



# Eastern and Southern African Trade and Development Bank

‘TDB’

Jan 2018  
Confidential

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## TDB TEAM



### **Abraham Byanyima, Director of Treasury**

- Mr. Byanyima is Director of Treasury. He has over 15 years of diverse and progressive experience in Emerging and Global Markets gained from working for Global Banks and Africa based Financial Institutions. His expertise includes interest rate derivatives and global currency derivative products, forex trading and risk management
- Prior to joining the Bank, Mr. Byanyima worked as Vice President of Bank of New York Mellon and Associate Director at UBS Investment Bank, New York, where he was responsible for product control oversight over non-linear products trading activity to optimize revenue while ensuring compliance with bank risk framework
- Since joining TDB in 2013, Mr. Byanyima has led the transformation of the Group's resource mobilization and management efforts. His notable contributions have been, amongst others:
  - ❖ The set up of the Treasury department in terms of policies, practices and systems, and development of the Treasury Team;
  - ❖ Establishment of TDB's name with Global Tier 1 Bank and capital markets;
  - ❖ Issuance of >USD4.8Bn in debt instruments with landmark issuance for TDB being:
  - ❖ Awarding winning Syndicated Loan (2016) by EMEA Finance
  - ❖ First ever African DFI to issue a Syndicated Loan in China, that was oversubscribed
  - ❖ Eurobond issuance with an over subscription of 4x, to up to USD2.2Bn
  - ❖ First ever African DFI to issue a dual tranche, dual currency Syndicated Loan in Middle East and Islamic Finance market
- Mr. Byanyima holds an MBA from Fordham University, and has trained at Harvard Business School programme for Senior African Executives.



### **Mengistu Jima, Head, ECA Finance**

- Mr. Jima is Head of ECA Finance Unit. He has over 20 years of experience in trade finance, corporate finance and project finance in such sectors as infrastructure, aviation, power, telecoms, mining, agribusiness, and manufacturing, to mention but a few.
- Prior to joining the Bank, Mr. Jima worked as Resident Consultant of African Development Bank, Ethiopia Country Office. He holds MBA from Warwick Business School, University of Warwick; and MSc in Economics from Addis Ababa University.



### **Dr. Maxwell Mutema, Advisor**

- Dr Mutema is an advisor to TDB focusing on agribusiness finance and projects, real estate, energy projects, property valuation and infrastructure project management. He has over 15 years of diversified working experience reflected in his current role at TDB.
- He is regularly hired by the World Bank, the European Union and United Nations Development Programme as a consultant on land issues in Africa especially in Zimbabwe. He previously worked for Anglo America PLC and TechnoServe Inc. He has completed consultancy assignments for USAID, DFID, Ford Foundation and Crown Agents, among others. He is a qualified chartered surveyor (MRICS) with the UK Royal Institution of Chartered Surveyors. He holds a PhD in Agricultural Economics and Land Management, MBA in Real Estate and Construction Management and MSc in Project Management (Infrastructure, Construction Management and Engineering), all from the University of Reading in the UK, plus an MBA in Agribusiness and Food Industries from the Royal Agricultural University (RAU), UK. He is also an Eisenhower Fellow (USA).



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## KEY HIGHLIGHTS

### Strong equity base underpinned by sound support from shareholding governments

- Investment grade shareholders, notably the AfDB, Mauritius and PBoC have increased their stake in the Bank in the past 36 months representing in aggregate 20.71% of the Bank's paid in capital structure
- This support is also indicated by the approval of the capital increase from US\$ 2bn to US\$ 3bn at the 28<sup>th</sup> Annual Meeting, held in Zambia in 2012

### Solid liquidity position and robust capitalisation

- Healthy liquidity of TDB Bank's balance sheet with most assets maturing in less than a year
- CAR\* of 37% using the Basel II Standardised Approach at 31 December 2016 and exceeding many DFI peers\*
- USD 1.28bn of callable capital providing additional buffer
- Actively exploring credit enhancement schemes for callable capital

### Improved corporate governance and risk management with several key measures taken

- TDB has a strategic focus on cost control, development impact and risk management
- Low Cost to Income Ratio of 20.18% at 31 December 2016
- NPLs trending downwards since 2013
- Measures taken resulted in Rating outlook upgrades in 2016



### Strong profitability

- TDB's profitability has grown each year since 2010, with 2016 ROE at 13%
- TDB has developed unique expertise in trade finance, where it has built a strong regional presence
- Enjoys full tax exemption in its Issuer Member States

### Coverage of some of the fastest growing African economies

- Shareholders include Zimbabwe, Zambia, Congo DRC, Egypt, Ethiopia, Kenya and Tanzania amongst others
- Strategic focus to support economic growth in these Issuer Member States through project and trade finance

Source: TDB 2015 and 2016 Annual Reports, Investor Relations

\*The ratio is computed in line with the paper prepared by the Basel committee entitled "International Convergence of Capital Measurement and Standards: A Revised Framework" dated June 2004 as amended from time to time ("Basel II Paper")

Trade & Development Bank





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## OVERVIEW OF Trade & Development Bank ('TDB')

### TDB Profile

- The Bank was established by charter on 6 November 1985, pursuant to the provisions of Chapter 9 of the Treaty establishing the Preferential Trade Area (PTA) for Eastern and Southern African States
- The Bank is similar in structure to other African supranational trade and development banks, such as the African Development Bank, the African Export-Import Bank and the East African Development Bank
- Headquartered in Ebene (Mauritius) and Bujumbura (Burundi), the Bank has regional offices in Nairobi (Kenya) and Harare (Zimbabwe)
- TDB's mission is to be at the forefront of extending development capital and services to advance regional growth and integration through a range of products and services (including long term and short term debt) offered to private and public sector

### Rating Agency Actions

Rating Agency	Comments from Latest Releases
 <b>Ba1</b> <b>(Stable)</b>	<b>Baa3 (Stable): Upgrade to investment grade, Baa3, in October 2017</b> on the back of improving asset quality and structural improvements in the bank's risk management and loan origination processes over the last few years which led to a decline in NPL's while loan and profit growth remained strong on solid demand.
 <b>BB</b> <b>(Stable)</b>	<b>BB (Positive): Outlook revised from stable to positive in October 2017</b> and rating affirmed at BB, reflecting the Bank's improved performance and capitalization.

Source: TDB 2016 Annual Report, Investor Relations; Fitch Report Oct 2016, Moody's Aug 2016

\* Class "A" shares shall be issued to i) all existing Members of the Bank; (ii) Member States or their Designated Institutions; (iii) African Institutions; (iv) non-African states or their Designated Institutions; (v) such other entities that the Board of Governors will deem fit and necessary for the said purpose and in all cases shall be divided into one-fifth paid-in and four-fifths callable shares. Class "B" shares shall be offered, allotted and issued to (i) holders of Class A shares or any person eligible to hold Class A shares; (ii) any African or non-African public or private institution or corporate body; (iii) such other entities that the Board of Governors will deem fit and necessary for the said purpose and in all cases shall be paid-in in full shares

### Trade & Development Bank

### Financial Snapshot (as of 2016)

	Jun 2017 (US\$ mn)
<b>Total Assets</b>	4,507
<b>Gross Trade Finance &amp; Project Finance Loans</b>	3,613
<b>Total Equity</b>	927
<b>Non-Performing Loans Ratio</b>	2.85%
<b>Basel Ratio (T1)</b>	37%

### Top 20 Shareholders (as of 2016)

- In December 2012, the Board of Governors approved an increase in the Bank's authorised capital from US\$ 2bn to US\$ 3bn
- This increase was achieved through the creation of 220,584 new Class B shares of a par value of US\$ 4,533.42 each

No	Class*	Shareholder	%	No	Class*	Shareholder	%
1	A&B	China (PRC)	8.94%	11	A	Mauritius	3.53%
2	A&B	AfDB	8.24%	12	B	NSSF Uganda	3.45%
3	A	Zimbabwe	7.72%	13	A	DR Congo	3.29%
4	A	Egypt	7.44%	14	B	RSSB	2.50%
5	A	Ethiopia	7.44%	15	B	NPF	2.11%
6	A	Kenya	7.44%	16	A	Rwanda	1.98%
7	A	Tanzania	7.20%	17	A	Malawi	1.84%
8	A	Sudan	6.43%	18	A	Burundi	1.71%
9	A	Zambia	6.40%	19	B	Seychelles PF	1.25%
10	A	Uganda	4.94%	20	B	BNI	1.05%



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## TDB FINANCIAL HIGHLIGHTS

<i>(US\$ mn unless stated otherwise)</i>	2014	2015	2016	CAGR (%)	YOY Change (%)
Total Assets	3,543.8	4,094.6	4,261.3	+9.7	+4.1
Trade Finance & Project Finance Loans*	2,579.7	3,001.7	3,337.6	+13.7	+11.2
Net Interest Income	68.7	110.5	116.5	+30.2	+5.4
Profit for the Year/Period	77.0	94.7	101.5	+14.8	+7.2
Total Equity	621.9	736.3	856.5	+17.4	+16.3
Return on Shareholders' Equity (%)	14.01	14.02	12.89	-4.1	-8.1
Return on Average Assets (%)	2.55	2.48	2.43	-2.4	-2.0
Cost to Income Ratio (%)	20.99	21.46	20.18	-1.9	-6.0
NPLs as a % of Loan Portfolio (%)	3.04	2.87	2.85	-3.2	-0.7

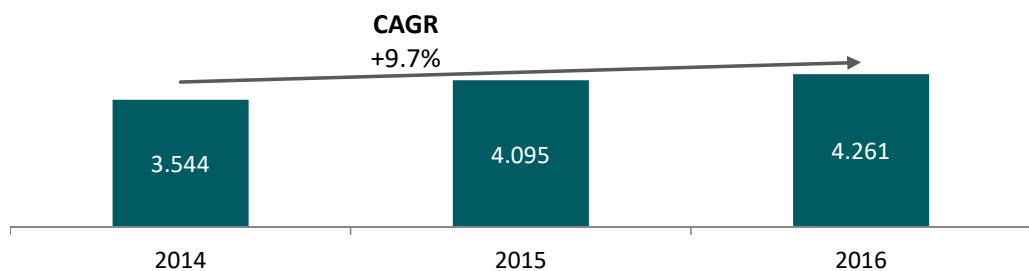
Source: TDB 2015 and 2016 Annual Reports

\* Balance on a gross basis

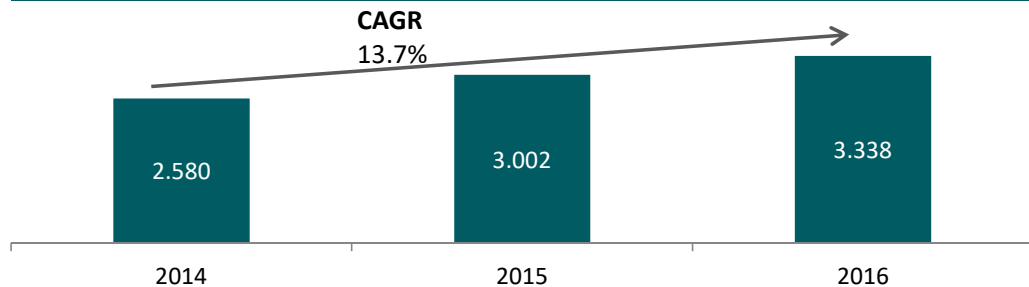
Trade & Development Bank

## STRONG PERFORMANCE SINCE 2014

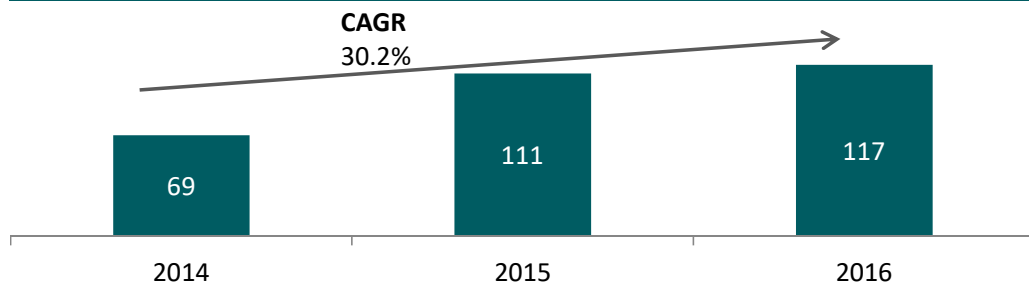
### Total Assets (US\$ mn)



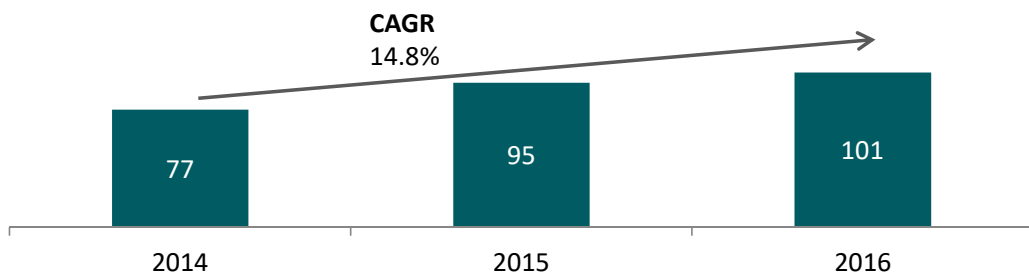
### Growing Loan book (US\$ mn)\*



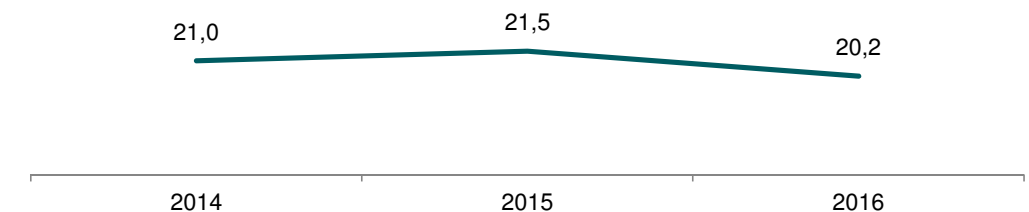
### Net Interest Income (US\$ mn)



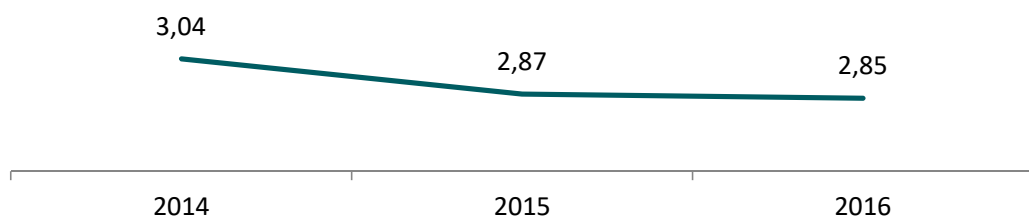
### Profit (US\$ mn)



### Cost to Income Ratio (%)



### NPLs as % of Loan Portfolio



Source: TDB 2015 and 2016 Annual Reports  
 \* Trade Finance & Project Loans, on a gross basis

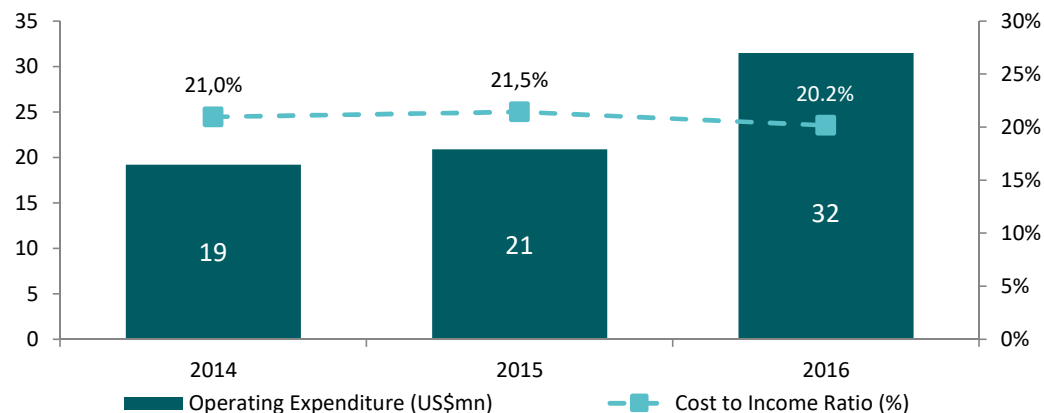
Trade & Development Bank

## SUSTAINABLE PROFITABILITY

### Robust Growth in Profitability

- In 2016, the Bank made a net profit of US\$ 101mn vs US\$ 95mn in 2015
- The Bank's Return on Equity (ROE)\* was consistently above 10% and at 12.9% in 2016. ROE and ROA have remained relatively stable: at 12.9% and 2.4% in 2016 and 14.0% and 2.5% in 2015 respectively
- The Cost to Income ratio increased from 21.0% in 2014 to 21.5% in 2015 and 20.2% in 2016
- Total Interest Income has grown progressively over the past years, from US\$ 156.7mn in 2014 to US\$ 208.7mn in 2015 and US\$ 225.2mn in 2016
- The Bank is exempt from any obligation relating to the payment, withholding or collection of any tax or duty within the jurisdictions of the Issuer Member States

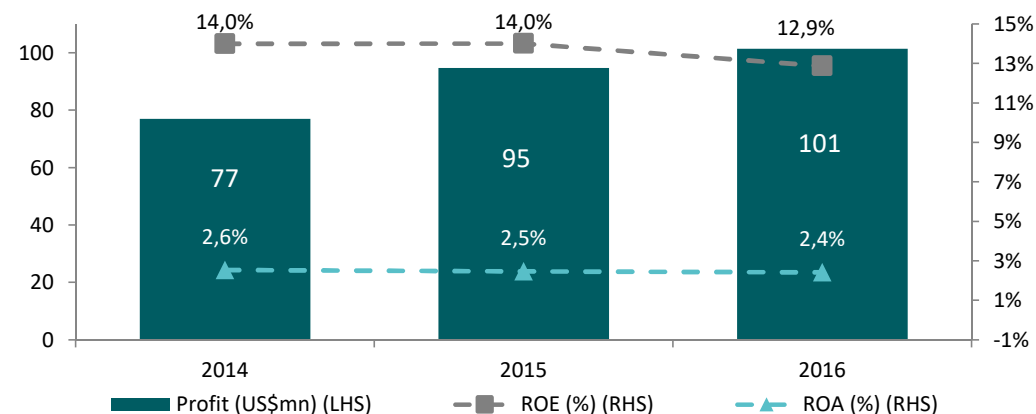
### Operating Expenditure & Cost to Income Ratio



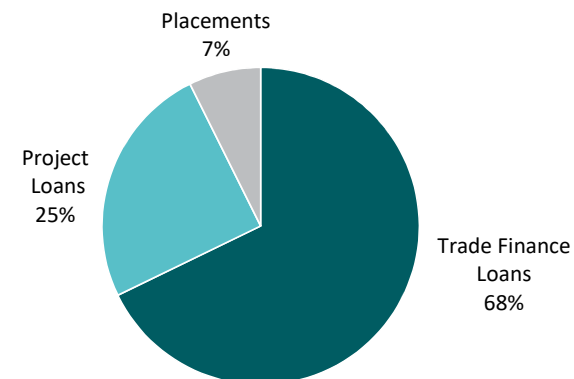
\* ROE refers to Return on Shareholders' Equity  
Source: TDB 2015 and 2016 Annual Reports

Trade & Development Bank

### TDB Profitability



### Interest Income Breakdown (as of 2016)



## SOLID CAPITAL BASE

### Capitalisation Overview

- In 2015, three existing member countries increased their shareholding through new capital initiatives
- The Bank's tier 1 capital has achieved significant growth over the reporting period mainly due to increased profitability and capital subscriptions under the Bank's General Capital Increase program
- 15 out of the 19 member countries had paid up their capital subscriptions in full
- CAR remained well above 30% since 2013 (the Bank's threshold) and the Bank's capital adequacy level compares favourably with peers
- USD 1.28bn callable capital providing additional buffer and acting as a guarantee to the Bank's borrowings. Current bid to credit enhance callable capital could improve the average rating of key shareholders to investment grade
- To strengthen the Bank's shareholder support, TDB recently concluded an insurance package for USD 625 million in a bid to credit enhance callable capital. Based on the 2016 year-end financials, this would effectively raise callable capital from investment grade shareholders to about 70 per cent. (from its current level of 16 per cent.) and debt cover to about 26 per cent. (from its current level of 6.1 per cent.). This will improve the average rating of key shareholders from 'B-' to at least 'BBB'. Credit Rating Agencies consider this ongoing initiative to be credit positive

### Capital Structure

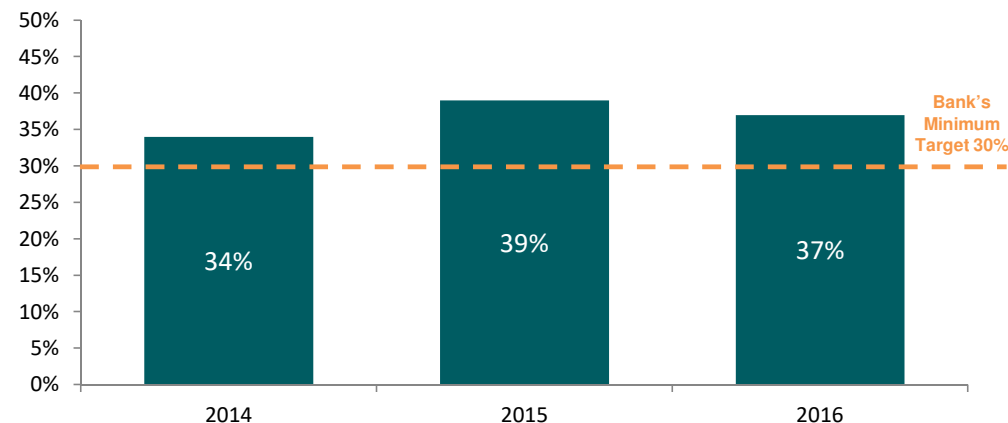
(US\$ mn unless stated otherwise)	2014	2015	2016	YOY Change (%)
Tier 1 Capital	622	736	856	+16.3
On-balance Sheet Risk	1,740	1,812	2,237	+23.4
Off-balance Sheet Risk	104	71	78	+10.0
Total Risk Weighted Assets	1,844	1,883	2,315	+22.9
Basel Ratio (%)	34%	39%	37%	-5.1

Source: TDB 2015 and 2016 Annual Reports, Moody's, Afreximbank 2016 Bond Prospectus, Shelter Afrique Annual Report 2015

\*The ratio is computed in line with the paper prepared by the Basel committee entitled "International Convergence of Capital Measurement and Standards: A Revised Framework" dated June 2004 as amended from time to time ("Basel II Paper")

### Trade & Development Bank

### Basel Ratio (based on paid-in capital)\*



### Supranational Trade and Development Banks Capital Adequacy Ratios (FY 2015)



## LIQUIDITY AND FUNDING

### Capital Market & Funding Transactions

- TDB is a regular issuer in the Debt and Capital Markets. In 2016, TDB issued an award winning syndicated loan for USD400m. In addition, in 2016, the Bank issued its Debut three-year Asian focused syndicated loan of US \$340 m, and in 2017, its second edition was well received. Moreover, its debut Middle East and Islamic Finance Syndication was oversubscribed to the tune of USD305m in Dec 2017.
- The Bank aims to maintain liquid assets to total assets ratio of at least 10% and an operating level liquidity of at least 1.25x of designated liabilities\*
- The Bank has access to unutilised lines of credit which are adequate to fund its lending operations for at least the next twelve months
- Master Risk Participation Agreements (MRPAs): To address concentration risk, the Bank has signed MRPAs with a number of institutions to facilitate the selling down of risk to other parties

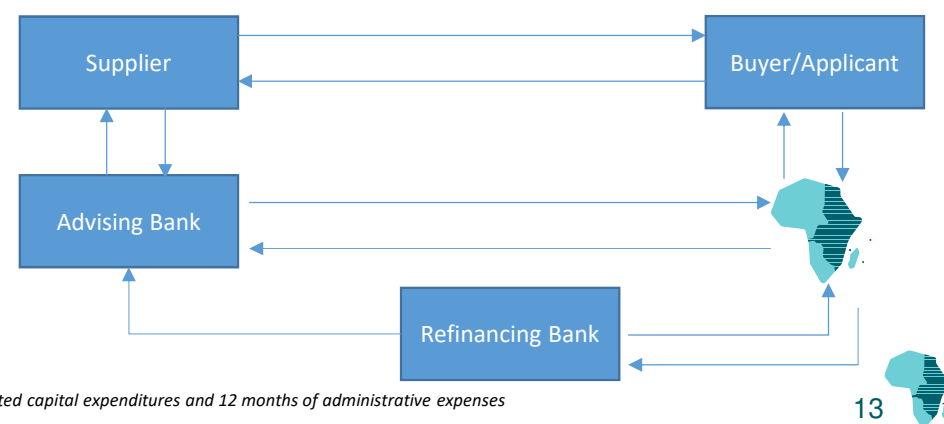
### Lines of Credit as at June 2017

Lines of Credit	Product Line	Limit	Utilized	Available headroom
Short Term	Trade Finance	USD 3.54 Bn	USD 2.1 Bn	USD 1.43 Bn
Long Term	PIF	USD 2.34 Bn	USD 1.87 Bn	USD 472 Mn

### Trade Finance and Refinancing Lines of Credit

- The Bank limits the use of short-term borrowings to its trade finance operations and also limits its borrowings to 5x paid-up capital and reserves plus 50% of callable capital
- TDB aims to Facilitate exports both import and export flows from and to the COMESA region through provision of finance and trade-related facilities tailored to meet the client's needs
- TDB has accumulated years of experience in the structuring, arranging, closing and distributing trade finance deals
- TDB is an acknowledged leader in handling letters of credit in relation to its markets. Between 2015 to 2017 , TDB has handled letters of credit at over US\$ 2 billion each year
- Current focus: Diversification in terms of counterparties, markets, and tenors. E.g.
  - >> Counterparties: mainly majoy correspondent banks like Citi, Commerzbank, DB, etc
  - >> Tenors: from 90 days to 360 days

### Typical LC/Refinancing Structures



Source: TDB 2015 and 2016 Annual Reports

\* Designated liabilities include forward rolling 12 months of long term debt service obligations, disbursements not funded under any line of credit, committed capital expenditures and 12 months of administrative expenses



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## ECA Business Unit

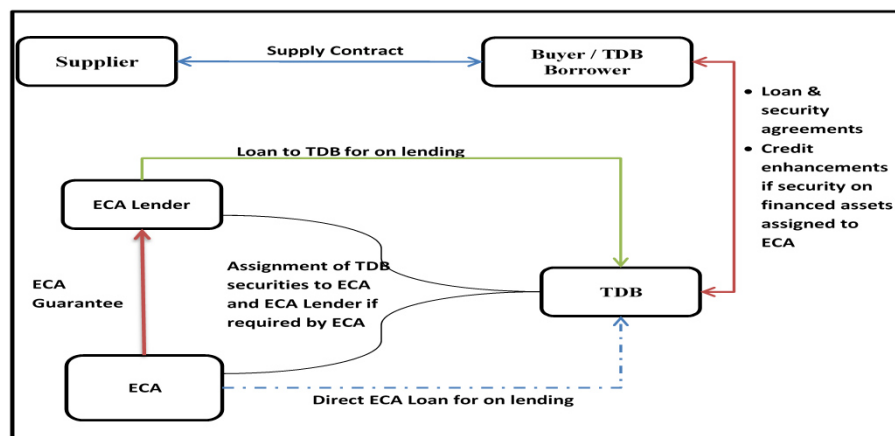
### History

- Created in 2016.
- Objective Sought – improve access to reasonably priced and long-term loans for strategic projects in the COMESA region.
- Network of relationships include the following EXIM: Most European ECAs such as Euler Hermes, Finnvera, EKN, etc.; US EXIM, JBIC, NEXI, Exim India, Exim China, BNDES, CAD.

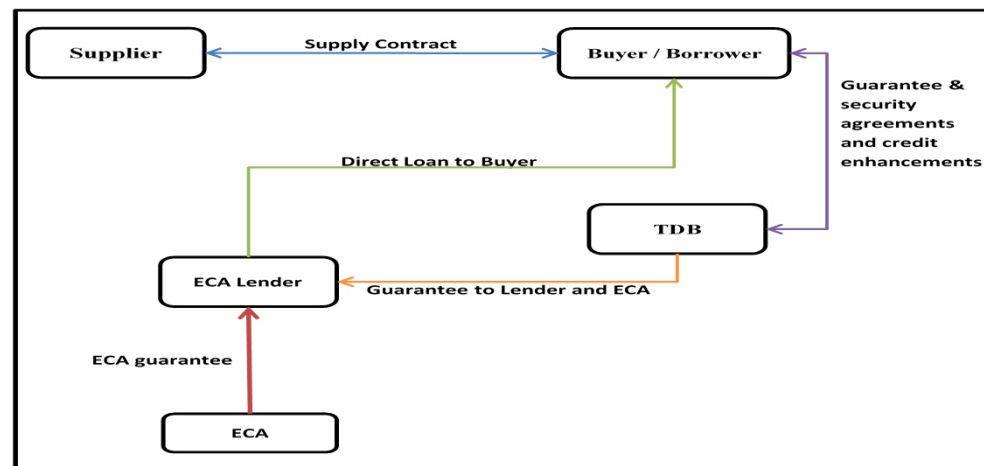
### Recent Transactions

- JBIC-NEXI-SMBC – USD 80 million credit line; for various sector projects.
- Finnvera-SMBC – USD 57 million; for a power project.
- Exim India – USD 25 million; for a power project using bagasse from a sugar plant.
- KfW – USD 154 million; for aviation project.

### Typical ECA Structures



### Typical ECA Structures





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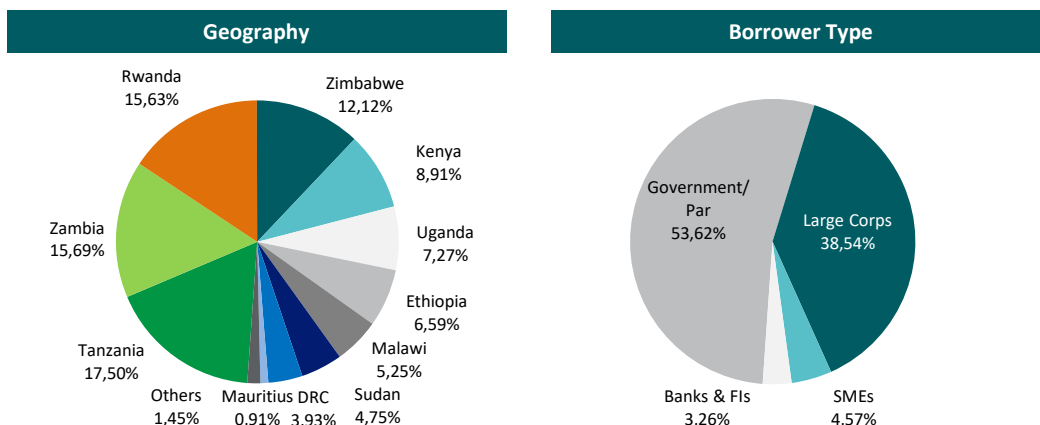
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## LOAN GROWTH AND PORTFOLIO EXPOSURE

### Loan Portfolio Overview

- As of 2016 year end TDB's assets totaled US\$ 4.26bn with an approximate compound annual growth rate of 9.7% since 2014
- TDB's total assets amounted to US\$ 4.1bn in 2015 compared to US\$ 3.5bn in 2014, a 16% growth
- Zambia, Tanzania, Kenya and Zimbabwe account for the largest regional exposures as of 2016 year end
- In the Agribusiness sector, the Bank has inter alia financed the import and exports of agricultural inputs such as fertilizers and other agricultural produce within the Region; the Bank has supported companies from Zambia and Kenya to export fertilizers to neighboring countries, such as Malawi, Tanzania, Zimbabwe and Rwanda

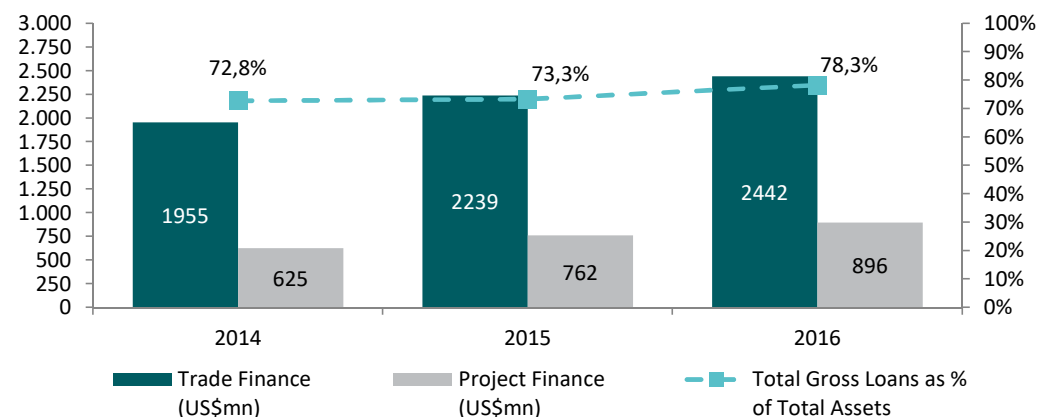
### Net Loan Portfolio as of 2016



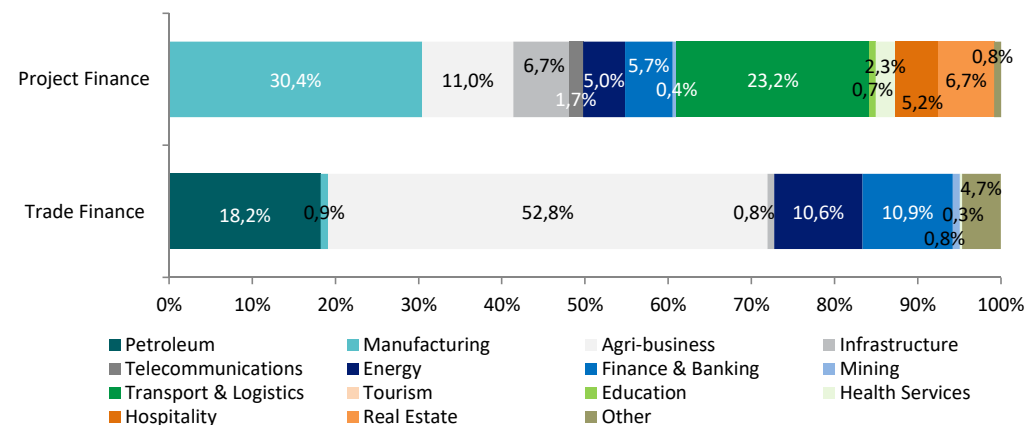
Source: TDB Investor Relations; TDB 2015 and 2016 Annual Reports  
 \* Others include: Burundi, Seychelles, Djibouti and Egypt

### Trade & Development Bank

### Trade & Project Finance Gross Loans



### Trade Finance and Project Finance Net Loans by sector as of 2016



## Agribusiness – Select Case Studies

### Taganda Tea Company Limited - Zimbabwe

**Approved Loan:** USD10m

**Activity** –Production Of Tea, Coffee And Macadamia

**Project – Expansion**

**Developmental impact:** The project directly employs 3900 local people out of whom 1289 are permanent. It is also estimated that a minimum of 70% of the project's revenues are in foreign exchange.

The project is, therefore, projected to generate foreign currency of approximately USD19.5 million per annum on average for Zimbabwe.





## Agribusiness – Select Case Studies



### Kwale International Sugar Limited (KISCOL) - Kenya

**Approved Loan:** USD20m

**Activity** – Growing and Milling of Sugar and Electricity Generation

**Project – Expansion**

The project reached cane crushing stage in mid-December 2014 and is operational. The project operated intermittently in 2015 and 2016 due to challenges of working capital financing. The project factory works has achieved an average completion rate of 100%, electricity cogen plant 100%, electricity transmission line 95% and Mkurumudzi dam 100%.

**Developmental impact:** The project is contributing to the Kenyan economy by meeting the deficit demand level of sugar. Once the transmission line is complete the project shall also contribute towards power generation. The project has created direct employment for 1215 employees being 139 female and 1076 male.



## Agribusiness – Select Case Studies

### Kibos Sugar and Allied Industries Limited - Kenya

**Approved Loan:** USD10m

**Activity** – Sugar Milling and Electricity Generation

**Project – Expansion**

**Developmental impact:** The project is contributing to the Kenyan economy by locally producing sugar to meet the country's sugar needs which currently are still being supplemented through importation due to inadequate local production. This saves the country foreign exchange which could have been used to import sugar.

The project contributes to the promotion of agriculture and agro-processing capacity in Kenya of support to other providers of goods and services.

The company has a staff complement of 482 and an additional 1600 on contract working on other projects such as construction of the sugar refinery plant, distillery plant, and brown paper production plant.





## Agribusiness – Select Case Studies



### Consolidated Farming Limited – Zambia

**Approved Loan:** USD35m

**Activity** – Processing and production of sugar

#### **Project – Expansion**

The project was successfully implemented and operates well. By the close of 2013, the project had fully settled one (Third Facility) of the trade finance facilities. The project finance loan is also serviced satisfactorily. The Fourth Trade Finance Facility was rolled over and shall be repaid from 30<sup>th</sup> June, 2014.

**Developmental impact:** The project contributes to the economy of Zambia through locally producing sugar, thereby making significant foreign exchange savings in regard to the foreign exchange that would have to be utilised to finance the sugar imports.

Another key development impact of the project is the creation of employment. The project employs 2,260 staff. Of these, 11 are in senior management; 15 work in Administration and other departments; and 145 work at the factory and the sugar plantation.

