECL measured based on expected credit losses on a lifetime basis.

Default

The Bank consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative: e.g. breach of covenants that are deemed as default events;
- quantitative: e.g. 90 days overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on internally and external objective evidence of impairment. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

The Bank has established a framework that consider qualitative, quantitative, and 'backstop' (30 days past due presumption) indicators to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include backstop based on delinquency.

In determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank will primarily assess whether a significant increase in credit risk has occurred for an exposure in line with its staging criteria by comparing:

- the risk of default on the exposure as at the reporting date; with
- the risk of default on the exposure as at the date of initial recognition

From a quantitative point, the Bank uses changes in internal ratings of financial assets to assess significant increase/decrease in credit risk. Evidence of SICR depends on rating at initial recognition and the extent of movement (number of notches downgrade/upgrade) as at reporting date.

The Bank apply different notch movement across each rating grade as evidence of SICR. Generally, obligors with higher credit rating would require more notches downgrade to evidence SICR, when compared with obligors with lower credit rating.

Similarly, the Bank shall monitor changes in external ratings of financial instruments to assess SICR. Evidence of SICR depends on rating at initial recognition and the extent of movement (number of notches downgrade) as at reporting date.

The Bank also uses the backstop indicator otherwise known as "30 days past due presumption" to assess significant increase in credit risk. Evidence of SICR shall depend on the number of days for which contractual payments are past due.

From a qualitative perspective, the Bank shall a wide range of qualitative criteria for staging purposes both individually and collectively, leveraging on IFRS 9 recommendations and a range of other factors. In this case, the back shall consider, significant changes in internal price indicators of credit risk, significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life, actual or expected significant change in the operating results of the borrower, expectation of forbearance or restructuring due to financial difficulties etc.

Individual or collective assessment of Significant increase in credit risk

The objective of the impairment requirements in IFRS 9 is to recognise lifetime expected credit losses for all financial instruments for which there has been a significant increase in credit risk since initial recognition – whether assessed on an individual or collective basis. For some instruments, a significant increase in credit risk may be evident on an individual instrument basis before the financial instrument becomes past due. In these cases, an assessment of whether there has been a significant increase in credit risk is carried out on an individual basis.

For some other instruments, a significant increase in credit risk may not be evident on an individual instrument basis before the financial instrument becomes past due. For example, this could be the case when there is little or no updated information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms – e.g. for many retail loans. In these cases, an assessment of whether there has been a significant increase in credit risk on an individual basis would not faithfully represent changes in credit risk since initial recognition, and so if more forward-looking information is available on a collective basis, an entity makes the assessment on a collective basis.

To assess significant increases in credit risk on a collective basis, the Bank group financial instruments on the basis of shared credit risk characteristics, which may include any of the following examples of shared credit risk characteristics:

- instrument type;
- credit risk ratings;
- collateral type;
- date of origination;

Financial Statements for the Year Ended 31 December 2020

- remaining term to maturity;
- industry;
- geographical location of the borrower; and
- the value of collateral relative to the financial asset if it has an impact on the PD – e.g. loan-to-value
- ratios for non-recourse loans in some jurisdictions.

The Bank may change the grouping of financial instruments for collective assessment over time as new information becomes available.

Restructured financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- the risk of default at the reporting date based on the modified terms; with
- the risk of default based on data on initial recognition and the original contractual terms.
- If the terms of a financial asset are renegotiated or modified or an existing financial asset is derecognised and replaced with a new one due to financial difficulties of the borrower, then the modified asset is considered to be a new financial asset. Accordingly, the date of modification is treated as the date of initial recognition for the purpose of impairment calculation. The determination of whether the asset's credit risk has increased significantly reflects comparison of:
- the risk of default at the reporting date based on the modified terms; with
- the risk of default based on data on initial recognition (i.e. the modification date) and the modified terms.

However, in some unusual circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the modified financial asset is credit-impaired at initial recognition, and thus, the financial asset should be recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset that resulted in the derecognition of the original financial asset. In such a case, the Bank treats the new assets resulting from the modification as credit- impaired on the modification date (initial recognition).

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired. In making an assessment of whether an investment in sub- national/corporate debt instrument is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The current financial situation of the sub-national/corporate issuer.
- The mechanisms in place to provide the necessary support (from the central government), as well as the intention, reflected in public statements of governments/corporate issuer and availability to use those mechanisms.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately

from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off and this is taken as a derecognition event. However, financial assets that are written off are still subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Financial guarantees and loan commitments

Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured as at the higher of this amortised amount and the amount of loss allowance. The Bank has no loan commitments at a below market interest rate.

For loan commitments, the Bank recognises loss allowance in line with the ECL impairment requirements. Liabilities arising from financial guarantees and loan commitments are included within provisions.

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the profit or loss in other income. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the profit or loss.

(i) Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the profit or loss in other income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in profit or loss in other income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated effective interest rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

(ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised in other comprehensive income and accumulated in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in other income in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of profit or loss. When the forecast transaction subsequently results in the recognition of a non- financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains separately in equity and is transferred to profit or loss when the hedged forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recognised at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate (EIR) and the change in carrying amount is recognised as interest income or expense.

Presentation

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognise in the statement of profit or loss and other comprehensive income the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to profit or loss under operating expenses.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.3 Fair value measurement

The Bank measures financial instruments, such as derivatives, and non-financial assets, such as land and buildings, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 4. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: In the principal market for the asset or liability, or In the absence of a principal market, in the most advantageous market for the asset or liability. The principal market or the most advantageous market must be accessible by the Bank.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in note 4, Fair value of assets and liabilities.

2.4 Debt securities in issue

Debt securities in issue are one of the Bank's sources of debt funding. Debt securities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using effective interest method.

2.5 Fees and Commission income

Unless included in the effective interest rate calculation, fees and commissions are generally recognised when the Bank satisfies the performance obligation in the contract by transferring the promised service to a customer. Fees or component of fees that are performance linked (e.g. advisory services including among other things evaluating financing options, debt restructuring, etc.) are recognised when the performance criteria are fulfilled in accordance with the applicable terms of engagement.

2.6 Other operating income

Other operating income consists of rental income which is accounted for on a straight-line basis over the lease terms on ongoing leases and also include recoveries from previously written-off facilities.

2.7 Operating expenses

Operating expenses are recorded on accrual basis.

2.8 Dividends on ordinary shares

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as a non-adjusting event.

2.9 Foreign currencies

Transactions in foreign currencies are initially recorded at their respective functional currency spot rate prevailing at the date of the transaction. At the reporting date, balances of monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at that date. Any gains or losses resulting from the translation are recognised in profit or loss in the statement of profit or loss and comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other Comprehensive income or profit or loss, respectively).

2.10 Property and equipment

Motor vehicles, furniture and equipment, computers and leasehold improvements are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Repair and maintenance costs are recognised in profit or loss as incurred. Right-of-use assets are measured on the shorter of estimated life or period of lease.

Depreciation on property, equipment and property held under leasing agreements is calculated on the straight line basis at annual rates estimated to write off the carrying amounts of the assets over their expected useful lives, as follows:

Buildings	20 years
Motor vehicles	5 years
Furniture and equipment	4 years
Computers	3 years

Motor vehicles, furniture and equipment, computers and leasehold improvements are periodically reviewed for impairment.

Motor vehicles, furniture and equipment, computers and leasehold improvements are de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is de-recognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively if appropriate. Further details on key estimates and assumptions made are disclosed in note 6.

The Headquarters' land and building are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation.

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Valuations are performed by an independent valuer at the reporting date to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

Computer & Core application software	4 years

2.11 Government grants

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is deducted in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

2.12 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to equity holders of the Bank by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by dividing the net profit attributable to equity holders of the Bank (by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion (warrants) of all the dilutive potential ordinary shares into ordinary shares.

2.13 Employee benefits

i. Defined contribution plan
The Bank operates a defined contribution plan approved by the Board of Directors. Contributions are recognised in profit or loss on an accrual basis. The Bank has no further payment obligations once the contributions have been paid.

ii. Other long term benefits
The Bank's net obligation in respect of long-term employees benefits is the amount of future benefits that the employee have earned in return for their service in current and prior periods that benefits are recognised in profit or loss on an accrual basis.

iii. Termination benefits
Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognises cost for a restructuring . If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted

iv. Short term employee benefits
Short tern employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.14 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Staff bonuses are recognised in profit or loss as an expense.

The estimated monetary liability for employees' accrued annual leave and bonus entitlement at the reporting date is recognised as an expense accrual.

2.15 Leases

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.
The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments

to reflect the terms of the lease and type of asset leased.

ii. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

iii. Short-term leases and leases of low-value assets
The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (defined as lease assets with a replacement value of US$5,000 or less at the inception of the lease), and short-term leases (defined as leases with a lease term of 12 months or less). The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.16 Warrants

Proceeds from the issuance of warrants, net of issue costs, are credited to share warrants account. Share warrants account is non-distributable and will be transferred to share capital and premium accounts upon the exercise of warrants.

2.17 New Standards and amendments to existing standards in issue not yet effective or early adopted by the Bank

At the date of authorisation of these financial statements the following new standards and amendments to existing standards were in issue but not yet effective.

- **IFRS 17 "Insurance contracts"** (effective for annual periods beginning on or after 1 January 2023).
  In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. This standard will not have a material impact on the Bank, however once effective,
  IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
  A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.
  IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Other standards
The following amended standards are not expected to have a significant impact on the Bank's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a business (amendments to IFRS 3)
- Definition of a material (amendments to IAS 1 to IAS 8)
- Interest rate benchmark reform (amendments to IFRS 9, IAS 39 & IFRS 7)

The following standards and

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interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28
- Covid-19-related Rent Concessions Amendments to IFRS 16.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

3.1 Risk Management

The Bank's business involves taking on risks in a reasonable manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks facing the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank is not regulated by any monetary and/or financial authority, but strives to comply with all international risk management standards and to operate in accordance with the best practices in the industry.

To conduct the Bank's operations in a manner consistent with its charter and aims, objectives and expectations of its stakeholders, the Board of Directors has approved the Risk Management Policies and Procedures (RMPP). This document incorporates different risk management policies that were operating as stand-alone policies into an integrated document that takes an enterprise wide approach to risk management.

- The RMPP primarily covers the following:
- Enterprise Risk Management (ERM) Policy
- Credit Policies and Credit Procedures (CPP)
- Treasury Policies and Procedures
- Business Continuity Management Policy
- Customer Due Diligence Policies and Procedures
- ICT Policies and Guideline
- Environmental and Social Risk Management Policies and Procedures
- Operational Risk Policy

The Bank identifies and controls the various operational risks inherent in its business. Operational risk is managed and mitigated by ensuring that there is appropriate infrastructure, controls, systems, procedures, and trained and competent people in place discharging the various functions. Refer to note 37 on how the Bank managed credit risk during Covid-19.

3.2 Risk Management Structure

The risk management governance structure comprises (i) Board of Directors, responsible for oversight and approval of risk policies; (ii) Board Executive Committee, responsible for credit approval above management's authority levels; (iii) Management Risk and Strategy Committee, responsible for the risk policies review and implementation; and (iv) Risk Management Department, responsible for risk policies development and monitoring.

3.3 Credit Risk

Credit risk is the risk that a customer or counterparty of the Bank will be unable or unwilling to meet a commitment that it has entered into with the Bank. It arises from lending, trade finance, treasury and other activities undertaken by the Bank.

The gross carrying amounts of cash and deposits with banks, loans and advances to customers and derivative financial instruments represent the maximum amount exposed to credit risk.

3.3.1 Credit risk exposure

The following table contains an analysis of the credit quality of financial assets measured at amortised cost. For financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. The gross amount of the financial assets below represents the Bank's maximum exposure to credit risk on these assets.

Credit Risk Exposure

Maximum exposure to credit risk (including credit quality analysis)

In US$ 000	12-Month ECL	2020 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Loans and advances to customers at amortised cost				
Grades 1-3: Low risk	2,401	-	-	2,401
Grades 4-6: Satisfactory risk	7,538,112	-	-	7,538,112
Grades 7-8: Satisfactory risk	6,225,013	695,395	-	6,920,408
Grade 9-10: Moderate risk	250,777	159,383	-	410,160
Grade 11: Watchlist	369,150	915,498	114,957	1,399,605
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	471,419	471,419
Grade 14: Loss	-	-	31,314	31,314
Gross amount	**14,385,452**	**1,770,276**	**617,690**	**16,773,419**
Loss allowance	(93,576)	(72,392)	(178,976)	(344,944)
Suspended interest	-	-	(124,947)	(124,947)
Modification gain/(loss)	666	(2,075)	-	(1,409)
Carrying amount	**14,291,876**	**1,697,884**	**313,768**	**16,302,119**
Receivables and accrued income				
Ungraded	-	-	53,849	53,849
Gross amount	-	-	**53,849**	**53,849**
Loss allowance	-	-	(11,768)	(11,768)
Carrying amount	-	-	**42,081**	**42,081**

In US$ 000	12-Month ECL	2020 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Loan Commitment				
Grades 1-3: Low risk	123,300	-	-	123,300
Grades 4-6: Satisfactory risk	510,809	-	-	510,809
Grades 7-8: Satisfactory risk	872,369	30,000	-	902,369
Grade 9-10: Moderate risk	13,033	16,627	-	29,659
Grade 11: Watchlist	-	-	-	-
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	**1,519,511**	**46,627**	-	**1,566,137**
Loss allowance	(13,731)	(216)	-	(13,946)
Carrying amount	**1,505,780**	**46,411**	-	**1,552,191**

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In US$ 000	12-Month ECL	2020 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Financial guarantee contracts				
Grades 1-3: Low risk	206,430	-	-	206,430
Grades 4-6: Satisfactory risk	378,125	-	-	378,125
Grades 7-8: Satisfactory risk	484,772	-	-	484,772
Grade 9-10: Moderate risk	-	**27,231**	-	27,231
Grade 11: Watchlist	-	**16,848**	-	16,848
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	**1,069,327**	44,080	-	**1,113,406**
Loss allowance	(1,797)	-	-	(1,797)
Carrying amount	**1,067,530**	44,080	-	**1,111,610**

In US$ 000	12-Month ECL	2020 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Letters of credit				
Grades 1-3: Low risk	13,237	-	-	13,237
Grades 4-6: Satisfactory risk	182,522	-	-	182,522
Grades 7-8: Satisfactory risk	1,039,360	-	-	1,039,360
Grades 9-10: Moderate risk	-	**1,555**	-	1,555
Grade 11: Watchlist	-	-	-	-
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	**1,235,119.38**	1,555	-	**1,236,674.29**
Loss allowance	(11,930)	-	-	(11,930)
Carrying amount	**1,223,189.07**	1,555	-	**1,224,743.98**

Credit Risk Exposure

Maximum exposure to credit risk (including credit quality analysis)

In US$ 000	12-Month ECL	2019 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Loans and advances to customers at amortised cost				
Grades 1-3: Low risk	605,279	-	-	605,279
Grades 4-6: Satisfactory risk	2,795,289	-	-	2,795,289
Grades 7-8: Satisfactory risk	6,081,349	**215,062**	-	6,296,411
Grades 9-10: Moderate risk	491,119	**110,899**	5,094	607,112
Grade 11: Watchlist	-	**1,417,756**	87,799	1,505,555
Grades 12-13 Sub-standard, doubtful and bad	-	**168,361**	405,418	573,779
Grade 14: Loss	-	-	-	-
Gross amount	**9,973,036**	**1,912,078**	**498,311**	**12,383,425**
Loss allowance	(42,707)	**(100,853)**	(183,096)	(326,656)
Suspended interest			**(27,221)**	**(27,221)**
Carrying amount	**9,930,329**	**1,811,225**	**287,994**	**12,029,548**
Receivables and accrued income				
Ungraded	-	-	34,014	34,014
Gross amount	**-**	**-**	**34,014**	**34,014**
Loss allowance	-	-	(18,815)	(18,815)
Carrying amount	**-**	**-**	**15,199**	**15,199**

In US$ 000	12-Month ECL	2019 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Loan Commitment				
Grades 1-3: Low risk	206,430	-	-	206,430
Grades 4-6: Satisfactory risk	356,075	-	-	356,075
Grades 7-8: Satisfactory risk	636,994	-	-	636,994
Grades 9-10: Moderate risk	-	**33,332**	-	33,332
Grade 11: Watchlist	-	-	-	-
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	**1,199,499**	**33,332**	-	**1,232,831**
Loss allowance	(7,887)	**(62)**	-	(7,949)
Carrying amount	**1,191,612**	**33,270**	**-**	**1,224,882**

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In US$ 000	12-Month ECL	2019 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Financial guarantee contracts				
Grades 1-3: Low risk	206,430	-	-	206,430
Grades 4-6: Satisfactory risk	78,753	-	-	78,753
Grades 7-8: Satisfactory risk	759,779	-	-	759,779
Grades 9-10: Moderate risk	-	-	-	-
Grade 11: Watchlist	20,820	-	-	20,820
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	**1,065,782**	-	-	**1,065,782**
Loss allowance	(1,295)	-	-	(1,295)
Carrying amount	**1,064,487**	-	-	**1,064,487**

In US$ 000	12-Month ECL	2019 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Letters of credit				
Grades 1-3: Low risk	-	-	-	-
Grades 4-6: Satisfactory risk	201,272	-	-	201,272
Grades 7-8: Satisfactory risk	256,889	-	-	256,889
Grades 9-10: Moderate risk	-	-	-	-
Grade 11: Watchlist	-	-	-	-
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	**458,161**	-	-	**458,161**
Loss allowance	(2,463)	-	-	**(2,463)**
Carrying amount	455,698	-	-	**455,698**

The following table sets out the credit quality of debt investment securities measured at amortised. The analysis has been based on external rating agency ratings. All Investments securities, money market placements deposits with other banks are under stage 1 given that there is no significant deterioration in the credit risk.

Investment Securities

	Note	2020	2019
Rated AAA	20	-	-
Rated AA- to AA+	20	**9,000**	-
Rated A- to A+	20	**60,000**	-
Rated BBB+ and below	20	-	-
Unrated	20	**30,342**	30,268
Gross amount		**99,342**	**30,268**
Loss allowance		**(5,752)**	**(1,030)**
Carrying amount		**93,590**	**29,238**

Investment securities are in Stage 1 at 31 December 2020 (2019: Stage 1)

Money market placements

	Note	2020	2019
Rated AAA	16.1	-	201,991
Rated AA- to AA+	16.1	**300,000**	303,846
Rated A- to A+	16.1	**1,025,972**	528,645
Rated BBB+ and below	16.1	**324,314**	228,584
Gross amount		1,650,286	**1,263,066**
Loss allowance		**(60)**	**(11)**
Carrying amount		**1,650,226**	**1,263,055**

Money markets placements are in Stage 1 at 31 December 2020 (2019: Stage 1)

Deposit with other banks

2020	Note	12-Month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Rated AAA	16.1	-	-	-	-
Rated AA- to AA+	16.1	21	-	-	21
Rated A- to A+	16.1	970,864	-	-	970,864
Rated BBB+ and below	16.1	96,339	-	-	96,339
Unrated		21	-	-	21
Gross amount		**1,067,246**	-	-	**1,067,246**
Loss allowance		(50)	-	-	**(50)**
Carrying amount		**1,067,196**	-	-	**1,067,196**

2019	Note	12-Month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Rated AAA	16.1	-	-	-	-
Rated AA- to AA+	16.1	200,732	-	-	200,732
Rated A- to A+	16.1	569,510	-	-	569,510
Rated BBB+ and below	16.1	1,763	-	-	1,763
Unrated		190,355	-	-	190,355
Gross amount		**962,360**	-	-	**962,360**
Loss allowance		(28)	-	-	(28)
Carrying amount		**962,332**	-	-	**962,332**

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The following table shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Bank are generally fully collateralised by cash.

In US$ 000	Notional Amount	Fair Value	Bilateral Collateralised Notional Amount	Fair Value
2020				
Derivative assets	722,582	5,704	722,582	5,704
Derivative liabilities	(415,004)	(1,953)	(415,004)	(1,953)
2019				
Derivative assets	858,384	541	145,050	541
Derivative liabilities	(219,009)	(4,935)	932,343	(4,935)

Deposits with other banks
The Bank held cash and bank balances US$1.07 billion on at December 2020 (2019: US$962 million). A significant portion of cash and bank balances are held with central banks and financial institution counterparties that are rated BB+ to AA+, based on external rating agency ratings. In some cases, the Bank can maintain cash and bank balances with sovereigns with no rating.

Collateral held and other credit enhancement
The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of Credit Exposure

	Percentage of Exposure that is Subject to Collateral Requirements		
In US$ 000	31 December 2020	31 December 2019	Principal Type of Collateral Held
Derivative transactions	100	100	Cash
Loans and advances to customers	100	100	Equity instruments Cash Machinery Inventory Treasury bills Insurance Legal mortgage Guarantee
Debt investment securities	–	–	None
Money market placements	–	–	None
Deposit with other banks	–	–	None

Loans and advance to customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a cash and non-cash collateral like, treasury bills, legal mortgage, inventories and other liens and financial guarantees etc.

In the course of lending, the bank focuses on the high quality customers and therefore does not routinely update the valuation of collateral held against all loans to these customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 December 2020, the net carrying amount of credit-impaired loans and advances to customers amounted to US$354 million (2019: US$161 million) and the net value of identifiable collateral held against those loans and advances amounted to US$579 million (2019: US$137 million). The table below summarised the total values of the collateral by collateral types;

Collateral Types	2020 US$ 000	2019 US$ 000
Aircraft	632,085	8,120
Cash	3,979,199	1,531,613
Debt securities	968,069	169,536
Debtors/Receivables	441,869	-
Guarantee	5,187,403	3,344,116
Immovable property	2,107,109	3,068,435
Insurance	1,496,952	1,435,868
Inventory	1,080,577	731,539
Machinery	230,478	471,968
Promissory notes	2,014,563	-
Stocks and shares	591,068	1,322,603
Treasury bills	745,845	1,000,784
Vehicles	1,539	-
Total	19,476,756	**13,084,582**

During the period, there was no change in the Bank's collateral policies.

Assets obtained by taking possession of collateral

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank does not generally use the non-cash collateral for its own operations. During the period there were no assets obtained by taking possession of collateral.

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3.3.2 Amount arising from expected credit loss (ECL)

Inputs, assumptions and techniques used for estimating impairment

See accounting policy for Financial instruments (note 2.2)

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.
The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades
The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. In some cases, the Bank allocate exposures to credit risk grade using rating grade by external rating agencies. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data;

1. Information obtained during periodic review of customer files - e.g. audited financial statements, management accounts, budgets and projections, Payment record- this includes overdue status as well as a range of variables about payment ratios. Others relevant factors are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
2. Data from credit reference agencies, rating agencies, press articles, changes in external credit ratings
3. Quoted bond and credit default swap (CDS) prices for the borrower where available
4. Existing and forecast changes in business, financial and economic conditions

The table below shows the Bank's rating grades and their risk definitions;

Rating Grades	Description
1	Low risk
2	
3	
4	Satisfactory risk
5	
6	
7	
8	
9	Moderate risk
10	
11	Watchlist
12	Substandard
13	Doubtful and Bad
14	Loss

Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/ or real estate prices.

The Bank's Economic Research team (RICO) in discussion with the Credit Risk Management, Finance, Treasury, and Business development teams shall at the end of every reporting period identify macroeconomic variables that may impact the Bank's risk assets portfolio. Based on advice from the Bank's (RICO) and consideration of a variety of external actual and forecast information, the Bank produces base case, best case and worst case forecasts of the selected macro-economic indicators, based on trends in the indicators and macro-economic commentaries. The Bank then uses these forecasts to adjust its ECL estimates.

In determining the ECL for other assets, the Bank applies the simplified model to estimate ECLs, adopting a provision matrix to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for current and future economic conditions (expected changes in default rates) without undue cost and effort.

Determining whether credit risk has increased significantly

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank's loans are subject to the forbearance policy. The Bank Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/ in default. A customer needs to demonstrate consistently good payment, in addition to other qualitative behaviours over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL or Lifetime ECL not credit-impaired.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Bank has identified likely key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and historical credit risk and credit losses. Based on advice from the Bank's experts and consideration of a variety of external actual and forecast information, the Bank formulates a forecast of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organizations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Where there are no significant correlations between the macroeconomic variable and default, the Bank supplements this analysis with expert judgement overlay on both individual and portfolio basis. In cases where the Bank uses expert judgment due to limitations, it shall keep exploring other options to arrive at a statistical basis for incorporating FLI into its ECL computation in the near future.

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The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models, external data and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of Default is a measure of the likelihood that an obligor will default on a contractual obligation. PD estimate are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Generally, the Bank uses two approaches in estimating PDs: Internally generated PDs (where internal data is available) and External PDs (where internal data is unavailable).

For the purposes of PD estimation for internally rated financial assets, credit ratings were adopted as the basis for homogeneous segmentation. This means that PDs will be derived for each loan based on the credit rating attached to the loan. As a result, every loan with similar credit rating would have the same PD. In External PDs, market data are used to derive the PDs for counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Loss Given Default is the measure of the proportion of the outstanding balance that the Bank stands to lose in the event of a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, currency adjustment factors, and recovery costs of any collateral that is integral to the financial asset. Due to insufficient historical recovery data, the Bank has applied standard recovery rates for different collateral types including sovereign and corporate investments. This is calculated by applying standard haircuts on the collateral value and are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default is an estimate of the outstanding balance on a credit facility at the time of default. The outstanding balance includes the gross amortised cost, accrued principal and interest, and overdue principal and interest. Multi-period EADs are a collection of EAD values referring to different time periods over the lifetime of a financial asset.
The Bank estimates the multi-period EAD for on-balance sheet exposures, based on the contractual repayment cash flows and expectation of future prepayment.
For off-balance sheet exposures, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. In this case, the Bank will estimate the credit exposure equivalent (CEE) of all off-balance sheet exposures including lines of credit, letters of credit (LC), loan commitment, guarantees and standby letter of credit (SBLC). This is done using the credit conversion factor (CCF). CCF is the rate at which off-balance sheet commitments crystalise and become on-balance sheet exposures.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts and revolving facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are Banked on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;

- Past due information;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. Below is information on how the Bank has segmented its portfolio for the purpose of computing ECL.

Financial Instrument	Exposure at Default	Loss Given Default	Probability of Default
Loans and advances	Estimated Individually based on the amortization pattern of the loan	Segmented based on collateral type.	Segmented based on internal credit rating.
Off-balance sheet items	Segmented based on type of off-balance sheet item.		
Placements, Debt/Investment securities, and Trade receivables with significant financing components	Estimated Individually based on amortization pattern of the security	Estimated collectively based on external data eg External Credit Rating Agency historical recovery rates	Segmented based on external credit ratings.
Trade receivables without significant financing components	Segmented by days past due buckets	Loss rate segmented based on days past due buckets.	

For portfolios in respect of which the Bank has limited historical data such as investment securities - debt, money market placement & deposit with other banks selected external rating agencies is used to supplement the internally available data.

3.3.3 Allowance for impairment

Loan allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 17.

	2020				2019			
In US$ 000	12-Month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total	12-Month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	**42,707**	**100,853**	**183,096**	**326,656**	**47,849**	**60,049**	**162,520**	**270,418**
Transfer to 12-month ECL	10,369	(10,369)	-	-	174,857	(69,952)	(104,905)	-
Transfer to lifetime ECL not credit-impaired	(7,091)	23,184	(16,093)	-	(24,715)	25,448	(733)	-
Transfer to lifetime ECL credit-impaired	(112)	(16,766)	16,878	-	(60,521)	(13,439)	73,960	-
Net remeasurement of loss allowance including changes in EAD	(19,274)	(24,510)	196,581	152,797	(192,171)	98,747	201,228	107,804
New financial assets originated or purchased	66,976	1	-	66,977	97,408	-	-	97,408
Financial assets that have been derecognised	-	-	-	-	-	-	-	-
Write-offs	-	-	(201,486)	(201,486)	-	-	(148,974)	(148,974)
Balance at 31 December	**93,576**	**72,392**	**178,976**	**344,944**	**42,707**	**100,853**	**183,096**	**326,656**

The changes in the reported loss allowance as disclosed in the table above was mainly impacted by the gross loans amounts written off during 2020 see note (17.2 a)

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3.3.3 Allowance for impairment (continued)

	2020				2019			
	12-Month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total	12-Month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Money market placements								
Balance at 1 January	11	–	–	11	–	36	–	36
Net remeasurement of loss allowance	49	–	–	49	–	(25)	–	(25)
Balance at 31 December	60	–	–	60	–	11	–	11
Deposit with other banks								
Balance at 1 January	28	–	–	28	–	14	–	14
Net remeasurement of loss allowance	22	–	–	22	–	14	–	14
Balance at 31 December	50	–	–	50	–	28	–	28
Investment securities at amortised cost								
Balance at 1 January	1,030	–	–	1,030	–	1,940	–	1,940
Net remeasurement of loss allowance	4,722	–	–	4,722	–	(910)	–	(910)
Balance at 31 December	5,752	–	–	5,752	–	1,030	–	1,030
Financial guarantee contracts								
Balance at 1 January	1,295	–	–	1,295	–	1,645	–	1,645
Net remeasurement of loss allowance	502	–	–	502	–	(350)	–	(350)
Balance at 31 December	1,797	–	–	1,797	–	1,295	–	1,295
Loan commitments								
Balance at 1 January	7,949	216	–	7,949	–	7,171	–	7,171
Net remeasurement of loss allowance	5,782	–	–	5,998	–	778	–	778
Balance at 31 December	13,731	216	–	13,946	–	7,949	–	7,949
Letters of credit								
Balance at 1 January	2,463	–	–	2,463	–	343	–	343
Net remeasurement of loss allowance	9,468	–	–	9,468	–	2,120	–	2,120
Balance at 31 December	11,931	–	–	11,931	–	2,463	–	2,463

	2020				2019			
	12-Month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total	12-Month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Prepayments and Accrued income								
Balance at 1 January	–	–	18,815	18,815	–	–	9,722	9,722
New financial assets originated or purchased	–	–	(7,047)	(7,047)	–	–	9,185	9,185
Write-offs	–	–	-	-	–	–	(92)	(92)
Balance at 31 December	–	–	11,768	11,768	–	–	18,815	18,815

Credit-impaired financial assets

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers

US$000	2020	2019
Credit-impaired loans and advances to customers at 1 January	161,329	174,426
Change in allowance for impairment	(14,903)	(98,856)
Classified as credit-impaired during the year	377,360	338,729
Transferred to not credit-impaired during the year	(28,924)	(509,948)
Net repayments	(140,409)	256,978
Credit-impaired loans and advances to customers at 31 December	354,454	**161,329**

Impaired and not impaired financial assets

	Loan Advances to Customers 2020 US$000	Loan Advances to Customers 2019 US$000
Neither past due nor impaired		
Grades 1-3: Low risk	2,401	605,279
Grades 4-6: Satisfactory risk	7,538,112	2,795,289
Grades 7-8: Satisfactory risk	6,917,345	6,081,349
Grade 9-10: Moderate risk	410,160	542,111
Grade 11: Watchlist	1,284,647	1,191,378
Grade 12-13: Sub-standard, Doubtful and Bad	-	162,630
Grade 14: Loss	-	-
	16,152,665	**11,378,036**
Past due but not impaired		
30-59 days	3,063	28,056
60-89 days	-	243,645
90+ days	84,262	389,262
	87,325	**660,964**
Individually impaired		
Grade 11: Watchlist	89,508	52,638
Grade 12-13: Sub-standard, Doubtful and Bad	412,606	291,787
Grade 14: Loss	31,314	-
	533,428	**344,425**
Allowance for impairment		
Individual	178,976	183,096
Collective	165,968	143,560
Total allowance for impairment	**344,944**	**326,656**

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3.3.4 Concentration risks of loans and advances to customers with credit risk exposure

a) Geographical sectors

The following table breaks down the Bank's credit exposure at their gross amounts (without taking into account any collateral held or other credit support), as categorized by geographical region as at 31 December 2020 and 31 December 2019 of the Bank's counterparties.

	%	2020 US$ 000	%	2019 US$ 000
West Africa	38	6,414,645	43.9	5,430,630
North Africa	26	4,280,401	16.3	2,023,445
East Africa	13	2,144,375	14.0	1,732,221
Central Africa	3	546,759	5.5	679,633
Southern Africa	20	3,387,239	20.3	2,517,496
Total (note 17)	**100**	**16,773,419**	**100**	**12,383,425**

b) Industry sectors

The following table breaks down the Bank's credit exposure at their gross amounts (without taking into account any collateral held or other credit support), as categorized by industry sector as at 31 December 2020 and 31 December 2019 of the Bank's counterparties.

	%	2020 US$000	%	2019 US$000
Agriculture	1.1	177,275	0.7	91,749
Agro-processing	0.8	142,407	0.5	62,049
Financial Services	54.7	9,174,735	45.2	5,592,405
Government	2.1	354,440	4.5	554,455
Hospitality (Hotels, Resorts, etc.)	1.2	197,693	1.4	171,427
Manufacturing	7.6	1,279,358	6.2	771,423
Metals and Minerals	0.3	50,835	2.4	302,325
Oil and Gas	14.4	2,419,847	22.8	2,823,484
Other	1.5	248,420	0.3	37,965
Power	5.4	901,211	7.3	907,464
Telecommunication	3.2	536,753	4.9	612,216
Transportation	1.3	222,854	2.3	289,066
Construction	5.0	835,933	1.4	167,396
Health and medical services	1.4	231,659	-	-
Total (note 17)	**100**	**16,773,419**	**100**	**12,383,425**

3.4 MARKET RISK

3.4.1 Interest rate risk

Interest rate movements affect the Bank's profitability. Exposure to interest rate movements exists because the Bank has assets and liabilities on which interest rates either change from time to time (rate sensitive assets and liabilities) or, do not change (rate insensitive assets and liabilities). Exposure to interest rate movements arises when there is a mismatch between the rate sensitive assets and liabilities.

The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Interest rate swaps are also used to manage interest rate risk.

The table below summarizes the Bank's exposure to interest rate risks as at 31 December 2020. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorized by the period of contractual re-pricing.

As at 31 December 2020	Up to 3 Months US$ 000	3-6 Months US$ 000	6-12 Months US$ 000	Over 1 Year US$ 000	Non-Interest Bearing US$ 000	Fixed Rate US$ 000	2020 Total US$ 000
Financial assets							
Cash and due from banks	1,067,329	-	-	-	-	-	**1,067,329**
Deposits with other banks	924,517	725,769	-	-	-	-	**1,650,286**
Loans and advances to customers at amortised cost	10,465,806	1,315,617	129,704	-	-	4,862,291	**16,773,418**
Other assets	-	-	-	-	16,742	-	**16,742**
Financial investments at amortised costs	-	-	-	-	-	99,342	**99,342**
Total financial assets	**12,431,642**	**2,041,386**	**129,704**	**-**	**16,742**	**4,961,633**	**19,607,117**
Financial liabilities							
Due to banks	713,055	425,034	1,183,638	2,776,069	-	2,954,303	**8,052,097**
Debt securities in issue	-	700,000	41,500	145,000	-	2,200,000	**3,086,500**
Deposits and customer accounts	-	-	-	-	-	4,470,126	**4,470,126**
Shareholders' deposits for shares	-	-	-	-	-	9,800	**9,800**
Other liabilities	-	-	-	-	332,764	-	**332,764**
Total financial liabilities	**713,055**	**1,125,034**	**1,225,138**	**2,921,069**	**332,764**	**9,634,228**	**15,951,286**
Total interest gap	**11,774,596**	**916,352**	**(1,095,433)**	**(2,921,069)**	**(316,021)**	**4,672,595**	**3,655,831**
Cumulative gap	**11,744,596**	**12,660,948**	**11,565,515**	**8,644,447**			

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3.4.1 Interest rate risk (continued)

As at 31 December 2019	Up to 3 Months US$ 000	3-6 Months US$ 000	6-12 Months US$ 000	Over 1 Year US$ 000	Non-Interest Bearing US$ 000	Fixed Rate US$ 000	2019 Total US$ 000
Financial assets							
Cash and due from banks	962,360	-	-	-	82	-	**962,442**
Money market placements	1,263,067	-	-	-	-	-	**1,263,067**
Loans and advances to customers at amortised cost	8,941,085	1,394,010	75,897	-	-	1,972,433	**12,383,425**
Loans and advances to customers (FVTPL)	-	-	-	-	-	-	**-**
Other assets	-	-	-	-	11,598	-	**11,598**
Financial investments - held to maturity	-	-	-	-		29,238	**29,238**
Total financial assets	**11,166,512**	**1,394,010**	**75,897**	**-**	**11,680**	**2,001,671**	**14,649,770**
Financial liabilities							
Due to banks	356,100	1,013,397	241,230	3,318,418	-	1,227,992	**6,157,136**
Debt securities in issue	-	-	-	**186,500**	-	2,900,000	**3,086,500**
Deposits and customer accounts	79,020	-	-	-	-	2,023,793	**2,102,814**
Other liabilities	-	-	-	-	291,999	-	**291,999**
Total financial liabilities	**435,120**	**1,013,397**	**241,230**	**3,504,918**	**145,216**	**6,151,785**	**11,491,666**
Total interest gap	10,836,722	380,613	(165,333)	(3,504,918)	(134,274)	(4,080,084)	3,332,726
Cumulative gap	10,836,722	11,217,335	11,052,002	7,547,084			

Interest rate risk sensitivity analysis

At 31 December 2020, if interest rates at that date had been 15 basis points higher with all other variables held constant, profit and reserves for the year would have been US$13,586,008 (2019: US$6,102,000) lower, arising mainly as a result of the higher decrease in interest income on loans than the decrease in interest expense on borrowing. If interest rates had been 15 basis points (2019: 15 basis points) lower, with all other variables held constant, profit would have been US$13,586,008 (2019: US$6,653,560.66) higher, arising mainly as a result of higher increase in interest income on loans than the increase in interest expense on borrowings. The sensitivity is higher in 2020 than in 2019 due to increase in interest rate sensitive assets and liabilities.

The table below summarizes the impact on profit or loss and equity for each category of financial instruments held as at 31 December 2020 and comparatives. It includes the Bank's financial instruments at carrying amounts.

	Carrying Amount 2020 US$ 000	Impact on Profit or Loss and Equity 2020 US$ 000	Impact on Profit or Loss and Equity 2020 US$ 000	Carrying Amount 2019 US$ 000	Impact on Profit or Loss and Equity 2019 US$ 000	Impact on Profit or Loss and Equity 2019 US$ 000
Changes in interest rates		+15bp of US$1R	(-)15bp of US$1R		+15bp of US$1R	(-)15bp of US$1R
Financial assets						
Cash due from banks	1,067,246	1,601	(1,601)	1,067,690	1,602	(1,602)
Deposits with other banks	1,650,286	2,475	(2,475)	1,263,067	1,895	(1,895)
Gross loans and advances to customers	16,773,419	25,160	(25,160)	12,383,425	18,575	(18,575)
Impact from financial assets	19,490,951	29,236	(29,236)	**14,714,182**	**22,071**	**(22,071)**
Financial liabilities						
Due to banks	5,097,795	(7,647)	7,647	5,147,945	(7,722)	7,722
Debt securities in issue	886,500	(1,330)	1,330	3,027,717	(4,542)	4,542
Deposits and customer accounts	4,426,709	(6,640)	6,640	2,102,814	(3,154)	3,154
Impact from financial liabilities	10,411,004	(15,617)	15,617	**10,278,475**	**(15,418)**	**15,418**
Total increase/(decrease) on profit or loss and equity	9,079,947	13,620	(13,620)	**4,435,707**	**6,654**	**(6,654)**

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3.4.2 Foreign exchange risk exposure

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is managed by the Bank by matching assets and liabilities in respective currencies. The Bank also uses currency derivatives, especially forward foreign exchange contracts to hedge foreign exchange risk. Open currency positions are monitored regularly and appropriate hedging actions taken. Please refer to note 5 for further details on derivative financial instruments.

The table below summarises the Bank exposure to foreign currency exchange rate risk as at 31 December 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

As at 31 December 2020	Euro US$ 000	Nigerian Naira US$ 000	Other Currencies US$ 000	Total US$ 000
Assets				
Cash and due from banks	289,226	34,329	4,894	**328,449**
Loans and advances to customers	2,090,542	-	81,404	**2,171,946**
Derivative for risk management	-	-	443,840	**443,840**
Total financial assets	**2,379,768**	**34,329**	**530,138**	**2,944,235**
Liabilities				
Due to banks	1,985,759	-	-	**1,985,759**
Deposits and customer accounts	12,733	4,194	99	**17,026**
Other liabilities	236,971	3,130	129,253	**369,354**
Derivatives for risk management	**439,043**	-	5,182	**444,226**
Total financial liabilities	**2,674,506**	**7,325**	**134,534**	**2,816,365**
Net exposure on statement of financial position	**(294,738)**	**27,005**	**395,604**	**127,870**
Credit commitments and financial guarantees	**95,780**	**-**	**287**	**96,067**

As at 31 December 2019	Euro US$ 000	Nigerian Naira US$ 000	Other Currencies US$ 000	Total US$ 000
Assets				
Cash and due from banks	159,401	1,734	559	161,694
Loans and advances to customers	1,588,919	-	170,666	1,759,585
Derivative for risk management	182	-	359	541
Total financial assets	**1,748,503**	**1,734**	**171,584**	**1,921,819**
Liabilities				
Due to banks	1,587,867	-	22,532	1,610,399
Deposits and customer accounts	25,985		1,736	27,721
Other liabilities	237,037	614	1,358	239,009
Derivatives for risk management	413	-	1,073	1,486
Total financial liabilities	**1,851,302**	**614**	26,699	**1,878,615**
Net exposure on statement of financial position	**(102,799)**	**1,120**	**144,885**	**43,205**
Credit commitments and financial guarantees	**261,000**	**-**	-	**261,000**

Foreign exchange risk sensitivity analysis

At 31 December 2020, if foreign exchange rates at that date had been 10 percent lower with all other variables held constant, profit and reserves for the year would have been US$14,150,831 (2019: US$10,239,606) lower, arising mainly as a result of more financial liabilities than financial assets in Euro. If foreign exchange rates had been 10 percent higher, with all other variables held constant, profit would have been US$1,415,083 (2019: US$1,419,761) higher, arising mainly as a result of decline in revaluation of financial assets than financial liabilities in Euro.

The following analysis details the Bank's sensitivity to a 10% increase and decrease in the value of the US$ against the Euro, as the Bank is mainly exposed to Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The table below summarizes the impact on profit or loss and equity for each category of Euro financial instruments held as at 31 December 2020. It includes the Bank's Euro financial instruments at carrying amounts.

	Carrying Amount 2020 US$ 000	Impact on Profit or Loss and Equity 2020 US$ 000	Impact on Profit or Loss and Equity 2020 US$ 000	Carrying Amount 2019 US$ 000	Impact on Profit or Loss and Equity 2019 US$ 000	Impact on Profit or Loss and Equity 2019 US$ 000
Changes in value of US dollar against euro		10 percent increase	10 percent decrease		10 percent increase	10 percent decrease
Financial assets						
Cash due from banks	289,226	28,923	(28,923)	159,401	15,940	(15,940)
Gross loans and advances to customers	2,090,542	209,054	(209,054)	1,588,919	158,892	(158,892)
Hedging derivatives	-	-	-	182	18	(18)
Impact from financial assets	2,379,768	237,977	(237,977)	**1,748,502**	**174,850**	**(174,850)**
Financial liabilities						
Due to banks	1,985,759	(198,576)	198,576	1,587,867	(158,787)	158,787
Deposits and customer accounts	12,733	(1,273)	1,273	25,985	(2,599)	2,599
Other liabilities	236,971	(23,697)	23,697	**237,037**	**(23,704)**	**23,704**
Hedging derivatives	439,043	(43,904)	43,904	-	-	-
Impact from financial liabilities	2,235,463	(223,546)	223,546	**1,850,889**	**(185,090)**	**185,090**
Total increase/(decrease) on profit or loss and equity	144,305	14,431	(14,431)	**(102,387)**	**(10,240)**	**10,240**

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3.5 LIQUIDITY RISK

Liquidity risk concerns the ability of the Bank to fulfil its financial obligations as they become due. The management of the liquidity risk is focused on the timing of the cash inflows and outflows as well as in the adequacy of the available cash, credit lines and high liquidity investments. The Bank manages its liquidity risk by preparing dynamic cash flow forecasts covering all expected cash flows from assets and liabilities and taking appropriate advance actions. Further, the bank has committed credit lines it can draw in case of need. Liquidity ratio is 14% (2019: 15%).

The table below analyses the Bank's financial assets and financial liabilities (including principal and interest, where applicable) into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date as at 31 December 2020 and the amounts disclosed in the table are the contractual undiscounted cash flows:

As at 31 December 2020	Up to 1 Month US$ 000	1-3 Months US$ 000	3-12 Months US$ 000	1-5 Years US$ 000	Over 5 Years US$ 000	2020 Total US$ 000
Financial assets by type						
Non-derivative assets						
Cash and due from banks	1,067,329	-	-	-	-	1,067,329
Deposits with other banks	924,613	726,047	-	-	-	1,650,661
Loans and advances to customers	905,108	177,197	3,460,934	10,118,186	2,111,992	16,773,419
Derivative assets						
Derivative assets held for risk management	-	-	4,136	1,568	-	5,704
Total assets	**2,897,050**	**903,245**	**3,465,070**	**10,119,754**	**2,111,992**	**19,497,112**
Financial liabilities						
Non-derivative liabilities						
Due to banks	1,070,520	681,827	2,281,354	2,425,323	1,597,506	8,056,529
Debt securities in issue	-	-	941,619	1,396,895	752,651	3,091,164
Deposits and customer accounts	927,146	-	2,499,331	1,000,233	-	4,426,709
Derivative liabilities						
Derivative liabilities held for risk management	-	-	-	-	1,953	1,953
Total liabilities	**1,997,665**	**681,827**	**5,722,303**	**4,822,450**	**2,352,110**	**15,576,356**
Net liquidity gap	**899,385**	**221,417**	**(2,257,233)**	**5,297,304**	**(240,117)**	**3,920,756**
Cumulative liquidity gap	**899,385**	**1,120,802**	**(1,136,431)**	**4,160,873**	**3,920,756**	

As at 31 December 2019	Up to 1 Month US$ 000	1-3 Months US$ 000	3-12 Months US$ 000	1-5 Years US$ 000	Over 5 Years US$ 000	2019 Total US$ 000
Financial assets by type						
Non-derivative assets						
Cash and due from banks	962,513	-	-	-	-	**962,513**
Deposits with other banks	1,088,543	198,057	-	-	-	**1,286,600**
Loans and advances to customers	1,940,381	495,515	2,204,212	6,896,060	847,257	**12,383,425**
Derivative assets						
Derivative assets held for risk management	25	158	-	358	-	**541**
Total assets	**3,991,462**	**693,730**	**2,204,212**	**6,896,418**	**847,257**	**14,633,079**

Financial liabilities						
Non-derivative liabilities						
Money market deposits	**246,895**	**159,320**	**525,482**	**-**	**-**	931,697
Due to banks	-	356,122	1,271,214	2,733,321	869,593	**5,230,250**
Debt securities in issue	-	-	-	2,339,668	752,956	**3,092,623**
Deposits and customer accounts	1,622,786	-	499,169	-	-	**2,121,955**
Derivative liabilities						
Derivative liabilities held for risk management	413	1,018	-	3,504	-	**4,935**
Total liabilities	**1,870,094**	**516,460**	**2,295,865**	**5,076,493**	**1,622,549**	**11,381,460**
Net liquidity gap	**2,121,368**	**177,270**	**(91,653)**	**1,819,925**	**(775,292)**	**3,251,619**
Cumulative liquidity gap	**2,121,368**	**2,298,638**	**2,206,985**	**4,026,910**	**3,251,618**	

The table below analyses the contractual expiry by maturity of the Bank's contingent liabilities. For issued financial guarantees contract, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 December 2020	Up to 1 Month US$ 000	1-3 Months US$ 000	3-12 Months US$ 000	1-5 Years US$ 000	Over 5 Years US$ 000	Total US$ 000
Letters of credit	779,287	185,767	271,621	-	-	**1,236,675**
Financial guarantees	8,447	10,625	151,519	915,816	27,000	**1,113,407**
Loan commitments	-	33,664	465,544	948,612	118,318	**1,566,137**
Total	**787,734**	**230,055**	**888,683**	**1,864,428**	**145,318**	**3,916,219**
As at 31 December 2019						
Letters of credit	324,013	91,810	38,914	3,424	-	458,161
Financial guarantees	9,386	33,750	122,336	900,310	-	1,065,782
Loan commitments	-	32,112	282,429	711,859	206,430	-
Total	**333,399**	**125,560**	**161,250**	**903,734**	**-**	**1,523,943**

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The Bank is not subject to capital requirements by a regulatory body such as a central bank or equivalent. However, management has established a capital management policy that is based on maintenance of certain capital adequacy ratio in line with Basel Committee requirements.

Capital adequacy is reviewed regularly by management using techniques based on the guidelines developed by Basel Committee. With effect from 1 January 2009, the Bank is complying with the provisions of the Basel II framework in respect of capital.

The Bank's capital is divided into two tiers:

- **Tier 1 capital:** Share capital, share premium, retained earnings and reserves created by appropriations of retained earnings and revaluation reserve.
- **Tier 2 capital:** Collective impairment allowances.

The risk-weighted assets is measured by means of a hierarchy of seven risk weights classified according to its nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty. A similar treatment is adopted for off-statement of financial position exposures.

The Bank's capital adequay consists of the sum of the following elements.

- Common Equity **Tier 1** capital, which includes ordinary share capital, related share premiums, retained earnings, reserves intangible assets and other adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- **Tier 2** capital, which includes assets revaluation reserves and collective impairment allowance.

3.6 CAPITAL MANAGEMENT

The table below summarizes the composition of capital and the ratio of the Bank's capital for the year ended 31 December.

	2020 US$ 000	2019 US$ 000
Capital adequacy		
Share capital	583,524	550,548
Share premium	1,029,964	899,192
Warrants	122,128	-
Reserves	816,353	684,471
Retained earnings	772,900	630,962
Intangible assets	(13,951)	(11,707)
Total Tier 1 capital	3,310,919	2,753,466
Asset revaluation reserve	18,944	16,604
Collective impairment allowance	174,202	143,560
Total Tier 2 capital	193,146	160,164
Total capital base	3,504,065	2,913,630
Risk weighted assets		
On-statement of financial position	12,675,260	10,594,223
Off-statement of financial position:		
Credit risk	1,260,860	1,371,178
Operational risk	1,145,417	927,786
Market risk	119,978	43,206
Total risk weighted assets	15,201,516	12,936,393
Basel capital adequacy ratio (Total capital base/Total risk weighted assets)	23%	23%

The increase of the capital in 2020 is primarily due to increase in profits and share capital subscriptions. The increase of risk weighted assets arises mainly from the growth in the bank's business.

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' returns is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

3.7 INTEREST RATE BENCHMARK REFORM

Overview
The reform and replacement of benchmark interest rates such as interbank offered rates (IBORs) with alternative risk-free rates (ARRs) has become a priority for global regulators. These reforms are at various stages globally. The Bank has significant exposure to IBOR on its financial instruments that will be replaced or reformed as part of its market wide initiative. There is significant uncreatability over the timing and methods of transactions across the jurisdictions the Bank operates in. Due to the differences in the manner in which the GBP/USD LIBOR rate and the SONIA/SOFR are determined, adjustments may have to be applied to contracts that reference the GBP/USD IBOR when the SONIA/SOFR becomes the official reference rate, so as to ensure economic equivalence on transition. The Bank anticipates that IBOR reform will have significant operational, risk management and accounting impacts across all of its business lines.

The Bank established a cross functional IBOR committee to manage its transition to alternative rates. The objective of the IBOR committee include evaluating the extend to which loans and advances and liabilities reference LIBOR cashflows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The IBOR committee reports to the Executive Committee monthly and collaborates with other business functions as needed. It provides period reports to ALCO to support management of interest rate risk, and works closely with the Bank's RISTRAC Management Committee to identify operational risk arising IBOR reform.

The IBOR committee is working on a policy which will recommend the effective date for incorporating the fallback provision for if and when the IBOR ceases to exist, for all newly originated floating rate loans and advances to customers. The fallback provision will provide a transition to applicable alternative nearly risk free rate, which will vary depending on the jurisdiction. The IBOR Committee is working with business originating departments across the Bank to establish the pricing for new lending products indexed to the nearly risk free rate in impacted jurisdictions.

Financial assets
The Bank's IBOR exposure on floating loans and advances to customers include Euribor, LIBOR and JIBAR. The IBOR Committee is in the process of establishing policies of amending the interbank offered rates on the existing floating rate loan portfolio IBORs that will be replaced as part of the IBOR reform. The Bank expects to participate in bilateral negotiations in its bespoke products such as loans and advances issued to corporates. The Bank expects to begin amending the contractual terms of its existing floating assets in the second half of 2021, however the exact timing will vary depending on the extend to which standardised language can be applied against certain loan types and the extend of bilaterial negotiations between the bank and other counterparties. No financial assets have been modified at the reporting date as a result of IBOR reform.

Financial liabilities
The bank has floating rate liabilities indexed to the IBORs of the currency of the liability. There have been no modification on our financial liabilities during the year ended 31 December 2020 or 2019 as a result of IBOR reforms. However the IBOR committee and the Bank's Treasury are in discussion with the counterparties of our financial liabilities to amend the contractual terms in preparation of the IBOR reform.

Derivatives held for risk management purposes
The Bank holds derivatives for risk management policies (see note 5). The interest rate and foreign exchange derivative instruments have floating rates that are indexed to IBORs. The Bank derivative instruments are governed by ISDAs 2006 definitions. ISDA is currently reviewing its definitions in line with IBOR reforms and the Bank expects it to issue standardized amendments at a future date. No derivative instruments have been modified at the reporting date.

4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair values of financial instruments not recognised on the statement of financial position are the same figures appearing as contingent liabilities and commitments (see **note 7**).

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value:

	Carrying Amount		Fair Value	
	2020 US$ 000	2019 US$ 000	**2020 US$ 000**	2019 US$ 000
Financial assets				
Cash and cash equivalents	**2,717,453**	2,225,470	**2,717,453**	2,225,470
Loans and advances to customers - amortised cost	**16,302,118**	12,029,548	**16,785,189**	12,395,359
Financial investments at amortised cost	**93,590**	29,238	**93,590**	29,238
Other assets	**11,184**	11,598	**11,184**	11,598
Financial liabilities				
Money market placements	**1,039,270**	931,621	**1,039,270**	931,996
Due to banks	**7,012,828**	5,225,515	**6,947,969**	5,480,754
Deposits and customer accounts	**4,470,126**	2,102,814	**4,470,126**	2,102,814
Debt securities in issue	**3,082,970**	3,080,608	**3,260,183**	3,208,103
Other liabilities and provisions	**332,764**	291,999	**332,764**	291,999

Financial assets

- **Loans and advances to customers and financial investments are at amortised cost**
  Loans and advances are net of charges for credit losses. The estimated fair value of loans and advances and financial investments represents the discounted amount of estimated future cash flows expected to be received. The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.
- **Other assets**
  Due to the short-term nature of the other assets, their carrying amount is considered to be the same as their fair value. For the majority of the other assets, the fair values are also not significantly different from their carrying amounts.
- **Financial Liabilities**
  The estimated fair value of due to banks and debt securities in issue represents the discounted amount of estimated future cash flows expected to be paid. Expected cash outflows are discounted at current market rates to determine fair value. For money market placements and deposits and customer accounts, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.
  The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including Bank's own credit risk.
- **Other liabilities**
  The carrying amounts of these balances approximate their fair values.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchange traded derivatives like futures.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.
- Level 3 – Inputs for the asset or liability that are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

There were no transfers during the year

(i) The table below shows the fair values of financial assets and liabilities measured at fair value at year-end.

Level 2	2020 US$000	2019 US$000
Assets		
Interest rate swap	4,136	-
Foreign exchange forward contracts	-	182
Cross Currency Swap	1,568	359
	5,704	541
Liabilities		
Interest rate swap	-	(3,450)
Foreign exchange forward contracts	-	(1,431)
Cross Currency Swap	(1,953)	(54)
	(1,953)	(4,935)
	3,751	(4,394)

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Impact on fair value of level 2 non financial assets due to changes in key assumptions

The significant observable valuation input used in obtaining the value of the financial assets and liabilities was interest rates. The table below shows the impact on the fair value of the interest rate swaps, foreign exchange foward contracts and cross currency swaps assuming that the interest or exchange rates increase or decrease by 15 basis points (15bp).

	Carrying amount 2020 US$000	Effect of 15bp change in interest/ exchange rate 2020 US$000 +15bp	Effect of 15bp change in interest/ exchange rate 2020 US$000 +15bp	Carrying amount 2019 US$000	Effect of 15bp change in interest/ exchange rate 2019 US$000 +15bp	Effect of 15bp change in interest/ exchange rate 2019 US$000 +15bp
Assets						
Interest rate swap	4,136	6	(6)	-	-	-
Foreign exchange forward contracts	-	-	-	182	-	-
Cross Currency Swap	1,568	2	(2)	359	1	(1)
	5,704	**9**	**(9)**	**541**	**1**	**(1)**
Liabilities						
Interest rate swap	-	-	-	(3,450)	(5)	5
Foreign exchange forward contracts	-	-	-	(1,431)	(2)	2
Cross currency swap	(1,953)	(3)	3	(54)	(0)	0
	(1,953)	**(3)**	**3**	**(4,935)**	**(7)**	**7**

(ii) The table below shows the fair values of non-financial assets measured at fair value at year-end.

Level 3	2020 US$ 000	2019 US$ 000
Revalued property and equipment		
Land and building	**47,138**	43,224

(iii) The table below shows the assets and liabilities for which fair values are disclosed.

Level 3	2020 US$ 000	2019 US$ 000
Financial assets		
Loans and advances	**16,785,189**	12,395,359
Financial liabilities		
Money market deposits	**1,039,270**	931,996
Due to banks	**7,012,828**	5,480,754
Debt securities in issue (gross)	**3,082,970**	3,208,103
	11,135,067	**9,620,853**

Total gains or losses for the period are included in profit or loss as well as total gains relating financial instruments designated at fair value depending on the category of the related asset/ liability.

(iv) Movements in level 3 non financial assets measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 non-financial assets which are recorded at fair value:

Revalued property and equipment	Land and Building	
	2020 US$ 000	2019 US$ 000
Valuation as at 1 January	43,223	36,275
Addition in the year	1,561	924
Total gain recorded in other comprehensive income	6,164	8,859
Accumulated depreciation eliminated on revaluation	(3,810)	(2,835)
Valuation as at 31 December	47,138	43,223

The following methods and assumptions were used to estimate the fair values:

- The Bank enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of the counterparties and that of the Banks, foreign exchange spot and forward rates, interest rate curves and forward rate curves.
- Fair values of the Bank's debt securities in issue and loans and advances are as disclosed in Note 4(a).
- Methods and assumptions used in the valuation of land and building are detailed in Note 6.

Impact on fair value of level 3 non financial assets due to changes in key assumptions

The significant unobservable valuation input used in obtaining the value of the land and building was annual market rentals of similar properties. The table below shows the impact on the fair value of the land and building assuming that the annual market rentals increase or decrease by 10%. The positive and negative effects are approximately the same.

	31 December 2020		31 December 2019	
	Carrying Amount US$ 000	Effect of 10 percent Change in Annual Market Rentals US$ 000	Carrying Amount US$ 000	Effect of 10 percent Change in Annual Market Rentals US$ 000
Property and equipment	47,138	4,714	43,223	4,322

5 DERIVATIVES HELD FOR RISK MANAGEMENT

The Bank enters into interest rate swaps and foreign exchange forward contracts to hedge its exposure to changes in the fair value and cash flows attributable to changes in market interest and exchange rates on its assets and liabilities.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities at year-end.

	2020 US$ 000	2019 US$ 000
Derivative assets		
Interest rate swap	4,136	-
Foreign exchange forward contracts	-	182
Cross currency swap	1,568	359
	5,704	541
Derivative liabilities		
Interest rate swap	-	(3,450)
Foreign exchange forward contracts	-	(1,431)
Cross currency swap	(1,953)	(54)
	(1,953)	(4,935)

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as interest rates, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a foreign exchange swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Foreign exchange swaps are settled gross.

The following shows the notional value of interest rate derivative contracts that the Bank held at 31 December:

Interest rate derivative contracts	2020 US$ 000	2019 US$ 000
Interest rate swap	700,000	700,000
Cross currency swaps	437,586	22,582
	1,137,586	722,582

The Bank entered into interest rate swap to hedge US$700 million (2019: US$700 million) received from the debt securities issued in July 2014, November 2014, and October 2016 with fixed interest rates. The swap exchanged fixed rate for floating rate on funding to match floating rates received on assets.

The Bank entered into cross currency swap to hedge JPY 45 billion (2019: JPY 2.5 billion) received from the Borrowing Placed in March 2019, and December 2020. The swap for interest payments and principal in USD and EUR currency respectively are exchanged for principal and interest payments in a JPY currency. Interest payments are exchanged at fixed intervals during the life of the agreements.

The time periods in which the discounted derivatives cash flows are expected to occur and affect profit or loss are as follows:

Assets	2020 US$ 000	2019 US$ 000
Up to one year	4,136	182
One to five years	1,568	**359**
More than five years	-	-
	5,704	**541**
Liabilities		
Up to one year	-	(1,431)
One to five years	-	**(3,504)**
More than five years	(1,953)	
	(1,953)	**(4,935)**

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements involves management estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Additionally, refer to note 37 on areas where significant judgment and critical estimates were made in estimating uncertainty caused by COVID-19.

(a) Impairment losses on loans and advances, loan commitments and financial guarantees

The Bank reviews its financial assets portfolio regularly to assess whether a provision for impairment should be recorded in profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily subjective based on assumptions about several factors involving varying degrees of judgment and uncertainty. Consequently, actual results may differ resulting in future changes to such provisions. Further details on the carrying amount of loans and advances are set out in note 17. The key assumptions and estimates used are provided in note 2.2 and 3.3.

(b) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Refer to note 4 for further information on fair value of financial assets and liabilities.

(c) Revaluation of property, plant and equipment

The Bank measures land and buildings at revalued amounts with changes in fair value being recognised in Other Comprehensive Income. The Bank engaged an independent valuation specialist to assess fair value as at 31 December 2020. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The carrying amount at the reporting date is as set out in note 24 and fair value disclosures on property, and equipment is set out on note 4.

(d) Impairment of non-financial assets

Impairment exists when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss. Refer to note 2.14 for further information.

(e) Property, plant and equipment

Critical estimates are made by the Bank in determining depreciation rates for property and equipment. The rates used are set out in accounting policy (note 2.9) above. The assets residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively if appropriate. The carrying amount and revalued amount at the reporting date is as set out in note 24 and note 4, respectively.

(f) Going Concern

The bank's management has made an assessment on its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. As disclosed in note 37 COVID-19 outbreak has not created a material uncertainty that casts doubt on the Bank's ability to continue as a going concern. Furthermore, management is not aware of any other material uncertainties that may cast significant doubt on the bank's ability to continue as a going concern.
Therefore, the financial statements continue to be prepared on a going concern basis.

7 CONTINGENT LIABILITIES AND COMMITMENTS AND LEASE ARRANGEMENTS

7.1.1 Contingent liabilities

	2020 US$ 000	2019 US$ 000
Letters of credit	1,236,674	458,161
Guarantees	1,113,406	1,065,782
	2,350,080	1,523,943

The credit risk associated with these transactions is considered minimal. To limit credit risk, the Bank deals exclusively with creditworthy counterparties.

7.1.2 Commitments

Credit lines and other commitments to lend

	2020 US$ 000	2019 US$ 000
Less than one year	499,207	314,542
More than one year	1,066,930	918,289
	1,566,137	1,232,831

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The amount above represent undrawn portions of the loan commitments comprising "committed facilities" and "unconditionally cancellable commitments". Committed facilities amount to US$510 million.

7.2 Lease arrangements

7.2.1 Operating lease commitments-Bank as lessee

The Bank has entered into operating lease agreements for leasing of office premises and executive management residences. These leases have an average life of between two and five years, with renewal option included in the contracts. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Bank is a lessee is presented below.

7.2.1.1 Right-of-use assets

Right-of-use assets relate to leased office premises and executive residences that are presented within property and equipment, refer to note 24.

	2020 US$ 000	2019 US$ 000
Balance at 1 January	1,974	2,993
Depreciation charge	(987)	(1,019)
Balance at 31 December	987	**1,974**

7.2.2 Operating lease commitments - Bank as lessor

	2020 US$ 000	2019 US$ 000
Within one year	291	310
Between 1 and 2 years	196	291
Between 2 and 3 years	-	235
	487	836

Included in other operating income recognised as an operating lease income amounting to US$325,000 (2019 : US$277,000)

The Bank leases out office space on its buildings and has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets to lessee.

8 INTEREST INCOME

	2020 US$ 000	2019 US$ 000
Loans and advances	914,877	878,354
Interest on money market investments	15,384	61,197
Interest on investments amortised cost	2,661	8,871
	932,922	948,422

The interest income reported above are calculated using the effective interest method.

9 INTEREST EXPENSE

	2020 US$ 000	2019 US$ 000
Due to banks	186,337	223,790
Debt securities in issue	131,584	133,820
Shareholder and customer deposits	40,913	55,939
	358,834	413,549

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The interest expense reported above are calculated using the effective interest method.

10 FEES AND COMMISSION INCOME

	2020 US$ 000	2019 US$ 000
Advisory fees	78,254	87,518
Commission on letters of credit	14,811	9,573
Guarantee fees	17,231	7,415
Other fees	996	177
	111,292	104,683

The fees and commission income exclude those included in determining the effective interest rate for financial assets measured at amortised cost.

11 FEES AND COMMISSION EXPENSE

	2020 US$ 000	2019 US$ 000
Bond issue fees	422	429
Legal and agency fees	1,113	1,762
Other fees paid	5,603	4,191
	7,138	6,382

12 OTHER OPERATING INCOME

	2020 US$ 000	2019 US$ 000
Rental income	326	278
Other income	34,225	5,476
	34,551	5,754

Other income mainly comprise of recoveries from previously written off facilities

13 PERSONNEL EXPENSES

Personnel expenses are made up as follows:

	2020 US$ 000	2019 US$ 000
Wages and salaries	43,797	40,183
Staff provident fund costs	4,001	3,700
Other employee benefits	17,608	16,009
	65,406	59,892

Other employee benefits mainly comprise of housing allowance, education grant and medical expenses

14 GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses are made up as follows:

	2020 US$ 000	2019 US$ 000
Operational missions and statutory meetings	8,698	18,985
Professional service fees	9,409	9,450
Communications	3,993	4,486
Donations	3,594	-
Other general and administrative expenses	26,088	15,249
Total	51,783	**48,170**

Professional services fees include US$215,000 (2019: US$190,000) in respect of external auditors' fees.

15 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

Net income attributable to equity holders of the Bank have been calculated on the basis of assuming that all the net income for the year is distributed.

	2020 US$ 000	2019 US$ 000
Net income attributable to equity holders of the bank	351,685	315,315
Weighted average number of ordinary shares in issue (basic) (note 15.1)	55,681	51,699
Weighted average number of ordinary shares in issue (diluted) (note 15.2)	130,857	123,257
Basic earnings per share (expressed in US$000 per share)	6.32	6.10
Diluted earnings per share (expressed in US$000 per share)	2.69	**2.56**

15.1 Weighted average number of ordinary shares in issue (basic)

	2020 US$ 000	2019 US$ 000
Issued ordinary shares at 1 January	55,055	50,630
Issued during the year	626	1,069
Weighted average number of ordinary shares at 31 December	55,681	**51,699**

15.2 Weighted average number of ordinary shares in issue (diluted)

	2020 US$ 000	2019 US$ 000
Weighted average number of ordinary shares in issue (basic)	55,681	51,699
Effect of warrants issuance	2,019	4,373
Effect of partly paid shares	73,157	67,184
Weighted average number of ordinary shares at 31 December	130,857	**123,256**

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16 CASH AND CASH EQUIVALENTS

	2020 US$ 000	2019 US$ 000
Cash in hand	82	82
Deposits with other banks	1,067,246	962,360
Money market placements	1,650,286	1,263,067
Gross	**2,717,614**	**2,225,509**
Less: allowance for impairment		
12months ECL	(161)	(39)
Net cash and cash equivalents	2,717,453	**2,225,470**

Cash and cash equivalents balances are allocated in stage 1 for ECL purposes and there were no restricted balances at year end (2019:US$ nil).

16.1 Cash and cash equivalents

	2020 US$ 000	2019 US$ 000
Current	2,717,453	2,225,470
	2,717,453	2,225,470

17 LOANS AND ADVANCES TO CUSTOMERS

	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	2020 Total US$ 000
Loans and advances to customers at amortised cost				
Gross amount	14,385,452	1,770,276	617,690	16,773,418
Less: Allowance for impairment (note 17.1)				
12months ECL	(93,576)	-	-	(93,576)
Lifetime ECL not credit impaired	-	(72,392)	-	(72,392)
Lifetime ECL credit impaired	-	-	(178,976)	(178,976)
Less: Suspended interest	-	-	(124,947)	(124,947)
Less: Modification gain/(loss)	666	(2,075)	-	(1,409)
Net loans and advances to customers	14,292,542	1,695,808	313,768	16,302,118

	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	2019 Total US$ 000
Loans and advances to customers at amortised cost				
Gross amount	9,973,036	1,912,078	498,311	12,383,425
Less: Allowance for impairment (note 17.1)				
12months ECL	(42,707)	-	-	(42,707)
Lifetime ECL not credit impaired	-	(100,853)	-	(100,853)
Lifetime ECL credit impaired	-	-	(183,096)	(183,096)
Less: Suspended interest	-	-	(27,221)	(27,221)
	9,930,329	1,811,225	287,994	**12,029,548**

Net loans and advances to customers	2020 US$ 000	2019 US$ 000
Current	**4,595,749**	4,749,102
Non-current	**11,706,369**	7,280,446
	16,302,118	12,029,548

17.1 CREDIT LOSSES ON FINANCIAL INSTRUMENTS

(a) Statement of Financial Position

	2020 US$ 000	2019 US$ 000
Loans and advances	**344,944**	326,656
Money market placements	**60**	11
Deposit with other banks	**50**	28
Investment securities at amortised cost	**5,752**	1,030
Financial guarantee contracts	**1,797**	1,295
Letter of credits	**11,930**	2,463
Loan commitments	**13,946**	7,949
Receivables and accrued income	**11,768**	18,815
	390,248	**358,247**

(b) Statement of Comprehensive Income

	2020 US$ 000	2019 US$ 000
Loans and advances	**219,774**	205,212
Money market placements	**49**	(25)
Deposit with other banks	**22**	14
Investment securities at amortised cost	**4,722**	(910)
Financial guarantee contracts	**502**	(350)
Letter of credits	**9,468**	2,120
Loan commitments	**5,998**	778
Receivables and accrued income	**(7,047)**	9,185
	233,488	**216,024**

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17.2 Allowance for impairment on loans and advances

Reconciliation of allowance for impairment of loans and advances is as follows:

(a) Statement of Financial Position

	2020 US$ 000	2019 US$ 000
Balance as at 1 January	326,656	270,418
Impairment charge for the year (note 17.1b)	219,774	205,212
Loans written off during the year as uncollectible	(201,486)	(148,974)
Balance as at 31 December (note 17)	344,944	326,656

(b) Statement of Comprehensive Income

Impairment charge for the year on loans and advances	219,774	205,212
	219,774	**205,212**

18 PREPAYMENTS AND RECEIVABLES

	2020 US$ 000	2019 US$ 000
Prepayments	62,765	67,448
Receivables	53,850	34,014
Less: Impairment on receivables (note 18.1)	(11,768)	(18,815)
	104,846	82,647
Net prepayments and receivables		
Current	74,180	49,588
Non-current	30,667	33,059
	104,846	**82,647**

Prepayments and receivables comprises of accrued income relating to fees and commissions receivable, fees and commissions on borrowings and insurance expenses.

18.1 Impairment on receivables

(a) Statement of Financial Position

	2020 US$ 000	2019 US$ 000
Balance as at 1 January	18,815	9,722
Impairment charge for the year (note 18.1b)	(7,047)	9,185
Written off during the year as uncollectible	-	(92)
Balance as at 31 December (note 18)	11,768	**18,815**

(b) Statement of Comprehensive Income

	2020 US$ 000	2019 US$ 000
Impairment charge for the year	(7,047)	9,185
	(7,047)	9,185

19 OTHER ASSETS

	2020 US$ 000	2019 US$ 000
Other receivables	4,646	4,572
Sundry debtors	12,096	11,348
Less: Impairment on other assets (note 19.1)	(5,558)	(4,322)
	11,184	11,598

Other receivables above mainly relate to taxes recoverable from some member countries arising from payment of invoices inclusive of tax. In accordance with Article XIV of the agreement for Establishment of African Export Import Bank, the Bank is exempt from all taxation and custom duties (note 37). There are all current in nature.

19.1 Impairment on other assets

ECL on other assets are estimated on lifetime basis

(a) Statement of Financial Position

	2020 US$ 000	2019 US$ 000
Balance as at 1 January	4,322	4,322
Impairment charge for the year	1,236	-
Balance as at 31 December (note 19)	5,558	**4,322**

20 FINANCIAL INVESTMENTS AT AMORTISED COST

	2020 US$ 000	2019 US$ 000
Beginning balance at 1 January	30,268	170,268
Additions/(disposals) during the year	69,074	(140,000)
Gross	99,342	30,268
Less: allowance for impairment		
12months ECL	(5,752)	(1,030)
Net financial assets at amortised cost	93,590	**29,238**

These instruments are treasury bills issued by the Central Bank of Zimbabwe and they have been allocated in stage 1 for ECL purposes.

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	2020 US$ 000	2019 US$ 000
Net financial investments at amortised cost		
Current	-	-
Non current	93,590	29,238
	93,590	29,238

21 DUE TO BANKS

	2020 US$ 000	2019 US$ 000
Loans from financial institutions	7,228,681	5,225,516
	7,228,681	5,225,516

	2020 US$ 000	2019 US$ 000
Current	2,994,192	1,627,198
Non current	4,234,489	3,598,318
	7,228,681	5,225,516

Loans from financial institutions, have both short-term and long-term borrowings ranging from tenor periods of one month to 13 years with interest rates ranging from 0.2% to 4.86%. Note that the long-term tenor borrowings are matched with specific assets with the same tenor.

22 MONEY MARKET DEPOSITS

	2020 US$ 000	2019 US$ 000
Money market deposits	823,416	931,620
	823,416	931,620

	2020 US$ 000	2019 US$ 000
Current	823,416	931,620
	823,416	931,620

23 DEBT SECURITIES IN ISSUE

The Bank issued, under the Euro Medium Term Note Programme (EMTN), US$ 3,086 million bonds (2019: US$ 3,036 million) with different maturities and coupon rates. Further, the Bank issued under an EMTN Programme, US$186.5 million (2019: US$186.5 million) private placement with floating rate. Fitch Ratings and Moody's assigned these bonds an investment grade rating BBB-, and Baa2 respectively.

Debt securities at amortised cost:	Coupon percent	2020 US$ 000	2019 US$ 000	Date of Issuance	Date of Maturity
Fixed rate debt securities due 2019	4.75	-	-	Jul 2014	Jul 2019
Fixed rate debt securities due 2021	4.00	**900,000**	900,000	Oct 2016	May 2021
Fixed rate debt securities due 2023	5.25	**500,000**	500,000	Oct 2018	Oct 2023
Fixed rate debt securities due 2024	4.13	**750,000**	750,000	Jun 2017	Jun 2024
Fixed rate debt securities due 2029	3.99	**750,000**	750,000	Sept 2019	Sept 2029
Floating rate private placement note due 2021		**41,500**	41,500	Jul 2017	Jul 2021
Floating rate private placement note due 2022		**145,000**	145,000	Jul 2018	Aug 2022
Less: Discount on bond payable		**(3,712)**	(6,523)		
Add: Premium on bond payable		**182**	631		
		3,082,970	**3,080,608**		

	2020 US$ 000	2019 US$ 000
Current	**900,000**	-
Non current	**2,182,970**	3,080,608
	3,082,970	**3,080,608**

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24 PROPERTY AND EQUIPMENT

	Land US$ 000	Building US$ 000	Motor Vehicles US$ 000	Furniture and Equipment US$ 000	Leasehold Improvements US$ 000	Assets Under Construction US$ 000	Right of use asset US$ 000	Total US$ 000
YEAR ENDED 31 DECEMBER 2020								
COST								
Cost/valuation as at 1 January 2020	15,809	27,415	1,237	8,669	1,044	1,341	2,993	**58,508**
Additions	-	-	40	1,932	10	7,233	-	**9,215**
Capitalisation of assets under construction	-	1,561	-	172	-	(1,733)	-	**-**
Revaluation	1,892	4,272	-	-	-	-	-	**6,164**
Transfer*	-	(3,810)	-	-	-	-	-	**(3,810)**
Cost/valuation as at 31 December 2020	**17,701**	**29,438**	**1,277**	**10,773**	**1,054**	**6,841**	**2,993**	**70,077**
ACCUMULATED DEPRECIATION								
Accumulated depreciation as at 1 January 2020	-	-	(635)	(7,007)	(1,035)	-	(1,019)	**(9,696)**
Charge for the year	-	(3,810)	(212)	(1,146)	(6)	-	(987)	**(6,160)**
Transfer*	-	3,810	-	-	-	-	-	**3,810**
Total accumulated depreciation as at 31 December 2020	**-**	-	(847)	(8,153)	(1,041)	-	(2,006)	**(12,047)**
Net carrying amount as at 31 December 2020	**17,701**	**29,438**	**430**	**2,620**	**13**	**6,841**	**987**	**58,031**

24 PROPERTY AND EQUIPMENT (continued)

	Land US$ 000	Building US$ 000	Motor Vehicles US$ 000	Furniture and Equipment US$ 000	Leasehold Improvements US$ 000	Assets Under Construction US$ 000	Right of use asset US$ 000	Total US$ 000
YEAR ENDED 31 DECEMBER 2019								
COST								
Cost/valuation as at 1 January 2019	13,414	22,861	893	11,065	1,034	1,022	2,993	53,282
Additions	-	10	374	629	10	1,233	-	2,256
Capitalisation of assets under construction	-	914	-	-	-	(914)	-	-
Disposals	-	-	(30)	(3,025)	-	-	-	(3,055)
Revaluation	2,395	6,465	-	-	-	-	-	8,860
Transfer*	-	(2,835)	-	-	-	-	-	(2,835)
Cost/valuation as at 31 December 2019	**15,809**	**27,415**	**1,237**	**8,669**	**1,044**	**1,341**	**2,993**	**58,508**
ACCUMULATED DEPRECIATION								
Accumulated depreciation as at 1 January 2019	-	-	(501)	(8,948)	(1,034)	-	-	(10,483)
Charge for the year	-	(2,835)	(164)	(1,084)	(1)	-	(1,019)	(5,103)
Disposals	-	-	30	3,025	-	-	-	3,055
Transfer*	-	2,835	-	-	-	-	-	2,835
Total accumulated depreciation as at 31 December 2019	**-**	**-**	**(635)**	**(7,007)**	**(1,035)**	**-**	**(1,019)**	**(9,694)**
Net carrying amount as at 31 December 2019	**15,809**	**27,415**	**602**	**1,662**	**9**	**1,341**	**1,974**	**48,814**

*Transfers relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

During 2017 the bank received a land from Government of Zimbabwe in order to establish a regional office to facilitate the business of the Bank in Southern Africa region and it is being accounted for as a government grant.

During 2018 the Bank received a five hectare parcel of land along Lagos-Ibadan Expressway from Ogun State Government in Nigeria to establish an internationally accredited African Quality Assurance Centre ("AQAC") that will provide testing, inspection and certification services for food and agri products and it is being accounted for as a government grant.

The fair value of the headquarter building and the land which reflects market conditions at the reporting date was US$ 29,438,000 (2019: US$ 27,418,000) and US$ 17,701,000 (2019: US$ 15,809,000) respectively. The fair value was determined using an independent valuer on 31 December 2020. The valuer used was Arab Group for Technical Consultant who has experience in similar projects. The net carrying amount of the Headquarters' land and building would have been US$ 34,000 (2019:US$ 34,000) and US$ 4,425,000 (2019:US$ 6,336,000) respectively if both classes had not been revalued.

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25 INTANGIBLE ASSETS

	2020 US$ 000	2019 US$ 000
Cost 1 January	16,384	9,535
Additions	1,125	1,454
Additions of software in progress	4,354	5,395
Cost 31 December	21,863	16,384
Accumulated amortisation		
As at 1 January	(4,677)	(3,187)
Amortisation charges for the year	(3,235)	(1,490)
As at 31 December	(7,912)	(4,677)
Net value as 31 December	13,951	11,707

26 DEPOSITS AND CUSTOMER ACCOUNTS

	2020 US$ 000	2019 US$ 000
Shareholders' deposits for shares	9,800	9,561
Deposit accounts	3,577,759	1,178,147
Customer accounts	882,567	915,106
	4,470,126	2,102,814

Current	4,470,126	2,102,814
Non-Current	-	-
	4,470,126	2,102,814

In terms of customer group, the deposits and customer accounts above were from sovereigns, enterprises and financial institutions. The fair value of the deposits of customer accounts approximate the carrying amount, as they have variable interest rates.

27 OTHER LIABILITIES AND PROVISIONS

	2020 US$ 000	2019 US$ 000
Provision on financial guarantee contracts issued	1,796	1,295
Provision on loan commitments issued	13,946	7,949
Provision on letter of credits	11,931	2,463
Lease liability	1,018	1,749
Other liabilities recognised (note 27.1)	304,072	278,543
	332,764	291,999

27.1 Other Liabilities

	2020 US$ 000	2019 US$ 000
Prepaid and unearned income	130,378	146,945
Accrued expenses	131,365	92,320
Dividends payable	17,505	12,874
Legal fees deposits	14,489	23,818
Warrants redemption proceeds	10,122	-
Sundry creditors	265	2,586
	304,123	278,543

28 SHARE CAPITAL

The share capital of the bank is divided into four classes of which A,B and C classes are payable in five equal instalments, of which the first two instalments have been called up. Class D shares are fully paid at time of subscription. Shareholders can use their dividend entitlement to acquire more shares.

Class A are shares which may only be issued to (a) African states, either directly or indirectly through their central banks or other designated institutions, (b) the African Development Bank, and (c) African regional and sub regional institutions;

Class B are shares which may only be issued to African public and private commercial banks, financial institutions and African public and private investors; and

Class C are shares which may only be issued to (a) international financial institutions and economic organisations; (b) non African or foreign owned banks and financial institutions; and non African public and private investors.

Class D are shares which may be issued in the name of any person.

	2020 US$ 000	2019 US$ 000
Authorised capital		
500,000 ordinary shares of US$10,000 each	5,000,000	5,000,000
Paid in capital -class A	332,288	301,320
Paid in capital -class B	129,504	127,744
Paid in capital -class C	52,632	52,384
Paid in capital -class D	69,100	69,100
	583,524	550,548

As at 31 December 2020 the authorised capital comprised 500,000 ordinary shares (2019: 500,000 ordinary shares). The number shares issued but not fully paid as at 31 December 2020 was 128,587 (2019: 120,362). The number of fully paid shares as at 31 December 2020 was 6,929 (2019: 6,910). The nominal value per share is US$10,000.

Financial Statements for the Year Ended 31 December 2020

Shareholders rights are the same for all classes from the perspective of voting rights. Dividends are shared prorata according to number of shares subscribed.

The movement in paid up share capital is summarised as follows:

	2020 No of Shares	2020 US$ 000	2019 No of Shares	2019 US$ 000
At 1 January	127,272	550,548	116,210	506,300
Paid up from dividends during the year	2,294	9,176	1,768	7,072
Paid up in cash during the year	5,950	23,800	9,294	37,176
At 31 December	135,516	583,524	127,272	550,548

29 SHARE PREMIUM

Premiums from the issue of shares are reported in the share premium account.

The movement in share premium account is summarised as follows:

	2020 No of Shares	2020 US$ 000	2019 No of Shares	2019 US$ 000
At 1 January	127,272	899,192	116,210	764,790
Paid up from dividends during the year	2,294	37,526	1,768	24,833
Paid up in cash during the year	5,950	96,985	9,294	130,539
Transaction cost of raising equity	-	(3,739)	-	(20,970)
At 31 December	135,516	1,029,964	127,272	899,192

During the Annual General Meeting (AGM) held on 23 July 2016, the shareholders approved the equity raise of up to US$1 billion across all classes of the Bank, being Class A, Class B, Class C and Class D and using market and other instruments such as warrants and option. Additionally, US$500 000 additional capital was also approved during the AGM held on 13 June 2020. Accordingly, 8,241 additional shares (2019: 11,062 additional shares) were issued during the year bring in total capital of US$163,748,403 (2019: US$178,650,000).

30 RESERVES

	General Reserves US$ 000	Asset Revaluation Reserve US$ 000	Project Preparation Facility Fund Reserve US$ 000	Total US$ 000
Balance as at 1 January 2020	669,471	36,898	15,000	721,369
Revaluation of land	-	1,892	-	1,892
Revaluation of building	-	4,272	-	4,272
Depreciation transfer : buildings	-	(964)	-	(964)
Transfer from retained earnings (note 31)	131,882	-	-	131,882
Balance as at 31 December 2020	**801,353**	**42,099**	**15,000**	**858,451**
Balance as at 1 January 2019	551,228	28,313	15,000	**594,541**
Revaluation of land	-	2,395	-	**2,395**
Revaluation of building	-	6,465	-	**6,465**
Depreciation transfer : buildings	-	(275)	-	**(275)**
Recycling of fair value adjustment to profit and loss	-	-	-	**-**
Transfer from retained earnings (note 31)	**118,243**	-	-	**118,243**
Balance as at 31 December 2019	**669,471**	**36,898**	**15,000**	**721,369**

- The asset revaluation and cashflow hedge reserves are restricted from distribution to the shareholders.

Nature and purpose of reserves

a. General reserve

The general reserve is set up in accordance with the Bank's policy in order to cover general banking risks, including future losses and other unforeseeable risks or contingencies. Each year the Bank transfers 50% of profit after deduction of dividends to general reserves.

b. Asset revaluation reserve

The revaluation reserve is used to record increases in the fair value of land and building and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued amount of the asset and depreciation based on the asset original cost. When revalued assets are sold, the portion of the revaluation reserve that relates to those assets is effectively realised and transferred directly to retained earnings.

c. Project preparation facility Fund reserve

The Project Preparation Facility Fund was approved by the Board in December 2019 for the purposes of setting funds aside to be utilized by the Bank during project preparation phase. Project preparation phase will comprise the entire set of activities undertaken to progress a project from conceptualization through concept design to financial close. It will entail the provision of technical and financial support services - such as technical, environmental, market, financial, legal and regulatory, advocacy services that may be required to a point where the project can attract revenue from investors (both debt and equity). The Project Preparation Facility Fund was approved for a total amount of USD15 million to be appropriated from the Bank’s profits equally over two years from 2017 to 2019. The fund will be operated on a full cost recovery revolving basis and solely deployed towards project preparation work and related activities.

Financial Statements for the Year Ended 31 December 2020

31 RETAINED EARNINGS

	2020 US$ 000	2019 US$ 000
Balance as at 1 January	630,962	502,585
Profit for the year	351,685	315,315
Transfer to general reserve	(131,882)	(118,243)
Transfer to Project preparation facility	-	-
Depreciation transfer: buildings	964	275
Dividends for prior year	(78,829)	(68,970)
Balance as at 31 December	772,900	630,962

32 DIVIDENDS

After reporting date, the directors proposed dividends appropriations amounting to US$87,921,317 (2019: US$78,828,640). The 2020 dividend appropriation is subject to approval by the shareholders in their Annual General Meeting. These 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 2021.

Dividends per share is summarised as follows:

	2020 US$ 000	2019 US$ 000
Proposed dividends per share		
Dividends appropriations	87,921	78,829
Number of shares at 31 December	135,516	127,272
Dividends per share	0.65	0.62
Dividends per share declared and paid		
Dividends appropriations	78,829	68,970
Number of shares at 31 December of the previous year	127,272	116,210
Dividends per share	0.62	**0.59**

The Bank considered the equivalent number of fully paid up shares in calculation of the dividends given that Classes A, B and C shares are partially paid, that is 40% at subscription with 60% remaining as callable capital.

33 WARRANTS

	2020 No of Warrants	2020 US$ 000	2019 No of Warrants	2019 US$ 000
At 1 January	-	-	5,284	191,531
Retirement during the year	3,974	161,665	-	-
Issued during the year	(1,051)	(39,537)	(5,284)	(191,531)
At 31 December	2,923	122,128	-	-

During the Annual General Meeting held on 23 July 2016, the shareholders approved the equity raise of up to US$1 billion across all share classes of the Bank, and using market and other instruments such as warrants and option. The Bank Issued 3,974, and retired 1,105 share warrants during 2020. 2,923 share warrants are outstanding for US$122,128,099.

34 RELATED PARTY TRANSACTIONS

The Bank's principal related parties are its shareholders and key management personnel. The Bank transacts commercial business such as loans and deposits directly with the shareholders themselves and institutions which are either controlled by the shareholder governments or over which they have significant influence.

The details of related party transactions are as follows:

34 KEY MANAGEMENT PERSONNEL COMPENSATION

34.1 Salaries and benefits to management personnel

Compensation paid to the Bank's executive officers and directors during the year is as follows:

	2020 US$ 000	2019 US$ 000
Salaries and short-term benefits	12,351	11,889
Other long-term benefits	3,339	2,201
Post-employment benefits	1,175	1,130
Termination benefits	158	158
	17,023	**15,378**

Short -term benefits above include meeting allowances for Board members and staff allowances for children's education, dependency, home leave and housing.

34.2 Loans and advances to management personnel

The Bank provides loans and advances to its staff, including those in management. Such loans and advances are guaranteed by the staff terminal benefits payable at the time of departure from the Bank. The staff loans and advances are interest bearing and are granted in accordance with the Bank's policies. The movement in loans and advances to management during the year ended 31 December 2020 was as follows:

	2020 US$ 000	2019 US$ 000
Balance as at I January	2,864	556
Loan disbursements during the year	2,195	2,443
Loan repayments during the year	(3,540)	(135)
Balance as at 31 December	1,519	**2,864**

There were no loan loss provisions on staff loans in both current and prior year and no loans to related parties were written off in 2020 (2019: US$nil)

Financial Statements for the Year Ended 31 December 2020

35 SEGMENT REPORTING

35.1 Operating Segments

The Bank is a multilateral trade finance institution whose products and services are similar in nature, and are structured and distributed in a fairly uniform manner across borrowers. The Bank's primary reporting format for business segments includes Lending and Treasury operations. Lending activities represent investments in facilities such as loans, letters of credit and guarantees, which promote intra and extra African trade. Treasury activities include raising debt finance, investing surplus liquidity and managing the Bank's foreign exchange and interest rate risks. The Bank's distribution of loans and advances by geographical and industry sectors is as disclosed in note 3.3.4.

	Lending 2020 US$ 000	Treasury 2020 US$ 000	Total 2020 US$ 000	Lending 2019 US$ 000	Treasury 2019 US$ 000	Total 2019 US$ 000
Statement of profit or loss and other comprehensive income						
Interest income	913,538	19,384	932,922	877,399	71,023	948,422
Net fees and commission	139,723	(35,569)	104,154	137,744	(45,909)	91,835
Other operating income	42,790	(8,239)	34,551	5,754	-	5,754
Total segment revenue	**1,096,051**	**(24,424)**	**1,071,627**	**1,020,897**	**25,114**	**1,046,011**
Less: interest expense	(4,427)	(353,331)	(357,758)	-	(423,512)	(423,512)
Foreign exchange adjustments & Fair value adjustment	(20,180)	13,154	(7,026)	(732)	17,761	17,029
Less: personnel and other admin. expenses	(112,125)	(5,064)	(117,189)	(98,364)	(3,232)	(101,596)
Less: depreciation and amortization	(9,395)	-	(9,395)	(6,421)	(172)	(6,593)
Segment income before impairment	949,923	(369,665)	580,258	**915,380**	**(384,041)**	**531,339**
Less: loan impairment charges	(233,488)	-	(233,488)	(216,024)	-	(216,024)
Fair value gain from financial instruments at fair value through profit/loss	4,915	-	4,915	-	-	-
Net income for the year	**721,351**	**(369,665)**	**351,685**	**699,356**	**(384,041)**	**315,315**
Financial Position						
Segment assets	16,432,100	2,816,746	19,248,846	12,133,380	2,256,505	14,389,885
Capital expenditures	58,031	-	58,031	49,678	-	49,678
Total assets at year end	**16,490,130**	**2,816,746**	**19,306,877**	**12,183,058**	**2,256,505**	**14,439,563**
Segment liabilities	4,802,889	11,137,020	15,939,909	1,189,436	10,448,057	11,637,492
Capital funds	-	-	3,366,967	-	-	**2,802,071**
Total liabilities and capital funds	4,802,889	11,137,020	19,306,877	**12,183,058**	**2,256,505**	**14,439,563**

The segment income are 100% external, thus there are no inter-segment income. The Bank did not have any transactions with a single customer exceeding 10% of the Bank's total revenue.

Transfer prices between operating segments are based on the bank's pricing framework.

36 TAXATION

According to Article XIV of the Agreement for the Establishment of African Export-Import Bank, which is signed and ratified by African member countries, the Bank's property, assets, income, operations and transactions are exempt from all taxation and custom duties.

37 COVID-19 IMPACT ON THE BUSINESS AND ECL

In response to the deteriorating economic conditions during the period as a result of COVID-19, the Bank took a number of steps to enable it to deal effectively with the emerging challenges, such as instituting working from home arrangements across all its offices, ensuring availability of adequate liquidity and reviewed its loan portfolio with a view to assessing vulnerabilities. On the basis of extensive reviews performed and the Bank's vast experience in managing episodic shocks, the quality of the portfolio of Loans and Advances remained satisfactory as at 31 December 2020. The Bank, through its Loan Quality Committee (LQC), is actively and with notable success, proactively implementing measures to ameliorate the effects of the pandemic on the Bank and its clients' operations.

The short-term impact of COVID-19 has resulted in widespread reductions in commercial activities, significant volatility in asset prices, interest and foreign exchange rates, as well as physical disruption to global supply chains and working practices. The sudden and profound economic and social impact of the COVID-19 pandemic prompted a revision of the global economic outlook which necessitated a review of the Bank's assumptions on expected credit loss (ECL), particularly with respect to forward looking information (FLI).

As a result of these disruptions, ongoing work-out plans on existing stage two facilities were delayed and certain facilities were downgraded into Stage 3 while some existing Stage 3 facilities were written off. Additionally, management took a more proactive and conservative approach in assessing ECLs based on transaction-specific considerations.

Generally, a key impact of COVID-19 on ECL would have been the effect of modification of originally agreed terms and conditions on loan facilities which were negatively affected by the difficult economic environment as a result of the pandemic. To this effect, management considered the impact during the year. Furthermore, management consistently engaged the clients and achieved a resolution of a significant part of these issues where possible.

Another key expected impact is on the forward-looking information, where the expectation is to either update the models to incorporate the COVID-19 induced economic forecast changes or to apply additional overlays to consider this impact where models cannot be updated. To address this point, the Bank applied a higher probability weight to the worst-case scenario in computing its PDs. In addition, the Bank applied additional overlays in instances where it believed that the model generated ECLs were not sufficient.

Despite the prevailing uncertainties in the operating environment due to the impact of the COVID-19 pandemic the Bank's Management has made an assessment on its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The performance of the Bank for the year ended 31 December 2020 was better compared to prior year results. The quality of the Bank's portfolio of Loans and Advances remained sound. In line with expectation, the Bank closed the period with a healthy financial standing reflected in satisfactory profitability levels, health liquidity and strong capital levels to support both existing and future business volumes.

38 EVENTS AFTER THE REPORTING DATE

There were no significant events which occurred after the reporting date that have a bearing on the understanding of these financial statements.

39 CHANGE IN PRESENTATION

During the current financial period the Bank's fee expense on callable capital was reclassified to administration expenses. This resulted in expenses of US$7.3 million (2019: US$6.5 million) relating to callable capital fee expenses being reclassified from fees and commission expenses to operating expenses, so as to align with the treatment of other direct and incremental costs on callable capital related expenses. This change in presentation had no impact on the profit or loss and only affected the presentation of items within non-interest revenue and operating expenses.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 March 2021.

Chapter Seven

Investor Information

This section contains information about the four classes of shares, the authorised share capital, and the number of shares, shareholders, and type of shareholder in each class. It also lists the 20 largest shareholders of the Afreximbank at year end, 10-year dividend history, and the Bank's credit ratings from Fitch, Global Credit Rating, and Moody's.

07

Chapter Seven

Investor Information

A-

Afreximbank has a long-term rating of A- and short-term rating of A2 from Global Credit Rating.

51

Afreximbank's shareholders include 51 African governments and government institutions.

In the energy sector, the Bank has supported investments in Angola, Niger, Nigeria, Senegal, South Sudan, and Tunisia, including availing resources for financing of maintenance contracts and capital expenditures as well as imports of oil and gas products to help meet industries' power supply needs.

Investor Information

Afreximbank's Investor Relations team welcomes enquiries on shareholdings, financial, and business updates.

INVESTOR INFORMATION

African Export-Import Bank ("Afreximbank" or the "Bank") is a supranational financial institution based in Cairo, Egypt and with operations in Abuja, Abidjan, Harare and Kampala. The Bank has four classes of shares; A, B, C and D. Class D shares are currently issued through Depository Receipts ("DR"s) that were listed on the Stock Exchange of Mauritius on October 4, 2017. The Bank's current number of DRs outstanding is 69,100,000. A summary of the DR trading data is shown below:

DEPOSITORY RECEIPTS ("DR") DATA AS AT 31 DECEMBER 2020

Share data as at 31 December 2020	
SEM ticker	AFREXIMBANK
DR price (US$)	3.22
DR outstanding	69,090,397
Market capitalization (US$ million)	2,211
12 Months average trading volume	11,407
12 Month high DR price (US$)	4.09
12 month low DR price (US$)	3.25

Note: value of the unlisted shares (paid-in proportion) has been reflected in the market value

SHARE CAPITAL (AUTHORISED AND FULLY PAID)

The Bank's Authorized Share Capital as of 31 December 2020 amounted to US$5,000,000,000 consisting 500,000 ordinary shares of US$10,000 each. Of this amount, 135,516 shares have been issued, of which 58,352 shares have been fully paid for. The unpaid portion of our capital are callable upon our shareholders within Classes A, B and C. The total shares attributable to DR holders are 6,910 shares and they are fully paid for. They are the underlying shares for the Bank's 69,100,000 depository receipts that are listed on the Stock Exchange of Mauritius.

CALLABLE CAPITAL AS AT 31 DECEMBER 2020

As at 31 December 2020, the Bank has callable capital amounting to $1,424 million as in the table below:

Shareholding Class	Callable Capital (US$)
Class A	972,540,264
Class B	302,810,647
Class C	148,213,836
Class D	-
Total	**1,423,564,747**

SHAREHOLDERS

As at 31 December 2020, Afreximbank's shares were held by a total of 156 shareholders as in the table below:

	Number of Shares Held	Percent of Total Shareholding	Number of Shareholders	Percent of Total Shareholders
Class A	83,072	61.30	51	32.69
Class B	32,376	23.89	90	57.69
Class C	13,158	9.71	14	8.97
Class D	6,910	5.10	1	0.65
Total	**135,516**	**100**	**156**	**100**

Note: we considered only the Depositary bank, the custodian of DRs, as the holder of Class D shares.

Investor Information

DETAILS / ANALYSES OF SHAREHOLDERS BY CLASS

Class A	Class B	Class C	Class D
African governments and government institutions 51 shareholders 61.3 percent of total issued shares	African non-government investors 90 shareholders 23.89 percent of total issued shares	Non-African investors 14 shareholders 9.71 percent of total issued shares	Open to any investor 1 shareholder 5.10 percent of total issued shares

ANALYSIS OF SHAREHOLDING RANGE

Shareholding Range	Number of Shares Held	Percent of Total Shareholding	Number of Shareholders	Percent of Total Shareholders
10 -100	2,033	1.50	63	40.4
101-200	3,751	2.77	29	18.6
201-300	4,685	3.46	19	12.2
301-1000	9,860	7.28	19	12.2
1001-5000	49,730	36.69	20	12.8
5001 and above	65,457	48.30	6	3.8
Total	**135,516**	**100**	**156**	**100**

TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2020

	Shareholder's Name	Country	Share Class
1	Central Bank of Egypt	Egypt	A
2	Federal Republic of Nigeria	Nigeria	A
3	Reserve Bank of Zimbabwe	Zimbabwe	A
4	SBM Capital Markets Limited	Mauritius	D
5	National Bank of Egypt	Egypt	B
6	China Eximbank	China	C
7	Government of Cote d'ivoire	COTE D'ivoire	A
8	African Development Bank	Regional	A
9	Banque du Caire	Egypt	B
10	Banque Misr	Egypt	B
11	Government of Congo Brazzaville	REP. OF Congo	A
12	Banque Centrale de Tunisie	Tunisia	A
13	BADEA	Regional	C
14	Bank of Uganda	Uganda	A
15	Standard Chartered Bank	Uk	C
16	Republique du Cameroun	CAMEROUN	A
17	Export Credit Insurance Corporation (ECIC)	South Africa	B
18	Government Employees Pension Fund (PIC)	South Africa	B
19	JSC Russia Export Centre (REC)	Russia	C
20	Nigerian Export Import Bank	Nigeria	B

Investor Information

TEN-YEAR HISTORY OF SHARE CAPITALISATION

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Authorised Capital (500,000 ordinary shares of US$10,000 each from 2012)	750,000	750,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000.000
Paid-Up Share Capital - Class A (US$'000)	105,495	108,087	109,349	110,081	119,168	180,224	240,416	248,868	270,264	301,320	332,288
Paid-Up Share Capital - Class B (US$'000)	43,685	43,885	43,948	44,340	45,204	88,072	98,976	109,092	120,700	127,744	129,504
Paid-Up Share Capital - Class C (US$'000)	17,192	17,200	17,200	21,200	21,200	38,856	39,096	46,076	46,236	52,384	52,632
Paid-Up Share Capital - Class D (US$'000)								66,780	69,100	69,100	69,100
Total Paid-Up Share Capital (US$'000)	**166,372**	**169,172**	**170,497**	**175,621**	**185,572**	**307,152**	**378,488**	**470,816**	**506,300**	**550,548**	**583,524**

As a result, the number of the Bank's shareholders remained 156 . The shareholders acquired 8,244 shares, amounting to US$167.8 million in paid-in capital, while US$251.75 million remains callable capital in relation to the new investment. Thus, at the end of 2020, the total number of shares subscribed stood at 135,516 compared to 127,272 shares recorded in 2019.

TEN-YEAR DIVIDEND PAYMENT HISTORY

Year Ended	Date Declared	Total Amount (US$)	Dividend Payout Ratio (Percent)
31-Dec-20	-	87,921,317	25%
31-Dec-19	13-Jun-20	78,829,000	25%
31-Dec-18	22-Jun-19	68,970,000	25%
31-Dec-17	14-Jul-18	57,534,000	26%
31-Dec-16	1-Jul-17	37,958,000	23%
31-Dec-15	23-Jul-16	28,823,000	23%
31-Dec-14	13-Jun-15	24,147,000	23%
31-Dec-13	7-Jun-14	20,500,000	23%
31-Dec-12	22-Jun-13	14,800,000	23%
31-Dec-11	14-Jul-12	11,600,000	20%
31-Dec-10	25-Jun-11	10,000,000	23%

Note:
i. This dividend payment relates to the shares of the Bank
ii.The computation of dividends for the DRs is different from the computation for Class A, B and C shares

CREDIT RATING SUMMARY

As at 31 December 2020	Fitch	Global Credit Rating	Moody's
Short term rating	F3	A2	P-2
Long term rating	BBB-	A-	Baa1
Previous rating	Unchanged	Unchanged	Unchanged
Outlook	Stable	Stable	Stable

ACCESS TO MORE SHAREHOLDER INFORMATION

The Bank maintains an investor relations section on its website (www.afreximbank.com/investor-relations), which allows access to relevant financial information and corporate actions on the Bank. More details on the information disclosed in this chapter of the annual report may be obtained from the investor relations section of the website.

CONTACT US:

For all enquiries on shareholding, financial and business update, please contact our investor relations desk as follows:

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You can also visit the investor relations section of our website for more information **www.afreximbank.com/investor-relations**

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