

Investor Newsletter

January 2024

In this edition:

- Opinion Piece
- Performance Highlights
- Sustainable Investment Case Study
- Announcements
- Membership and Shareholding
- Upcoming Events



How Africa Can Unlock the World's Most Promising Net-Zero Solution

Samaila Zubairu

President & CEO

Africa Finance Corporation



At this critical hour in the fight against climate change, the world is squandering a significant opportunity by neglecting Earth's most important natural carbon repositories – Africa's forests, grasslands, peatlands and mangroves. The global carbon markets offer a pragmatic way to change this course for the better, with scope to attract meaningful and much-needed finance for conservation, energy transition and climate resilience. Yet, as things stand, carbon markets are failing to deliver. Worse, they risk enabling polluting countries and industries to ignore the burden of their 'pollution per capita' responsibilities and justify backsliding on urgent emission reductions. Such an outcome would represent a calamitous double blow for Africa, already on the frontline of global warming's impact, by worsening the climate emergency and cheapening the value of our land and forests through inadequately priced carbon offsets. How did we get here? The fact is the world is enticing Africa to repeat mistakes of the past. Instead of maximising economic value from our natural assets, countries are engaging in the wholesale long leases and sale of land – our valued birthright – to foreign intermediaries that hope to profit from a more appropriately priced carbon market of the future. This is akin to the resource curse of past decades. We must guard against complicit arrangements that undervalue our natural assets while enabling the industrialised world to keep on polluting, with Africa suffering the biggest costs from global warming.

What needs to change? It is essential that the continent's political and economic leadership take a strategic approach to harness the full benefits of a viable future carbon market, which Africa must lead.

[Read the full whitepaper here](#)



Performance Highlights

Last September, AFC took its strategic and performance accomplishments on the road to present the results of its 2018 – 2023 strategy, which was focused on increasing revenue, expanding the balance sheet, strengthening risk management, and enhancing governance structures. Notably, the Corporation exceeded its growth targets one year ahead of schedule in 2022. The AFC Day was held across three cities: Dubai, London, and New York. For further information on the 2024 event, please contact investorrelations@africafc.org.



The Corporation met and surpassed the 5-year strategic goals it set out in 2018

The corporate strategy set out in 2018 by the Board and Executive Management was anchored on the core elements of revenue growth, balance sheet expansion, robust risk management and improved governance structures



Total Assets doubled from US\$4.5bn to US\$10.5bn

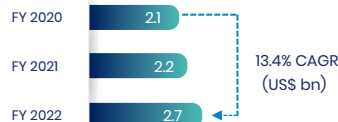
In four years, our investment footprint has expanded in infrastructure ecosystems, which is reflected in the growth of loans and advances to customers. The success of our strategy is reflected in a low NPL ratio of 2.2% in 2022.



Robust equity capital injections of US\$250m in 2022

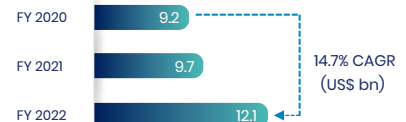
AFC continues to diversify its shareholder base and attract investors that share the vision for the corporation to lead infrastructure solutions on the continent. In 2022 the following equity injections occurred:

- The Public Investment Corporation (US\$100m)
- The Arab Republic of Egypt (US\$95m)



ROE has increased from 8% to >12% (FY2022)

Fulfilling our strategic infrastructure goals whilst delivering a return for our shareholders has remained the focus for the Corporation over the past 5 years. We have successfully achieved this by growing ROE to over 12%.



H1'2023 Results Summary

Growth and profitability



Increased Profit by

25% **US\$ 146.6m**
(H1 2022: US\$117.5m)

Operating income

13% **US\$ 219.3m**
(H1 2022: US\$193.7m)

Total comprehensive income up

30% **US\$ 151.1m**
(H1 2022: US\$116.4m)

Cost-to-income ratio

18.8% (H1 2022: 21.8%)

Balance sheet and capital adequacy



Increased total assets by

27% **US\$ 10.8bn**
(H1 2022: US\$8.5bn)

Net interest Margin

4.3% (H1 2021: 4%)

Total equity up

30% **US\$ 3bn**
(H1 2022: US\$2.3bn)

Capital adequacy ratio

33.4% (H1 2022: 31.8%)

Liquidity and Returns



Liquidity coverage ratio

126% (H1 2022: 105%)

Return on average equity

10.3% (H1 2022: 10.4%)

Return on average asset

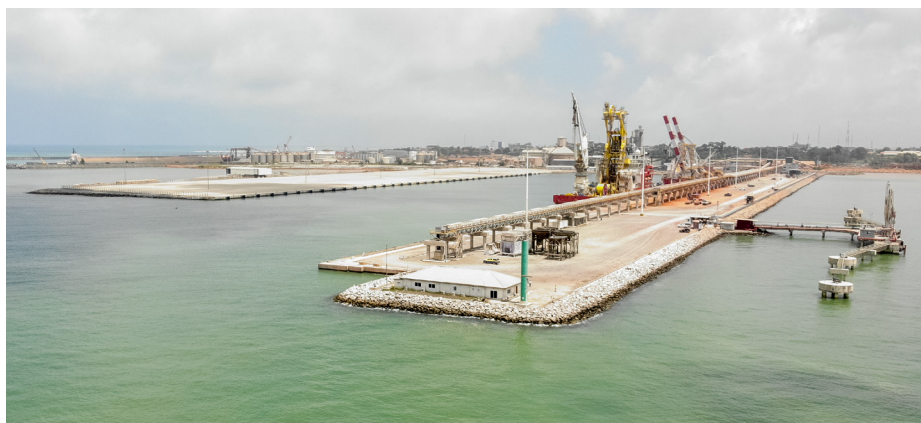
2.7% (H1 2022: 2.8%)

Earnings per share up

10% **US\$0.11**
(H1 2022: US\$0.10)



Investment Case Study: Takoradi



In 2019, AFC committed to invest up to US\$138 million in equity and debt for the Takoradi Port Expansion Project. The project, which is approaching the operational phase, reduces the cost of imports and exports to and from the western and central regions of Ghana and neighbouring landlocked countries by modernizing a container and multipurpose terminal under a 25-year concession for its design, engineering, financing and construction. Atlantic Terminal Services Limited (ATSL) was established as the concessionaire for the expansion of the container and multipurpose terminal at the port of Takoradi, and its ownership structure was:

35%

AFC

35%Ibistek
(Ghanaian sponsor)**30%**Ghana Ports and Harbour
Authority (Grantor)

Economic Development / Public Policy Impact



The port plays a crucial role in the nation's economic growth and regional connectivity. It offers shorter and less-congested links to west and central Ghana, including the Takoradi region, which boasts of substantial agricultural activity including 50% of Ghana's cocoa production, as well as manufacturing, industrial and business parks, and a growing natural resources sector.



The project forms part of the country's national development plan to revitalize and industrialize the western region and enhance Ghana's overall efficiency and competitiveness by reducing the cost of imports and exports, building local capacity and generating direct employment opportunities. 90% of revenues for the project will be in US dollars, thus enhancing the country's foreign exchange earnings. Furthermore, the project provides the opportunity for Ghanaian nationals to develop capacity, technology, and skills in the management of modern cargo terminals.



Prior to the establishment of Takoradi, goods had to be transported through the Tema and Lome ports, which led to longer routes and significant delays in delivery, resulting in higher logistics costs for end clients. However, Takoradi port has helped to improve the logistics network in West Africa by providing a more direct and efficient route for imports, which previously had to pass through the Tema and Lome ports. This has significantly reduced the delivery time for goods and made it easier for them to reach their destinations.



The project overall improves logistics of exports of goods (largely cocoa and cocoa-related products) from surrounding regions.



A Successful Impact Story



01

In August 2023, AFC was approached by Yilport – the 10th largest port operator in the world – who were looking for an asset to enter Africa.

02

The equity sale reduces AFC's exposure to the asset at an attractive price while demonstrating the ability to de-risk and exit an asset and recycle capital. For the buyer, Yilport, the transaction provides a strategic gateway for them to establish their presence in the African market.

03

Having de-risked the asset by developing and building it, and in line with its mandate to attract credible 3rd party capital, AFC strategically decided to exit its 35% equity stake to Yilport (the local partner sold 16%, giving Yilport the majority). The transaction was concluded, and AFC exited the equity investment with an equity IRR of 11%.

04

AFC has strategically decided to remain in the asset through its debt instruments, with the risk having significantly reduced due to the near completion of the port's construction and a renowned port operator acquiring a majority stake in the asset.

Announcements

Below are a few key announcements in H2'2023:



Turk Eximbank Joins AFC as Inaugural non-African Shareholder via equity investment on behalf of the Republic of Türkiye, marking a historic milestone in onboarding the Corporation's first non-African sovereign shareholder.

[Read More](#)

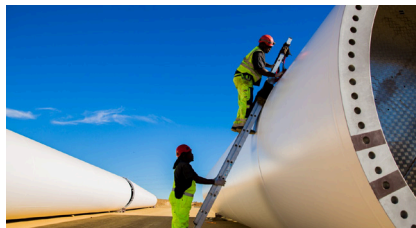

AFC secures EUR50 million from Italy's CDP for climate resilient infrastructure in Africa

[Read More](#)


Africa Finance Corporation Signs US\$350 Million Long-term Line of Credit with African Development Bank for Infrastructure.

[Read More](#)


Africa Finance Corporation to lead US-backed development of the Lobito Corridor and Zambia-Lobito Rail Line

[Read More](#)


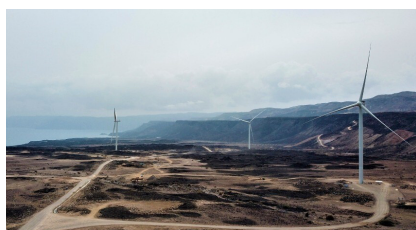
AFC supports the Egyptian Government as a Re-Guarantor on the JPY75 billion Samurai Bond Issue.

[Read More](#)


Saudi Fund for Development and Africa Finance Corporation partner to drive sustainable Development in Africa.

[Read More](#)


AFC secures US\$300 Million Loan from the Export-Import Bank of China to boost trade finance in Africa.

[Read More](#)


Djibouti Inaugurates Debut Wind Farm, a Milestone in Quest to be First African Country Fully Reliant on Green Energy.

[Read More](#)


Advancing Global Solidarity on Climate Challenge.

[Read More](#)



Country Membership and Shareholding

In Q4 2023, São Tomé and Príncipe and Burundi, became the newest member countries of AFC, bringing the total number of sovereigns to forty-two(42). Additionally, in December, Turkey, through its Exim Bank, became the first non-African sovereign to join AFC's shareholder base.



1. shareholder country*

Upcoming Events in H1'2024

Here are some key events that AFC will be participating in the first half of 2024:

Conference	City	Dates
World Economic Forum Annual Meeting	Davos-Klosters	January 15–19
Bonds, Loans & ESG Conference	Cape Town	March 14-15
FY'2023 Results Presentation	Virtual	April
Country and Stakeholder Symposium	Virtual	April
20th Annual AVCA Conference & VC Summit	Johannesburg	April 22 – 26
ICMA AGM and Conference	Brussels	May 22-24
AfDB Annual Meeting	Nairobi	May 27-31
Opec Fund Development Forum	Vienna	June 25