

New Year Message 2018

Andrew Alli, President & Chief Executive Officer
Africa Finance Corporation (AFC)

January 2018: 2017 saw an improved economic performance by the African continent compared with 2016, a trend we expect to continue into 2018. That being said, this performance was truly varied across African nations, with the strongest growth rates coming from East Africa, whilst the challenges of lower commodity prices continued to affect the oil-reliant nations. These developments occurred against a global backdrop of political uncertainty in the US and Europe, causing hesitancy in the markets.

In this, my final New Year Message, I would like to take a moment to reflect on the challenges that AFC has faced, as well as the considerable achievements that we have made, not just in 2017, but also over the last ten years during my time as President and CEO of the Corporation.

The scale of African demand for financing infrastructure investment and maintenance is high. Traditional sources of public financing and weakened economic conditions in many regions of the world have magnified the need for private capital. AFC, was established to meet this resource imbalance by investing in infrastructure assets on a pan-African basis. AFC has achieved this through stable leadership and consistent delivery, as well as a continued commitment to the Corporation's core mission: to address Africa's infrastructure needs, whilst delivering a competitive return for shareholders.

What I find most encouraging as I contemplate AFC's future after my departure, is how the transformational impact that AFC has delivered so far in developing African infrastructure remains dwarfed by the scale of the tremendous opportunities across the continent. As I prepare to pass on the baton of leadership, I am confident the Corporation is more than ready to seize these opportunities.

Simply put, the core of my time as President and CEO of the Corporation has been a relentless emphasis on sustainable development, people and innovation, both within AFC as well as in the communities in which we have invested. To this end, AFC has spent the last decade focusing on projects in areas that otherwise would be, and have been in the past, overlooked by traditional investors.

The people at the heart of our investments

Looking back at AFC's achievements in the last decade, what I am most proud of are the successes of the Corporation that aren't just informed by the returns made, or indeed the size of our investments, but the direct impact they have had on people.

Over the last ten years, AFC has evolved from a start-up to an institution that is a powerful force on the continent; it currently has a membership of 17 countries, an A3 Credit Rating by Moody's (the second highest rated African lending institution), and has grown from about US\$1 billion in total assets to about US\$4 billion, while investing in various capacities in the landmark African projects such as the Kainji Hydro Electric Power station in Nigeria, the Jubilee oil field development in Ghana, the Main One Cable Company across West Africa, the Henri Konan Bédié Bridge in Côte d'Ivoire, two major Gabonese port projects, a bauxite project in Guinea-Conakry, which was the first major post-Ebola investment in the country, and an upgrade to the airport in Ghana, to mention just a few.

Most notably, the impact our investments and initiatives have had on ordinary people includes:

- The Cabeolica Wind Farm IPP in Cape Verde, which provides the country's half a million people with 20% of their energy needs whilst simultaneously making our contribution to the biggest challenge of our time: combating climate change;
- The US\$205 million investment to develop Alufer Mining's Guinea-Conakry high grade bauxite reserves, the largest investment of its kind to take place in the country following the Ebola crisis that brought the country's economy to a standstill. With up to 30% of all exports accounted for by bauxite exports, the impact to the population of this investment is tremendous;
- The US\$365 million Henri Konan Bédié Bridge in Abidjan. Today, as many as 2 million vehicles traverse the bridge every month, saving time and fuel and doubling parent-child contact time;
- The landmark \$900 million Cenpower Kpone IPP in Ghana, which will increase the electric power available by 350MW to the country's 28 million people – an increase of nearly 10% of Ghana's total installed power capacity;
- The US\$240 million Main One Cable Company which provides innovative telecommunications services, network solutions and wholesale internet services for people and businesses in West Africa. Main One provides direct connectivity to over 10 million users, with several more millions benefitting indirectly;
- The 1,786MW power joint venture with Harith General Partners called Anerg Holdings, which provides electricity to 30 million people across 5 countries in Africa.

All of this has been possible whilst delivering a profit in each of the ten years since AFC's inception, despite the backdrop of the global financial crisis, slow-growth, and the crash of commodity prices that affected many African economies. As such, AFC's activities reflect a strategic and passionate desire to meet the desperate need for a private sector led infrastructure financing institution in the world's second largest continent, for all its people.

The people at the heart of AFC

Our focus on people started within AFC itself. When I joined AFC shortly after its inception I met an exceptional team, which we have striven to build, grow and develop. I am glad that the institution has grown from one regarded warily, to one that is now highly respected, both within Africa and outside. All of AFC's many achievements have only been made possible by this strong, effective and motivated team, fully committed to the Corporation's mission.

This decade of tremendous activity has also seen us partner with some of the most extraordinary organisations, which share our objectives, principles and values, in some of the most exciting development projects - supporting the transformation of economies and lives across the continent. We would not have been able to achieve our successes without the contributions of these partners whether in financing AFC, co-developing projects, co-financing projects or in other capacities.

Coupling our efforts with other development finance institutions has proved particularly valuable to AFC, and in 2017, we underscored our commitment further by signing:

- A Master Cooperation Agreement with the International Finance Corporation;
- An Accreditation Master Agreement with the Green Climate Fund;
- A Climate Facility with Agence Française de Développement.

Our longstanding partnerships have over the years also seen us collaborate on the development of some of the continent's most high-profile projects, such as the aforementioned Henri Konan Bédié Bridge in Abidjan, which was a result of our partnership with the African Development Bank (AfDB). This followed a US\$200 million credit line we received from AfDB – the first major one of its kind AFC received.

Similarly, these partnerships have extended to the fundraising side of the Corporation. For example, our partnership with the Society for the Promotion and Participation for Economic Cooperation (PROPARCO) and Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) led to AFC securing a €50 million credit line and US\$ 60 million facility respectively in 2013.

AFC Live – an ode to our partners

In celebration of our successes over the past decade, and the people and partnerships that made it happen, we hosted AFC Live in 2017 – the premier infrastructure summit in Africa which attracted delegates spanning the entire breadth of the infrastructure space, from policy-makers, bankers, investors and project developers, through to the media, and senior government officials from across Africa, including the then Acting President, Professor Yemi Osinbajo.

The Summit also served as a useful platform to debate the contemporary challenges to infrastructure today, and trends likely to affect future performance, such as the fees structures of project developers.

Infrastructure as an asset class – inventing the wheel

Given the scale of Africa's infrastructure deficit, AFC has always taken a diverse approach to our sources of funding. Our funding is the life-blood of AFC as it enables us to execute our projects and transform the lives of people across Africa, and in this regard, AFC has demonstrated an ability to pioneer much needed innovation. We are therefore proud that in 2017, we became the first African Multilateral Finance Institution to have issued an Islamic Murabaha-formatted bond (Sukuk). This was also the highest-rated ever Sukuk issuance from an African supranational entity. In the same year, AFC also raised a US\$500 7-year Eurobond which was 5 times over-subscribed at over US\$2.4bn attracting 231 investors across the Middle East, the Far East, the United Kingdom, Europe and the United States.

This transformation underlines another key aspect to the diversification emphasis in our funding strategy – geographical variety. In addition to the example above, we have also sought opportunities in Asia. In 2017, we embarked on successful roadshows throughout that continent. These important activities resulted in the incorporation of a variety of new investors from high-profile organisations.

We will continue to develop AFC's links to this region with the potential to explore various instruments to offer access to regional investors. I remain certain that as I pass my role on to my successor, that our approach to funding will continue to evolve in strategies that are as ambitious and diverse as the projects in which we invest.

Core to AFC's mandate for development is knowing that the people of Africa will benefit. Be it access to electricity through the Anerg Holdings energy platform, or improved transport accessibility via the Henri Konan Bédié Bridge in Côte d'Ivoire.

AFC also seeks to drive Corporate Social Responsibility (CSR) initiatives that deliver immediate and beneficial results to communities across Africa. We were therefore thrilled to announce in 2017, the Clean Water Campaign which aims to increase access to clean water and improve health and sanitation in communities across Africa, in particular schools and orphanages, and I am extremely proud of the AFC team for their efforts, from conception to delivery.

Finally, AFC was proud to announce that the Republic of Ghana came on board as our second sovereign shareholder as we welcomed 3 additional members states in 2017, bringing the total membership to 17. These were Benin, Zambia and Kenya.

Conclusion

I am delighted to report that, as I step down from my role at AFC, the business is in a formidable position for further growth and expansion. We were very pleased to have welcomed the three new country members over the course of the year, and as we continue to seek out and execute the most promising projects across the continent, and ambitious capital raises across the globe, the Corporation remains in exceptionally capable hands. The success of AFC is built upon the dedication and expertise of its staff and our team is in every dimension our strongest asset. I wish my successor well and leave proud in the secure knowledge that he has a world class team supporting him through his work at AFC.

I wish you all a very happy and prosperous New Year.

Andrew Alli
President & Chief Executive Officer

4 bn

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2 million

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10 million

Main One provides direct connectivity to over 10 million users

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