



AFREXIMBANK

Transforming Africa's Trade

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



Annual Report 2021

Two years into the pandemic
Trusted Partners in Difficult Times

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Performance Highlights

Despite a global challenging environment, the Bank recorded a strong performance in 2021, the last year of implementation of its Strategic Plan 5.

Through various programmes and initiatives, the Bank delivered on its developmental mandate and strategic priorities and provided critical support to its member countries in the fight against the COVID-19.

Key macroeconomic indicators

World output expanded by 5.9% in 2021, compared with 3.1% in 2020.

The rate of real GDP growth for Africa stood at 5.1% in 2021 compared with 1.8% in 2020.

Total approvals US\$14.97 billion

**Loan approvals Major Programmes
(US\$ billions)**

Line of Credit	8,82
Direct Financing	4,55

- **General Capital Increase:**
US\$6.5 billion – of which US\$2.6 billion will be paid in cash
- **Advance Procurement Commitment Guarantee Facility:**
US\$2 billion supporting access to COVID-19 vaccines by member states

Year-on-year increase in Total Assets and Guarantees to US\$24.93 billion at the end of 2021

15.15%

Year-on-year increase in Equity Funds to US\$4 billion at the end of 2021

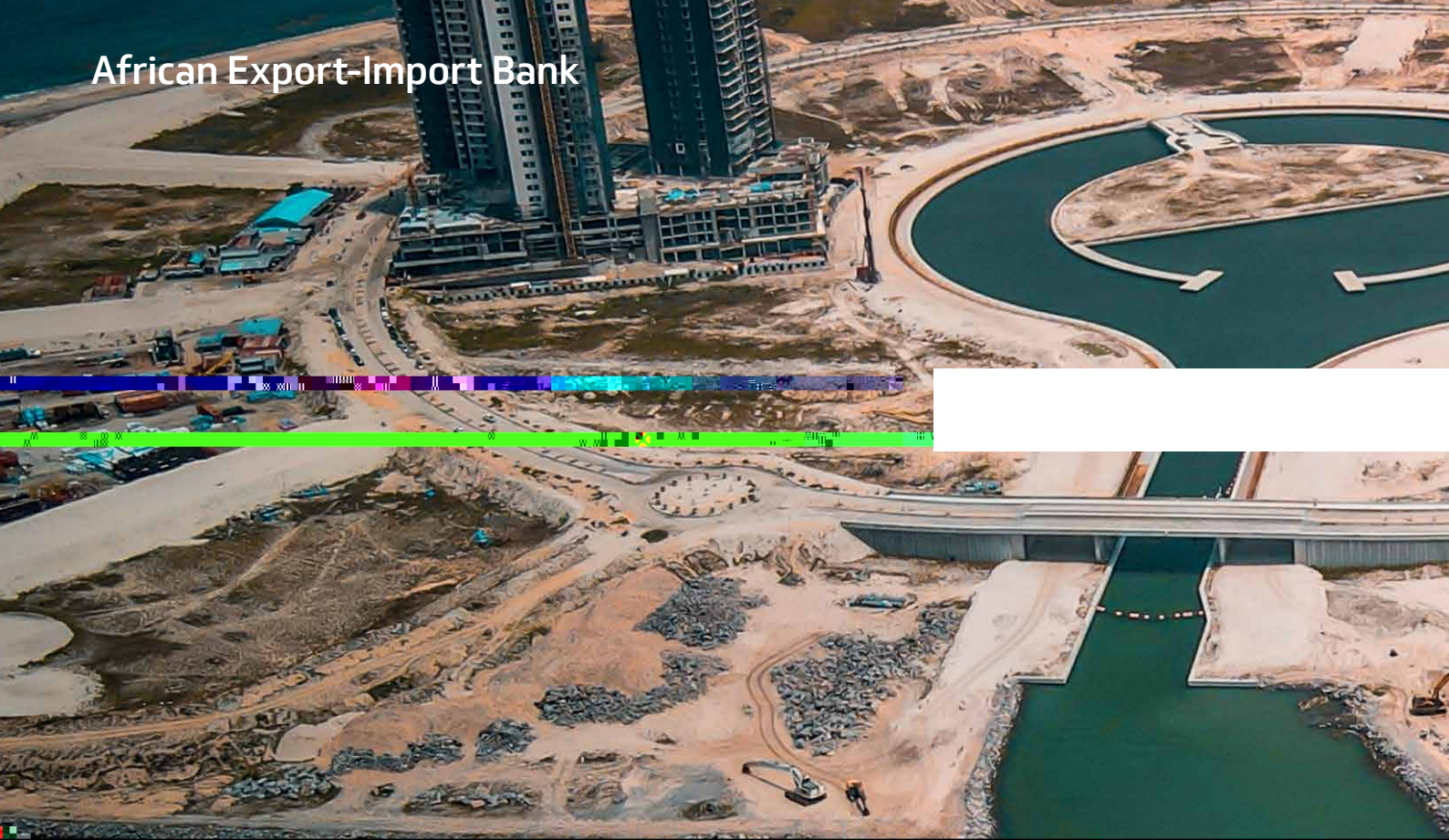
17%

Year-on-year increase in Net Income to US\$387 million in 2021

10%

Return on Average Equity in 2021

10.6%





African Banker of the Year

African Banker Awards

Awarded to Professor Benedict Oramah President and Chairman of the Board of Directors

In recognition of Professor Oramah's contributions in championing an Africa-owned fight against the COVID-19 pandemic.

Under Professor Oramah's leadership, Afreximbank disbursed over US\$7 billion to assist African economies in addressing the health and economic impacts of the pandemic. In a landmark US\$2 billion financing deal in 2021, Afreximbank guaranteed the procurement of 400 million doses of Johnson and Johnson COVID-19 vaccine that provided access to 30% of Africa's population and some Caribbean countries.

Awards 2021

Awarding Entities	Awards
<p>1. <i>Trade Finance Global (TFG) International Trade Awards</i> <i>(Global Annual Meeting of the Bankers Association for Finance and Trade (BAFT), Washington DC)</i></p>	<ul style="list-style-type: none"> • Best Multilateral Development Bank
<p>2. <i>EMEA Finance Achievement Awards</i></p>	<ul style="list-style-type: none"> • Best Structured Finance Sustainability Deal: African Vaccine Acquisition Trust's US\$2 billion advance procurement commitment guarantee • Best Financial Institution Murabaha Facility: Afreximbank's US\$200 million syndicated Murabaha facilities • Best Syndicated Loan in Africa: Cheiron Petroleum's US\$405 million RBL loan • Best Supranational Syndicated Loan: Afreximbank's US\$1.2 billion 3-year loan scheme • Best Mono-line Loan: Orascom Construction's US\$100 million AfCFTA-infrastructure linked facility • Best Structured Finance Deal in North Africa: Canal Sugar's US\$700 million multi-tranche syndicated facilities • Most Innovative Structured Finance Deal in EMEA: Lucara Botswana's US\$220 million trade finance and term loan
<p>3. <i>GFC Media Group Bonds & Loans Awards</i></p>	<ul style="list-style-type: none"> • International Syndicated Loan Deal of the Year: Bank of Industry
<p>4. <i>Project Finance International Awards</i></p>	<ul style="list-style-type: none"> • Africa Deal of the Year: US\$1.1 billion financing for the acquisition of a 45% stake in OML 17 from SPDC, by Heirs \Holdings Oil and Gas Limited
<p>5. <i>The Global Finance Magazine Award</i></p>	<ul style="list-style-type: none"> • Africa's Best Bank (Crisis Finance Solutions): \$3 billion Pandemic Trade Impact Mitigation Facility
<p>6. <i>Global Trade Review Award</i></p>	<ul style="list-style-type: none"> • Leader in Trade for Pandemic Support \$3 billion Pandemic Trade Impact Mitigation Facility \$520 million facility with Mitsubishi UFJ Financial Group (MUFG)
<p>7. <i>IFLR Award Africa</i></p>	<ul style="list-style-type: none"> • Africa In-house Team of the Year • Editors Choice: Africa Impact Deal Award 2021 African Vaccine Acquisition Trust (AVAT) Covid-19 vaccines
<p>8. <i>Bloomberg's 2021 'Sub Saharan Africa Borrower Loans League Tables'</i></p>	<ul style="list-style-type: none"> • Sub-Saharan Africa's top Mandated Lead Arranger • Sub-Saharan Africa's top Bookrunner • Sub-Saharan Africa's number Three Administrative Agent

The Chairman

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

Transmittal Letter

26 March 2022

Dear Chair,

In accordance with Article 35 of 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 2021 to 31 December 2021, including its audited financial statements and that of the Bank Group, 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



Afreximbank Subsidiaries and Specialised Initiatives



PAPSS

The Pan-African Payment and Settlement System – PAPSS – enables the efficient payment for intra-African Trade in national currencies, promoting Intra-African trade, minimising risk and contributing to financial integration across Africa. PAPSS currently operates out of Cairo, Egypt



FEDA

Funds for Export Development in Africa (FEDA), an impact investment vehicle, created by a multilateral treaty that provides capital and related financial, non-financial, and support services to Africa’s trade and related support sectors with an emphasis on activities to promote economic development, export diversification and facilitate intra-African trade. Its headquarters is in Kigali, Rwanda.



Afrexinsure

AfrexInsure offers specialty insurance to clients engaging in trade and trade enabling investments in Africa. AfrexInsure has commenced working with its partner institutions, including risk carriers, to offer insurance management services solutions across Africa. With headquarters in Mauritius, AfrexInsure’s main operational base is in Cairo, Egypt



MANSA

MANSA is a repository platform which provides a single source of primary data required for the conduct of customer due diligence on African entities; Financial Institutions, Corporates and SMEs. The platform also provides complementary collection of information on investment in Africa, country profile and traded products/ services of African countries.



African Medical Centre of Excellence AMCE

The AMCE stands out as an opportunity to improve the healthcare landscape across Africa. The initiative facilitates the establishment of a network of world-class quaternary-level healthcare facilities across the continent. The AMCE offers a full range of medical services (diagnostics, inpatient, and outpatient) in oncology, haematology, cardiology, and general healthcare services as well as other essential services including academic, residential, hospitality, and retail. The pioneer AMCE is under-development in Abuja, Nigeria.



The AfCFTA marketplace

Intra-African Trade Fair

The IATF is intended as a sustainable platform for facilitating trade and investment information exchange in support of increased Intra-African trade and investment, especially as the AfCFTA is implemented. The IATF therefore plays a critical role in enabling businesses to access an integrated African market of more than 1.3 billion people with a combined gross domestic product (GDP) of more than US\$3 trillion, created under the AfCFTA.



Africa Vaccine Acquisition Trust (AVAT)

AVAT is a special Purpose Vehicle used by the Bank and African Union's Africa Vaccine Acquisition Task Team (AVATT) to procure the COVID-19 vaccine doses under a US\$ 2 billion Advanced procurement commitment guarantee provided by Afreximbank. It has now been institutionalised by the AU as the agency for pooled procurement of vaccines and medicines in Africa.



AVAT NFCC

A mechanism that provides no-fault, lump sum compensation in full and final settlement of any claims for expected and unexpected serious adverse events arising from vaccines procured or distributed through the AVAT framework. Through this innovative solution, AVAT addresses vaccine hesitancy on the continent by providing for prompt, fair, and transparent compensation in case of serious adverse events associated with approved COVID-19 vaccinations.



Africa Medical Supplies Platform (AMSP)

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. Afreximbank co-developed the platform with AU special envoy on COVID-19 supplies, Mr. Strive Masiyiwa, Africa CDC, UNECA and Janngo. The Bank provides payment and trade services in support of AMSP operations.



Africa Quality Assurance Centre (AQAC)

State-of-the-art quality infrastructure facilities with the capacity to offer testing, certification, inspection, and training services covering a wide range of products. The centres are under implementation across Africa to support AfCFTA implementation.

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 Lili Yang

Independent Directors

Mr Anil Dua

Mr Ronald Sibongiseni Ntuli

External Auditors

PricewaterhouseCoopers

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

Dr Hippolyte Fofack

Chief Economist and Director
(Research and International
Cooperation)

Mr Emeka Uzoigwe

Director (Strategy and Innovation)

Mr Rene Awambeng

Global Head (Client Relations)

Mr Elias Kagumya

Chief Risk Officer

Mr Samuel Loum

Director (Credit Assessment)

Dr Robert Tomusange

Director (Administration)

Mr Stephen Tio Kauma

Director (Human Resources)

Ms Gwen Mwaba

Director (Trade Finance)

Mr Constantin Von Moltke

Director (Syndications and Agency)

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)

Ms. Oluranti Doherty

Director (Export Development)
& Ag. Director Projects and Asset
Based Finance

Mr Yusuf Daya

Director (AU/AfCFTA Relations
and Trade Policy)

Mr Kofi Asumadu

Director (Guarantees and
Specialised Finance)

Mr Gerald Chihota

Director (Board Secretariat)

Executive Summary

1





Executive Summary

The second year of the COVID-19 pandemic, 2021 was fraught with uncertainties and challenges affecting both Afreximbank's global and African operating environments, stemming from continued weaknesses in global demand, supply chain disruptions, and volatility in financial and commodity markets. As the Bank was concluding the implementation of its fifth Strategic Plan (IMPACT 2021: Africa Transformed), covering 2017–21, it responded to these rising challenges by intensifying its operations and activities in support of its member states. Through effective deployment and the scaling up of its existing programmes and facilities and the launch of new, innovative initiatives and products, the Bank emerged as a leading player in the continent's post-pandemic economic recovery efforts.

During the year, the Bank's operations and activities were undertaken in line with the approved work programme and budgets as well as with its mandate and medium-term strategic priorities. They were also undertaken in line with the best global practices in governance, risk management, and financial reporting.

1.1 THE OPERATING ENVIRONMENT

The bold and swift responses to the pandemic set the stage for a speedy recovery. These included loose monetary policy and fiscal stimulus—especially from advanced economies, countercyclical support from international and development finance institutions and progress on COVID-19 vaccines and treatment. In a synchronised global recovery, world output expanded by 5.9 percent in 2021; this global recovery following the lifting of containment measures contributed to a rebound in global trade, which expanded by about 9.3 percent in 2021 from high and improving commodity terms of trade, after contracting by 8.2 percent in 2020.

In the first year of the pandemic, Africa's economy contracted for the first time in 25 years as containment measures undertaken by governments to protect the population against the COVID-19 virus brought the world economy to a sudden halt. Africa recovered in 2021, posting estimated real GDP growth of 5.1 percent,

compared with the 1.6 percent contraction in 2020. The recovery was underpinned by a strong rebound in commodity prices on the back of strengthening global demand, the rollback of pandemic-induced restrictions, recovery in domestic consumption, and a gradual resumption of tourism.

1.2 OPERATIONS AND ACTIVITIES

In the prevailing global and African economic environments, the Bank intensified its lending operations in support of its member states. In 2021, the Bank continued to maintain a high level of facility approvals at US\$14.97 billion; this was, however, 8.11 percent lower than approvals in 2020, mainly due to the scaling down of the Bank's Pandemic Trade Impact Mitigation Facility (PATIMFA), though still about 21 percent higher than the 2019 (pre-pandemic) approvals, which stood at US\$12.39 billion. Total approvals since the Bank's inception passed the US\$100 billion mark, at US\$112.74 billion.

Despite the challenging economic conditions, outstanding loans rose by 11.88 percent, from US\$16.77 billion in 2020 to US\$18.76 billion in 2021. Adding the unfunded exposure (guarantees and letters of credit) of US\$3.04 billion in 2021, the total value of loans and contingent liabilities stood at US\$21.81 billion in 2021 compared with US\$19.11 billion in 2020 (a 14.23 percent increase).

The Line of Credit Programme (LOCP) and the Direct Financing Programme (DFP) were the largest lending programmes deployed by the Bank during the year, accounting together for about 90 percent of approvals and 85 percent of outstanding loans. In 2021, the Bank approved a total of US\$8.82 billion under the LOCP compared with US\$10.08 billion in the previous year, a year-on-year decrease of 12.44 percent, mainly reflecting the unwinding of the emergency interventions under PATIMFA. However, the year's approvals were 22.93 percent higher than the 2019 level. Outstanding loans under the LOCP fell slightly from US\$8.73 billion in 2020 to US\$8.48 billion in 2021.

Total approvals under the DFP stood at US\$4.55 billion, about 12 percent higher than in 2020. The programme accounted

for about 30.41 percent of total approvals, making it the second largest programme after the LOCP. Approvals under the programme supported various sectors, including vaccine manufacturing, energy, mining, and tourism. Outstanding loans under the programme increased from US\$5.00 billion in 2020 to US\$7.45 billion in 2021 (a 48.96 percent increase).

In 2021, the Bank started scaling down PATIMFA, which it launched in 2020 to help African countries deal with the economic and health impacts of the COVID-19 pandemic. Approvals under PATIMFA fell by 64.67 percent, from US\$6.08 billion in 2020 to US\$2.15 billion in 2021. Outstanding loans amounted to US\$4.44 billion at the end of the year, and the share of the facility in total outstanding loans stood at about 23.69 percent.

During the year, the Bank continued to be a major continental player in leveraging financing into Africa. Attesting to its leading role on the African syndicated loans market, the Bank was ranked Africa's top Mandated Lead Arranger, top Bookrunner, and Number Three Administrative Agent in sub-Saharan Africa in Bloomberg's 2021 full-year 'Global Capital Markets League Tables'. These rankings recognised the Bank's continued leadership role in mobilising capital both from within and outside the continent from a diverse range of investors and stakeholders for the financing needs of African borrowers. In this regard, the Bank attracted US\$8.05 for every one US dollar it invested in deals, resulting in a leverage ratio of 8.05.

Intra-African trade promotion remained key among the Bank's strategic pillars during the last year of implantation of the fifth Strategic Plan. The challenges posed by the COVID-19 pandemic once again reaffirmed the importance for Africa, in general, and for the Bank, in particular, of prioritising intraregional trade as a way to

Total loans outstanding and unfunded exposure increased by 14.23 percent to US\$21.80 billion in 2021

14.23%

Approvals under the Direct Financing Programme increased by 11.93 percent to US\$4.55 billion in 2021

11.93%

Chapter One

Executive Summary

improve resilience against external shocks. During the year, the Bank approved a total of US\$2.98 billion for intra-African trade transactions, an increase of 106.83 percent over the 2020 level (US\$1.44 billion). This increase also reflected some 2021 flagship transactions, including the US\$1 billion under the Collaborative Transit Guarantee Scheme. Financial services, energy, manufacturing, transportation, and services were key sectors supported under the intra-African trade pillar. At the end of 2021, the balance of outstanding intra-African trade loans stood at US\$4.95 billion, accounting for 26.41 percent of the Bank's total loans portfolio.

Under the theme Building Bridges for a Successful AfCFTA, the second Intra-African Trade Fair (IATF 2021) promoted by the Bank in collaboration with African Union and AfCFTA Secretariat was held in Durban, South Africa, from 15–21 November. The opening ceremony was addressed by seven current and former African heads of state: H.E. Cyril Ramaphosa, (South Africa); H.E. Muhammadu Buhari, (Nigeria); H.E. Former President Olusegun Obasanjo, Chairman of the Advisory Council of IATF; H.E. Hakainde Hichilema, (Zambia); H.E. Lazarus Chakwera, (Malawi); and H.E. Emmerson Mnangagwa (Zimbabwe). H.E. Hussein Mwinyi representing H.E. Samia Suluhu Hassan, (Tanzania); and Rt Hon. Edouard Ngirente, (prime minister of Rwanda) attended the event representing H.E. Paul Kagame.

During 2021, the Bank and the African Continental Free Trade Area (AfCFTA) Secretariat announced the operational roll-out of the Pan-African Payment and Settlement System (PAPSS), a financial market infrastructure enabling instant, cross-border payments in local currencies between African markets. By simplifying cross-border transactions and increase the use of African currencies for them, PAPSS is set to boost intra-African trade significantly and to underpin the implementation of the AfCFTA. PAPSS will serve as a continent-wide platform

for the processing, clearing, and settling of intra-African trade and commerce payments, leveraging a multilateral net settlement system. The implementation of the PAPSS infrastructure is taking place in collaboration with the AfCFTA Secretariat and with the endorsement of the African Union.

On the Industrialisation front, the Bank made significant progress on several continental initiatives, including the commencement of the construction of the first in a series of Africa Quality Assurance Centres (AQAC), Nigeria. The Centre will have the capacity to offer testing, certification, inspection, and training services covering agricultural and allied products. It is the construction of the first in a series of Africa Quality Assurance Centres that Afreximbank intends to establish across Africa to support industrialisation by ensuring that African products are manufactured to international standards and enabling them to participate in intra-African and global trade. Preparations are advanced for other AQACs including Tanzania, Egypt and Ethiopia. Negotiations were well advanced with the Ivorian authorities for the commencement of an export oriented industrial park project near Abidjan, in partnership with ARISE IIP Group.

Notwithstanding the COVID-19–occasioned challenges that persisted from 2020, the Bank was able to meet its funding objectives in 2021. A total of about US\$9.50 billion was mobilised from diverse international and local (African) sources during the year, spread across diverse sources. A total of US\$5.40 billion was raised under the Africa Resource Mobilisation Programme, and the balance was raised from international market sources. Notable transactions that were concluded from international market sources in 2021 included: (1) an international Bond Issue under the existing US\$5 billion Global Medium-Term Note Programme; (2) a Syndicated Loan; and (3) a Korea-focused Club deal.

A notable resolution passed by the Annual General Meeting in 2021 was related to the General Capital Increase, to raise an additional US\$6.5 billion with US\$2.6 billion in paid-in capital to expand Afreximbank's capacity to support the procurement of COVID-19 vaccines for the African continent and to support African economies and their private sectors after the pandemic.

1.3 DEVELOPMENT IMPACT

2021 marks the end of the implementation of the Bank's fifth Strategic Plan, IMPACT 2021—Africa Transformed. Despite the challenges brought on by the pandemic during the past two years, Afreximbank demonstrated resilience, adaptability, and responsiveness. The Bank ended 2021 with US\$9.87 billion in disbursements to support entities and governments of its member states as they strengthen their response and to stimulate African trade. The Bank made significant progress in delivering on each of its four strategic pillars—Intra-African Trade, Industrialisation and Export Development, Trade Finance Leadership, and Financial Soundness and Performance.

In 2021 the Bank directly financed about 1.7 percent of total intra-African trade and facilitated more than US\$3.9 billion (or 3.2 percent) of total intraregional trade. The projects financed in 2021 under the Intra-African Trade strategic pillar were expected to connect 130,000 rural farmers and small and medium-sized enterprises to formal markets. The Bank helped 14 African exporters of heavy infrastructure equipment to win construction contracts worth more than US\$1 billion across the continent. The Bank, in collaboration with partners, once again successfully delivered IATF2021 in Durban, South Africa. The Fair hosted seven heads of State and 32,541 participants as well as 1,501 exhibitors; 69 countries were in attendance, and US\$42 billion of trade



The Bank approved US\$2.15 billion under PATIMFA and PATIMFA-related facilities, with outstanding loans amounting to US\$4.44 billion as at the end of December 2021.

deals were concluded, compared with 1,080 exhibitors and US\$32 billion of trade deals from 45 countries in the 2018 IATF. In the area of trade facilitation, the Dar es Salaam railway project in East Africa will link Tanzania with its landlocked neighbours and enhance the flow of goods, services, investments, and people. The Bank also championed many AfCFTA-enabling initiatives in an effort to ensure that the AfCFTA is a success.

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 the creation of value-added exports. In 2021, the Bank directly financed about 0.6 percent of Africa's manufactured exports and facilitated US\$1.1 billion (or 1.0 percent) of the continent's total manufactured exports. The construction of a 240-bed modern tertiary-level hospital in East Africa and 12 polyclinics for a total of 470-bed capacity in West Africa are projected to create about 1,600 direct jobs and to enhance health in both regions. The Bank also supported the production of 250 million pieces of the COVID-19-related products on the continent to equip 10 million Africans with personal protective equipment. In addition, the acquisition of rolling stock (12 locomotives and 220 wagons) and extension of rail handling capacity will enable the Gabon Special Economic Zone to provide two additional trains and reduce the turnaround time by two days, generating US\$70 million in exporter/importer savings.

With respect to the Trade Finance Leadership strategic pillar, the Bank contributed to the narrowing of the trade finance gap in Africa by almost 12.1 percent (and 7.1 percent through the fund leveraged by the Bank) in 2021. By the end of 2021, the Bank had

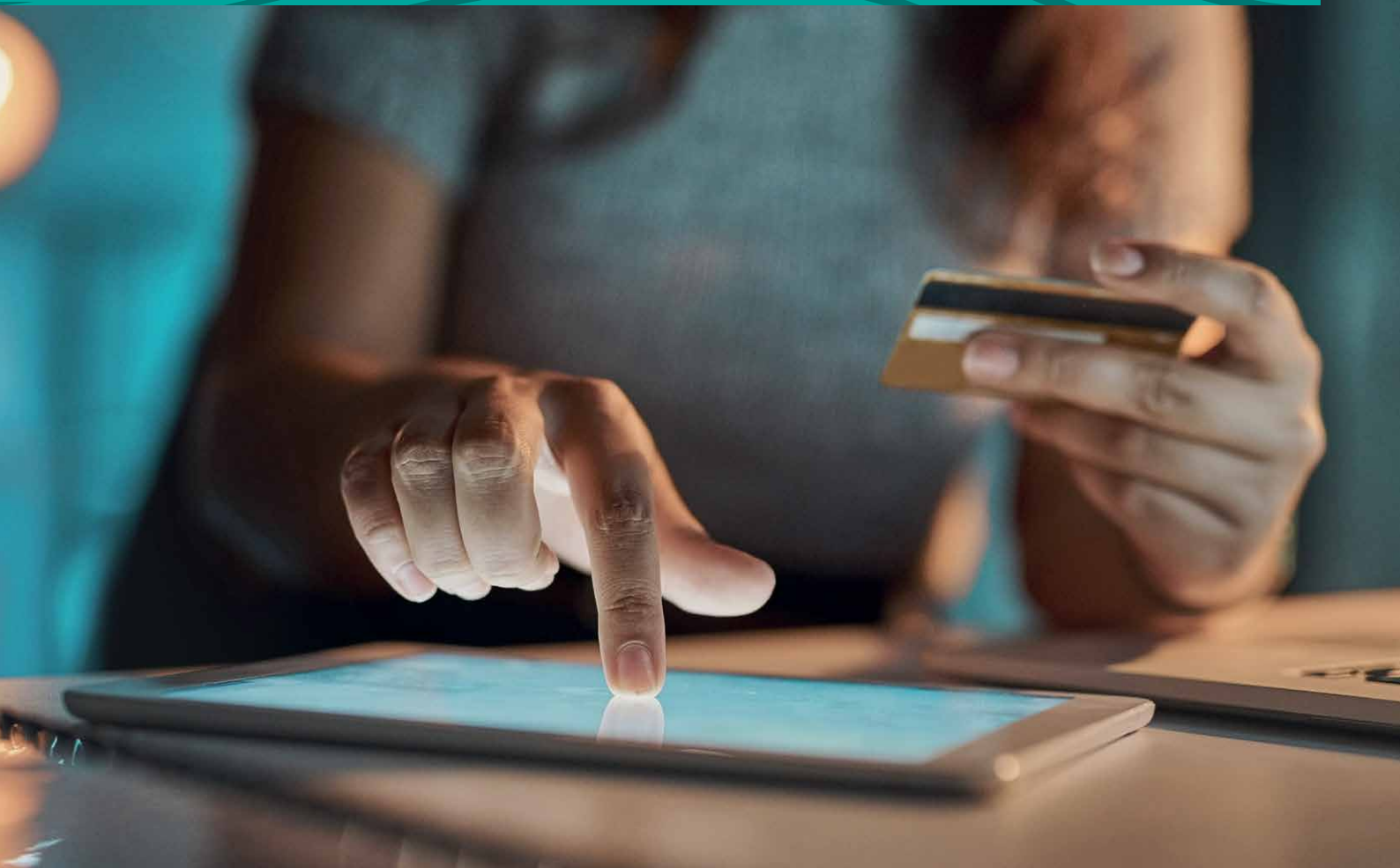
onboarded 430 African banks and extended letter of credit confirmation facilities to 160 banks, benefiting 38 member states. The Bank also granted 228 trade finance lines, amounting to US\$5.3 billion to 19 countries across Africa (predominantly least developed countries) to meet their trade financing needs. This resulted in 40,000 sub loans to small and medium-sized enterprises, benefiting, among others, women and youth. The year 2021 ushered in remarkable recognition and growth of the MANSAs Platform by its several stakeholders and partners, resulting in the onboarding of an additional 1,753 profiles and making a total of 2,004 onboarded profiles.

In the context of the pandemic crisis, member states, partners, and other stakeholders want firmer assurances that the funds directed to development are achieving results, that everything possible is being done to ensure that scarce development resources are managed well, and that these investments deliver the best possible outcomes. The Bank's Trade Development Impact Assessment framework is helping Afreximbank to better track progress, achieving greater development results for 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 12.1 percent in 2021.

12.1%

The Bank granted 228 trade finance lines, amounting to US\$5.3 billion to 19 countries across Africa (predominantly least developed countries) to meet their trade financing needs. This resulted in 40,000 sub loans to small and medium-sized enterprises, benefitting, among others, women and youth.



The Operating Environment





World GDP expanded by
5.9 percent in 2021

5.9%

Africa recorded a GDP
growth of 5.1 percent in 2021

5.1%

The Operating Environment

2.1 THE GLOBAL ECONOMIC ENVIRONMENT

2.1.1 Output Developments

The rebound from the 2020 economic downturn was as synchronised and swift as the COVID-19 pandemic—a black swan event that led to the implementation of containment measures (lockdowns, social distancing, and border closures). While these measures helped stem the spread of COVID-19, they also triggered global demand and supply shocks and resulted in one of the sharpest economic contractions on record, with world trade volumes decreasing by 21 percent at the height of the pandemic between March and April 2020; global gross domestic product (GDP) contracted by 3.2 percent.

The bold and swift responses set the stage for a speedy recovery. These included loose monetary policy and fiscal stimulus—especially from advanced economies, which enjoyed fiscal space and the exorbitant privilege of issuing reserve currency—along with countercyclical support from international and development financial institutions and progress on COVID-19 vaccines and treatment. In a synchronised global recovery, world output expanded by 5.9 percent in 2021, with most countries growing above trends (Table 2.1 and Figure 2.1a) (IMF 2021, 2022).

Table 2.1 Developments in Global Output, 2019–2021

	Real GDP Growth (annual percent change)			Inflation Rate (annual percent change)		
	2019	2020	2021	2019	2020	2021
WORLD	2.8	3.1	5.9	3.5	3.2	4.3
DEVELOPED ECONOMIES	1.7	4.5	5.0	1.4	1.4	2.6
United States	2.3	3.4	5.6	1.8	1.2	4.3
United Kingdom	1.4	9.4	7.2	1.8	0.9	2.2
France	1.8	8.0	6.7	1.3	0.5	2.0
Japan	0.0	4.5	1.6	0.5	0.0	0.2
Italy	0.3	8.9	6.2	0.6	0.1	1.7
Canada	1.9	5.2	4.7	1.9	0.7	3.2
Germany	1.1	4.6	2.7	1.4	0.4	2.9
Memorandum Item						
Euro Area	1.5	6.4	5.2	1.2	0.3	2.2
DEVELOPING ECONOMIES	3.7	2.0	6.5	5.1	5.1	5.5
Africa	3.3	1.6	5.1	9.2	10.8	11.6
Developing Asia	5.4	0.9	7.2	3.3	3.1	2.3
Latin America and the Caribbean	0.1	6.9	6.8	7.7	6.4	9.3
Developing Europe	2.5	1.8	6.5	6.6	5.4	8.4

Sources: International Monetary Fund (IMF) Exchange Rate; IMF World Economic Outlook database; Bloomberg.

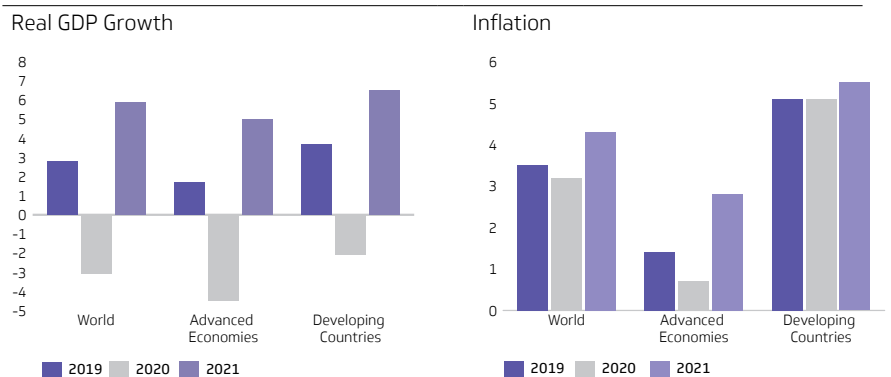
The recovery was particularly strong in advanced economies, where output expanded by 5 percent, supported by exceptionally large fiscal space and monetary stimulus. Their central banks played a major role in the recovery phase of the pandemic, emerging as both global lenders and markets of last resort. The US Federal Reserve and the European Central Bank cut interest rates and expanded their bond-buying programmes and balance sheets to depress long-term interest rates.

Under the vaccine-powered recovery, vaccine hoarding and nationalistic policies adopted by advanced economies, along with stimulus, have led to a two-speed recovery. Per capita income is forecast to return to its pre-pandemic level in more than 40 percent of high-income countries, where more than 60 percent of the population is fully vaccinated, compared with 25 percent in middle-income countries and just 23 percent in low-income countries, where vaccination rates are significantly lower—36 percent in middle-income countries and less than 5 percent in lower-income countries (Reinhart and von Luckner 2022).

The synchronised global recovery that followed the lifting of containment measures contributed to a rebound in global trade, which expanded by about 9.3 percent in 2021 in response to high and improving commodity terms of trade after contracting by 8.2 percent the year prior. Emerging and developing market economies enjoyed a stronger rebound; their trade volume expanded by more than 11 percent, compared with 8.3 percent for advanced economies. Demand for consumable goods dominated the rebound in global trade, increasing sharply in the post-containment phase of the pandemic. Increased demand stoked inflationary pressures, which were further exacerbated by supply chain disruptions.

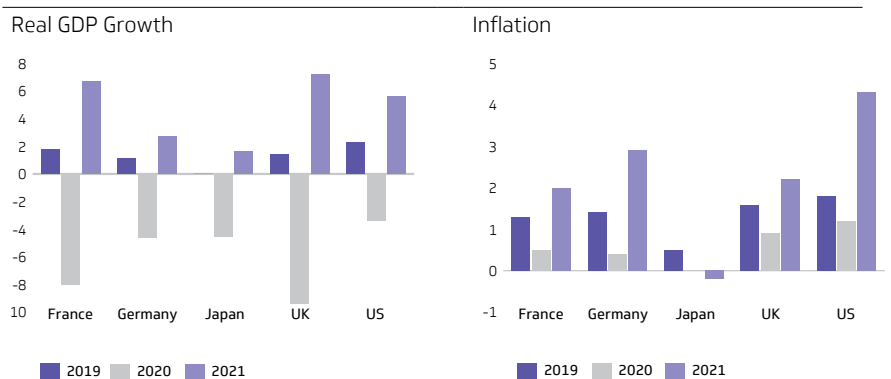
The US economy recovered strongly, posting an estimated growth rate of 5.6 percent in 2021 from a contraction of 3.4 percent in 2020 (Table 2.1 and Figure 2.1b). In addition to progress on COVID-19 vaccination and treatment, large government support to businesses

Figure 2.1 a. Global Output and Inflation, 2019–21 (percent)



Sources: International Monetary Fund *World Economic Outlook* (January 2022); Afreximbank Research.

Figure 2.1 b. Output and Inflation in Key Advanced Economies, 2019–21 (percent)



Sources: International Monetary Fund *World Economic Outlook* (January 2022); Afreximbank Research.

and corporates helped promote the recovery. In addition to mitigating the risk of corporate bankruptcies, of which there were very few, these measures boosted domestic consumption and investment through the release of pent-up demand.

After contracting by 6.4 percent in 2020, output in the Eurozone countries rebounded, with their combined GDP expanding by 5.2 percent in 2021, supported by the large monetary and fiscal stimulus programme. At the height of the pandemic in July 2020, the Eurozone Council approved the Next Generation EU Fund of €750 billion—a European Union economic recovery package for the support of its member states adversely affected by the COVID-19 pandemic downturn. Although the rebound was

synchronised within the Eurozone, the recovery was uneven. While the recovery was moderate in Germany, where output expanded by 2.7 percent, it was strong in Italy, with output expansion of 6.2 percent, and in France, where output expanded by 6.7 percent.

Outside the Eurozone, the economy of the United Kingdom recovered strongly, expanding by 7.2 percent in 2021. It emerged from its 9.4 percent contraction of the previous year as the fastest-growing nation in the set of advanced economies.

By contrast, the recovery in Japan—the second largest economy among the group of advanced economies—was relatively weak, reflecting the severity of COVID-19 infections, which hit a record level in the

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second half of 2021. GDP expanded by only 1.6 percent from the pandemic-induced contraction of 4.5 percent posted in 2020.

Consistent with the global recovery from the pandemic-triggered downturn, emerging markets and developing economies recovered strongly from a contraction of 2 percent in 2020, with their aggregate output expanding by 6.5 percent in 2021. The swift and strong rebound achieved by this group of economies reflected a combination of several factors. Closing output gaps, supportive accommodative fiscal and monetary policies, along with the release of pent-up demand, drove commodity prices. These factors had significant positive spillover effects for developing economies, most of which are natural resource dependent. The easing of financing conditions and the strengthening investment growth and domestic consumption in these emerging and developing economies, including China, where output expanded by more than 8 percent, also contributed to the rebound of emerging economies.

Asia, which had been the leading driver of global growth, continued on this trajectory with GDP expanding at an estimated 7.2 percent in 2021 from a contraction of 0.9 percent in 2020. China was the only major economy in the world to expand in 2020, at 2.3 percent, as the pandemic ravaged businesses around the world. It maintained its upward trajectory, its GDP expanding by 8.2 percent in 2021, supported by large fiscal expansion and strengthening domestic consumption in a gradual rebalancing. India, which suffered a sharp downturn, contracting by 7.3 percent in 2020, recorded a strong rebound in 2021, with its GDP expanding by 9 percent.

2.1.2 Price Developments

The review period was characterised by heightened uncertainty and increasing inflationary pressures, especially in the second half of the year (H1-21). In addition to supply-demand imbalances, increasing health costs and widening

fiscal deficits, the COVID-19 pandemic downturn had other major effects. Global supply chain disruptions and large monetary and fiscal stimulus extended by governments to speed up the recovery led to a sharp increase in inflation in advanced and emerging markets and developing economies. Other major drivers of inflation include energy and tightening labour markets (especially in advanced economies), non-energy industrial goods, and food items.

Consequent upon these developments, global inflation inched up from 3.2 percent in 2020 to 4.3 percent in 2021, with significant variations across regions and countries. Inflation in advanced economies stood at an estimated 2.8 percent in 2021, up from 0.7 percent in 2020 (Table 2.1 and Figure 2.1b). In the United States, where a tightening labour market has been a major driver, inflation set new records in December 2021, reaching 7 percent. This drove the annual average inflation to 4.3 percent in 2021, up from 1.2 percent in 2020. After several years of low inflation, the strong resumption of economic activity was accompanied by increasing inflationary pressures. Even though the Eurozone posted an average annual high inflation rate of 2.2 percent in 2021, up from 0.3 percent in 2020, prices have been trending upwards, with annual inflation exceeding 5 percent in December, up from 4.9 percent in November.

The widespread inflationary pressures saw increased inflation rates across emerging markets and developing economies, including those in Africa. Overall, average annual inflation across emerging markets and developing economies reached 5.7 percent in 2021, up from 5.1 percent in 2020. In some countries in Africa and the Middle East, food prices increased significantly amid domestic shortages and strengthening global demand. In most developing countries, especially low-income countries, currency depreciation stoked inflationary pressures through higher prices of imported goods.

2.1.3 Financial Markets

Notwithstanding investors' concerns about the global economic outlook amid rising COVID-19 infections, the emergence of new variants, and a weakening local currency debt flow, global financial markets rebounded from the 2020 pandemic downturn (Rennison 2022) on account of the strong recovery in the global economy, increased hard currency bond issuance, and increased participation in capital markets. At the height of the pandemic in 2020, equity markets experienced significant losses on the back of subdued corporate activity. Recovery of the global economy, underpinned by strengthening demand, contributed to higher corporate earnings, boosting activity in equity markets in 2021.

Monetary and fiscal policy measures undertaken by governments to support economic recovery from the pandemic downturn spurred stock markets to close 2021 on a high with double-digit gains. While COVID-19 restrictions were easing, major central banks' combination of fiscal stimulus and accommodative monetary policies elevated financial markets across the world as optimistic, bullish investor sentiment anticipated growth resumption driven by strong demand as vaccination increased. Hence, the FTSE All-World share index rallied by 16.7 percent in dollar terms in 2021, up from a 14.1 percent gain in 2020 (Rennison 2022). The strong stock market performance in 2021 was particularly pronounced in the United States, where earnings grew by 45 percent—the highest since 2008.

The S&P 500 index increased by about 27 percent during the review period, driven by energy stocks, which increased by about 50 percent on account of increasing oil prices. With a 190 percent gain, Devon Energy was the main driver of the index, while the stock prices of Ford Motor, Moderna, and Marathon Oil, among other companies, more than doubled. The second-best performer was real estate companies, which together registered a more than 40 percent increase in their stock prices, while the technology-oriented stocks gained about 33 percent.



Global inflation inched up from 3.2 percent in 2020 to 4.3 percent in 2021, with significant variations across regions and countries.

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Tech stocks led performance in stock markets in Europe, as the pan-European STOXX Europe 600 index climbed by 22 percent. In Japan, the TOPIX index gained 10.4 percent in 2021, up from less than 5 percent posted in 2020 as Japanese stocks ended the year on a high. However, a regulatory crackdown by Beijing contributed to a more than 14 percent decline in Hong Kong's Hang Seng index.

Bond market performance was subdued by rising inflation, uncertain economic recovery, and a gradual regime shift in monetary policy. Consequently, the Morningstar US Core Bond Index fell by 1.6 percent, posting its worst calendar-year return since 2013. Bonds in most emerging markets and developing economies also experienced similar poor performance, while interest rate – sensitive and dollar-denominated bond funds posted losses. On average, emerging market local currency bond funds slumped by 7.3 percent. A key development in the bond market was the European Union becoming a major borrower by issuing bonds to finance its post-pandemic recovery fund. It also sold the world's largest green bond, raising 12 billion euros from record demand (FT 2022).

In the foreign exchange market, the rise of the dollar index (which grew by 0.5 percent) pushed most other currencies lower. Amongst developed countries, the euro suffered the most and depreciated in trade-weighted terms against the US dollar. It depreciated by 4.9 percent, reflecting the widening of short-term interest rate expectations differential between the two ends across the Atlantic. Currencies in emerging markets, including the Turkish lira, the South African rand, and the Mexican peso, experienced significant depreciation. The Turkish currency fell to an all-time low of 10.44 lira to the dollar, down by 2.4 percent. After recovering from the 2020 pandemic loss, the South African rand fell to a low level, while the Mexican peso, the currency most sensitive to changes in the dollar in Latin America, continued its plunge against the dollar.

2.1.4 Financing Conditions

Notwithstanding the increasing inflationary pressures in later 2021, financing conditions remained largely accommodative. Even though the US Federal Reserve took the important step of selling back its bond-buying programme, accelerating the pace of unwinding from US\$15 billion each month to US\$30 billion, it kept its policy rate set at 0 percent to 0.25 percent, unchanged throughout the year, although the real rate probably increased, in part to reflect rising inflation.

Likewise, financing conditions remained highly accommodative within the Eurozone. The European Central Bank maintained its Pandemic Emergency Purchase Programme of €1.85 trillion and kept the horizon for purchases to March 2022. The European Central Bank also maintained the interest rate on the main refinancing operations, the interest rates on the marginal lending facility, and the interest rates on the deposit facility at 0.00 percent, 0.25 percent, and 0.5 percent, respectively.

In China, where the key objective of government officials was to mitigate the risk that a hard landing would pose to meeting the overarching goal of doubling per capita income by 2035, monetary authorities remained on an easing path throughout 2021. The People's Bank of China cut the Bank's required reserve ratio twice, in July and December 2021. The People's Bank of China also lowered the one-year loan prime rate by 5bps in December 2021. Furthermore, the People's Bank of China raised its lending to micro and small businesses by ¥300 billion and cut its lending rates by 25bps in December.

One exception among systemically important central banks was the Bank of England, which increased its bank rate by 0.15 percentage points in December 2021, to 0.25 percent. The move came in response to increasing pressures on prices, with inflation reaching 5.1 percent in November 2021. However, the Monetary Policy Committee also voted to maintain the stock of UK government bond purchases at £875 billion.

Inflationary pressures, which began in 2021, have strengthened further in recent months, leading monetary authorities to lean towards tightening monetary policy. With persistently high inflationary pressures and expectations, several rate hikes are expected in 2022, along with heightened global volatility and capital flows. After years of easing financing conditions, which started after the 2008/09 global financial crisis, the world may be entering a long cycle of tightening. This could have significant implications for growth and macroeconomic management in emerging market and developing economies.

2.1.5 Developments in Trade and Trading Environment

Sustained recovery in global demand and growth following the increasing relaxation of pandemic-related containment measures, widespread rollout of vaccines, and government support through fiscal stimulus and monetary policy contributed to the rebound in economic activity and boosted trade performance. The most recent estimates from the World Trade Organization show that growth in the volume of global trade, which had contracted by 8.2 percent in 2020, experienced a strong recovery, rebounding by an estimated 9.3 percent in 2021. Trade in current US dollar terms is estimated to have increased to US\$38.62 trillion in 2021 from US\$34.86 trillion in 2020, exceeding the pre-pandemic level of US\$38.39 trillion in 2019.

In developed economies, the volume of merchandise exports recovered strongly, increasing by an estimated 8.3 percent in 2021, after a sharp contraction of about 9 percent in 2020. Emerging markets and developing economies witnessed a rebound in trade of 11.1 percent in 2021, from the 6.7 percent contraction posted in 2020. Likewise, merchandise imports exhibited strong performance, growing by an estimated 10.9 percent compared with a contraction of about 6.9 percent in 2020. In North America, the volume of merchandise exports increased by about 8.7 percent in 2021, after contracting by 8.6 percent in 2020. Merchandise imports

also recovered strongly, growing by about 12.6 percent, significantly up from a contraction of 6.1 percent in 2020. In Europe, merchandise exports rose by 9.7 percent after contracting by 7.9 percent in 2020. Similarly, merchandise imports jumped by 9.1 percent after declining by 7.6 percent in 2020.

Developing economies, the major drivers of global growth and trade, also experienced a strong recovery. The total volume of this group's merchandise exports expanded by an estimated 8.4 percent in 2021, up from a 5.8 contraction the year prior. Growth in their merchandise imports was even stronger. After contracting by 9 percent in 2020, it expanded by 12.8 percent in 2021. Asia's performance was particularly strong, with merchandise exports accelerating by about 14.4 percent in 2021, from a sluggish expansion of 0.3 percent in 2020. Imports grew by an estimated 10.7 percent, compared with a contraction of 1.2 percent in 2020.

In South and Central America, merchandise imports increased by an estimated 19.9 percent in 2021, after suffering a steep decline of about 9.9 percent in 2020. Similarly, merchandise exports increased by 7.2 percent from a decline of 4.7 percent over the same period. Brazil, the largest economy of the region, largely drove this performance. Brazil's merchandise exports recovered strongly, growing by 33.6 percent to US\$280.39 billion in 2021, up from US\$209.9 billion in 2020. The country's imports grew by about 38.1 percent, to US\$219.4 billion from US\$158.93 billion during the same period, as increasing demand lifted commodity prices in a country where commodities accounted for 67 percent of exports in 2021.

Strengthening global demand and easing restrictions supported the recovery in global trade. The rise in innovation, especially the advancement of digital infrastructure and adaptation by businesses and consumers, helped reduce supply chain challenges, boosted trade, and surmounted pandemic-triggered restrictions.

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2.2.1 Output Developments

After contracting for the first time in 25 years as containment measures undertaken by governments to protect the population against the COVID-19 virus brought the world economy to a sudden halt, Africa recovered in 2021, posting estimated real GDP growth of 5.1 percent, compared with a 1.6 percent contraction in 2020 (Table 2.1). The recovery was underpinned by a strong rebound in commodity prices in response to strengthening global demand, the rollback of pandemic-induced restrictions, recovery in domestic consumption, and a gradual resumption of tourism.

The region's largest economies, especially Egypt, Nigeria, and South Africa, supported its strong performance. For example, South Africa, which contracted at 6.4 percent in 2020, rebounded with estimated real GDP growth of 4.6 percent in 2021 as activity in the services sector (especially transport, manufacturing, and mining) picked up. Egypt, which showed resilience in 2020, expanding by 3.5 percent during the pandemic downturn, remained on a growth-accelerating track, with GDP expanding by 3.3 percent in 2021. Similarly, after contracting by 1.8 percent in 2020, Nigeria's GDP grew by 3 percent in 2021, supported by improving commodity terms of trade and an especially strong rebound in oil prices. Moreover, supportive monetary and fiscal measures are accelerating the diversification of sources of growth through the expansion of manufacturing output.

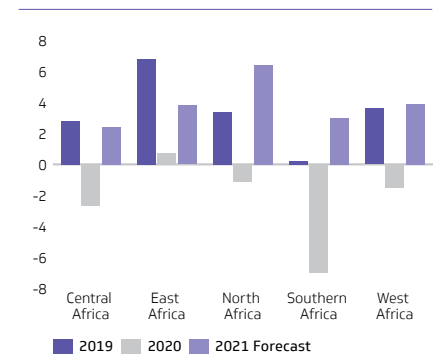
In addition to the generally favourable global operating environment of easing financing conditions, Africa's economic performance was also aided by governments' efforts in the form of temporary fiscal and monetary support (including forbearance) as well as swift and bold countercyclical financing from multilateral and development finance

institutions. In particular, the International Monetary Fund (IMF) and Afreximbank set new records for disbursements. Between March 2020 and December 2021, the IMF approved more than US\$36 billion in COVID-19-related short-term financial assistance (Rapid Credit Facility and/or Rapid Financing Instrument) to African countries. Afreximbank disbursed more than US\$19.6 billion to its member countries in support of pandemic response measures during the same period.

2.2.1.1 Regional Variations

The continent's economic performance in 2021 masks variations across subregions. North Africa emerged as the fastest growing subregion on the continent, with average real GDP growth estimated at 5.4 percent in 2021 from a contraction of 1.1 percent posted in 2020 (Table 2.2 and Figure 2.2). In addition to the resumption of tourism and strengthening global demand, Egypt, the largest economy in the subregion, was the main driver of the recovery, with 3.3 percent output expansion.

Figure 2.2 Africa's Output Development by Region, 2019–21 (percent)



Sources: International Monetary Fund *World Economic Outlook* (January 2021); Afreximbank Research.

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Table 2.2 Africa: Real GDP Growth, 2019–21 (annual percent change)

Country	2019	2020	2021
Algeria	0.80	-4.90	3.4
Angola	-0.50	-5.40	-0.7
Benin	6.90	3.80	5.5
Botswana	3.00	-8.50	9.2
Burkina Faso	5.70	1.90	6.7
Burundi	1.80	-1.00	1.6
Cabo Verde	5.70	-14.80	4.0
Cameroon	3.70	-1.50	3.5
Central African Republic	3.00	1.00	-1.0
Chad	3.00	-0.80	0.9
Comoros	1.80	-0.50	1.6
Congo Republic	-0.40	-8.20	-0.2
Côte d'Ivoire	6.20	2.00	6.0
Djibouti	7.50	1.00	5.0
DR Congo	4.40	1.70	3.9
Egypt	5.60	3.60	4.5
Equatorial Guinea	-6.00	-4.90	3.5
Eritrea	3.80	-0.60	2.9
Eswatini	2.20	-2.40	1.5
Ethiopia	9.00	6.10	2.0
Gabon	3.90	-1.80	1.5
Gambia, The	6.20	-0.20	4.9
Ghana	6.50	0.40	4.7
Guinea	5.60	7.10	5.2
Guinea-Bissau	4.50	-1.40	3.3
Kenya	5.00	-0.30	5.6
Lesotho	-1.50	-5.40	2.8
Liberia	-2.50	-3.00	3.6
Libya	13.20	-59.70	123.2
Madagascar	4.40	-6.10	2.9
Malawi	5.40	0.90	2.2
Mali	4.80	-1.60	4.0
Mauritania	5.80	-1.80	2.7
Mauritius	3.00	-14.90	5.0
Morocco	2.60	-6.30	5.7
Mozambique	2.30	-1.20	2.5
Namibia	-0.60	-8.00	1.3
Niger	5.90	3.60	5.4
Nigeria	2.20	-1.80	3.0
Rwanda	9.50	-3.40	5.1
São Tomé and Príncipe	2.20	3.00	2.1
Senegal	4.40	1.50	4.7
Seychelles	1.90	-12.90	6.9
Sierra Leone	5.50	-2.20	3.2
Somalia	2.90	-0.70	1.6
South Africa	0.10	-6.40	4.6
South Sudan	0.90	-6.60	5.3
Sudan	-2.20	-3.60	0.9
Tanzania	7.00	4.80	4.0
Togo	5.50	1.80	4.8
Tunisia	1.00	-8.60	3.0
Uganda	7.70	-0.80	4.7
Zambia	1.40	-3.00	1.0
Zimbabwe	-6.10	-4.10	5.1

Sources: International Monetary Fund World Economic Outlook database, October 2021; Afreximbank Research.

West Africa emerged as the second fastest growing subregion on the continent, recording an estimated real output expansion of 3.9 percent in 2021, from a contraction of 1.5 percent in 2020. Nigeria, the largest economy in the subregion, was a key driver of its growth; Nigeria's GDP grew by 3 percent in 2021, from a contraction by 1.8 percent in the prior year, largely on the back of a pick-up in commodity prices, especially oil, which accounts for more than 70 percent of government revenue and more than 90 percent of foreign exchange earnings. The performance of the subregion was also supported by a strong rebound in the traditionally fastest growing economies, Côte d'Ivoire (6 percent) and Ghana (4.7 percent).

As the only subregion in the continent which avoided a recession in 2020, owing to better performance in agriculture, sustained public spending on large infrastructure projects, and increased regional economic integration, East Africa continued on that strong growth path. Accordingly, the subregion posted an estimated real GDP growth rate of 3.4 percent in 2021, from 0.7 percent in 2020. During the review period, East Africa's economic performance was driven by strong public spending in infrastructure, strengthening global and domestic demand, increasing private investment, as well as the good performance of its key economies, including Rwanda (5.1 percent), Kenya (5.6 percent), and Tanzania (4 percent).

Southern Africa's output rebounded at an estimated 3 percent in 2021, from a 7 percent contraction posted in 2020 as the subregion most affected by the COVID-19 outbreak. A strong rebound by South Africa, the largest economy in the subregion, mostly drove the recovery. It grew at an estimated 4.6 percent in a sharp reversal from its 6.4 percent contraction in 2021. Other economies that supported the region's recovery include Botswana, which grew at an estimated 9.2 percent in 2021, and Mauritius, which grew by more than 5 percent.

Central Africa, the continent's most natural resource-dependent subregion, registered an estimated output expansion of 2.4 percent in 2021, from a contraction of 2.7 percent in 2020. In a context of general weak recovery within the subregion, there were a few exceptions. The main drivers of the subregion's growth in 2021 were Cameroon, registering an estimated growth rate of 3.5 percent, Democratic Republic of Congo, which grew at 3.9 percent, and oil-rich Equatorial Guinea, which grew at 3.5 percent. These countries accounted for about 79 percent of the combined output expansion of the subregion.

2.2.1.2 Price Developments

In line with global developments and an increasingly challenging operating environment of supply-demand imbalance, global supply chain disruptions, rising energy prices, and food shortages, average inflation in Africa inched up to 11.6 percent in 2021, from 10.8 percent in 2020. Currency depreciation also heightened inflationary pressures across the region. However, price development showed some variations and was particularly pronounced in a few countries in North Africa (Libya and Sudan) and Southern Africa (Angola, Zambia, and Zimbabwe).

Despite high inflation rates, which have overshoot targets in resource-intensive economies such as Nigeria (16.9 percent), Guinea (11.6 percent), Sierra Leone (11.3 percent), and Ghana (9.3 percent), overall, inflationary pressures decreased marginally in West Africa to an estimated 5.9 percent in 2021 from 6.1 percent in 2020. A combination of falling prices in a few countries (Liberia, Senegal, Sierra Leone) and inflation dynamics in the West African Economic and Monetary Union, where the euro peg of the CFA and financial repression have kept inflation relatively low, averaging 3 percent over the review period, accounts for this decrease.

Declining inflation rates across several countries, including Eritrea (4.3 percent), Rwanda (2.4 percent), Tanzania (3.2 percent), and Uganda (2.2 percent), helped

to mute price pressures within the East Africa subregion. Accordingly, annual average inflation declined from 9.4 percent in 2020 to an estimated 9 percent in 2021.

In Southern Africa, inflationary pressures were muted, with most countries in the subregion recording single-digit inflation, except Angola (24.4 percent), Seychelles (10 percent), Zambia (22.8 percent), and Zimbabwe (92.3 percent). Overall average inflation declined an estimated 14.3 percent in 2021, significantly down from the 45.1 percent decline in 2020.

Overall annual average inflation in North Africa increased sharply to an estimated 33.8 percent in 2021, from 26.1 percent in 2020. This was largely the effect of rising food costs and higher inflation in a few countries, including Libya (21.1 percent) and Sudan (194.6 percent). The exception was Egypt, the largest economy in the North African subregion, where inflation fell to 5.7 percent in 2020, the lowest rate since December 2005.

The Central Africa subregion recorded the lowest rate of inflation among the five subregions on the continent for the third consecutive year, going against global inflation dynamics. Inflationary pressures decreased during 2021, with the average inflation rate declining from 4.8 percent in 2020 to an estimated 3.9 percent in 2021. As in the West African Economic and Monetary Union, the peg of the CFA used by Central African countries to the euro continued to enhance price stability in the subregion.

2.2.2 External Reserves and Exchange Rates

Strengthening global demand in the post-containment phase of the pandemic improved the commodity terms of trade and boosted the level of foreign exchange reserves in a region where more than 80 percent of countries are natural resource dependent (UNCTAD 2021). Accordingly, the region's foreign exchange reserve holdings, which had contracted for the third consecutive year by 0.3 percent year-on-year to US\$401.9 billion in 2020 from US\$403.2 billion in 2019, recovered strongly in 2021, surging by an estimated

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Table 2.3 Africa: Inflation, 2019–21 (annual percent change)

Country	2019	2020	2021
Algeria	2.00	2.40	6.5
Angola	17.10	22.30	24.4
Benin	-0.90	3.00	3.0
Botswana	2.70	1.90	5.8
Burkina Faso	-3.20	1.90	3.0
Burundi	-0.70	7.30	5.6
Cabo Verde	1.10	0.60	1.5
Cameroon	2.50	2.40	2.3
Central African Republic	2.70	2.30	3.7
Chad	-1.00	4.50	2.6
Comoros	3.70	0.80	-1.0
Congo Republic	2.20	1.80	2.0
Côte d'Ivoire	0.80	2.40	3.0
Djibouti	3.30	1.80	1.2
DR Congo	4.70	11.40	9.4
Egypt	13.90	5.70	4.5
Equatorial Guinea	1.20	4.80	0.5
Eritrea	-16.40	4.80	4.3
Eswatini	2.60	3.90	4.3
Ethiopia	15.80	20.40	25.2
Gabon	2.00	1.30	2.0
Gambia, The	7.10	5.90	7.0
Ghana	7.10	9.90	9.3
Guinea	9.50	10.60	11.6
Guinea-Bissau	0.30	1.50	1.9
Kenya	5.20	5.20	6.0
Lesotho	5.20	5.00	5.8
Liberia	27.00	17.00	5.9
Libya	0.20	2.80	21.1
Madagascar	5.60	4.20	6.0
Malawi	9.40	8.60	9.5
Mali	-2.90	0.50	3.0
Mauritania	2.30	2.30	2.7
Mauritius	0.50	2.50	5.1
Morocco	0.20	0.60	1.4
Mozambique	2.80	3.10	6.2
Namibia	3.70	2.20	4.0
Niger	-2.50	2.90	2.9
Nigeria	11.40	13.20	16.9
Rwanda	2.40	7.70	2.4
São Tomé and Príncipe	7.70	9.80	8.3
Senegal	1.00	2.50	2.4
Seychelles	1.80	1.20	10.0
Sierra Leone	14.80	13.40	11.3
Somalia			
South Africa	4.10	3.30	4.4
South Sudan	51.20	24.00	23.0
Sudan	51.00	163.30	194.6
Tanzania	3.40	3.30	3.2
Togo	0.70	1.80	2.7
Tunisia	6.70	5.60	5.7
Uganda	2.30	2.80	2.2
Zambia	9.20	15.70	22.8
Zimbabwe	255.30	557.20	92.5

Source: International Monetary Fund, World Economic Outlook Database, October 2021.

Table 2.4 Reserve Position of African Countries, 2019–21 (US\$ billions, unless otherwise indicated)

Country	Reserves			Growth (%)			Months of Import Cover		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Algeria	63.3	48.9	46.2	-21.1	-22.8	-5.4	24.0	13.8	11.6
Angola	16.3	14.9	17.9	6.0	-8.8	20.4	14.1	11.8	10.1
Benin	1.0	1.6	1.9	2.4	56.1	21.5	4.2	5.1	5.3
Botswana	6.2	4.9	5.3	-7.3	-19.9	7.2	11.3	8.1	7.9
Burkina Faso	1.7	1.6	1.9	9.1	-8.7	23.8	5.8	3.8	4.4
Burundi	0.1	0.1	0.3	64.3	-17.8	209.9	1.5	1.1	2.9
Cabo Verde	0.7	0.7	0.7	21.7	-0.5	-9.2	11.2	8.7	7.2
Cameroon	3.7	4.0	4.8	7.5	8.0	19.5	8.4	6.0	6.5
Central African Republic	0.4	0.4	0.5	2.1	9.2	27.4	9.7	6.8	8.4
Chad	0.1	0.4	0.4	-24.3	291.4	-9.8	1.3	1.1	1
Comoros	0.2	0.3	0.3	1.4	46.3	11.7	12.0	10.3	10.2
Congo Republic	0.6	0.7	3.4	11.6	35.2	357.1	3.0	0.6	2
Côte d'Ivoire	7.4	9.5	11.0	17.6	28.0	16.0	8.5	8.7	9.5
Djibouti	0.5	0.7	0.7	10.9	36.9	1.8	4.1	2.4	1.8
DR Congo	0.6	1.1	1.2	-7.0	78.5	6.1	0.5	2.2	2.2
Egypt	40.7	38.5	44.4	5.4	-5.4	15.4	6.2	6.4	5.8
Equatorial Guinea	0.0	0.1	0.3	-25.9	56.7	396.7	0.4	0.3	1.3
Eritrea	0.2	0.2	0.2	17.6	-20.0	38.6	7.5	1.8	2.1
Eswatini	0.4	0.5	0.7	-0.1	23.9	25.5	2.9	3.9	4.4
Ethiopia	3.0	3.0	3.3	-25.1	2.2	8.0	1.4	2.1	1.9
Gabon	1.4	1.5	2.7	3.9	10.1	80.4	6.9	3.6	5.4
Gambia	0.2	0.4	0.5	25.8	60.5	17.4	5.9	6.7	7.2
Ghana	7.1	7.7	10.5	20.2	7.2	37.5	8.2	3.7	4.7
Guinea	1.2	1.5	2.1	7.5	22.1	38.7	4.2	2.8	4
Guinea-Bissau	0.5	0.5	0.7	5.2		35.0	20.5	12.9	15.3
Kenya	9.1	8.3	9.3	11.7	-9.0	12.0	6.3	5.6	5.5
Lesotho	0.8	0.6	0.8	6.3	-19.8	29.1	4.9	3.7	4
Liberia	0.3	0.5	0.6	-37.6	54.1	16.8	2.0	5.6	6.5
Libya	79.0	72.8	80.7	-2.0	-7.8	10.9	59.3	48.2	38.6
Madagascar	1.7	2.0	2.6	-2.7	17.0	33.7	5.4	6.3	7.7
Malawi	0.8	0.6	0.7	8.6	-27.5	20.2	3.4	2.4	2.8
Mali	1.2	1.7	2.4	28.8	45.7	40.8	3.0	3.4	4.3
Mauritania	1.0	1.5	2.1	11.9	46.8	37.3	3.5	4.9	6
Mauritius	6.8	7.3	7.7	15.6	8.0	6.1	14.4	16.7	15.9
Morocco	25.3	36.0	35.7	7.7	42.1	-0.9	6.0	9.3	7.5
Mozambique	3.7	4.1	3.4	20.1	10.7	-15.8	5.1	5.9	4.3
Namibia	2.1	2.2	3.1	-4.6	5.9	41.1	3.0	5.7	5.9
Niger	1.6	1.7	2.0	46.1	9.4	16.1	5.3	6.4	6.8
Nigeria	38.6	36.7	40.5	-9.4	-4.8	10.3	10.0	6.1	7
Rwanda	1.5	1.8	2.0	8.1	23.3	9.8	5.5	6.1	5.6
São Tomé and Príncipe	0.0	0.1	0.1	7.9	59.7	30.0	3.8	7.9	8.1
Senegal	2.9	3.2	4.6	21.3	8.9	45.0	4.3	4.3	5.6
Seychelles	0.6	0.6	0.6	5.6	-3.6	9.1	4.8	5.0	4.5
Sierra Leone	0.5	0.7	1.0	5.9	32.9	39.9	3.7	5.6	6.7
Somalia		-	-					-	-
South Africa	48.9	55.0	57.6	5.3	12.5	4.7	6.3	8.4	6.4
South Sudan		0.1	1.0			685.3		0.1	1.2
Sudan	0.2			8.5	-100.0		0.2		
Tanzania	5.6	4.8	6.7	10.5	-14.4	40.8	6.1	6.3	7.1
Togo	1.3	1.7	2.2	80.5	24.6	34.4	8.7	8.7	9.5
Tunisia	7.2	9.1	8.7	43.8	26.2	-5.0	3.9	5.6	4.3
Uganda	3.2	3.8	4.5	0.6	18.8	15.8	5.2	4.5	4.8
Zambia	1.4	1.2	3.1	-7.7	-16.9	154.5	2.4	2.5	5.7
Zimbabwe	0.2	0.0	0.6	74.3	-77.4	1692.2	0.4	0.1	1.1
Total	403.2	401.9	446.3	-1.6	-0.3	11.1	7.1	6.3	6.5
Average									

Sources: IFS, 2022; EIU, 2022.

Growth rates are Afreximbank staff calculations.

Blank = Not available.

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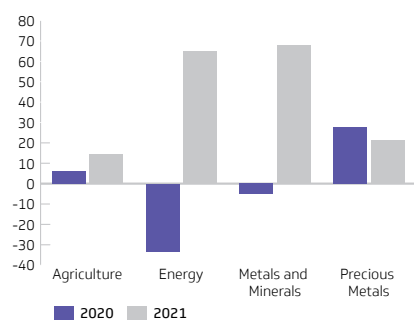
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Table 2.5 Africa: Exchange Rate Developments, 2016–21 (per US\$, unless otherwise indicated)

Country	2016	2017	2018	2019	2020	2021	Percentage change between			
		(1)	(2)	(3)	(4)	(5)	(2) & (1)	(3) & (2)	(4) & (3)	(5) & (4)
Algeria - dinar	109.44	110.97	116.59	119.44	126.75	135.00	5.06	2.44	6.13	6.50
Angola - kwanza	163.66	165.92	252.86	364.83	578.26	624.74	52.40	44.28	58.50	8.04
Benin - franc	592.61	580.66	555.45	585.96	575.59	554.70	(4.34)	5.49	(1.77)	(3.63)
Botswana - pula	10.90	10.35	10.20	10.76	11.46	11.09	(1.42)	5.45	6.51	(3.22)
Burkina Faso - franc	592.61	580.66	555.45	585.96	575.59	554.53	(4.34)	5.49	(1.77)	(3.66)
Burundi - franc	1,654.63	1,729.06	1,782.88	1,845.62	1,915.05	1,975.90	3.11	3.52	3.76	3.18
Cabo Verde - escudos	99.69	97.81	93.41	98.50	96.80	93.26	(4.49)	5.44	(1.73)	(3.65)
Cameroon - franc	592.61	580.66	555.45	585.96	575.59	554.50	(4.34)	5.49	(1.77)	(3.66)
Central African Republic - franc	592.61	580.66	555.45	585.96	575.59	552.40	(4.34)	5.49	(1.77)	(4.03)
Chad - franc	592.61	580.66	555.45	585.96	575.59	552.40	(4.34)	5.49	(1.77)	(4.03)
Comoros - franc	444.45	435.49	416.58	439.47	431.69	414.30	(4.34)	5.49	(1.77)	(4.03)
Congo Republic - franc	592.61	580.66	555.45	585.89	574.76	554.24	(4.34)	196.66	12.34	7.48
Côte d'Ivoire - franc	592.61	580.66	555.45	585.96	575.59	552.40	(4.34)	5.49	(1.77)	(4.03)
Djibouti - franc	177.72	177.72	177.72	177.72	177.72	177.72	-	0.00	-	-
DR Congo - franc	1,010.30	1,464.42	1,622.52	1,647.76	1,851.12	1,989.50	10.80	(63.89)	(1.90)	(3.57)
Egypt - pound	10.03	17.78	17.77	16.82	15.82	15.70	(0.09)	(5.34)	(5.97)	(0.75)
Equatorial Guinea - franc	592.61	580.66	555.45	585.96	575.59	554.70	(4.34)	5.49	(1.77)	(3.63)
Eritrea - nakfa	15.35	15.08	15.08	15.08	15.08	15.08	-	-	-	-
Eswatini - lilangeni	14.71	13.32	13.23	14.44	16.46	14.78	(0.67)	9.12	14.02	(10.23)
Ethiopia - birr	21.73	23.87	27.43	29.07	34.93	43.82	14.93	5.98	20.15	25.46
Gabon - franc	592.61	580.66	555.45	585.96	575.59	554.50	(4.34)	5.49	(1.77)	(3.66)
Gambia - dalasi	43.37	46.61	48.15	50.06	51.50	51.22	3.31	3.97	2.87	(0.55)
Ghana - cedi	3.91	4.35	4.59	5.21	5.59	5.80	5.40	13.73	7.28	3.73
Guinea - Guinea franc	8,967.93	9,088.32	9,011.13	9,183.88	9,565.08	9,814.00	(0.85)	1.92	4.15	2.60
Guinea-Bissau - franc	592.61	580.66	555.45	585.96	575.59	554.10	(4.34)	5.49	(1.77)	(3.73)
Kenya - shilling	101.50	103.41	101.30	101.99	106.45	109.64	(2.04)	0.68	4.38	2.99
Lesotho - loti	14.71	13.32	13.23	14.45	16.46	14.77	(0.67)	9.18	13.92	(10.26)
Liberia - Liberia dollar	94.43	112.71	144.06	186.43	191.52	166.10	27.81	29.42	2.73	(13.27)
Libya - dinar	1.39	1.39	1.36	1.40	1.40	4.48	(2.07)	2.44	(0.02)	220.74
Madagascar - ariary	3,176.54	3,116.11	3,334.75	3,618.32	3,787.76	3,841.00	7.02	8.50	4.68	1.41
Malawi - kwacha	718.01	730.27	732.33	745.54	749.53	804.10	0.28	1.80	0.53	7.28
Mali - franc	592.61	580.66	555.45	585.96	575.59	554.50	(4.34)	5.49	(1.77)	(3.66)
Mauritania - ouguiyas	35.24	35.79	35.68	36.69	37.19	36.20	(0.33)	2.84	1.36	(2.66)
Mauritius - rupee	35.54	34.48	33.93	35.47	39.35	41.55	(1.59)	4.54	10.92	5.60
Morocco - dirham	9.81	9.69	9.39	9.62	9.50	8.99	(3.16)	2.46	(1.25)	(5.35)
Mozambique - meticals	63.06	63.58	60.33	62.50	69.50	65.46	(5.12)	3.60	11.20	(5.82)
Namibia - namibia dollar	14.71	13.31	13.23	14.45	16.46	14.78	(0.59)	9.18	13.94	(10.22)
Niger - franc	592.61	580.66	555.45	585.96	575.59	554.53	(4.34)	5.49	(1.77)	(3.66)
Nigeria - naira	253.49	305.79	306.08	306.42	356.32	398.87	0.10	0.11	16.29	11.94
Rwanda - franc	787.25	831.55	861.09	899.35	943.28	988.90	3.55	4.44	4.88	4.84
São Tomé and Príncipe - dobra	22.15	21.74	20.75	21.88	21.51	20.89	(4.55)	5.46	(1.73)	(2.87)
Senegal - franc	592.61	580.66	555.45	585.96	575.59	554.70	(4.34)	5.49	(1.77)	(3.63)
Seychelles - rupee	13.32	13.65	13.91	14.03	17.62	16.83	1.93	0.88	25.53	(4.46)
Sierra Leone - leone	6,290.30	7,384.43	7,931.63	9,010.22	9,829.93	10,394.20	7.41	13.60	9.10	5.74
Somalia - shilling	23,061.78	23,097.99	-	-	-	-	-	-	-	-
South Africa - rand	14.71	13.32	13.23	14.44	16.46	14.78	(0.67)	9.12	14.02	(10.23)
South Sudan - pound	46.73	113.65	141.39	-	-	-	24.41	-	-	-
Sudan - pound	6.21	6.68	24.33	45.77	54.00	372.10	264.02	88.12	17.98	589.13
Tanzania - shilling	2,177.09	2,228.86	2,263.78	2,288.21	2,294.15	2,297.78	1.57	1.08	0.26	0.16
Togo - franc	592.61	580.66	555.45	585.96	575.59	554.70	(4.34)	5.49	(1.77)	(3.63)
Tunisia - dinar	2.15	2.42	2.65	2.93	2.81	2.79	9.40	10.87	(4.16)	(0.65)
Uganda - shilling	3,420.10	3,611.22	3,727.07	3,699.24	3,710.71	3,580.64	3.21	(0.75)	0.31	(3.51)
Zambia - kwacha	10.31	9.52	10.46	12.89	18.34	20.17	9.89	23.25	42.31	9.96
Zimbabwe - US dollar*	1.00	1.00	1.00	8.50	51.30	86.40	-	750.00	503.53	68.42

Sources: IFS, 2022; EIU, 2022
Growth rates are Afreximbank staff calculations.
Blank = Not available.

Figure 2.3 Price Developments in Commodity Groups (percent)



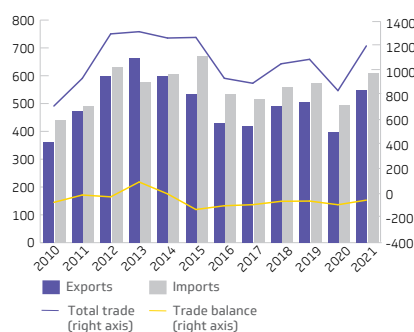
Sources: World Bank Commodity Prices (The Pink Sheet) (2021); Afreximbank Research (2021).

11.1 percent year-on-year to US\$446.3 billion (Table 2.4). With energy, especially oil prices, witnessing the most impressive growth and recovery from the pandemic, oil-exporting countries were the key beneficiaries. These include Equatorial Guinea, where foreign reserves increased by 396.7 percent, the Republic of Congo (357.1 percent), Angola (20.4 percent), Libya (10.9 percent), and Nigeria (10.3 percent).

Apart from rising commodity prices, recovery in private capital inflows and continued support from multilateral and regional development finance institutions, including liquidity injection from the IMF's special drawing rights (SDRs), also boosted the continent's reserves. Collectively, the region received US\$33 billion from the exceptional US\$650 billion allocation. Further, the gradual lifting of COVID-19-related restrictions and the resulting increase in tourist arrivals and foreign direct investment inflows, alongside increases in migrant remittances, enhanced the level of reserves. These positive developments raised the average import cover of the continent to 6.5 months in 2021, from 6.3 months in 2020, above the IMF threshold of 3 months of import cover.

Improvement in fiscal and current accounts on the back of surging commodity prices and an increase in tourist revenues, remittances, and capital inflows positively affected the performance of many national

Figure 2.4 Trends in Africa's Merchandise Trade, 2010–21 (US\$ billion)



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

currencies in 2021. Accordingly, most African currencies appreciated against the US dollar during the review period (Table 2.5).

Among the best-performing African currencies were those of the members of the Common Monetary Area (Eswatini, Lesotho, Namibia, and South Africa), which saw their currencies appreciate by about 10.23 percent against the US dollar in 2021. In addition to improving external accounts, the relatively low inflation within the monetary union contributed to support the currencies. The Liberian dollar also appreciated by about 13.27 percent against the US dollar during the review period.

The currencies of Ethiopia, Libya, Sudan, and Zimbabwe were amongst the worst-performing currencies in 2021. The depreciation of the Ethiopian birr against the US dollar arose largely from sociopolitical instability fuelled by the regional conflict in Tigray and from heightened inflation. The Libyan dinar depreciated by about 220.74 percent on account of persistent political instability and insecurity, which disrupted the production of oil, the country's main source of foreign exchange reserves. The Sudanese pound depreciated by about 589.13 percent against the US dollar in 2021. The shortage of foreign reserves and a high parallel market premium, along with rising uncertainty, prompted the government to devalue the currency to

SDG375:US\$1 in February 2021 from its value of SDG55:US\$1 in February 2020. Shortages of essential goods and weak export revenue reduced the supply of US dollars and put pressure on the Zimbabwean dollar, which depreciated by about 68.42 percent against the US dollar in 2021.

2.2.3 Commodity Price Developments

Energy markets improved significantly after the collapse of both price and global demand following the outbreak of COVID-19 in the first quarter of 2020. The recovery in oil markets, driven largely by the oil cartel-agreed gradual cut in production from May to December 2020, continued in 2021. By the end of 2021, the average crude oil price was US\$70.44/bbl, up 71.1 percent from the low-level US\$39.99 in the first half of 2020 and 64.8 percent from the 2020 average.

Strengthening demand for fuel in the energy market drove the price rally in the crude oil market, including increased use of energy for cooling and heating due to extreme weather, particularly in the United States and China. Additionally, with a relaxation in travel restrictions and increasing volumes in international flights, demand for jet fuel also rose, adding to the price pressures. Production slowdowns and supply disruptions from the Organization for the Petroleum-Producing Countries (OPEC) and OPEC+ countries, the impact of Hurricane Ida in the United States, and operational challenges from Angola and Nigeria further drove the rising pressure on oil prices. In a region where most economies are commodity and natural resources dependent, the recovery in oil prices was reflected in the movements of the composite Afreximbank African Commodity Index (AACI), which rallied by 14 percent quarter-on-quarter—its third consecutive quarterly gain during the first half of 2021. The index rose 55 percent year-on-year in Q2-21 (Afreximbank 2021).

Agricultural commodity prices also picked up substantially in 2021 after their stable trends during 2019/2020. The average agricultural commodity index grew by 14.3 percent from 2020 to 2021. Robust

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Table 2.6 Africa: Merchandise Trade, 2019–21

Country	Merchandise Exports (US\$ billions)			Growth Rate (%)		Share of Merchandise Exports (%)			Merchandise Imports (US\$ billions)			Growth Rate (%)	
	2019	2020	2021	2020	2021	2019	2020	2021	2019	2020	2021	2020	2021
Algeria	33.13	19.38	34.35	-41.50	77.26	6.56	4.87	6.26	41.99	33.66	33.93	-19.84	0.81
Angola	35.08	23.08	20.47	-34.21	-11.31	6.95	5.80	3.73	14.17	9.93	12.15	-29.93	22.35
Benin	0.85	0.84	1.24	-1.18	47.51	0.17	0.21	0.23	2.91	2.60	3.12	-10.42	19.80
Botswana	5.05	3.73	6.34	-26.09	69.73	1.00	0.94	1.16	6.42	6.26	8.19	-2.60	30.97
Burkina Faso	3.24	4.38	6.25	35.24	42.62	0.64	1.10	1.14	3.57	4.12	5.37	15.32	30.29
Burundi	0.18	0.16	0.11	-10.46	-29.54	0.04	0.04	0.02	0.89	0.91	1.05	2.46	15.07
Cabo Verde	0.06	0.06	0.06	-12.68	13.05	0.01	0.01	0.01	0.79	1.13	1.18	43.27	4.03
Cameroon	4.31	3.64	4.50	-15.48	23.40	0.85	0.92	0.82	5.75	6.22	8.09	8.30	30.06
Central African Rep.	0.04	0.06	0.07	24.10	23.95	0.01	0.01	0.01	0.47	0.44	0.50	-6.61	14.90
Chad	1.27	1.45	2.02	14.46	39.22	0.25	0.36	0.37	1.06	1.03	1.07	-3.02	3.56
Comoros	0.05	0.02	0.02	-56.30	-16.76	0.01	0.01	0.00	0.20	0.27	0.33	33.02	22.87
Congo Republic	5.59	4.90	6.62	-12.22	35.00	1.11	1.23	1.21	2.24	1.91	2.28	-14.89	19.54
Côte d'Ivoire	12.73	12.42	14.48	-2.38	16.55	2.52	3.12	2.64	10.52	10.64	13.82	1.18	29.94
Djibouti	0.34	0.36	0.42	5.46	16.14	0.07	0.09	0.08	1.32	1.30	1.43	-0.89	9.61
DR Congo	13.18	13.79	25.63	4.59	85.85	2.61	3.47	4.67	12.94	11.87	16.15	-8.32	36.10
Egypt	30.61	26.81	40.61	-12.41	51.48	6.06	6.74	7.41	78.57	60.88	76.62	-22.51	25.85
Equatorial Guinea	4.70	2.83	4.19	-39.80	48.12	0.93	0.71	0.76	1.03	0.89	0.80	-13.13	-9.89
Eritrea	0.33	0.33	0.40	-0.27	22.21	0.07	0.08	0.07	0.32	0.36	0.39	13.54	7.19
Eswatini	2.00	1.75	3.21	-12.53	83.22	0.40	0.44	0.58	1.85	1.62	2.52	-12.23	55.56
Ethiopia	3.23	3.30	3.18	2.00	-3.56	0.64	0.83	0.58	18.37	16.40	15.52	-10.74	-5.33
Gabon	5.58	4.13	4.30	-25.97	3.94	1.11	1.04	0.78	2.41	2.26	2.30	-6.36	1.82
Gambia, The	0.03	0.03	0.03	7.66	24.90	0.01	0.01	0.01	0.49	0.55	0.68	11.96	22.26
Ghana	16.78	18.77	18.55	11.86	-1.15	3.32	4.72	3.38	10.44	11.18	13.84	7.11	23.81
Guinea	3.12	4.27	6.11	37.06	43.04	0.62	1.07	1.11	3.51	3.75	3.90	6.90	4.10
Guinea-Bissau	0.24	0.19	0.21	-21.91	15.48	0.05	0.05	0.04	0.27	0.28	0.41	2.90	45.27
Kenya	5.83	5.84	6.71	0.18	14.84	1.15	1.47	1.22	17.34	15.53	18.56	-10.42	19.48
Lesotho	1.09	0.90	0.96	-17.34	6.09	0.22	0.23	0.17	2.30	1.75	2.41	-23.85	37.55
Liberia	0.50	0.37	0.60	-26.99	64.04	0.10	0.09	0.11	4.08	4.24	5.34	3.94	25.92
Libya	32.45	10.93	40.96	-66.31	274.63	6.43	2.75	7.47	15.67	12.79	17.31	-18.35	35.33
Madagascar	2.56	1.95	2.00	-23.75	2.88	0.51	0.49	0.37	3.74	3.21	3.23	-14.18	0.73
Malawi	0.92	0.79	0.95	-14.30	21.16	0.18	0.20	0.17	2.94	2.73	3.30	-7.30	20.99
Mali	3.65	4.73	4.56	29.62	-3.72	0.72	1.19	0.83	5.05	5.61	6.29	11.16	11.99
Mauritania	2.28	2.85	3.44	24.79	20.61	0.45	0.72	0.63	3.52	2.74	3.54	-22.03	28.84
Mauritius	1.89	1.67	1.43	-11.49	-14.54	0.37	0.42	0.26	5.61	4.53	5.18	-19.32	14.39
Morocco	27.69	28.70	35.20	3.64	22.65	5.48	7.22	6.42	50.38	44.65	56.35	-11.39	26.20
Mozambique	4.73	3.47	5.01	-26.71	44.49	0.94	0.87	0.91	7.65	6.45	8.62	-15.74	33.70
Namibia	6.34	5.65	7.23	-10.89	28.07	1.25	1.42	1.32	8.09	6.83	7.30	-15.62	6.99
Niger	0.67	0.63	2.04	-5.53	225.04	0.13	0.16	0.37	2.79	3.04	4.10	9.26	34.78
Nigeria	67.62	45.17	59.96	-33.20	32.75	13.39	11.36	10.93	46.60	40.96	53.88	-12.09	31.55
Rwanda	1.16	1.66	1.53	42.61	-7.83	0.23	0.42	0.28	3.19	3.48	3.69	8.80	6.06
São Tomé and Príncipe	0.00	0.02	0.02	1167.75	-17.19	0.00	0.01	0.00	0.15	0.14	0.17	-6.47	21.85
Senegal	4.33	4.27	4.92	-1.38	15.18	0.86	1.08	0.90	8.15	7.82	9.05	-4.08	15.78
Seychelles	0.71	0.83	1.05	17.41	25.65	0.14	0.21	0.19	1.44	1.49	1.17	3.92	-21.41
Sierra Leone	0.29	0.22	0.25	-25.11	15.63	0.06	0.06	0.05	1.77	1.11	1.89	-36.99	69.54
Somalia	0.64	0.53	0.61	-17.89	15.28	0.13	0.13	0.11	3.09	3.27	3.68	5.74	12.53
South Africa	89.97	85.88	120.34	-4.55	40.13	17.81	21.60	21.94	93.37	72.68	99.44	-22.16	36.81
South Sudan	1.61	0.78	0.44	-51.45	-44.05	0.32	0.20	0.08	0.80	0.99	1.13	24.15	14.16
Sudan	2.41	1.95	1.98	-19.04	1.54	0.48	0.49	0.36	10.69	10.75	9.84	0.54	-8.44
Tanzania	4.76	6.07	6.60	27.41	8.84	0.94	1.53	1.20	9.05	8.52	10.70	-5.94	25.60
Togo	1.01	0.97	1.36	-3.55	39.86	0.20	0.24	0.25	1.79	2.17	2.67	21.50	23.07
Tunisia	14.93	13.80	16.56	-7.58	20.00	2.96	3.47	3.02	21.56	18.33	22.36	-14.98	21.96
Uganda	3.52	4.14	3.89	17.54	-6.00	0.70	1.04	0.71	7.49	8.53	8.97	13.98	5.15
Zambia	7.30	7.82	9.57	7.04	22.48	1.45	1.97	1.75	7.22	5.32	6.30	-26.35	18.53
Zimbabwe	3.57	4.40	4.87	23.20	10.80	0.71	1.11	0.89	4.19	4.63	5.82	10.62	25.75
Total	505.08	397.66	548.43	-21.27	37.91	100.00	100.00	100.00	572.19	494.75	607.94	-13.53	22.88

Sources: International Monetary Fund Direction of Trade Statistics, 2022; Afreximbank Research.

Share of Merchandise Imports (%)			Total Merchandise Trade (US\$ billions)			Growth Rate (%)		Share of Total Merchandise Trade (%)			Total Balance Value (Export-Imports) (US\$ billions)		
2019	2020	2021	2019	2020	2021	2020	2021	2019	2020	2021	2019	2020	2021
7.34	6.80	5.58	75.12	53.04	68.28	-29.40	28.75	6.97	5.94	5.91	-8.86	-14.28	0.42
2.48	2.01	2.00	49.25	33.01	32.61	-32.98	-1.18	4.57	3.70	2.82	20.91	13.15	8.32
0.51	0.53	0.51	3.76	3.44	4.36	-8.33	26.57	0.35	0.39	0.38	-2.05	-1.76	-1.88
1.12	1.26	1.35	11.47	9.99	14.53	-12.94	45.46	1.07	1.12	1.26	-1.37	-2.52	-1.86
0.62	0.83	0.88	6.81	8.50	11.62	24.79	36.65	0.63	0.95	1.00	-0.33	0.26	0.88
0.16	0.18	0.17	1.07	1.07	1.16	0.27	8.33	0.10	0.12	0.10	-0.71	-0.75	-0.93
0.14	0.23	0.19	0.85	1.19	1.24	39.09	4.45	0.08	0.13	0.11	-0.73	-1.08	-1.11
1.00	1.26	1.33	10.06	9.87	12.59	-1.89	27.60	0.93	1.11	1.09	-1.44	-2.58	-3.60
0.08	0.09	0.08	0.51	0.49	0.57	-3.95	15.92	0.05	0.06	0.05	-0.42	-0.38	-0.43
0.19	0.21	0.18	2.33	2.48	3.09	6.48	24.40	0.22	0.28	0.27	0.20	0.42	0.95
0.04	0.05	0.05	0.25	0.29	0.35	15.54	19.94	0.02	0.03	0.03	-0.15	-0.25	-0.31
0.39	0.39	0.38	7.83	6.81	8.90	-12.99	30.67	0.73	0.76	0.77	3.34	2.99	4.34
1.84	2.15	2.27	23.24	23.06	28.31	-0.77	22.73	2.16	2.58	2.45	2.21	1.78	0.66
0.23	0.26	0.24	1.66	1.66	1.85	0.42	11.02	0.15	0.19	0.16	-0.97	-0.94	-1.01
2.26	2.40	2.66	26.13	25.65	41.77	-1.81	62.84	2.43	2.87	3.61	0.24	1.92	9.48
13.73	12.31	12.60	109.18	87.69	117.23	-19.68	33.69	10.13	9.83	10.14	-47.96	-34.07	-36.00
0.18	0.18	0.13	5.73	3.72	5.00	-35.02	34.22	0.53	0.42	0.43	3.68	1.94	3.39
0.06	0.07	0.06	0.65	0.69	0.79	6.50	14.36	0.06	0.08	0.07	0.01	-0.03	0.02
0.32	0.33	0.41	3.85	3.37	5.73	-12.39	69.92	0.36	0.38	0.50	0.15	0.13	0.69
3.21	3.31	2.55	21.60	19.70	18.70	-8.83	-5.03	2.01	2.21	1.62	-15.13	-13.10	-12.34
0.42	0.46	0.38	7.99	6.39	6.59	-20.06	3.19	0.74	0.72	0.57	3.17	1.88	2.00
0.09	0.11	0.11	0.52	0.58	0.71	11.75	22.39	0.05	0.07	0.06	-0.47	-0.53	-0.64
1.82	2.26	2.28	27.22	29.95	32.40	10.04	8.17	2.53	3.36	2.80	6.34	7.58	4.71
0.61	0.76	0.64	6.62	8.02	10.01	21.09	24.84	0.61	0.90	0.87	-0.39	0.52	2.21
0.05	0.06	0.07	0.51	0.47	0.62	-8.66	33.41	0.05	0.05	0.05	-0.03	-0.10	-0.19
3.03	3.14	3.05	23.17	21.37	25.27	-7.75	18.22	2.15	2.40	2.19	-11.51	-9.69	-11.85
0.40	0.35	0.40	3.39	2.65	3.36	-21.75	26.84	0.31	0.30	0.29	-1.20	-0.85	-1.45
0.71	0.86	0.88	4.58	4.60	5.94	0.55	28.95	0.43	0.52	0.51	-3.58	-3.87	-4.74
2.74	2.59	2.85	48.12	23.73	58.28	-50.69	145.61	4.47	2.66	5.04	16.78	-1.86	23.65
0.65	0.65	0.53	6.29	5.16	5.24	-18.07	1.54	0.58	0.58	0.45	-1.18	-1.26	-1.23
0.51	0.55	0.54	3.86	3.52	4.26	-8.96	21.02	0.36	0.39	0.37	-2.02	-1.94	-2.35
0.88	1.13	1.03	8.70	10.34	10.84	18.90	4.81	0.81	1.16	0.94	-1.40	-0.88	-1.73
0.62	0.55	0.58	5.80	5.59	6.97	-3.61	24.65	0.54	0.63	0.60	-1.24	0.11	-0.10
0.98	0.91	0.85	7.50	6.20	6.61	-17.34	6.59	0.70	0.69	0.57	-3.72	-2.86	-3.75
8.81	9.02	9.27	78.08	73.35	91.55	-6.06	24.81	7.25	8.22	7.92	-22.69	-15.95	-21.15
1.34	1.30	1.42	12.38	9.91	13.63	-19.93	37.47	1.15	1.11	1.18	-2.92	-2.98	-3.61
1.41	1.38	1.20	14.43	12.47	14.54	-13.54	16.53	1.34	1.40	1.26	-1.75	-1.18	-0.07
0.49	0.62	0.67	3.45	3.67	6.15	6.41	67.37	0.32	0.41	0.53	-2.12	-2.41	-2.06
8.14	8.28	8.86	114.22	86.13	113.85	-24.59	32.18	10.60	9.65	9.85	21.02	4.21	6.08
0.56	0.70	0.61	4.36	5.13	5.21	17.82	1.57	0.40	0.58	0.45	-2.03	-1.82	-2.16
0.03	0.03	0.03	0.15	0.16	0.19	8.19	16.14	0.01	0.02	0.02	-0.15	-0.11	-0.15
1.42	1.58	1.49	12.48	12.09	13.97	-3.14	15.57	1.16	1.35	1.21	-3.81	-3.54	-4.13
0.25	0.30	0.19	2.15	2.33	2.22	8.38	-4.54	0.20	0.26	0.19	-0.73	-0.66	-0.13
0.31	0.22	0.31	2.06	1.33	2.14	-35.31	60.68	0.19	0.15	0.18	-1.47	-0.89	-1.63
0.54	0.66	0.60	3.73	3.79	4.28	1.68	12.91	0.35	0.43	0.37	-2.45	-2.74	-3.07
16.32	14.69	16.36	183.34	158.56	219.78	-13.52	38.61	17.02	17.77	19.01	-3.41	13.20	20.90
0.14	0.20	0.19	2.41	1.77	1.57	-26.42	-11.54	0.22	0.20	0.14	0.81	-0.21	-0.69
1.87	2.17	1.62	13.10	12.70	11.83	-3.06	-6.91	1.22	1.42	1.02	-8.29	-8.80	-7.86
1.58	1.72	1.76	13.82	14.58	17.30	5.55	18.63	1.28	1.63	1.50	-4.29	-2.45	-4.09
0.31	0.44	0.44	2.80	3.15	4.04	12.46	28.27	0.26	0.35	0.35	-0.78	-1.20	-1.31
3.77	3.71	3.68	36.50	32.14	38.92	-11.95	21.12	3.39	3.60	3.37	-6.63	-4.53	-5.80
1.31	1.72	1.48	11.01	12.67	12.86	15.12	1.51	1.02	1.42	1.11	-3.97	-4.40	-5.09
1.26	1.08	1.04	14.52	13.13	15.88	-9.56	20.88	1.35	1.47	1.37	0.08	2.50	3.27
0.73	0.94	0.96	7.75	9.03	10.69	16.41	18.47	0.72	1.01	0.92	-0.62	-0.24	-0.95
100.00	100.00	100.00	1,077.27	892.41	1,156.36	-17.16	29.58	100.00	100.00	100.00	-67.11	-97.09	-59.51

Chapter Two

The Operating Environment

Table 2.7 Intra-African Trade, 2019–21 (in US\$ billion unless otherwise indicated)

Country	Intra-African Exports			Growth rate (%)		Country Share of Total Intra-African Exports, %			Intra-African Imports			Growth rate (%)	
	2019	2020	2021	2020	2021	2019	2020	2021	2019	2020	2021	2020	2021
Algeria	1.38	0.81	1.44	-41.50	77.26	1.78	1.18	1.65	8.05	6.45	6.50	-19.84	0.81
Angola	0.60	0.34	0.41	-43.29	20.58	0.77	0.49	0.47	1.13	0.52	0.68	-53.56	29.19
Benin	0.15	0.11	0.24	-28.08	123.25	0.19	0.16	0.28	0.71	0.53	0.73	-25.00	37.87
Botswana	0.69	0.66	0.74	-4.56	12.19	0.89	0.96	0.85	4.43	4.20	5.31	-5.27	26.33
Burkina Faso	0.37	0.36	0.37	-1.70	1.84	0.47	0.53	0.42	1.07	1.12	1.88	4.87	68.12
Burundi	0.04	0.06	0.05	31.29	-17.19	0.06	0.08	0.05	0.22	0.25	0.29	9.37	19.33
Cabo Verde	0.00	0.00	0.00	77.65	8.43	0.00	0.00	0.00	0.01	0.01	0.02	-10.74	21.77
Cameroon	0.48	0.49	0.62	1.18	27.82	0.62	0.71	0.71	1.08	1.08	1.21	0.37	12.35
Central African Rep.	0.01	0.01	0.02	59.75	31.92	0.01	0.02	0.02	0.06	0.05	0.06	-12.70	16.26
Chad	0.01	0.01	0.01	-35.66	66.05	0.02	0.01	0.02	0.22	0.19	0.23	-14.99	20.17
Comoros	0.01	0.00	0.00	-66.96	5.45	0.01	0.00	0.00	0.02	0.02	0.02	18.62	14.28
Congo Republic	0.31	0.52	0.73	69.89	40.64	0.39	0.76	0.84	0.58	0.28	0.35	-51.43	24.43
Côte d'Ivoire	2.86	2.78	3.31	-2.54	19.00	3.68	4.05	3.80	2.38	2.32	2.94	-2.46	26.73
Djibouti	0.22	0.23	0.32	6.93	36.27	0.28	0.34	0.36	0.06	0.06	0.07	-0.59	18.88
DR Congo	5.42	3.77	6.42	-30.55	70.45	6.99	5.49	7.37	4.70	4.61	5.59	-1.91	21.21
Egypt	3.95	3.24	4.54	-17.95	40.38	5.08	4.71	5.21	1.94	1.22	1.29	-36.88	5.65
Equatorial Guinea	0.07	0.04	0.05	-36.18	21.49	0.09	0.06	0.06	0.06	0.07	0.09	14.68	26.02
Eritrea	0.00	0.00	0.00	-45.68	45.32	0.00	0.00	0.00	0.02	0.03	0.06	26.01	109.55
Eswatini	1.85	1.61	3.05	-12.57	89.11	2.38	2.35	3.50	1.41	1.19	2.03	-15.09	69.66
Ethiopia	0.99	0.99	1.01	-0.32	1.67	1.28	1.44	1.15	0.28	0.19	0.14	-33.85	-22.46
Gabon	0.11	0.15	0.26	34.75	78.86	0.14	0.21	0.30	0.22	0.20	0.21	-8.73	2.97
Gambia, The	0.02	0.02	0.02	25.69	-7.87	0.02	0.03	0.02	0.11	0.11	0.13	0.53	24.43
Ghana	2.95	3.93	4.26	33.30	8.43	3.80	5.73	4.89	1.04	1.00	1.33	-4.34	33.37
Guinea	0.29	0.33	0.43	14.91	28.99	0.37	0.49	0.49	0.25	0.27	0.27	8.57	-0.28
Guinea-Bissau	0.03	0.05	0.05	66.90	6.30	0.03	0.07	0.06	0.04	0.05	0.07	21.21	29.32
Kenya	1.87	1.81	2.08	-3.22	14.77	2.41	2.64	2.39	1.76	1.29	1.54	-27.01	19.83
Lesotho	0.49	0.40	0.39	-19.31	-0.87	0.63	0.58	0.45	1.86	1.35	1.86	-27.08	37.50
Liberia	0.01	0.01	0.01	-29.55	64.04	0.01	0.01	0.01	0.40	0.41	0.52	3.94	25.92
Libya	0.14	0.09	0.31	-40.36	263.17	0.19	0.13	0.36	0.67	0.63	0.90	-5.76	42.96
Madagascar	0.20	0.13	0.16	-36.11	26.65	0.25	0.18	0.18	0.38	0.28	0.39	-25.67	37.52
Malawi	0.27	0.24	0.29	-10.73	21.33	0.34	0.35	0.33	0.79	0.92	1.09	16.52	18.82
Mali	1.75	2.50	2.54	42.90	1.46	2.25	3.64	2.91	2.31	2.52	2.91	9.02	15.61
Mauritania	0.22	0.24	0.29	8.11	19.44	0.29	0.35	0.33	0.29	0.20	0.26	-30.51	31.60
Mauritius	0.45	0.42	0.40	-6.23	-5.46	0.58	0.61	0.45	0.68	0.52	0.76	-23.74	46.19
Morocco	1.91	2.09	2.68	8.95	28.67	2.46	3.04	3.08	1.16	0.88	1.04	-24.50	18.34
Mozambique	1.12	0.96	1.24	-14.15	29.33	1.44	1.40	1.42	2.42	2.10	3.07	-13.38	46.41
Namibia	2.22	1.76	2.66	-20.79	51.27	2.85	2.56	3.05	5.15	4.32	4.53	-16.17	4.96
Niger	0.42	0.31	1.73	-27.59	465.24	0.55	0.45	1.99	0.50	0.51	0.64	3.34	25.06
Nigeria	8.43	5.63	5.79	-33.27	2.94	10.86	8.20	6.65	1.88	2.12	2.62	12.38	23.75
Rwanda	0.52	0.67	0.63	29.78	-6.49	0.66	0.97	0.72	0.88	1.34	1.61	52.24	20.14
São Tomé and Príncipe	0.00	0.00	0.00	1146.84	67.22	0.00	0.00	0.00	0.04	0.03	0.03	-13.60	-3.34
Senegal	1.80	1.69	1.91	-6.22	13.16	2.32	2.46	2.19	1.00	1.09	1.48	8.77	36.00
Seychelles	0.03	0.03	0.04	-8.82	62.13	0.04	0.04	0.05	0.12	0.09	0.10	-26.09	5.23
Sierra Leone	0.14	0.10	0.09	-33.97	-8.17	0.19	0.14	0.10	0.41	0.10	0.21	-75.41	103.73
Somalia	0.17	0.14	0.15	-20.95	7.30	0.22	0.20	0.17	0.29	0.25	0.29	-13.83	13.70
South Africa	23.78	19.75	24.78	-16.93	25.46	30.62	28.76	28.43	10.39	7.25	8.03	-30.19	10.70
South Sudan	0.00	0.00	0.00	19.83	-4.07	0.00	0.00	0.00	0.54	0.64	0.78	19.54	21.87
Sudan	0.02	0.01	0.01	-19.04	1.54	0.02	0.02	0.02	0.45	0.45	0.42	0.54	-8.44
Tanzania	1.85	2.30	2.26	24.33	-1.56	2.38	3.34	2.59	0.95	0.82	0.96	-13.09	16.70
Togo	0.74	0.70	1.01	-5.86	45.18	0.95	1.01	1.16	0.34	0.34	0.42	-0.93	22.86
Tunisia	1.00	1.10	1.32	9.19	20.00	1.29	1.60	1.51	1.62	1.23	1.50	-24.24	21.96
Uganda	0.97	1.05	1.25	8.34	18.37	1.25	1.53	1.43	2.02	2.92	2.37	44.51	-18.92
Zambia	1.68	1.65	2.04	-1.87	23.65	2.17	2.40	2.34	3.33	2.42	3.22	-27.28	33.17
Zimbabwe	2.64	2.42	2.74	-8.42	13.01	3.41	3.53	3.14	3.26	3.53	4.49	8.14	27.29
Total	77.65	68.68	87.16	-11.56	26.91	100.00	100.00	100.00	77.26	74.39	79.56	-3.71	6.94

Sources: International Monetary Fund Direction of Trade Statistics, 2022; Afreximbank Research.

Country Share of Total (Intra-African Imports)			Total Intra-African Trade			Growth rate (%)		Country Share of Total (Intra-African Imports)		
2019	2020	2021	2019	2020	2021	2020	2021	2019	2020	2021
10.42	8.67	8.17	9.43	7.26	7.94	-23.02	9.34	6.09	5.07	4.76
1.46	0.71	0.85	1.73	0.86	1.09	-50.01	25.82	1.11	0.60	0.65
0.91	0.71	0.92	0.86	0.64	0.97	-25.54	52.39	0.55	0.45	0.58
5.74	5.65	6.67	5.13	4.86	6.05	-5.17	24.40	3.31	3.40	3.63
1.38	1.50	2.37	1.44	1.48	2.25	3.19	51.92	0.93	1.04	1.35
0.29	0.33	0.37	0.27	0.30	0.34	12.96	12.38	0.17	0.21	0.20
0.02	0.02	0.02	0.02	0.01	0.02	-6.63	20.59	0.01	0.01	0.01
1.39	1.45	1.53	1.56	1.57	1.84	0.62	17.15	1.01	1.10	1.10
0.08	0.07	0.08	0.07	0.07	0.08	-4.49	19.23	0.05	0.05	0.05
0.29	0.25	0.29	0.24	0.20	0.24	-16.17	22.18	0.15	0.14	0.14
0.02	0.03	0.03	0.02	0.02	0.03	-2.84	13.52	0.02	0.02	0.02
0.75	0.38	0.44	0.88	0.80	1.08	-9.39	34.96	0.57	0.56	0.65
3.08	3.12	3.70	5.24	5.11	6.26	-2.51	22.52	3.38	3.57	3.75
0.08	0.08	0.09	0.28	0.30	0.39	5.27	32.64	0.18	0.21	0.23
6.09	6.20	7.03	10.13	8.38	12.01	-17.26	43.35	6.54	5.86	7.20
2.51	1.65	1.63	5.88	4.46	5.84	-24.19	30.85	3.80	3.12	3.50
0.08	0.09	0.11	0.13	0.11	0.14	-12.37	24.27	0.08	0.08	0.08
0.03	0.04	0.08	0.02	0.03	0.06	23.91	108.73	0.02	0.02	0.04
1.82	1.60	2.55	3.25	2.81	5.08	-13.66	80.84	2.10	1.96	3.05
0.36	0.25	0.18	1.27	1.18	1.15	-7.73	-2.15	0.82	0.82	0.69
0.29	0.27	0.26	0.33	0.35	0.47	5.56	34.81	0.21	0.24	0.28
0.14	0.15	0.17	0.13	0.13	0.15	4.09	18.91	0.08	0.09	0.09
1.35	1.34	1.67	3.99	4.93	5.59	23.48	13.47	2.58	3.45	3.36
0.33	0.37	0.34	0.54	0.61	0.70	11.95	15.77	0.35	0.42	0.42
0.06	0.07	0.09	0.07	0.10	0.12	38.48	18.84	0.05	0.07	0.07
2.28	1.73	1.94	3.64	3.10	3.62	-14.76	16.87	2.35	2.17	2.17
2.40	1.82	2.34	2.35	1.75	2.26	-25.45	28.79	1.52	1.22	1.35
0.52	0.56	0.66	0.41	0.42	0.53	3.12	26.55	0.26	0.29	0.32
0.86	0.84	1.13	0.81	0.71	1.21	-11.94	69.60	0.52	0.50	0.73
0.50	0.38	0.49	0.58	0.41	0.55	-29.21	34.19	0.37	0.29	0.33
1.02	1.24	1.37	1.05	1.16	1.38	9.65	19.33	0.68	0.81	0.83
2.99	3.38	3.66	4.06	5.02	5.45	23.62	8.56	2.62	3.51	3.27
0.37	0.27	0.33	0.51	0.44	0.55	-13.59	24.93	0.33	0.31	0.33
0.88	0.70	0.95	1.13	0.94	1.15	-16.79	23.10	0.73	0.65	0.69
1.51	1.18	1.31	3.08	2.96	3.72	-3.70	25.61	1.99	2.07	2.23
3.14	2.82	3.86	3.54	3.06	4.32	-13.63	41.05	2.29	2.14	2.59
6.67	5.80	5.70	7.37	6.07	7.19	-17.56	18.35	4.76	4.24	4.31
0.64	0.69	0.81	0.92	0.82	2.38	-10.87	189.33	0.59	0.57	1.43
2.44	2.85	3.29	10.32	7.75	8.41	-24.93	8.62	6.66	5.41	5.05
1.14	1.80	2.02	1.40	2.01	2.23	43.94	11.27	0.90	1.40	1.34
0.05	0.05	0.04	0.04	0.04	0.04	-9.69	-0.06	0.03	0.02	0.02
1.30	1.47	1.86	2.80	2.78	3.39	-0.85	22.13	1.81	1.94	2.04
0.16	0.12	0.12	0.15	0.12	0.14	-22.92	17.57	0.10	0.08	0.08
0.54	0.14	0.26	0.56	0.20	0.29	-64.72	49.68	0.36	0.14	0.18
0.38	0.34	0.36	0.46	0.39	0.43	-16.47	11.45	0.30	0.27	0.26
13.45	9.75	10.10	34.17	27.01	32.81	-20.96	21.50	22.06	18.88	19.68
0.69	0.86	0.98	0.54	0.64	0.78	19.54	21.85	0.35	0.45	0.47
0.59	0.61	0.52	0.47	0.47	0.43	-0.16	-8.15	0.30	0.33	0.26
1.23	1.11	1.21	2.79	3.12	3.22	11.64	3.26	1.80	2.18	1.93
0.45	0.46	0.53	1.08	1.04	1.43	-4.29	37.84	0.70	0.73	0.86
2.10	1.65	1.88	2.62	2.32	2.81	-11.44	21.04	1.69	1.62	1.69
2.61	3.92	2.98	2.99	3.97	3.61	32.76	-9.04	1.93	2.78	2.17
4.30	3.25	4.05	5.01	4.07	5.26	-18.75	29.31	3.23	2.84	3.16
4.22	4.74	5.64	5.90	5.95	7.22	0.72	21.48	3.81	4.16	4.33
100.00	100.00	100.00	154.91	143.07	166.72	-7.64	16.53	100.00	100.00	100.00

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performances in maize, sugar, rubber, soybeans, and coffee largely led the price growth in agricultural commodities.

Bolstered by high demand for feed and increased ethanol production in the United States, maize prices rebounded sharply by 55.3 percent in 2021 after a lacklustre performance and a 1.7 percent decline in 2020. Sugar's performance was driven largely by increased demand from the food and beverage sector and the pharmaceuticals industry. China's high demand for rubber to manufacture tires and the slight squeeze in production from Thailand, the world's largest producer of rubber, accounted significantly for the price rally of that commodity.

Other agricultural commodities such as soybeans, coffee, and palm oil followed a similar trajectory, with significant price gains. Increased demand for soya oil boosted soybean prices, and the price of coffee rallied with increased demand for coffee products and easy-to-make coffee at home.

As a substitute for vegetable oils, which continued to suffer from production disruptions, demand for palm oil continued its 2020 rise, keeping its price on an upward trend. Similarly, the sharp increase in crude oil prices, increased demand for biofuel alternatives such as palm oil and soybeans, which are used in its production, further pushed up their prices. Consequently, the price of palm oil almost doubled, increasing by 48.5 percent to US\$1,130.58 in 2021. The cocoa market experienced marginal 1.35 percent price gain in 2021, down from its 2.28 percent growth in 2019/2020. The increase in supply from the world's two largest producers (Côte d'Ivoire and Ghana with a 5.7 percent and 18.75 percent increase in supply, respectively) contributed to the dampened cocoa prices.

Unlike prices of most commodities, tea prices decreased by 1.4 percent in 2021, largely owing to extremely large production in India and Sri Lanka, from the previous 6.22 percent gain in 2020. The reduction in production in Kenya on account of unfavourable climate conditions was not enough to offset the

supply glut, which exerted downward pressure on prices.

After its mixed fortunes in 2019/2020, the metals/minerals market bounced back appreciably, with price gains in most metals and minerals. In the precious minerals subsector, platinum made the largest gain, with 22.27 percent growth in 2020/2021, up from 3.29 percent growth in 2019/2020. Platinum prices rose on the back of increasing demand, from China's substitution of platinum for palladium and from the demand for platinum in the production of green hydrogen. The observed developments in the metals/minerals sector are consistent with AACI, which reported steady gains of 5 percent on the metals/minerals sub-index during the second half of 2021.

Prices of gold slowed substantially, ending with gold posting a marginal 1.66 percent growth, down from the 27.13 percent rally in the previous year. The post-COVID-19 rebound of the world economy increased investor confidence and reduced the rush for gold holdings following the outbreak of the COVID-19 pandemic. Similarly, a slowdown in central banks' purchases of gold coupled with a steady rise in long-term real interest rates associated with the tapering of the bond-buying programme led to reallocation of assets.

For the other metals and minerals within the metals subsector, demand pressure from Organisation for Economic Co-operation and Development countries and China and a slowdown in production resulted in a substantial upsurge in the sector's average prices, amounting to 68 percent growth, up from the poor performance of negative 5 percent growth previously. Tin, aluminium, and zinc prices rose sharply with increased demand from China amidst production constraints. The United States' 2018 sanctions on Russia, a large global producer of aluminium, continue to shape dynamics in the market.

Zinc production shortfalls in China and Mexico further fuelled rising demand. Copper also witnessed strong demand for its use in electronics, renewable energy, and electric cars. Although China witnessed a slump in car production in

2020, production bounced back in 2021, driving up the demand for refined copper.

2.2.4 Developments in African Trade

2.2.4.1 African Trade Performance

Consistent with the robust expansion of the global economy, Africa's merchandise trade rebounded by 29.58 percent to US\$1,156.36 billion in 2021 after a sharp decline of 17.16 percent in 2020 (Figure 2.4). The generalised increases in the prices of global commodities, including those of export interest to Africa, were the main drivers of the resurgent growth in the region's total merchandise trade. With oil being the main component of the region's export basket, accounting for about 37.4 percent of total exports, soaring crude oil prices drove the expansion of the continent's trade during the review period. Accordingly, oil exporters saw their share of African exports increase by about 53.93 percent to US\$213.49 billion in 2021, up from US\$138.69 billion in 2020.

The recovery in the prices of non-energy commodities also boosted the expansion of Africa's trade during the review period. Net oil-importing countries' exports expanded by about 29.33 percent to US\$334.94 billion in 2021, from US\$258.97 billion in 2020. The strong performance of this group of countries (albeit lower than that of oil exporters) enabled the region's exports to achieve a growth rate of 37.91 percent in 2021, from a decline of 21.27 percent in 2020.

The surge in commodity prices was largely supported by a strong recovery in advanced economies, particularly those in North America and Europe, and by robust economic growth in the group of developing Asian countries. China and India, which achieved the strongest growth performance among the leading economies, drove a firm recovery in global demand for commodities. While China continued to be Africa's single largest trading partner, and India consolidated its second-place position, other countries, including the United

States, are seeing a strong rebound in their trade with Africa. US trade imports from the region expanded by about 25.77 percent to US\$26.8 billion in 2021, up from US\$21.3 billion in 2020.

The agreement among OPEC and non-OPEC members to maintain oil production cuts until the first half of the year as COVID-19-triggered containment measures were gradually relaxed and socioeconomic activity resumed, alongside loose financial conditions and supply-side disruptions, gave significant impetus to oil prices. They ended the year averaging about US\$70.44 per barrel, up from about US\$42.23 per barrel the previous year. These developments, as well as a strong recovery in the prices of several non-energy commodities monitored by the Bank, including aluminium, coffee, copper, maize, palm oil, platinum, soybeans, and tin, significantly contributed to the resurgence in growth of Africa's exports during the review period.

Africa's merchandise imports also gathered momentum, expanding by about 22.88 percent to US\$607.94 billion in 2021 from US\$494.75 billion in 2020. The lower growth rate of imports reduced the region's trade deficit, which narrowed to US\$59.51 billion in 2021 from US\$97.09 billion in 2020 (Figure 2.4 and Table 2.6). Increasing energy consumption following the resumption of economic activity had a significant impact on the performance of African trade. Oil exporters saw their imports increase by 21.93 percent to US\$200.35 billion in 2021 from US\$164.31 billion in 2020, led by sturdy import growth from Angola (22.35 percent), the Republic of Congo (19.54 percent), Egypt (25.85 percent), Libya (35.33 percent), and Nigeria (31.55 percent).

Imports from the group of net oil-importing countries rose by about 23.35 percent to US\$407.59 billion in 2021 from US\$330.44 billion in 2020. While most net oil importers saw an increase in their imports, the overall performance of the group was largely driven by strong import growth in several medium and large economies, including the Democratic Republic of Congo (36.10 percent), Côte d'Ivoire (29.94 percent),

Ghana (23.81 percent), Morocco (26.20 percent), Mozambique (33.70 percent), South Africa (36.81 percent), and Tanzania (25.60 percent).

2.2.4.2 Intra-African Trade

The value of total intra-African trade witnessed a strong recovery in 2021, reaching US\$166.72 billion after two consecutive years of decline. The value of intra-African trade grew by 16.53 percent in 2021 compared with a decline of 7.64 percent in 2020. Extra-African trade expanded even more than intra-African trade, reaching US\$1.156 trillion with a growth rate of 29.58 percent in 2021, after declining by 17.16 percent in 2020. Though the sharp decline in 2020 reflected the impact of containment measures on trade, the strong recovery of African trade in 2021 was driven by the strong and synchronised global recovery with GDP expanding by 5.9 percent, the strengthening global demand, and the strong rebound in commodity prices. This recovery has been supported by large and bold monetary and fiscal stimulus measures, recovery in global trade, increasing understanding and management of the COVID-19 pandemic with growing vaccine availability, and improved therapies and testing.

South Africa maintained its position as the leading intra-African trading nation, with a total intra-African trade value of US\$32.81 billion in 2021, higher than the US\$27.01 billion achieved in 2020. This was largely owing to the rebound in oil prices, which were the largest share of South Africa's imports from the rest of the continent. South Africa accounted for 19.68 percent of total intra-African trade in 2021, compared with 18.88 percent in 2020. Although Africa is an important source of South Africa's imports, accounting for 10.10 percent of the country's total imports in 2021, the continent is even more important as an export destination for South Africa. During the review period, Africa was the destination of more than 28 percent of total South African exports.

South Africa imports from the continent about 40 percent of its crude oil, 63 percent

of which comes from Nigeria. Nigeria is the leading global supplier of crude oil to South Africa, ahead of Saudi Arabia. Though energy dominates South African imports from Africa, accounting for about 55 percent of all imports from the continent, the country's exports to the rest of the continent are more diverse and include fuel and fuel products, precious stones, vehicles, and machinery. South Africa's main African destination markets are the countries of the Southern African Customs Union and the Southern African Development Community. Botswana is South Africa's largest bilateral trade partner within 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 countries. Its share of total African trade increased by more than 40 percent, from US\$8.38 billion in 2020 to US\$12.01 billion in 2021. As a result of this strong recovery, DR Congo became the second largest intra-African trading nation, reverting to its second-place spot after falling to fourth in 2020. South Africa remains its major bilateral trade partner in Africa, accounting for the bulk of DR Congo's imports from the continent. The main exports of DR Congo to South Africa are refined copper, diamonds, and vehicle parts. Its imports from South Africa consist primarily of machinery, mechanical appliances, and pharmaceutical products.

The government of DR Congo remained committed to regional integration and is strengthening cooperation across the continent by expanding trade with neighbouring countries, including members of ECCAS. In that regard, DR Congo and other ECCAS member countries maintained the momentum on their regional integration agenda by ratifying the revised ECCAS treaty. DR Congo can play a key role in providing mineral resources for industrial and manufacturing value chains, supporting agricultural and agroprocessing value chains, and serving as an epicentre for intra-African trade to drive

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development of the AfCFTA Agreement, which entered into force last year.

In West Africa, the value of Nigeria's trade with the continent expanded by 8.62 percent to US\$8.41 billion, up from US\$7.75 billion in 2020. Nigeria's share of total intra-African trade decreased slightly to about 5.05 percent from 5.41 percent in 2020. However, Nigeria's standing improved slightly; it became the third largest intra-African trading nation in 2021. About 6.65 percent of Nigeria's exports are to African countries; South Africa, Togo, and Côte d'Ivoire are the top three destinations of Nigerian exports to the rest of the continent. Nigeria's imports from the rest of the continent remained relatively low, accounting for less than 3.29 percent of its total imports. Although crude oil still dominates Nigeria's exports to the rest of Africa, the composition of its cross-border trade is changing.

In North Africa, Algeria emerged as the leading intra-African trading nation, in fourth place among leading intra-African trade nations. Its trade with the continent increased by 9.34 percent to US\$7.94 billion in 2021. About 8.17 percent (US\$6.50 billion) of Algeria's total imports are sourced from Africa, while 1.65 percent (US\$1.44 billion) of its total exports are to Africa. Although Egypt is ninth in the distribution of leading intra-African trade nations, its trade with the continent increased by 30.85 percent to almost US\$6 billion in 2021. About 6 percent (US\$4.54 billion) of Egypt's total imports are sourced from Africa, while 1.65 percent (US\$1.29 billion) of its total exports are to Africa. Authorities in Egypt and Algeria continued to make efforts to boost trade with the rest of Africa. The two countries remained active members of the Pan-Arab Free Trade Area (PAFTA) under which import duties are removed for imports from Libya, Morocco, Sudan, and Tunisia. Both Egypt and Algeria also ratified the AfCFTA Agreement.

Other important contributors to intra-African trade include Zimbabwe, Namibia, Côte d'Ivoire, Botswana, Egypt, Ghana, Mali, and Zambia, which together accounted for about 48.85 percent of total intra-African trade in 2021, up from 40.47 percent in 2020. Egypt, Zambia, Botswana, and Côte d'Ivoire also recorded big gains in their trade volume, with strong growth of 30.85 percent, 29.31 percent, 24.40 percent, and 22.52 percent, respectively. Minor contractions in intra-African trade were recorded by Uganda (9.04 percent), Sudan (8.15 percent), Ethiopia (2.15 percent), and São Tomé and Príncipe (0.06 percent), with their shares of African trade falling to 2.17 percent (from 2.78 percent), 0.26 percent (from 0.33 percent), 0.69 percent (from 0.82 percent), and 0.021 percent (from 0.025 percent), respectively, over the review period.

One of the key achievements in ongoing efforts to boost intra-African trade in 2021 was the remarkable progress made in the implementation of the AfCFTA, which entered into force on 1 January, 2021. Though it was envisioned that trading would commence based on legally implementable and reciprocal tariff schedules and concessions, with agreed rules of origin and customs documentation, the complexity and long duration of negotiations on rules of origin meant that meaningful trade under the AfCFTA was delayed.

Nonetheless, significant progress was achieved; more than 87 percent of the rules of origin were agreed. In addition, preparatory work commenced for negotiations on trade in services, intellectual property, investment, and digital trade. As at this writing, 42 countries have also submitted their initial tariff offers, and 43 countries have submitted their initial services offers. The year under review also witnessed compliance by eight additional African countries with their domestic

requirements for the ratification of the AfCFTA Agreement, and six countries depositing their instruments of ratification and becoming State Parties to the Agreement. The number of State Parties now stands at 41. The year 2022 promises to be a busy year, with the commencement of phased tariff reductions and an increase in trade under the AfCFTA as the last remaining issues on rules of origin are resolved. Negotiations on trade in services are also expected to pick up in pace as State Parties prepare for the second phase of negotiations.

Afreximbank is working closely with the African Union Commission and AfCFTA Secretariat to support the implementation of the AfCFTA through several strategic initiatives. These include the Intra-African Trade Fair; 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; and the PAPSS, which was launched for commercial use on 13 January 2022, following a successful operational pilot in six West African countries. The PAPSS will facilitate the clearing and settlement of intra-African trade transactions in African currencies and will lift the liquidity constraints to enhance the growth of intra-African trade. The Bank is also working with the AfCFTA Secretariat on several products, including the AfCFTA Adjustment Facility, to enable countries to adjust in an orderly fashion to sudden significant tariff revenue losses resulting from the implementation of the agreement. In addition, the Interstate Transit Guarantee is offered as part of Afreximbank's overall objective of facilitating and promoting intra-African trade by reducing some of the bottlenecks associated with the movement of goods across borders within Africa. The Bank is also commencing the construction of the Africa Quality Assurance Centre (AQAC).



Box 2.1 African Trade Finance Survey: Key Findings and Lessons for Boosting Trade Finance in Africa

The unprecedented impact of the COVID-19 pandemic on health, economic, and financial systems around the world, combined with containment measures (social distancing, lockdowns, and border closures) to reduce the spread of the virus and mitigate its impact, plunged the world into a major synchronised global downturn. Global output, which before the pandemic was forecast to expand by 3.3 percent in 2020, contracted by 2.1 percent; and Africa entered its first economic recession in 25 years, contracting by 1.6 percent. Similarly, global trade declined by 5.3 percent in 2020. The reduction in global growth and trade was particularly significant in the second quarter of 2020, when the implementation of containment measures brought the world economy to a sudden stop and triggered massive capital flow reversals from developing market economies. Portfolio outflows from developing market economies amounted to more than US\$100 billion in the first quarter of 2020. Capital outflows from Africa exceeded US\$5 billion in the same period, with about US\$0.4 billion exiting the Egyptian market and US\$3.1 billion leaving the South African market. The massive outflows strained African banks, many of which recorded sharp drops in their net foreign assets. These further exacerbated banks' existing liquidity constraints and undermined their capacity to finance the growth of African trade. To better understand how COVID-19 affected trade

finance in the continent, especially during the first quarter of 2020, Afreximbank, together with United Nations Economic Commission for Africa (UNECA) and Making Finance Work for Africa initiative of the African Development Bank, surveyed commercial banks across the continent about the impact of the pandemic on their trade finance activities and to ascertain how the pandemic downturn affected the dynamics of trade finance. The findings of the study were used as the basis of recommendations and requisite policy actions aimed at accelerating the process trade-led economic recovery post COVID-19.

The survey covered the first four months of 2020, including April, the height of the pandemic downturn, when global trade contracted by more than 5 percent. The Afreximbank African Commodity Index—the trade-weighted composite index used by the Bank to track the price performance of key commodities of interest to Africa—fell by 44 percent in the first quarter of 2020 because of the pandemic's disruptive impact on global demand and commodity prices. The survey targeted more than 370 commercial banks across the continent and achieved a response rate of more than 50 percent, with balanced geographical coverage. In terms of asset coverage, the participating banks accounted for about 58 percent of the US\$1.5 trillion in total assets held by commercial banks in Africa. While the survey results illustrate the adverse

impact of the pandemic downturn on trade finance across the region, most notably reflected in increased rejection of letters of credit, the results also highlight significant variations across the continent. The study's main findings are summarised hereunder:

Material disruption to trade.

The study broadly supported the narrative that COVID-19 affected trade finance activities of banks across the continent and led to material disruptions of trade. Specifically, letter of credit business and correspondent banking operations witnessed a significant slump, which further widened the continent's trade financing gap while reversing gains achieved in the expansion of African trade during the years before the pandemic outbreak.

Increased demand for trade finance.

A significant range of respondents—across subregions, by size of bank, and by structure of bank—indicated an increase in demand for trade finance. Almost 37 percent of respondents reported an increase in demand from their export clients. By region, Southern Africa and Western Africa reported the largest increases in demand for trade finance, and by size of bank, smaller banks reported the greatest increase in demand. It is worth noting that demand for more financing may not necessarily reflect new business expansion, but instead may reflect the challenges faced by small and medium-sized enterprises in concluding existing

trade transactions due to difficulties with cashflow or working capital.

Letters of credit: varying demand, increased rejection, and reduced correspondent banking relationships. While 27 percent of banks surveyed witnessed an increase in demand for letters of credit, 39 percent indicated a decrease in demand for letters of credit, and 34 percent indicated no change in demand. From a regional perspective, banks in North Africa reported the highest number of documentary credit applications on the continent, followed by banks in Anglophone West Africa. The survey showed a substantial increase in rejections of requests for letters of credit in the first four months of 2020 compared with the first four months of 2019, with 30 percent of respondents indicating an increase in rejection rates. Regarding correspondent banking relationships, major international banks and financiers cancelled and/or reduced the limits on the lines of credit for African banks, with Europe accounting for about 50 percent of this development.

Increased risk aversion among domestic and privately owned banks. Domestic and privately owned banks appeared to be just as risk averse as foreign banks; however, although the withdrawal of international banks in the face of heightening uncertainty could be part of a long-term trend, the relative increase in risk aversion of

domestic banks could be largely due to temporary liquidity constraints and difficulties in accessing foreign exchange.

Higher risk appetite by government-owned institutions. Government-owned financial institutions appeared to have more appetite for risk and were making significant contributions to address liquidity flows during the crisis. This helped to create the necessary conditions for a swift recovery after the pandemic. The sharp contrast in risk perception between domestic privately-owned and domestic majority government-owned banks suggests that other factors could be driving credit allocation and trade finance. Also, since most letter of credit cancellations and withdrawals from correspondent banking services appeared to be informed by perceived high risk, much more must be done to address this perennial canker of risk misestimation, which leads to high-risk premiums.

Varying regulatory realities across Africa. At one end of the range of regulatory response, some central banks and regulatory authorities took exceptional measures to facilitate the clearance of goods without paper documentation, relying on letters of credit for settlement from a cost perspective, while at the same time, other central banks and regulatory authorities remained wedded to paper-based requirements and appeared to restrict the use of letters of credit to

facilitate the flow of pharmaceuticals and foodstuffs.

Bold interventions by multilaterals, export credit agencies, and central banks. Multilaterals, including development finance institutions and export credit agencies took swift and bold measures to address urgent trade finance needs in the face of tightening financing conditions and deteriorating credit quality. Regional development finance institutions across Africa swiftly unveiled new facilities to alleviate liquidity constraints and sustain the growth of trade—among them Afreximbank through its Pandemic Trade Impact Mitigation Facility (PATIMFA), under which the Bank disbursed more than US\$7 billion, and the AfDB through its COVID-19 Rapid Reaction Facility. The liquidity provided by Afreximbank and other development finance institutions to banks to enable them to remain solvent and maintain their lending activities to small and medium-sized enterprises and households was critical in the push to cushion the pandemic downturn.

As regulatory institutions, most central banks in Africa responded to the pandemic with significant and swift measures, including loose monetary policies and favourable prudential requirements such as reductions in reserve ratios, with the goal of promoting access to finance while also ensuring financial sector stability. Additionally, most central banks granted some flexibility

Box 2.1 African Trade Finance Survey: Key Findings and Lessons for Boosting Trade Finance in Africa (continued)

to commercial banks regarding adherence to regulatory and compliance requirements, extending deadlines for filing returns, reducing supervisory burdens, and instituting regular virtual meetings to minimise face-to-face interactions during the crisis. Through these exceptional measures to ease regulatory burdens and boost the availability of liquidity within the financial system, central banks sustained the flow of goods and trade for a speedy economic recovery in the post-containment phase of the pandemic.

Following from the findings of the study, the following could be critical in ensuring that Africa's trade finance gap if not closed, does not widen:

Need for increased correspondent banking relationships domestically and for more support from regional development finance institutions. Local and regional banks across Africa need to enter correspondent banking relationships to take advantage of growth opportunities created by the exodus of large international banks from the continent's trade finance landscape. Africa's trade finance needs are significant and expected to increase even further during the implementation of the African Continental Free Trade Area. Development finance institutions, already major actors, will need to play an even more important role, increasing their support to

commercial banks engaged in trade finance activities.

Better coordination and alignment of COVID-19 response measures. Survey findings suggest that central banks were able to respond to the pandemic-related regulatory measures in an agile fashion, and that such measures did not constitute a significant impediment to the flow of trade financing. However, a significant inconsistency existed at the regulatory and transactional levels: for instance, while some regulatory authorities took measures to facilitate the clearance of goods without paper documentation, others were less able to apply the same flexibility in the face of a major disruption in international courier services. It would appear that an opportunity exists to advocate for, and perhaps facilitate, greater alignment of pandemic response options across subregions, and in so doing, perhaps directly motivate greater intra-African trade and a more robust set of conditions for the post-pandemic recovery.

Greater engagement between central banks and industry and improved engagement between governments and development finance institutions. COVID-19 and related challenges provided an impetus for central bank and capital market regulators to engage with industry and to explore the viability of creating new trade financing

capacity via the participation of asset managers and private equity in directing capital to the financing of international trade—including South-South trade and intra-African trade. This greater engagement will create a framework or mechanism that will reinforce dialogue between governments and development finance institutions so that the latter can continue to act as a front line in the fight against the pandemic. This role includes taking more risks, easing credit access criteria, and using government guarantee schemes to scale up liquidity to struggling banks, in efforts to protect small and medium-sized enterprises and save jobs—and more generally, to better prepare the region to manage future crises.

A push for increased digitalisation and an embrace of evolving financial technologies. Though measures taken by central banks have been supportive of trade and economic recovery, they have been viewed largely as stopgaps; sampled banks indicated that regulations within their countries have not been fully aligned with emerging technological innovation and major challenges facing their industry. The push for increased digitalisation in the trade finance arena could alleviate some of the sector's regulatory concerns, help to increase efficiency, and decrease costs. Banks and businesses across the continent also need to fully embrace evolving financial



technologies, which can extend trade finance facilities to informal traders and other small businesses. Online platforms, payment processors, and telecommunications companies could build upon existing business relationships and make use of their customer knowledge. The use of financial technologies in trade finance is still nascent, but they hold great potential to enhance the capacity and efficacy of trade finance providers to serve wider customer bases while also reducing both the risk of liquidity constraints and the current excessive reliance on hard currencies for cross-border trade. Afreximbank-led Pan-African Payment and Settlement System (PAPSS) is both innovative and timely. For the technologies to realise their full potential, coherent and coordinated action, especially from the regulatory and policy angle, is required through broader stakeholder consultation.

More reforms and reliable data.

Creating an environment conducive to the expansion of trade and trade finance in Africa will require broad cross-sectoral reforms across the continent. Reforms to the banking and financial services sectors, as well as to the regulatory environment, could contribute to strengthening existing infrastructure, including technical infrastructure such as internet connectivity. As the survey results show, insufficient collateral and client creditworthiness were the

primary reasons for bank rejections of trade finance applications in Africa during the first four months of 2020. In this regard, Afreximbank's MANSARA Repository Platform, which provides a single source of primary data required for the conduct of customer due diligence on African entities, is an important step but one that requires broad-based support at the continental level to have a greater impact on the financing of African trade.

Box 2.2 A Primer on Ongoing African Continental Free Trade Area Negotiations

The African Continental Free Trade Area (AfCFTA) has the potential to be the largest free trade area in the world, connecting more than 1.3 billion people across 55 participating countries with a combined gross domestic product (GDP) of about US\$3.4 trillion. Since the signing of the Agreement establishing the AfCFTA in March 2018 in Kigali, Rwanda, State Parties to the Agreement have been actively pursuing negotiations to commence implementation. The AfCFTA consists of three key components: (1) the AfCFTA Framework Agreement, a high-level legal framework that defines and outlines the scope and purpose of the agreement. It identifies the objectives of pursuing the establishment of the AfCFTA while providing guidelines for institutional mechanisms through which member states can negotiate, escalate, and adopt decisions emanating from their deliberations; (2) Protocols of the Agreement, which provide a deeper and more sophisticated examination of the obligations of State Parties and detail the objectives, exemptions, and mechanisms through which State Parties will implement the AfCFTA agreement; and (3) annexes, guidelines, lists, and schedules to the protocols, which gather all necessary documents that provide explicit explanation of obligations for each State Party. Each protocol has its own annexes, guidelines, lists, and schedules that will give operational effect to the Protocol.

Ratification

Multilateral agreements such as the AfCFTA legally bind signatory countries to the obligations set forth in the texts of the agreement and require the domestication of the agreement into national legislation. For effective implementation, it therefore becomes imperative to seek the commitment and approval of national parliaments. The AfCFTA is no exception to this process. African Union Member States who have signed the Agreement therefore need to ratify the AfCFTA Framework Agreement and deposit their instruments of ratification with the African Union. Once instruments of ratification are deposited, an African Union Member State becomes recognised as a State Party to the Agreement. As at the end of February 2022, 54 of the 55 African Union member states had signed the AfCFTA, and 42 of those countries had ratified it, leaving only 12 countries to ratify. Eritrea is the 55th and only African country that was, as at the end of February 2022, yet to become a signatory of the agreement.

Status of Negotiations

The AfCFTA will be a comprehensive and mutually beneficial trade agreement among the member states of the African Union, covering trade in goods and services, investment, intellectual property rights, competition policy, digital trade, and women and youth.

Negotiations under the AfCFTA are divided into two phases. Phase I deals

with Trade in Goods, Trade in Services, and the Rules and Procedures on the Settlement of Disputes. Phase II deals with Competition Policy, Investment, and Intellectual Property Rights. Digital Trade and Women in Trade have also been included under phase II.

On Trade in Goods, work is ongoing to finalise schedules of Tariff Concessions and Rules of Origin, key components for ensuring full implementation of the Protocol on Trade in Goods. Schedules of Tariff Concessions and Rules of Origin are the cornerstone of liberalization of trade in goods and establishment of a continental customs union. Tariff concessions identify which products will be liberalised and determine the phasing-out period of tariff barriers. African countries are committed to remove tariff barriers on 90 percent of all tariff lines (traded goods) over 5 years for countries that are not Least Developed Countries (LDCs) and 10 years for LDCs. The remaining 10 percent of goods are further divided into 7 percent representing 'sensitive products' which are to be liberalised over a period of 10 years for non-LDCs and 13 years for LDCs, while 3 percent of goods are excluded from tariff liberalization altogether. Rules of origin determine a product's eligibility for preferential tariffs under a free trade agreement and have major implications for the extent of trade under the agreement and the growth of regional value chains.

On the Schedules of Tariff Concessions, the AfCFTA Secretariat has received and technically verified 44 tariff offers, including offers from four Customs Unions, namely: the Economic and Monetary Union of Central Africa, the East African Community, the Economic Community of West African States plus Mauritania, and the Southern African Customs Union.

On Rules of Origin, 87.7 percent of tariff lines have been agreed upon, with outstanding issues on automotive and textiles. In addition, several documents have been agreed upon, including the certificates of origin, the origin declaration, and the supplier's and producer's declarations that will be used for trading under the AfCFTA. Future work on Rules of Origin will focus on the following areas: completion of the Rules of Origin manual, and the development of regulations on infant industries and special economic zones.

On Trade in Services, five initial priority sectors for negotiation have been identified; these include Business Services; Communications; Finance; Tourism; and Transport. To date, 46 African countries have submitted their initial Services Offers, with ongoing technical verification to ensure that the offers are in line with the adopted modalities and the Guidelines for Negotiating Trade in Services under the AfCFTA. Regulatory audits have also been undertaken for several

Member States. In addition, five subcommittees of the Committee on Trade in Services have been established: a subcommittee on Specific Commitments; a subcommittee on Mutual Recognition of Professional Qualification; a subcommittee on AfCFTA Trade in Services Rules; a subcommittee on Trade in Services-Related Issues; and a subcommittee on Regulatory Frameworks. The deadline for completion of the services negotiations in the five priority sectors has been extended to 30 June 2022.

On Dispute Settlement, under Article 20 of the Agreement establishing the AfCFTA as elaborated by the Protocol on Dispute Settlement, the Dispute Settlement Body is tasked with the surveillance of implementation of the AfCFTA. Necessary procedural steps for the Dispute Settlement Body to assume its mandate have been taken, including inviting State Parties to nominate trade experts to the Indicative List of Panelists, from which persons would be chosen to serve on Dispute Settlement Panels; and the Dispute Settlement Body has established an Appellate Body as a standing tribunal to hear appeals from cases adjudicated by Panels.

On Investment, work towards the development of the Protocol on Investment has commenced, and a Committee on Investment was established in May 2021. In addition, capacity building and regional

stakeholder engagements have also started to identify investment issues for inclusion in the Protocol.

On Intellectual Property Rights, a committee on Intellectual Property Rights was established in May 2021, tasked with facilitating the negotiations of the Protocol on Intellectual Property Rights. The Committee has developed modalities for negotiating the Protocol, and capacity building activities for State Parties are planned.

On Digital Trade, the African Union Assembly agreed to include Digital Trade under the AfCFTA. Initial work towards a Protocol on Digital Trade has commenced, including preliminary studies on Digital Trade provisions for inclusion in the AfCFTA. In addition, a Committee on Digital Trade has been established to lead the negotiations on Digital Trade.

On Women in Trade, African Union Member States have signaled their willingness to create an enabling environment for women to fully exploit the benefits of the AfCFTA. In line with this directive, the AfCFTA Secretariat has commenced preparatory work towards the development of a Protocol on Women and Youth in Trade under the AfCFTA. As work on the Protocol commences, the Secretariat has also engaged in consultations in 24 countries to garner the views and concerns of women.

Box 2.2 A Primer on Ongoing African Continental Free Trade Area Negotiations (continued)

Progress on Instruments to Support the African Continental Free Trade Agreement

In addition to the ongoing negotiations, significant progress has also been made on other initiatives to support the operationalisation and practical implementation of the AfCFTA. Afreximbank, working with the African Union and the AfCFTA, also launched the Intra-African Trade Fair in 2018 as a key initiative to support the AfCFTA and successfully hosted the second edition of the Intra-African Trade Fair in Durban, South Africa in November 2021. Tremendous progress has also been made in the development and deployment of the Pan-African Payment and Settlement System, which will help Africans to pay for cross-border trade in national currencies. This groundbreaking platform will save Africa more than US\$5 billion annually in payment transaction costs and will play an increasingly significant role in accelerating the continent's transactions underpinning the operationalisation of the AfCFTA.

Progress has also been made on the establishment of the AfCFTA Adjustment Fund. The Fund is designed to facilitate and provide support through financing, technical assistance, grants, and compensation funding to State Parties, public enterprises, private commercial entities, and small businesses, including those owned and operated by women and our youths, to enable them to adapt to and effectively participate in the liberalised and integrated trading environment created by the AfCFTA. The structure of the Fund has been approved and the Fund Management Agreement concluded, paving the way for mobilising resources and deployment of the Fund.



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3





Total approvals stood at US\$14.97 billion in 2021, 8.11 percent lower than in 2020, mainly due to winding down of PATIMFA facility.

US\$14.97 bn

Total outstanding loans increased from US\$16.77 billion at the end of 2020 to US\$18.76 billion at the end of 2021.

US\$18.76 bn

Operations and Activities

3.1 OPERATIONS

In 2021, the fifth and last year of implementation of the fifth Strategic Plan, *Impact 2021: Africa Transformed*, the Bank carried out its operations and activities in the operating environment rendered challenging by the COVID-19 pandemic and the slow roll-out of vaccination programmes across Africa.

The Bank continued to play an instrumental role in supporting the economies of its member states as they faced the severe economic ramifications of the pandemic, by providing innovative financing solutions as well as by supporting flagship continental initiatives. During the second year of the pandemic, the Bank emerged as the leading financial institution in the continent's fight against COVID-19 by boosting its support under its existing programmes and facilities, by deploying new innovative products, and by launching new partnerships.

3.1.1 Review of Lending Operations

In 2021, the Bank maintained a relatively high level of facility approvals at US\$14.97 billion, 8.11 percent lower than in 2020, mainly owing to the winding down of the PATIMFA facility. However,

this was about 21 percent higher than the 2019 approvals, which stood at US\$12.39 billion. Total approvals since the inception of the Bank exceeded the US\$100 billion mark, at US\$112.74 billion.

Outstanding loans rose by 11.88 percent from US\$16.77 billion in 2020 to US\$18.76 billion in 2021 (Figures 3.1 and 3.2). Adding the total unfunded exposure of US\$3.06 billion in 2021, the total value of loans and contingent liabilities stood at US\$21.83 billion in 2021 compared with US\$19.11 billion in 2020 (a 14.23 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.

In 2021, the Bank approved a total of US\$8.82 billion under the LOCP a year-on-year decrease of 12.44 percent, from US\$10.08 billion in the previous year, mainly reflecting unwinding of

the emergency interventions under PATIMFA (a major facility launched in 2020). However, the year's approvals were 22.93 percent higher than the 2019 level. With a share of 58.97 percent of the total approvals, the LOCP was the largest programme in 2021.

Outstanding loans under the LOCP fell from US\$8.73 billion in 2020 to US\$8.48 billion in 2021 (a decrease of 2.88 percent), with the programme accounting for 45.19 percent of the total portfolio as at the end of 2021 (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 of at least US\$2 million and an annual trade turnover of at least US\$10 million.

Total approvals under the DFP stood at US\$4.55 billion, about 12 percent higher than in 2020. The programme accounted for about 30.41 percent of total approvals, making it the second largest programme after the LOCP. Approvals under the programme supported various sectors, including energy, vaccine manufacturing, mining, and tourism. Outstanding loans under the programme increased from US\$5.00 billion in 2020 to US\$7.45 billion in 2021 (a 48.96 percent increase), and its share in total outstanding loans stood at 39.75 percent at the end of 2021 (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, and telecommunications, among others. The programme is also intended 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 fell by 24.88 percent from US\$616.13 million in 2020 to US\$462.85 million in 2021. Key sectors targeted under the programme included energy, metals and minerals, and manufacturing. The programme accounted for 3.09 percent of the total approvals during the year. The balance of outstanding loans under the programme amounted to US\$756.50 million in 2021 (5.22 percent lower than the 2020 level), accounting for 4.03 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 the purchase of specific receivables 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 2021, the Bank approved US\$400.88 million (compared with US\$784.58 million in 2020) in support of transactions in the energy, telecommunications, and aviation sectors under the Receivables Purchase/Discounting programme. The programme accounted for about 2.7 percent of total approvals during the year. Outstanding loans under the programme stood at US\$284.56 million, 1.52 percent of the total portfolio in 2021 (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. The Bank combines credit, risk bearing, twinning, market access, and advisory services in this programme, geared towards creating non-commodity export products for sale to a broad range of export markets, to facilitate non-commodity export production, especially export manufacturing, and to foster regional projects, including tradable infrastructure services.

The Bank approved a total of US\$451.69 million under the programme, a significant increase from the US\$36.99 million recorded in the previous year, in support of the agriculture, energy, manufacturing, and services sectors. Some of these transactions were syndicated. Outstanding loans under the programme rose from US\$135.77 million in 2020 to

US\$171.86 million in 2020 (a 26.58 percent increase) with the programme accounting for about 1 percent of the total portfolio (Table 3.1 and Figure 3.3).

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, because their values are normally expected to rise with inflation.

Outstanding loans under this programme rose to US\$1.11 billion in 2021 from US\$945.77 million in 2020, accounting for about 6 percent of the total loan portfolio (Table 3.1 and Figure 3.3).

3.1.1.7 Other Programmes

This category includes the Notes Purchase and Future Flows 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.

During the year, the Bank approved a total amount of US\$274.40 million in support of the two programmes, a 57.78 percent decrease from 2020. Through the programmes, the Bank supported several transactions in the energy, manufacturing, and services sectors in the East Africa and Southern Africa subregions.

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Table 3.1 Afreximbank: Distribution of Loan Approvals and Outstandings, by Type of Product/Programme, 2019–21

Type of Programme	Approvals (US\$ millions)			Growth Rate (%)	
	2019	2020	2021	2019/2020	2020/2021
Line of Credit	7182.36	10083.94	8829.81	40.40%	-12.44%
Direct Financing	3496.54	4068.09	4553.36	16.35%	11.93%
Project Finance	593.13	616.13	462.85	3.88%	-24.88%
Receivables Purchase/Discounting	563.81	784.58	400.88	39.16%	-48.91%
Export Development	551.00	36.99	451.69	-93.29%	1121.11%
Asset-Backed Lending	0.00	55.25	0.00	-	-100.00%
Others*	12.70	650.00	274.40	5018.11%	-57.78%
Memorandum Items					
Country Programme	1360.86	3103.91	691.48	128.08%	-77.72%
Syndications ^a	3797.91	2838.73	2476.39	-25.26%	-12.76%
AFGAP ^b	2791.73	1550.81	3795.71	-44.45%	144.76%
PATIMFA	-	6085.22	2150.00	-	-64.67%
Total	12399.54	16294.98	14972.99	31.42%	-8.11%
Cumulative Totals^c	81440.46	97735.44	112708.43	20.01%	15.32%

Source: Afreximbank.

* Notes Purchase Programme and Future Flows Pre-Financing Programme

^a Includes cofinancing and participations.

^b Afreximbank Guarantee Programme.

^c Since the Bank began operations in September 1994.

Outstanding loans under the two programmes slightly contracted by 4.26 percent, from US\$517.11 million at the end of 2020 to US\$495.06 million at the end of 2021. Together, they accounted for 2.64 percent of the total portfolio in 2021 (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 item on the Bank's menu of products. The programme was designed to assist African countries undergoing economic difficulties or to support their economic development strategies. In 2021, five countries—Burundi, Cabo Verde, Côte d'Ivoire, Sudan, and Zimbabwe—were eligible for support under this programme.

During the year, the Bank approved a total of US\$691.48 million under the programme, a 77.72 percent decrease from the previous year. These approvals benefited several economic sectors in the five countries, which were also eligible for support under the Bank's Advance Procurement Commitment Guarantee (US\$2 billion of approvals benefiting all member states) supporting their vaccine acquisition from global manufacturers. In terms of outstanding loans, the Bank's exposure to the programme rose from US\$2.25 billion in 2020 to US\$2.34 billion in 2021, accounting for 12.48 percent of the Bank's total exposure at the end of the year (Table 3.1 and Figure 3.3).

3.1.1.8.2 Syndications Programme

The Syndications Programme is a risk-sharing programme that the Bank uses 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 2021, the Bank approved US\$2.47 billion under the Syndications Programme, accounting for 16.54 percent of the year's total approvals. Companies operating in the energy, financial services, and metals and minerals sectors accounted for the largest share of these syndications. Outstanding syndicated loans in 2021 amounted to US\$8.24 billion, 1.41 percent higher than in 2020. The programme accounted for about 43.93 percent of the total portfolio in 2021 (Table 3.1 and Figure 3.3).

Share of Approvals by Type of Programme (%)			Outstandings (US\$ millions, end of period)			Growth Rate (%)		Share of Outstandings by Type of Programme (%)		
2019	2020	2021	2019	2020	2021	2019/2020	2020/2021	2019	2020	2021
57.92%	61.88%	58.97%	4865.71	8731.66	8480.60	79.45%	-2.88%	39.29%	52.06%	45.19%
28.20%	24.97%	30.41%	4321.82	5007.94	7459.91	15.88%	48.96%	34.90%	29.86%	39.75%
4.78%	3.78%	3.09%	960.78	798.19	756.50	-16.92%	-5.22%	7.76%	4.76%	4.03%
4.55%	4.81%	2.68%	665.78	636.97	284.56	-4.33%	-55.33%	5.38%	3.80%	1.52%
4.44%	0.23%	3.02%	115.88	135.77	171.86	17.16%	26.58%	0.94%	0.81%	0.92%
0.00%	0.34%	0.00%	1378.51	945.77	1117.98	-31.39%	18.21%	11.13%	5.64%	5.96%
0.10%	3.99%	1.83%	74.94	517.11	495.06	590.03%	-4.26%	0.61%	3.08%	2.64%
10.98%	19.05%	4.62%	1802.23	2258.24	2341.75	25.30%	3.70%	14.55%	13.46%	12.48%
30.63%	17.42%	16.54%	5777.29	8128.95	8243.62	40.71%	1.41%	46.65%	48.46%	43.93%
22.51%	9.52%	25.35%	1424.85	1348.02	3042.72	-5.39%	125.72%	11.51%	8.04%	16.21%
0.00%	37.34%	14.36%	-	4945.29	4446.36	-	-10.09%	0.00%	29.48%	23.69%
100.00%	100.00%	100.00%	12383.42	16773.41	18766.47	35.45%	11.88%	100.00%	100.00%	100.00%

3.1.1.8.3 Afreximbank Guarantee Programme

The Afreximbank Guarantee Programme 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. It is intended to unlock capital and leverage financing into Africa by helping to de-risk African transactions, making them more attractive to investors and financiers.

The Bank approved US\$3.79 billion under the programme in 2021, a significant increase (+144.76 percent) from the US\$1.55 billion recorded in the previous year. The increase was mainly due to the approvals made by the Bank under the Advance Procurement Commitment Guarantee (US\$2 billion) and the

Afreximbank African Collaborative Transit Guarantee Scheme (US\$1 billion). The outstanding balance under the programme amounted to US\$3.04 billion at the end of 2021 (Table 3.1 and Figure 3.3).

3.1.1.8.4 Pandemic Trade Impact Mitigation Facility

PATIMFA was launched by the Bank in March 2020 to assist its member countries in managing the adverse impact of the economic and health shocks caused by the COVID-19 pandemic. In 2021, the second year of operationalisation of the facility, approvals under PATIMFA fell by 64.67 percent from US\$6.08 billion in 2020 to US\$2.15 billion in 2021. As discussed earlier, this reflected the need to unwind the facility in 2021 as the African economies were recovering. Outstanding loans amounted to US\$4.44 billion at

the end of the year, and the share of the facility in total outstanding loans stood at about 23.69 percent (Table 3.1 and Figure 3.3).

3.1.1.8.5 COVID-19 Vaccine Financing

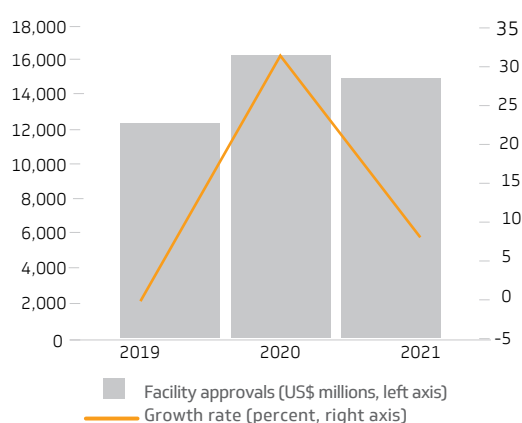
In March 2021, the Board of Directors of Afreximbank approved a \$2 billion Advance Procurement Commitment Guarantee (APC) in favour of various approved licensed Covid-19 vaccine manufacturers to cover the procurement costs for Covid-19 vaccines for onward supply to the African Union (AU) member states and the Caribbean Community (CARICOM) countries. Following this approval, a contract was signed between the Africa Vaccine Acquisition Trust (AVAT) and Johnson & Johnson on 28th March 2021, for the supply of 220 million Covid-19 vaccines on a committed basis with the

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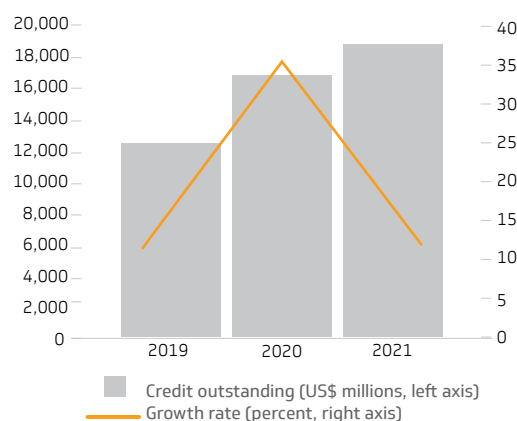


Figure 3.1 Afreximbank: Facility Approvals, 2019–21



Source: Afreximbank.

Figure 3.2 Afreximbank: Credit Outstanding as at 31 December, 2019–21



Source: Afreximbank.

option to procure an additional 180 million doses. Subsequently, 42 Participating AU and CARICOM Member States acceded to the contract with Johnson & Johnson having previously signed Commitment Undertakings to procure more than the 220 million initial committed volume. This facility became operational in April 2021 when Afreximbank made the down payment of \$330 million, paid on behalf of the participating Member States. The down payment enabled the supplier to commence production of the much needed vaccines and deliveries under the contract commenced in August 2021 and will continue right through till September 2022. Participating Member States have up to 12 months to repay their portion of the down payment. The price balance for each country's order is payable with each delivery either in cash, or through an Instalment Payment Plan Facility available from Afreximbank.

AVAT contracted UNICEF as its procurement and payment Agent whilst

the World Bank was invited into the programme as a sell down partner to enable Afreximbank to substantially de-risk its initial exposure from the original \$2 billion.

The Bank and the AVAT also established the AVAT No-Fault Compensation Scheme. The AVAT No Fault Compensation Scheme for Participating Member States provides no-fault lump-sum compensation in full and final settlement of any claims to individuals who have suffered a Serious Adverse Event resulting in permanent impairment or death associated with a COVID-19 vaccine procured or distributed under the AVAT Framework, or the administration of such a Vaccine, within any of the Participating Member States.

3.1.2 Analysis of Transactions

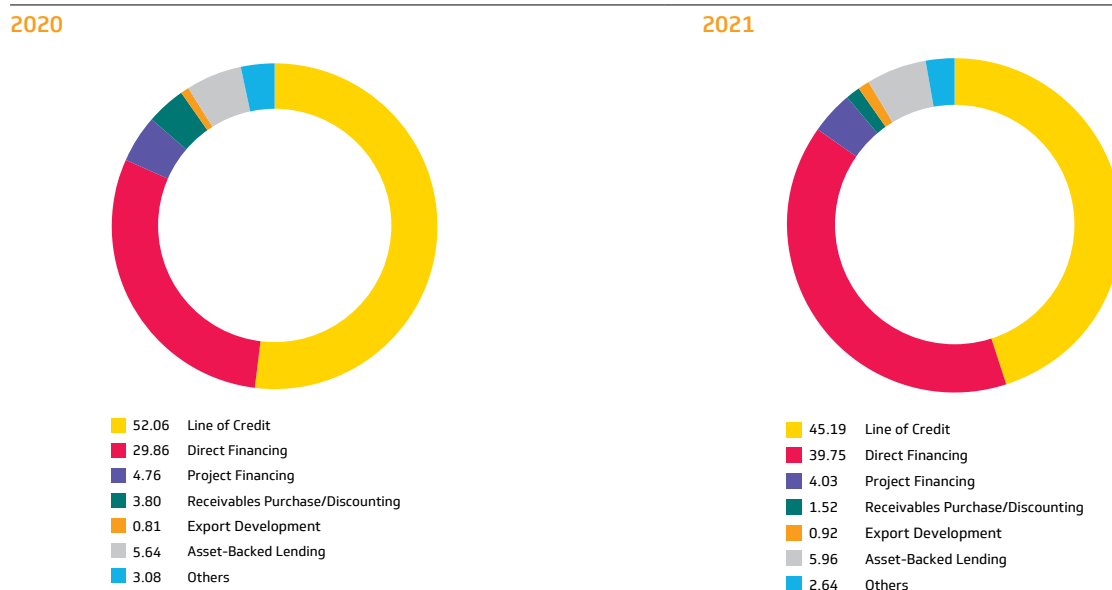
3.1.2.1 Sectors Financed

In line with the Bank's model of channelling resources to the real sectors through its Trade Finance Intermediaries, the Financial Services sector remained the largest

beneficiary of the Bank's support, with an approved amount of US\$8.76 billion in 2021, 58.52 percent of total approvals for the year. This growing support also reflected the approval by the Bank of 93 new correspondent banking, trade service, and trade finance intermediary relationships, compared with 85 recorded in 2020. These included 35 new Afreximbank Trade Facilitation Programme lines approved, 38 new Trade Finance Intermediary relationships established, and 20 new banks that used the Bank's AfPAY during the year.

Despite a challenging operating environment facing the sector, including the withdrawal of large international banks from funding fossil-fuel energy projects mainly affecting syndicated deals, the Bank's approvals to the Energy sector (oil and gas, power, etc.) rose by 1.52 percent from US\$2.41 billion in 2020 to US\$2.45 billion in 2021. The sector accounted for 16.4 percent of total approvals, second only to the Financial Services sector. The Energy

Figure 3.3 Afreximbank: Distribution of Outstanding Loans, by Type of Programme. 2020–21



Source: Afreximbank.

sector remained a strategic sector for the continent, as it accounts for a large share of GDP and fiscal and export revenues for many large African economies. 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\$4.92 billion in 2021, about 26.23 percent of the total loan portfolio, making it the sector with the second largest exposure for the Bank.

In 2021, the Bank approved a total amount of US\$2.16 billion for the manufacturing sector from US\$483.82 million in 2020. The increase mainly reflected the US\$2 billion approvals under the Advance Procurement Commitment Guarantee approved by the Bank in support of member states’ efforts to secure access to licensed COVID-19 vaccines from global manufacturers. Accordingly, the share of the sector in

the total approvals rose to 14.43 percent during the year from 3 percent in the previous year.

Gross disbursements to manufacturing projects stood at US\$1.65 billion in 2021, with outstanding loans to the sector amounting to US\$1.30 billion in 2021 from US\$1.42 billion in 2020. The sector was the third largest in terms of outstanding loans after the Financial Services and Energy sectors. It accounted for 6.96 percent of the loan portfolio.

During the year, the Bank approved US\$621.61 million for the Services sector, an increase of about 130 percent over 2020 (US\$268.48 million). The Services sector accounted for more than 4 percent of total approvals of the year, making it the fourth largest sector after Financial Services, Energy, and Manufacturing. Outstanding loans in the Services sector stood at US\$1,437.05 million in 2021, up from US\$999.99 million at the end of 2020.

In 2021, the Bank approved US\$494.00 million for the Minerals and Mining sector, benefiting four companies in Central, Southern, and West Africa under the Project Finance and Direct Finance programmes. The sector accounted for 3.3 percent of total approvals. The Bank’s exposure to the sector stood at US\$47.44 million at the end of 2021.

Under the Export Development, Direct Financing, and Line of Credit Programmes the Bank approved a total of US\$191.38 million in support of the agriculture sector. The balance of loans outstanding to the Agriculture sector decreased from US\$177.28 million in 2020 to US\$106.75 million in 2021.

In 2021, transactions approved by the Bank in support of the Transportation and Telecommunications sectors amounted to US\$231.54 million and US\$55.00 million, respectively. Together, these two sectors accounted for about 2 percent of total approvals in 2020. The balance

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Table 3.2 Afreximbank: Distribution of Loan Approvals and Outstandings by Sector, 2019–21

Sector Financed	Approvals (US\$ millions)			Growth Rate (%)	
	2019	2020	2021	2019/2020	2020/2021
Financial Services	7728.38	12168.55	8762.23	57.45%	-27.99%
Energy	3383.20	2419.38	2456.18	-28.49%	1.52%
Telecommunications	429.10	240.00	55.00	-44.07%	-77.08%
Services	339.41	268.48	621.61	-20.90%	131.53%
Manufacturing	270.38	483.82	2161.05	78.94%	346.66%
Metals and Minerals	142.00	10.00	494.00	-92.96%	4840.00%
Transportation	89.68	303.05	231.54	237.92%	-23.60%
Agriculture	17.39	401.70	191.38	2209.95%	-52.36%
Total	12399.54	16294.98	14972.99	31.42%	-8.11%
Cumulative Totals^a	81440.46	97735.44	112708.43	20.01%	15.32%

Source: Afreximbank.

^a Since the Bank began operations in September 1994.

Note: Gaps represent infinity.

of outstanding loans under the two sectors stood at US\$527.33 million for Transportation and US\$535.91 million for Telecommunications. Combined, they accounted for about 7 percent of the total portfolio at the end of the reporting period (Table 3.2 and Figure 3.4).

3.1.2.2 Beneficiary Institutions

The Bank's total approvals to financial institutions fell by 20.67 percent from US\$10.98 billion in 2020 to US\$8.71 billion in 2021. Though the year-on-year drop was due to the unwinding of PATIMFA in 2021, as discussed earlier, there was an increase of 17.59 percent compared with 2019 (US\$7.40 billion). The share of financial institutions in the total approvals remained the highest, at 58.19 percent in 2021. Outstanding loans to the financial institutions stood at US\$10.00 billion in 2021, up 8.38 percent from US\$9.23 billion in 2020. Financial institutions accounted for about 53 percent of the Bank's total portfolio at the end of 2021.

The increase in approvals to sovereigns by 15.91 percent, reaching US\$3.37

billion in 2021, was attested to the Bank's continued efforts to directly support African governments and their agencies in time of crisis. This followed a 108 percent increase recorded in 2020. Consequently, sovereigns accounted for 22.51 percent of total approvals during the year. At the end of 2021, outstanding loans to sovereigns amounted to US3.18 billion, 1.1 percent lower than in 2020. The share of sovereigns in the total portfolio stood at 16.98 percent in 2021, compared with 19.2 percent in 2020.

Following a decrease of 33.10 percent in 2020, approvals to corporates increased by 20.20 percent in 2021, reaching US\$2.88 billion. This, however, remained lower than the US\$3.59 billion recorded in 2019. While the Bank intensified its support to financial institutions and sovereigns, in the economic crisis triggered by the COVID-19 pandemic, corporate entities remained of critical importance for the continent's postpandemic recovery. Corporates accounted for slightly less than 20 percent of the year's total. The value of

outstanding loans to corporates increased by 29.05 percent from US\$4.31 billion in 2020 to US\$5.57 billion in 2021 (Table 3.3).

3.1.2.3 Direction of Trade Financed

Intra-African trade promotion remained key among the Bank's strategic pillars during the last year of implementing its fifth Strategic Plan. The challenges posed by the COVID-19 pandemic once again highlighted the importance for Africa in general and for the Bank in particular of prioritizing intraregional trade as a way to improve resilience against external shocks.¹

During the year, the Bank approved a total amount of US\$2.98 billion for intra-African trade transactions, an increase of 106.83 percent over 2020 (US\$1.44 billion). This total also reflected some flagship transactions approved by the Bank in 2021, including the US\$1 billion under the Collaborative Transit Guarantee Scheme. Intra-African trade transactions spanned all economic sectors supported by the Bank, including Financial Services, Energy, Manufacturing, Transportation,

¹ More details on the major intra-African trade initiatives implemented and supported by the Bank are provided in Section 3.1.3.

Share of Approvals by Sector (%)			Outstandings (US\$ millions, end of period)			Growth Rate (%)		Share of Outstandings by Sector (%)		
2019	2020	2021	2019	2020	2021	2019/2020	2020/2021	2019	2020	2021
62.33%	74.68%	58.52%	5592.40	9179.61	9884.11	64.14%	7.67%	45.16%	54.73%	52.67%
27.28%	14.85%	16.40%	3730.95	3321.06	4922.04	-10.99%	48.21%	30.13%	19.80%	26.23%
3.46%	1.47%	0.37%	612.22	536.75	535.91	-12.33%	-0.16%	4.94%	3.20%	2.86%
2.74%	1.65%	4.15%	725.88	999.99	1437.05	37.76%	43.71%	5.86%	5.96%	7.66%
2.18%	2.97%	14.43%	1000.87	1421.76	1305.84	42.05%	-8.15%	8.08%	8.48%	6.96%
1.15%	0.06%	3.30%	302.32	50.84	47.44	-83.18%	-6.69%	2.44%	0.30%	0.25%
0.72%	1.86%	1.55%	327.03	1086.12	527.33	232.12%	-51.45%	2.64%	6.48%	2.81%
0.14%	2.47%	1.28%	91.75	177.28	106.75	93.22%	-39.78%	0.74%	1.06%	0.57%
100.00%	100.00%	100.00%	12383.42	16773.41	18766.47	35.45%	11.88%	100.00%	100.00%	100.00%

and Services. The share of intra-African trade in the total approvals consequently rose from 8.87 percent in 2020 to 19.96 percent in 2021. At the end of 2021, the balance of outstanding intra-African trade loans stood at US\$4.95 billion, accounting for 26.41 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 in the loan portfolio is projected to remain high.

Approvals in support of mixed-directional trade (related to transactions which are expected to have impact on both intra- and extra-African Trade) fell to US\$7.47 billion in 2021. Transactions in support of mixed-directional trade remained the largest in terms of share of total approvals at 49.92 percent in 2021, down from 87.56 percent in 2020. Transactions supporting extra-African trade recorded approvals of US\$4.51 billion in 2021. Mixed-directional outstanding loans stood at US\$4.56 billion in 2021, accounting for 24.33 percent of total exposure. Outstanding loans to extra-African trade transactions rose to US\$9.24 billion in 2021, 49.26 percent of the total (Table 3.4).

3.1.2.4 Transaction Size and Other Transaction Features

Reflecting the Bank's continued support to member states in the second year of the pandemic, the number of approved transactions remained high during 2021 at 150 compared with 156 and 164 in 2019 and 2020, respectively. The average size of transactions remained almost unchanged at US\$99.82 million in 2021 compared with US\$99.36 million in 2020 (Figure 3.5).

The average maturity of approved transactions increased to 38.21 months in 2021 from 30.85 months in 2020. The standard deviation (measuring the dispersion around the average value) of approved transactions increased slightly from 22.37 months in 2020 to 23.48 months in 2021 (Figure 3.6).

3.1.2.5 Leveraging Financing into Africa

Traditional instruments used by the Bank to leverage financing across and into Africa include 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 2021, the Bank acted as mandated lead arranger for 10 syndicated transactions totalling US\$5.78 billion, compared with US\$23.17 billion in 2020, a decrease caused by global and regional challenges on syndication markets. The Bank's share in these syndicated transactions amounted to US\$718 million, reflecting a leverage ratio of 8.05 (US\$8.05 leveraged into the continent for every US\$1 committed by the Bank), compared with a ratio of 6.8 recorded in 2020 (Figure 3.7).

Reflecting its leading role on the African syndicated loans market, the Bank was ranked Africa's top Mandated Lead Arranger, top Bookrunner, and Number 3 Administrative Agent in sub-Saharan Africa in the Bloomberg 2021 full-year 'Global Capital Markets League Tables'.

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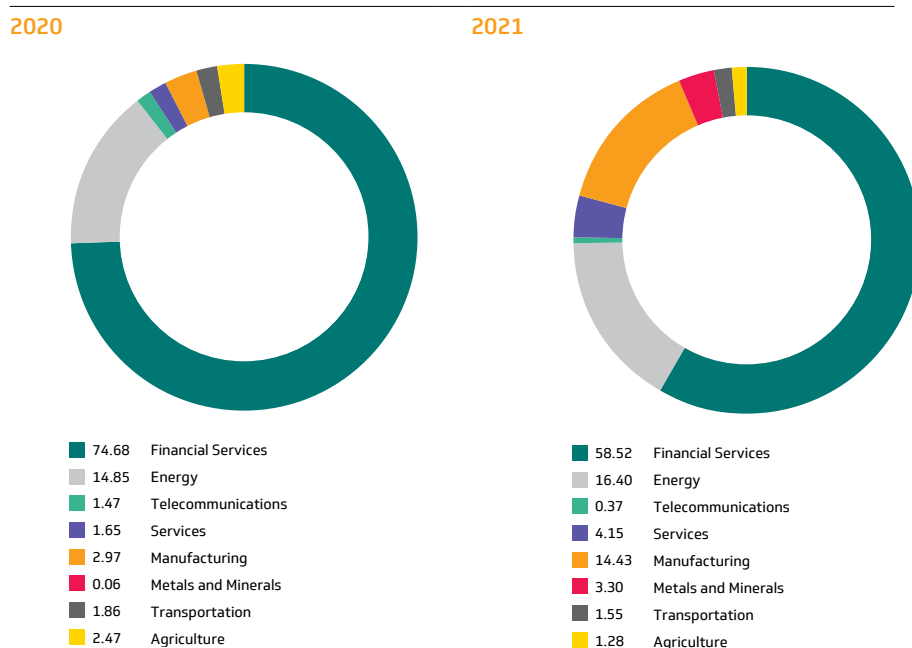
Table 3.3 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Beneficiary Institution, 2019–21

Type of Beneficiary Institution	Approvals (US\$ millions)			Growth Rate (%)	
	2019	2020	2021	2019/2020	2020/2021
Financial Institutions	7408.78	10982.61	8712.23	48.24%	-20.67%
Corporates	3593.54	2404.19	2889.86	-33.10%	20.20%
Sovereigns	1397.22	2908.18	3370.90	108.14%	15.91%
Total	12399.54	16294.98	14972.99	31.42%	-8.11%
Cumulative Totals*	81440.46	97735.44	112708.43	20.01%	15.32%

Source: Afreximbank.

* Since Afreximbank began operations in September 1994.

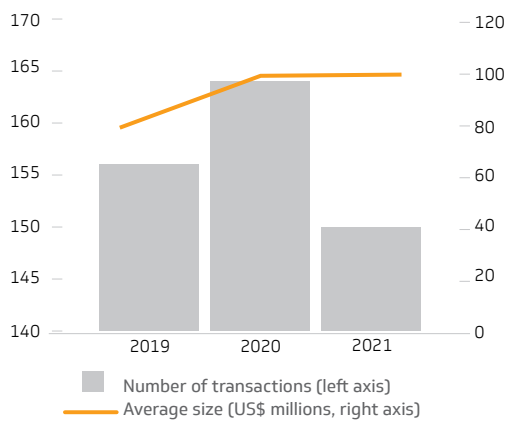
Figure 3.4 Afreximbank: Distribution of Loan Approvals by Sector, 2020–21 (percent)



Source: Afreximbank.

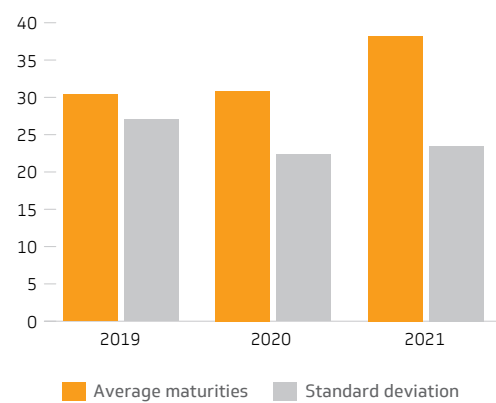
Share of Approvals by Type of Beneficiary Institution (%)			Outstandings (US\$ millions, end of period)			Growth Rate (%)		Share of Outstandings by Type of Beneficiary Institution (%)		
2019	2020	2021	2019	2020	2021	2019/2020	2020/2021	2019	2020	2021
59.75%	67.40%	58.19%	5631.93	9232.83	10006.74	63.94%	8.38%	45.48%	55.04%	53.32%
28.98%	14.75%	19.30%	4669.48	4318.51	5573.04	-7.52%	29.05%	37.71%	25.75%	29.70%
11.27%	17.85%	22.51%	2082.01	3222.07	3186.69	54.76%	-1.10%	16.81%	19.21%	16.98%
100.00%	100.00%	100.00%	12383.42	16773.41	18766.47	35.45%	11.88%	100.00%	100.00%	100.00%

Figure 3.5 Afreximbank: Number and Average Size of Approved Transactions, 2019–21



Source: Afreximbank.

Figure 3.6: Average Maturities & Standard Deviation, 2019–21 (months)



Source: Afreximbank.

Table 3.4 Afreximbank: Distribution of Loan Approvals and Outstandings by Trade Direction, 2019–21

Trade Direction	Approvals (US\$ millions)			Growth Rate (%)	
	2019	2020	2021	2019/2020	2020/2021
Intra-African ^a	1,015.37	1,444.65	2,988.01	42.28%	106.83%
Extra-African ^b	1,152.00	583.17	4,511.20	-49.38%	673.57%
Mixed-Directional ^c	10,232.17	14,267.16	7,473.78	39.43%	-47.62%
Total	12,399.54	16,294.98	14,972.99	31.42%	-8.11%
Cumulative Totals^d	81,440.46	97,735.44	112,708.43	20.01%	15.32%

Source: Afreximbank.

^a Related to transactions which are expected to have impact exclusively on intra-African Trade.

^b Related to transactions which are expected to have impact exclusively on extra-African Trade.

^c Related to transactions which are expected to have impact on both intra- and extra-African Trade (mixed-directional trade).

^d Since the Bank began operations in September 1994.

This ranking recognised the Bank's continued leadership in mobilizing capital 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 Yaoundé Branch Opening

As part of its geographical expansion on the continent, Afreximbank opened its Central Africa Regional Office in Yaoundé, Cameroon on 24 September the new office covers ECCAS. Afreximbank's deepening geographic footprint reflects the expansion of its membership from 37 to 51 member states since 2015. With this extensive membership, Afreximbank recognised the need to be closer to its markets and clientele in the region.

With the opening of the branch office, the Bank aimed to more than triple its interventions in the Central Africa subregion to exceed US\$5 billion in 5 years. The Bank will use its Investment and Country Risk Guarantees to attract African direct investment as well as foreign direct investments amounting to over US\$4 billion in the subregion within five years. The Bank also set the objectives of expanding the number of banks benefiting from its Trade Services facilities in the Central Africa subregion from 4 to 15

banks in 2 years and expanding their trade finance lines from US\$85 million in 2020 to US\$500 million by 2025.

3.1.3.2 Intra-African Trade Fair

IATF2021 was held in Durban, South Africa from 15 to 21 November. Under the theme Building Bridges for a successful AfCFTA, the fair attracted thousands of visitors to the Durban International Convention Centre. There were 1,501 exhibitors (including 214 who participated virtually) and 46 African countries and 23 non-African countries (total of 69). Total deals signed during the event amounted to US\$42.1 billion, exceeding a set target of US\$40 billion.

In a demonstration of leadership support for the IATF, underscoring its importance and beneficial impact in driving dramatic trade growth and investment across Africa, its opening ceremony was addressed by seven current and former African heads of state: H.E. Cyril Ramaphosa, (South Africa); H.E. Muhammadu Buhari, (Nigeria); H.E. Former President Olusegun Obasanjo, Chairman of the Advisory Council of IATF; H.E. Hakainde Hichilema, (Zambia); H.E. Lazarus Chakwera, (Malawi); and H.E. Emmerson Mnangagwa (Zimbabwe). H.E. Hussein Mwinyi representing H.E. Samia Suluhu Hassan, (Tanzania); and Rt Hon. Edouard Ngirente, (prime minister of

Rwanda) attended the event representing H.E. Paul Kagame.

3.1.3.3 Afreximbank General Capital Increase

Afreximbank embarked on a US\$6.5 billion General Capital Increase to expand its capacity to deliver on its core mandate and diversify its range of services. The increase will enhance the Bank's capacity to support the procurement of COVID-19 vaccines for the continent, bolster postpandemic recovery efforts for the economies of African nations, and drive the implementation of the AfCFTA, among other strategic initiatives. Recognising Afreximbank's mandate and pivotal role on the continent, the African Union Ministers of Finance, the African Union Executive Council, and the 34th ordinary session of the African Union Assembly of Heads of State endorsed the additional capitalization of Afreximbank. African member states are expected to contribute up to US\$1.5 billion as paid-in capital (US\$3.9 billion in callable capital) to meet their total contribution under the General Capital Increase. The Bank's Board of Directors opened the General Capital Increase to other shareholders of the Bank to contribute up to US\$1.1 billion to enable them to participate pro rata to their shareholding in Afreximbank, bringing the total size of the increase to US\$6.5 billion (of which US\$2.6 billion will be paid-in).

Share of Approvals by Trade Direction (%)			Outstandings (US\$ millions, end of period)			Growth Rate (%)		Share of Outstandings by Trade Direction (%)		
2019	2020	2021	2019	2020	2021	2019/2020	2020/2021	2019	2020	2021
8.19%	8.87%	19.96%	3,931.30	5211.5	4956.22	32.56%	-4.90%	31.75%	31.07%	26.41%
9.29%	3.58%	30.13%	2,195.77	5298.60	9243.54	141.31%	74.45%	17.73%	31.59%	49.26%
82.52%	87.56%	49.92%	6,256.35	6263.31	4566.71	0.11%	-27.09%	50.52%	37.34%	24.33%
100.00%	100.00%	100.00%	12,383.42	16773.41	18766.47	35.45%	11.88%	100.00%	100.00%	100.00%

The General Capital Increase was approved by Afreximbank shareholders during their 28th annual meeting in July, 2021.

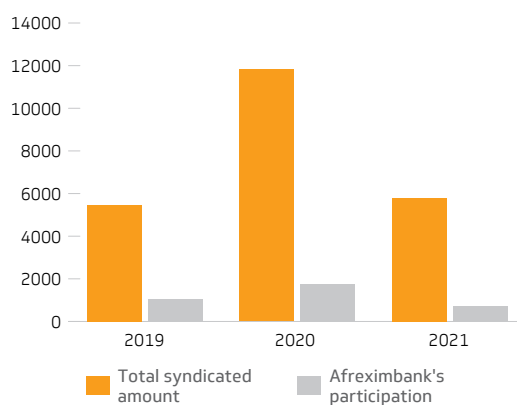
3.1.3.4 Credit Ratings

Afreximbank received a set of strong credit rating affirmations and 'Positive' outlooks from Moody's, Fitch Ratings, and GCR Ratings, underlining its resilient financial position and performance. The ratings reinforced the Bank's access to capital at a competitive cost, ensuring the continued success of key strategic initiatives to stimulate African trade.

Fitch revised its outlook on Afreximbank's Long-Term Issuer Default Rating to Positive from Stable, highlighting that the upgrade 'reflects the Bank's growing importance as the main multilateral development bank (MDB) providing funding to non-sovereign borrowers in Africa'. The agency further affirmed the Bank's IDR at 'BBB-', its Short-Term Issuer Default Rating at 'F3', and its senior unsecured debt at 'BBB-'. Fitch observed that 'the significant capital increase (US\$6.5 billion, of which US\$2.6 billion paid-in) approved by the board of directors in June highlights the increased strategic relevance of the bank for its African shareholders.'

Furthermore, Moody's affirmed the Bank's 'Baa1' rating with a Stable Outlook, while GCR affirmed Afreximbank's international scale long-term and short-term issuer

Figure 3.7 Syndications/Club Deals Arranged or Co-arranged by Afreximbank, 2019–21 (US\$ millions)



Source: Afreximbank.

ratings of 'A-' and 'A2', respectively, with the Outlook revised to Positive from Stable. The agency noted that this positive outlook factors in its expectation 'for the status of the Bank as one of the most influential Africa focused Multilateral Development Bank ('MDBs'), cemented by its development impact on the African continent (measured by the loan book) now closing in on the US\$20 billion mark'. GCR similarly affirmed the international scale long-term issuer rating of 'A-' on the Bank's US\$5 billion Global Medium-Term

Note programme, with a Positive Outlook. Following the engagement in December, 2021, JCR assigned the Bank international-scale long-term issuer ratings of A-, with a 'Stable Outlook'.

The strong credit ratings achieved by the Bank are vital to its ongoing mandate, enabling access to global financial markets and funding at a reasonable cost. The affirmation of Afreximbank's investment-grade status and the upgraded outlook from Fitch attested to the Bank's systemic relevance as demonstrated by its robust

Box 3.1 Review of Performance under Strategic Plan 5, 2017–21

Since inception, Afreximbank has adopted strategic planning as an instrument for achieving its medium goals. In continuation of this practice, the Bank's fifth strategic plan—Strategic Plan V: IMPACT 2021 (Africa Transformed) that was implemented from 2017 to 2021—was based on the Balanced Scorecard strategic planning and performance monitoring framework. It defined the Bank's strategic goals and aspirations. The Plan was framed around four strategic pillars, namely, Intra-African Trade; Industrialisation & Export Development; Trade Finance Leadership; and Financial Soundness & Performance.

At the forefront of Strategic Plan V were efforts to boost **Intra-African trade**, and the strategic objective of promoting intra-African trade was a key business priority for the Bank over the past five years as contemplated under the Bank's Intra-African trade strategy. Three main pillars of the Intra Africa trade strategy are: Create, Connect, and Deliver, as well as an ancillary theme, Measure. The Bank grew the share of its portfolio dedicated to intra-African trade deals from 15 percent at the end of 2016 to 27.1 percent as at end of December 2021 against the defined target of 24 percent. Similarly, the total portfolio specifically for the Intra-African Trade Initiative (IATI) department was about US\$5.8 billion as at end of

December 2021 from the initial level of US\$0.75 billion in 2016. The Bank implemented two successful editions of the Intra-African Trade Fair (IATF) during Plan V. The first IATF was held in 2018 in Cairo, Egypt; it attracted more than 1,000 exhibitors from over 45 countries with US\$32.6 billion worth of deals concluded. The second was held in 2021 in Durban, South Africa, and attracted over 32,000 participants from 128 countries and over 1,506 exhibitors from 59 countries leading to deals of over US\$42.1 billion. Under the Intra-Champs Programme, the Bank financed several large transactions and made disbursements worth over US\$1.6 billion to more than 17 intra-Champs, including Dangote Industries Ltd, Export Trading Group, El Sewedy Electric Group, Arab Contractors, Orascom Construction, Samcrete, Hassan Allam, OCP, STEG, Loukil, Oakwood African Investment, Vista group, among others. Other major achievements included the introduction of the Intra-African Investment Finance and Guarantee Programme; facilitating the emergence and expansion of Export Trading Companies; implementation of the Pan-African Payment & Settlement System initiative; development of the Creative Africa Nexus Initiative, the development of the "How to Export" Training Programme with the International Trade Centre (ITC), as well as support for the Implementation of the African

Continental Free Trade Agreement (AfCFTA) through efforts such as the US\$10 billion AfCFTA Adjustment Facility.

The **Industrialisation and Export Development** pillar of the Bank's fifth Strategic Plan was positioned to drive the structural transformation of Africa's production and exports into higher value-added and manufactured exports primarily to support the Bank's drive to promote Intra African trade. The pillar supported and facilitated non-commodity export production, especially export manufacturing, and fostered regional projects, including trade-enabling infrastructure. More than 27 manufacturing projects amounting to US\$6 billion were approved under the Plan, benefiting clients from across Africa. In addition, more than US\$5 billion were disbursed towards manufactured exports and services. About US\$2.2 billion were disbursed towards trade-enabling infrastructure covering projects such as regional railways, ports, dams, roads, and airports. To support the achievement of this strategic objective, the Bank introduced several products and initiatives, including the establishment of the Fund for Export Development in Africa with an initial investment of US\$325 million, leading to the first-ever equity investment of the Bank in Liquid Telecom and other subsequent investments.



During Plan V, the Bank also launched the small and medium-sized enterprise Development Programme with the intent to promote regional integration through Intra-African trade and provide technical support to enable SMEs to produce competitively in their local markets (as indirect exporters) and expand into international value chains. Through its Afreximbank Medical Centre of Excellence Initiative, the Bank invested in the development of a first-rate medical centre in Liberia and Uganda to drive excellence and promote intra-African medical tourism. The development of the Bank's own Afreximbank Medical Centre of Excellence in Nigeria also gained significant traction along with the establishment of African Quality Assurance Centres, internationally accredited centres offering conformity assessment services including testing, inspection and certification, and a training academy to transfer knowhow in conformity assessment to the local market.

Driven by its vision of transforming Africa's trade, the Bank continued to pursue **Trade Finance Leadership** through several interventions such as leveraging increased international finance flows into Africa; for every US\$1 invested by the Bank, the target was to attract US\$4 into the continent, which the Bank exceeded as at December 2021, when the leveraging ratio for syndicated

deals reached US\$8.05. The Bank also maintained a good ranking on various league tables. In that respect, in two consecutive years, 2020 and 2021, the Bank was ranked Number 1 Mandated Lead Arranger, as well as Number 1 Bookrunner and Number 3 Administrative Agent in the Bloomberg Global Capital Markets League Table for Sub-Saharan Borrower Loans. During the Plan, the total cumulative trade finance department disbursements stood at over US\$26 billion against the target of US\$12.97 billion. In addition, the Bank established correspondent trade services and Trade Finance Intermediary relationships with more than 289 banks with about US\$106 million in generated revenues from the Bank's letters of credits and guarantees businesses. Likewise, during Plan V the Afreximbank Trade Facilitation Programme (AFTRAF) attracted over 161 banks with a total cumulative utilization of US\$1.26 billion as at December 2021. Other key achievements in strategic initiatives implemented under this pillar included Counter-Cyclical Trade Liquidity Facility with about US\$6.5 billion used; the Pandemic Trade Impact Mitigation Facility with more than US\$7 billion of disbursements achieved; the Collaborative COVID-19 Pandemic Response Facility with US\$1.5 billion approvals as well as the African Vaccines Acquisition Task Team supply of over 220 million J&J

vaccine doses under a US\$ 2 billion guarantee and the development of the Africa Medical Supplies Platform. Other initiatives which were at various stages of implementation at the end of the Plan included the rollout of the Supply Chain Financing programme, Launch of the Captive Insurance programme (MGA/AfrexInsure), Implementation of the Country Export Promotion Program (COEXPRO) / EXIM Plus project, rollout of the Afreximbank Payment Services Proposition, implementation of the forfaiting initiative, and expansion of the factoring business.

Under the **Financial Soundness and Performance** pillar of Strategic Plan V, the Bank expanded its loan portfolio significantly and implemented effective initiatives to increase its loan assets from US\$10.1 billion in 2016 to reach US\$18.2 billion by December 2021 to achieve an impressive growth rate of 80%. In addition, total assets increased from US\$11.7 billion to US\$21.9 billion and guarantees increased from US\$500 million in 2016 to US\$1.9 billion in 2021. Growth in the asset base was largely driven by the growth in the Bank's loans portfolio. Consistent with the Bank's target for efficient management of its lending and borrowing activities, the net interest margin reached 3.54 percent by December 2021, compared with the initial target of 2.7 percent.

Box 3.1 Review of Performance under Strategic Plan 5, 2017–21 (continued)

Moreover, the Bank's Shareholders Funds target was fully achieved with a 142% percent increase from the 2016 position of US\$1.63 billion to reach US\$3.95 billion in 2021, primarily on account of new equity injection and internal capital generation arising from higher profitability. At the same time, the Bank had developed a five-year equity mobilisation plan which was implemented and achieved its target of US\$1 billion for callable capital. The key achievements under this strategic pillar included the mobilisation of class D Shares through the successful issuance of Depositary Receipts on the Stock Exchange of Mauritius (SEM); this was the first equity raise to be concluded by an African multilateral institution on an African stock exchange. In addition, the Bank adopted IFRS 9, effective 1 January 2018. Despite the challenging global economic conditions due to the COVID-19 pandemic and the supply chain disruptions during the year 2020, 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 a stable outlook for Moody's and positive outlook for Fitch and GCR, thus reflecting the Bank's strong solvency and liquidity position, among other attributes.

In the area of Stakeholder Satisfaction, the Bank achieved an overall composite score of 83.23 percent against the target of 80 percent as satisfaction levels for the external client survey, the shareholders survey, and the internal

survey of Bank staff. Afreximbank's Framework for Resolving External Stakeholders Issues was approved in 2018, and the resolution of survey findings and identified issues became top priority in the Bank.

To improve business development, the Bank prioritised innovation and product development, leveraging emerging digital technologies, evolutionary ideas, and market information to develop and propose several innovative products and solutions in support of business development activities, process improvement, etc. Some of these innovative initiatives and solutions included the Pan-African Payments and Settlements System, the African Due Diligence Repository (MANSA), and the Trade Information Portal, among others.

In terms of product development, under Plan V, more than 14 new facilities were developed and approved including the Global facility, Intra-African Investment finance facility, the Pandemic Trade Impact Mitigation Facility, and the Contract & Toll Manufacturing facility. The establishment of the Client Relations department helped to improve business origination and relationship management efforts as the Bank, through its branch offices, ensured active product and programme marketing as well as geographical diversification, as evidenced by the 100 percent utilisation of the Bank's programmes portfolio as at end of December 2021: 49 member states

benefitted from the Bank's products and services during Plan V. The opening of the East and Central Africa branches in Kampala, Uganda and Yaoundé, Cameroon, further boosted these efforts.

The Bank continued to improve its operating efficiency by ensuring that operations and services are rendered to meet specific needs of customers in terms of time, quality, and process efficiency. As such, the cost to income ratio was consistently below 25 percent against the target of 30 percent. Project implementation both for budget and for timely completion was also closely monitored.

The Bank continued to engage stakeholders across the continent: 9 additional countries acceded to the Bank Agreement against the target of 8 defined for the Plan V period, bringing the total number of member countries (countries that have acceded to the Bank Agreement) to 50 countries as at December 2021; 12 additional countries ratified the Bank Agreement against the Plan V target of 8, bringing the total number of countries that have ratified to 44.

Risk management continued to be at the forefront of the Bank's management and operational activities. Under Plan V, major milestones were achieved, including the revision of the Risk Management Policies and Procedures, which remains the overarching document for managing risks across the Bank along with the adoption of a Risk Appetite Statement and the 14-grade



rating model. With the outbreak of the COVID-19 global pandemic, the Bank conveyed incredible resilience and adaptability with the help of effective business continuity management. Led by the Crisis Management Team, the Bank was able to assess, track, and proactively respond to all pandemic-induced challenges faced by Bank staff and business operations. By the performance measures defined for this strategic objective under Plan V, the Bank performed very well.

During the plan period, the Bank continued its efforts to recruit and train new staff based on its strategic needs. Several key functions were created and resourced during Plan V. The Bank's human resource capacity grew from 166 in 2016 to 305 staff in December 2021. The Bank continued its implementation of the Afreximbank Talent Development Framework, a competency framework that was customised to the Bank's needs. The Bank also continued to implement annual training plans for its staff and availed learning tools that enable staff to achieve individual skills development goals such as the LMS portal.

The Bank's great successes in the implementation of the Strategic Plan V were driven by the strong performance management tools. With the adoption of the Balanced Scorecard Strategic planning and performance management framework, objectives, measures, and targets were clearly defined

across the three tiers of the Bank. As a result, the average Employee Engagement score was 85.4 percent between 2017 and 2021 against the target of 80 percent.

Other initiatives included the rollout of a robust Exchange and Secondment Programme between the Bank and specified peers and partners, including China and India Export-Import Banks, as well as the implementation of the Bank's Junior Professionals Programme and the Sabbatical Programme and continued implementation of the Internship Programme. The Bank adopted a range of technologies during Plan V to improve operating efficiency and the delivery of its products and services. Several key Bank systems were delivered under this Plan period, such as the Finacle core banking system and Salesforce system, amongst others.

The Bank's efforts in delivering on the strategic aspirations of Plan V were quite impressive despite the prevailing uncertainties in the operating environment, including the adverse impact of the COVID-19 pandemic, volatility in financial and commodity markets, and the supply chain disruption, which prevailed for most of the last two years of the Strategic Plan V period as the economy and related trade activities were hit hard and contracted sharply. Overall, several projects were initiated during Plan V that have gradually gained momentum over the years and will form the foundation

of the next strategic plan—Strategic Plan VI.

This 6th Strategic plan themed - **Impact 2026 (Extending the Frontiers)** has been approved by the Board to cover 2022 – 2026 and it is anchored on four key strategic pillars, namely, Intra-African Trade and AfCFTA Implementation; Industrialisation & Export Development; Leadership in Global trade Banking in Africa; and Financial Sustainability. Under each of the strategic pillars, there are specific objectives, initiatives, programmes, and financial instruments through which priorities identified in the strategic plan are to be addressed. The plan was developed in the context of, inter alia, the experiences, insights gained, and opportunities identified during Plan V implementation; internal and external challenges faced during Plan V implementation; the mandate and mission of the Bank; and the medium-term prospects for the global African economies. The Bank will therefore be implementing Strategic Plan VI to consolidate and extend on the wins of Strategic Plan V.

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resilience through the pandemic. The credit rating agencies also underlined the continued confidence in the Bank's ability to deliver attractive financial returns while fulfilling its core mandate of expanding, diversifying, and developing African trade.

3.1.3.5 Continental Transit Guarantee Scheme

Afreximbank signed the Instrument of Accession to the Inter-Surety Agreement for the Implementation of the Common Market for Eastern and Southern Africa (COMESA) Regional Customs Transit Guarantee/bond agreement. The Bank is set to begin the implementation of its US\$1 billion Continental Transit Guarantee Scheme, of which about US\$200 million is earmarked for the COMESA region. The Agreement was signed by Professor Benedict Oramah, President of Afreximbank, and Dr Elirehima Joshuo Doriye, Chairperson of the Council of the Regional Customs Transit Guarantee. It set the stage for the implementation of the Afreximbank African Collaborative Transit Guarantee Scheme, a programme designed to facilitate the smooth transit of goods across Africa through a continentwide single technology-enabled transit guarantee scheme. Under this programme, working with the African Union, COMESA, and other regional economic communities, Afreximbank will become a regional and continentwide guarantor, providing transit bonds covering the full range of borders that goods are required to cross. The Bank will not displace existing operators but will work with them on a risk-sharing basis, boosting their capacity to issue bonds at a local level.

Through the scheme, Afreximbank will ensure that when goods do not complete their transit, sums are paid in line with the duties and taxes that would have been required, thereby enhancing tax collection for African nations. In addition, the transit guarantees provided by the Bank will enable businesses to release working capital otherwise tied up as collateral against transit bonds, while also accelerating the movement of goods across borders. By speeding up transit times and reducing costs, the scheme will provide a

boost to African manufacturers, ensuring that they can easily access the inputs they need for their business and enabling them to pass savings on to consumers.

3.1.3.6 Progress on the AfCFTA Adjustment Fund

The Bank was mandated by the African Union Summit to support the development of the AfCFTA Adjustment Facility. In 2021, the Bank presented the Report on the Adjustment Facility to the AfCFTA Council of Trade Ministers. The Council commended the Bank for the support to the AfCFTA, including the AfCFTA Adjustment Facility, and directed the AfCFTA Secretariat to work with Afreximbank to establish the Adjustment Facility at the AfCFTA Secretariat. The Council of Ministers responsible for Trade adopted the structure of the Adjustment Fund, which consists of the Base Fund, the General Fund, and the Credit Fund, and appointed Afreximbank a fund manager. The estimated total size of the Adjustment Fund is US\$8–10 billion over the next 6–10 years. Afreximbank expects to support the Fund with up to US\$1 billion.

3.1.3.7 Afreximbank–Africa Finance Corporation Vaccine Agreement

The Bank signed a collaboration agreement with Africa Finance Corporation to facilitate and support manufacturing of vaccines on the continent, critical to supporting Africa's fight against diseases such as COVID-19. Under the agreement signed in April, Afreximbank and Africa Finance Corporation will identify and engage partners and co-finance vaccine manufacturing projects in Africa. The two institutions will provide preparatory support to project developers and promoters whilst stepping up policy and advocacy efforts to unlock major market barriers. These barriers include border clearance, road and freight logistics, cold-chain and warehousing on the continent, and access to markets. A key outcome will be establishing African self-reliance for the sustainable, secure supply of routine vaccines for the continent's population, as well as improving the continent's capacity to respond to epidemic outbreaks such as COVID-19.

3.1.3.8 African Trade Finance Survey

The Bank, in collaboration with the United Nations Economic Commission for Africa, the African Development Bank, and Making Finance Work for Africa Partnership, released on 15 April 2021 the African Trade Finance Survey Report, which provides a better understanding of the trade finance landscape across Africa and how it has evolved during the COVID-19 pandemic. The report was the first of its kind, surveying 185 banks from across Africa, representing more than 58 percent of total assets held by African banks. The report highlighted the role that trade finance can play in overcoming the social and economic fallout of the COVID-19 pandemic to quicken the process of economic recovery through trade and investment growth.

The report pointed out that African trade amounts to US\$1,077 billion but banks intermediate US\$417 billion of this, approximately 40 percent, whilst the global average is 80 percent. The report made numerous recommendations, including a greater engagement between central banks and industry; push for increased digitalisation and take-up of technologies; and better data, which will help with better understanding and pricing risk on the continent.

3.1.3.9 Africa Quality Assurance Centres

During the year, Afreximbank commenced the construction of the Africa Quality Assurance Centre in Ogun State, Nigeria. The Centre will be a state-of-the-art facility with the capacity to offer testing, certification, inspection, and training services covering agricultural products. It is the first in a series of Quality Assurance Centres that Afreximbank intends to establish across Africa to support industrialisation across the continent by ensuring that African products are manufactured to international standards and enabling them to participate in intra-African and global trade. First-class quality infrastructure is considered critical in facilitating trade under the AfCFTA.

Construction of the Quality Assurance Centre in Nigeria began on 25 February 2021. The Centre, which is expected to begin operations by the second half of 2022, will provide more than 400 local jobs, including over 180 in the highly skilled areas of quality assurance, testing, inspection, and certification. In addition, an onsite training academy will provide the public and private sector with training in standards and quality assurance as well as the skills necessary for businesses to compete in regional and international markets. Similar projects are expected to commence in Tanzania, Egypt, and Ethiopia.

3.1.3.10 Cooperation with CARICOM Countries

As part of Afreximbank's strategy to promote trade and investment relations with the African Diaspora, President Oramah paid an official visit as a guest of the government of Barbados to explore opportunities of mutual interest. Afreximbank and the government of Barbados signed a memorandum of understanding to expand trade and investment links between Africa and the Caribbean island state. Under the memorandum of understanding, the two parties will explore opportunities for joint investment and trade finance aimed at expanding economic ties between Africa and Barbados. President Oramah commented during the visit: 'Cooperation among nations of the global south can become an engine of growth and prosperity. The economies of African nations and Barbados share a common heritage, entrepreneurial drive, and opportunities. By coming together Afreximbank and the Government of Barbados will harness the power of trade to create new jobs, scale up new industries, and reap the benefits of a rich exchange in goods, services, and culture between Africa and Barbados'. The Bank agreed in principle to put in place an initial amount of US\$250 million in a facility called the Africa-Caribbean Trade and Investment Financing Facility to support trade and investment exchanges between Africa and the Caribbean.

3.1.3.11 Re-election of President Oramah to the FCI Executive Committee

In light of the recognition of Afreximbank's efforts in promoting factoring in Africa, Afreximbank President Oramah was re-elected to the Executive Committee of FCI, the global representative body for the factoring, invoice financing, and asset-based lending industry. The president was unanimously elected at FCI's 53rd Annual Meeting on 24 September 2021, to represent FCI Affiliate Members. The president said, 'I will continue leveraging FCI's support to implement forward-looking strategies towards the growth of factoring, and ensuring the Bank's networks of government officials and policymakers are extended to the FCI family for advocacy towards factoring development in Africa'.

This is the third time President Oramah was re-elected to the FCI Executive Committee since his election in 2017 and 2019. He was chosen alongside the General Manager and Head of Technical Functions at Egypt Factors, whose candidacy was supported by Afreximbank, making this the first time two delegates from Africa have been voted onto the FCI Executive Committee. Their election strengthens Africa's position in the world's leading factoring body and is a recognition of the increasingly important African market.

3.1.3.12 Progress on the African Medical Centre of Excellence

During the year, the Bank made significant progress towards the development of the African Medical Centre of Excellence in Nigeria, with construction works imminent. This was a historic moment for the Bank: the Centre in Nigeria is the first of its kind on the African continent.

The African Medical Centre of Excellence initiative is a product of Afreximbank's strategic alliance with King's College Hospital, London to develop Medical Centres of Excellence across Africa. The Centre in Abuja, Nigeria, will be the first of the Medical Centres of Excellence that Afreximbank intends to develop across the continent to provide a range of specialist healthcare services in Africa. It will entail

the development and operationalisation of a quaternary-level, multispecialty 500-bed hospital facility focusing on specializations in three core non-communicable diseases, namely oncology, haematology, and cardiology, and with general care capabilities.

3.1.3.13 Progress on the Implementation of the Automotive Strategy

Following the development of the Afreximbank Automotive Strategy in 2020, the Bank commenced the implementation of the strategy and announced a US\$1 billion Afreximbank African Automotive Financing Facility at the auto forum that was held during the IATF. Some of the key activities during 2021 included:

- Joined the African Association of Automotive Manufacturers (AAAM).
- Worked with AAAM and other partners in the organization of the Auto Show from 15–21 November, 2021, as part of the IATF. This was attended by 19 exhibitors and 43 companies. An auto forum was also held during the event, followed by an auto workshop. The Africa Auto Show will now be a permanent feature at all Intra-African Trade Fairs.
- Worked with AAAM, the African Union, and the AfCFTA Secretariat to develop the continental automotive strategy. A concept note was finalised in 2021 which formed the basis for the development of a strategy. Several ministerial meetings were held to provide guidance on the key elements of the strategy.

3.1.3.14 Harmonisation of Standards

In 2021, the Bank, in collaboration with the International Islamic Trade Finance Corporation, through the Arab-Africa Trade Bridges Program supported the Africa Organisation for Standardisation (ARSO) in harmonising standards for pharmaceutical and medical devices in Africa to promote the quality and safety of medicines and medical devices imported or produced on the continent.

Some of the 121 standards that were harmonised under different ARSO Technical Committees and Conformity

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Assessment Committee, included (1) Guideline for regulation of African traditional medicine, (2) Guideline on marketing authorization of human pharmaceutical products, and (3) Guideline for regulation and conformity assessment for medical devices. ARSO harmonised 36 additional standards under automotive technology and engineering. The Bank also facilitated a round table on Harmonization of African Standards of Pharmaceutical products, which was held during the 2021 IATF, where a memorandum of understanding was signed between ARSO and the AfCFTA Secretariat.

3.1.3.15 Creative Africa Nexus

During the year, the Bank successfully registered several achievements under its Creative Africa Nexus Programme, including:

Portugal Fashion week: Following the execution of a 3-year partnership with National Association of Young Entrepreneurs in June, 2021, the Bank supported the first cohort of 20 African Fashion designers at Portugal Fashion week, 13–16 October 2021. The initiative aimed at promoting Africa's fashion apparel and textile manufacturing industry in Portugal and across Europe.

Cookout Masterclasses: The Bank organised Cookout Masterclasses in five regions of Africa namely, North, Southern, Central and East, West (Anglophone), and West (Francophone). These masterclasses were attended by 389 African creatives and provided more than 100 African collaborators a unique opportunity to join the growing list of legally recognised African songwriters with publishing stakes in the songs that they help to write.

3.1.3.16 Developments on Syndication Markets

The challenges in the African loan markets continued to be felt in 2021 as the COVID-19 pandemic and the associated economic difficulties persisted. Although capital from outside the continent was generally keen to return to Africa, investors were largely more risk averse and primarily concentrated on quality borrowers. This required Afreximbank

to fulfil its role as countercyclical financial institution and proactively broaden access to commercial capital to borrowers in those countries where access to international finance remained constrained. Furthermore, Afreximbank decisively used its standing and expertise as leading arranger and administrative agent of syndicated loans in Africa to crowd in capital from a wide range of its partner investors both within and outside the continent. The Bank also used its formal and informal partnerships to enhance cooperation with its sister African regional development finance institutions. Further to this, the Bank was able to channel significant amounts of capital to end-borrowers on the continent through its own borrowing activity, which continued to attract liquidity from a wide range of African and non-African financial institutions in spite of the ongoing economic pressures.

Although 2021 saw a significant drop in overall syndicated lending volumes in Africa, Afreximbank's decisive interventions and leadership in the loan market contributed to maintaining investor confidence and smoothing the economic downturn for many sovereign, financial institution, and corporate borrowers, thereby avoiding potential defaults in these sectors.

3.1.3.17 PK 24 Industrial Park (IP) Progress Report

Addressing infrastructure bottlenecks entails establishing well-functioning special economic zones as self-inclusive production and trade hubs. Afreximbank is scaling up efforts and building innovative partnerships to help a number of pilot countries establish industrial parks and/or special economic zones, including the development of the Abidjan PK-24 industrial park in Côte d'Ivoire after securing the development agreement with the Ivorian authorities. The PK-24 industrial park project entails the development of a multi-sector industrial park under the public-private partnership (PPP) laws of Cote d'Ivoire. The Park will have the capacity to host up to 60 tenant companies, with a focus

on the processing of key commodities, including cocoa, cashew nuts, fruits, and vegetables, and on light manufacturing in pharmaceuticals, equipment assembly, and home appliances, among others. The Park will feature inside-the-fence infrastructures, such as roads, power, water, information, and communication technology and waste management, manufacturing plants, warehouses, a logistics complex, offices, and commercial and residential buildings. The industrial park will cover about 113 hectares and would be demarcated into zones.

The Park is expected to contribute to the industrialization objectives of the Ivorian Government by providing businesses with cost-effective infrastructure assets and services to produce value-added exports in AfCFTA markets, increase employment, grow inflows of foreign direct investment, and transfer knowledge, ideas and technologies.

Afreximbank is partnering with ARISE Integrated Industrial Platforms (Arise IIP), a leading Singapore-based global agribusiness with world-class experience in designing, financing, conceiving, and operating industrial ecosystems across Africa.

3.1.4 Updates on the Subsidiaries

3.1.4.1 Progress on the Fund for Export Development in Africa Agreement

The Republic of Guinea signed the Agreement for the Establishment of the Fund for Export Development in Africa (FEDA), a development impact-oriented subsidiary of Afreximbank. FEDA provides equity and quasi-equity funding to companies developing trade and value-added export of goods and services in Africa. The Establishment Agreement was signed on 31 March 2021, by the minister for Foreign Affairs, Mr. Ibrahima Khalil Kaba, on behalf of the Republic of Guinea. Guinea becomes the third signatory of the Establishment Agreement after Rwanda in November 2020 and Mauritania in January 2021. The signing of the Agreement by Guinea was a highly significant step, because it enabled

FEDA's Legal Establishment procedures to progress towards completion. The Establishment Agreement grants FEDA legal capacity to conduct business in its own name as an international organisation with privileges and immunities accorded to other multilateral financial institutions on the continent.

3.1.4.2 Fund for Export Development in Africa Inaugural Investment

FEDA made a minority investment in Liquid Intelligent Technologies (Liquid), a pan-African telecommunications technology group. This first investment enabled FEDA to become a stakeholder in Africa's fast-growing technology infrastructure landscape, in which Liquid is a leading player. With a fibre optic network currently stretching more than 100,000 km across sub-Saharan Africa, one of the world's fastest growing data market regions, Liquid has direct access to international submarine cable infrastructure as well as significant investment in data centres across the continent. Liquid is the only operator in sub-Saharan Africa with a multicountry fibre network of such geographic breadth. Liquid's infrastructure therefore facilitates intra-extra African connectivity, reducing the cost of communication and trade in line with the mandates of FEDA and Afreximbank.

3.1.4.3 Pan-African Payment and Settlement System Operational Rollout

During 2021, the Bank and the AfCFTA Secretariat announced the operational roll-out of the PAPSS, a revolutionary financial market infrastructure to enable instant, cross-border payments in local currencies between African markets. By simplifying cross-border transactions and reducing the dependency on hard currencies for these transactions, PAPSS is set to boost intra-African trade significantly and underpin the implementation of the AfCFTA. PAPSS will serve as a continent-wide platform for the processing, clearing, and settling of intra-African trade and commerce payments, leveraging a multilateral net settlement system. Its full implementation is expected

to save the continent more than US\$5 billion in payment transaction costs each year.

Afreximbank acts as the main Settlement Agent in partnership with participating African Central banks. The project is supported by the African Union, the AfCFTA Secretariat, and Afreximbank. The commissioning of PAPSS followed a successful pilot phase in the countries of the West African Monetary Zone (WAMZ). The West Africa Monetary Institute collaborated with Afreximbank in launching the system in the WAMZ. Afreximbank will provide settlement guarantees on the payment system and overdraft facilities to all settlement agents. To accelerate expansion and ensure settlement finality, Afreximbank approved US\$500 million to support clearing and settlement in the West African WAMZ countries. It is estimated that a further US\$3 billion would be needed to support the system's continentwide implementation.

3.1.4.4 AFREXINSURE - Insurance Management Services

During 2021 the Bank successfully set-up a subsidiary, Afrexim Insurance Management Company ("AfrexInsure"). The company is established in Mauritius and licensed by the Financial Services Commission of Mauritius as an Insurance Manager. AfrexInsure offers specialty insurance to clients engaging in trade and trade enabling investments in Africa. AfrexInsure has commenced working with its partner institutions, including risk carriers, to offer insurance management services solutions in Africa.

3.2 ACTIVITIES

3.2.1 Treasury Activities, Risk Management, and Compliance

3.2.1.1 Treasury Activities

Notwithstanding the COVID-19-occasioned challenges that spilled over from 2020, the Bank was able to meet its funding objectives in 2021. A total of about US\$9.50 billion was mobilised from diverse international and local (Africa) sources during the year. This total

excluded facilities that were concluded during the year but not used. A total of US\$5.40 billion was raised under the Africa Resource Mobilisation Programme, and the balance was raised from international market sources. Notable transactions that were concluded from international market sources in 2021 included: (1) an international bond issue under the existing US\$5 billion Global Medium-Term Note Programme; (2) a syndicated loan; and (3) a Korea-focused club deal.

Of the US\$9.50 billion raised in 2021, US\$1.3 billion was related to a bond issuance. In May 2021, the Bank tapped the international debt capital markets by issuing 5-year and 10-year dual tenor notes through its Global Medium-Term Note Programme. Following highly successful virtual roadshows, the Bank, on 10 May, 2021, priced two tranches of a 5-year US\$600 million note and a 10-year US\$700 million note. Both tranches were competitively priced. Bolstered by strong demand, the final combined order book stood at US\$4.5 billion with a total of US\$1.30 billion allocated, representing more than 3.5x oversubscription.

In December 2021 the Bank closed a highly successful syndicated loan market transaction. Launched on 25 November 2021 to a limited group of relationship banks at a launch amount of US\$600 million equivalent, the facility was more than 2.3x oversubscribed, allowing the Bank subsequently to upsize the amount to US\$1.20 billion while also scaling back the banks on the deal. This successful transaction, launched amidst the market volatility resulting from the announcement of the omicron variant of COVID-19, is a testament to the strength of the Bank's investor relationships and the high regard and confidence that the market has for the Bank's financial strength and its importance to the continent. In a bid to further enhance the diversification of its liability book, the Bank closed an equally successful club deal in December, which focused on South Korea. This was the second time a facility of this nature was arranged for the Bank in Korea, following one that was concluded in 2018. A total of nine lenders participated in the Club Facility, which attracted total

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commitments of US\$340 million, though it was targeted to raise US\$200 million. The lenders were scaled back, and the facility was closed at US\$300 million.

In terms of repayments, the major refinance risk in 2021 was in May, when a bond amounting to US\$900 million matured. The bond was refinanced by another bond which was concluded in the same month. In terms of Central Bank Deposit Programme (CENDEP) deposits, the Bank managed to achieve its set target retention rate of at least 85 percent of deposits.

Furthermore, during the review period, 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. It is imperative to note that all foreign exchange derivatives entered into by the Bank in 2021 yielded cost that was competitive and well below the funding cost in the Bank's functional currency.

As part of its liquidity management process and in line with its investment policy, the Bank placed funds in liquid short-term investment instruments with investment grade-rated counterparties approved by the Board of Directors. Consequently, the Bank closed the year with a strong liquidity position of about US\$3.36 billion.

To improve the operating efficiency of its Treasury function, the Bank implemented important IT-related projects in 2021. These included the enhancement of the Treasury Management System's capacity to accommodate risk-free rates in place of LIBOR rates, which are being phased out. These improvements were necessary because they help to equip the Treasury function with tools that are best in class for adapting to changes in both technology and market practices.

During 2021, the Bank undertook the annual management credit rating review process. The annual reviews were conducted in June 2021 with three

rating agencies (GCR, Moody's, and Fitch Ratings). The outcome of the process was very positive, with Fitch and GCR revising the Bank's rating outlook from 'Stable' to 'Positive' while affirming the Bank's long-term credit rating at BBB- and A-, respectively. Moody's also affirmed the Bank's long-term credit rating at Baa1, with 'Stable' outlook. Also, the Bank added JCR to the panel of credit rating agencies that rate it. Following the engagement, in December 2021, JCR assigned Afreximbank international-scale long-term issuer ratings of A-, with a 'Stable' Outlook. Such a strong outcome is testament to the Bank's credit strength and its growing systemic importance on the continent.

Last, through a LIBOR Transition Working Group that was constituted to oversee the transition from LIBOR benchmark rates to risk-free rates, the Bank finalised the preparatory work that ensured that its systems and processes were ready for the change.

3.2.1.2 Risk Management

The Bank's key risk universe includes (1) Business and Strategy risk, (2) Credit risk, (3) Operational risk, (4) Liquidity risk, (5) Market risk, (6) Compliance risk, (7) Reputational risk, and (8) Mandate risk. The overall risk profile of the Bank as at 31 December 2021, was GREEN; that is, it was within the Board-approved risk appetite and tolerance levels across its key risk universe.

During 2021, risk management activities focused on improving, strengthening, and enhancing the Bank's enterprise risk management framework. Key related initiatives included the ongoing implementation and automation of the Bank's operational risk management tools, including risk control self-assessments, key risk indicators, and the automated operational risk reports and dashboards. Through its Loan Remediation function, the Bank continued to make significant progress in ensuring that the asset quality remains sound, despite the impact of the COVID-19 pandemic, through effective recovery and remediation efforts. As part of its Environmental, Social, and Governance Framework, the

Bank continued to implement various initiatives to strengthen the operational and institutional safeguards. Specifically, the Bank revised the Environmental, Social, and Governance procedures and implemented capacity building programs to improve internal capabilities in line with leading practices.

Additionally, the Bank strengthened its risk management capacity and continued to mitigate the risks posed by the COVID-19 pandemic to its staff, customers, and business operations.

The Bank maintained a sound risk culture through several risk awareness activities, Bankwide risk training, and the continued drive to automate its risk management processes. Some initiatives concluded during the year were (1) approval of the Bank's Risk Management Procedural Manuals which will guide the implementation of the approved risk management policies; (2) roll-out of a Bankwide Risk Management Awareness programme; (3) monitoring the COVID-19 situation, assessing the impact, and taking appropriate action; (4) finalization and approval of the Bank's Risk Management Procedures; and (5) implementation of the Basel III framework. These initiatives will go a long way in further strengthening the Bank's enterprise risk management framework.

3.2.1.3 Compliance Activities

The following were the key highlights of the Bank's Compliance activities in 2021:

Financial Crime Compliance: During the year, the Bank enhanced its ability to monitor and manage compliance risks. It invested in and deployed automated compliance risk monitoring systems. It also implemented customer and transaction screening systems and a central data repository that enables full visibility of the relevant operating systems of the Bank, facilitating ongoing monitoring and screening of customers, transactions, and transaction parties. New relationships were assessed against financial crime risk, including periodic reviews of existing relationships as part of ongoing monitoring. Adequate measures were

put in place to mitigate identified risks in line with the Bank's enterprise risk management framework.

Regulatory Compliance: The Bank continued to monitor and advise various stakeholders on regulatory issues affecting its products, transactions, and business relationships, to ensure that its activities are conducted in a manner that will not contravene relevant regulations, albeit its self-regulation status.

Internal Training and Communication: All staff of the Bank participated in the annual compliance e-learning module on Anti-money Laundering and Counter-Terrorism Financing. The Bank also facilitated a virtual training for staff and for the Board of Directors in November 2021. Periodic bulletins were also circulated to staff on current compliance issues to keep them abreast of the Bank's evolving compliance environment.

External Training: In 2021, the Bank collaborated with the Bankers Association for Finance and Trade to deliver correspondent banking training for financial institutions in Africa. A total of four subregional virtual sessions were conducted (Southern, East, Francophone, and Anglophone West Africa subregions). More than 100 participants attended the sessions from various financial institutions and regulatory bodies.

3.2.2 Shareholders' Matters

The pandemic-related global challenges that started in 2020 persisted in 2021 and continued to disrupt many businesses and social activities, including those of the Bank. It was for this reason that, as with the 2020 Annual General Meeting of Shareholders, the 2021 Annual General Meeting was also held by correspondence in accordance with Article 20 (11) of the Charter. The shareholders were thus able to make critical decisions that ensured the Bank's governance, management, and operations continued during these unprecedented and challenging times.

All the Annual General Meeting resolutions presented were approved by the requisite majority of shareholders in line with Article 20 (11) of the Charter; the outcome of the

voting was announced to shareholders by the Chair of the General Meeting on the 30th of July 2021. Notable among the resolutions passed was the support for the General Capital Increase to raise an additional US\$2.6 billion in paid-in capital to expand Afreximbank's capacity to support the procurement of the COVID-19 vaccines for the African continent and to support African economies and their private sectors after the pandemic, among other purposes, which received the overwhelming backing of shareholders who participated in the exercise.

Other resolutions approved by the Annual General Meeting included the adoption of the 2020 Annual Report, and audited Financial Statements, together with the declaration and distribution of dividends amounting to US\$87.92 million for the year ending 31 December, 2020, as recommended by the Board of Directors. The shareholders also approved the reappointment of PricewaterhouseCoopers (PwC) Zimbabwe, and KPMG Egypt, as joint external auditors of the Bank for the 2021 financial year. In addition, shareholders in the relevant classes approved the election of two new Directors representing shareholders in Class 'A' and Class 'C', namely Mr. Aliyu Ahmed and Ms. Yang Lili, respectively.

During the year, and in addition to the General Capital Increase, the Bank continued with the implementation of its strategic objective of mobilising equity from various sources to respond to the strong demand for its financing and initiatives from its participating states and other clients, especially given the extraordinary support requirements arising from the economic and health impact of the COVID-19 pandemic. In response, shareholders continued to support the Bank by injecting new capital, including reinvesting their dividends. The new and existing shareholders acquired an additional 15,947 shares across all classes, bringing in an additional US\$265 million in paid-in capital and share premium. One new shareholder, Matrix Energy Limited (Nigeria), joined the Bank in 2021 through a process of transfer of all the Class 'B' shares previously held

by Aenergia (Angola). In addition, three existing Class 'B' shareholders, namely Genesis Investment Bank LTD, Afrasia Bank Zimbabwe Limited, and Interfin Banking Corp, transferred all their Class 'B' shares to an existing shareholder, FBC Bank Limited (Zimbabwe). Thus, at the end of the year 2021, the number of shareholders was 153, down from 156 in 2020. The total number of shares subscribed stood at 151,463 with a nominal value of US\$1.51 billion compared to 135,516 shares with a nominal value of US\$1.36 billion in 2020. At the end of the review period, all shareholders had met their call obligations.

3.2.3 Meetings and Cooperation

In 2021, with the lifting of restrictions on international travel and movement of people, activities involving physical meetings and international cooperation resumed but were still significantly below pre-pandemic levels. The Bank was very active during the year in organizing continental events, including the IATF, which was successfully held physically in Durban in South Africa in November. This was the first major in-person event organised by the Bank since the onset of the pandemic in early 2020.

Afreximbank Annual Meetings: The Bank's 28th Annual General Meeting was held by correspondence in June 2021. In 2020, the series of events around the Annual General Meeting, including the seminars and the advisory group meetings, were cancelled.

Intra-African Trade Fair 2021 Advisory Council: The IATF Advisory Council held several meetings in preparation for the Trade Fair; these took place in Durban, South Africa from 15–21 September 2021. IATF Advisory Council members discussed preparatory arrangements and reviewed progress on the organisation of the continental trade exhibition. The meetings were presided over by His Excellency Chief Olusegun Obasanjo, Chairman of the IATF2021 Advisory Council and former president of the Federal Republic of Nigeria. Organised by Afreximbank in collaboration with the African Union and hosted by the Government of South Africa, IATF2021 was part of a broader initiative to support the implementation of AfCFTA.

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Afreximbank's Annual Babacar Ndiaye Lecture: H.E. Professor Ameenah Gurib-Fakim, the former president of Mauritius and laureate of the 2007 L'Oréal-UNESCO Prize for Women in Science, delivered an address at the Bank's fifth Annual Babacar Ndiaye Lecture on 'The Importance of Science, Technology and Innovation in the Transformation of African Economies'. She called on African leaders to close the region's science and technology gap to take full advantage of the AfCFTA. Professor Gurib-Fakim delivered the keynote speech at the Bank's annual flagship event and presented an array of statistics showing that Africa was falling well behind the rest of the world in science, technology, and innovation. For instance, only 0.1 percent of all patent applications are registered in Africa, compared to 65 percent in Asia and 25 percent in North America. Africa is also responsible for only 2 percent of the world's research output and 1 percent of research spending.

The Babacar Ndiaye Lecture series, launched by Afreximbank in 2017, honours the founding role Dr. Babacar Ndiaye played in the establishment of Afreximbank. As president of the African Development Bank from May 1985 to August 1995, he is credited with championing the establishment of several major continental institutions to drive the economic growth and structural transformation of African economies.

Factoring Networking Event: Afreximbank, in collaboration with FCI, conducted a successful two-day virtual networking event for Africa and the Middle East. The event offered an opportunity for the factoring community to examine how its industry has fared through COVID-19. It brought different industry players together to connect, exchange ideas, and do business with partners in Africa and the Middle East. Afreximbank, as co-organiser, showcased its Factoring Strategy in a dedicated virtual booth which was visited by more than 50 percent of the participants.

Trade Finance Training: Afreximbank hosted a virtual training programme with 18 financial institutions from 15 countries across Francophone Africa. The sessions

provided an opportunity for industry professionals to understand the latest developments in the industry and discuss case studies with experts and peers. They also received training on trade finance products and global best practices, including letters of guarantees, document checking, and relevant global rules. Afreximbank also presented the Bank's Trade Facilitation programme, giving participants insight into how they could draw on the Bank's trade confirmation services, guarantees, and irrevocable reimbursement undertakings during de-risking processes.

Film Financing in Africa Workshop: In September 2021, the Bank organised a Film Financing in Africa Workshop, with the collaboration of PwC Nigeria, Michael Auret (CEO of Spier Film Fund), and Marie Lora Mungai (film and TV producer). The event, which was attended by relevant officers from the credit value chain, aimed at deepening their understanding of the global film industry, the African film industry, and traditional ways of financing the sector with ways these can be tailored to Africa. Through the Bank's partnership with PwC Nigeria, other sessions will be offered in the future.

MANSA East Africa: As part of its marketing activities, sensitisation, and awareness creation, and in light of the operationalisation of the AfCFTA, the Africa Customer Due Diligence Platform (MANSA Repository Platform) was launched successively in Burundi, Kenya, Rwanda, Tanzania, Uganda, and Zanzibar. MANSA, a centralised digital platform that provides a single primary source of Know-Your-Customer data required to conduct customer due diligence checks on counterparties in Africa with a special focus on African financial institutions, corporates, and SMEs, was launched in the East Africa region in collaboration with the East African Business Council, an apex body of the private sector federations in East Africa.

Afreximbank Structured Trade Finance Seminar: The Afreximbank Trade Finance Seminar and Workshop, which was held on 7–8 December 2021 under the theme 'Power to Trade: Financing African Trade in

the AfCFTA Era', attracted more than 500 participants, including senior executives from African banks, financial institutions, regulatory institutions, hedge funds, Africa country funds, venture capital institutions, corporate entities engaged in trade, manufacturing, and privatised infrastructure projects, Afreximbank's trade finance intermediaries, African law firms, and insurance firms.

The event featured presentations and panel discussions by experts on a wide range of trade finance topics, including how the COVID-19 pandemic and the discontinuation of LIBOR are affecting trade finance. Discussions also covered factoring, innovations in structured trade and commodity finance, digitisation in trade, and trade information's role in reducing risk. Attendees were also made acquainted with the benefits they can gain from Afreximbank's PAPSS and the MANSA repository for client due diligence.

Annual Loans and Capital Markets Events: Throughout 2021, Afreximbank was consistently at the forefront of shaping the dialogue relating to the African loan markets by supporting the main specialised loans conferences and events for Africa. Although all events were conducted virtually, the Bank was represented through speaker roles at the annual GFC Africa Bonds, Loans, and Sukuk Conference, GFC's debut regional Francophone event, as well as the Loan Market Association Developing Market Conference. These annual events are widely attended by up to 500 lenders, law firms, and borrowers/issuers, and they provide a forum for presentation and debate on all aspects of the development of the African loans and capital markets.

Afreximbank Annual Insurance Underwriter Days: In September 2021, the Bank hosted its one-day insurance underwriter day. At this recurring annual event, the Bank presents its mandate, financials, strategic initiatives, and lending pipeline to private insurance market underwriters. The insurance market players remained close partners and unfunded risk participants in many of the Bank's loan interventions as well as other specific initiatives and thereby contributed

to the Bank's leveraging of capital into the continent in 2021.

Africa Syndications Forum: The Bank, through its Syndication and Agency team, hosts and administers a recurring Afreximbank-initiated quarterly meeting in London, bringing together all 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 for fostering a syndicated loan market community focussed on Africa. London remains one of the most important financial centres for the raising of capital. Owing to the travel restriction imposed by the pandemic, the African Syndications Forum was held virtually in 2021 as recurring smaller virtual group meetings with select leading financial institutions active in the African syndicated loan market.

3.2.4 The Board of Directors

The Board of Directors and its committees held statutory and ad hoc meetings throughout the year and complied with the Charter requirements. All meetings were held virtually due to the prevailing travel restrictions resulting from the COVID-19 pandemic, except for the September Board meetings, which were held physically between the 23rd and 24th of September 2021, in Yaoundé, Cameroon, on the sidelines of the official launch of the Central Africa Yaoundé Branch Office.

The Board met quarterly and addressed issues affecting the growth and expansion of the Bank. Among the items considered, the Board reviewed the 2020 Annual Report and approved the Bank's financial statements for the year ending 31 December 2020, together with the 2020 dividend and the appointment and remuneration of the external auditors for the financial year 2021, which were approved at the 28th General Meeting of Shareholders.

The Board also reviewed various reports including the status of the preparations for the sixth Strategic Plan and the second IATF, which was subsequently successfully held in Durban, South

Africa from 15–21 November 2021; and the status of the implementation of subsidiaries and standalone units, including FEDA, PAPSS, and 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, the African Quality Assurance Centre and the African Medical Centre of Excellence.

Particular attention was paid to monitoring the impact of the COVID-19 pandemic on the Bank's activities, the loan portfolio and its stakeholders, and the performance of various COVID-19-related initiatives like the Vaccine Acquisition Facility for African Union Member States through African Vaccine Acquisition Trust (AVAT), the Africa Medical Supply Platform (AMSP), and the Africa No-Fault Compensation Scheme Trust (ANFCST) that the Bank had helped develop in response to the pandemic.

In line with best governance practice, the Board adopted the updated 'Guidelines on Interested Parties' Transactions, which govern the Bank's approach in dealing with transactions where a board member or alternate board member has an interest and reviewed the terms of reference of its various committees. The Board also continued the practice of annual assessment of its performance to review its effectiveness.

The Board participated in the Sixth Strategic Plan retreat held in Dubai and the official launch of the Central Africa Branch Office in Yaoundé and virtually participated in the Fifth annual Babacar Ndiaye lecture as well as the successful launch of the African Medical Centre of Excellence.

The professional development of the Board remained an area of focus to ensure that the directors possessed the skills and knowledge necessary to respond to changes in the business environment. The directors were kept abreast of applicable legislation and regulations, changes to rules, standards, and codes, and relevant sector trends. They attended trainings

aimed at enhancing the skills of directors and understanding key issues, and these were focused on the impact of COVID-19 on the financial services industry; the Bank's listing of depositary receipts at the Stock Exchange of Mauritius; and the presentation of the African Trade Gateway, the digital platform ecosystem developed by the Bank and comprising several initiatives such as PAPSS, MANSA, the Trade Information Portal, the Trade Regulation and Information Portal, and the Africa Trade Exchange, among others.

During the review period, the Committees of the Board deliberated on issues relating to the Bank's operations and activities. The Executive Committee, the Branch Management Committee, the Audit Committee, the Strategy and Risk Committee, the Remuneration Committee, and the Afreximbank African Trade Centre Development Committee of the Board met virtually and deliberated on issues within their respective terms of reference.

During the period, the Executive Committee reviewed 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 the PATIMFA programme and of the update on recent political and economic developments in selected participating states and their impact on the business of the Bank. The Committee paid attention to several matters affecting the continent, such as higher incidences of coups and external issues likely to affect the loan portfolio, including the global trend to shift from fossil fuels to more sustainable 'green' sources of energy.

The Branch Management Committee considered the reports on the activities of the branch offices and proposed measures for improving their operational, financial, and administrative efficiency. The Branch Management Committee also reviewed the proposal for the construction of the permanent offices in Harare and Abuja under the Afreximbank African Trade Centre concept.

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The Audit Committee reviewed various audit reports from the Bank's internal and external auditors, including the follow-up reports to ensure the effective implementation of the auditors' recommendations. The Committee also reviewed the 2020 Annual Report, the financial statements, and the report of the joint external auditors. In addition, the Audit Committee approved the scope of work of internal and external auditors as well as the Audit Charter. The committee also considered the Strategy and Risk reports.

The Strategy and Risk Committee played a significant role after the outbreak of the COVID-19 pandemic in assessing the Bank's risk profile and monitoring the adequacy, robustness, and resilience of the risk management frameworks in place. Key risks considered by the Committee included: strategic, operational, credit, liquidity, compliance, and reputational risks. The Committee then reviewed the Risk Management and Loan Remediation reports and held a dedicated meeting to conduct a detailed review of the loan portfolio, including the past due obligations, the watch list, and the transactions written off. It also reviewed the compliance reports. With respect to strategy, the Committee reviewed the progress reports on the implementation of the Bank's fifth Strategic Plan as well as preparations for the sixth Strategic Plan. In addition, the Committee monitored the performance of the Bank's various initiatives including PATIMFA and the African Medical Supplies Platform (AMSP), all aimed at supporting its member countries as they manage the adverse impact of the COVID-19 pandemic.

The Remuneration Committee reviewed various matters intended to enhance the reward and well-being of staff, including a review of the performance and reward policy and the adoption of an Employer-Assisted Homeowner Scheme.

The Branch Office Construction Committee, which was renamed Afreximbank African Trade Centre Development Committee, provided strategic oversight to the construction of the Bank's permanent branch offices. This Committee noted

the important milestones achieved in the construction of the African Afreximbank Trade Centres (AATCs) in the first two cities selected for the construction, namely Harare and Abuja, as well as the progress made towards the acquisition of lands for the construction of AATCs in the New Administrative Capital (Egypt), Abidjan, Kampala, and Yaoundé.

3.2.5 Membership Mobilisation

The number of African participating states remained at 51 at the end of 2021. Discussions continued with the countries that are not yet participating states with a view to getting them to join the Bank. The efforts to encourage African member countries to ratify the Bank Agreement resulted in the confirmation of ratification by two countries: Comoros and South Sudan.

3.2.6 Branch Offices

In 2021, the activities of the Bank's branch offices in Abidjan, Abuja, Harare, Kampala, and North Africa were in line with the set operational targets.

3.2.6.1 Abidjan Branch Office

During 2021, the Abidjan Branch Office, covering the Francophone West and Central Africa subregions, witnessed an expansion in the volume of business generated at US\$4.2 billion in 2021 compared with US\$3.6 billion in 2020 and US\$2.8 billion in 2019, an increase of 16.6 percent. Transactions amounting to US\$1.21 billion were approved during 2021 against US\$1.12 billion the prior year, an increase of 7 percent. The contingent liabilities rose substantially to US\$342.7 million in 2021 against US\$74.8 million in 2020, a 358 percent increase. Meanwhile cumulative loan disbursements witnessed a decrease to US\$334.9 million in 2021 from US\$607 million in 2020 and US\$405 million in 2019 translating into total loans outstanding at US\$1.2 billion in 2021. The total income stood at US\$102 million, reflecting higher loan repayments, sovereigns' decision to defer loan drawdowns, slower deal executions amid military coups in Chad, Mali, and Guinea, and the persistence of the COVID-19 pandemic.

3.2.6.2 Abuja Branch Office

In 2021, the Abuja Regional Office covering Anglophone West Africa recorded a 6.11 percent increase in total income, from US\$383.02 million in 2020 to US\$410.66 million in 2021, driven by growth in new disbursements from US\$3.04 billion in 2020 to US\$3.29 billion in 2021. This change represented year-on-year growth in new disbursements of 8.32 percent. The growth in disbursements also resulted in a corresponding increase in the size of the loan book to US\$6.21 billion, a rise of 16.94 percent from US\$5.31 billion in 2020. Total interest income increased by 0.70 percent from US\$321.08 million in 2020 to US\$326.64 million in 2021. In terms of Advisory income, the Abuja Regional Office recorded growth of 21.05 percent from US\$34.30 million in 2020 to US\$41.52 million in 2021.

3.2.6.3 Harare Branch Office

During the year, the volume of business generated by the Harare Branch Office decreased by 51 percent from US\$7.10 billion in 2020 to US\$3.47 billion in 2021. Of this volume, transactions approved by the Executive Committee of the Board of Directors amounted to US\$1.2 billion (2020: US\$3.6 billion), representing a year-on-year decrease of 67 percent. The volume of transactions at different stages of development decreased by 53 percent to a level of US\$2.56 billion (2020: US\$5.5 billion). The volume of operational facilities at the end of the review period amounted to US\$4.0 billion (made up of funded facilities of US\$3.6 billion and unfunded facilities of US\$0.4 billion), representing an increase of 5 percent compared to the level recorded at the end of 2020 (US\$3.8 billion). These trends in business activities of the Harare Branch Office translated into annual revenue attributable to the Branch of US\$291 million (2020: US\$284 million) representing an increase of 2.0 percent.

3.2.6.4 Kampala Branch Office

In 2021, the Kampala Branch Office, covering 11 countries in the Horn of Africa and the East African region, recorded a 17 percent increase in outstanding loans, from US\$2.08 billion at the end of 2020 to US\$2.44 billion at the end of

2021. The Branch maintained an average pipeline volume of US\$1.4 billion in 2021 and achieved total facility approvals of US\$1.15 billion in 2021, an increase of 5 percent from the US\$1.7 billion recorded in 2020. Total disbursements increased by 32 percent from US\$1.06 billion in 2020 to US\$1.41 billion in 2021. Total income generated by the Kampala Branch in 2021 was US\$173 million, compared to US\$156 million in 2020, a growth rate of 11 percent.

3.2.6.5 North Africa Branch Office

In 2021, the North Africa Branch recorded a 22 percent increase in outstanding loan assets from US\$4.25 billion in 2020 to US\$5.15 billion in 2021. Total disbursements in 2021 decreased to US\$3.63 billion compared to US\$4.1 billion in 2020. Total income generated by the region increased to US\$165.09 million in 2021 from US\$133.8 million in 2020, representing a growth rate of 23.50 percent.

3.2.7 Human Resources and Administration

3.2.7.1 Human Resources

Resourcing

The Bank's human resources capacity grew by 11.7 percent from 246 staff as at 31 December 2020, to 275 staff as at 31 December 2021. To ensure the availability of capacity to meet the Bank's current and future needs, additional staff were recruited for the areas of Client Relations, Banking Operations, African Union/AfCFTA Relations and Trade Policy, Treasury, Credit Assessment, Loan Remediation, and Finance. A key appointment was that of the director of the African Union/AfCFTA Relations and Trade Policy, which further strengthened this critical new function.

Building Afreximbank through Development

The leadership journey is one that requires continuous learning and upskilling. The Afreximbank Coaching for Leaders Programme is the Bank's response to this need so that its vision to transform Africa is kept alive. Coaching has proven to be one of

the most effective upskilling interventions, with benefits that include improved individual and team performance, increased levels of motivation and goal orientation, self-empowerment, and self-confidence. The inaugural coaching programme had 14 participants and included Upward Feedback and Development Planning with individual, team, and organizational impact goals.

Team development journeys were conducted with various teams, including a Team Emotional Intelligence framework that enables high-functioning, high-performing teams. Concrete action plans were formulated and implemented, shifting team dynamics to an improved state of flow.

Furthermore, the Bank continued to support its staff members and external stakeholders in building their capacity in Trade Finance-related matters through implementation of an Afreximbank Academy. The Academy will serve as a capacity building arm of the Bank, and it is expected in the initial phase to start managing and deploying a wide range of the already existing internal and external course offerings in the Bank. The development of the concept and vision of the Academy was completed in 2021, and the target is to fully implement and roll out this Academy before the end of 2022.

Building Afreximbank through Performance

Because feedback is critical to performance, the Bank introduced a 'Feedback Guide on Seeking, Giving, and Receiving Feedback'. It also introduced new features through the 'Continuous Performance Improvement' and 'Get Feedback' in the Bank's performance management system (MySuccess) to strengthen the feedback culture among staff.

Supporting Afreximbank Employees' Well-being

Employee well-being is a priority at Afreximbank. As part of the Bank's agenda to continue improving employee wellness specifically to deal with the challenges posed by the COVID-19 pandemic, the Bank engaged two medical consultants at the Head Office in Cairo (as well as two medical

consultants at each location where the Bank's regional offices and subsidiaries are based to provide medical support and advice to staff.

The Bank managed the administration of Johnson & Johnson vaccination doses to Head Office staff members and their dependants in Cairo and to staff of African embassies based in Cairo. In addition, the Bank facilitated various COVID-19 awareness sessions managed by service providers, including Allianz International and International SOS, providing staff with support and information to manage the physical and mental challenges posed by the pandemic.

Afreximbank Reward Philosophy and Employer-Employee Value Proposition

As the Bank's activities have continued to expand, its Reward philosophy ensures that the best professional skills and talent are attracted and retained. This is achieved through providing that management and staff of the Bank with appropriate incentives for enhanced performance and are rewarded fairly and equitably for their individual contributions to the Bank's success.

3.2.7.2 Administration

In 2021, the Administration Department supported the Bank's functions through several projects and activities.

Premises and Office Management:

During the year, the Bank assured a safe, conducive, and secure work environment for its staff while safeguarding and preserving the functionality of its premises and assets. The Bank implemented a plan which included comprehensive operation and maintenance plans for all Bank premises, equipment, systems, and soft services. The Bank also successfully completed several high-impact projects intended to further improve its internal processes and operations, increase automation, and reduce its carbon footprint.

Afreximbank-Africa Trade Centres: The Bank has set out to establish trade centres in Africa as a special initiative to bridge the trade information gap and to harness

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intra-African trade through AfCFTA. The Bank 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. The Bank engaged a number of consultants to carry out the pre-construction works for the Abuja and Harare trade centres. Tendering processes for a contractor for the Abuja AATC were completed, and the Board approved the onboarding of the main contractor. Construction commenced in Abuja and is planned to commence in Harare in 2022. The commissioning of the Abuja and Harare trade centres is planned for 2024 and 2025, respectively.

3.2.8 Business Continuity and Crisis Management

To maintain a functioning and operating environment in its respective operational locations, Afreximbank continued to enhance and exercise its Business Continuity Plan, Crisis Management Plan, and Security Evacuation Plan and to further embed business continuity management in its day-to-day operations. The Bank successfully carried out several business continuity management activities in 2021 amid the COVID-19 pandemic, including the work-from-home arrangement.

The Bank conducted several orientation sessions for new staff, covering business continuity management and emergency readiness. Monitoring the operating environment and issuing security, medical, and travel advisories was maintained in view of the challenging COVID-19 circumstances. The Bank arranged and facilitated two COVID-19 virtual knowledge-sharing sessions presented by ISOS to all staff to sensitise them about the coronavirus strains and attendant preventative health measures. The Bank also facilitated the vaccination exercise for its staff and family members: a total of 1,638 persons were vaccinated.

3.2.9 Information and Communication Technology

The Bank continued to make giant strides in digital trade transformation, process improvements, and operations automation. Key achievements during the year included successful implementation of secure technology platforms and connectivity for the PAPSS and the IATF.

The digital customer experience was improved through the implementation of straight-through processing on electronic banking. The Compliance processes were strengthened through the deployment of an enhanced sanction screening system. Furthermore, a modern enterprise data warehouse system was implemented to facilitate prompt access to insightful dashboards for decision making processes. In addition, the core banking systems were proactively upgraded to ensure timely compliance with the transition from LIBOR to risk-free rates.

Infrastructure and security systems were enhanced at the Head Office and branches to improve business continuity, resilience, and agility amid the COVID-19 pandemic. A digital crisis management platform was also deployed to support seamless business operations.

3.2.10 Banking Relations

In 2021, the Bank approved 93 new correspondent banking, trade service, and trade finance intermediary relationships, surpassing the year's target of 70 and the 85 recorded in 2020. These relationships included 35 new Afreximbank Trade Facilitation Programme lines approved, 38 new trade finance intermediary relationships established, and 20 new banks that used the Bank's AfPAY during the year. The Bank's new and renewed correspondent banking, trade finance intermediary, and Afreximbank Trade Facilitation Programme relationships covered 40 of the Bank's 51 member states, raising the geographical coverage to 78.4 percent in 2021 from 62.7 percent in 2020.

Reflecting the growth in the newly established relationships, the total value of trade finance deals disbursed by the Bank during the year stood at US\$6.42 billion. 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 2021.



Box 3.2 Building Forward Better: Africa under an Integrated Payment System

RATIONALE FOR AN AFRICA-WIDE PAYMENT AND SETTLEMENT SYSTEM

The current level of intra-African trade is estimated at between 15-18 percent of the total African trade depending on the year. This is very low as compared to other regions, given there is established high potential for trade within Africa. There are several reasons why intra-African trade is relatively low: lack of adequate trade information, structural rigidities, historical trading patterns (historical ties with former colonial countries), poor trade facilitation and regulatory issues, poor implementation of regional commitments, and poor state of trade facilitating infrastructure (barriers to the movement of goods), are often cited. However, the fragmented payment, clearing and settlement system in a continent with 41 currencies is increasingly seen as a major challenge as it diverts intra-African trade, and raises the cost in so many ways. It has also made it difficult to formalise the informal intra-African trade which is conducted across borders in large volumes. Informal intra-African trade is estimated at about US\$ 50 billion per year.

The fragmented regional payment systems have neither stimulated economic development in Africa nor promoted intra-African trade at the pace required to significantly increase its share of global trade. Sub-regional payment systems are a good start, but it has become imperative to

integrate Africa financially to hasten the pace of economic growth in the continent. A continent-wide payment and settlement system can spur the growth of intra-African trade and commerce, particularly with the active participation of central banks, financial institutions, regional economic communities, private sector, and other stakeholders. Such a payment system can be more impactful if it is able to domesticate intra-African trade payments by allowing these to be done in African national currencies, with final settlement to be done in a hard currency. This approach will reduce the foreign exchange content currency of intra-African trade, reduce trade diversion and costs of intra-African payments estimated at US\$ 5 billion today. While this model is appealing it had over the years been difficult to implement due to the absence of a credible entity to back settlement finality in hard currency. Afreximbank conceptualised, developed, and is working with the AfCFTA Secretariat and AU to implement a Pan-African Payment and Settlement System (PAPSS).

Core design aspects of the Pan-African Payment and Settlement System

PAPSS is a financial markets infrastructure for the economic and financial integration of Africa. It is a centralised payment and settlement infrastructure for intra-African trade and commerce. It is designed with the following important elements:

- Ability to integrate with both domestic and regional payment systems alike
- Ability to effect payments instantly and in local currencies
- Supports payments in multiple currencies
- Settlement on a Net Multilateral basis and in U.S. Dollar (USD)

Purpose of the Pan-African Payment and Settlement System in Africa

There are three main purposes in establishing PAPSS:

- To facilitate intra-African trade and formalise some of the unrecorded trade.
- To provide an alternative to current high-cost and lengthy payment and settlement relationships and facilitate trade and other economic activities among African countries, through a simple, low-cost, and risk-controlled payment clearing and settlement system (reducing the delays with instant payment).
- To reduce the reliance on foreign currency (using local currency)

Strategic Support and Partnerships

At its 12th Extraordinary summit, held in Niamey, Niger on 7 July, 2019, the Assembly of African Union launched PAPSS and adopted it as a key instrument for the implementation of the African Continental Free Trade

Agreement (AfCFTA). At the 35th Ordinary Session of the Assembly of the African Union, it directed the AfCFTA and Afreximbank to deploy the system to cover the entire continent and finalise the relevant regulatory frameworks.

Status of Implementation

The piloting of PAPSS focused on the six West African Monetary Zone (WAMZ) countries, namely, The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone, and it was completed successfully in August 2021. The commercial launch took place on 13 January 2022, in Accra, Ghana. Continental implementation is underway.



Afreximbank is leading the effort in delivering many AfCFTA-enabling initiatives in support of the effective implementation of the AfCFTA agreement.

Trade Development Impact of Operations and Activities

The past year was a special year for Afreximbank: it marked the end of its fifth Strategic Plan (2017–21).

It was also the year that trading began under the AfCFTA, which has the potential to unlock significant intra-African trade opportunities and deliver a greater impact for the Bank's strategic objectives.

The global spread and impact of the COVID-19 pandemic on Africa meant that the Bank was particularly in demand as a trusted partner to its customers. It was therefore apt that the Bank ended 2021 with US\$9.87 billion in disbursements. Despite unprecedented challenges posed by the COVID-19 pandemic during the past two years, the Bank remained focused and made significant progress on each of its key strategic pillars.

Projects financed in 2021 under the Intra-African Trade strategic pillar were expected to connect 130,000 rural farmers and SMEs in East, Southern, and West Africa to formal markets. The

Bank once again successfully delivered for the continent the second IATF in Durban, South Africa. The Fair hosted seven heads of state and 32,541 participants, with 1,501 exhibitors, 69 countries in attendance, and US\$42 billion of trade deals concluded, compared with 1,080 exhibitors and US\$32 billion in trade deals in 45 countries in the 2018 IATF. In trade facilitation, the Dar es Salaam railway project in East Africa is expected to link Tanzania with its landlocked neighbours and enhance the flow of goods, services, investments, and people. The Bank helped 14 African exporters of heavy infrastructure equipment to win construction contracts worth more than US\$1 billion across the continent. The Bank also championed many AfCFTA-enabling initiatives in an effort to ensure that the AfCFTA is a success.

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 the creation of value-added exports. In 2021, the Bank directly financed about 0.6 percent

of Africa's manufactured exports and facilitated US\$1.1 billion (or 1.0 percent) of the continent's total manufactured exports. The construction of a 240-bed modern tertiary-level hospital in East Africa and 12 polyclinics for a total 470-bed capacity in West Africa is projected to create about 1,600 direct jobs and enhance positive health outcomes in both regions. The Bank also supported the production of 250 million pieces of COVID-19-related products on the continent to equip 10 million Africans with personal protective equipment. In addition, the acquisition of rolling stock (12 locomotives and 220 wagons) and extension of rail handling capacity would enable the Gabon Special Economic Zone to provide two additional trains and reduce the turnaround time by 2 days, generating US\$70 million in savings.

Under the Trade Finance Leadership strategic pillar, the Bank contributed to the narrowing of the trade finance gap in Africa by almost 12.1 percent (and 7.1 percent through the fund leveraged by the Bank) in 2021. By the end of the year, the Bank had onboarded 430 African banks and extended letter of credit confirmation facilities to 160 banks, benefiting 38 member states. The Bank also granted 228 trade finance lines, amounting to US\$5.3 billion, to 19 countries across Africa (mainly least developed countries) to meet their trade financing needs. This resulted in 40,000 sub loans to SMEs, benefiting, among others, women and the youth. The year 2021 ushered in remarkable recognition and growth of the MANSA platform by its several stakeholders and partners, resulting in the onboarding of an additional 1,753 profiles and making a total of 2,004 onboarded profiles.

In 2021, the Bank commenced the implementation of the Trade Development Impact Assessment ratings in its initial assessment of facilities to determine how well they can be expected to assist the Bank in achieving its development objectives and how to guide the selection of facilities for deals with optimal impact. Following the successful roll-out of the Trade Development Impact Assessment series in June 2021, to enhance knowledge and build internal capacity for effective implementation of the rating guidelines, the rating tool was automated, and training of staff was completed. Three evaluation products were delivered: one project evaluation, one sector evaluation, and one country evaluation, contributing to learning and accountability for achieving the Bank's strategic priorities. The 2021 Annual Trade Development Effectiveness Report is detailed and will be issued along with the Bank's Annual Report and Financial Statements.

4.1 INTRA-AFRICAN TRADE

A key obstacle to greater intra-African trade is the low complementarity of regional trade, which can be overcome through greater market access. The current untapped export potential amounts to US\$8.6 billion, and the

dynamic potential from supply and demand increases were estimated to be US\$13.3 billion by 2025. A further US\$9.2 billion (US\$20 billion) of export potential is projected through partial (full) tariff liberalisation under the AfCFTA over the next five years. The AfCFTA is expected to unlock the untapped potential and create a springboard for export-oriented growth if implemented effectively.

Drawing on its tailored, flexible, and innovative financial programmes and partnerships, the Bank is championing many AfCFTA-enabling initiatives in an effort to ensure that the AfCFTA is a success.

In 2021 the Bank directly financed about 1.7 percent of total intra-African trade and facilitated over US\$3.9 billion (or 3.2 percent) of total intraregional trade.

4.1.1 Supporting the Implementation of the African Continental Free Trade Area

Afreximbank is leading the effort in delivering many AfCFTA-enabling initiatives in support of the effective implementation of the AfCFTA agreement. Good progress has been made in finalising the establishment and operationalisation of the AfCFTA Adjustment Fund, as mandated by the African Union heads of state at their 33rd Ordinary Session in February 2020. The Fund will facilitate and provide support through financing, technical assistance, grants, and compensation funding to AfCFTA state parties and private entities and persons, including women, youth, and micro, small, and medium enterprises as they adapt to and effectively participate in the trading environment founded under the Agreement.

Making cross-border payments easier, cheaper, and safer is also an obvious critical step in implementing the AfCFTA. Adopted in July 2019 by the African Union heads of state to facilitate the implementation of the AfCFTA agreement, the PAPSS in partnership with the AfCFTA Secretariat, the African Union, and participating central banks, is fully functional and currently being piloted in the WAMZ, the West African Monetary Institute is a partner in delivering the

project at the WAMZ. The six central banks in the WAMZ have exchanged payment messages in local currencies and also settled at the level of Afreximbank. After the system's migration to live status, more than 20 commercial banks had by the end of 2021 signed up to PAPSS, and 15 were finalising review of the membership agreement. By facilitating payments in local currency for goods and services in intra-African trade, the system could help formalise a significant portion of the estimated US\$50 billion of informal cross-border trade in the region.

The average cost of freight as a percentage of the value of imports is about 11.4 percent for Africa compared with 6.8 percent for developing countries, according to estimates by the United Nations Conference on Trade and Development. Through its African Collaborative Transit Guarantee Scheme, the Bank aims to facilitate the movement of goods under a single transit bond (as opposed to issuing a bond at every border) within regional economic communities under the AfCFTA. The resultant reduction in transit costs and time makes more African firms productive enough to benefit from the AfCFTA. The first commercial transit bond favouring a Malawian exporter of maize to South Sudan was approved by the Bank in November 2021. This bond will allow the Malawian exporter to freely move the goods across multiple borders to the ultimate destination in Juba. This will significantly reduce the costs and time of making those shipments.

The heterogeneity of the African standards within the regional economic communities and countries make intra-African trade costly, contentious, and low in volume. In 2021, the Bank, in collaboration with the International Islamic Trade Finance Corporation through the Arab-Africa Trade Bridges Programme, helped ARSO) to harmonise standards for Pharmaceutical and Medical Devices in Africa, promoting the quality and safety of medicines and medical devices imported or produced on the continent. A total of 121 standards were harmonised under different ARSO Technical Committees and its Conformity Assessment Committee.

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ARSO also harmonised 36 additional standards under automotive technology and engineering.

To unlock the untapped potential and create a springboard for export-oriented growth in implementing its Automotive Strategy, the Bank is working with the African Association of Automotive Manufacturers (AAAM), African Union, AfCFTA Secretariat, and the United Nations Economic Commission for Africa to undertake a comprehensive study mapping potential regional automotive value chains in West Africa as well as a study on the automotive financing framework. These studies, which are currently being finalised, will inform the continental automotive strategy that is being developed by the Bank in collaboration with AAAM, the African Union, and the AfCFTA Secretariat.

4.1.2 Connecting African Industries to Markets

The key instrument for boosting economic diversification and exploring new export opportunities is the facilitation of market entry through increased transparency of trade rules and accessible market information, such as through the Bank's Trade Regulation Portal, which has been developed and populated with trade and investment regulations of almost 55 African countries. An official launch is expected in 2022.

The Trade Information Portal is also at its final stage of development. According to customs data reported in the exporter dynamics database, the average survival rate of African exporters in African markets in their first year is low, 24 percent. In the second year, only 10 percent of new entrants survive in foreign markets. Market entrance is greatest among the leading export sectors, with a strong negative correlation with the export survival of enterprises in their first year. Market intelligence can play an important role in reducing the experimental costs of entering a new export market and supporting exporting firms in destination markets.

The Bank's IATF initiative is already enabling an opening up of the African continent. Despite the pandemic in 2021, the Bank delivered the second IATF in Durban, South Africa. The Fair hosted seven heads of state and 11,828 in-person participants as well as 1,161 exhibitors, with 59 countries in attendance and US\$42 billion of trade deals concluded, compared with 1,080 exhibitors and US\$32 billion of trade deals in 45 countries in the 2018 IATF).

4.1.3 Promoting Regional Integration, Trade, and Investment

As part of its ongoing efforts to promote intra-African investments and enhance trade and the development of regional value chains, the Bank, through its Global Facility for African Multinational Corporations (Intra-African Trade Champions), continued to support African leading producers and exporters in intra-African trade.

In 2021, the Bank financed the expansion of one of the leading banks in Egypt to East Africa and the increase in its support for the growing Egypt-Africa trade. This facility will enable the Egyptian bank to open five new branches in four East African countries, creating 200 direct jobs and expanding Egypt-Africa trade by US\$156 million. In the same vein, one of the leading banks in The Gambia was also supported in its acquisition of four banks in Guinea, Burkina Faso, Mali, and Togo, adding depth to the financial markets in these countries while facilitating trade in West Africa.

Furthermore, the Bank facilitated more than US\$1 billion worth of contracts for African leading exporters of heavy infrastructure equipment in more than 12 countries in all the continent's regions to help them compete effectively with global players in African markets, enabling them to win construction contracts across African countries. These contracts range from the construction of a hotel complex in Comoros by a fully owned Egyptian subsidiary to the building of roads in DR Congo and Madagascar

and the development of a photovoltaic powerplant in DR Congo by an Egyptian construction firm. Other contracts include the construction of textile manufacturing in Angola, the procurement of 400 buses in Malawi, the provision of digital terrestrial television in DR Congo, Equatorial Guinea, Gabon, Guinea, Liberia, Madagascar, Senegal, Sierra Leone, and Togo, and the rehabilitation of a railway line in Congo.

4.1.4 Intra-African Trade Facilitation

A reduction in trade and transaction costs reduces costs for all firms, making more firms productive enough to enter and survive in the domestic and export market. Logistics infrastructure is vital to lowering transport costs.

Because of Tanzania's importance as a key trade route and hub connecting landlocked neighbouring countries in the region to an East Africa port (Dar es Salaam), in 2021, the Bank invested in a 202-kilometre Dar es Salaam railway project. The project will eventually connect the Dar es Salaam port to the vast hinterland loop in Burundi, the eastern DR Congo, Malawi, Uganda, and Zambia. Dar es Salaam port handles about 14.8 million tonnes annually, which is almost 40 percent of the transit cargo transported by central railway line and by road to Burundi, Rwanda, Uganda, and DR Congo; 96 percent of this volume is transported by road and 4 percent by rail, according to the study by CANARAIL. It is estimated that the traffic to be handled through Dar es Salaam port and transported by rail after the project will increase to 49 percent and boost trade among these countries in East Africa.

The Bank also actively supported efforts towards developing efficient integrated railway systems and infrastructure in Ghana (Ghana Western Railway Corridor), Liberia-Guinea (Guinea-Liberia Integrated Railway Corridor), Angola-Zambia (Lobito Railway Corridor Project), Benin-Niger (Cotonou-Parakou-Niamey railway corridor), Republic of Congo (Mayoko and Point-Noire Railway project), and South Africa-Eswatini (Eswatini rail link project).



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4.1.5 Transforming Intra-African Trade Through Innovation

Modernisation and digitisation of the trade system call for enhancing systems of electronic purchase orders in the supply chain and other trade processes, including freight forwarding, customs house brokerages, customs clearance, payment of duties and taxes, and compliance. Mainstreaming digitalisation in trade reforms under the African Continental Free Trade Area may not only help to increase efficiency in production and trade systems but also reduce the costs of cross-border trade for both goods and services.

To seize the new opportunities, the Bank is in the final stages of developing a digital ecosystem, the Africa Trade Gateway. The Gateway is platform that will host and interconnect the Bank's five technology products: PAPSS, MANSA, Trade Information Portal, Trade Regulatory Platform, and Africa Trade Exchange. The Gateway will help in reducing delays and costs of trade in Africa, providing incentives for greater private sector participation in trade through increased access to trade services and intra-African payments and finance.

4.2 INDUSTRIALISATION AND EXPORT DEVELOPMENT

Africa is considered 'the world's next great manufacturing centre', potentially capturing part of the 100 million labour-intensive manufacturing jobs that will leave China by 2030. Analysts predict that Africa's manufacturing output will surpass US\$1 trillion per year by 2025, with roughly half of that production remaining on the continent and the rest exported to other world regions. This trend creates a huge opportunity for the continent. Africa is uniquely positioned to further leverage its low-cost labour, an abundance of natural resources, and raw materials.

The COVID-19 pandemic has even made a revolution in African manufacturing more imminent. The Bank is working with public and private sectors and specialist international organisations to unlock manufacturing potential and facilitate industrialisation, driving inclusive growth and sustainable recovery in Africa.

In 2021, the Bank directly financed about 0.6 percent of Africa's total manufactured exports and facilitated US\$1.1 billion (or 1.1 percent) of the continent's total manufactured exports.

4.2.1 Driving Agribusiness to Diversify Economies

As part of its efforts to promote export diversification, the Bank is actively supporting the processing of African commodities for export and has prioritised the light manufacturing and agro-processing sectors in Africa, which remain largely untapped.

In 2021, the Bank invested in the cotton value chain by supporting the purchase of cotton seeds from local farmers across Africa through an agroprocessing company in Tanzania that processes and exports yarn and finished textile products. The intervention is expected to increase the firm's cotton processing capacity for yarn, fabrics, and bedsheets by 91 million meters as well as garments by 942,234 pieces, benefiting 82,424 African farmers and creating more than 2,200 direct jobs.

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 across African countries with market access and a range of services to facilitate exports and to ensure that a fair share of the value-added goes to producers. This support will help create about 350 additional direct jobs across the continent, benefiting 4,500 local farmers.

4.2.2 Enabling Access to Trade-Related Infrastructure

Developing regional medical centres of excellence, including state-of-the-art hospitals, is a sustainable solution to both the prohibitively high cost of medical tourism and rising inequality in access to healthcare.

Recognising this and in line with its efforts to promote regional centres of excellence in the health care sector, in 2021 the Bank

invested in the construction of a 240-bed modern tertiary-level hospital equipped with advanced diagnostic and treatment facilities to be located in Lubowa, Uganda. The hospital and associated infrastructure include a medical training school, accommodation for staff, a rehabilitation centre, a motel, and conference facilities. The project is expected to create about 2,000 jobs during the construction phase and 1,000 jobs (50 percent female) during the operations phase, to enhance health outcomes in Uganda, and to promote intra-African health tourism.

The Bank is also financing the construction of 12 polyclinics for a total 470-bed capacity in Ghana. The overall development impact will be improved access to primary health services, reduced burden on district health hospitals, improved quality of health care, and a reduction in rising inequality in access to African healthcare. The polyclinics have the potential to provide services to more than 260,000 patients in Ghana and create employment for 590 doctors and nurses.

As part of its ongoing efforts to ensure that personal protective equipment and other COVID-19-related products are available on the continent, in 2021, the Bank supported an African manufacturer in Uganda in the purchase of machinery and equipment for the production of face masks, nonwoven surgical masks, medical robes, disposable suits and caps, and other COVID-19-related products on the continent. The transaction is expected to result in the production of about 250 million pieces of personal protective equipment, benefiting 10 million Africans and creating 300 direct jobs.

Addressing infrastructure bottlenecks also entails establishing well-functioning special economic zones as self-inclusive production and trade hubs. In 2021, the Bank invested in the development of a vertically integrated industrial park in Benin, to be located in Glo-Djigbe (28 kilometres from Cotonou). When completed, the project is expected to attract 59 tenants into the labour-intensive agroprocessing and light manufacturing sectors in Benin, with the potential production capacity of more

than 800,000 metric tonnes per annum, creating 287,000 direct and indirect jobs.

In a similar vein, to reduce the increasing traffic volumes in the Gabon Special Economic Zone and meet the existing mining demand of its clients, the Bank also supported the acquisition of rolling stock (12 locomotives and 220 wagons) and the extension of rail handling capacity by the provision of two additional trains. Through this facility, a reduction in turnaround time by two days is anticipated, adding US\$70 million in exporter/importer savings, and creating 50 direct employment jobs.

South Africa possesses the second largest reserves of titanium globally, which it exports in raw and unprocessed form to Australia, the United States, Asia, and Europe for further processing before re-importing it as TiO₂ pigment.

To structurally transform the sector and enable the country to move up the titanium value chain, the Bank made available a Project Preparation Facility to the government of South Africa for the development of the continent's first fully integrated titanium processing plant, with a nameplate capacity of 80,000 metric tonnes per annum, to be located at Richards Bay Industrial Development Zone, Durban. The facility will be deployed to prepare the full suite of bankability and feasibility studies. Once commissioned, the project is expected to save the country approximately US\$100 million per annum from the import of processed titanium pigment products, generate US\$125 million each year in export revenues, create 1,100 direct and indirect jobs, and export at least 20 percent of its processed products to African countries, thereby promoting Intra-African trade within the AfCFTA context. Notably, the project has significant demonstration effects that the Bank aims to replicate on the continent across various mineral resources.

The Bank also made available a Project Preparation Facility to support the government of Rwanda exploiting methane, a naturally occurring renewable energy source in Lake Kivu, by washing the gas and converting it into compressed natural gas for industrial and retail

consumption. The preparatory facility is to be deployed to prepare bankability and feasibility studies. Once fully commissioned, the project is expected to enhance Rwanda's energy security and reduce by 33 percent its dependence on imports and free up the country's foreign currency commitments. These savings will enable Rwanda to support other sectors, support decarbonisation and energy transition initiatives, bring onstream assets with an estimated investment cost of US\$315 million, and create about 1,000 direct and indirect jobs.

In Nigeria, the Bank also supported the Aba vertically integrated power project. A 141MW power generation plant is being built to supply electricity to SMEs and major industries in and around the commercial city of the Aba Metropolis in Abia State. The project has reached 90 percent completion. It is estimated that 2,500 jobs will be created during the construction phase and more than 400 jobs postconstruction.

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

The Bank is making inroads into the creative industry. In 2021, it organised Cookout Masterclasses in five regions of Africa; 389 African creatives attended these Masterclasses, providing more than 100 African collaborators a unique opportunity to join the growing list of legally recognised African songwriters with publishing stakes in the songs that they help to write. The Bank is working towards the commercialisation of the songs created.

In the same vein, following the execution of a three-year partnership with the National Association of Young Entrepreneurs, in June 2021 the Bank supported the first cohort of 20 African fashion designers at Portugal Fashion Week, held in September 2021. The initiative contributed to promoting Africa's fashion apparel and textile manufacturing industry in Portugal and across Europe.

Through its Film Finance Facility, the Bank also disbursed US\$5 million in 2021

to a renowned film producer for the production of five films. The transaction presents an opportunity to draw talent and display creative resources across Africa, benefiting 199 African SMEs in the creative sector. To bridge the funding gap facing SMEs and facilitate greater SME contribution to industrial development, the Bank continued to support SMEs involved in the export supply chain through factoring.

4.2.4 The Fund for Export Development in Africa

Africa requires long-term financing to build export capabilities and advance its industrialisation agenda. FEDA is a development-oriented equity investing subsidiary of the Bank, with the aim of filling the equity gap by expanding the Bank's offerings to include equity investments and facilitate foreign direct investment into the African export sectors.

In 2021, FEDA invested in a leading player in the African telecommunications, media, and technology industry; in a trade-enabling infrastructure project to facilitate gas supply as a cleaner and cheaper source of energy to countries in the West Africa region; and in one of the leading players in the fast-moving consumer goods industry in Mauritania.

FEDA also signed a joint venture agreement to set up a credit fund, the FEDA Gateway Africa Credit Opportunities Fund. The Fund is intended to complement and supplement Afreximbank's lending activities on the continent, expand the Bank's scope of interventions to cover the entire spectrum of the capital structure, and scale up the provision of the long-term equity financing that Africa's industrialisation and export development need.

In terms of membership mobilisation, FEDA has registered five Afreximbank member states: Guinea, Mauritania, Rwanda, South Sudan, and Togo as the initial set of FEDA member states. Regarding legal establishment, FEDA fulfilled the requirement for its legal establishment in September 2021, when two Afreximbank member states (Rwanda and Guinea), signed and ratified the FEDA

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Establishment Agreement. With the completion of its legal establishment, FEDA is now able to carry out business in the name of its house entities: FEDA HoldCo, FEDA Investment Management, and FEDA Capital.

4.3 TRADE FINANCE LEADERSHIP

For an adequate COVID-19 response, Africa requires additional financing needs of about US\$285 billion through 2025, according to the IMF estimate. African Development Bank estimates indicate that the continent's infrastructure needs amount to US\$130 billion–US\$170 billion a year. With a financing gap in the range of US\$67.6 billion–US\$107.5 billion and a reduced appetite among international financiers, particularly when there is a crisis, Africa must rely on its financial resources to fund its trade and economic transformation.

Sustaining the growth of trade finance over time will remain critical not only for strong and robust economic growth in the post-pandemic world but also for the successful implementation of the AfCFTA. Through technology, its innovative financing programmes, and partnerships, the Bank is helping to narrow the trade finance and knowledge gaps in Africa's trade finance market.

In 2020, the Bank contributed to narrowing Africa's trade finance gap by almost 12.1 percent (and 7.1 percent through its leveraging role). The Bank's COVID-19 response interventions benefited 415 million Africans (about 30 percent of the continent's population) across the five regions.

Through its Trade Facilitation Programme, the Bank onboarded 430 African banks in 2021 and extended letter of credit confirmation to 160 banks, benefiting 38 member states. The Bank also granted 228 trade finance lines, amounting to US\$5.3 billion to 19 countries across Africa (predominantly least developed countries) to meet their trade financing needs. This resulted in 40,000 sub loans to SMEs, benefiting mostly women and youth.

Availability of data is key to establishing an environment that favours positive linkages between trade finance and trade in Africa. Afreximbank's MANSA Repository Platform, as a single source of primary data required for the conduct of customer due diligence on African entities, is an important step,

The year 2021 ushered in remarkable recognition and growth of the MANSA platform by its several stakeholders and

partners, resulting in the onboarding of an additional 1,753 profiles and making a total of 2,004 onboarded profiles as at 31 December 2021, a 698.41 percent increase over the 251 profiles onboarded in 2020. Onboarded profiles comprised 182 financial institutions, 302 micro and small to medium-sized enterprises, and 1,520 corporates representing 9.08 percent, 15.07 percent, and 75.85 percent of the total profiles, respectively.

Afrexim Insurance Management Company (AfrexInsure), a subsidiary of Afreximbank, has been established as a pan-African insurance manager. Through AfrexInsure, Afreximbank is supporting the growth of trade and development in Africa by ensuring that it is uniquely placed to offer specialty insurance to support African businesses. AfrexInsure offers vital insurance coverage for trade and trade-related investments, including infrastructure, contributing to the overall trade and economic development of Africa, in line with the mandate of Afreximbank.





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Box 4.1 United to Protect: A View into the Work of the Africa Vaccine Acquisition Task Team and the Role of Afreximbank

By the time the Africa Vaccine Acquisition Task Team (AVATT) was created by the Bureau of the African Union Assembly of Heads of States and Governments in November, 2020, it had become evident that the continent would be vulnerable with regard to access to the COVID-19 vaccines, because available manufacturing capacity had been committed to richer countries. Moreover, it was not clear that pledges to support the global vaccine sharing platform, COVAX, were being honoured as geopolitical competition over vaccine procurement intensified. Without enough access to vaccines, the prolonged social, economic, and health impacts of the pandemic were likely to exacerbate existing problems in Africa.

The creation of AVATT by the then Chair of the African Union, His Excellency, President Cyril Ramaphosa of South Africa, was a special effort to save the continent from the calamity and disgrace of lack of access to COVID-19 vaccines. Afreximbank was made a key member of AVATT and given the role of Financial Advisors. It is remarkable that despite the extremely tight market, the AVATT was able to reach an agreement with Johnson & Johnson for a firm order of 220 million of its single-shot COVID-19 vaccine doses, with an option for an additional 180 million doses (bringing the total to 400 million doses).

Through the Bank's US\$2 billion Advanced Procurement Commitment Guarantee Facility, AVATT was able to negotiate, procure, and deploy 400

million doses of Johnson & Johnson COVID-19 vaccines (which covered 30 percent of Africa's population) in 2021.

This development is significant to the Bank and Africa in many ways:

- First, it marked the first time Africa had ever pooled its resources and used its institutions to respond collectively to a continent-wide and global emergency. The outcome is the culmination of months of unprecedented collaboration among the African Union's Special Envoy on COVID-19, Mr. Strive Masiyiwa (AVATT Coordinator), Afreximbank, Africa Centres for Disease Control and Prevention, and the United Nations Economic Commission for Africa.
- Second, it reminded African countries that though donations were welcome, the primary responsibility for their health and safety rested with them and not with donors. It is only when they pay to protect themselves that donors will more readily support them; the AVATT platform attracted US\$700 million from Mastercard Foundation, US\$25 million from MTN Group, millions of vaccine doses from the US government, Afreximbank and elsewhere. The World Bank Group formed a unique partnership with AVATT to take over a significant proportion of the financing for the vaccine doses.
- Third, it demonstrated the need for strong, committed, and professionally managed African institutions. Without a strong African Union, Africa Centers for Disease Control, United Nations Economic Commission

for Africa, and Afreximbank, this historic achievement would not have been possible.

- Fourth, the world has taken notice of this effort. Representatives of organisations from other regions of the world have approached the Bank and AVATT to learn more and to seek support. The success achieved has also earned congratulations from around the world, including from the Secretary of State of the United States.
- Finally, the vaccine effort has birthed three institutions that are likely to endure and be key to Africa's pursuit of health security. These are:
 - The Africa Vaccine Acquisition Trust (AVAT), created as a pooled procurement agency for the vaccines;
 - The Africa Medical Supplies Platform, a digital platform that was created to aggregate procurement orders, allocate available supplies, and provide critical logistic services on behalf of AVAT; and
 - The AVAT No-Fault Compensation Scheme Trust (AVATNFCS), a special-purpose vehicle that will manage financial contributions drawn from each dose of vaccines to be used to settle any claims arising from severe adverse effects that any recipient of vaccines may suffer.





Box 4.2 Innovations towards Africa's Health Resilience and Pandemic Containment

Since March 2020, Africa and the rest of the world have been grappling with the most daunting health crisis in modern history; the COVID-19 pandemic claimed millions of lives and wrought havoc over the world economy. In addition to exposing the structural weaknesses and enduring deficiencies of the global health care system, the pandemic showed that the 'every man for himself' spirit embraced by most nations has prevailed over a collaborative global approach. In fact, hoarding of vaccines and essential medical equipment by a few developed nations barred many other countries, especially in Africa, from equitable and fair access to those vaccines and medical supplies. For instance, while the rate of vaccinations exceeded 100 percent in many countries, Africa lagged: only about 10 percent of its total population had received at least one dose of the World Health Organization-approved vaccines by the end of 2021.

This reality reflected the urgent need for the African continent to build its health resilience, not only to contain the current pandemic but also in the face of possible future health crises. Afreximbank leadership understood early in the crisis the necessity to adopt a continentwide and innovation-driven approach in tackling the pandemic. The Bank resolved to quickly conceive and launch a set of innovative solutions and products with the double

objective of improving Africa's health resilience and contributing to the pandemic containment. By working with various partners from within and outside the continent, the Bank effected transformative change with positive long-term implications for the African healthcare system. Some of the major initiatives included the following:

AFRICAN MEDICAL SUPPLY PLATFORM

Launched in 2020, the African Medical Supply Platform is a technology-enabled healthcare platform connecting buyers of medical supplies to accredited suppliers¹. The Platform was developed in collaboration with the AU envoy for COVID-19 (Mr. Strive Masiyiwa), Africa Centers for Disease Control and Prevention, and the United Nations Economic Commission for Africa to ensure the efficient procurement of pandemic-related medical equipment. It increased healthcare access in Africa and supported efforts of African countries in disease eradication. It was developed and operated by Janngo with operational support from Vaya, two high-tech companies as well as Afreximbank which provided payment and trade services. By having a sole continental platform, the Bank and its partners provided to the 55 African Union member states the opportunity to purchase certified medical equipment and supplies² through a

wide network of African and globally vetted manufacturers and strategic partners. The African private sector will also benefit from procurement through the Platform.

Following an injection of seed capital amounting to about US\$3.1 million, the objective is for the African Medical Supply Platform to become self-sustaining as a going concern after the pandemic. A successful implementation of the Platform as a long-term continental solution will ensure the resilience of African countries in the face of diseases and potentially in the face of future epidemics or pandemics. The Platform will also boost its capacity to support procurement and logistics to African governments and the private sector.

AFRICAN VACCINE ACQUISITION TRUST

Through the Africa Vaccine Acquisition Task Team (AVAT), launched in 2020, Afreximbank put in place a unique financial structure that included a purchase guarantee to COVID-19 vaccine manufacturers and an instalment payment plan designed to ensure equitable access to COVID-19 vaccines for African states. Through this scheme, the Bank and its partners secured hundreds of millions of doses, including 220 million doses of Johnson & Johnson single-shot COVID-19 vaccine, which were rolled out in the

¹ The Platform is 100 percent owned by the African Vaccine Acquisition Trust; this is, however, a temporary agreement among the Principals until the completion of the legal establishment of the African Medical Supply Platform.

² Including, but not limited to, personal protective equipment, clinical management devices, diagnostic kits, drugs, and vaccines.

second half of 2021. The Africa Vaccine Acquisition Trust (AVAT) will contribute to the African Union's efforts towards achieving a 70 percent vaccination rate among the African population. AVAT is a Trust set up as a special purpose vehicle to support the procurement. The acquisition was made possible by a US\$2 billion guarantee facility approved by Afreximbank, which also acted as the financial and transaction advisors, guarantor, instalment payment advisor, and payment agent. The Bank also made efforts during the year to encourage its regional and international partners to mobilise more resources for the procurement of more vaccines. The US Government, Mastercard Foundation, MTN, French Government and South Africa's Department of International Relations and Cooperation etc. all donated millions of doses of vaccine to several African countries through the AVAT schemes. A total of 41 African countries

and six Caribbean countries³ received doses of vaccines under the scheme by the end of 2021.

No-Fault Compensation Scheme

In 2021, as part of its efforts at combatting the pandemic, AVAT launched the No-Fault Compensation Scheme, a mechanism that provides no-fault, lump sum compensation in full and final settlement of any claims for expected and unexpected serious adverse events arising from vaccines procured or distributed through the AVAT framework. Through this innovative solution, AVAT addresses vaccine hesitancy on the continent by providing for prompt, fair, and transparent compensation in case of serious adverse events associated with approved COVID-19 vaccinations⁴. The objectives of the NFCS are threefold: (1) encouraging vaccine uptake, (2) inspiring high levels of trust, fairness, robustness, and transparency, and (3)

disincentivizing claims in court and reducing the need for indemnification. The scheme was launched officially during the first quarter of 2022.

The No-Fault Compensation Scheme will be managed by ESIS, a leading global provider of third-party Administration and risk management services. A Scientific Advisory Committee, led by independent renowned international experts, including the director of the Africa Centers for Disease Control, will conduct regular reviews of the evolving COVID-19 vaccine literature and provide expert scientific advice to AVAT and ESIS. The scheme, which has a term of seven years, will be self-insured, and funded through levies of \$0.3 per fully vaccinated individual.

Table B4.2.1

Types of Damage	Vaccines and Affected Individuals	Compensation Formula
Compensation in case of Serious Adverse Event (including death) following the administration of COVID-19 vaccine.	Applicant must have received the vaccine through the AVAT Framework in a Member State that has submitted an NFCS Notice to AVAT.	US\$0.3 Levy based on projected number of successful claims. Compensation = average GDP per capita of the relevant participating member state multiplied by 12 multiplied by a harm factor of between 0.5 and 1.5 (depending on the seriousness of the injury). Hospital costs incurred will also be reimbursed with a daily cap up to 60 days.

³ These are: Antigua and Barbuda, Bahamas, Belize, Guyana, Jamaica, and Trinidad and Tobago.

⁴ The establishment of the No-Fault Compensation Scheme is also a legal requirement under the Johnson & Johnson Advance Purchase Agreement.

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Box 4.2 Innovations towards Africa's Health Resilience and Pandemic Containment (continued)

The Pandemic Trade Impact Mitigation Facility and the Collaborative Pandemic Response Facility

Other major achievements by the Bank in support of the continent's efforts to contain the pandemic included the Pandemic Trade Impact Mitigation Facility (PATIMFA) and the Collaborative Pandemic Response Facility (COPREFA). The overarching objective of PATIMFA, which was launched in 2020, was to support the payment to central banks and other financial institutions of the Bank's member states in meeting their trade debt obligations in the challenging operating environment of the pandemic. The facility also provided assistance to member states in procuring critical medical imports under emergency conditions during the year. The Bank made the facility available through several of its programmes, including lines of credit, direct financing, guarantees, and cross-currency swaps. Since the inception of PATIMFA in March 2020 and as at the end of 2021, the Bank disbursed a total US\$8.23 billion under it.

In the same vein, the Collaborative Pandemic Response Facility was launched at the end of 2020 as a partnership between Afreximbank, the Arab Bank for Economic Development in Africa, and the International Islamic Trade Finance Corporation. This US\$1.5 billion facility had the objective of supporting the Africa member states of the partner institutions during the pandemic through emergency financial assistance. Central and commercial banks as well as businesses are eligible for support under the Collaborative Pandemic Response Facility to finance the importation of essential medical supplies, agricultural equipment, and fertilisers. The facility was also designed to support African countries in facing other challenges, including commodity price shocks and disruptions in supply chains and export manufacturing.

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Box 4.3 Connecting Africa through Trade Fairs: 2021 Intra-African Trade Fair

IATF Intra-African Trade Fair 2021



The role of trade fairs in promoting intra-African trade was recognised by the Founding Fathers of the African Union as early as the 1960s and the first 'All Africa Trade Fair' was organised in 1972 in Kenya under the auspices of the Organisation of African Unity. However, the All Africa Trade Fair was not sustained due to a number of reasons, including the fact that there was no continental financial institution to back it. It is important to note that the AU Programme on Boosting Intra-African Trade also identified the gap in trade information as a major challenge affecting intra-African trade. Given the fact that lack of access to trade and market information is one of the key reasons why intra-African trade is very low at around 16 percent, Afreximbank in collaboration with the African Union Commission introduced the Inaugural Intra-African Trade Fair (IATF) in 2018. The AfCFTA Secretariat subsequently joined the collaboration upon its creation in 2020.

The IATF is a sustainable platform for exchanging trade and market information and connecting buyers and sellers, as well as investors to investment opportunities, and integrating public and private sector dialogues, in Africa, with the ultimate objective of facilitating the implementation of the African Continental Free Trade Agreement (AfCFTA). The first IATF which was held in Cairo, Egypt in 2018, marked a resumption of the Continent's journey

towards a successful self-sustaining trade and investment initiative. Almost 80 percent of the US\$32 billion in trade deals that were struck during the IATF2018 have been implemented. A number of African entities gave testimonies to the success of the first IATF. For example, after gaining access to the IATF, a young tech-based African entrepreneur was linked to the Singapore Ministry of Manpower and, today produces drones for agricultural purposes in Singapore. Another is the deal entered at the event between the Government of South Sudan and a leading engineering company in Egypt which led to the development of a major solar power project in South Sudan. It was also during the first edition of the Continental Trade Fair, that the Mandate Letter in respect of the largest intra-African EPC contract for a hydroelectric power project worth US\$2.9 billion was signed between the Government of Tanzania and two leading Egyptian Engineering firms. When completed, the project will generate 2,100 Megawatts of hydroelectric power, representing 42 percent of the Tanzanian goal of generating 5,000 Megawatts by 2025, creating over 6,000 jobs in Egypt and Tanzania. In addition, a Moroccan fashion designer, who developed a women's wear production line was able to find an Egyptian franchisee by participating in the IATF. And, after participating in the trade fair, a Namibian developer of an African

natural ethnic hair and skincare line expanded within Africa and beyond.

Today, the Bank's IATF initiative is already enabling an opening up of the African continent. Despite the pandemic in 2021, the Bank and its partners once again successfully delivered for the continent via a second IATF in Durban, South Africa. The fair hosted the largest gathering of buyers and sellers on the continent, attracting 32,541 participants and 1,501 exhibitors, with 69 countries in attendance and US\$42.1 billion worth of trade deals concluded, compared with 1,080 exhibitors and US\$32.6 billion of trade deals from 45 countries in the 2018 IATF. The 2021 IATF recorded a major milestone and attracted participation of seven Heads of State and Government who attended and graced the opening ceremony, namely; H.E Cyril Ramaphosa, President (host), Republic of South Africa; H.E. Lazarus Chakwera, President, Republic of Malawi; H.E. Muhammadu Buhari, President, Federal Republic of Nigeria; H.E. Hakainde Hichilema, President, Republic of Zambia; H.E. Emmerson Mnangagwa, President, Republic of Zimbabwe; H.E. Hussein Mwinyi, President, People's Republic of Zanzibar representing the President of the United Republic of Tanzania; and Rt. Hon. Dr. Edouard Ngirente, Prime Minister of the Republic of Rwanda representing the President of the Republic of Rwanda.

IATF2021 provided a platform for African partnerships and trade integration, availing great opportunities to African entities to meet African and global manufacturers, investors, and financiers to discuss and conclude business deals. Some of the success stories from IATF2021 included the bilateral Government-to-Government trade deals signed between the Governments of Malawi and South Sudan which has expanded the market for Malawi's agricultural products to South Sudan and other African countries. A South African company manufacturing exotic skin care products entered into a consumer goods distribution agreement with exports in 4 countries namely Ghana, Malawi, Egypt and United States. An Algerian company was able to enter into agreements to export manufactured electrical products to Ghana, Benin, Mauritania, and Togo.

All in all, considerable new business relationships were forged during IATF2021, governments found new African sources of food items and capital goods; African banks found new opportunities for regional expansion; fashion designers found new markets while the African creative industry found a new convening platform called the Creative Africa Nexus (CANEX); a Youth Entrepreneurship programme was launched; and there was spotlight on Africa's Automotive Industry. The IATF2021 witnessed the organization

of the first Auto show, which was attended by 19 exhibitors and 43 companies. The Africa Auto Show will now be a permanent feature at all Intra-African Trade Fairs.

The third edition of the Intra-African Trade Fair (IATF2023) will take place from 21 to 27 November 2023 at the Abidjan Exhibition Centre in Côte d'Ivoire. IATF2023 is expected to attract more than 1,600 exhibitors from across the African continent and beyond, and more than 35,000 visitors and conference delegates from over 75 countries globally. IATF2023 is expected to conclude over US\$ 43 billion in trade and investment deals.

Box 4.4 African Medical Centre of Excellence (AMCE): Boosting Africa’s Services Exports in the Healthcare Sector

OVERVIEW OF THE AFRICAN HEALTHCARE LANDSCAPE

Africa currently suffers from a supply shortage of healthcare infrastructure and resources. Most African countries have significantly lower than average hospital beds per 1,000 persons which currently stands at 4.7 according to the Organisation for Economic Co-operation and Development (Figure 4.4.1). The outbreak of COVID-19 has only further highlighted this challenge. As at 2016, per capita expenditure on healthcare services in African countries remains significantly low, with healthcare spending averaging less than 5 percent of the average spend in Europe and North America. Compared to their Northern African and Southern African counterparts, West African countries have had poorer health outcomes and relatively lower healthcare spend.

Many hospitals in the West African region are underfunded, understaffed, and underequipped, while others lack electricity and essential drugs and are relatively inaccessible to most patients in rural areas. This is unlike South Africa, Algeria, and Morocco, where healthcare spend per capita is at least two times the average of healthcare spend in West Africa (according to the World Bank). Other challenges combine to create a healthcare market in West Africa where citizens, having poor access to critical services, adopt alternate arrangements to access quality healthcare, resulting in the high levels of medical tourism experienced in Africa.

Dearth of skilled personnel – Shortage of healthcare professionals (particularly specialists) in West Africa, is driven largely by insufficient training facilities, poor remuneration, and increased economic migration

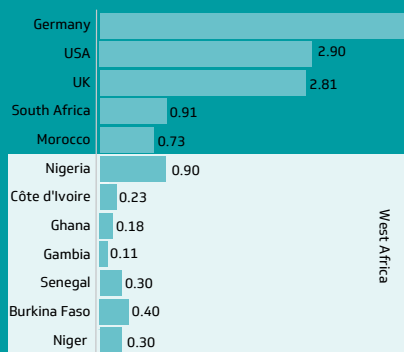
to Europe and North America. At present, most West African countries have less than the minimum of 2.3 health workers per 1,000 persons as recommended by the World Health Organization (WHO).

Infrastructure deficits – Despite the growing non-communicable disease burden in West Africa, the number of public treatment facilities in the region has remained relatively constant over the past decade. Only 5 percent of the required treatments in oncology and cardiology are met, while only 23 percent of required treatments in haematology are met. This has created a huge gap as well as market opportunity for new players to address the deficit burden.

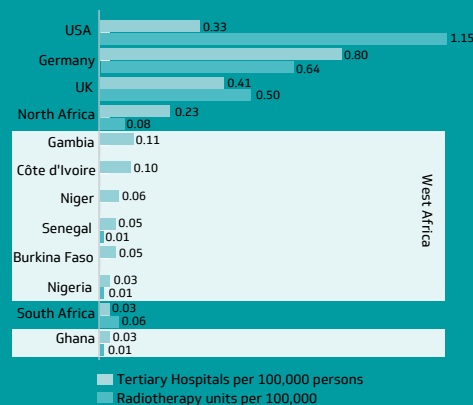
Funding – Development in the sector is constrained by low government spending and the inability to attract significant capital in the form of private investment and grants.

Figure 4.4.1

a. Hospital beds per 1,000 persons – 2016



b. Tertiary / Specialist Hospitals per 100,000 persons – 2016



Source: PwC analysis, World Health Organization, OECD data, National Health Service (UK).

Purchasing Power – Despite low incomes in the region, a large proportion of the population either has no access to health insurance or has basic insurance that does not cover secondary and tertiary care needs when required and must pay out of pocket. The percentage of insurance spend of the total health expenditure in Nigeria and other West African countries (except for Côte d’Ivoire) is less than 10 percent, unlike South Africa and Kenya which have 36.4 percent and 15.3 percent respectively. Moreover, the insurance penetration rate (less than 2 percent) in West Africa is equally low compared to the 15 percent rate in South Africa¹.

Consequently, many citizens in West Africa largely pay out of pocket for their healthcare needs.

Perception of quality – Poor perception of the quality of care available locally has been identified as a major driver for medical tourism to foreign countries according to a PriceWaterhouseCooper (PwC) survey carried out in 2016.

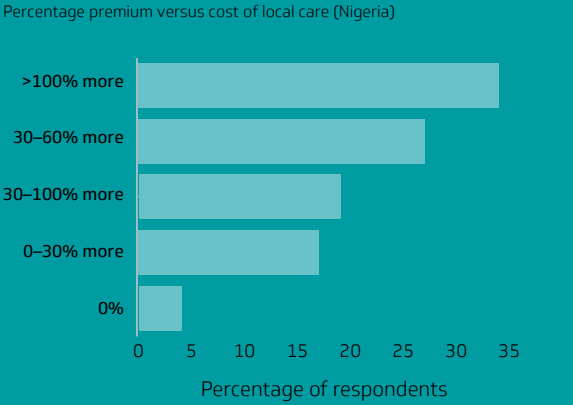
Medical Tourism in the West African Region

Due to the dire state of medical services in the region, medical tourism has been on the rise. Overall, it is estimated that Africa could be losing up to \$1 billion on overseas medical services annually, according to a 2015 World Bank study⁵. About 40 percent of the estimated spend is applied towards treatments in oncology. (Other significant areas of spending include kidney and cardiovascular ailments.)

West Africa has become one of the biggest sources of medical tourists traveling outside the continent for medical help, with Nigeria in the lead.

A 2016 PwC survey of Nigerians found that more than 90 percent of respondents associated advanced healthcare delivered in the country with ‘low quality’. This perception has been established over many years—respondents’ own experience and those of others, media reports, and the visible state of disrepair in healthcare infrastructure around them. The survey highlighted a central theme across all respondents: a lack of trust in the local healthcare system. The distrust explains the willingness to pay high premiums for healthcare overseas.

Willingness to pay for foreign medical care



Source: 2016 PricewaterhouseCooper Survey.

¹ Data obtained from Statista.

Box 4.4 African Medical Centre of Excellence: Boosting Africa's Services Exports in the Healthcare Sector (continued)

Some private entrepreneurs and investors have taken advantage of the supply deficit in the market and initiated technical partnerships and collaborations that often involve engaging experienced medical professionals from India, Europe, or North America to provide the expertise and run local hospitals. As with overseas healthcare, these initiatives are costly and do little to cater to the overwhelming demand for skilled medical care within the region.

In response to the critical state of healthcare within the region, Afreximbank has commenced plans to set up a chain of world-class African Medical Centres of Excellence (AMCEs) across Africa, the first of which is to be established in Abuja, Nigeria.

The African Medical Centre of Excellence

The AMCE stands out as an opportunity to improve the healthcare landscape across Africa. The initiative aims to facilitate the establishment of a network of world-class quaternary-level healthcare facilities across the continent; the first of these will be the 500-bed Centre of Excellence for Medical Services to be located in Abuja, Nigeria. The Centre, in collaboration with Kings College Hospital as Clinical Partner, will potentially provide services to more than 200,000 patients in Nigeria and a further 150,000 patients from neighbouring African countries, within its first five years of operation.

The prime location of this facility and the world-class quaternary-level healthcare to be provided would attract patients across the African region.

The AMCE will offer a full range of medical services (diagnostics, inpatient, and outpatient) in oncology, haematology, cardiology, and general healthcare services (including trauma and emergency services) as well as other essential services including academic, residential, hospitality, and retail. The facility will be supported by a range of businesses providing relevant health support, residential, and commercial services to its patients and staff, thus creating a healthcare ecosystem sustainably designed to deliver long-term value to its community and region.

Some of the potential strategic benefits of the AMCE are:

World-class equipment and services

The AMCE will be unique in its ability to offer world-class end-to-end services across cardiology, oncology, and haematology. Service delivery will be led by Kings College Hospital, a leading global healthcare provider. The AMCE will provide first-class medical diagnostic equipment and infrastructure that include Positron Emission Tomography and Computer Tomography (PET-CT), a cyclotron that will produce nuclear isotopes, linear accelerators for radiotherapy, chemotherapy suites, fully equipped modular theatres, HTR/ HDR

machines, among many others which are all used in the diagnosis of cancer, heart disease, and brain disorders. These are currently not available in Nigeria.

Reversing medical tourism and brain drain

The AMCE, in collaboration with Kings College Hospital, will provide world-class medical services at par with the world's most prestigious hospitals, thus restoring trust in the local health system. The hospital will provide fellowship opportunities for highly talented physicians to develop their specialist skills in priority areas, building the local pool of experts and disincentivizing medical tourism. Already, Kings College Hospital is sourcing specialists, giving priority to African medical personnel in the diaspora so as to bring home some of the best brains currently working overseas.

Advancing healthcare education, training, research, and development in Africa

A significant focus of the AMCE is to perform innovative and groundbreaking research and development, as well as educational and training programs in partnership with leading global institutions: Kings College Hospital (London), the University of Wisconsin Teaching Hospital (United States), and lastly Christie's Hospital (Manchester, UK). The AMCE has the potential to establish the largest and most diverse biobank in West Africa, enabling it

to attract global and Pan-African partnerships to become a global point of reference attracting inbound medical tourism in the region. It will also support the upgrade of the continent's healthcare sector through education, research, and training linkages with teaching hospitals, private and public clinics, and hospitals.

Conserving foreign exchange

In Nigeria, despite restrictions resulting from the COVID-19 pandemic in 2021, balance of payments for health-related expenditure in 2020 showed net outflows of more than US\$1 billion for health-related expenditure. The AMCE in Abuja, through the provision of world-class healthcare services, will reduce the burden on the Central Bank of Nigeria of providing foreign exchange for medical travels.

The AMCE will also provide significantly discounted medical services to uninsured low-income persons while maintaining world-class standards of delivery—an opportunity to improve the healthcare landscape of Nigeria while aligning with the Sustainable Development Goals.

Creating employment opportunities

The AMCE will create 800 jobs during the construction phase. During the operations phase, direct employment will be created for more than 650 persons (including 315 clinical personnel). Further downstream, with the establishment of the AMCE in Abuja, a secondary market will result in 1,300 additional jobs generated from increased exports of goods and services, that is, transportation, hotels, and other tourism-related activities.

Roll out Plan for the African Medical Centre of Excellence

As mentioned above, the AMCE is a pan-African initiative which seeks to facilitate the establishment of centres of excellence in medical services across all the key regions of the continent with the Abuja project in Nigeria, West Africa. Subsequently other AMCEs will be developed in the North, East, Central and South Africa forming a chain of quaternary medical facilities which will boost intra African trade in medical services and significantly improve the continent's healthcare landscape.



The African Medical Centre of Excellence (AMCE)

Management's Analysis and Discussions of the Results of the Financial Year Ended 31 December 2021

5





Notwithstanding the challenging environment, the Bank and its subsidiary entities reported satisfactory performances and maintained balance sheet strength, sound liquidity, and positive trends on key ratios.

Management's Analysis and Discussions of the Results of the Financial Year Ended 31 December 2021

This chapter presents and discusses the financial statements of the Bank and its wholly owned subsidiaries (together, 'the Group'). The subsidiaries are The Funds for Export Development in Africa (FEDA) comprising FEDA Holdings, FEDA Investment Management, and FEDA Capital; and Afrexinsure, the subsidiary offering certain insurance services.

5.1 INTRODUCTION

The consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2021 include Consolidated Statements of Profit or Loss and Other Comprehensive Income, Consolidated Statements of Financial Position, Consolidated Statements of Cash Flows, and the accompanying notes to the consolidated and separate financial statements. The ensuing discussion presents the Bank and Group's audited consolidated financial statements for the year ended 31 December 2021, paying attention to the factors that influenced the outcome.

5.2 STATEMENT OF COMPREHENSIVE INCOME

5.2.1 Operating Environment

The recovery of the global economy from the COVID-19–induced economic turbulence continued in 2021 as restrictions on gatherings were lifted and movement of people resumed following reduced public health concerns and improved vaccination rates. Global output rebounded strongly but unevenly across many regions, causing surging demand triggered by significant fiscal and monetary stimuli in the developed economies. However, disparities in vaccination rates caused considerable

surges of several new strains of the COVID-19 virus, prompting fears that vaccine-resistant strains would emerge and yield varying health outcomes and exacerbate supply constraints. Consequently, world economies experienced continued severe shocks resulting in low GDP growth rates in some countries. In the process, some key economic sectors were adversely affected: aviation, logistics, tourism, and entertainment, among others. Furthermore, with containment measures continuing to interrupt workflows, global supply chains remain at risk of ongoing disruptions, which could put pressure on prices, resulting in weak and uncertain economic recoveries.

The Russia–Ukraine conflict will prolong the supply chain disruptions that were earlier caused by the trade war between the United States and China and worsened by the pandemic. This conflict, which also resulted in the sanctioning of Russian entities, especially financial institutions, followed by a ban on Russian oil exports into the United States, witnessed soaring prices of energy, oil, and food commodities, particularly grain.

Whilst the higher commodity prices will benefit commodity-producing countries, if the Russia–Ukraine conflict is protracted, this benefit may be eroded for most economies due to the resultant global inflation. Additionally, the adverse effects of the conflict and the growing geopolitical tensions elsewhere, which are likely causing, among other things, deglobalisation of the world economy, increased trade barriers, reduced access to agricultural produce, and dislocation of global financial markets, may mean that developed economies will not achieve their projected GDP growth rates.

The GDP growth rate for Africa is projected to be about 4.5 percent for both 2022 and 2023. The expected growth is backed by accelerated vaccination programmes, relaxation of COVID-19 containment measures, and projected increases in commodity prices on the back of rising commodity demand from Asian countries. The implementation of the AfCFTA is expected to contribute to the projected growth of Africa in the near future.

African economies that are reliant on commodities whose prices have spiked because of the Ukraine–Russia conflict will undoubtedly benefit, like the other similar global economies. The impact will vary depending on the country’s profile of imports and exports. Not only will the conflict adversely affect African trade activities with Russia and Ukraine, particularly with respect to importation by Africa of fertilisers and chemicals, the resultant decline in global demand will also severely affect the already fragile continent. Furthermore, the tightening of the financial markets and the expected increase in interest rates will impose high debt burdens on the African countries.

Throughout the turbulence of 2021, the Management of the Bank and the Group entities focused on protecting the interests of shareholders, supporting Africa, ensuring the well-being of its personnel, and supporting its valued customers and clients. These were satisfactorily achieved while operational and financial resilience was preserved. Proactive liquidity management that was in line with the Bank’s approved policies ensured that despite volatile and constrained liquidity environments at the onset of the COVID-19 pandemic, adequate liquidity was maintained throughout the financial year.

Despite the challenging environment, the Bank and the subsidiary entities exhibited resilience in their successful completion of the following activities, amongst others:

- i. the Bank closed a US\$1.3 billion dual maturity bond issuance (US\$600 million for 5 years and US\$700 million for 10 years), the Bank’s largest-ever transaction in the international debt capital markets, which was also 246 percent oversubscribed. The phenomenally successful bond issuance enabled the Bank to further diversify its liability book by geography, investor type, and maturity. This landmark deal is a testament to deepening investor confidence in the Bank;
- ii. the Bank acted as Financial and Transaction Advisors, Guarantor, Payment Agent, and Instalment Payment Facility Provider in the US\$2 billion deal that supported the Africa Vaccine Acquisition Trust (AVAT) in procuring 220 million doses of Johnson & Johnson COVID-19 vaccines with an option to acquire an additional 180 million doses. This transaction raised Africa’s vaccination coverage towards at least 60 per cent of its population and, more important, corrected the uneven progress in the execution of vaccine programmes on the continent. By the end of December 2021, about 75.1 million doses had been acquired by Member States through this facility;
- iii. the Bank, in collaboration with the AfCFTA Secretariat, African Union Commission, and other partners,

successfully hosted the second Intra-African Trade Fair in Durban, South Africa, in November 2021. Deals worth over US\$42 billion were being concluded as a result of this event, which attracted more than 1,500 exhibitors and more than 32,000 participants from about 128 countries. The Fair showcased African goods and services, enhancing awareness of intra-African trading opportunities as well as trading opportunities around the world;

- iv. following appropriate approvals by its Board of Directors and shareholders, the Bank launched a General Capital Increase which sought to raise US\$6.5 billion (US\$2.6 billion paid-in) of fresh equity by 31 December 2023. The General Capital Increase, which is fully backed by the African Union, is providing the needed capacity to reinforce the pivotal roles played by the Bank in Africa, including, but not limited to, facilitating finance across its markets and accelerating an orderly post-COVID-19 economic recovery. In addition, the General Capital Increase will enable the Bank to capitalise and support its subsidiary entities, advance the implementation of the AfCFTA, including ensuring full operationalisation of the PAPSS as well as boosting intra-African trade. In this regard, the Bank has received immense support from its shareholders, receiving some of the equity ahead of schedule. As at 31 December 2021, US\$265 million had been raised, and between 1 January 2022 and 28 February 2022, US\$75.6 million was raised, bringing total equity raised so far to US\$340.6 million within a few months of launch of the General Capital Increase. A total of US\$800 million is expected to be raised by 31 December 2022. The full implementation of the General Capital Increase will go a long way in ensuring that the Bank consolidates and extends its strategies and initiatives in line with its Sixth Strategic Plan, for 2022 to 2026;
- v. the Bank’s pioneering subsidiaries on the FEDA Platform became fully operational during the year, after

Chapter Five

Management's Analysis and Discussions of the Results of the Financial Year Ended 31 December 2021

receiving the requisite ratifications of the Establishment Agreement by Member States. This development culminated in the Bank reporting, for the first time, Consolidated financial statements (Group results) consolidating FEDA companies. In addition, Afrexinsure, the other subsidiary, was also fully established in Mauritius during 2021 and is included in the Group results. Through this subsidiary, the Bank will be able to leverage the insurance and surety business that its own activities generate and will ensure that significant premium income is retained within Africa;

- vi. FEDA made strategic impact investments amounting to US\$38 million during its first few months of being operationalised. The investments by FEDA are expected to play a critical role in the mobilisation of foreign direct investments aimed at facilitating industrialisation and improving export development and intra-African trade. FEDA's investments in key economic sectors will also complement the Group's efforts in ensuring the success of the AfCFTA;
- vii. the commercial operation of the PAPSS was launched on 13 January 2022. The PAPSS is intended to provide a state-of-the-art financial market infrastructure connecting African markets and enabling instant cross-border payments in local currencies. The PAPSS is supported by Afreximbank, the African Union, the AfCFTA Secretariat, and participating central banks. Afreximbank provides settlement guarantees in support of PAPSS transactions. The PAPSS will play a pivotal role in facilitating and accelerating intra-African trade; and
- viii. the Bank concluded the Sixth Strategic Plan (Plan VI) covering the period 2022 to 2026, which emphasises the consolidation and extending of the achievements made under the Fifth Strategic Plan, which expired in December 2021.

5.2.2 Financial Results Highlights

Notwithstanding the challenging environment, the Bank and its subsidiary entities reported satisfactory performances and maintained balance sheet strength, sound liquidity, and positive trends on key ratios. Given that the other Group entities became legal entities only a few months before the end of 2021, the Bank contributed significantly to the Group results, and in many instances its separate performance was the same as the Group's performance. Key metrics:

As for the Bank,

- Interest income reached US\$1 billion for the first time during the 2021 financial year,
- Net Interest Income increased from US\$575.2 million to US\$703.3 million, a 22 percent increase compared to 2020,
- Net Income increased by 10 percent to reach US\$387.3 million, compared to the prior year level of US\$351.7 million.
- Net Loans and Advances at US\$18.2 billion as at end of 2021 represented an 11 percent increase from the 2020 balance,
- Liquid assets of the Bank remained at 14 percent of the Bank's Total assets for the two years ended 31 December 2021 and 31 December 2020,
- The Non-performing loans ratio as at 31 December 2021 stood at 3.35 percent compared to 3.18 percent for 31 December 2020,
- The Bank achieved a return on average shareholders' equity and return on average assets (ROAA) of 10.6 percent (2020: 11.4 percent) and 1.88 percent (2020: 2.08 percent) respectively,
- In line with the increase in the Net Income, the basic earnings per equivalent of fully paid shares of the Bank improved from US\$6,316 in 2020 to US\$6,550 in 2021, and
- The Capital Adequacy Ratio was sustained at sound levels of 25 percent in 2021 (2020: 23 percent) in line with the Bank's long-term Capital Management Strategic and Policy targets.

As for the Group,

- The performance of the Group largely mirrored the performance of the Bank except for certain marginal Operating expenses (Personnel and General and Administrative) incurred by the subsidiary entities and the impact thereof on Net Income.
- Net Income of the Group, at US\$375.8 million, was slightly lower than the Net Income of the Bank. This was mainly the result of the pre-establishment expenses incurred by some of the Group entities,
- The Group achieved a return on average shareholders' equity and return on average assets of 10.3 percent and 1.82 percent respectively, and
- The basic earnings per equivalent of fully paid shares of the Group for the year ended 31 December 2021 were US\$6,355.

A further detailed analysis of the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position, as well as those of the Bank, are presented hereunder.

5.2.3 Net Interest Income and Margin

As the subsidiary entities did not contribute to the Interest Income and expenses, there is no difference between the Bank and the Group results with respect to Net Interest Income and Margin.

During the year under review, Net Interest Income of the Bank and Group grew by 22 percent to reach US\$703.3 million (2020: US\$575.2 million), largely as a result of a healthy growth in the Bank's loan book and a 15 percent reduction in Interest Expense, which amounted to US\$304 million compared to US\$358.7 million achieved in 2020. Interest Expense was lower than in 2020 mainly because of a combination of cost-effective funding mix and the general decline in market interest rates.

Net Interest Margin of the Bank, at 3.54 percent, improved compared to the prior-year level of 3.32 percent, which reflected the higher earnings recorded during 2021 as

a result of relatively higher yields achieved on interest-earning assets, coupled with the cost-effective funding mix.

5.2.4 Non-Interest Income

Fees and commission income for the Group, which was all attributable to the Bank's activities, was largely driven by income arising from Guarantees, Letters of credit, and client Advisory services. Income from Guarantees and Letters of credit grew by 53 percent to reach US\$49 million for the year ended 31 December 2021, reflecting the impact of the strong growth in the total portfolio of Guarantees and Letters of credit in line with the Bank's strategic ambitions. The total value of Guarantees and Letters of credit grew by 30 percent to reach US\$3.1 billion as at the end of December 2021, which represented 10 percent of the Bank's total funded and unfunded exposures. The 53 percent solid growth in Guarantees and Letter of credit fees is in line with the strategic goal of growing Trade Services activities, and the fee-based income base for the Group. Advisory fee income amounted to US\$64.8 million during the year ended 31 December 2021, (2020: US\$78.3 million). The decrease in Advisory fee income was largely attributable to the relatively longer gestation period experienced on some advisory mandates that were being executed as at the end of the year.

5.2.5 Operating Income

Operating Income of the Group, which is the sum of Net Interest Income, Net Fees and Commissions Income, and Other Operating Income, increased by 15 percent in 2021 to reach US\$821.5 million (2020: US\$713.9 million) and mirrored the performance of the Bank, because the other Group entities did not contribute meaningfully during 2021, having been legally established close to the year's end. The 15 percent increase in Operating Income was largely on account of 5 percent growth in the Bank's Gross Incomes (Interest, Fees and Commissions, and Other Operating Income), which amounted to US\$1.1 billion in 2021, and a 14 percent reduction in the associated costs, these being Interest and Fees and Commission

expenses. In 2021, these costs totalled US\$313 million.

5.2.6 Operating Expenses

In line with expectations, the resumption of travel and in-person gatherings and the growth in business volumes made Operating expenses of the Bank increase by 47 percent, reaching US\$186.29 million (2020: US\$126.58 million). Whilst the Bank's expenses were within budget, the relatively higher year-on-year growth in Total Operating Expenses in 2021 over 2020 was mostly driven by a 25 percent increase in Personnel expenses and a 79 percent increase in Administrative expenses.

The growth in Personnel expenses was the planned increase in staff headcount as the Bank strengthened its human capital capacity in support of increasing business volumes and implementation of various strategic initiatives. The observed increase in the Bank's Administrative expenses was mainly on the back of resumption of operational missions and in-person statutory meetings. The increase brought the operational expenses to the pre-COVID-19 pandemic trend.

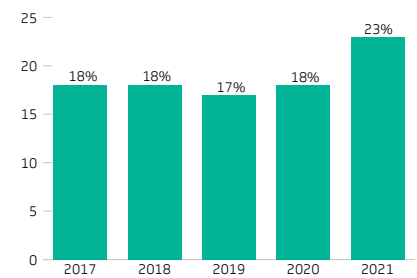
Furthermore, Operating expenses of the Bank were higher on the back of Depreciation and amortisation expenses, which increased by 23 percent to reach US\$11.6 million for the year ended 31 December 2021. This largely reflects an increase in depreciable assets of the Bank, comprising mostly ICT assets acquired as the Bank expanded its digital capacity.

Operating expenses of the subsidiary entities were US\$11.4 million. These were mainly pre-establishment costs. In addition to the Operating expenses of the subsidiaries, the Group's total Operating expenses for the year ended 31 December 2021 were US\$197.78 million.

5.2.7 Cost to Income Ratio

Despite the 47 percent increase in Operating Expenses, Cost to Income ratio for the Bank stood at 23 percent (2020: 18 percent) and was in line with the Bank's strategic target range of 17 percent to 30 percent.

Figure 5.1 Bank Cost to Income Ratio: 2017–21



Source: Afreximbank.

5.2.8 Expected Credit Loss

The charge to the Group's Statement of Profit or Loss and Other Comprehensive Income in respect of Expected Credit Losses (ECL) on financial instruments amounted to US\$233.38 million for the year ended 31 December 2021 (2020: US\$233.49 million). This ECL charge only relates to the Bank, because the Bank is the only entity within the Group holding financial assets subject to impairment in line with IFRS 9. Included in this charge is a loss arising from modified loan facilities of US\$1.65 million (2020: US\$1.41 million) in line with the accounting requirements of IFRS 9 Financial Instruments (IFRS 9). The slight decline in the ECL charge for the year, despite a 12 percent increase in net Loans and advances, reflected prudent risk management practices. For both years ended 31 December 2021 and 31 December 2020, the ECL with respect to Loans and advances of the Bank accounted for 88 percent of the total ECL. This was largely driven by the fact that Loans and Advances and off-balance sheet exposures, which carry comparatively higher credit risk compared to other financial instruments falling within the scope of IFRS 9, were also significant; they accounted for 63 percent (2020: 71 percent) of these financial instruments.

Chapter Five

Management's Analysis and Discussions of the Results of the Financial Year Ended 31 December 2021

As shown in Table 5.1, total loan facilities of the Bank classified under IFRS 9 as Stage 1 and Stage 2 represented 97 percent (2020: 96 percent) of the Bank's total gross Loans and Advances, evidencing the consistently sound quality of the Bank's portfolio as well as the low probability of significant losses arising in the future:

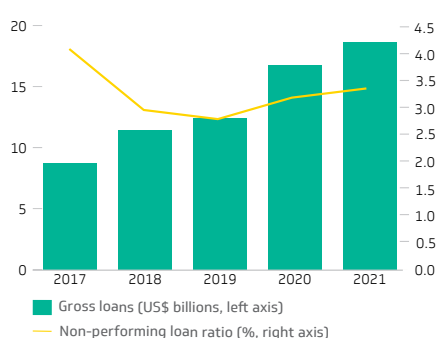
Table 5.1 IFRS 9 Staging of the Bank's Loans and Advances

	31 December 2021 FY2021				31 December 2020 FY2020			
	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	Total US\$000	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	Total US\$000
Gross amount	16,286,344	1,851,768	628,416	18,766,528	14,385,452	1,770,276	617,690	16,773,419
Loss allowance	(47,415)	(162,403)	(203,660)	(413,478)	(93,576)	(72,392)	(178,976)	(344,944)
Modification loss	–	(1,650)	–	(1,650)	666	(2,075)	–	(1,409)
Suspended interest	–	–	(175,165)	(175,165)	–	–	(124,947)	(124,947)
Total provisions	(47,415)	(164,053)	(378,825)	(590,293)	(92,910)	(74,467)	(303,923)	(471,300)
Carrying amount	16,238,930	1,687,715	249,590	18,176,235	14,291,876	1,697,884	313,768	16,302,119

The Bank's asset quality was within the risk appetite levels as reflected in the Non-performing Loans ratio of 3.35 percent (2020: 3.18 percent) (Figure 5.3). In addition, the provisions coverage ratio on Loans and Advances, at 115 percent (2020: 119 percent), was well above the internal minimum threshold of 100 percent. ECL coverage ratio on Loans and Advances was 2.2 percent (2020: 2.1 percent). The consistently sound quality of the Loans and Advances, particularly during an unprecedented pandemic, reflected the prudence of Structured Trade Finance-based lending, the benefits of Preferred Creditor Treatment across the Bank's member countries, and very good knowledge of the African markets.

The Bank's Management and the Board are acutely aware of the need to monitor, evaluate, and take the necessary initiatives to alleviate the potential risks of the resurgence of COVID-19 cases and the increasing geopolitical tensions and conflicts which inevitably result in increased credit risk.

Figure 5.2 Bank Non-performing Loan Ratio (%) vs Gross Loans (US\$ thousands): 2017–21



Source: Afreximbank.

5.2.9 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\$112,742,924 (2020: US\$87,921,317) to shareholders, equivalent to a 30 percent (2020: 25 percent) payout ratio.

In making its recommendation on the level of 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 with a steady growth trend in dividend payments. The other factors considered included profit performance, inflation, capital adequacy, and the need to retain earnings to support ongoing business growth, thereby balancing internal and external financing.

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

5.3 STATEMENT OF FINANCIAL POSITION

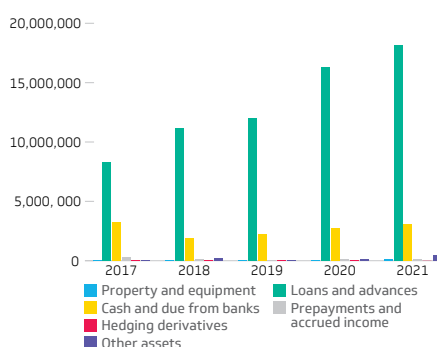
The Consolidated Statement of Financial Position shows the position of the Bank and the Group's assets and liabilities as well as their respective Net Worth or Shareholders' Funds at the reporting date. A detailed discussion of the Group's assets and liabilities for the year ended 31 December 2021 is presented hereunder.

5.3.1 Assets

Total assets of the Group grew by 13 percent from US\$19.31 billion as at 31 December 2020 to US\$21.90 billion as at 31 December 2021. This growth, which is mainly attributed to the performance of the Bank, is largely explained by an 11 percent increase in net Loans and Advances and a 12 percent increase in Cash and cash equivalents which, as at 31 December 2021, increased to US\$18.18 billion and US\$3.05 billion respectively.

The solid growth in the Bank's loan book was in line with expectation and consistent with the improved capital position of the Bank and the Group. Net Loans and Advances of the Bank, at US\$18.18 billion (2020: US\$16.30 billion), contributed significantly to the Total assets position of the Bank, accounting for 83 percent (2020: 84 percent) of Total assets. Additionally, during 2021 and 2020 the Bank maintained high levels of Liquid assets as Cash, and cash equivalents accounted for 14 percent of Total assets of the Group. The high Liquid assets placed the Bank and the Group at an advantage for dealing with market uncertainties arising from the impact of the prevailing geopolitical tensions and conflicts, the COVID-19 pandemic-induced instabilities, as well as ensuring that targeted business activities are supported. A summary of the key assets of the Group is shown in Figure 5.3.

Figure 5.3 Group Assets (US\$ thousands): 2017–21



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 the end of 2021 shows that the share of corporates, including state-owned enterprises, was 29 percent (2020: 26 percent), financial institutions' share was 53 percent (2020: 55 percent) and sovereigns' (governments') share was 18 percent (2020: 19 percent). The Bank provides financial institutions with credit lines to support their trade finance business with local counterparties who, for various reasons, are unable to access financing directly from the Bank. The average maturity of loans, at 19 months, remained in line with the prior-year position, 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, providing facilities in 42 countries.

Included in the Group's Total assets are private equity investments amounting to US\$38.06 million, which were acquired by the Bank's subsidiary, FEDA Holdings.

5.3.2 Liabilities

As at 31 December 2021, the Group's Total liabilities amounted to US\$17.95 billion, representing a 13 percent increase from the US\$15.94 billion reported as at 31 December 2020. This growth was mainly driven by the Bank's liabilities, which saw significant increases in Money market deposits, Deposits and customer accounts, and Debt securities in issue. Included in Total Group liabilities is an amount of US\$2.4 million relating to liabilities owed by other Group entities.

Money market deposits rose by 71 percent to US\$1.41 billion as at 31 December 2021 (2020: US\$823.42 million), as the Group benefited from the Africa Resource Mobilisation initiative being implemented by the Bank. Deposits and customer accounts increased by 30 percent to US\$5.82 billion in 2021, on the back of continued increases in central bank deposits under the Bank's Central Bank Deposits Programme. Debt securities in issue increased by 12 percent to reach US\$3.44 billion at 31 December 2021 (2020: US\$3.08 billion) due to the closure by the Bank of a historic US\$1.30 billion bond issue transaction which was concluded during the first half of 2021. The increase arising from the US\$1.3 billion bond was, in part, offset by repayments of some debt liabilities that also matured during 2021.

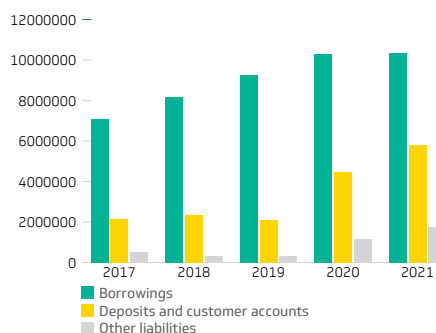
As at 31 December 2021, total borrowings (Due to banks and Debt securities in issue) accounted for 58 percent of the Bank's liabilities compared to 65 percent recorded as at the end of the prior year. Deposits and customer accounts accounted for 32 percent and 28 percent of Total Liabilities as at 31 December 2021 and 31 December 2020, respectively.

Chapter Five

Management's Analysis and Discussions of the Results of the Financial Year Ended 31 December 2021

As can be seen from Figure 5.4, the major component of Total liabilities, which mostly relate to the Bank, were borrowings made up of Due to banks and Debt securities in issue. In terms of geographical distribution, the outstanding borrowings were spread across mainland Europe, the United Kingdom, Asia, the Middle East, Africa, and North and South America. Additionally, a significant proportion of the Deposits and customer accounts held were key elements in the Bank's structured trade finance transactions, including deposits underpinning the PATIMFA facilities.

Figure 5.4 Group Liabilities (US\$ thousands): 2017–21



Source: Afreximbank.

5.3.3 Shareholders' Funds

The Group's Shareholders' Funds rose by 17 percent to reach US\$4 billion as at 31 December 2021 (2020: US\$3.37 billion). The growth was largely attributable to internally generated Net Income of US\$287.89 million (net of dividends) and US\$291.87 million fresh Equity contributions, including Warrants, by the Bank's shareholders. The Bank's callable capital, a significant proportion of which was credit enhanced as part of the Bank's Capital Management Strategy, amounted to US\$1.82 billion as at 31 December 2021 (2020: US\$1.43 billion).

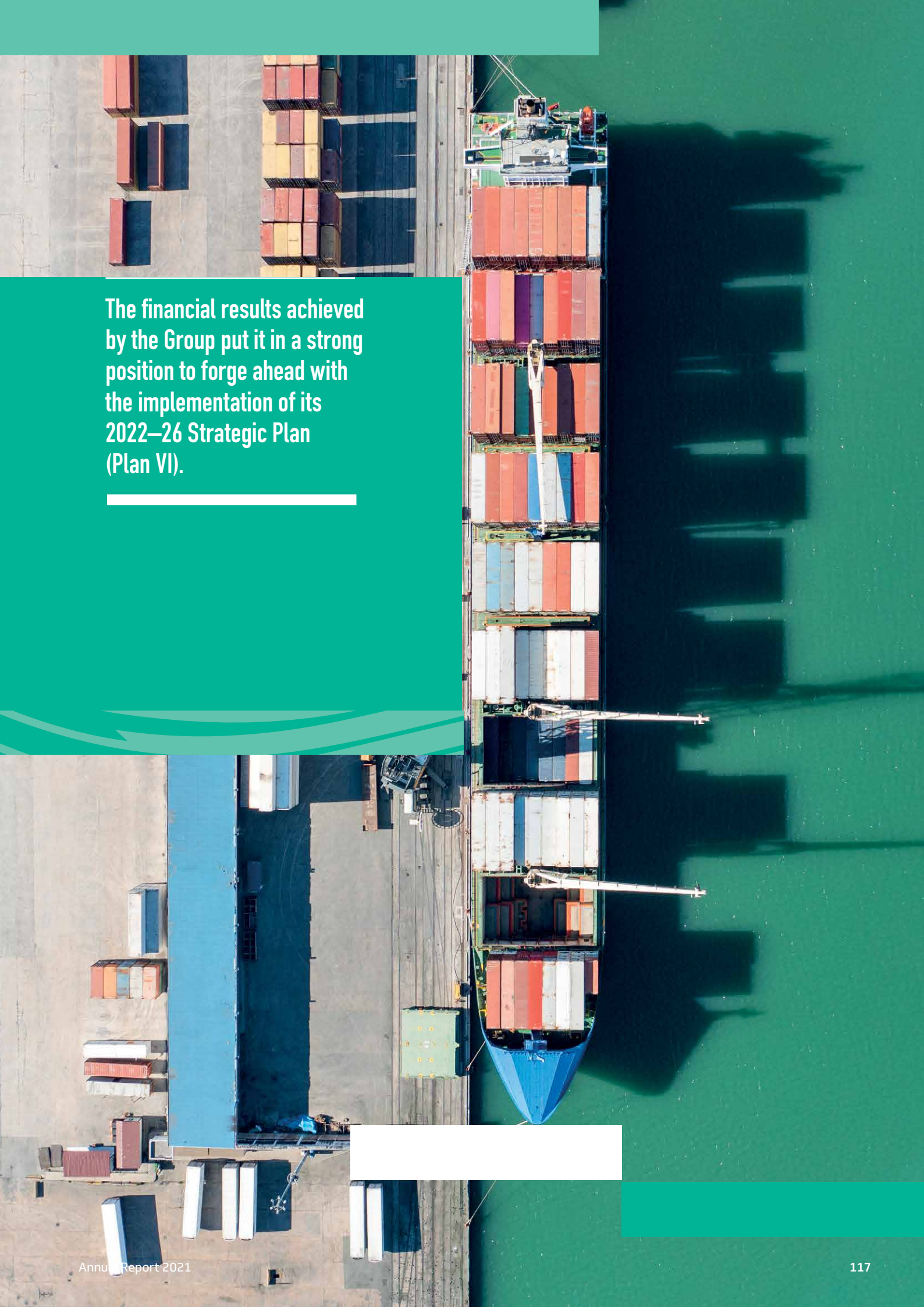
CONCLUSIONS AND OUTLOOK

The Management of the Bank and its subsidiaries continuously monitor the developments around the growing geopolitical tensions and conflicts, especially the emerging crisis in Ukraine, possibilities of COVID-19 pandemic resurgence, sentiments pointing to potential increase in interest rates that would follow the expected slowdown in asset purchases by the US Federal Reserve and other similar authorities, continued inflation risks, and rising cost of climate-related disasters. As these developments may potentially trigger additional adverse circumstances, such as the tightening of the financial markets, worsening of shortages of gas, oil, and

grain, potential capital outflows from Africa, and, eventually, depreciation in African currencies and fiscal/trade deficits, the Management of the Bank and its subsidiaries are crafting appropriate interventions to ensure that Member States are better equipped to handle such unfavourable situations.

The financial results achieved by the Group put it in a strong position to forge ahead with the implementation of its 2022–26 Strategic Plan (Plan VI). The results of the Group for the financial year ended December 2021 were ahead of the reported results for 2020; business volumes for 2021, particularly across the Bank's product offerings and initiatives, also increased significantly. Furthermore, the quality of the Bank's portfolio and of the Group's assets remained sound, in view of the proactive measures taken by Management to manage adverse circumstances emanating from the COVID-19 pandemic.

The Bank and its Group will remain focused on delivering on the priorities set under Plan VI, and in doing so it will maintain adequate capitalisation, liquidity, and profitability and sound asset quality. Significant effort will be devoted to ensuring the success of the ongoing General Capital Increase to achieve a target Paid-In Capital of US\$2.6 billion (US\$3.9 billion callable) by 2023.

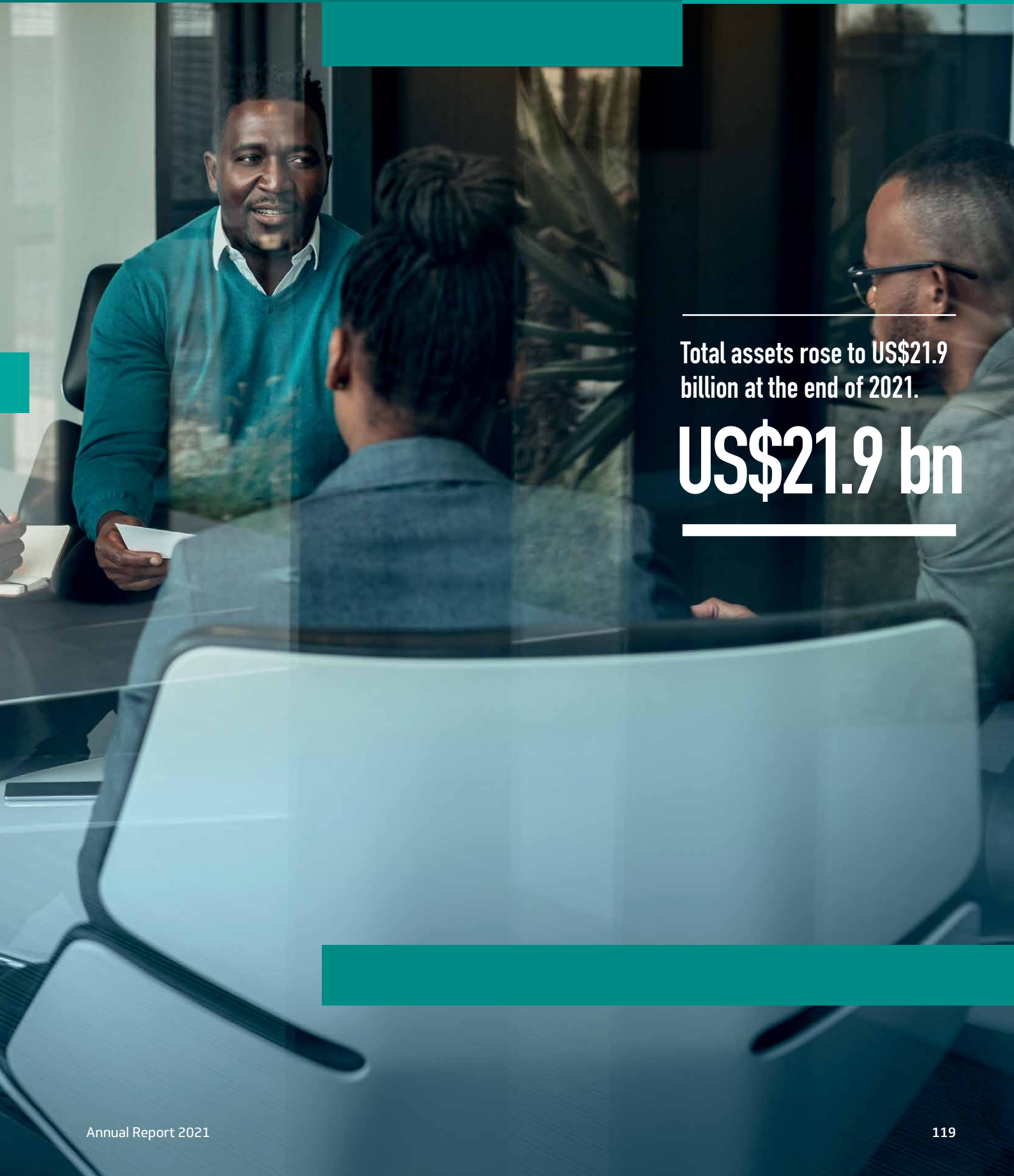


The financial results achieved by the Group put it in a strong position to forge ahead with the implementation of its 2022–26 Strategic Plan (Plan VI).

Financial Statements for the Year Ended 31 December 2021



6



Total assets rose to US\$21.9 billion at the end of 2021.

US\$21.9 bn



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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 Consolidated Financial Statements of the Bank and its subsidiaries, herein referred to as the Group, for the year ended 31 December 2021, at its meeting held on 24 March 2022.

In our opinion, the scope and planning of the audit for the year ended 31 December 2021 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 of the Group amounted to US\$375.8 million (2020: US\$351.7 million), a 7% growth compared to the prior year. Despite the increase in Operating expenses largely due to growth in Personnel expenses which were driven by the planned increase in staff headcount and increased costs associated with Operational missions and statutory meetings, the Group maintained low Cost to Income ratio of 24% (2020: 19%). The Return on Average assets (ROAA) and Return on Average Equity (ROAE) at 1.82% (2020: 2.08%) and 10.3% (2020: 11.4%), respectively, were also satisfactory and in line with internal targets.

Asset quality remained relatively high with NPL ratio of 3.35% (2020: 3.18%) while loan loss coverage ratio stood at 115% (2020: 119%) well above the minimum target of 100%. The Group's Shareholders' funds, at US\$4 billion, grew by 17% year on year on the back of capital injections and internally generated capital arising from higher profitability. With the Capital Adequacy ratio of 25% (2020: 23%), the Group's capitalisation is considered adequate in terms of the internal Capital Management guidelines as well as international benchmarks.

After due consideration, the Committee accepted the Report of the Auditors to the effect that, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Bank's Charter.

The Committee, therefore, recommended that the audited Consolidated Financial Statements of the Group for the Financial Year ended 31 December 2021 and the Auditors' Report thereon be approved by the Board and presented for consideration to Shareholders at the twenty-ninth General Meeting.

The Committee accepted the provision made in the Financial Statements for the remuneration of the Auditors for the year ended 31 December 2021 and recommends that the Board accepts same. Furthermore, the Audit Committee recommends to the Shareholders the reappointment of KPMG Hazem Hassan Public Accountants and Consultants and PricewaterhouseCoopers Chartered Accountants Zimbabwe as the Bank's External Auditors for the Financial Year 2022 at the combined Audit fee level of US\$260,000.



Jean-Marie Benoit Mani
Chairman, Audit Committee

Members of the Committee
Mr Jean-Marie Benoit Mani, Mr Ronald.S. Ntuli, Mr Aliyu Ahmed, Ms Lili Yang



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of African Export-Import Bank (the “Bank”) and its subsidiaries (together the “Group”) which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity, and consolidated and separate 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 accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of African Export-Import Bank as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate 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 Group and 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 consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Chapter Six

Financial Statements for the Year Ended December 2021



KEY AUDIT MATTER	How our Audit Addressed the Key Audit Matter
<p>Expected credit losses on financial assets</p> <p>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 2.3 to the consolidated and separate financial statements.</p> <p>The impairment of financial assets was considered to be a matter of most significance due to the significant management judgement applied in determining the impairment, particularly in relation to:</p> <ul style="list-style-type: none"> - classifying exposures into the relevant impairment stage (as informed by significant increase in credit risk (SICR) criteria, and default status). - determining credit risk grade. - incorporation of macro-economic inputs 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 consolidated and separate financial statements. <p>The Group's financial assets, both on and off-balance sheet, subject to credit risk, were US\$ 29.6 billion as at 31 December 2021, which represents a material portion of the Group financial position and the results of the Group and Bank. Furthermore, the total impairment recognised by the Group on these financial assets amounted to US\$ 474.8 million, for the year ended 31 December 2021.</p>	<p>Our audit of the ECL on financial assets included, amongst others, the following procedures:</p> <p>We assessed the appropriateness of accounting policies and evaluated the impairment methodologies applied by the Group and Bank against the requirements of IFRS 9.</p> <p>We utilised our valuation expertise to assess whether the models used by the Group comply with the requirements of IFRS 9.</p> <p>We assessed the design and implementation, and tested the operating effectiveness, of controls over the following areas:</p> <ul style="list-style-type: none"> - 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. <p>We selected a sample of stage 1 and stage 2 exposures and assessed whether the stage classification was appropriate in terms of the Group'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.</p> <p>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.</p> <p>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.</p> <p>We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing it to independent industry data.</p> <p>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.</p>



KEY AUDIT MATTER	How our Audit Addressed the Key Audit Matter (continued)
	<p>For collateral held, we inspected legal agreements and relevant underlying documentation to assess the existence, valuation and legal right to collateral.</p> <p>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.</p> <p>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 Group's customers, assessing key assumptions against historical trends, inspecting the calculation methodology and tracing a sample of overlay adjustments back to source data.</p> <p>We tested the mathematical accuracy of the ECL calculation for a sample of loans.</p> <p>We assessed the adequacy of disclosures in the financial statements against the requirements of IFRS 7.</p>

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 2021", 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 2021", 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group and 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 Group and/or the Bank or to cease operations, or has no realistic alternative but to do so.

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

Chapter Six

Financial Statements for the Year Ended December 2021



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group and 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 Group and/or 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 consolidated and separate 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 Group and/or Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated and separate 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.



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

Chartered Accountants Zimbabwe

Building No. 4, Arundel Office Park

Norfolk Road, Mount Pleasant

Harare, Zimbabwe

Date

06/04/2022

KPMG Hazem Hassan

Public Accountants & Consultants

B (105) - Avenue (2) Smart Village

Km 28 Cairo/Alexandria Desert Road

Cairo, Egypt

Date

06/04/2022

Chapter Six

Financial Statements for the Year Ended December 2021

AFRICAN EXPORT-IMPORT BANK

Consolidated and Separate Statements of Financial Position for the Year Ended 31 December 2021

	Note	GROUP		BANK	
		2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
ASSETS					
Cash and cash equivalents	16	3,047,771	2,717,453	3,047,771	2,717,453
Derivative assets held for risk management	5	-	5,704	-	5,704
Financial assets at fair value through profit or loss	21 a)	136,237	-	98,177	-
Loans and advances to customers	17	18,176,235	16,302,118	18,176,235	16,302,118
Prepayments and receivables	18	103,991	104,846	108,288	104,846
Financial assets at amortised cost	21 b)	243,646	93,590	243,646	93,590
Other assets	20	75,863	11,184	75,659	11,184
Property and equipment	25	101,298	58,031	101,298	58,031
Intangible assets	26	13,201	13,951	13,201	13,951
Investment in subsidiaries	19	-	-	66,479	-
Total assets		21,898,242	19,306,877	21,930,754	19,306,877
LIABILITIES					
Derivative liabilities held for risk management	5	16,681	1,953	16,681	1,953
Money market deposits	23	1,411,075	823,416	1,411,075	823,416
Due to banks	22	6,928,655	7,228,681	6,928,655	7,228,681
Deposits and customer accounts	27	5,817,214	4,470,126	5,840,633	4,470,126
Debt securities in issue	24	3,443,084	3,082,970	3,443,084	3,082,970
Other liabilities and provisions	28	329,177	332,764	326,785	332,764
Total liabilities		17,945,886	15,939,910	17,966,913	15,939,910
CAPITAL FUNDS					
Share capital	29	647,312	583,524	647,312	583,524
Share premium	30	1,219,219	1,029,964	1,219,219	1,029,964
Warrants	34	160,952	122,128	160,952	122,128
Reserves	31	996,969	858,451	996,969	858,451
Retained earnings	32	927,904	772,900	939,389	772,900
Total capital funds		3,952,356	3,366,967	3,963,841	3,366,967
Total liabilities and capital funds		21,898,242	19,306,877	21,930,754	19,306,877

The financial statements were approved by the Board of Directors on 26 March 2022 and signed on its behalf as follows:

Professor Benedict Okey Oramah
Chairman of the Board of Directors

The above consolidated and separate statements of financial position should be read in conjunction with the accompanying notes.

AFRICAN EXPORT-IMPORT BANK

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2021

	Note	GROUP		BANK	
		2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Interest income using the effective interest method	8	1,007,051	932,922	1,007,051	932,922
Interest expense using the effective interest method	9	(305,039)	(358,834)	(305,039)	(358,834)
Other interest income/(expense)		1,332	1,076	1,332	1,076
Net interest income		703,344	575,164	703,344	575,164
Fee and commission income	10	114,823	111,292	114,823	111,292
Fee and commission expense	11	(7,998)	(7,138)	(7,998)	(7,138)
Net fee and commission income		106,825	104,154	106,825	104,154
Other operating income	12	11,292	34,551	11,292	34,551
Personnel expenses	13	(88,339)	(65,406)	(81,891)	(65,406)
General and administrative expenses	14	(97,843)	(51,783)	(92,806)	(51,783)
Depreciation and amortisation expense	25, 26	(11,595)	(9,395)	(11,595)	(9,395)
Exchange adjustments		(19)	(7,026)	(19)	(7,026)
Fair value gain from financial instruments at fair value through profit/loss		(14,477)	4,915	(14,477)	4,915
Credit losses on financial instruments	17.1.b	(233,378)	(233,488)	(233,378)	(233,488)
PROFIT FOR THE YEAR		375,810	351,685	387,295	351,685
OTHER COMPREHENSIVE INCOME					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Gains on revaluation of land and buildings	25	5,633	6,164	5,633	6,164
Total items that will not be reclassified to profit or loss in subsequent periods		5,633	6,164	5,633	6,164
Total other comprehensive income		5,633	6,164	5,633	6,164
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		381,443	357,849	392,928	357,849
Earnings per share					
Basic earnings per share (expressed in US\$000 per share)	15	6.36	6.32	6.55	6.32
Diluted earnings per share (expressed in US\$000 per share)	15	2.73	2.69	2.82	2.69

The above consolidated and separate statements of compressive income should be read in conjunction with the accompanying notes.

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Financial Statements for the Year Ended December 2021

AFRICAN EXPORT-IMPORT BANK

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

	Share Capital (Note 29) US\$ 000	Share Premium (Note 30) US\$ 000	Warrants (Note 34) US\$ 000	General Reserve (Note 31) US\$ 000	Asset Revaluation Reserve (Note 31) US\$ 000	Project Preparation Facility Fund Reserve (Note 31) US\$ 000	Retained Earnings (Note 32) US\$ 000	Total US\$ 000
Balance as at 1 January 2021	583,524	1,029,964	122,128	801,353	42,098	15,000	772,900	3,366,967
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	375,810	375,810
Other comprehensive income								
Asset revaluation reserve	-	-	-	-	5,633	-	-	5,633
Total other comprehensive income								5,633
Total comprehensive income								381,443
Transactions with equity owners of the Bank								
Transfer to/(from) reserves	-	-	-	137,276	-	(2,816)	(134,460)	-
Depreciation transfer: buildings	-	-	-	-	(1,575)	-	1,575	-
Warrants issue	-	-	68,994	-	-	-	-	68,994
Warrants retirement	-	-	(30,170)	-	-	-	-	(30,170)
Issued and Paid in capital during the year	63,788	189,255	-	-	-	-	-	253,043
Dividends for year 2020	-	-	-	-	-	-	(87,921)	(87,921)
Balance as at 31 December 2021	647,312	1,219,219	160,952	938,629	46,156	12,184	927,904	3,952,356
Balance as at 1 January 2020	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

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

AFRICAN EXPORT-IMPORT BANK

Separate Statement of Changes in Equity for the Year Ended 31 December 2021

	Share Capital (Note 29) US\$ 000	Share Premium (Note 30) US\$ 000	Warrants (Note 34) US\$ 000	General Reserve (Note 31) US\$ 000	Asset Revaluation Reserve (Note 31) US\$ 000	Project Preparation Facility Fund Reserve (Note 31) US\$ 000	Retained Earnings (Note 32) US\$ 000	Total US\$ 000
Balance as at 1 January 2021	583,524	1,029,964	122,128	801,353	42,098	15,000	772,900	3,366,967
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	387,295	387,295
Other comprehensive income								
Asset revaluation reserve	-	-	-	-	5,633	-	-	5,633
Total other comprehensive income								5,633
Total comprehensive income								392,928
Transactions with equity owners of the Bank								
Transfer to/(from) reserves	-	-	-	137,276	-	(2,816)	(134,460)	-
Depreciation transfer: buildings	-	-	-	-	(1,575)	-	1,575	-
Warrants issue	-	-	68,994	-	-	-	-	68,994
Warrants retirement	-	-	(30,170)	-	-	-	-	(30,170)
Issued and Paid in capital during the year	63,788	189,255	-	-	-	-	-	253,043
Dividends for year 2020	-	-	-	-	-	-	(87,921)	(87,921)
Balance as at 31 December 2021	647,312	1,219,219	160,952	938,629	46,156	12,184	939,389	3,963,841
Balance as at 1 January 2020	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

The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

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Financial Statements for the Year Ended December 2021

AFRICAN EXPORT-IMPORT BANK

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2021

	Note	GROUP		BANK	
		2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
CASHFLOW FROM OPERATING ACTIVITIES					
Profit for the year		375,810	351,685	387,295	351,685
Adjustment for net interest income and non-cash items:					
Credit losses on financial instruments	17.1 (b)	233,378	233,488	233,378	233,488
Depreciation of property and equipment	25	8,008	6,160	8,008	6,160
Amortisation of intangible assets	26	3,587	3,235	3,587	3,235
Other non-cash expenses		-	-	-	-
Net interest income		(703,344)	(575,164)	(703,344)	(575,164)
Net exchange differences		-	-	-	-
Fair value loss/(gain) from financial instruments at fair value through profit/loss		14,477	(4,915)	14,477	(4,915)
		(68,085)	14,489	(56,599)	14,489
Changes in :					
Prepayments and receivables		(10,539)	(15,152)	(22,025)	(15,152)
Derivatives instruments		5,955	(3,229)	5,955	(3,229)
Other assets		(64,474)	414	(64,474)	414
Other liabilities		(10,282)	24,798	(10,282)	24,798
Financial investments held at fair value		(98,983)	-	(98,983)	-
Money market deposits		587,658	(108,204)	587,658	(108,204)
Deposits and customer accounts		1,370,507	2,367,312	1,370,507	2,367,312
Loans and advances to customers		(1,857,705)	(4,492,416)	(1,857,705)	(4,492,416)
		(145,947)	(2,211,988)	(145,947)	(2,211,988)
Interest received		721,889	754,646	721,889	754,646
Interest paid		(280,510)	(174,850)	(280,510)	(174,850)
Net cash generated/(used) in operating activities		295,432	(1,632,192)	295,432	(1,632,192)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property and equipment	25	(45,643)	(9,215)	(45,643)	(9,215)
Payments for software and development costs	26	(2,837)	(5,479)	(2,837)	(5,479)
Purchase of financial investments held at amortised cost	21 b)	(174,683)	(69,074)	(174,683)	(69,074)
Purchase of financial investments held at fair value	21 a)	(38,060)	-	(38,060)	-
Proceeds from sale of financial investments held at amortised cost		30,324	-	30,324	-
Net cash used in investing activities		(230,900)	(83,768)	(230,900)	(83,768)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash from capital subscriptions and share premium		205,700	117,046	205,700	117,046
Proceeds from issue of warrants	34	68,994	161,665	68,994	161,665
Retirement of warrants	34	(30,170)	(39,537)	(30,170)	(39,537)
Dividends paid		(38,826)	(36,758)	(38,826)	(36,758)
Proceeds from borrowed funds and debt securities	22, 24	4,722,026	5,211,323	4,722,026	5,211,323
Repayment of borrowed funds and debt securities	22, 24	(4,661,938)	(3,205,797)	(4,661,938)	(3,205,797)
Net cash inflows from financing activities		265,786	2,207,942	265,786	2,207,942
Net increase in cash and cash equivalents		330,318	491,983	330,318	491,983
Cash and cash equivalents at the beginning of the financial year		2,717,453	2,225,470	2,717,453	2,225,470
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,047,771	2,717,453	3,047,771	2,717,453
Represented in:					
Cash and cash equivalent as presented in the statement of financial position	16	3,047,771	2,717,453	3,047,771	2,717,453
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,047,771	2,717,453	3,047,771	2,717,453

The above consolidated and separate statements of changes cash flows should be read in conjunction with the accompanying notes.

AFRICAN EXPORT-IMPORT BANK

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2021

1 GENERAL INFORMATION

The consolidated financial statements of the African Export-Import Bank comprises of financial information from four entities namely, African Export-Import Bank, FEDA Holding Company, FEDA Investments Limited, and Afrexinsure, which together will be referred to as the Group.

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).

FEDA Holding Company (FEDA HOLDCo), headquartered in Kigali, Rwanda, is a supranational institution, established on 14 December 2021 and started operations in December 2021. The principal business of the FEDA HOLDCo is to facilitate foreign direct investment flows into Africa’s trade and export sectors and to fill the equity funding gap in the Continent. The Bank holds 100% ownership interest in FEDA Holding Company.

FEDA Investments Management Company Limited (FEDA Investments), headquartered in Kigali, Rwanda, is a supranational institution, established on 14 December 2021. FEDA Investments started operations in December 2021. The principal business of the FEDA Investments is to manage investments entered into by FEDA Holdco. The Bank

holds 100% ownership interest in FEDA Investments.

Afrexim Insurance Management Company (AfrexInsure), the other 100% owned subsidiary of the Bank, was also fully established in Mauritius during 2021, and is included in the Group’s results. This Company will enable the Bank to leverage on the insurance and surety business that the Bank’s activities generate and will ensure that significant premium income is retained within Africa.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank and its subsidiaries, together the Group, have been approved by the Board of Directors of the Group and in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board. The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those applied in the preparation of the audited financial statements for the year ended 31 December 2020.

2.1 Basis of preparation

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

The consolidated financial statements are prepared on a historical cost basis except for land and buildings, equity investments in other entities, treasury bonds held at fair value through profit or loss, 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 Group is the US\$ based on the fact that most of the activities of the Group are conducted in US\$. The financial statements are presented in US\$ and all values are rounded to the nearest thousand (US\$’000). The Group has not applied any IFRS before their effective dates.

The preparation of consolidated 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 Principles of consolidation

Group

The consolidated financial statements comprise the financial statements of African Export-Import Bank (the “Bank”) and its subsidiaries.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;

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Financial Statements for the Year Ended December 2021

- rights arising from other contractual arrangements; or
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired during the year are included in the statement of comprehensive income and statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All subsidiaries of the Bank have 31 December year ends and are consolidated in the financial statements

Loss of control

If the Group loses control over a subsidiary, it;

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative transaction differences recorded in equity;
- recognises the fair value of the consideration received;

- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the statement of comprehensive income; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity. Gains or losses from disposal to non-controlling interests are also recorded in equity.

Separate financial statements

In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated allowance.

2.3 FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial instruments consist primarily of cash and deposits with Groups, 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 Group 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.

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 Group'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 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, the Group 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 Group may transfer the cumulative gain or loss to Retained earnings or within equity.

In addition, on initial recognition, the Group 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 Group 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 Group 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 Group'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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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 Group 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 Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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 Group 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 Group 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 Group 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

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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 Group 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 asset 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 Group has currently enforceable a legal right to offset the amounts and intends either to settle on a net basis or to realise 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 group of similar transactions such as in the Group's operating activity.

Derecognition of financial assets and financial liabilities

Financial assets

The Group 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 Group 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 Group 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. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group enters into interest rate swaps and cross currency swaps 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 Group 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 and letter of credit contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group 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 Group in accordance with the contract and the cash flows that the Group 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 Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group 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 Group consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the repayment due from the borrower is 90 days or more past due on any credit obligation to the Group.

In assessing whether a borrower is in default, the Group 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 Group; 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 Group 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 Group'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 Group 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 Group's historical experience, expert credit assessment and forward-looking information.

The Group 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

The Group 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 Group 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 Group 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 Group shall consider 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 Bank shall consider; actual

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or expected change in the regulatory, macroeconomic, or technological environment of the borrower at the reporting date resulting in a significant change in the borrower's ability to meet its obligations relative to the origination date; expectation of forbearance or restructuring due to financial difficulties; evidence that full repayment of interest and principal will require the realisation of collaterals or other form of support; there is significant drop in the obligor's revenue or profitability at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date; 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. 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 Group 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;
- 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 Group 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 Group 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 Group 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 Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter Groupruptcy 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 Group 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 Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group 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

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 Group 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 Group's procedures for recovery of amounts due.

Financial guarantees, letter of credits and loan commitments

Financial guarantees and letter of credits are contracts that require the Group 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, letter of credits issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9, and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised. Derecognition policies are applied to loan commitments issued and held.

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

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.

Cash flow hedges

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

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in other comprehensive income at that time remains separately in equity and is transferred to profit or loss when the hedged forecast transaction occurs.

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 Group 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.

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 Groups, 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 Group'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.

2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.5 FAIR VALUE MEASUREMENT

The Group 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 Group.

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 Group 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 Group 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 categorised within the fair value hierarchy, described in note 4, Fair value of assets and liabilities.

2.6 DEBT SECURITIES IN ISSUE

Debt securities in issue are one of the Group'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.

2.7 FEES AND COMMISSION INCOME

Unless included in the effective interest rate calculation, fees and commissions are generally recognised when the Group 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.

2.8 OTHER OPERATING INCOME

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

2.9 OPERATING EXPENSES

Operating expenses are recorded on accrual basis.

2.10 DIVIDENDS ON ORDINARY SHARES

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

2.11 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).

2.12.1 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.

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.

2.12.2 Intangible assets

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 Group. 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
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2.13 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.

2.14 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to equity holders of the Group 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 Group (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.

2.15 EMPLOYEE BENEFITS

i. Defined contribution plan

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

ii. Other long term benefits

The Group'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 Group can no longer withdraw the offer of those benefits and when the Group 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 term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group 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.

2.16 PROVISIONS

Provisions are recognised when the Group 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.

2.17 LEASES

The Group 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 Group's incremental borrowing rate.

The Group 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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

Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group 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 Group 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 Group 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 Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.18 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.

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2.18 New and amended standards and interpretations

Several IFRS amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.18.1 International Financial Reporting Standards and amendments effective for the first time for December 2021 year-end

Number	Effective date	Executive summary
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)	Annual periods beginning on or after 1 June 2020	These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

2.18.2 International Financial Reporting Standards, interpretations and amendments issued but not effective

Number	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new approach of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.
	Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.	Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. The impact of the this standard on the Group's financial statements is still under consideration.
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway. The impact of the this standard on the Group's financial statements is still under consideration.

Number	Effective date	Executive summary
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022	<p>The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.</p> <p>In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.</p> <p>The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.</p> <p>This amendment is not expected to have a material impact on the Group's financial statements.</p>
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022	<p>The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.</p> <p>This amendment is not expected to have a material impact on the Group's financial statements.</p>
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022	<p>The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.</p> <p>This amendment is not expected to have a material impact on the Group's financial statements.</p>
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"> · IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. · IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. · IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. · IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023	<p>The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).</p>
Definition of Accounting Estimates (Amendments to IAS 8)	Annual periods beginning on or after 1 January 2023	<p>The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p> <p>Developing an accounting estimate includes both:</p> <ul style="list-style-type: none"> - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets. <p>The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.</p>

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Number	Effective date	Executive summary
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Annual periods beginning on or after 1 January 2023	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none"> - requiring companies to disclose their material accounting policies rather than their significant accounting policies; - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. <p>The amendments are consistent with the refined definition of material: Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.</p>

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2021 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

3.1 Risk Management

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

The Group 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 Group'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 Group 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 38 on how the Group 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 Group will be unable or unwilling to meet a commitment that it has entered into with the Group. It arises from lending, trade finance, treasury and other activities undertaken by the Group.

The gross carrying amounts of cash and deposits with Groups, 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 Group's maximum exposure to credit risk on these assets. The Bank is the only entity within the Group that has loans and advances to customers, receivables, loan commitments, financial guarantees, letter of credits, investment securities at amortised cost, money market placements and deposits with other banks hence the below disclosure applies to both the Group and Bank.

2021

Credit Risk Exposure

Maximum exposure to credit risk (including credit quality analysis)

In US\$ 000	12-Month ECL	2021 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Loans and advances to customers at amortised cost				
Grades 1-3: Low risk	4,012,516	-	-	4,012,516
Grades 4-6: Satisfactory risk	5,863,049	-	-	5,863,049
Grades 7-8: Satisfactory risk	6,179,147	36,376	-	6,215,524
Grade 9-10: Moderate risk	155,343	716,141	-	871,484
Grade 11: Watchlist	76,289	1,099,251	-	1,175,540
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	628,416	628,416
Grade 14: Loss	-	-	-	-
Gross amount	16,286,344	1,851,768	628,416	18,766,528
Loss allowance	(47,415)	(162,403)	(203,660)	(413,478)
Suspended interest	-	-	(175,165)	(175,165)
Modification gain/(loss)	-	(1,650)	-	(1,650)
Carrying amount	16,238,929	1,689,365	249,591	18,176,235
Receivables and accrued income				
Ungraded	-	-	55,062	55,062
Gross amount	-	-	55,062	55,062
Loss allowance	-	-	(26,920)	(26,920)
Carrying amount	-	-	28,142	28,142
Loan Commitment				
In US\$ 000	12-Month ECL	2021 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Grades 1-3: Low risk	178,001	-	-	178,001
Grades 4-6: Satisfactory risk	1,852,305	-	-	1,852,305
Grades 7-8: Satisfactory risk	2,337,184	4,733	-	2,341,917
Grade 9-10: Moderate risk	31,300	-	-	31,300
Grade 11: Watchlist	9,516	-	-	9,516
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	4,408,306	4,733	-	4,413,039
Loss allowance	(25,124)	(88)	-	(25,212)
Carrying amount	4,383,182	4,645	-	4,387,827

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	2021			
In US\$ 000	12-Month ECL	2021 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Financial guarantee contracts				
Grades 1-3: Low risk	218,995	-	-	218,995
Grades 4-6: Satisfactory risk	835,086	-	-	835,086
Grades 7-8: Satisfactory risk	809,750	-	-	809,750
Grade 9-10: Moderate risk	17,743	-	-	17,743
Grade 11: Watchlist	-	-	-	-
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	1,881,574	-	-	1,881,574
Loss allowance	(1,902)	-	-	(1,902)
Carrying amount	1,879,672	-	-	1,879,672
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	11,023	-	-	11,023
Grades 4-6: Satisfactory risk	451,363	-	-	451,363
Grades 7-8: Satisfactory risk	696,770	1,996	-	698,766
Grades 9-10: Moderate risk	-	-	-	-
Grade 11: Watchlist	-	-	-	-
Grade 12-13: Sub-standard, Doubtful and Bad	-	-	-	-
Grade 14: Loss	-	-	-	-
Gross amount	1,159,156	1,996	-	1,161,151
Loss allowance	(5,307)	(116)	-	(5,423)
Carrying amount	1,153,849	1,880	-	1,155,728

2020

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
Grades 9-10: Moderate risk	250,777	159,383	-	410,160
Grade 11: Watchlist	369,150	915,498	114,957	1,399,605
Grades 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
Grades 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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2020				
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
Grades 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	44,079.53	-	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	1,555	-	1,236,674
Loss allowance	(11,930)	-	-	(11,930)
Carrying amount	1,223,189	1,555	-	1,224,744

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	2021	2020
Rated AAA	20	-	-
Rated AA- to AA+	20	9,000	9,000
Rated A- to A+	20	235,000	60,000
Rated BBB+ and below	20	-	-
Unrated	20	-	30,342
Gross amount		244,000	99,342
Loss allowance		(55)	(5,752)
Carrying amount		243,945	93,590

Investment securities are in Stage 1 at 31 December 2021 (2020: Stage 1)

Money market placements

	Note	2021	2020
Rated AAA	16.1	506,572	-
Rated AA- to AA+	16.1	430,000	300,000
Rated A- to A+	16.1	625,250	1,025,972
Rated BBB+ and below	16.1	500,152	324,314
Gross amount		2,061,974	1,650,286
Loss allowance		(136)	(60)
Carrying amount		2,061,838	1,650,226

Money markets placements are in Stage 1 at 31 December 2021 (2020: Stage 1)

Deposit with other banks

2021					
	Note	12-Month ECL	2021 Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
Rated AAA	16.1	-	-	-	-
Rated AA- to AA+	16.1	11	-	-	11
Rated A- to A+	16.1	931,695	-	-	931,695
Rated BBB+ and below	16.1	4,217	-	-	4,217
Unrated		50,000	-	-	50,000
Gross amount		985,923	-	-	985,923
Loss allowance		(29)	-	-	(29)
Carrying amount		985,893	-	-	985,893

2020					
	Note	12-Month ECL	2020 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

Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt securities that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (US\$98 million ; 2020 – US\$nil).

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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
2021				
Derivative assets	-	-	-	-
Derivative liabilities	427,262	16,681	427,262	16,681
2020				
Derivative assets	1,137,586	5,704	1,137,586	5,704
Derivative liabilities	-	(1,953)	-	(1,953)

Deposits with other banks

The Group held Deposits with other banks bank balances US\$986 million on at December 2021 (2020: US\$1.07 billion). A significant portion of Deposits with other banks 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 Group can maintain Deposits 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

In US\$ 000	Percentage of Exposure that is Subject to Collateral Requirements		Principal Type of Collateral Held
	31 December 2021	31 December 2020	
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 Group generally requests that borrowers provide it. The Group 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 Group 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 Group obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 December 2021, the net carrying amount of credit-impaired loans and advances to customers amounted to US\$425 million (2020: US\$354 million) and the net value of identifiable collateral held against those loans and advances amounted to US\$461 million (2020: US\$579 million).

The table below summarises the net value of identifiable collateral held against the Bank's loans and advances as well as off-balance sheet exposures (loan commitments, letters of credit, and financial guarantees)

Collateral Types	2021 US\$ 000	2020 US\$ 000
Aircraft	559,572	632,085
Cash	5,169,432	3,979,199
Debt securities	727,729	968,069
Debtors/Receivables	2,645,746	441,869
Guarantee	5,044,752	5,187,403
Immovable property	1,444,282	2,107,109
Insurance	1,799,677	1,496,952
Inventory	746,630	1,080,577
Machinery	1,225,640	230,478
Promissory notes	-	2,014,563
Stocks and shares	-	591,068
Treasury bills	1,027,490	745,845
Vehicles	1,163,272	1,539
Total	21,554,222	19,476,756

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

Assets obtained by taking possession of collateral

The Group'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 Group 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 Group'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 Group 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 Group 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 Group's rating grades and their risk definitions;

Rating Grades	Description
1	
2	Low risk
3	
4	
5	
6	Satisfactory risk
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 Group 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 Group 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 Group'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 Group's risk assets portfolio. Based on advice from the Group's (RICO) and consideration of a variety of external actual and forecast information, the Group 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 Group then uses these forecasts to adjust its ECL estimates.

In determining the ECL for other assets, the Group 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 Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group'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 Group's loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group 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 Group 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 Group 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 Group's experts and consideration of a variety of external actual and forecast information, the Group 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 Group 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 Group 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 Group supplements this analysis with expert judgement overlay on both individual and portfolio basis. In cases where the Group 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. The Group 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 7 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.

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The scenario probability weightings applied in measuring ECL are as follows.

At 31 December	2021			2020		
	Best	Base	Worst	Best	Base	Worst
Scenario probability weighting	30%	30%	40%	30%	30%	40%

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Group's senior management.

Forward-looking impact on total ECL composition

The table below shows the loan and advances to customers ECL under the different scenarios shown above

Scenarios	GROUP AND BANK			
	2021		2020	
	Cummulative ECL US\$ 000	ECL charge US\$ 000	Cummulative ECL US\$ 000	ECL charge US\$ 000
Base case	408,293	208,739	339,293	214,123
Worst case	439,322	239,768	378,008	252,838
Best case	384,204	184,650	306,510	181,340
Weighted	413,478	213,924	344,944	219,774

The sensitivity is performed on the basis that 100% has been allocated to the probability of each scenario occurring.

Significant macroeconomic factors (2021)

The table below sets out the most significant macro-economic factors used to estimate the forward-looking information relating to ECL. The information is forecast over a period of 10 years with indices for 5 years shown below

Weighted macro-economic variable*	BASE CASE				
	2022	2023	2024	2025	2026
	%	%	%	%	%
Nominal GDP, % change year on year	13.43	13.56	11.12	10.53	10.64
Unemployment, % of labour force, average	7.86	7.68	7.58	7.49	7.39
Weightage	30%				

WORST CASE					
Weighted macro-economic variable*	2022	2023	2024	2025	2026
	%	%	%	%	%
Nominal GDP, % change year on year	4.42	4.55	2.11	1.53	1.63
Unemployment, % of labour force, average	8.23	8.05	7.95	7.86	7.76
Weightage	40%				

BEST CASE					
Weighted macro-economic variable*	2022	2023	2024	2025	2026
	%	%	%	%	%
Nominal GDP, % change year on year	22.43	22.56	20.12	19.53	19.64
Unemployment, % of labour force, average	7.49	7.31	7.22	7.12	7.02
Weightage	30%				

*These macro-economic indices are an average of the different countries the Bank has loan exposures to weighted by the relative size of each. Effective 31 December 2021, the Bank used external macro-economic forecasts from independent parties and then recalibrated the data to determine the best and worst case scenarios.

Significant macroeconomic factors (2020)

The table below sets out the most significant macro-economic factors used to estimate the forward-looking information relating to ECL. The information is forecast over a period of 10 years with indices for 5 years shown below

BASE CASE					
Weighted macro-economic variable*	2021	2022	2023	2024	2025
	%	%	%	%	%
GDP at current prices, % change year on year	4.74	-3.04	0.53	0.68	-0.63
Weightage	30%				

WORST CASE					
Weighted macro-economic variable*	2021	2022	2023	2024	2025
	%	%	%	%	%
GDP at current prices, % change year on year	3.35	-4.43	-0.86	-0.70	-2.02
Weightage	40%				

BEST CASE					
Weighted macro-economic variable*	2021	2022	2023	2024	2025
	%	%	%	%	%
GDP at current prices, % change year on year	6.13	-1.65	1.92	2.07	0.76
Weightage	30%				

In prior years, the base case scenario was based on variables calculated on the basis of previous years' three-year moving averages.

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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 Group 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 homogenous 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 Group stands to lose in the event of a default. The Group 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 Group 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 Group 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 Group will estimate the credit exposure equivalent (CEE) of all off-balance sheet exposures including lines of credit, letters of credit (LC), loan commitment, and guarantees. This is done using the credit conversion factor (CCF). CCF is the rate at which off-balance sheet commitments crystallise 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 Group 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 Group considers a longer period. The maximum contractual period extends to the date at which the Group 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 Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group'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 Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group 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 Group 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 Grouped 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 Group 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 Group 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. The Bank is the only entity within the Group that has loans and advances to customers, receivables, loan commitments, financial guarantees, letter of credits, investment securities at amortised cost, money market placements and deposits with other banks.

	2021				2020			
	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
In US\$ 000								
Loans and advances to customers at amortised cost								
Balance at 1 January	93,576	72,392	178,976	344,944	42,707	100,853	183,096	326,656
Transfer to 12-month ECL	11,070	(11,070)	-	-	10,369	(10,369)	-	-
Transfer to lifetime ECL not credit-impaired	(26,254)	94,707	(68,453)	-	(7,091)	23,184	(16,093)	-
Transfer to lifetime ECL credit-impaired	(123)	(8,731)	8,855	-	(112)	(16,766)	16,878	-
Net remeasurement of loss allowance including changes in EAD	(45,546)	15,189	239,307	208,950	(12,433)	(12,900)	201,653	176,319
New financial assets originated or purchased	24,096	404	-	24,500	66,976	1	-	66,977
Financial assets that have been modified	(9,403)	(489)	(9,634)	(19,527)	(6,841)	(11,610)	(5,072)	(23,522)
Write-offs	-	-	(145,390)	(145,390)	-	-	(201,486)	(201,486)
Balance at 31 December	47,415	162,403	203,660	413,478	93,576	72,392	178,976	344,944

*The reconciliation of loans and advances to customers for 2020 was updated to disaggregate the loan derecognition.

Changes in loss allowance on loans and advances to customers

The Bank's Stage 1 Loans and Advances exposure as at year-end 2021 increased by US\$2 billion (12%) compared to the 2020 position largely driven by the onboarding of new loans over the course of the year 2021, as well as movements from Stage 2 into Stage 1 over the same period. However, Stage 1 ECL recorded a sharp decrease of year on year, largely driven by the lower 1-year probability of default in 2021 compared to 2020. The underlying driver of the decrease is the significantly better macro-economic outlook for African countries (a key input in the PD calculations), an expected outcome of the deceleration of the negative impact of the COVID-19 pandemic on African economies.

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In 2020, Stage 1 loan exposure increased by 44% year-on-year largely due to the increase in the size of the loan book which grew by US\$4.4 billion (35%) as at year end. This significant increase was reflected in the growth of the ECL on Stage 1 loans which grew by more than 100%. This is expected given that most of the new loans issued during the year did not experience significant deterioration in the credit risk since origination; hence, they remained in Stage 1 as at the reporting date of 31 December 2020.

In comparison to year-end 2020, the Stage 2 portion of the Bank's Loans and Advances as at year-end 2021 increased by 5%. This was primarily due to movements from Stage 1 and Stage 3. Despite the minimal increase in Stage 2 exposures, Stage 2 ECL grew by more than 100% owing to the impact of management overlays on the ECL model output for specific facilities. These overlays are largely on account of increasing doubts regarding the recoverability of the collateral value the Bank currently carries against the respective facilities.

The exposure of Stage 3 Loans and advances to customers as at 31 December 2021 increased slightly by 2% primarily due to compensating net movements between Stage 2 and Stage 3, as well as loans that were written off. Owing to successful remedial actions by the Bank, some previously categorised Stage 3 loans were upgraded to Stage 2. On the other hand, some of the existing Stage 2 facilities experienced transaction-specific challenges which were worsened by abrupt political events in different African countries and the COVID-19 pandemic, and as a result were downgraded to Stage 3.

For 2020, Stage 3 loan exposure increased by 24% primarily on account of delays in concluding ongoing remedial initiatives which the Bank was unable to finalise owing to transaction specific circumstances and the impact of the COVID-19 pandemic. This led to a significant movement of previously classified Stage 2 loans in prior year to Stage 3 in the current year. These downgrades from Stage 2 to Stage 3 were the major driver of the reduction in Stage 2 loan exposure as well as the Stage 2 Loan ECL which decreased by 7% and 28% respectively.

	2021				2020			
	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	60	-	-	60	11	-	-	11
Net remeasurement of loss allowance	76	-	-	76	49	-	-	49
Balance at 31 December	136	-	-	136	60	-	-	60
Deposit with other banks								
Balance at 1 January	50	-	-	50	28	-	-	28
Net remeasurement of loss allowance	(21)	-	-	(21)	22	-	-	22
Balance at 31 December	29	-	-	29	50	-	-	50
Investment securities at amortised cost								
Balance at 1 January	5,752	-	-	5,752	1,030	-	-	1,030
Net remeasurement of loss allowance	(5,697)	-	-	(5,697)	4,722	-	-	4,722
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-	-	-	-
Balance at 31 December	55	-	-	55	5,752	-	-	5,752

	2021				2020			
	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
Financial guarantee contracts								
Balance at 1 January	1,797	-	-	1,797	1,295	-	-	1,295
Net remeasurement of loss allowance	105	-	-	105	502	-	-	502
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-	-	-	-
Balance at 31 December	1,902	-	-	1,902	1,797	-	-	1,797
Loan commitments								
Balance at 1 January	13,731	216	-	13,946	7,949	-	-	7,949
Net remeasurement of loss allowance	11,394	(128)	-	11,266	5,782	216	-	5,998
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-	-	-	-
Balance at 31 December	25,124	88	-	25,212	13,731	216	-	13,946
Letters of credit								
Balance at 1 January	11,931	-	-	11,931	2,463	-	-	2,463
Net remeasurement of loss allowance	(6,624)	116	-	(6,508)	9,468	-	-	9,468
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-	-	-	-
Balance at 31 December	5,307	116	-	5,423	11,931	-	-	11,931
Prepayments and receivables								
Balance at 1 January	-	-	11,768	11,768	-	-	18,815	18,815
Net remeasurement of loss allowance including changes in EAD	-	-	18,583	18,583	-	-	(7,047)	(7,047)
Write-offs	-	-	(3,431)	(3,431)	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-	-	-	-
Balance at 31 December	-	-	26,920	26,920	-	-	11,768	11,768

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Neither past due, Past due not impaired and Individually impaired loans and advances to customers

	Loan Advances to Customers 2021 US\$000	Loan Advances to Customers 2020 US\$000
Neither past due nor impaired		
Grades 1-3: Low risk	4,012,516	2,401
Grades 4-6: Satisfactory risk	5,863,049	7,538,112
Grades 7-8: Satisfactory risk	6,183,171	6,917,345
Grade 9-10: Moderate risk	871,484	410,160
Grade 11: Watchlist	1,116,629	1,284,647
Grade 12-13: Sub-standard, Doubtful and Bad	-	-
Grade 14: Loss	-	-
	18,046,849	16,152,665
Past due but not impaired		
30-59 days	35,853	3,063
60-89 days	55,411	-
90+ days	-	84,262*
	91,264	87,325

* As at 31 December 2020, on the basis of reasonable and supportable information available, facilities amounting to US\$84.3 million, were past due for more than 90 days, but not considered to be credit impaired.

Credit impaired		
Grade 11: Watchlist	-	89,508
Grade 12-13: Sub-standard, Doubtful and Bad	628,416	412,606
Grade 14: Loss	-	31,314
	628,416	533,428

3.3.4 Concentration risks of loans and advances to customers with credit risk exposure

a) Geographical sectors

The following table breaks down the Group's credit exposure at their gross amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as at 31 December 2021 and 31 December 2020 of the Group's counterparties. The Bank is the only entity within the Group that has loans and advances.

	%	2021 US\$ 000	%	2020 US\$ 000
West Africa	38	7,104,997	38.2	6,414,645
North Africa	28	5,270,240	25.5	4,280,401
East Africa	12	2,255,993	12.8	2,144,375
Central Africa	3	620,374	3.3	546,759
Southern Africa	19	3,514,924	20.2	3,387,239
Total (note 17)	100	18,766,528	100	16,773,419

b) Industry sectors

The following table breaks down the Group's credit exposure at their gross amounts (without taking into account any collateral held or other credit support), as categorised by industry sector as at 31 December 2021 and 31 December 2020 of the Bank's counterparties. The Bank is the only entity within the Group that has loans and advances.

	%	2021 US\$000	%	2020 US\$000
Agriculture	0.6	106,755	1.1	177,275
Agro-processing	0.7	132,775	0.8	142,407
Financial Services	52.7	9,884,100	54.7	9,174,735
Government	1.9	360,045	2.1	354,440
Hospitality (Hotels, Resorts, etc.)	1.0	188,784	1.2	197,693
Manufacturing	6.3	1,173,070	7.6	1,279,358
Metals and Minerals	0.3	47,434	0.3	50,835
Oil and Gas	21.6	4,060,783	14.4	2,419,847
Other	1.1	198,665	1.5	248,420
Power	4.6	861,257	5.4	901,211
Telecommunication	2.9	535,910	3.2	536,753
Transportation	1.4	256,400	1.3	222,854
Construction	3.9	723,615	5.0	835,933
Health and medical services	1.3	236,936	1.4	231,659
Total (note 17)	100	18,766,528	100	16,773,419

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3.4 MARKET RISK

3.4.1 Interest rate risk

Interest rate movements affect the Group's profitability. Exposure to interest rate movements exists because the Group 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 Group 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 summarises the Group's exposure to interest rate risks as at 31 December 2021. It includes the Group's financial instruments at carrying amounts, categorised by the period of contractual re-pricing. The Bank is the only entity within the Group that is exposed to interest rate risks and resultantly the Group and Bank amounts being the same.

As at 31 December 2021	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	2021 Total US\$ 000
Financial assets							
Cash and deposits with other banks	-	-	-	-	90	985,873	985,962
Money market placements	-	-	-	-	-	2,061,974	2,061,974
Loans and advances to customers at amortised cost	7,075,390	1,841,838	1,188,772	12,353	-	8,648,175	18,766,528
Other assets	-	-	-	-	75,659	-	75,659
Financial investments at amortised costs	-	-	-	-	-	243,646	243,646
Financial assets at fair value through profit or loss	-	-	-	-	38,060	98,177	136,237
Receivables	-	-	-	-	59,359	-	59,359
Total financial assets	7,075,390	1,841,838	1,188,772	12,353	173,167	12,037,845	22,329,365
Financial liabilities							
Money market deposits	1,411,075	-	-	-	-	-	1,411,075
Due to banks	1,051,809	-	375,318	1,780,336	-	3,721,191	6,928,655
Debt securities in issue	-	-	143,084	-	-	3,300,000	3,443,084
Deposits and customer accounts	-	-	-	-	-	5,817,214	5,817,214
Other liabilities	-	-	-	-	189,162	-	189,162
Total financial liabilities	1,051,809	-	518,402	1,780,336	189,162	12,838,405	16,378,115
Total interest gap	6,023,580	1,841,838	670,370	(1,767,983)	(15,995)	(800,560)	5,951,250
Cumulative gap	6,023,580	7,865,418	8,535,788	6,767,805			

3.4.1 Interest rate risk (continued)

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	2021 Total US\$ 000
Financial assets							
Cash and deposits with other banks	-	-	-	-	82	1,067,246	1,067,329
Money market placements	-	-	-	-	-	1,650,286	1,650,286
Loans and advances to customers at amortised cost	10,465,806	1,315,617	129,704	-	-	4,862,291	16,773,419
Other assets	-	-	-	-	23,191	-	23,191
Financial investments at amortised costs	-	-	-	-	-	99,342	99,342
Receivables	-	-	-	-	59,746	-	59,746
Derivative assets held for risk management	-	-	-	-	-	5,704	5,704
Total financial assets	10,465,806	1,315,617	129,704	-	83,019	7,684,869	19,679,015
Financial liabilities							
Money market deposits	558,118	265,298	-	-	-	-	823,416
Due to banks	713,055	425,034	1,183,638	2,776,069	-	2,954,303	8,052,098
Debt securities in issue	-	700,000	41,500	145,000	-	2,200,000	3,086,500
Deposits and customer accounts	-	-	-	-	-	5,786,656	5,786,656
Other liabilities	-	-	-	-	174,712	-	174,712
Total financial liabilities	1,271,173	1,390,332	1,225,138	2,921,069	174,712	10,940,959	17,923,382
Total interest gap	9,194,633	(74,715)	(1,095,433)	(2,921,069)	(91,693)	(3,256,089)	1,755,633
Cumulative gap	9,194,633	9,119,918	8,024,485	5,103,416			

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Interest rate risk sensitivity analysis

At 31 December 2021, 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\$10,152,000 (2020: US\$8,890,000) higher, arising mainly as a result of a higher increase in interest income on loans than the increase in interest expense on borrowings. If interest rates had been 15 basis points (2020: 15 basis points) lower, with all other variables held constant, profit would have been US\$10,152,000 (2020: US\$8,890,000) lower arising from interest income on loans being lower than the decrease in interest expense on borrowings. The sensitivity is higher in 2021 than in 2020 due to a relatively higher decrease in interest rate sensitive liabilities compared to the decrease in interest rate sensitive assets.

The table below summarises the impact on profit or loss and equity for each category of financial instruments held as at 31 December 2021 and comparatives. It includes the Group's financial instruments at carrying amounts.

	Carrying Amount 2021 US\$ 000	Impact on Profit or Loss and Equity 2021 US\$ 000	Impact on Profit or Loss and Equity 20210 US\$ 000	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
Changes in interest rates		+15bp of US\$1R	(-)15bp of US\$1R		+15bp of US\$1R	(-)15bp of US\$1R
Financial assets						
Gross loans and advances to customers	10,118,353	15,178	(15,178)	11,911,127	17,867	(17,867)
Impact from financial assets	10,118,353	15,178	(15,178)	11,911,127	17,867	(17,867)
Financial liabilities						
Due to banks	3,207,464	(4,811)	4,811	5,097,795	(7,647)	7,647
Debt securities in issue	143,084	(215)	215	886,500	(1,330)	1,330
Deposits and customer accounts	-	-	-	-	-	-
Impact from financial liabilities	3,350,548	(5,026)	5,026	5,984,295	(8,977)	8,977
Total increase/(decrease) on profit or loss and equity	6,767,805	10,152	(10,152)	5,926,832	8,890	(8,890)

3.4.2 Foreign exchange risk exposure

The Group 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 Group by matching assets and liabilities in respective currencies. The Group 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 Group exposure to foreign currency exchange rate risk as at 31 December 2021. The Bank is the only entity within the Group that is exposed to foreign exchange risks and resultantly the Group and Bank amounts being the same. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency:

	EUR US\$ 000	NGN US\$ 000	Other Currencies US\$ 000	Total US\$ 000
As at 31 December 2021				
Assets				
Cash and due from banks	386,539	26,195	-	412,734
Loans and advances to customers	2,021,502	-	-	2,021,502
Derivative for risk management	-	-	-	-
Total financial assets	2,408,041	26,195	-	2,434,236
Liabilities				
Due to banks	1,931,597	-	414,185	2,345,782
Deposits and customer accounts	7,930	-	-	7,930
Other liabilities	109,817	33,693	23,506	167,016
Derivatives for risk management	-	-	16,685	16,685
Total financial liabilities	2,049,344	33,693	454,376	2,537,414
Net exposure on statement of financial position	358,697	(7,498)	(454,376)	(103,178)
Net exposure on off-statement of financial position				
Loan commitments & financial guarantees	528,827	-	-	528,827
As at 31 December 2020				
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	145,424	385,525
Derivatives for risk management	439,043	-	5,182	444,226
Total financial liabilities	2,674,506	7,325	150,705	2,832,536
Net exposure on statement of financial position	(294,738)	27,005	379,433	111,700
Net exposure on statement of financial position				
Credit commitments & financial guarantees	261,000	-	-	261,000

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Foreign exchange risk sensitivity analysis

At 31 December 2021, 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\$35,879,000 (2020: US\$10,239,000 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\$35,870,000 (2020: US\$10,239,000) higher, arising mainly as a result of decline in revaluation of financial assets than financial liabilities in Euro.

The following analysis details the Group'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 summarises the impact on profit or loss and equity for each category of Euro financial instruments held as at 31 December 2021. It includes the Bank's Euro financial instruments at carrying amounts.

	Carrying Amount 2021 US\$ 000	Impact on Profit or Loss and Equity 2021 US\$ 000	Impact on Profit or Loss and Equity 2021 US\$ 000	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
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	386,539	38,654	(38,654)	159,401	15,940	(15,940)
Gross loans and advances to customers	2,021,502	202,150	(202,150)	1,588,919	158,892	(158,892)
Hedging derivatives	-	-	-	182	18	(18)
Impact from financial assets	2,408,041	240,804	(240,804)	1,748,502	174,850	(174,850)
Financial liabilities						
Due to banks	1,931,597	(193,160)	193,160	1,587,867	(158,787)	158,787
Deposits and customer accounts	7,930	(793)	793	25,985	(2,599)	2,599
Other liabilities	109,817	(10,982)	10,982	237,037	(23,704)	23,704
Hedging derivatives	-	-	-	-	-	-
Impact from financial liabilities	2,049,344	(204,934)	204,934	1,850,889	(185,089)	185,089
Total increase/(decrease) on profit or loss and equity	358,697	35,870	(35,870)	(102,386)	(10,239)	10,239

3.5 LIQUIDITY RISK

Liquidity risk concerns the ability of the Group 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 Group 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 Group has committed credit lines it can draw in case of need. Liquidity ratio is 14% (2020: 14%)

The table below analyses the Group'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 2021 and the amounts disclosed in the table are the contractual undiscounted cash flows:

As at 31 December 2021	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	2021 Total US\$ 000
Financial assets by type						
Non-derivative assets						
Cash and due from banks	986,045	-	-	-	-	986,045
Money market placements	1,287,026	775,533	-	-	-	2,062,559
Loans and advances to customers	1,030,021	1,930,504	7,732,675	9,816,633	194,304	20,704,136
Financial assets at fair value through profit or loss	-	-	137,073	-	-	137,073
Receivables excluding prepayments	40,062	-	15,000	-	-	55,062
Financial assets at amortised cost	-	-	-	243,701	-	243,701
Other assets	58,358	1,633	-	4,530	-	64,521
Total assets	3,401,511	2,707,670	7,884,748	10,064,863	194,304	24,253,096
Financial liabilities						
Non-derivative liabilities						
Money market deposits	986,169	424,906	-	-	-	1,411,075
Due to banks	143,573	807,900	1,505,133	2,968,788	1,505,829	6,931,222
Debt securities in issue	-	-	145,014	1,850,039	1,454,890	3,449,943
Deposits and customer accounts	38,126	1,279,782	3,499,485	1,000,120	-	5,817,513
Other liabilities including lease liabilities	56,749	75,665	46,000	10,748	-	189,162
Derivative liabilities						
Derivative liabilities held for risk management	-	-	899	15,783	-	16,681
Total liabilities	1,224,616	2,588,252	5,196,531	5,845,477	2,960,719	17,815,596
Net liquidity gap	2,176,895	119,418	2,688,217	4,219,386	(2,766,415)	6,437,500
Cumulative liquidity gap	2,176,895	2,296,313	4,984,530	9,203,916	6,437,500	

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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	1,008,341	-	-	-	-	1,008,341
Money market placements	924,613	726,047	-	-	-	1,650,661
Loans and advances to customers	1,116,956	380,739	4,022,776	10,865,078	2,114,077	18,499,626
Receivables excluding prepayments	22,254	51,926	-	30,667	-	104,846
Financial assets at amortised cost	-	-	-	93,590	-	93,590
Other assets	8,411	-	-	2,773	-	11,184
Derivative assets						
Derivative assets held for risk management	-	-	4,136	1,568	-	5,704
Total assets	3,080,576	1,158,712	4,026,912	10,993,675	2,114,077	21,373,951
Financial liabilities						
Non-derivative liabilities						
Money market deposits	570,174	253,344	-	-	-	823,518
Due to banks	500,346	428,483	2,281,354	2,423,617	1,597,506	7,231,305
Debt securities in issue	-	-	941,619	1,396,895	752,651	3,091,164
Deposits and customer accounts	927,146	-	2,542,747	1,005,444	-	4,475,337
Other liabilities including lease liabilities	34,942	66,391	60,341	13,038	-	174,712
Derivative liabilities						
Derivative liabilities held for risk management	-	-	-	-	1,953	1,953
Total liabilities	2,032,608	748,218	5,826,061	4,838,993	2,352,110	15,797,989
Net liquidity gap	1,047,968	410,494	(1,799,149)	6,154,682	(238,033)	5,575,962
Cumulative liquidity gap	1,047,968	1,458,462	(340,687)	5,813,995	5,575,962	

3.5 LIQUIDITY RISK (continued)

Maturity analysis of off-balance sheet exposure

The table below analyses the contractual expiry by maturity of the Group's contingent liabilities. For issued financial guarantees contract and letters of credit, the maximum amount of the guarantee or letter of credit is allocated to the earliest period in which the guarantee or letter of credit could be called. The Bank is the only entity within the Group that is exposed to interest rate risks and resultantly the Group and Bank amounts being the same.

	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
As at 31 December 2021						
Letters of credit	1,161,152	-	-	-	-	1,161,152
Financial guarantees	1,881,574	-	-	-	-	1,881,574
Loan commitments	-	-	1,670,999	2,742,040	-	4,413,039
Total	3,042,725	-	1,670,999	2,742,040	-	7,455,764
As at 31 December 2020						
Letters of credit	1,236,674	-	-	-	-	1,236,674
Financial guarantees*	1,113,406	-	-	-	-	1,113,406
Loan commitments	-	33,664	465,544	948,612	118,318	1,566,137
Total	2,350,081	33,664	465,544	948,612	118,318	3,916,218

* Prior year liquidity profile analysis for financial guarantees has been restated to reflect the earliest period in which the guarantee could be recalled.

3.6 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Note	Mandatorily at FVTPL 2021 US\$ 000	Amortised cost 2021 US\$ 000	Total carrying amount 2021 US\$ 000	Mandatorily at FVTPL 2020 US\$ 000	Amortised cost 2020 US\$ 000	Total carrying amount 2020 US\$ 000
As at 31 December 2021							
Financial assets							
Cash and cash equivalents	16	-	3,047,771	3,047,771	-	2,717,453	2,717,453
Derivative assets held for risk management	5	-	-	-	5,704	-	5,704
Loans and advances to customers	17	-	18,176,235	18,176,235	-	16,302,118	16,302,118
Financial assets at fair value through profit or loss	21 a)	136,237	-	136,237	-	-	-
Receivables	18	-	55,062	55,062	-	104,846	104,846
Financial assets at amortised cost	21 b)	-	243,646	243,646	-	93,590	93,590
Other assets	20	-	75,863	75,863	-	11,184	11,184
Total assets		136,237	21,598,577	21,734,814	5,704	19,229,192	19,234,895

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As at 31 December 2021	Note	Mandatorily at FVTPL 2021 US\$ 000	Amortised cost 2021 US\$ 000	Total carrying amount 2021 US\$ 000	Mandatorily at FVTPL 2020 US\$ 000	Amortised cost 2020 US\$ 000	Total carrying amount 2020 US\$ 000
Financial liabilities							
Derivative liabilities held for risk management	5	16,681	-	16,681	1,953	-	1,953
Money market deposits	23	-	1,411,075	1,411,075	-	823,416	823,416
Due to banks	22	-	6,928,655	6,928,655	-	7,228,681	7,228,681
Deposits and customer accounts	27	-	5,817,214	5,817,214	-	4,470,126	4,470,126
Debt securities in issue	24	-	3,443,084	3,443,084	-	3,082,970	3,082,970
Other liabilities and provisions	28	-	329,177	329,177	-	332,764	332,764
Total liabilities		16,681	17,929,205	17,945,886	1,953	15,937,956	15,939,909

3.7 CAPITAL MANAGEMENT

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 31 December 2021, the Bank is complying with the provisions of the Basel III framework in respect of capital adequacy measurement. The Capital adequacy ratio for 2020 was 23%, based on Basel II.

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 limited to 1.25% of Credit Risk Weighted Asset.

The table below summarises the composition of capital and the ratio of the Bank's capital for the year ended 31 December.

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Common Equity Tier 1(CET1) capital				
Paid-up capital	647,312	583,524	647,312	583,524
Share Premium	1,219,219	1,029,964	1,219,219	1,029,964
Retained Earnings	927,904	772,900	939,389	772,900
General and Revaluation Reserve	983,199	858,451	983,199	858,451
COMMON EQUITY TIER 1(CET1) CAPITAL	3,777,634	3,244,839	3,789,119	3,244,839
Additional Tier 1 Capital				
Additional Tier 1 (AT1) capital: Warrant	160,952	122,128	160,952	122,128
Deductions from CET 1	13,201	-	13,201	-
ADDITIONAL TIER 1 (AT1) CAPITAL	147,752	122,128	147,752	122,128
TIER 1 CAPITAL (T1 = CET + AT1)	3,925,386	3,366,967	3,936,870	3,366,967
Tier 2 Capital				
General Provision Limit (1.25% of Credit Risk Weighted Asset)	190,127	174,202	190,178	174,202
Tier 2 (T2) capital: adjustment and deductions	-	-	-	-
TIER 2 (T2) CAPITAL	190,127	174,202	190,178	174,202
TOTAL CAPITAL (TC = T1 +T2)	4,115,513	3,541,169	4,127,048	3,541,169
Common equity Tier 1 Capital (CET1)				
Tier 1 Capital	3,925,386	3,366,967	3,936,870	3,366,967
Total Eligible Capital	4,115,513	3,541,169	4,127,048	3,541,169

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	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Risk weighted commitments				
Credit Risk	15,210,155	13,936,121	15,214,258	13,936,121
Market Risk	124,109	1,145,417	124,109	1,145,417
Operational Risk	1,271,368	119,978	1,277,113	119,978
TOTAL RISK WEIGHTED COMMITMENTS	16,605,632	15,201,516	16,615,480	15,201,516
Tier 1 ratio (Tier 1 Capital /Total risk weighted assets)	24%	22%	24%	22%
Basel capital adequacy ratio (Total capital base/Total risk weighted assets)	25%	23%	25%	23%

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.

3.8 INTEREST RATE BENCHMARK REFORM

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

The Bank has significant exposure to USD LIBOR on its financial instruments that will be reformed as part of this market-wide initiative and has assessed and quantified its exposure. The Bank is in the process of amending contractual terms in response to the IBOR reform. Over the course of the transition, the IBOR reform has had operational, risk management, legal and accounting impacts across all of our business lines.

The main risks to which the Bank is exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. On the other hand, financial risk is predominantly limited to interest rate risk.

The Bank established a cross-functional LIBOR Transition Working Group (LWG) to manage its transition to alternative rates. The objectives of the LWG include evaluating the extent to which the entity's financial assets and liabilities reference IBOR cash flows, developing and executing a structured plan for the transition to alternative reference rates and how to manage communication about IBOR reform with clients and counterparties. The LWG reports monthly to the ALCO to support the management of interest rate risk and provide relevant information for key decisions relating to the IBOR reform. The LWG also collaborates with other business functions as necessary.

No newly originated floating-rate financial instrument will reference LIBOR from 1 January 2022. The LIBOR Transition Working Group is working closely with the business teams to establish pricing for new lending products to be indexed to alternative benchmark rates.

For existing contracts that are indexed to an IBOR and mature after the expected cessation of the IBOR rate, the LWG has established policies to transition the affected contracts by amending the contractual terms to replace the IBOR rate and including appropriate fallback clauses specifying the alternative benchmark rate and spread adjustment.

a) Non-derivative financial assets

The Bank's IBOR exposures on floating-rate loans to customers is predominantly USD LIBOR. For these assets, the Bank has approved the reform of the USD LIBOR to Secured Overnight Financing Rate ('SOFR'). SOFR is a broad measure of the cost of borrowing cash overnight collateralised by U.S. Treasury securities in the repurchase agreement (repo) market. This rate is robust, is not at risk of cessation, and it meets international standards. It is produced by the New York Fed in cooperation with the Office of Financial Research.

The Bank also approved a change to the underlying calculation methodology. The Bank has approved the Compounded in Arrears (Non-Cumulative - NCCR), Simple Interest in Arrears and the use of term SOFR.

Term SOFR constitutes forward-looking estimates of overnight SOFR produced as a percentage rate per annum for tenors of one month, three months, six months, and twelve months. The Non-Cumulative Compounded Rate (NCCR) is a methodology which compounds daily SOFR rates using an observation period for an interest period and a lag convention. Under Simple Interest In arrears methodology, Interest is charged based only on the principal outstanding using the interest rate from the previous period.

The publication of the one week and two-month USD LIBOR ceased on 31 December 2021 and all other USD LIBOR tenors (e.g., overnight, one month, three-month, six-month and twelve-month) will cease after 30 June 2023 (applicable to legacy contracts only).

The Bank has revised its internal treasury, banking operations and risk management systems to support the transition to SOFR.

During the course of the transition, the Bank's LIBOR Transition Working Group established policies for amending the interbank offered rates on existing floating-rate loan portfolio indexed to IBORs. Loan products will be amended in a uniform way, while syndicated products, will be amended in bilateral negotiations with syndicated loan partners.

The LWG monitored the progress of transition from IBORs to SOFR by reviewing the total amounts of impacted contracts and the amounts of such contracts that include an appropriate fallback clause. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR. Unreformed contracts relates to contracts that have not yet transitioned and does not include an appropriate fall back clause. The Bank also had contracts not yet transitioned but with appropriate fallback clause. As at 31 December 2021, the Bank did not have any contracts that had transitioned to an alternative benchmark rate.

The following tables show the total amounts of unreformed non-derivative financial assets and loan commitments and those with appropriate fallback language at 1 January 2021 and at 31 December 2021. The amounts of these assets are shown at their gross carrying amounts.

	FIXED RATE		EUR LIBOR (FLOATING)		USD LIBOR (FLOATING)	
	EUR Exposure US\$ 000	USD Exposure US\$ 000	Total amount of unreformed contracts US\$ 000	Amount with appropriate fallback clause US\$ 000	Total amount of unreformed contracts US\$ 000	Amount with appropriate fallback clause US\$ 000
As at 31 December 2021						
Loans and advances to customers	655,889	7,992,286	1,132,019	233,594	6,437,004	2,315,736

Included in the total amount of unreformed contracts is an amount of US\$3,414,833,660 USD LIBOR loans and US\$607,201,563 EURO LBOR loans that are maturing by 30 June 2023. The Bank has made a decision not to reform the contracts given the availability of the IBOR rate up to that date, therefore such loans will not be impacted by the transition.

Loan commitments			-	296,507	703,217	341,248	US\$ 000
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Included in the total amount of unreformed contracts is an amount of USD652,075,183 USD LIBOR loan commitments that are maturing by 30 June 2023. The Bank has made a decision not to reform the contracts given the availability of the IBOR rate, therefore such loan commitments will not be impacted by the transition.

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1 January 2021	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Loans and advances to customers	4,862,291	1,519,185	-	10,310,538	-
Loan commitments		61,810	-	307,710	-

b. Non-derivative financial liabilities

The Bank has floating-rate liabilities indexed to USD LIBOR. The LWG and the Bank treasury team have had several discussions with the counterparties of our financial liabilities to amend the contractual terms in response to IBOR reform.

The following tables show the total amounts of unreformed non-derivative financial liabilities and amounts that include appropriate fallback language at 1 January 2021 and at 31 December 2021. The amounts shown in the table are the carrying amounts.

	USD LIBOR		EUR LIBOR		JPY LIBOR	
	Total amount of unreformed contracts US\$ 000	Amount with appropriate fallback clause US\$ 000	Total amount of unreformed contracts US\$ 000	Amount with appropriate fallback clause US\$ 000	Total amount of unreformed contracts US\$ 000	Amount with appropriate fallback clause US\$ 000
As at 31 December 2021						
Borrowings	3,440,862	800,000	800,960	-	21,716	-

Included in the total amount of unreformed contracts is an amount of USD 2,207,127,760 of borrowings that are maturing by 30 June 2023. The Bank has made a decision not to reform the contracts given the availability of the IBOR rate, therefore such borrowings will not be impacted by the transition.

As at 1 January 2021	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Borrowings	4,758,853	-	1,144,854	-	22,534	-

c. Derivatives

The Bank holds derivatives for risk management purposes (see Note 5). None of the derivatives held for risk management purposes are designated in hedging relationships. The exposures to IBORs are in cross currency swap indexed to JPY IBORs. The Bank derivative instruments are governed by ISDA's 2006 definitions.

ISDA has reviewed its definitions in light of IBOR reform and issued an IBOR fallbacks supplement on 23 October 2020. This sets out how the amendments to new alternative benchmark rates (e.g. SOFR) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR.

The Bank has adhered to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement. Where derivative counterparties also adhered to the protocol, then new fallbacks were implemented in existing derivative contracts. During the course of transition, the Bank monitored whether its counterparties also adhered to the protocol and, where counterparties did not, then the Bank negotiated with them bilaterally about inclusion of new fallback clauses.

The following tables show the total carrying amounts of unreformed derivative instruments and amounts that include appropriate fallback language at 1 January 2021 and at 31 December 2021. For cross currency swaps, the Bank used the notional amount of the receive leg of the swap. The Bank expects both legs of cross-currency swaps to be reformed simultaneously.

	USD LIBOR		EUR LIBOR		JPY LIBOR	
	Total amount of unreformed contracts US\$ 000	Amount with appropriate fallback clause US\$ 000	Total amount of unreformed contracts US\$ 000	Amount with appropriate fallback clause US\$ 000	Total amount of unreformed contracts US\$ 000	Amount with appropriate fallback clause US\$ 000
As at 31 December 2021						
Derivative assets Held for Risk Management						
Interest rate caps	-	-	-	-	-	-
Cross-currency swaps	-	-	-	-	-	-
	-	-	-	-	-	-
Derivative liabilities Held for Risk Management						
Interest rate caps	-	-	-	-	-	-
Cross-currency swaps	-	-	-	-	16,681	-
	-	-	-	-	16,681	-
As at 1 January 2021						
Derivative assets Held for Risk Management						
Cross-currency swaps	-	-	-	-	5,704	-
	-	-	-	-	5,704	-
Derivative liabilities Held for Risk Management						
Cross-currency swaps	-	-	-	-	(1,953)	-
	-	-	-	-	(1,953)	-

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4 FAIR VALUE

The Group measures financial assets such as quoted and unquoted investments and non-financial assets such as land and buildings at fair value at the reporting date.

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 or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

4a) Determination of fair value and fair value hierarchy

Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy.

- **Level 1:** quoted (unadjusted) prices in active markets for identical assets and liabilities. The level includes listed bond securities traded on active markets.
- **Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, directly (that is, as prices) or indirectly (that is derived from prices).
- **Level 3:** techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments and non-financial assets recorded at fair value of the fair value hierarchy:

	GROUP			
	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 31 December 2021				
Financial assets				
Financial assets at fair value through profit or loss	98 177	-	38 060	136 237
Non-financial Assets				
Revalued property and equipment	-	-	57 113	57 113
Financial liabilities				
Cross Currency Swap	-	(16 681)	-	(16 681)
Total	98 177	(16 681)	95 173	176 668

	GROUP			
	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 31 December 2020				
Assets				
Interest rate swap	-	4 136	-	4 136
Cross currency swap	-	1 568	-	1 568
Total	-	5 704	-	5 704
Non-financial Assets				
Revalued property and equipment	-	-	47 138	47 138

The following table shows an analysis of financial instruments and non-financial assets recorded at fair value of the fair value hierarchy:

	BANK			
	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	Total US\$ 000
As at 31 December 2021				
Financial assets				
Financial assets at fair value through profit or loss	98 177	-	-	98 177
Non-financial Assets				
Revalued property and equipment	-	-	57 113	57 113
Financial liabilities				
Cross Currency Swap	-	(16 681)	-	(16 681)
Total	98 177	(16 681)	57 113	138 609

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Financial Statements for the Year Ended December 2021

As at 31 December 2020

Assets				
Interest rate swap	-	4 136	-	4 136
Cross currency swap	-	1 568	-	1 568
Non-financial Assets				
Revalued property and equipment	-	-	47 138	47 138
Total	-	5 704	47 138	52 842

4 b) Valuation technique for financial assets measured at fair value

Listed investments valuation

Level 1 is made up of the Group's investments in senior unsecured Reg S/144A Eurobond issued by Fidelity Bank PLC, Nigeria. The Bank invested US\$100 million to support the US\$500 million 5-year senior unsecured Reg S/144A Eurobond issue by Fidelity. The bond is listed on Irish Stock Exchange.

Unlisted investments valuation

Valuation technique

Level 3 comprises the Group's investments in unlisted equities. The Group used the relative valuation technique to value unlisted equities. Under this model, various value indicators of publicly traded stocks are used as comparatives for companies in the same industry. The relative valuation approach considers discounted cash flow valuation too intricate to establish, arguing that medium and long-range earnings projections are too intricate to make accurately and that the discount rates used are subjective. Instead, various valuation parameters of publicly traded stocks such as price to book ratios ("PBV"), relative market capitalisation can be used as comparatives for companies in the same industry. The PBV so obtained is then applied to the book value of equity to arrive at an implied value.

Valuation process

The Group engaged an independent consultant to assist management to determine the fair values of the unlisted equities at each reporting date. Management provides the independent consultant with audited financials statements, approved future projected cash flows and other non-financial strategic information and they perform the following:

- determine return on equity using the earnings and equity;
- normalise return on equity for forecast periods;
- calculate the predicted price/book value based on a regression model, by considering other publicly tradable reinsurance
- 'businesses within the region's PBV ratios.; and
- apply the regressed price to book ratio to the firm's equity to determine the price.

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	BANK			Carrying Value US\$ 000
	Level 2 Fair value US\$000	Level 3 Fair value US\$000	Total Fair value US\$000	
31 December 2021				
Financial assets				
Cash and cash equivalents	3 047 771	-	3 047 771	3 047 771
Loans and advances to customers - amortised cost	-	19,924,092	19,924,092	18 176 235
Financial investments at amortised cost	-	245 066	245 066	243 646
Receivables	-	55 062	55 062	55 062
Other assets	-	17 504	17 504	17 504
	3 047 771	20,241,723	23,289,495	21 540 218
Financial liabilities				
Money market placements	-	1 411 075	1 411 075	1 411 075
Due to banks	-	6 928 654	6 928 654	6 928 655
Deposits and customer accounts	-	5 758 573	5 758 573	5 840 633
Debt securities in issue	-	3 564 548	3 564 548	3 443 084
Other liabilities and provisions	-	326 466	326 466	326 785
	-	17 989 316	17 989 316	17 950 232

	BANK			Carrying Value US\$ 000
	Stage 1 US\$ 000	Stage 2 US\$ 000	Total US\$ 000	
31 December 2020				
Financial assets				
Cash and cash equivalents	2 717 453	-	2 717 453	2 717 453
Loans and advances to customers - amortised cost	-	16 785 189	16 785 189	16 302 118
Financial investments at amortised cost	-	93 590	93 590	93 590
Receivables	-	59 746	59 746	59 746
Other assets	-	11 184	11 184	11 184
	2 717 453	16 949 709	19 667 162	19 184 091
Financial liabilities				
Money market placements	-	1 039 270	1 039 270	1 039 270
Due to banks	-	7 012 828	7 012 828	6 947 969
Deposits and customer accounts	-	4 470 126	4 470 126	4 470 126
Debt securities in issue	-	3 260 183	3 260 183	3 082 970
Other liabilities and provisions	-	332 764	332 764	332 764
	-	16 115 171	16 115 171	15 873 099

– **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.

– **Derivatives**

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 cross currency swaps. The most frequently applied valuation techniques include interest rates for present value calculations. The models incorporate various inputs including the credit quality of the counterparties and that of the Bank and interest rate curves. The Bank takes into account the cash collateral placed with counterparties when determining the fair value of the cross currency swaps.

4 d) Unobservable inputs sensitivity analysis

The significant unobservable valuation input used in obtaining the value of unquoted securities was the Enterprise Value/Earnings Before Interest Tax Depreciation and Amortisation (EV/EBITDA Multiple) of similar companies. The table below shows the impact on the fair value of the unquoted securities that the EV/EBITDA of similar companies increase or decrease by 5%. The positive and negative effects are approximately the same.

	GROUP			
	31 December 2021		31 December 2020	
	Carrying Amount US\$ 000	Effect of 5% change in EV/EBITDA US\$ 000	Carrying Amount US\$ 000	Effect of 5% change in EV/EBITDA US\$ 000
Unlisted equities	38,060	1,903	-	-

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.

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	GROUP AND BANK			
	31 December 2021		31 December 2020	
	Carrying Amount US\$ 000	Effect of 5% change in EV/EBITDA US\$ 000	Carrying Amount US\$ 000	Effect of 5% change in EV/EBITDA US\$ 000
Property and equipment	57,113	5,711	47,138	4,714

4 e) Changes in Level 3 items

	GROUP			BANK	
	Unlisted equity Securities US\$ 000	Property and Equipment US\$ 000	Total US\$ 000	Property and Equipment US\$ 000	Total US\$ 000
Opening balance 1 January 2020	-	40,974	40,974	40,974	81,948
Gains recognised in other comprehensive income	-	6,164	6,164	6,164	12,328
Closing balance 31 December 2020	-	47,138	47,138	47,138	94,276
Acquisitions	38,060	-	38,060	-	38,060
Gains recognised in other comprehensive income	-	5,633	5,633	5,633	11,266
Closing balance 31 December 2021	38,060	52,771	90,831	52,771	143,602

There were no transfers in between fair value hierarchy (Levels).

5 DERIVATIVES HELD FOR RISK MANAGEMENT

The Bank enters into cross currency and interest rate swaps 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.

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Derivative assets		
Interest rate swap	-	4,136
Cross currency swap	-	1,568
	-	5,704
Derivative liabilities		
Cross currency swap	16,681	(1,953)
	16,681	(1,953)

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. The IRS contract expired during 2021 and the note is cooperative purposes only.

The following shows the notional value of interest rate derivative contracts that the Bank held at 31 December:

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Interest rate and cross currency derivative contracts		
Interest rate swap	-	700,000
Cross currency swap	446,659	437,586
	446,659	1,137,586

The Bank entered into cross currency swap to hedge JPY47.5 billion (2020: JPY47.5 billion) received from the Borrowing Placed in March 2020, 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.

In prior years the Bank entered into interest rate swap to hedge 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. This interest rate swap matured in May 2021 upon maturity of the US\$700 million debt securities.

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Financial Statements for the Year Ended December 2021

The time periods in which the discounted derivatives cash flows are expected to occur and affect profit or loss are as follows:

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Assets		
Up to one year	-	4,136
One to five years	-	1,568
More than five years	-	-
	-	5,704
Liabilities		
Up to one year	(899)	-
One to five years	-	-
More than five years	(15,783)	(1,953)
	(16,681)	(1,953)

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 38 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 2.3 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 2021. 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 25 and fair value disclosures on property, and equipment is set out on note 4.

(d) 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 the accounting policy (note 2.12.1) 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 25 and note 4, respectively.

(e) 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 38 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

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Letters of credit	1,161,151	1,236,674
Guarantees	1,881,574	1,113,406
	3,042,725	2,350,080

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

The contractual amounts of the Bank's commitments not recognised on the statement of financial position as at 31 December are indicated below.

Credit lines and other commitments to lend

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Less than one year	1,670,999	499,207
More than one year	2,742,040	1,066,930
	4,413,039	1,566,137

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\$209 million.

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7.2 Lease arrangements

7.2.1 Lease commitments-Bank as lessee

The Bank has entered into operating lease agreements for leasing of office premises. 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 25.

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Balance at 1 January	987	1,974
Addition	5,170	-
Depreciation charge	(1,514)	(987)
Balance at 31 December	4,643	987
Amounts recognised in profit or loss		
Interest on lease liabilities	39	23
Amounts recognised in statement of cash flow		
Total cash outflow for leases	(662)	(664)

7.2.2 Operating lease commitments - Bank as lessor

The Bank has entered into operating lease agreements for leasing of office space on its building. These leases have an average life of between two and five years, with renewal option included in the contracts. Where the Bank is the lessor, the future minimum lease receivables under non-cancellable operating leases are as follows:

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Within one year	265	291
Between 1 and 2 years	88	196
Between 2 and 3 years	68	-
	421	487

Included in other operating income recognised as an operating lease income amounting to US\$341,000 (2020 : US\$325,000)

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 USING EFFECTIVE INTEREST METHOD

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Loans and advances	995,127	914,877
Interest on money market investments	4,697	15,384
Interest on investments amortised cost	7,227	2,661
	1,007,051	932,922

The interest income reported above are calculated using the effective interest method. No Interest income is earned by other entities within the Group except for the Bank, the Group and Bank amounts are therefore the same.

9 INTEREST EXPENSE USING EFFECTIVE INTEREST METHOD

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Due to banks	128,179	186,337
Debt securities in issue	133,319	131,584
Shareholder and customer deposits	43,541	40,913
	305,039	358,834

The interest expense reported above are calculated using the effective interest method.

10 FEES AND COMMISSION INCOME

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Advisory fees	64,801	78,254
Commission on letters of credit	25,559	14,810
Guarantee fees	23,484	17,231
Other fees	979	996
	114,823	111,292

The fees and commission income exclude those included in determining the effective interest rate for financial assets measured at amortised cost. Advisory fees income is recognised at a point in time. Commission on letters of credit, guarantees fees and other fees is recognised over time.

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11 FEES AND COMMISSION EXPENSE

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Bond issue fees	225	422
Legal and agency fees	2,341	1,113
Other fees paid	5,432	5,603
	7,998	7,138

12 OTHER OPERATING INCOME

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Rental income	341	326	341	326
Other income	10,951	34,225	10,951	34,225
	11,292	34,551	11,292	34,551

Other income mainly comprise of recoveries from previously written off facilities.

13 PERSONNEL EXPENSES

Personnel expenses are made up as follows:

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Wages and salaries	59,754	43,797	55,976	43,797
Staff provident fund costs	5,124	4,001	4,614	4,001
Other employee benefits	23,461	17,608	21,301	17,608
	88,339	65,406	81,891	65,406

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:

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Operational missions and statutory meetings	29,033	8,698	28,546	8,698
Professional service fees	19,710	9,409	17,977	9,409
Communications	8,270	3,993	8,270	3,993
Donations	6,939	3,594	6,939	3,594
Other general and administrative expenses	33,891	26,088	31,074	26,088
	97,843	51,783	92,806	51,783

Professional services fees include US\$237,000 (2020: US\$215,000) in respect of external auditors' fees.

Included in other general and administrative expenses are costs incurred on insurance, general maintenance of office buildings, training and bank charges.

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.

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Net income attributable to equity holders of the bank	375,810	351,685	387,295	351,685
Weighted average number of ordinary shares in issue (basic) (note 15.1)	59,133	55,681	59,133	55,681
Weighted average number of ordinary shares in issue (diluted) (note 15.2)	137,524	130,857	137,524	130,857
Basic earnings per share (expressed in US\$000 per share)	6.36	6.32	6.55	6.32
Diluted earnings per share (expressed in US\$000 per share)	2.73	2.69	2.82	2.69

15.1 Weighted average number of ordinary shares in issue (basic)

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Issued ordinary shares at 1 January	58,352	55,055	58,352	55,055
Issued during the year	781	626	781	626
Weighted average number of ordinary shares at 31 December	59,133	55,681	59,133	55,681

15.2 Weighted average number of ordinary shares in issue (diluted)

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Weighted average number of ordinary shares in issue (basic)	59,133	55,681	59,133	55,681
Effect of warrants issuance	2,979	2,019	2,979	2,019
Effect of partly paid shares	75,412	73,157	75,412	73,157
Weighted average number of ordinary shares at 31 December	137,524	130,857	137,524	130,857

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16 CASH AND CASH EQUIVALENTS

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Cash in hand	90	82
Deposits with other banks	985,873	1,067,246
Money market placements	2,061,974	1,650,286
Gross	3,047,937	2,717,614
Less: allowance for impairment		
12months ECL	(166)	(161)
Net cash and cash equivalents	3,047,771	2,717,453

Cash and cash equivalents balances are allocated in stage 1 for ECL purposes and there were no restricted balances at year end (2020:US\$ nil).

16.1 Cash and cash equivalents

Current	3,047,771	2,717,453
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17 LOANS AND ADVANCES TO CUSTOMERS

	GROUP AND BANK			2021 Total US\$ 000
	Stage 1 US\$ 000	Stage 2 US\$ 000	Stage 3 US\$ 000	
Loans and advances to customers at amortised cost				
Gross amount	16,286,344	1,851,768	628,416	18,766,528
Less: Allowance for impairment (note 17.1)				
12months ECL	(47,415)	-	-	(47,415)
Lifetime ECL not credit impaired	-	(162,403)	-	(162,403)
Lifetime ECL credit impaired	-	-	(203,660)	(203,660)
Less: Suspended interest	-	-	(175,165)	(175,165)
Less: Modification loss	-	(1,650)		(1,650)
Net loans and advances to customers	16,238,929	1,687,715	249,591	18,176,235

	GROUP AND BANK			
	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	1,695,809	313,767	16,302,118

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Net loans and advances to customers		
Current	7,679,830	4,595,749
Non-current	10,496,405	11,706,369
	18,176,235	16,302,118

17.1 Credit Losses on Financial Instruments

(a) Statement of Financial Position

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Loans and advances	415,128	344,944
Money market placements	136	60
Deposit with other banks	29	50
Investment securities at amortised cost	55	5,752
Financial guarantee contracts	1,902	1,797
Letter of credits	5,423	11,930
Loan commitments	25,212	13,946
Prepayments and receivables	26,920	11,768
	474,805	390,247

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(b) Statement of Comprehensive Income

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Loans and advances	215,574	219,774
Money market placements	76	49
Deposit with other banks	(21)	22
Investment securities at amortised cost	(5,697)	4,722
Financial guarantee contracts	105	502
Letter of credits	(6,508)	9,468
Loan commitments	11,266	5,998
Prepayments and receivables	18,583	(7,047)
	233,378	233,488

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

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	344,944	326,656
Impairment charge for the year (note 17.1b)	215,574	219,774
Revaluation effect of provisions of loans in EURO	-	-
Loans written off during the year as uncollectible*	(145,390)	(201,486)
Balance as at 31 December (note 17)	415,128	344,944

(b) Statement of Comprehensive Income

Impairment charge for the year on loans and advances	215,574	219,774
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*The contractual amount outstanding on loans and advances that were written off during the year ended 31 December 2021 and that are still subject to enforcement activity is \$145.4 million (2020: US\$201.5 million). The suspended interest relates to interest on loans and advances to customers that are in stage 3 but not yet written off by the Bank.

18 PREPAYMENTS AND RECEIVABLES

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Prepayments	75,849	56,869	75,849	56,869
Receivables	55,062	59,746	55,062	59,746
Intercompany receivables	-	-	70,777	-
Transfer to equity investments in subsidiaries	-	-	(66,479)	-
Less: Impairment on receivables (note 18.1)	(26,920)	(11,769)	(26,920)	(11,769)
	103,991	104,846	108,288	104,846

Net prepayments and receivables

Current	73,651	74,180	77,948	74,180
Non-current	30,340	30,667	30,340	30,667
	103,991	104,846	108,288	104,846

Prepayments comprises of expenses paid for in advances such as insurance, accrued income relating to fees and commissions receivable, fees and commissions on borrowings. Trade receivables relates to non-credit origination transactions and they do not have a financing component.

18.1 Impairment on receivables

(a) Statement of Financial Position

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	11,768	18,815
Impairment charge for the year (note 18.1b)	18,583	(7,047)
Impairment charge no longer required	-	-
Written off during the year as uncollectible	(3,431)	-
Balance as at 31 December (note 18)	26,920	11,768

(b) Statement of Comprehensive Income

	2021 US\$ 000	2020 US\$ 000
Impairment charge for the year	18,583	(7,047)
	18,583	(7,047)

19 INVESTMENT IN SUBSIDIARIES

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	-	-
Investment in FEDA Holding Company	61,478	-
Investment in FEDA Investment Management Company	5,000	-
Investment in Afrexim Insurance Management Company	1	-
Balance as at 31 December	66,479	-

All investments in subsidiaries are classified as non-current assets.

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20 OTHER ASSETS

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Other receivables	66,846	4,646	66,350	4,646
Sundry debtors	14,977	12,096	15,269	12,096
Less: Impairment on other assets (note 20.1)	(5,960)	(5,558)	(5,960)	(5,558)
	75,863	11,184	75,659	11,184
Net other assets				
Current	65,508	9,778	65,304	9,778
Non-current	10,355	1,406	10,355	1,406
	75,863	11,184	75,659	11,184

Included in other receivables above are taxes recoverable from some member countries arising on 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). Other receivables are classified as current and only a portion of receivables due from employees are classified as non-current.

20.1 Impairment on other assets

ECL on other assets are estimated on lifetime basis

(a) Statement of Financial Position

	BANK	
	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	4,322	4,322
Impairment charge for the year	1,638	-
Balance as at 31 December (note 19)	5,960	4,322

21 (a) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Beginning balance at 1 January	-	-	-	-
Purchase of minority equity shares	38,060	-	-	-
Purchase of listed bonds	99,013	-	99,013	-
Gross	137,073	-	99,013	-
Less: fair value adjustments for the year	(836)	-	(836)	-
Net financial assets at fair value as at 31 December	136,237	-	98,177	-

The investment at fair value is for a five year senior unsecured Reg S/144A Eurobond issued by Fidelity Bank Plc, Nigeria. The bond is listed on Irish Stock Exchange.

The Group invested in minority private equity for Liquid Telecommunication Jersey (US\$20m) and ECOW-GAS B.V US\$1.7 million), TND SA (US\$11.4 million) and KOB0360 Incorporated (US\$5 million).

All financial investments at fair value through profit or loss are classified as current assets.

21 (b) FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Beginning balance at 1 January	99,342	30,268
Additions during the year	174,683	69,074
Disposals during the year	(30,324)	-
Gross	243,701	99,342
Less: allowance for impairment		
12months ECL	(55)	(5,752)
Net financial assets at amortised cost	243,646	93,590

These instruments are in Emirates of Abu Dhabi, Black Sea Trade and Development and Africa Finance Corporation. These investments are allocated in stage 1 for ECL purposes. Prior year included treasury bills issued by the Reserve Bank of Zimbabwe and were allocated in stage 1 for ECL purposes. These Reserve Bank of Zimbabwe instruments matured during 2021.

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Net financial investments at amortised cost		
Non current	243,646	93,590

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22 DUE TO BANKS

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	7,228,681	5,225,516
Additions during the year	3,420,412	5,211,323
Repayments during the year	(3,720,438)	(3,208,158)
Balance at 31 December	6,928,655	7,228,681
Current	2,456,505	2,994,192
Non current	4,472,150	4,234,489
	6,928,655	7,228,681

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.

23 MONEY MARKET DEPOSITS

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Money market deposits	1,411,075	823,416
Current	1,411,075	823,416

24 DEBT SECURITIES IN ISSUE

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	3,082,970	3,080,608
Additions during the year	1,300,000	-
Repayments during the year	(941,500)	-
Amortised portion of the discount and premium	1,614	2,362
Balance at 31 December	3,443,084	3,082,970
Current	145,000	941,500
Non current	3,298,084	2,141,470
	3,443,084	3,082,970

During the second quarter of 2021 the Bank successfully closed a US\$1.3 billion dual maturity bond issuance (US\$600 million for five (5) years and US\$700 million for ten (10) years), the Bank's largest-ever transaction in the international debt capital markets.

Debt securities at amortised cost:	Coupon percent	2021 US\$ 000	2020 US\$ 000	Date of Issuance	Date of Maturity
Fixed rate debt securities due 2021	4.00	-	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
Fixed rate debt securities with dual tenor due 2026	2.63	600,000	-	May 2021	May 2026
Fixed rate debt securities with dual tenor due 2031	3.80	700,000	-	May 2021	May 2031
Floating rate private placement note due 2021		-	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		(1,916)	(3,712)		
Add: Premium on bond payable		-	182		
		3,443,084	3,082,970		

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25 PROPERTY AND EQUIPMENT

	GROUP AND BANK							
	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 2021								
COST								
Cost/valuation as at 1 January 2021	17,701	29,438	1,277	10,773	1,054	6,841	2,993	70,077
Additions	6,360	393	229	1,228	-	32,263	5,170	45,643
Capitalisation of assets under construction	-	2,569	-	980	-	(3,549)	-	-
Disposals	-	-	-	-	-	-	-	-
Revaluation	1,890	3,742	-	-	-	-	-	5,632
Transfer*	-	(4,980)	-	-	-	-	-	(4,980)
Cost/valuation as at 31 December 2021	25,951	31,162	1,506	12,981	1,054	35,555	8,163	116,372
ACCUMULATED DEPRECIATION								
Accumulated depreciation as at 1 January 2021	-	-	(847)	(8,153)	(1,041)	-	(2,006)	(12,047)
Charge for the year	-	(4,980)	(197)	(1,311)	(6)	-	(1,514)	(8,008)
Disposals	-	-	-	-	-	-	-	-
Transfer*	-	4,980	-	-	-	-	-	4,980
Total accumulated depreciation as at 31 December 2021	-	-	(1,044)	(9,464)	(1,047)	-	(3,520)	(15,075)
Net carrying amount as at 31 December 2021	25,951	31,162	462	3,517	7	35,555	4,643	101,298

25 PROPERTY AND EQUIPMENT (continued)

	GROUP AND BANK							
	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)	-	-
Disposals	-	-	-	-	-	-	-	-
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)
Disposals	-	-	-	-	-	-	-	-
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

All property and equipment are classified as non-current assets.

*Transfers relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

The Bank received pieces of Land from the Federal Governments of Nigeria and Zimbabwe which are earmarked for the construction of Afreximbank Africa Trade Centers (AATCs), Regional offices, African Quality Assurance Centre (AQAC) ("AQAC") and African Medical Centre of Excellence (AMCE). Land received from Federal Governments is recognised as a government grant and is deducted in calculating the carrying amount of the land. Additionally, the Bank also purchased a piece of land in Egypt's New Administrative Capital and the new headoffice of the Bank will be constructed on this piece of land.

The fair value of the buildings and the land which reflects market conditions at the reporting date was US\$31,162,000 (2020: US\$29,438,000) and US\$25,951,000 (2020: US\$17,701,000) respectively. The fair value was determined using an independent valuer on 31 December 2021. The valuer used was RE Strategies L.L.C for Technical Consultant who has experience in similar projects.

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26 INTANGIBLE ASSETS

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Cost 1 January	21,863	16,384
Additions	2,504	5,479
Additions of software in progress	333	-
Capitalisation of software in progress		
Cost 31 December	24,700	21,863
Accumulated amortisation		
As at 1 January	(7,912)	(4,677)
Amortisation charges for the year	(3,587)	(3,235)
As at 31 December	(11,499)	(7,912)
Net value as 31 December	13,201	13,951

27 DEPOSITS AND CUSTOMER ACCOUNTS

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Deposit accounts	4,499,869	3,577,759	4,523,288	3,577,759
Customer accounts	1,307,471	882,567	1,307,471	882,567
Shareholders' deposits	9,874	9,800	9,874	9,800
	5,817,214	4,470,126	5,840,633	4,470,126
Current	4,817,214	2,671,446	4,840,633	2,671,446
Non-Current	1,000,000	1,798,679	1,000,000	1,798,679
	5,817,214	4,470,126	5,840,633	4,470,126

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.

28 OTHER LIABILITIES AND PROVISIONS

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Expected credit loss provision on financial guarantees	1,902	1,796	1,902	1,796
Expected credit loss provision on loan commitments	25,212	13,946	25,212	13,946
Expected credit loss provision on letter of credits	5,423	11,931	5,423	11,931
Lease liability (note 28.2)	4,547	1,018	4,547	1,018
Other liabilities recognised (Note 28.1)	292,093	304,072	289,701	304,072
	329,177	332,764	326,785	332,764

Provisions for financial guarantees, loan commitments and letter of credit arise from off balance sheet exposure and represents cumulative ECL charges.

28.1 Other Liabilities

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Prepaid and unearned income	107,478	130,378	107,478	130,378
Accrued expenses	145,004	131,365	142,612	131,365
Dividends payable	19,257	17,505	19,257	17,505
Legal fees deposits	10,834	14,489	10,834	14,489
Warrants redemption proceeds	6,000	10,122	6,000	10,122
Sundry creditors	3,520	265	3,520	265
	292,093	304,123	289,701	304,123

	2021	2020	2021	2020
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Current	227,606	291,085	225,214	291,085
Non current	64,487	13,038	64,487	13,038
	292,093	304,123	289,701	304,123

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28.2 Lease liability

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	1,108	1,749
Interest accrued	39	23
Additions during the year	4,063	-
Repayments of accrued interest and principal	(663)	(664)
Balance at 31 December	4,547	1,108
	289,701	304,123

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Current	995	662
Non current	3,552	446
	4,547	1,108

29 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 subregional 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.

	GROUP AND BANK	
	2021 US\$ 000	2020 US\$ 000
Authorised capital		
500,000 ordinary shares of US\$10,000 each	5,000,000	5,000,000
Paid in capital -class A	375,604	332,288
Paid in capital -class B	149,444	129,504
Paid in capital -class C	53,164	52,632
Paid in capital -class D	69,100	69,100
	647,312	583,524

As at 31 December 2021 the authorised capital comprised 500,000 ordinary shares (2020: 500,000 ordinary shares). The number of shares issued but not fully paid as at 31 December 2021 was 144,553 (2020: 128,606). The number of fully paid shares as at 31 December 2021 was 6,910 (2020: 6,910). The nominal value per share is US\$10,000.

Shareholders rights are the same for all classes from the perspective of voting rights. Dividends are shared pro rata according to number of shares subscribed.

The movement in paid up share capital is summarised as follows:

	GROUP AND BANK			
	2021 No of Shares	2021 US\$ 000	2020 No of Shares	2020 US\$ 000
At 1 January	135,516	583,524	127,272	550,548
Paid up from dividends during the year	2,677	10,708	2,294	9,176
Paid up in cash during the year	13,270	53,080	5,950	23,800
At 31 December	151,463	647,312	135,516	583,524

30 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:

	GROUP AND BANK			
	2021 No of Shares	2021 US\$ 000	2020 No of Shares	2020 US\$ 000
At 1 January	135,516	1,029,964	127,272	899,192
Paid up from dividends during the year	2,677	36,635	2,294	37,526
Paid up in cash during the year	13,270	164,567	5,950	96,985
Transaction cost of raising equity	-	(11,947)	-	(3,739)
At 31 December	151,463	1,219,219	135,516	1,029,964

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. US\$500 000 additional capital was also approved during the AGM held on 13 June 2020. After obtaining all approvals from the Board and Shareholders, in August 2021, the Bank launched a US\$6.5 billion General Capital Increase, of which US\$2.6 billion is paid-in. Accordingly, 15,947 additional shares (2020: 8,244 additional shares) were issued during the year bring in total capital of US\$ 253,043 (2020: US\$163,748,403).

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31 RESERVES (GROUP AND BANK)

	General Reserves US\$ 000	Asset Revaluation Reserve US\$ 000	Project Preparation Facility Fund Reserve US\$ 000	Total US\$ 000
Balance as at 1 January 2021	801,353	42,099	15,000	858,452
Revaluation of land	-	1,890	-	1,890
Revaluation of building	-	3,742	-	3,742
Depreciation transfer : buildings	-	(1,575)	-	(1,575)
Transfer from/(to) retained earnings (note 32)	137,276	-	(2,816)	134,460
Balance as at 31 December 2021	938,629	46,156	12,184	996,969
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	858,452

The asset revaluation reserve is 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 utilised 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 is operated on a full cost recovery revolving basis and solely deployed towards project preparation work and related activities. During the year US\$2.8 million was utilised from this Fund (2020: US\$ nil)

32 RETAINED EARNINGS

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	772,900	630,962	772,900	630,962
Profit for the year	375,810	351,685	387,295	351,685
Transfer to general reserve	(137,276)	(131,882)	(137,276)	(131,882)
Transfer from general reserve	2,816	-	2,816	-
Depreciation transfer: buildings	1,575	964	1,575	964
Dividends for prior year	(87,921)	(78,829)	(87,921)	(78,829)
Balance as at 31 December	927,904	772,900	939,389	772,900

33 DIVIDENDS

After reporting date, the directors proposed dividends appropriations amounting to US\$112,743,144.37 (2020: US\$87,921,317). The 2021 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 2022.

Dividends per share is summarised as follows:

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Proposed dividends per share				
Dividends appropriations	112,743	87,921	112,743	87,921
Number of shares at 31 December	151,463	135,516	151,463	135,516
Dividends per share	0.74	0.65	0.74	0.65
Dividends per share declared and paid				
Dividends appropriations	87,921	78,829	87,921	78,829
Number of shares at 31 December of the previous year	135,516	127,272	135,516	127,272
Dividends per share	0.65	0.62	0.65	0.62

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.

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34 WARRANTS

	GROUP AND BANK			
	2021 No of Warrants	2021 US\$ 000	2020 No of Warrants	2020 US\$ 000
At 1 January	2,923	122,128	-	-
Issued during the year	1,474	68,994	3,974	161,665
Retirement during the year	(802)	(30,170)	(1,051)	(39,537)
At 31 December	3,595	160,952	2,923	122,128

The approved GCI as described in Note 30, allows the Bank to use market and other instruments such as warrants and option. The Bank Issued 1,474, and retired 802 share warrants during 2021. As at 31 December 2021, 3,595 (2020: 2923) share warrants were outstanding for US\$160,952,000 (2020: US\$122,128).

35 RELATED PARTY TRANSACTIONS

The Bank's related parties are its wholly owned subsidiary entities as listed in note 19 and key management personnel. The Bank does not transact with its subsidiary entities, however the Bank pays expenses on behalf of its subsidiary entities, and records the amounts as recoverable.

The details of related party transactions are as follows:

35.1 Intercompany balances

	BANK	
	2021 US\$ 000	2020 US\$ 000
Amounts due from FEDA Holding Company	4,298	-
Amounts due from Afrexim Insurance Management Company	294	-
	4,592	-

35.2 Key management personnel compensation

35.2.1 Salaries and benefits to management personnel

Compensation paid to the Bank's executive officers and directors during the year is as follows:

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Salaries and short-term benefits	14,416	12,351	13,695	12,351
Other long-term benefits	3,239	3,339	3,239	3,339
Post-employment benefits	1,234	1,175	1,234	1,175
Termination benefits	259	158	165	158
	19,148	17,023	18,333	17,023

Short-term benefits above include meeting allowances for Board members and staff allowances for children's education, dependency, home leave and housing.

35.2.2 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 2021 was as follows:

	GROUP		BANK	
	2021 US\$ 000	2020 US\$ 000	2021 US\$ 000	2020 US\$ 000
Balance as at 1 January	1,519	2,864	1,519	2,864
Loan disbursements during the year	2,571	2,195	2,571	2,195
Loan repayments during the year	(1,379)	(3,540)	(1,379)	(3,540)
Balance as at 31 December	2,711	1,519	2,711	1,519

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 2021 (2020: US\$nil).

Chapter Six

Financial Statements for the Year Ended December 2021

36 SEGMENT REPORTING

The Bank, which is the Group's main operating subsidiary, is a supranational and 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 2021 US\$ 000	Treasury 2021 US\$ 000	Total 2021 US\$ 000	Lending 2020 US\$ 000	Treasury 2020 US\$ 000	Total 2020 US\$ 000
Statement of profit or loss and other comprehensive income						
Interest income	995,127	11,923	1,007,051	913,538	19,384	932,922
Fees and commission	114,823	-	114,823	111,292	-	111,292
Fees and commission expense	-	(7,998)	(7,998)	-	(7,138)	(7,138)
Other operating income	11,292	-	11,292	42,790	(8,239)	34,551
Other interest income	-	1,332	1,332	-	1,076	1,076
Total segment revenue	1,121,242	5,257	1,126,499	1,067,620	5,083	1,072,703
Less: interest expense	(43,541)	(261,497)	(305,039)	(4,427)	(354,407)	(358,834)
Foreign exchange adjustments & Fair value adjustment	(19)	-	(19)	(20,180)	13,154	(7,026)
Less: personnel and other admin. expenses	(170,917)	(3,781)	(174,698)	(112,125)	(5,064)	(117,189)
Less: depreciation and amortization	(11,595)	-	(11,595)	(9,395)	-	(9,395)
Segment income before impairment	895,170	(260,021)	635,149	921,493	(341,234)	580,258
Less: loan impairment charges	(233,378)	-	(233,378)	(233,488)	-	(233,488)
Fair value gain from financial instruments at fair value through profit/loss	(14,477)	-	(14,477)	4,915	-	4,915
Net income for the year	647,316	(260,021)	387,295	692,920	(341,234)	351,685
Financial Position						
Segment assets	18,427,353	3,388,903	21,816,256	16,432,100	2,816,746	19,248,846
Capital expenditures	114,498	-	114,498	58,031	-	58,031
Total assets at year end	18,541,851	3,388,903	21,930,754	16,490,130	2,816,746	19,306,877
Segment liabilities	1,558,601	16,408,313	17,966,913	4,802,889	11,137,020	15,939,909
Capital funds	-	-	3,963,841	-	-	3,366,967
Total liabilities and capital funds	1,558,601	16,408,313	21,930,754	4,802,889	11,137,020	19,306,877

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.

37 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.

38 COVID-19 IMPACT ON THE BUSINESS AND ECL

The recovery of global economy from the COVID 19 induced economic turbulence continued in 2021 on account of the lifting of restrictions on gatherings and movement of people due to reduced Public Health concerns and improved vaccination rates. Global output rebounded strongly but unevenly across many geographies causing surging demand triggered by significant fiscal and monetary stimuli in the developed economies. However, disparities in vaccination rates caused considerable surges of various strains of the COVID-19 with growing fears of vaccine-resistant strains emerging and yielding varying health outcomes and exacerbating supply constraints. This resulted in world economies experiencing continued severe shocks resulting in low GDP growth rates in some countries. In the process, a number of key economic sectors were adversely affected. These included, amongst others, the aviation, logistics, tourism and entertainment sectors.

COVID-19 pandemic prompted continued revision of the global economic outlook and this necessitated a continuous review of the Bank's assumptions on expected credit loss (ECL), particularly with respect to forward looking information (FLI). 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 these issues.

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 2021 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.

39 EVENTS AFTER THE REPORTING DATE

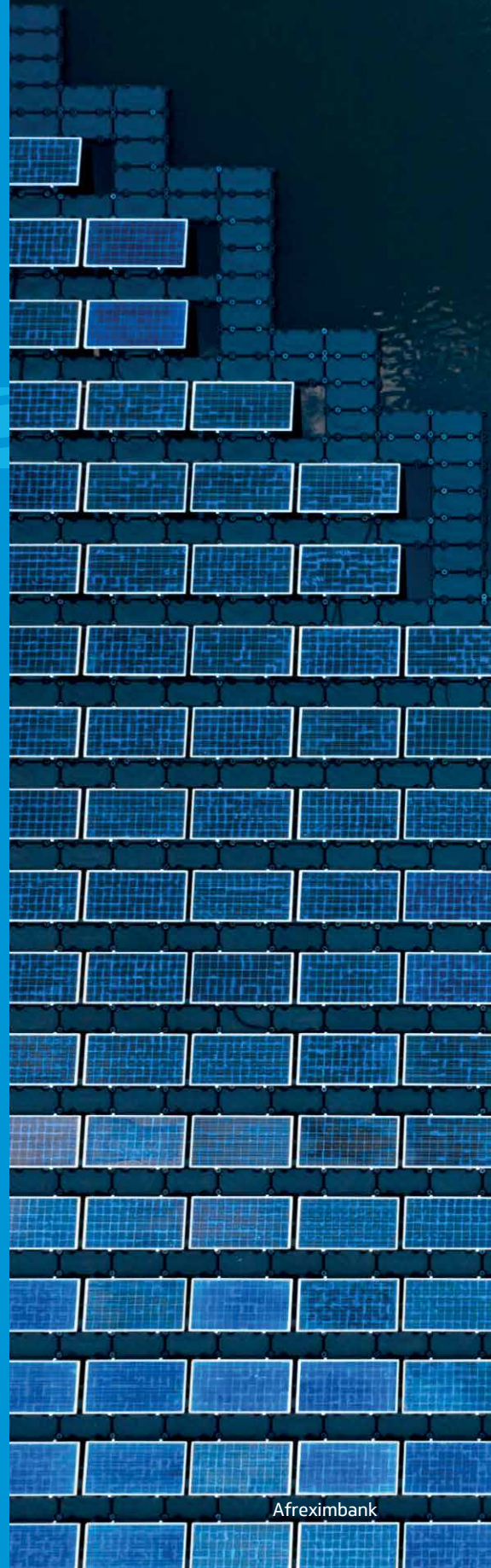
There were no significant events which occurred after the reporting date that have a bearing on the understanding of these financial statements. However, in addition to the significant macroeconomic challenges posed by the COVID-19 pandemic (as explained in Note 38 above), the Group could experience negative impacts to its businesses, financial condition and results of operations as a result of geopolitical and other challenges and uncertainties globally.

Currently, the world economy is facing several exceptional challenges given the ongoing conflict between Russia and Ukraine which has since invited the intervention of other key global players such as United States, European Union and United Kingdom. The current conflict, could lead to significant disruption, instability and volatility in global markets, further increases in the prices of energy, oil and other commodities and further disruptions to the supply chains. The impact of these market disruptions to the global market and to African economies in particular is currently unknown and the Group's transactions with entities in Ukraine and Russia are very limited. Additionally, the Group has no Loan and advances exposure to these countries.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 March 2022.

Investor Information



In August 2021, the Bank launched a General Capital Increase amounting to US\$6.5 billion, of which US\$2.6 billion represents paid-in equity.

US\$2.6 bn

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, Kampala, and Yaoundé.

The Bank has four classes of shares: A, B, C, and D. Class D shares are currently issued through Depository Receipts (DRs) that were listed on the Stock Exchange of Mauritius (SEM) on 4 October 2017. The Bank’s current number of DRs outstanding is 69.1 million.

A summary of the DR trading data is shown in Table 7.1:

Table 7.1 Depository Receipts Data as at 31 December 2021

Share data as at 31 December 2021	
SEM ticker	AFREXIMBANK DR (USD)
DR price (US\$)	2.70
DR outstanding	69,090,397
Market capitalization (US\$ million)	2,211
12 Months average trading volume	6,758
12 Month high DR price (US\$)	3.27
12 month low DR price (US\$)	2.70

Note: the estimated theoretical paid-in value of the unlisted shares has been reflected in the market capitalization.

SHARE CAPITAL (AUTHORISED AND FULLY PAID)

The Bank's Authorised Share Capital as at 31 December 2021 amounted to US\$5,000,000,000, consisting of 500,000 ordinary shares of US\$10,000 each. As at 31 December 2021, the Bank had issued 151,463 shares, of which 64,731 represent fully paid shares. The unpaid portion of capital associated with Classes A, B, and C shares are callable upon determination by the Board as prescribed in the Bank's Charter. The total number of shares attributable to DR holders is 6,910 shares; they are fully paid and remain the underlying shares for the Bank's 69.1 million DRs which are listed on the Stock Exchange of Mauritius.

2021 marked the end of the Bank's fifth five-year strategy, IMPACT 2021 – Africa Transformed (Plan V). The shareholders of the Bank had approved a US\$1 billion paid-in capital raising program during the 2017–21 strategy period; the amount was successfully mobilised, and the program closed in 2021.

In August 2021, the Bank launched a General Capital Increase amounting to US\$6.5 billion, of which US\$2.6 billion represents paid-in equity. The General Capital Increase was supported by the African Union Executive Council and approved by the Bank's shareholders in July 2021. The objectives of the General Capital Increase include: 1) to support the continent in the procurement of COVID-19 vaccines; 2) to expand Afreximbank's capacity to support African economies and their private sectors as they rebuild their economies after the pandemic; and 3) to support the implementation of the AfCFTA. Overall, the equity will enable Afreximbank to drive its ambition and

implement its sixth five-year strategic plan (Plan VI) during 2022–26. The equity raising activities of the Bank in 2021 generated total new equity amounting to US\$253,043 (2020: US\$163,748,403) and led to the issuance of 15,947 additional shares (2020: 8,244) in the process.

CALLABLE CAPITAL AS AT 31 DECEMBER 2021

As at 31 December 2021, the Bank had callable capital amounting to US\$1,821 million as analysed in the table below:

Table 7.2 Callable Capital as at 31 December 2021

Shareholding Class	Callable Capital (US\$)
Class A	1,234,941,741
Class B	434,386,223
Class C	151,721,723
Class D	–
Total	1,821,049,687

SHAREHOLDERS

As at 31 December 2021, Afreximbank's shares were held by a total of 156 shareholders as analysed in the table below:

Table 7.3 Distribution of Afreximbank Shares by Type

	Number of Shares Held	Percent of Total Shareholding	Number of Shareholders	Percent of Total Shareholders
Class A	93,901	61.99	51	32.69
Class B	37,361	24.67	90	57.69
Class C	13,291	8.78	14	8.97
Class D	6,910	4.56	1	0.65
Total	151,463	100	156	100

Note: The Depository bank, the custodian of DRs, is the only holder of Class D shares.

Chapter Seven Investor Information

Table 7.4 Shareholders by Class

	Class A	Class B	Class C	Class D
1 & 2	African governments and government institutions	African non-government investors	Non-African investors	Open to any investor
3	51 shareholders	90 shareholders	14 shareholders	1 shareholder
4	61.99% of total issued shares	24.67% of total issued shares	8.78% of total issued shares	4.56% of total issued shares

Table 7.5 Analysis of Shareholding Range

Shareholding Range	Number of Shares Held	% of Total Shareholding	Number of Shareholders	% of Total Shareholders
10 -100	2,059	1.37	64	41.02
101-200	3,671	2.42	28	17.95
201-300	4,930	3.25	20	12.82
301-1000	9,165	6.05	17	10.90
1001-5000	45,516	30.05	19	12.18
5001 and above	86,122	56.86	8	5.13
Total	151,463	100	156	100

Table 7.6 Top 20 Shareholders as at 31 December 2021

	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	Banque Misr	Egypt	B
5	National Bank of Egypt	Egypt	B
6	SBM Securities Limited	Mauritius	D
7	China Eximbank	China	C
8	Government of Côte d'Ivoire	Côte d'Ivoire	A
9	African Development Bank	Regional	A
10	Banque du Caire	Egypt	B
11	Bank of Ghana	Ghana	A
12	Government of Congo Brazzaville	Rep. of Congo	A
13	Arab Bank for Economic Development in Africa (BADEA)	Regional	C
14	Banque Centrale de Tunisie	Tunisia	A
15	Bank of Uganda	Uganda	A
16	Standard Chartered Bank	United Kingdom	C
17	Republique du Cameroun	Cameroon	A
18	Export Credit Insurance Corporation (ECIC)	South Africa	B
19	Government Employees Pension Fund (PIC)	South Africa	B
20	Bank of Tanzania	Tanzania	A

Chapter Seven

Investor Information

Table 7.7 Ten-Year History of Share Capitalisation

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Authorised Capital (500,000 ordinary shares of US\$10,000 each from 2012)	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	5,000,000
Paid-Up Share Capital - Class A (US\$'000)	108,087	109,349	110,081	119,168	180,224	240,416	248,868	270,264	301,320	332,288	375,604
Paid-Up Share Capital - Class B (US\$'000)	43,885	43,948	44,340	45,204	88,072	98,976	109,092	120,700	127,744	129,504	149,444
Paid-Up Share Capital - Class C (US\$'000)	17,200	17,200	21,200	21,200	38,856	39,096	46,076	46,236	52,384	52,632	53,164
Paid-Up Share Capital - Class D (US\$'000)							66,780	69,100	69,100	69,100	69,100
Total Paid-Up Share Capital (US\$'000)	169,172	170,497	175,621	185,572	307,152	378,488	470,816	506,300	550,548	583,524	647,312

The number of the Bank's shareholders remained 156. Shareholders invested new equity amounting to US\$253.0 million (2020: US\$163.7 million) and received a total number of 15,947 new shares. Therefore, at the end of 2021, the total number of shares held were 151,463 compared to 135,516 shares in 2020.

Table 7.8 Ten-Year Dividend Payment History

Year Ended	Date Declared	Total Amount (US\$)	Dividend Payout Ratio
31-Dec-21	-	112,743,144	30%
31-Dec-20	30-Jul-21	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%

Note:

i. This dividend payment relates to the shares of the Bank

Table 7.9 Credit Rating Summary

As at 31 December 2021	Fitch	Global Credit Rating	Moody's	Japanese C.R. (JCR)
Short term rating	F3	A2	n/a	n/a
Long term rating	BBB-	A-	Baa1	A-
Previous rating	Unchanged	Unchanged	Unchanged	-
Outlook	Positive	Positive	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 of the Bank. More details about 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





