AFRICAN EXPORT-IMPORT BANK
ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS' COMMENTARY

GENERAL INFORMATION

The African Export-Import Bank (the Bank) is a multilateral trade finance institution, established in October 1993. It commenced lending operations in September 1994. The Bank's mandate is to promote, finance and facilitate intra and extra-African trade, while operating commercially. The Bank is headquartered in Cairo, Egypt and is located at No. 72 (B) El Maahad El Eshteraky Street, Heliopolis, Cairo 11341, Egypt. In addition, the Bank has regional offices in Harare (Zimbabwe), Abuja (Nigeria), Abidjan (Cote D'Ivoire) and is currently setting up a regional office in East Africa. The Bank has 4 classes of shareholders, class A (African Governments and/or associated institutions and African Multilateral institutions e.g African Development Bank), class B (African financial institutions and private investors), class C (non-African institutions) and class D (any investor). Class A,B and C shares are partially paid 40% upon subscription while class D shares are fully paid. Class D shares were created in 2012 to facilitate the Bank's entry in to the equity capital market. In October 2017 the Bank Listed Depository Receipts on the Stock Exchange of Mauritius backed by class D shares.

REVIEW OF FINANCIAL PERFORMANCE

STATEMENT OF COMPREHENSIVE INCOME

The Bank earned total Comprehensive Income amounting to US$285.4 million, a solid growth of 24% compared to prior year performance of US$229.8 million. The achieved results were mainly due to higher Net Income in 2018 amounting to US$ 275.9 million (2017: US$220.5 million), a growth of 25% compared to prior year performance. In addition, a revaluation gain of US$ 9.5 million (2017: US$9.3 million) on the Headquarters building in Cairo as a result of the recovery in the property market boosted Other Comprehensive Income. The significant growth in the Net Income was largely driven by a substantial increase in all revenue lines which increased total revenues by 24%. It is to be noted that the first-time adoption of IFRS 9: Financial Instruments, effective 1 January 2018, constrained the results achieved. The observed performance underscored high levels of operational efficiency which was complemented by effective risk management practices.

Net Income for the year grew by 25% principally as a result of the solid growth in Net Interest Income which increased from US$338.33 million in 2017 to US$403.83 million in 2018, a growth of 19%. The significant increase in Net Interest Income was achieved on the back of a 31% growth in gross loan portfolio over the period under review. Net fee and Commission income grew by 176% from US$30.36 million in 2017 to US$83.69 million in 2018 contributing to the Net Income growth.
During the period under review, the Bank achieved an annual return on average shareholders' equity (ROAE) of 11.78% (2017: 11.76 %) driven by the increase in Net Income. Additionally, the increase in Net Income resulted in the Bank realising a return on average assets (ROAA) of 2.18% compared to 1.87% achieved in the previous year. In tandem with the substantial increase in Net Income, the basic earnings per equivalent of fully paid shares improved from US$ 5,580 in 2017 to US$ 5,620 in 2018.
As a result of the significant growth in Net Income, coupled with the successful equity mobilization initiatives pursued by the Bank, the Capital Adequacy Ratio remained at a sound level of 25% (2017: 26%) which was well in line with the Bank's long-term Capital Management Strategic and Policy targets.

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

Net Interest Income and Margin

Net Interest Income amounting to US$ 403.83 million (2017: US$338.33 million) was mainly driven by a significant increase in interest and similar income. Interest and similar income rose by 17% from US$606.07 million in 2017 to US$709.48 million in 2018 as a result of a combination of higher interest rates, triggered by the rise in the Libor rate and a 31% growth in gross loan portfolio. In this regard, the gross loan portfolio grew from US$8.72 billion in 2017 to US$ 11.4 billion in 2018. Interest expenses increased by 14% to reach US$305.65 million (2017: US$267.75 million) during the period under review on the back of growth in interest-bearing liabilities by 14% and the increase in Libor rates experienced during the year.

Net interest margin, at 3.46% (2017: 2.64%) showed a significant improvement in relation to the previous period mainly due to relatively higher margins earned in 2018 compared to relatively lower margins on the cash-backed Countercyclical Trade Liquidity Facilities (COTRALF) that were outstanding in 2017. The efficiency of the treasury activities in managing cost of funds, culminated in an improved cost of mobilizing deposits. Such activities included, inter-alia, diversification of the funding mix which saw lower priced Africa-sourced liabilities making a significant contribution to the total funding pool. This outcome confirmed the wisdom of the creation of Africa Resource Mobilization Unit in the Treasury Department.

Non-Interest Income

Net Fee and Commission Income increased by US$53.33 million to US$ 83.69 million (2017: US$ 30.36 million) in the current year mainly due to a 139% increase in fee and commission income which grew by US$ 54.47 million to US$ 93.72 million (2017: US$ 39.25 million). This increase was largely due to an increase in advisory fees which grew by 272% to US$ 79.20 million (2017: US$ 21.31 million). The growth in advisory fee income was in line with the strategic focus of the Bank to increase earnings from advisory and capital market activities, given the rising demand for these services in many African economies pursuing economic and trade diversification.

Operating Income

Operating income, which is the sum of Net Interest Income, Net Fees and Commissions Income and Other Operating Income, increased by 32% in 2018 to US$ 489.84 million (2017: US$ 372.13 million). The increase is explained mainly by higher Net Interest Income arising from growth in loan assets and significant growth in fee income.

Operating Expenses

Operating expenses increased by 32% in 2018 compared to 2017, to reach US$87.59 million (2017 : US$ 66.54 million), reflecting the significant growth in professional staff recruitment which in turn increased staff costs by 21%. In addition, general and administrative expenses increased by 47% in support of the various strategic initiatives that the Bank was pursuing.

Cost Income Ratio

The cost-income ratio recorded by the Bank was 18% in line with prior year's performance and which favorably compares with the industry average. The outcome reflected effective cost controls and higher operating efficiencies implemented by the Bank during the year.

Allowance For Impairment On Loans And Advances

The allowance for impairment on Loans and Advances increased by 82.4% to close the period at US$ 118.9 million (2017: US$ 65.2 million). The increase of US$ 55.4 million arose mainly from the impact of the adoption of IFRS 9 effective 1 January 2018. The IFRS 9 results in the loss provisioning for financial assets on a forward-looking basis as opposed to provisioning on the occurrence of default. Additionally, further provisions arose from the impact of provisioning on financial assets that were previously not included in the scope of IAS 39, such as off-balance sheet exposures and commitments to lend.

The Bank's asset quality was within acceptable levels as reflected in the non-performing loans (NPL) ratio of 2.95% (2017: 2.5% and restated (IFRS 9 impact) 2017: 4.08%). The sound asset quality reflected the high quality of collateral including highly liquid assets backing a preponderance of the assets. In addition, the provisions coverage ratio was well above the 100% minimum threshold at 132% (2017: 141%). Expected Credit Loss (ECL) coverage ratio was 3.11% (2017: 3.4%). The impact of adopting IFRS 9 resulted in a transitional adjustment amounting to US$ 129.9 million, reducing the previously reported prior year retained earnings from US$524.41 million to US$ 394.51 million on 1st January 2018.

Dividend

On account of higher Net Income achieved during the year and considering the need to meet expectations of shareholders, the Board of Directors recommends a dividend payout amounting to US$ 68.97 million (2017: US$ 57.53 million) to shareholders, reflecting a 25% (2017: 26%) payout ratio*. The proposal maintains the tradition of higher dividend payments to shareholders from year to year. As the Bank is raising capital to support business growth, shareholders will have an option of receiving the dividend entitlement through acquiring additional ordinary shares of the Bank.

The Board, in making its recommendation on the level of ordinary dividend, took into consideration the objective of maintaining a growth trend in dividend payments amongst other considerations. The other factors considered included profit performance, need to retain earnings to support on-going business growth, capital adequacy, inflation, as well as the need to balance internal and external financing. Of the Bank's growth.

* Class D shares are fully paid and back the Depository Receipts issued in the Stock Exchange of Mauritius. Classes A, B and C shares are partially paid, that is 40% at subscription with 60% remaining as callable capital.

STATEMENT OF FINANCIAL POSITION

The statement of financial position shows the position of the Bank's assets and liabilities as well as its net worth or shareholders' funds at the reporting date. A detailed discussion of these items with respect to 2018 is presented hereunder.

Assets

The Bank's total assets grew by 13 % from US$11.91 billion as at 31 December 2017 to US$13.42 billion as at 31 December 2018 explained mainly by the solid growth in net loans and advances which grew by 30.3%. The Bank's liquid assets decreased by 40% to end the year at US$ 1.92 billion (2017: US$3.21 billion) and accounted for 14% (2017:27%) of total assets as the cash was deployed to fund the growth in loans and advances. Gross loans and advances at US$ 11.4 billion (2017: US$ 8.7 billion) contributed significantly to the total assets position of the Bank at 83% (2017: 70%). Loans and advances increased in 2018 compared to prior year in line with expectation.

Most of the loans are structured trade finance facilities, either funded directly by the Bank or within syndicates. An analysis of the loan portfolio by beneficiary as at end of 2018 shows that corporates' share of the portfolio including state owned enterprises was 44% (2017: 40%), financial institutions' share was 50% (2017: 57%) of the portfolio and governments' share was 6% (2017: 3%) of the portfolio. The Bank also provides financial institutions with credit lines to support their trade finance business with local counterparties who cannot access financing from the Bank directly. The average maturity of loans remained in line with prior year position at 19 months (2017:17 months) given that the typical loans extended by the Bank were short term, self-liquidating trade finance facilities. The Bank continued to achieve a wider geographical diversification of the portfolio, with the Bank operating facilities in 32 (2017: 31) countries.

Liabilities

Total liabilities of the Bank grew by 11% to close the year at US$ 10.86 billion (2017: US$ 9.79 billion) as at 31 December 2018. The main reason for the increase in total liabilities was the borrowing balance which increased by 15% to US$ 8.18 billion (2017 : US$7.11 billion) to fund the growth in the loan book. Total borrowings (due to banks and debt securities) accounted for about 75% (2017: 73%) of total liabilities while customer deposits and balances accounted for about 22% (2017: 22%) of total liabilities in line with the Bank's strategy to diversify its sources of funding to manage cost of funds as well as reduce concentration risk.
Major components of debt liabilities were syndicated loans and debt securities. In terms of geographical distribution, the outstanding borrowings were spread across mainland Europe, UK, Asia, Middle East, Africa, North and South America.

A significant proportion of deposit accounts held with Afreximbank were mostly accounts used as structural elements in trade finance transactions. Most deposit accounts are held with Afreximbank until the client's debts are fully repaid. The deposits may be used to retire the loans. Customers who deposited funds in the Bank were mainly sovereigns, corporates and financial institutions.

Shareholders' Funds

The Bank's shareholders' funds increased by 23% from prior year position of US$2.12 billion to about US$2.6 billion primarily driven by capital injections from the equity mobilization plan that the Bank embarked on to fund expected business growth in line with the strategic plan. It is imperative to note that the shareholders' funds rose considerably despite the transitional adjustment amounting to US$ 129.9 million against opening retained earnings balance as a result of the adoption of IFRS 9 accounting standard on 1 January 2018. As part of the equity raise plan, the Bank raised an amount of about US$ 338 million from issuance of shares mainly in classes A, B, C and fully paid class D. In addition, the Bank generated internal capital emanating from higher profitability which contributed to the increase in the Bank's net worth. The Bank's callable capital as at 31 December 2018 amounted to US$ 873 million (2017: US$ 655 million). The Bank maintains the callable capital as an additional buffer in case of need. The callable capital has been credit enhanced as part of the Bank's capital management initiatives.

CONCLUSIONS

The financial results of the Bank show that the Bank achieved better performance for the year compared to prior year as reflected in higher profitability, strong earnings growth, and solid growth in business volume. It also maintained a strong capital adequacy, liquidity position and asset quality, despite the prevailing difficult operating environment globally and in some parts of Africa. The achieved results were also generally better than strategic plan targets. The results of operations while strong, were somewhat constrained by the impact of the first-time adoption of IFRS 9, effective January 1, 2018. Notwithstanding, the Management and the Board of Directors were satisfied with the performance of the Bank enabling a proposal from the Board for an increase of 20% in the amount of dividends declared.

NET ASSET VALUE ("NAV")

The NAV per share at 31 December 2018 was US$50,558 (2017: US$45,114).

DIVIDENDS

The Directors proposed a dividend appropriation amounting to US$68,970,000 (2017: US$57,534,000), subject to approval by the shareholders at the next Annual General Meeting to be held in June 2019. The 2018 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 2019 after approval by shareholders. Dividend payments made during 2018 related to 2017 financial year.

KEY PERFORMANCE METRICS (%)

	Dec 18	Dec 17
Profitability		
Return on average assets (ROAA)	2.18%	1.87%
Return on average equity (ROAE)	11.78%	11.76%
Operating Efficiency		
Cost -to -income ratio	18%	18%
Asset Quality		
Non-performing loans ratio(NPL)	2.95%	2.50%
Loan loss coverage ratio	132%	141%
Liquidity		
Cash/Total assets	14%	27%
Capital Adequacy		
Capital Adequacy ratio (Basel II)	25%	26%

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	31/12/2018 US$000	31/12/2017 US$000
ASSETS		
Cash and cash equivalents	1,918,434	3,214,573
Derivative assets held for risk management	3,684	3,574
Loans and advances to customers	11,134,424	8,545,716
Prepayments and accrued income	134,358	82,329
Financial investments at amortised cost	168,328	30,268
Other assets	13,988	2,931
Property and equipment	39,806	32,838
Intangible Assets	6,348	1,248
Total assets	**13,419,370**	**11,913,477**
LIABILITIES		
Derivative liabilities held for risk management	24,840	21,467
Due to banks	5,147,944	4,231,374
Deposits and customer accounts	2,365,385	2,149,356
Debt securities in issue	3,027,717	2,881,622
Other liabilities	293,737	505,624
Total liabilities	**10,859,623**	**9,789,443**
CAPITAL FUNDS		
Share capital	506,300	470,816
Share premium	764,790	562,350
Warrants	191,531	91,723
Reserves	593,365	474,733
Retained earnings	503,761	524,412
Total capital funds	**2,559,747**	**2,124,034**
Total liabilities and capital funds	**13,419,370**	**11,913,477**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	31/12/2018 US$000	31/12/2017 US$000
Interest and similar income	709,478	606,074
Interest and similar expense	(305,654)	(267,749)
Net interest and similar income	**403,824**	**338,325**
Fee and commission income	93,717	39,245
Fee and commission expense	(10,029)	(8,883)
Net fee and commission income	**83,688**	**30,362**
Other operating income	2,321	3,439
Operating income	**489,833**	**372,126**
Personnel expenses	(46,984)	(38,758)
General and administrative expenses	(36,292)	(24,672)
Depreciation and amortisation expense	(4,315)	(3,113)
Operating expense	**(87,591)**	**(66,543)**
Exchange adjustments	(2,337)	(1,641)
Fair value loss from financial instruments at FVTPL	(5,126)	(4,718)
Cashflow hedges	-	(13,476)
Operating profit before impairment and provisions	**394,779**	**285,748**
Credit losses on financial instruments	(118,877)	(65,254)
PROFIT FOR THE YEAR	**275,902**	**220,494**
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Gains (losses) on revaluation of land and buildings	9,491	9,279
Total items that will not be reclassified to profit or loss in subsequent periods	**9,491**	**9,279**
Total other comprehensive income	**9,491**	**9,279**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**285,393**	**229,773**
Earnings per share		
Basic earnings per share (expressed in US$000 per share)	5.62	5.58
Diluted earnings per share (expressed in US$000 per share)	2.44	2.25

FIG 1: GROSS LOANS AND NPL RATIO: 5 YEARS TREND ANALYSIS

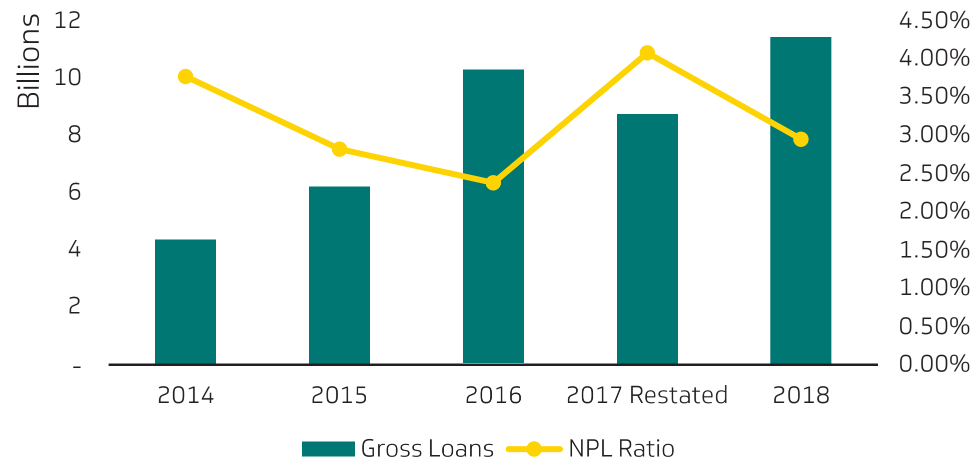


FIG 2: COST -TO-INCOME RATIO: 5 YEARS TREND ANALYSIS

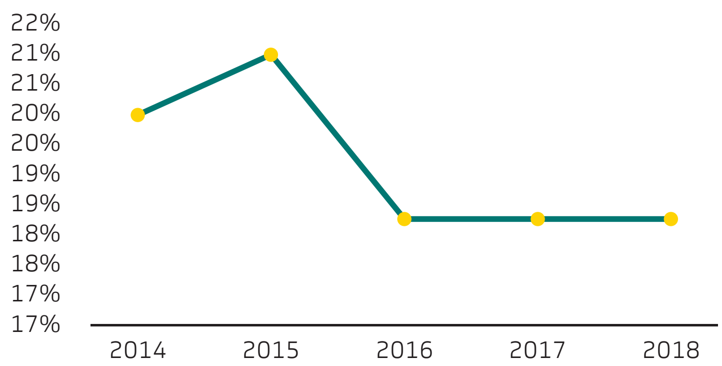
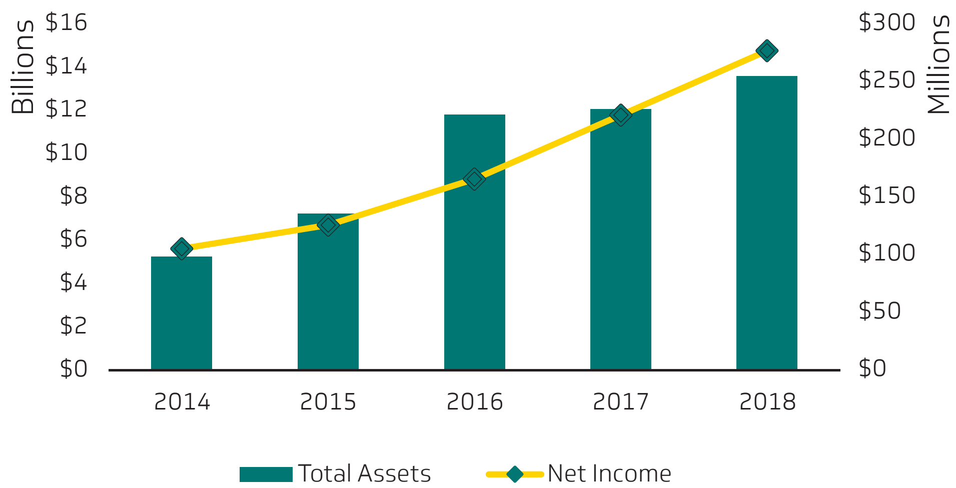


FIG 3: TOTAL ASSETS AND NET INCOME: 5 YEARS TREND ANALYSIS



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital US$000	Share Premium US$000	Warrants US$000	General Reserve US$000	Asset Revaluation Reserve US$000	Cashflow hedge reserve US$000	Project preparation facility Fund reserve US$000	Retained Earnings US$000	Total US$000
Balance at 31 December 2017	470,816	562,350	91,723	447,762	19,471	-	7,500	524,412	2,124,034
Impact of Adopting IFRS 9 at 1 January 2018									
Restated Balance at 1 January 2018	470,816	562,350	91,723	447,762	19,471	-	7,500	394,534	1,994,156
Total comprehensive income									
Profit of the year	-	-	-	-	-	-	-	275,902	275,902
Other comprehensive income									
Recycling of fair value adjustment to profit and loss	-	-	-	-	-	-	-	-	-
Asset revaluation reserve	-	-	-	-	9,491	-	-	-	9,491
Transactions with equity owners of the Bank									
Project preparation facility Fund reserve	-	-	-	-	-	-	7,500	7,500	-
Transfer to general reserve	-	-	-	102,290	-	-	-	(102,290)	-
Depreciation transfer: buildings	-	-	-	-	(649)	-	-	649	-
Warrants retirement	-	-	(91,723)	-	-	-	-	-	(91,723)
Issued and Paid in capital during 2018	35,484	202,440	191,531	-	-	-	-	-	429,455
Dividends for year 2017	-	-	-	-	-	-	-	(57,534)	(57,534)
Balance at 31 December 2018	**506,300**	**764,790**	**191,531**	**550,052**	**28,313**	-	**15,000**	**503,761**	**2,559,747**
Balance at 1 January 2017									
Total comprehensive income	378,488	355,310	98,716	366,282	11,600	(13,476)	-	429,448	1,626,368
Profit of the year	-	-	-	-	-	-		220,494	220,494
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	13,476	-	-	13,476
Asset revaluation reserve	-	-	-	-	9,279		-	-	9,279
Transactions with equity owners of the Bank									
Transfer to general reserve	-	-	-	-	-	-	7,500	(7,500)	-
Depreciation transfer: buildings	-	-	-	81,480	-	-	-	(81,480)	-
Paid in capital during 2017	-	-	-	-	(1,408)	-	-	1,408	-
Warrants retirement	-	-	(198,575)	-	-	-	-	-	(198,575)
Issued during the year	92,328	207,040	191,582	-	-	-	-	-	490,950
Dividends for year 2016	-	-	-	-	-	-	-	(37,958)	(37,958)
Balance at 31 December 2017	**470,816**	**562,350**	**91,723**	**447,762**	**19,471**	-	**7,500**	**524,412**	**2,124,034**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US$000	2017 US$000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	**275,902**	**220,494**
Adjustment for non-cash items:		
Depreciation of property and equipment	3,818	2,641
Amortization of intangible assets	500	472
Net interest income	(403,824)	(338,324)
Impairment on loans and advances	117,257	63,397
Impairement loss on investment securities	1,130	598
Impairement on accrued income	123	1,259
Leave pay expense	367	206
Net loss from cash flow hedge	5,126	18,194
	398	**(31,064)**
Changes in :		
Money market placements - Maturity more than 3 months	2,244,638	(2,094,442)
Prepayments and accrued income	(52,152)	(54,624)
Derivatives instruments	(1,863)	(52)
Other assets	(11,057)	(460)
Other liabilities	(217,342)	346,892
Deposits and customer accounts	216,029	(1,629,137)
Financial investments at amortised cost	(139,190)	
Loans and advances to customers	(2,680,867)	1,754,862
	(641,407)	**(1,708,025)**
Interest receievd	537,860	559,979
Interest paid	(279,635)	(224,835)
Net cash outflows from (used in) operating activities	**(383,183)**	**(1,372,880)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchases and additions to property and equipment	(7,112)	(2,640)
Net cash outflows used in investing activities	**(7,112)**	**(2,640)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash from capital subscriptions and share premium	209,462	283,790
Proceeds from issue of warrants	191,531	191,582
Retirement of warrants	(91,723)	(198,575)
Dividends paid	(33,143)	(21,195)
Proceeds from borrowed funds and debt securities	3,305,466	9,339,015
Repayment of borrowed funds and debt securities	(2,242,800)	(8,368,045)
Net cash inflows from financing activities	**1,338,793**	**1,226,572**
Net increase in cash and cash equivalents	948,498	(148,948)
Cash and cash equivalents at 1 January	969,936	1,118,884
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**1,918,434**	**969,936**
Represented in:		
Cash and Cash Equivalent as presented in the statement of financial position	1,918,434	3,214,573
Money market placements - Maturity more than 3 months	-	(2,244,638)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**1,918,434**	**969,936**

NOTES

The Bank is required to publish financial results for the year ended 31 December 2018 as per Listing Rule 12.19 of the SEM. The abridged audited financial statements for the year ended 31 December 2018 ("financial statements") have been prepared in accordance with the requirements of IFRS and the SEM Listing Rules.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the previous financial year ended 31 December 2017, except for the amendments to IFRS effective as of 1 January 2018.

The abridged audited financial statements have been extracted from the audited financial statements for the year ended 31 December 2018 and approved by the Board on 23 March 2019. The Bank's joint external auditors, KPMG and PriceWaterhouse & Coopers have issued an unqualified audit opinion on the financial statements for the year ended 31 December 2018.

Copies of the abridged audited financial statements and the Statement of direct and indirect interests of each officer of the Bank, pursuant to Rule8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007, are available free of charge, upon request to the Executive Secretary at the Registered Office of the Bank at No.72(B) El-Maahad El-Eshteraky Street, Heliopolis, Cairo 11341, Egypt.

This communique is issued pursuant to SEM Listing Rules 11.3 and 12.20 and section 8.8 of the Securities Act of Mauritius 2005. The Board accepts full responsibility for the accuracy of the information contained in these financial statements. The Board of Directors is not aware of any matters or circumstances arising subsequent to the period ended 31 December 2018 that require any additional disclosure or adjustment to the financial statements.

By order of the Board

African Export Import Bank
Executive Secretary

SBM Securities Limited
SEM Authorised Representative and Sponsor

29 March 2019

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