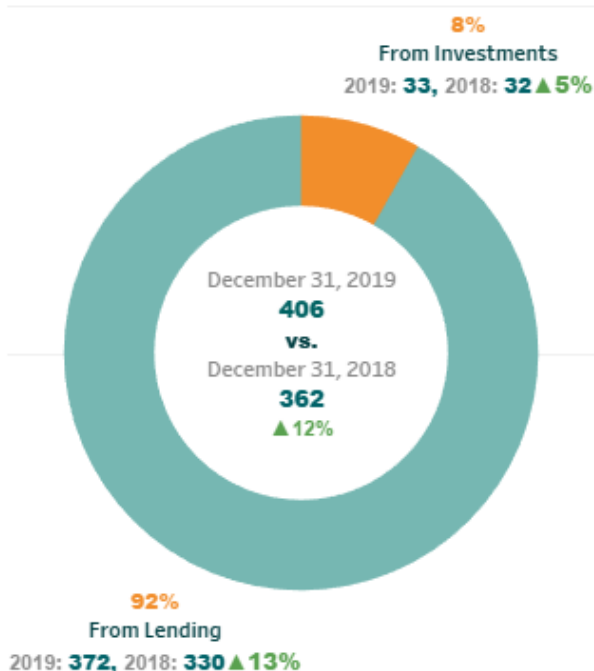


## 2019 FINANCIAL PERFORMANCE

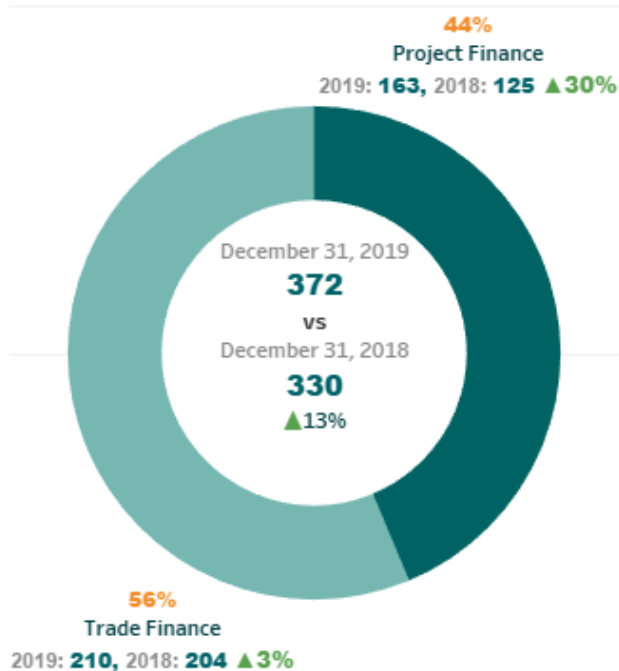
### INCOME

In 2019, the Bank's gross interest income grew by 12% to USD 405.73 million from USD 361.59 million in 2018. The increase is attributed to the 19% growth in both the Project and Infrastructure Finance (PIF) and Trade Finance (TF) loan portfolios. Trade Finance contributed 52% of gross interest income.

#### Gross Interest Income (In \$ Millions)



#### Income from Lending (In \$ Millions)



Total interest and corresponding expense increased by 10% from USD 205.19 million in 2018 to USD 226.64 million in 2019. Interest expense on long-term and short-term borrowings rose by 12% from USD 198.47 million in 2018 to USD 221.57 million, due to the rise in the cost of borrowing, reflecting the USD 891.49 million increase in total borrowings. The 21% growth in borrowings is in line with the 20% growth in the Bank's total assets. Other borrowing costs decreased by 25% from USD 6.72 million in 2018 to USD 5.06 million in 2019. Consequently, net interest income grew by 15% to USD 179.09 million from USD 156.40 in 2018.

## Net Fees and Commission

December 31, 2019

**72M**

vs.

December 31, 2018

**44M**

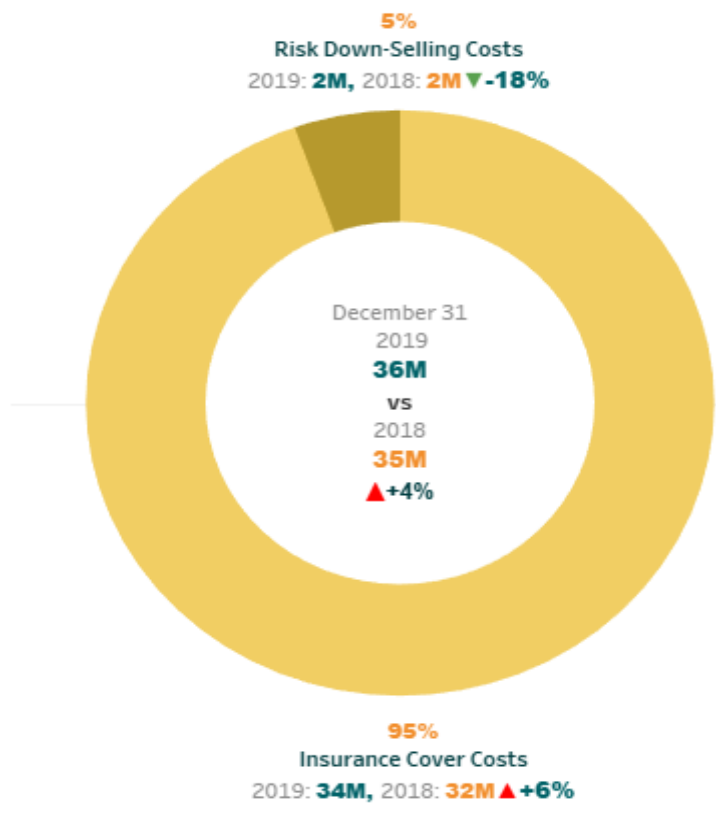
**▲+64%**

Net fees and commission income increased by 64% from USD 44.19 million in 2018 to USD 72.39 million in 2019. The increase was anchored on more-than-double increase in PIF fees from USD 12.99 million in 2018 to USD 35.42 million in 2019. Trade Finance fees also grew by 18% from USD 31.21 million in 2018 to USD 36.97 million in 2019.

Risk mitigation costs (comprising Risk Down-selling and Insurance costs) for 2019 amounted to USD 35.98 million compared to USD 34.54 million in 2018, a marginal 4% increase. The Risk Down-selling costs represent fees paid to acquirers of loan assets distributed via the secondary market. This is in line with the Bank's secondary loan trading and asset distribution activities to manage obligor, sector, and geographic prudential limits.

## Risk Mitigation Costs

(In \$ Millions)



Down-selling further provides the Bank with room to book new assets and generate incremental fee income. Insurance allows the Bank to obtain capital relief, while serving as a risk mitigant against credit, currency convertibility, and externalisation risks. Since December 2016, the Bank has been insuring 60% of its callable capital, credit enhancing it and effectively

improving the average rating of its key shareholders. The risk mitigation measures are considered part of the Bank's overall credit positive initiatives contributing to the Bank's attainment and retention of its investment grade credit rating.

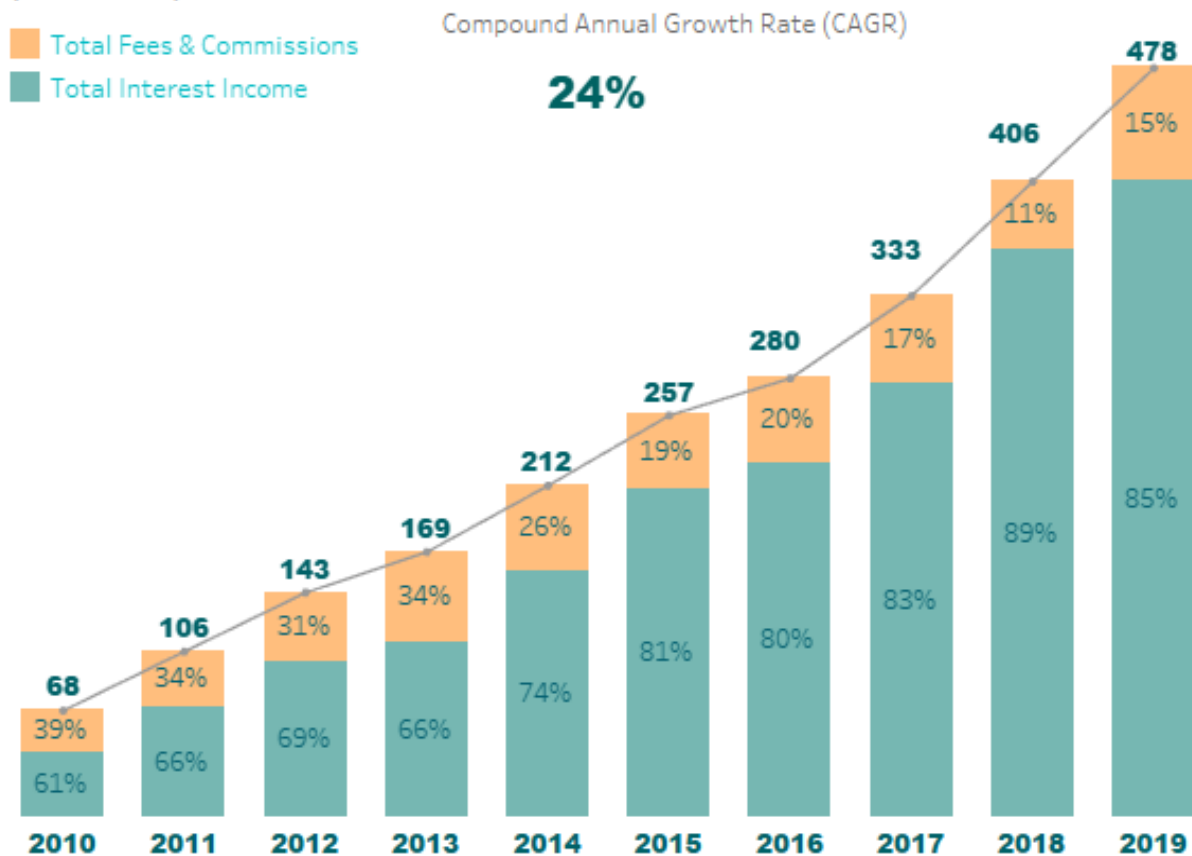
**OPERATING INCOME** Operating income increased by 20% to USD 237.52 million in 2019 from USD 197.50 million in 2018. This is mainly as a result of growth in interest and fee income in 2019 as discussed above.

**238M**  
vs.  
**198M**  
▲ **20%**

The chart below depicts the Bank's gross interest income and fee income over a ten-year period.

### 10 Year Income Trend

(In \$ Millions)



### OPERATING EXPENDITURE

Operating expenditure increased marginally by one percentage point from USD 40.71 million in 2018 to USD 41.04 million in 2019. The steady result in 2019 is attributable to the fact that the Bank implemented in 2018 most of its strategic initiatives whose focus was to expand operational capacity with a new coverage and business development model as well as a strengthened lending operations department.

## **IMPAIRMENT**

Impairment charge on PIF and TF loans increased by 79%, from USD 23.16 million in 2018 to USD 41.49 million in 2019. This is due to a downgrade two accounts from stage two to stage three, resulting in extra provisions of USD 20.00 million. The overall impairment provisions in 2019 are based on a comprehensive review of the portfolio carried out by the Bank in December 2019. The Bank adopted International Financial Reporting Standard 9 (IFRS 9) - Financial Instruments in 2018 which uses the “Expected Credit Loss (ECL)” model to derive impairment provisions.

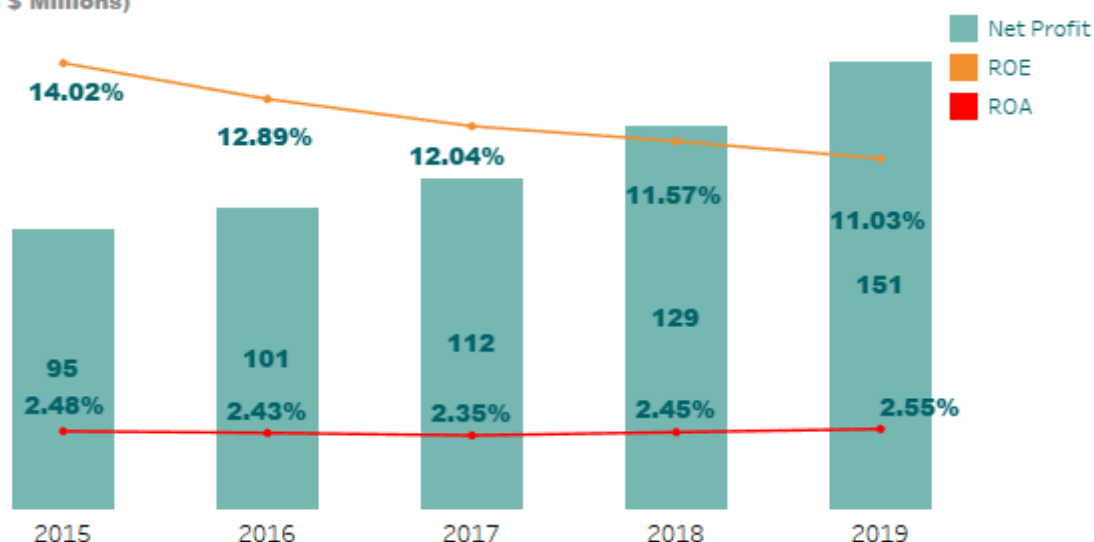
## **PROFITABILITY**

For the year 2019, the Bank made a net profit of USD 151.30 million, which is an increase of 17% from USD 129.33 million realised in 2018. This compares favourably with the annual budget of USD 135.81 million. The profitability achieved in 2019 exceeds by 4% the USD 146.10 million level projected for 2019 in the Bank’s Sixth Five-Year Corporate Plan 2018-2022 (FYCP-VI). The 17% growth in profitability over 2018 is attributable mainly to the increased interest income as well as the turn-around in fee income. The ROE decreased modestly from 11.57% in 2018 to 11.03% in 2019 due to the increase in impairment charge, but was above the budget target of 10.74%, while the ROA increased from 2.45% in 2018 to 2.55% in 2019 but fell one basis point below the 2019 budget target of 2.56%.

The graph below illustrates the Bank’s profitability and profitability ratios over the five years to 2019.

## Profitability

(In \$ Millions)



## ASSETS

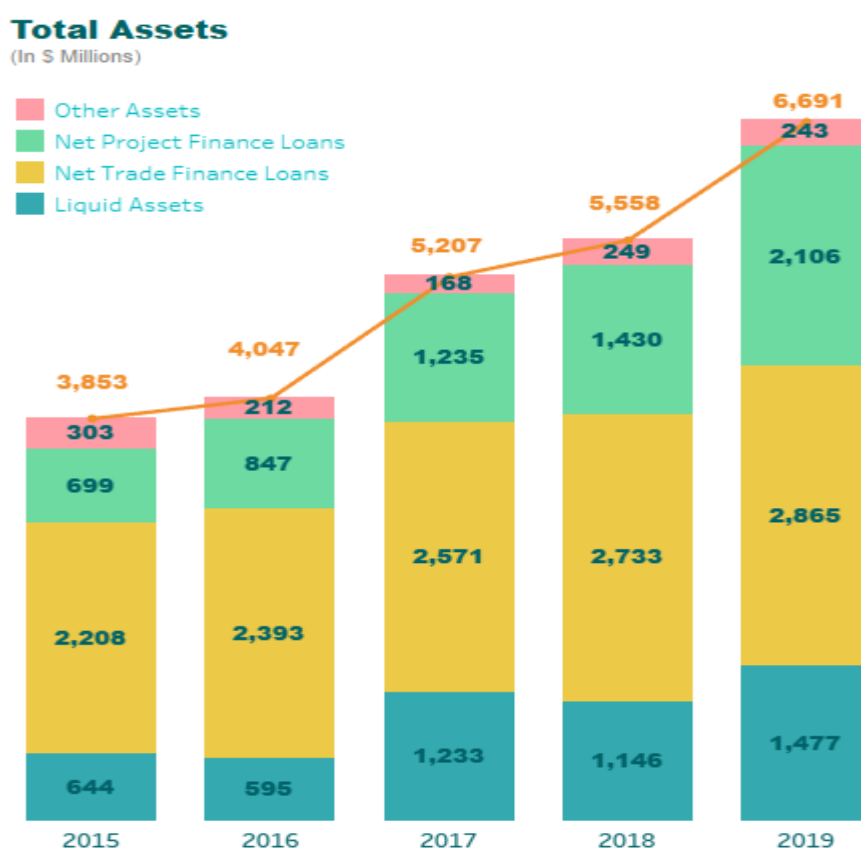
The Bank grew its total assets by 20% over 2018 to USD 6.69 billion, exceeding by 7% the USD 6.27 billion level planned for 2019 in the Bank's FYCP-VI. Of the USD 1.13 billion net asset growth in 2019, USD 675.48 million is attributable to Project Finance loans, whose net balance increased to USD 2.11 billion, up 47% from USD 1.43 billion in 2018, due to new disbursements net of repayments. The PIF gross loan volume also grew by 47% from USD 1.46 billion in 2018 to USD 2.15 billion in 2019. Net Trade Finance loan volume grew by USD 132.99 million, a 5% increase from USD 2.73 billion in 2018 to USD 2.87 billion in 2019 as a result of disbursements net of repayments made during the year while the growth was 4% on gross basis from USD 2.81 billion in 2018 to USD 2.94 billion in 2019. The Bank's net loan book <sup>1</sup> grew year-over-year by 19%. Trade Finance off-balance sheet assets comprising letters of credit more than doubled in 2019 to USD 346.98 million from USD 161.39 million in 2018.

Cash and bank balances increased by 21% from USD 1.15 billion in 2018 to USD 1.38 billion due to receipt of funding from lenders during the year and the need to maintain a healthy liquidity buffer. During 2019, the Bank invested USD 50.00 million in the Eastern and Southern African Trade Fund, a trade fund anchored by the Bank and managed by the Bank's subsidiary Eastern and Southern African Trade Advisors Limited. Another USD 44.99 million was invested in government securities. Other receivables increased marginally by 3% in 2019 to

<sup>1</sup> The Bank's loan book refers to on-balance sheet exposures only. Gross loans are netted off with impairment provisions to arrive at net loans.

USD 120.42 million from the USD 117.14 level in 2018. Hedging derivatives decreased by USD 13.99 million from USD 54.04 million 2018 to USD 40.05 million due to exchange rate movements. Fixed assets, comprising property and equipment, right of use assets and intangible assets grew to USD 30.59 million in 2019 up from USD 25.56 million in 2018 mainly because of the on-going construction of the Nairobi office building.

The chart below shows the growth in the Bank's net PIF and TF loans, liquid assets (cash and investments), other assets and total assets over the last five years.



## LIABILITIES

The Bank's total liabilities grew by 21% to USD 5.30 billion from USD 4.37 billion in 2018. Short-term borrowings increased marginally by 3% from USD 2.38 billion in 2018 to USD 2.47 billion in 2019 whilst long-term borrowings increased by USD 809.50 million from USD 1.78 billion in 2018 to USD 2.59 billion in 2019, representing a 45% increase. Borrowings were received from various lenders and counterparties, including USD 750.00 million from the Eurobond market during the year to fund the Bank's business and to maintain an optimal liquidity buffer. Collection account deposits decreased by USD 23.75 million to USD 95.82 million mainly due to reduction in funds in some local currency accounts. Collection accounts represent cash included in the Bank's cash balances deposited by trade finance clients as

part of the facility structure to service maturing instalments, and foreign currency risk on any such local bank account is borne by the clients.

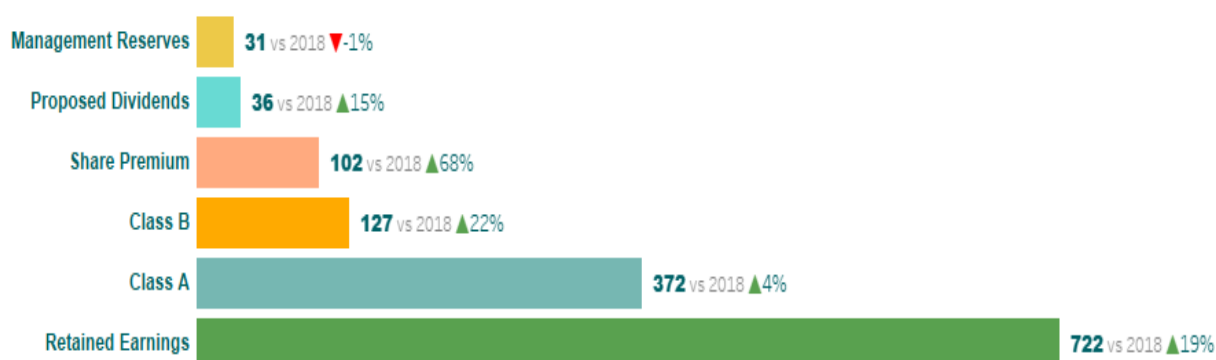
## EQUITY

The Bank's shareholders' funds grew by 17% to USD 1.39 billion from USD 1.19 billion in 2018. This compares favourably with, and surpasses by 8%, the USD 1.29 billion projected for 2019 in the Bank's FYCP-VI. Of the USD 197.79 million increase in total equity over 2018, USD 78.73 million was in the form of capital subscriptions including share premium, while USD 151.30 million was from profit for the year, less payment of USD 31.68 million 2018 dividend, less fair value loss on investments and IFRS 16 adjustment amounting to USD 563,356. A dividend distribution of USD 36.31 million is proposed for 2019, representing a pay-out ratio of 24% of the 2019 net profit. A further sum of USD 30.57 million is held in Fair Value and Management reserves which were created in 2018.

**EQUITY**  
2019  
**1.39B**  
vs  
2018  
**1.19B**  
▲+17%

### Shareholders' funds (\$ in Millions)

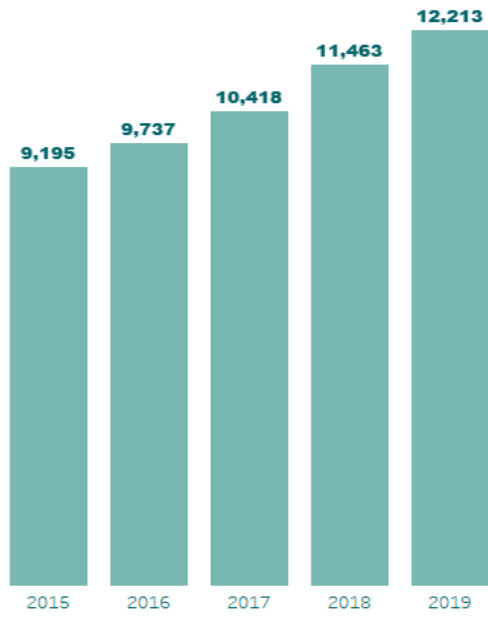
As at 31 December 2019



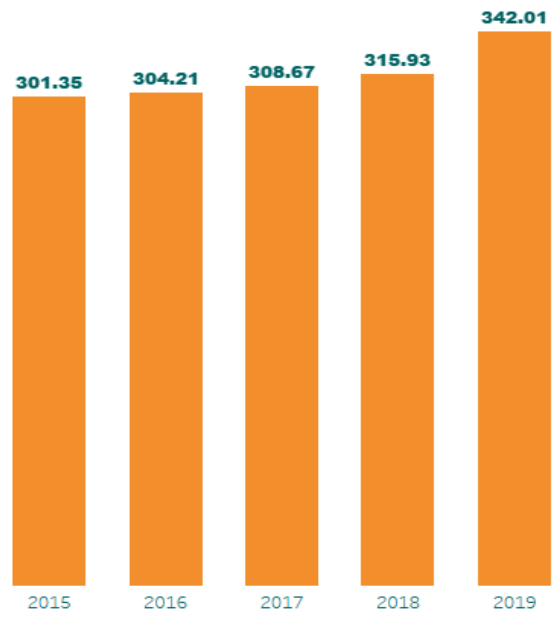
The fair value reserve arose in relation to equity investments on adoption of IFRS 9 by the Bank while the management reserve was created with Board's approval for cushioning incidents of significant losses.

The graphs below present the growth in the Bank's shareholders' fund performance during the five years to 2019.

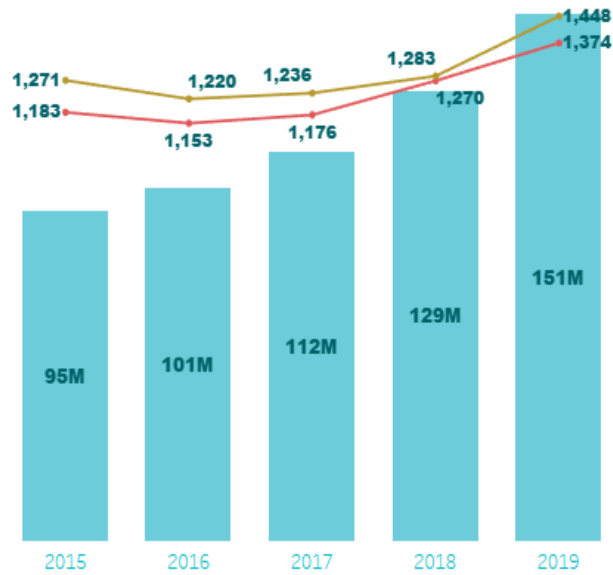
**Net Asset Value (NAV)**



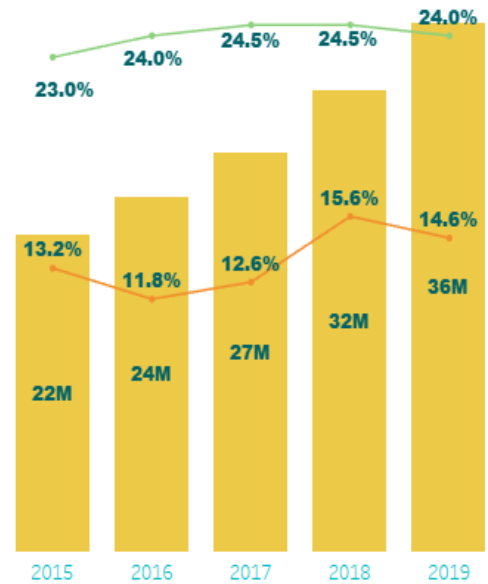
**Dividend Per Share (DPS)**



- Basic Earnings per Share (EPS)
- Diluted Earnings per Share (EPS)
- Net Profit



- Dividend Payout Ratio
- Proposed Dividends
- Proposed Dividends Growth





## FINANCIAL STRENGTH INDICATORS

The Bank's key financial ratios as at December 31, 2019 compared to December 31, 2018 are as follows:

### Profitability Ratios

Return on Equity	Return on Assets	Cost to Income Ratio
<b>11.03%</b> vs. 11.57% ▼-4.69%	<b>2.55%</b> vs. 2.45% ▲4.08%	<b>17.05%</b> vs. 15.45% ▲10.36%

### Efficiency Ratio

### Leverage Ratios

Total Debt To Equity	Total Capital and Reserves to Total Assets	Capital Adequacy Ratio
<b>363.85%</b> vs. 349.00% ▲4.25%	<b>20.77%</b> vs. 21.45% ▼-3.16%	<b>36.10%</b> vs. 35.40% ▲1.98%

### Liquidity and Portfolio Ratios

Liquidity Ratio	Gross NPL Ratio
<b>21.33%</b> vs. 20.62% ▲3.45%	<b>2.33%</b> vs. 2.35% ▼-1.04%