EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK
(previously known as the Preferential Trade Area Bank "**PTA Bank**")
Having its addresses at
Blue Tower, 2nd Floor, Rue de l'Institut, Ebene, P.O Box 43,
Reduit, Mauritius
and
Chaussee Prince Louis, Rwagasore, P.O. Box 1750 Bujumbura, Burundi.
ISE ISIN: XS1827041721
CFI Code: DTFXFR
SEDOL: BYXYH05
LEC/I/01/2019
("TDB" or the "Bank" or the "Issuer")

COVER NOTE TO THE EURO MEDIUM TERM NOTE PROGRAMME OF TDB IN RELATION TO ITS SECONDARY LISTING ON THE OFFICIAL MARKET OF THE STOCK EXCHANGE OF MAURITIUS LTD

An application has been made for the secondary listing of **USD 500,000,000 4.875 per cent Notes due 23 May 2024 (the "Notes")** issued by TDB, on the Official Market of the Stock Exchange of Mauritius Ltd ("**SEM**") by way of an introduction.

Accordingly, this document, serves as a cover note ("**Cover note**") to the base prospectus (the "**Base Prospectus**"), hereto attached as Annexure 1, issued by TDB and published on 14 May 2019 in line with its application made to the Irish Stock Exchange for the Notes issued under the USD 2,000,000,000 Euro Medium Term Note Programme (the "**Programme**") to be admitted to the Official List and for such Notes to be admitted to trading on Euronext Dublin's regulated market during a period of 12 months.

As at the date of this Cover note, 4.875 per cent Notes worth USD 500,000,000 have been issued by the Bank under the terms of the Programme on 23 May 2019. The final terms of the issue of these Notes ("**Final Terms**") are attached to this Cover note as Annexure 2.

This Cover note to the Base Prospectus issued at the time of listing of TDB on the Irish Stock Exchange, has been prepared and issued in compliance with Rule 15.21(A) of the SEM Listing Rules in respect of the secondary listing of the Notes on the Official Market of the SEM. This Cover note should be read together with the Base Prospectus and the Final Terms.

The listing of the Notes on the Official Market of the SEM is expected to occur on Thursday, 4 July 2019.

It is not expected that dealings in the Notes will take place on the Official Market of the SEM on the initial date of listing. However, the Issuer will be making necessary arrangements in order to allow dealings in the Notes to take place as soon as practicable following the listing on the SEM. Those dealings will be done on the SEM as per the provisions of Rule 3.A of the Stock Exchange (Conduct of Trading Operations) Rules 2001. All dealings that take place on the SEM shall be cleared and settled through the Central Depository & Settlement Co. Ltd (CDS) as per section 3(3) of the Securities (Central Depository, Clearing and Settlement) Act 1996.

The present document does not constitute an invitation to the public to subscribe for Notes in the Bank.

The present Cover note includes particulars given in compliance with the SEM Listing Rules governing the official listing of the Notes. The directors, whose name on page 109 of the Base Prospectus, collectively and individually, accept full responsibility for the accuracy and completeness of the information contained in this Cover note and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no facts the omission of which would make any statement herein misleading.

The Cover note has been approved by the Listing Executive Committee ("**LEC**") of the SEM, in conformity with the SEM Listing Rules, on 14 June 2019.

Neither the LEC, nor the SEM, nor the Mauritian Financial Services Commission ("**FSC**") assumes any responsibility for the content of this document. The LEC, the SEM and the FSC make no representation as to the accuracy or completeness of any of the statements made or opinions expressed in this document and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon the whole or any part thereof.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Cover note and Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Permission has been granted by the LEC on 14 June 2019 for the secondary listing of the Notes on the Official Market of the SEM by way of introduction.

Neither the issue of this document nor the issue, subscription, offering and sale of the Notes constitutes a waiver by the Issuer or by any of its members, Directors, officers or employees of any of the rights, immunities, privileges or exemptions conferred upon any of them by the Charter of the Eastern and Southern African Trade and Development Bank. The Issuer is, however, amenable to suit in respect of its obligations under the Notes in accordance with the Terms and Conditions of the Notes.

Copies of the Base Prospectus and of this Cover note have been filed with the FSC.

Arrangers and Dealers

1. Citigroup Global Markets Limited
2. Commerzbank Aktiengesellschaft
3. MUFG Securities EMEA plc
4. Standard Chartered Bank
5. Emirates NBD Bank PJSC
6. SMBC Nikko Capital Markets Limited

Mauritian Corporate Finance Advisor

Perigeum Capital

Date of issue: 17 June 2019

Copies of this Cover note and the Base Prospectus are available in English only and may, from the date of this Cover note, be obtained from the registered office of the Bank and from the office of the Mauritian Corporate Finance Advisor, at Level 4, Alexander House, 35 Cybercity, Ebene 72201, Mauritius. Copies of the Cover note and Base Prospectus will also be published on the SEM's website (www.stockexchangeofmauritius.com).

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

U.S.$ 2,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme (the "**Programme**") described in this preliminary base prospectus (the "**Base Prospectus**"), the Eastern and Southern African Trade and Development Bank (the "**Issuer**", "**TDB**" or the "**Bank**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**" on the terms and conditions set out herein, as completed by the relevant Final Terms). The aggregate nominal amount of Notes outstanding under the Programme will not at any time exceed U.S.$ 2,000,000,000 (or the equivalent in other currencies), subject to increase as described herein. This Base Prospectus is a base prospectus under Art 5(4) of Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**").

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and to any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an on-going basis. References in this Base Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer be to all Dealers agreeing to subscribe such Notes.

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank of Ireland**") as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and to trading on its regulated market. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU, as amended (each such regulated market being a "**MiFID Regulated Market**") and/or which are to be offered to the public in any member state of the European Economic Area (each a "**Member State**").

References in this Base Prospectus to Notes being "*listed*" (and all related references) shall mean that such Notes have been admitted to trading on the regulated market of the Euronext Dublin and have been admitted to the Official List or, as the case may be, another MiFID Regulated Market as may be specified in the applicable Final Terms. The Issuer may make an application for such listed Notes to also be listed on the Official Market of the Stock Exchange of Mauritius Ltd.

For each issue of Notes under the Programme, the information required to complete this Base Prospectus for the relevant issue will be set out in a final terms document (the "**Final Terms**") or in a separate prospectus specific to such Tranche (as defined herein) (the "**Drawdown Prospectus**") as described under "*Form of Final Terms*" which, with respect to Notes to be listed on Euronext Dublin, will be filed with the Central Bank of Ireland. Copies of such Final Terms and Drawdown Prospectus will also be published on the Central Bank of Ireland's website at www.centralbank.ie and on Euronext Dublin's website at www.ise.ie.

Each Series (as defined in "*Overview of the Programme - Method of Issue*") of Notes to be issued in global bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**").

Each series of Notes to be issued in global registered form will be represented on issue by a global certificate (each a "**Global Certificate**") registered in the name of a nominee for one or more clearing systems. If the Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") or new safekeeping structure ("**NSS**") form, the Global Notes in NGN form or Global Certificates in NSS form (as the case may be) will be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not issued in NSS form will be deposited on the issue date of the relevant Series with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"). Unless they are so registered, the Notes may be offered only in transactions that are exempt from registration under the U.S. Securities Act. Accordingly, the Notes are being offered outside the United States in accordance with Regulation S under the U.S. Securities Act ("**Regulation S**"). See "*Subscription and Sale*". The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Issuer has been rated "BB+" by Fitch Ratings Limited ("**Fitch**") and "Baa3" by Moody's Investors Service Ltd ("**Moody's**"). The Issuer has also received an international long-term rating of BBB- from Global Credit Rating Company (Pty) Ltd ("**GCR**"). Each of Fitch and Moody's is established in the European Union (the "**EU**"), domiciled in the United Kingdom, and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). GCR was incorporated and is domiciled in South Africa, it is not established in the European Union. GCR is not included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 This list is available on the ESMA website (www.esma.europa.eu/supervision/credit-rating-agencies/risk) (last updated 18 March 2019). Tranches of Notes (as defined in "*Overview of the Programme - Method of Issue*") to be issued under the Programme may be rated or unrated. Tranches of Notes to be issued under the Programme may be rated by Standard and Poor's Rating Services ("**S&P**"). Where a Tranche of Notes is to be rated such rating will not necessarily be the same as the ratings assigned to the Issuer. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Base Prospectus.

Arrangers and Dealers

Citigroup	**Commerzbank**	**Emirates NBD Capital**
MUFG	**SMBC Nikko**	**Standard Chartered Bank**

The date of this Base Prospectus is 14 May 2019

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such other information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arrangers (as defined in "*Overview of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither the issue of this Base Prospectus nor the issue, subscription, offering and sale of the Notes constitutes a waiver by the Issuer or by any of its members, directors, officers or employees of any of the rights, immunities, privileges or exemptions conferred upon any of them by the Charter of the Eastern and Southern African Trade and Development Bank (the "**Charter**"). The Issuer is, however, amenable to suit in respect of its obligations under the Notes in accordance with the Terms and Conditions of the Notes.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs / IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT OF SINGAPORE: Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Benchmark Regulation

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (R*egister of administrators and benchmarks*) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

THE NOTES ARE NOT AN OBLIGATION OF ANY GOVERNMENT

This Base Prospectus comprises a prospectus for the purposes of the Prospectus Directive as implemented in Ireland.

This Base Prospectus is to be read in conjunction with all documents (or parts thereof) which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated by reference in, and form part of, this Base Prospectus.

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and include Notes in bearer form that are subject to U.S. tax law requirements. Notes may not be offered, sold or delivered within the United States or to U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. For a description of certain restrictions on offers and sales of Notes and on the distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers, the Arrangers or the Trustee make any representation, express or implied, nor do they accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by an Arranger the Trustee or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger, the Trustee and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

The Arrangers and the Dealers and the Trustee have not separately verified the information contained in this Base Prospectus.

Neither this Base Prospectus nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Prospectus or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers or the Trustee undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or, the Arrangers or the Trustee.

In connection with the issue of any Tranche (as defined in "*Overview of the Programme - Method of Issue*"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake

stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community as amended, references to "**U.S. dollars**", "**U.S.$**", "**USD**" **and** "**United States dollars**" are to the lawful currency of the United States of America, its territories, possessions, and references to "**£**" or "**Sterling**" are to the lawful currency of the United Kingdom and references to "**CNY**" and "**Renminbi**" refer to the lawful currency of the People's Republic of China (the "**PRC**") which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administration Region of the PRC and Taiwan.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Alternative Performance Measures

The selected financial data set forth in this Base Prospectus, in addition to the conventional financial performance measures established by IFRS, contains certain alternative performance measures (such as net interest margin, cost/income ratio, non-performing loans ratio etc.) ("**APMs**") that are presented for purposes of a better understanding of the trend of operations and the financial condition and provides a more meaningful depiction for investors of the underlying fundamentals of the Group's business. Where used, the relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method.

Such measures should, however, not be considered as a substitute for those required by IFRS.

SUPPLEMENTS TO THE BASE PROSPECTUS

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall file such amendment, supplement or replacement Base Prospectus with Euronext Dublin and shall supply to each Dealer, the Trustee and Euronext Dublin such number of copies of such supplement hereto as such Dealer, the Trustee and Euronext Dublin may reasonably request.

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RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider, among other things, the risks set forth below and other information contained in this Base Prospectus prior to making any investment decision with respect to the Notes. The risks highlighted below could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects, which in turn, could have a material adverse effect on its ability to make payments under the Notes.

In addition, the value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment. Prospective investors should note that the risks described below are not only the risks that the Issuer faces but are the risks that the Issuer considers to be material. There may be additional risks that the Issuer currently considers immaterial or of which it is currently unaware, and any such risks could have effects similar to the risks set forth below.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH NOTES ISSUED UNDER THE PROGRAMME

Risks Relating to Issuer

Unavailability of Bonds and Syndicated Loans Markets

The Issuer has traditionally funded its loan portfolio through lines of credit extended by international development financial institutions, export credit agencies and other international financial institutions as well as through local currency bond issues. The Issuer plans to diversify its funding sources through syndicated loan financing and the issuance of international bonds, both of which experienced a significant decline in activity levels as a result of the global economic crisis of 2008/2009. While the bond and syndicated loan markets have since recovered, any future disruptions or instability of these markets could constrain the Issuer's ability to mobilise funding resources and attain its growth targets thereby adversely affecting the Issuer's operational and financial performance.

Delays or Failure to Implement Business Initiatives

Under the current five year Corporate Plan (2018-2022), the Bank will continue promoting trade and development in the region. The three strategic business areas are (a) Project and Infrastructure Finance, (b) Trade Finance Services and (c) Special Funds & Agency Operations. These strategic business areas are integral to the successful implementation of the objectives of the Bank.

Building on its successes and lessons in implementing the previous Corporate Plan (2013-2017), the Bank aims to play a larger role in promoting trade and development in the region. Diversification and managed growth will continue to be a key thrust during this Corporate Plan. Different initiatives are underway focusing on product innovation, efficiency and diversification to improve its coverage and delivery model. As well, the Bank will continue to strengthen its institutional capacity (people, processes and systems) as well as the culture of the organisation. Through its new strategic business area of Special Funds & Agency Operations, the Bank will be leveraging its regional, functional, and sectoral expertise to offer fund management and agency services in the region.

While a number of initiatives are still underway, their implementation may not be concluded within the set timeframes and others may not be implemented at all. Any delays experienced in implementing these business initiatives could divert the attention of the Issuer's management, result in additional expense, distract the Issuer from pursuing other initiatives or, ultimately, prevent the Issuer from realising the anticipated benefits of the initiatives, which could adversely affect the Issuer's business, results of operations and financial condition.

Relationships with States Facing International Sanctions

The Issuer is a supranational institution which finances trade, projects and infrastructure within its Issuer Member States in the Eastern and Southern African region. Due to its shareholding structure and developmental mandate, the Issuer has business and/or shareholding relationships with countries that are subject to international sanctions.

The Republic of Sudan, (an Issuer Member State owning 5.1 per cent. of the Issuer's total shareholding) was subject to sanctions imposed by the United States State Department. On 6 October 2017, the President of the United States of America and the Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") announced the general lifting of sanctions on Sudan, although EU sanctions remain in place.

As at 31 December 2018, the Issuer had funded various transactions in Sudan with an aggregate net exposure of the equivalent of USD 205.51 million, representing 15 per cent. of the Issuer's gross loan portfolio (8 per cent. of the net loan portfolio). In mitigation of the risks associated with exposures in Sudan, the Bank obtained additional collateral in the form of 100 per cent. cash cover held by the Central Bank of Sudan in Euros and Sudanese Pounds and government guarantees in the form of Irrevocable Reimbursement Undertakings ("**IRU**") by the Central Bank of Sudan, as well as near cash instruments like credit and political risk cover amounting to EUR 199.5 million, underwritten by a syndicate of reinsurers including the Lloyds Syndicate.

While the U.S. dollar is the reporting currency of the Bank, all trade finance and project finance exposures in Sudan are funded from the Bank in Euros, which is financed from Euro sources and held in a separate Euro denominated bank account. However, the lifting of general U.S. sanctions in October 2017 enables the Bank to engage in transactions such as USD funds transfer or loans involving US banks to/from the Government of Sudan and its owned or controlled entities. The Bank therefore may settle Sudan related transactions using its USD-denominated accounts. Furthermore, OFAC no longer prohibits the involvement of the US financial system in currency conversions (for example, conversion from Euro to USD for Sudanese commodities, existing Sudan-related loans or other Sudan- related transactions) provided no sanctions targets are involved.

The Republic of South Sudan, also an Issuer Member State, owns 2.1 per cent. of the Issuer's total shareholding. In March 2018, the United States, through the Department of Commerce, imposed targeted sanctions on selected government entities in South Sudan and private companies doing business in South Sudan. The Department of Commerce's so-called Entity List does not freeze assets but requires that US and foreign companies doing business with those entities on the list to first obtain a licence.

Currently, the Issuer has no exposure to Somalia, another Issuer Member State which faces a variety of international sanctions.

The proceeds of any issue of Notes under the Programme will not be used, directly or indirectly, to fund any business with any borrowers facing international sanctions. The Issuer's "Know Your Customer" procedures require that borrowers are vetted against various international sanctions lists before being considered for financing. In addition, funds used by the Issuer to repay interest and/or principal on any Eurobonds that have been or will be issued under the Programme are not and will not be sourced from funds that the Issuer receives from transactions involving countries, entities or individuals facing international sanctions.

Changes in the Credit Quality of Borrowers/Counterparties and Systemic Risk Effects

The Issuer's business is subject to the risks associated with its borrowers' credit quality and the recoverability of loans and amounts due from counterparties. The Issuer requires its loans to be secured using various forms of collateral types by at least 1.3 times for projects and infrastructure loans and at between 1.10-1.25 times for trade finance loans, depending on the liquidity of the underlying collateral. The changes in the credit quality of the Issuer's borrowers and counterparties or arising from systemic risk in the financial system could reduce the value of the Issuer's assets and necessitate increased impairment provisions. In addition, changes in economic conditions, the health of the economy in the various Issuer Member States, or disruption caused by political elections in the Issuer Member States or globally may result in the deterioration of the value of the collateral held and increase the risk of loss in the event of a default by the Issuer's borrowers.

Unforeseen Changes in Portfolio Growth

Increased demand for projects, infrastructure and trade financing has led to the Issuer's loan portfolio recording significant growth rates over the last five years. There can be no assurance, however, that future growth rates will be in line with historical growth rates. Deterioration in the performance of the Issuer Member States' economies could affect the demand for projects, infrastructure and trade financing which could affect the Issuer's business and results of operations.

Market, Currency and Price Change Risks

The Issuer is exposed to various market risks including interest rates, exchange rates and commodity prices whose volatility could adversely impact on the value of its assets, liabilities, revenues or expenses. Despite the Issuer managing market risks through hedging and the matching of assets and liabilities with similar market risk characteristics at the time of originating transactions, there can be no assurance that changes in interest rates and currency exchange rates will not have a significant adverse effect on the Issuer's financial condition and operational results.

The Issuer is also exposed to commodity price risks, especially oil prices, whose fluctuations could have adverse effects on its borrowers and Issuer Member States which, in turn, could have a direct impact on the Issuer's financial condition and operational results.

Liquidity Risk

Liquidity risk is a primary concern for any financial institution, particularly those involved in long-term funding of projects and investments. The Issuer manages its liquidity risk through regular monitoring of maturity mismatches between its assets and liabilities and preparation of cash flow forecasts. In addition, the Issuer ensures that its unutilised lines of credit which include standby banking facilities are adequate to fund its lending operations for at least the next twelve months. This notwithstanding, there can be no guarantee that maturity mismatches will not occur which could have material adverse effects on the business, financial condition and operational results of the Issuer.

Currency Availability and Restrictions

Most of the Issuer's loans are denominated, disbursed and repaid in United States dollars. Notwithstanding the fact that a significant proportion of these loans are in support of export transactions, the Issuer faces the risk that some of its clients may not access dollars on a timely basis due to foreign currency shortages and/or controls in Issuer Member States. The Issuer also faces the risk that local currency depreciation could increase the cost, in local currency terms, of its loans which ultimately could impact on the viability of the underlying project and the ability of the Issuer's borrowers to service its loans.

Ability to Call Capital

As at 31 December 2018, the Issuer had USD 1.47 billion in callable capital. This amount represents the maximum obligation of the Issuer's Member States in the event of a call being made in response to financial distress. With the exception of the People's Republic of China (A1 rating, Moody's) the, African Development Bank (Aaa rating, Moody's) and Mauritius (Baa1 rating, Moody's), the balance of the callable capital is to be provided by regional Issuer Member States which have below investment grade or no credit ratings. In determining its borrowing limit, the Bank limits its reliance on callable capital to half of the total callable capital. This notwithstanding, it is possible that the Issuer could experience delays in realising capital calls from its Issuer Member States which could adversely impact the Issuer's financial position and business prospects.

Operational Risks

As a financial institution, the Issuer is exposed to various operational risks including system disruptions or failures, fraud, errors and irregularities by employees and third parties and authorisation and documentation flaws. There can be no assurance that operational risks will not occur or that the occurrence of operational risks will not have a material effect on the Issuer's business, prospects, financial condition and operational results.

Bank Immunity

Section 3 of Article 43 of the Issuer's Charter provides that 'the principal as well as regional offices of the Bank shall be inviolable. The property and assets of the Bank shall be immune from search, requisition, confiscation, expropriation, and any other form of interference whether by legislative, executive, judicial or administrative action'. Furthermore, Section 4 of the same Article provides that 'the archives of the Bank and in general all documents belonging to it or held by it, shall be inviolable'.

Notwithstanding these immunities and the absence of government interference up to the date of this Base Prospectus, there can be no guarantee that there will be no interference by Issuer Member States or that violation through unlawful or arbitrary actions by some Issuer Member States will not occur, which could lead to disruption in the Bank's operations and adversely affect its financial position and business prospects.

COMESA Infrastructure Fund ("**CIF**") and Eastern & Southern Africa Trade Fund ("**ESATF**") have bilateral host country agreements with the Government of Mauritius and are also covered under the CIF protocol setting out its immunities and privileges. ESATF and its fund manager, ESATAL, benefit from the Bank's privileges and immunities.

Absence of Regulation

Article 16 of the Issuer's Charter provides that its operations shall be guided by sound banking principles. Furthermore, Section 7 of Article 43 provides that the Issuer may hold assets of any kind and shall be free to transfer its assets from one country to another and to convert any currency held by it into any other currency without being restricted by controls, regulations, restrictions or moratoria of any kind.

The Issuer, being a supranational financial institution, is not subject to any regulatory supervision by a national body. The conduct of operations is vested with the Board of Directors which closely monitors directly or through its Audit Committee the Issuer's performance, risk profile and capital adequacy.

Based on the need to protect against increased credit risks associated with projects and infrastructure financing in developing African economies, the Issuer's capital management policy aims to maintain a capital adequacy ratio of at least 30 per cent. This ratio is computed in line with recommendations of the paper prepared by the Basel Committee on Banking Supervision entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988 as amended from time to time (Basel I paper) and 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).

Notwithstanding the high capital adequacy threshold, there can be no assurance, in the absence of an independent regulatory or supervision authority, that the Issuer will maintain its current capital management policy and/or adhere to its requirements. Failure to adhere to the current policy or changes to the policy could lead to negative market perceptions of the Issuer which ultimately could adversely impact on the Issuer's financial condition.

Portfolio Concentration

In line with the experiences of other African supra-national development financial institutions, the Issuer's credit portfolio has traditionally exhibited a high degree of geographic and sectoral concentration.

Country limits: As at 31 December 2018, 80 per cent. of exposures were in 8 countries, an improvement over 7 countries in 2017 and 5 countries in 2016. As this is a key measure, strategic efforts are continuing to further diversify the country exposures. The Issuer's credit policies stipulate that credit exposure to any one Issuer Member State shall not exceed 30 per cent. of the total value of outstanding loans. As at 31 December 2018, Kenya had the highest net exposure at 14.0 per cent. compared to 8 per cent. as at December 2017. Ethiopia had the second largest net exposure at level at 11 per cent. down from 14 per cent. as at December 2017. Other significant net exposures by geography include Rwanda (10 per cent), Tanzania (10 per cent), Malawi (9 per cent), Uganda (9 per cent.) and Zambia (9 per cent).

Sector exposures: As at 31 December 2018, the Bank's gross exposure (excluding cash collateral and insurance) to the petroleum and agri-business sectors accounted for 33 per cent. and 25 per cent. (36 per cent. and 23 per cent. in 2017) of its total portfolio, respectively. However, after the employment of risk mitigation measures such as cash collateral and credit insurance cover, the sector concentrations account for 9 per cent. and 25 per cent. (10 per cent. and 26 per cent. in 2017) for the petroleum and agri-business sectors respectively and well within the set thresholds of 35 per cent. for the agri-business sector and 40 per cent. for the oil and gas sector. Exposures to other sectors were contained within set limits of 25 per cent.

The 20 largest borrowers (out of a total book of about 90 accounts) accounted for 84 per cent. of the gross loan portfolio and 37 per cent. of the net loan portfolio (79 per cent. of the gross loan portfolio and 58 per cent. of the net loan portfolio in 2017). All of the top 20 borrowers are performing satisfactorily according to the Issuer's credit monitoring. While the Issuer intends to actively diversify its portfolio (in terms of obligors, economic group, sector and geography) within approved prudential credit risk appetite limits, portfolio concentration in certain sectors and certain countries could adversely affect the Issuer's credit portfolio thereby affecting its financial condition and operational results.

Risks Relating to the Eastern and Southern African Region

Economic Risks

Emerging/Frontier Market Risks

The Issuer Member States are predominantly countries from the Eastern and Southern African region considered either as emerging or frontier markets by international investors. Frontier markets are a subset of emerging markets that are characterised by fragile economies in nascent stages of transformation. These economies present international investors with additional risks due to the lack of safeguards and infrastructure that investors traditionally find in more developed economies.

Similar to developing markets, emerging markets and, in particular, African emerging markets are susceptible to economic instability and, in certain cases, significant political and legal risks. Investors should also note that emerging markets, such as those in Africa, are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

From time to time, the economies of countries in Eastern and Southern Africa have experienced volatility characterised by high interest rates, exchange controls, exchange rate volatility, high inflation as a result of event risks e.g. adverse weather, wage and price controls and sudden changes in investment and fiscal policies.

Any of these factors, as well as the volatility in the markets for securities, may adversely affect the value and liquidity of the Notes.

Accordingly, investors should exercise due care in evaluating the risks involved in investing in the Notes and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved and that possess an understanding of the business environment. Prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

Stability of Eastern and Southern African Economies

African economies have historically experienced significant volatility characterised by slow or negative growth, significant inflation, low foreign currency reserves, high external debts, currency depreciation, political uncertainty, declining investments and government and private sector debt defaults and have also had incidents of wars, riots and outbreaks of contagious disease. African economies are also highly susceptible to global economic changes including commodity and oil price changes, U.S. dollar interest and exchange rate movements and the demand for commodities by developed and emerging market economies. The Issuer's lending activities are confined to its Issuer Member States, a region which comprises a number of weak and vulnerable economies. Consequently, any adverse changes affecting these economies could have a significant impact on the Issuer's credit portfolio, including increased loan impairment provisions, restructurings and loan losses which, in turn, could affect the Issuer's growth, asset quality, prospects, profitability and financial condition.

Reliability and Credibility of Official Data

The Issuer has relied on official statistics and other data published by central banks, governments and non-governmental agencies in eastern and southern Africa which may be substantially incomplete or less researched and, consequently, less reliable than those published by comparable bodies in other developed jurisdictions, on a relative basis. Indeed, official data in most of these economies mainly reflects the state of the formal economy and may not adequately gauge the potential of the informal economy.

Accordingly, the Issuer cannot assure prospective investors that the sources from which it has drawn some of the information set out herein are reliable or complete. Some or all of the state entities in the Eastern and Southern Africa region may have official data collection methods that are different from those used by comparable bodies in other jurisdictions. Discussions of matters relating to the Issuer's operations herein may therefore be subject to uncertainty due to concerns about the completeness or the reliability of available official and public information.

Political Risks

A number of the Issuer Member States have unresolved political differences internally, with neighbouring countries and/or internationally. In Burundi, the current political instability has had minimal effect on the Bank's operations.

In Sudan, months of protests ended Omar al-Bashir's 30-year rule of the country. In Zimbabwe, a price increase on fuel has lead to protests exacerbating issues arising due to dollar shortage in the economy. The Bank does not have any loan or investment assets in Eritrea, and Somalia. However, Somalia has been without an effective national government since 1991, a situation which has led to the emergence of Islamic insurgents and increased risks of terrorism especially in East Africa. Even though the Issuer does not have any loan exposure in Somalia and the unresolved political differences and the threat of terrorism has not impacted the Issuer's operations and financial condition, it is conceivable that in future such events could have an adverse effect on the political stability and economies of Issuer Member States which the Issuer is exposed to through lending activities. In turn, such impact could have an adverse effect on the Issuer's results of operations and financial condition.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes may perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Variable rate Notes

Notes with variable interest rates can be volatile investments. If they are structured to include caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/ Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

Risks Related to Renminbi Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible and the liquidity of the Notes denominated in Renminbi may be adversely affected.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the People's Republic of China ("**PRC**") is limited. While the People's Bank of China ("**PBOC**") has established Renminbi clearing and settlement mechanisms through settlement agreements on the clearing of Renminbi business (the "**Renminbi Clearing Banks**"), and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of its Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Renminbi currency risk.

Except in limited circumstances, all payments of Renminbi under Notes denominated in Renminbi to an investor will be made solely by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi in accordance with the prevailing rules and regulations and in accordance with the Terms and Conditions of the Renminbi Notes. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC). Renminbi is not freely convertible at present, and despite a movement towards liberalisation of cross-border Renminbi remittances, notably in PRC current account activity, there is no assurance that the PRC government will continue such movement in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

Holders of Renminbi Notes may be required to provide certifications and other information (including Renminbi account information) in order to allow such Holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the jurisdiction of the relevant Renminbi Clearing Bank.

In addition, there can be no assurance that access to Renminbi for the purposes of making payments under such Notes or generally may remain or will not become restricted. If it becomes impossible to convert Renminbi from/to another freely convertible currency, or transfer Renminbi between accounts in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, or the general Renminbi exchange market outside the PRC becomes illiquid, any payment of Renminbi under the Notes may be delayed or the Issuer may make such payments in another currency selected by the Issuer using an exchange rate determined by the Calculation Agent, or the Issuer may redeem the Notes by making payment in another currency.

Renminbi exchange rate risk

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. The Issuer will make all Renminbi payments under Notes denominated in Renminbi in Renminbi (subject to the second paragraph under the heading "Renminbi currency risk" above). As a result, the value of such payments in Renminbi (in U.S. dollars or other applicable foreign currency terms) may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of an investor's investment in U.S. dollars or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of Renminbi Inconvertibility, Renminbi Non-transferability or Renminbi Illiquidity (as defined in the Conditions of Notes), the Issuer is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Conditions of the Notes allow the Issuer to make payment in U.S. dollars at the prevailing spot rate of exchange, all as provided in more detail in the Conditions of the Notes. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. Dollar or other foreign currencies, the value of a holder's investment in U.S. Dollar or other foreign currency terms will decline.

An investment in Renminbi Notes is subject to interest rate risk.

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

Gains on the transfer of Renminbi-denominated Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of Renminbi Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, holders who are residents of Hong Kong, including enterprise holders and individual holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if enterprise or individual resident holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

Risks Related to Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also **provide that** the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default, potential Event of Default or Conditional Put Event shall not be treated as such.

Accordingly, matters affecting the interests of some Noteholders may be outside the control of such Noteholders.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus nor whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

Integral multiples of less than €100,000

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Risks Related to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

There may be no active trading market for the Notes

Notes issued under the Programme will be new securities, which may not be widely distributed and may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

The secondary market generally

Notes issued under the Programme will (unless they are to be consolidated into a single Series with any Notes previously issued) be new securities which may not be widely distributed and for which there is currently no active trading market. Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Base Prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict if any of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency.

These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls.

An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Legal investment considerations may restrict certain investments

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks relating to Notes which are linked to "benchmarks"

The London Interbank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. The Benchmark Regulation was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30 June 2016). The Benchmark Regulation could have a material impact on any Notes linked to LIBOR and EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete. As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). Further, on 12 July 2018 the FCA announced that LIBOR may cease to be a regulated benchmark under the Benchmark Regulation. The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom, the United States or elsewhere. The FCA and Bank of England are encouraging development of, and transition to, alternative reference rates by end-2021 and have tasked a Working Group on Sterling Risk-Free Rates to catalyse a broad based transition to SONIA (the Sterling Overnight Index Average) over the next four years from January 2018, across sterling bond, loan and derivative markets.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. In the third quarter of 2018, the private-sector working group on euro risk-free rates recommended STR (euro short-term rate) as the replacement for EONIA (Euro OverNight Index Average), which will be prohibited by the EU Benchmark Regulation after 1 January 2020. In the first quarter of 2019, the private-sector working group endorsed recommendations to market participants about transitioning from the EONIA to the STR.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

The "*Terms and Conditions of the Notes*" provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)) becomes unavailable. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

OVERVIEW OF THE BANK

The Bank was established by charter on 6 November 1985 (the "**Charter**"), pursuant to chapter 9 of the treaty establishing the Preferential Trade Area (the "**PTA**") for Eastern and Southern African States. TDB is a multilateral treaty organisation. The PTA has since been transformed into the Common Market for Eastern and Southern African States ("**COMESA**"), which is a Regional Economic Community ("**REC**"), whose membership includes 19 countries in Northern, Eastern and Southern Africa. On 10 June 2015, COMESA, along with the East African Community ("**EAC**") and the Southern African Development Community ("**SADC**") (which are two other RECs) launched the Tripartite Free Trade Area ("**TFTA**") as a precursor to the African Union's ("**AU**") continent-wide free trade area, the African Continental Free Trade Area ("**AfCFTA**") to be established under the African Continental Free Trade Agreement ("**AfCFTA Agreement**") legal framework. Negotiations for the establishment of the AfCFTA started on 15 June 2015. During the official opening ceremony of the 10th Extraordinary Summit of the AU Assembly of Heads of State and Government held on 21 March 2018, in Kigali, Republic of Rwanda, 44 AU member states signed the AfCFTA Agreement (see list of signatories at *https://au.int/en/pressreleases/20180321/list-african-countries-signed-establishment-african-continental-free-trade*). On 23 April 2019, Republic of The Gambia ratified the AfCFTA Agreement, resulting in the minimum threshold being reached to enable the AfCFTA Agreement to come into force. The aim of the AfCFTA is to create a single market across all 55 member states of the AU followed by free movement and a single currency union. The African continent has a combined population of approximately 1.2 billion and a combined Gross Domestic Product ("**GDP**") of approximately USD 2.5 trillion. In terms of numbers of participating countries, the AfCFTA will be the world's largest free trade area since the formation of the World Trade Organization.

The Bank's vision is to become a leading development finance institution of the TFTA region and an important player within the wider context of the AfCFTA advancing the economic development, integration and prosperity of its Issuer Member States. The Bank's mission is to be at the forefront of extending development capital and services to advance regional growth and integration through customer focused and innovative financing instruments. The Bank is similar in structure to other supranational trade and development banks, such as the African Development Bank, the African Export-Import Bank and the East African Development Bank.

As at the date of this Base Prospectus, the Bank has the following shareholders: Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, South Sudan, Sudan, eSwatini, Tanzania, Uganda, Zambia and Zimbabwe. It also has the People's Bank of China ("**PRC**") and Paritetbank as the Designated Institutions (as defined in "*Description of the Bank*") of non-regional member countries. The Bank also counts the African Development Bank, the Arab Bank for Economic Development in Africa ("**BADEA**"), the National Pension Fund of Mauritius, Mauritian Eagle Insurance Company Ltd, Rwanda Social Security Board, Seychelles Pension Fund, Africa Reinsurance Corporation, PTA Reinsurance Company, Banco Nacional de Investimento ("**BNI**"), National Social Security Fund Uganda, OPEC Fund for International Development, SACOS Group Limited, and TDB Staff Provident Fund, TDB directors and Select Stakeholders Provident Fund as institutional shareholders. Under its five-year corporate strategic plan covering the period 2018 to 2022 (the "**Corporate Plan**"), the Bank's aim is to further expand its membership base.

The Bank offers a broad range of products and services, across both the private and public sectors, including long term and short-term debt, advisory, syndication services, equity and quasi-equity as well as guarantees. The Bank's investments range from, amongst others, agriculture, trade, industry, infrastructure, energy and tourism, and are made on a commercial basis and sustainability principles. As part of its Corporate Plan 2018-2022, the Bank has revitalised its commitment to asset management by creating a dedicated Department. The purpose of this business line will be to diversify the Bank's income streams (generating more fee income) and facilitate reaching new markets and clients. The Mauritian-domiciled ESATF is expected to be launched by the Bank in the second quarter of 2019. ESATAL, which is the fund management company in respect of ESATF, is domiciled in Mauritius. It was established as a joint venture between the Bank (50 per cent. + 1 share) and GML Capital (50 per cent. - 1 share).

As of 31 December 2018, the Bank's assets totalled USD 5.56 billion. This represents growth at an approximate compound annual growth rate of 14 per cent. since 2014, and indicates the Bank's commitment to development and growth within its stated objectives.

Since its establishment in 1985, the Bank's principal office has been located in Bujumbura (Burundi). In recognition of the existing domicilium of the Bank's Special Purpose Funds in Mauritius, the Bank's Board of Governors, on the recommendation of the Board of Directors, approved an upgrade of the Bank's office in Mauritius into a second principal office of the Bank, alongside the Republic of Burundi. The aim was to leverage on Mauritius' well regarded domicillium for funds and financial institutions in the COMESA region and the Bank's Mauritius principal office would serve as a centre for funds management, fundraising and regional operations as well as corporate support and business continuity. Additionally, this has enhanced the risk profile of the Bank which is now also formally domiciled in an investment grade Member State.

In addition to its two principal offices, the Bank also has regional and operation hubs in Nairobi (Kenya), Harare (Zimbabwe) and Addis Ababa (Ethiopia). The Bank is also establishing a new office in Kinshasa (Democratic Republic of the Congo), in line with its decentralisation and partnership strategy to better service the vast region it operates in, and enhance its portfolio management.

Since its establishment, the Bank has operated under its legal name "Eastern and Southern African Trade & Development Bank" as well as two trading names in English and in French: 'PTA Bank' and 'Banque de la ZEP' respectively. At its 32nd Annual Meeting in May 2016, the Bank's Board of Governors approved the rebranding of the Bank. Consequently, the Bank trades under one trade name as the Trade and Development Bank, with a new logo and a new tagline. The Bank's legal name, "Eastern and Southern African Trade & Development Bank", remains unchanged.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Issuer:..	Eastern and Southern African Trade and Development Bank
Description:	Euro Medium Term Note Programme
Size:	Up to USD 2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Arrangers and Dealers:	Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Emirates NBD Bank PJSC MUFG Securities EMEA plc SMBC Nikko Capital Markets Limited Standard Chartered Bank (each an "**Arranger**" and a "**Dealer**"). The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches (as defined below) or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Citicorp Trustee Company Limited
Issuing and Paying Agent:...........	Citibank N.A., London Branch
Agents:	The Issuing and Paying Agent, the other Paying Agents, the Transfer Agent and the Registrar.
Registrar:......................................	Citigroup Global Markets Europe AG
Method of Issue:...........................	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable and fungible with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").
Issue Price:....................................	The Issue price will be specified in the relevant Final Terms. Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:..............................	The Notes may be issued in bearer form only ("**Bearer Notes**") or in registered form only ("**Registered Notes**"). Each Tranche of

	Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "- *Selling Restrictions*" below); otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**". Global Certificates representing Registered Notes in NSS form are referred to as "**NSS Global Certificates**".
Clearing Systems:.........................	Clearstream, Luxembourg, Euroclear, and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes:.............	On or before the issue date for each Tranche, in the case of a NSS Global Certificate or if the relevant Global Note is a NGN, the Global Note or NSS Global Certificate (as the case may be) will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, in the case of a Global Certificate which is not issued in NSS form or if the relevant Global Note is a CGN, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may (or, in the case of Notes listed on Euronext Dublin, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates relating to Notes that are not listed on Euronext Dublin may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency as agreed between the Issuer and the relevant Dealers. Payment in respect of Notes denominated in Renminbi may be made in U.S. Dollars if Renminbi Currency Events are specified in the applicable Final Terms and a Renminbi Currency Event occurs. See "*Terms and Conditions of the Notes – Condition 8(j)*".
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 30 years.
Specified Denomination:.............	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms **provided that** the minimum denomination of the Notes shall be equal to or greater than (i) EUR100,000 (or its equivalent in another currency) or (ii) such other minimum denomination greater than EUR100,000 as may be allowed or required from time to time by the relevant central bank or equivalent regulatory authority in the relevant jurisdiction, and any laws or regulations applicable to the Issuer or the relevant currency, as the case may be. Notes (including Notes denominated

	in Sterling) which have a maturity of less than one year will, if the proceeds of the Issue are accepted in the United Kingdom, have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:.....................	Floating Rate Notes will bear interest (payable in arrear) determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or any successor provisions published by the International Swaps and Derivatives Association Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest Periods will be specified in the relevant Final Terms. "**EURIBOR**" is the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation. **"LIBID**" is the London inter-bank bid rate. It is the bid rate that banks are willing to pay for eurocurrency deposits in the London interbank market. The LIBID rate is derived by subtracting 0.125 per cent. from the LIBOR rate that has the same maturity. "**LIBOR**" is the London inter-bank offered rate for a currency and period displayed on the appropriate page (being currently Reuters screen page LIBOR01 or LIBOR02) on the information service which publishes that rate. "**LIMEAN**" is the London inter-bank mean rate. It is the mid-market interest rate in the London interbank market, calculated by averaging the LIBID and LIBOR rates.
Zero Coupon Notes:.....................	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:..	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The Terms and Conditions specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year must have a minimum

	redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and, if so, the terms applicable to such redemption. If a Conditional Put Event occurs, the holder of any Note will have the option to require the Issuer to redeem that Note (see "*Terms and Conditions - 11. Events of Default and Put Events*").
Status of Notes:............................	The Notes will constitute unsecured and unsubordinated obligations of the Issuer, all as described in "*Terms and Conditions of the Notes - 3. Status*".
Financial Covenants and Information Undertakings:	See "*Terms and Conditions of the Notes - 5. Financial Covenants*".
Negative Pledge:	See "*Terms and Conditions of the Notes - 4. Negative Pledge*".
Cross Default:..............................	See "*Terms and Conditions of the Notes - 11. Events of Default and Put Events*".
Ratings:	The Issuer has been rated: BB+ by Fitch; Baa3 by Moody's; and BBB- international long-term rating by GCR. Each of Fitch and Moody's is established in the EU and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). This list is available on the ESMA website (www.esma.europa.eu/supervision/credit-rating-agencies/risk) (last updated 18 March 2019). Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption:	Except as provided in "- *Optional Redemption*" above, Notes will not be redeemable at the option of the Issuer prior to maturity. See "*Terms and Conditions of the Notes - 7. Redemption, Purchase and Options*".
Tax Status:	Each Series of Notes and the interest thereon will not be exempt from taxation generally but, pursuant to the Charter of the Eastern and Southern African Trade and Development Bank, are not subject

	to any tax by an Issuer Member State (as defined herein). All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes, subject to certain exemptions, all as more fully described in "*Terms and Conditions of the Notes - 9. Taxation*" below.
Governing Law:............................	The laws of England and Wales.
Listing and Admission to Trading:	Application has been made to Euronext Dublin and/or a Stock Exchange in any other relevant jurisdiction for Notes issued under the Programme to be admitted to the Official List and for such Notes to be admitted to trading on Euronext Dublin 's regulated market. The Issuer may make an application for such listed Notes to also be listed on the Official Market of the Stock Exchange of Mauritius Ltd. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Unlisted Notes and/or Notes not admitted to trading on any market may also be issued. The relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.
Redenomination, Renominalisation and/or Consolidation:............................	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Final Terms.
Selling Restrictions:	There are restrictions on the sale of Notes and the distribution of the Base Prospectus, the relevant final terms and any other offering materials (see "*Subscription and Sale*").
Regulation S:	The Issuer is Category 2 for the purposes of Regulation S under the Securities Act. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

DOCUMENT INCORPORATED BY REFERENCE

The Terms and Conditions of the Notes on pages 28 to 56 of the Base Prospectus dated 28 February 2017 relating to the Programme (the "**2017 Conditions**"), which are available at https://www.ise.ie/debt_documents/Base%20Prospectus_b024b26b-6758-42c3-9c25-eaf2ddec5f63.PDF shall be deemed to be incorporated in, and to form part of, this Base Prospectus.

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the document above may be inspected during usual business hours and upon reasonable notice on any weekday (public holidays excepted), for inspection at the registered offices of each of the Paying Agents and the Trustee.

Any information contained in the document listed above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Any documents which themselves are incorporated by reference in the information incorporated by reference in this Base Prospectus will not form part of this Base Prospectus.

All documents incorporated by reference have been filed with the Central Bank of Ireland and Euronext Dublin.

CAPITALISATION

The following table sets forth the capitalisation and indebtedness of the Issuer as at the dates indicated.

	Year ended 31 December		
	2018	**2017**	**2016**
		U.S.$'000	
Borrowings:			
Short Term Borrowings	2,383,254	2,314,562	2,369,322
Long Term Borrowings	1,782,030	1,708,290	794,215
Total Debt	4,165,284	4,022,852	3,163,537
Equity:			
Authorised capital			
88,234 ordinary Class A shares of U.S.$22,667 each	2,000,000	2,000,000	2,000,000
220,584 ordinary Class B shares of U.S.$ 4,533.42 each	1,000,000	1,000,000	1,000,000
Total Authorised Capital	3,000,000	3,000,000	3,000,000
Subscribed capital			
80,891 ordinary Class A shares (2017: 76,526; 2016: 70,701) of U.S.$22,667 each	1,833,556	1,734,615	1,602,580
23,099 ordinary Class B shares (2017: 21,482; 2016: 17,265) of U.S.$ 4,533.42 each	104,717	97,387	78,270
Total Subscribed Capital	1,938,273	1,832,002	1,680,850
Callable capital	1,466,845	1,387,692	1,282,064
Paid up capital	461,743	431,225	372,051
Share premium	60,501	52,968	35,107
Proposed dividends	31,685	27,407	24,349
Retained earnings	607,076	509,436	424,978
Reserves	31,021	-	-
Total Equity	**1,192,026**	**1,021,036**	**856,485**

SELECTED FINANCIAL INFORMATION

The Bank prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

The following selected financial information for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 has been derived from the Bank's audited financial statements. All of the following financial information should be read in conjunction with the Bank's audited financial statements and notes thereto and with "*Management discussion and analysis of financial condition and results of operations*" in this Base Prospectus.

Statements of Comprehensive Income

	Year ended 31 December		
	2018	**2017**	**2016**
		U.S.$'000	
Interest Income			
On Trade Finance loans and facilities	204,323	172,360	152,719
On Project Finance loans and facilities	125,422	95,167	55,913
On Placements	31,843	8,487	16,543
Total Interest Income	**361,588**	**276,014**	**225,175**
Less: Short-term Interest Expense	-86,005	-67,985	-57,816
Less: Long-term Interest Expense	-112,464	-75,866	-37,231
Less: Other Costs Related to Borrowing	-6,724	-6,525	-13,662
Interest and Similar Expense	**-205,193**	**-150,376**	**-108,709**
Net Interest Income	**156,395**	**125,638**	**116,466**
Fee and Commission Income			
Trade Finance	31,206	50,243	49,229
Project Finance	12,986	6,561	5,782
Fee and Commission Income	**44,192**	**56,804**	**55,011**
Net Trading Income	**200,587**	**182,442**	**171,477**
Risk mitigation	-34,541	-37,390	-13,054
Other Income	7,483	12,575	3,560
Income From Operations	**173,529**	**157,627**	**161,983**
Operating Expenditure			
Staff Costs	-26,960	-20,508	-19,848
Board of Governors	-308	-416	-227
Board of Directors	-814	-893	-866
Consultants and Advisers	-5,952	-3,353	-5,274
Official Missions	-2,029	-1,604	-1,071
Business Promotion	-1,334	-1,318	-493
Depreciation & amortisation	-1,321	-1,231	-2,441
Audit fees	-54	-56	-50
Other Operating Expenses	-1,936	-1,406	-1,253
Total Operating Expenditure	**-40,708**	**-30,785**	**-31,523**
Operating profit before provisions	**132,821**	**126,842**	**130,460**
Impairment Allowance on Project and Trade Finance Loans	-23,157	-25,323	-23,114
Impairment of Equity Instruments at Cost	-	-	-2,806
Impairment on Other Financial Assets	-3,226	-	-22
Net Foreign Exchange (Losses)/Gains	22,887	10,345	-3,062
Profit for the year / Period	**129,325**	**111,864**	**101,456**
Other Comprehensive Income	450	-	-
Total Comprehensive Income for the Year / Period	**129,775**	**111,864**	**101,456**

Source: *December 2018, 2017 and 2016 - Audited Financial Statements*

Statements of Financial Position

	Year ended 31 December		
	2018	**2017**	**2016**
		U.S.$'000	
ASSETS			
Cash and Bank Balances held with other banks	1,145,918	1,232,980	594,836
Investments in Government Securities	-	57,275	214,699
Derivative Financial Instruments	54,043	-	75,760
Other Receivables	117,136	106,477	79,543
Trade Finance Loans	2,813,398	2,646,630	2,441,544
Less Provisions	-79,953	-75,381	-48,401

	Year ended 31 December		
	2018	2017	2016
		U.S.$'000	
Project Finance Loans	1,459,918	1,267,286	896,088
Less Provisions	-30,359	-32,165	-49,201
Equity Investments	51,522	40,258	17,497
Investment in Joint Venture	387	369	369
Deferred expenditure	-	-	18,095
Property and equipment	23,710	19,632	19,639
Intangible assets	1,854	1,338	784
Total Assets	**5,557,574**	**5,264,699**	**4,261,252**
LIABILITIES AND EQUITY			
Liabilities			
Short Term Borrowings	2,383,253	2,314,562	2,369,322
Long Term Borrowings	1,782,030	1,708,290	794,215
Collection Account Deposits	119,577	127,796	171,770
Derivative Financial Instruments	-	4,798	-
Provision for Service and Leave Pay	7,828	6,559	5,839
Other Payables	72,859	81,658	63,621
Total Liabilities	**4,365,548**	**4,243,663**	**3,404,767**
Equity			
Share Capital	461,743	431,225	372,051
Share Premium	60,501	52,968	35,107
Proposed dividends	31,685	27,407	24,349
Fair Value Reserve	11,178	-	-
Management Reserve	19,843	-	-
Retained Earnings	607,076	509,436	424,978
Total Equity	**1,192,026**	**1,021,036**	**856,485**
Total Liabilities and Equity	**5,557,574**	**5,264,699**	**4,261,252**

Source: *December 2018, 2017 and 2016 - Audited Financial Statements*

Cash Flow Statements

	Year ended 31 December		
	2018	2017	2016
		U.S.$'000	
Inflows			
Profit for the year	129,325	111,864	101,456
Adjustments:			
Depreciation on property and equipment	899	857	2,279
Amortisation of intangible assets	422	374	162
Fair value loss on revaluation of equity investments	-	-	2,806
(Gain)/Loss in foreign exchange	-16,301	-236	-448
Increase in provision for service & leave pay	982	482	167
Provision for impairment	23,157	25,323	23,114
Interest received	-271,215	-235,763	-219,150
Interest paid	182,200	123,612	93,635
Management Reserve	19,843	-	-
Profit/Loss on disposal of property and equipment	3	2	-
Profit before changes in operating assets and liabilities	**69,315**	**26,515**	**4,021**
Decrease / (Increase) in other receivables	-10,659	-26,934	108,203
(Increase) in trade finance loans	-182,556	-205,086	-203,082
(Increase) in project loans	-194,370	-386,576	-153,287
Increase in hedging derivative instruments-net	-54,043	75,760	-14,767
Increase / (Decrease) in Derivative Liabilities	-4,798	4,798	-
Decrease / (Increase) in Deferred expenditure	-	18,095	-6,905
Increase /(decrease) in collection accounts deposits	-8,220	-43,974	-92,704
(Decrease) / increase in other payables	-14,023	16,981	28,821
Provision for service and leave pay paid	288	238	-
Interest received	271,215	235,763	219,150
Interest paid	-182,200	-123,612	-93,635
Increase / (Decrease) increase in long term borrowings	73,740	914,075	-79,890
(Decrease) / increase in short term borrowings	68,692	-54,760	190,081
Increase in interest on government securities	-	-1,757	-38
Net cash generated from operations	**-167,619**	**449,526**	**-94,032**
Investing Activities			
Purchase of property and equipment	-4,979	-853	-499
Proceeds on disposal of property and equipment	-	-	17.00
Purchase of intangible assets	-938	-928	-589
Purchase / Disposal of equity investments	-85	-22,761	148

	Year ended 31 December		
	2018	2017	2016
		U.S.$'000	
Proceeds from maturity of government securities	-	-	-
Investment in joint venture	-17	-	-35
Purchase of Government Securities	-	-	-
Proceeds from redemption of Government Securities	57,275	159,181	27,103
Net Cash Used in Investing Activities	**51,256**	**134,639**	**26,145**
Financing Activities			
Receipt of capital subscriptions	30,517	59,174	32,310
Proceeds from Share Premium	7,532	17,862	8,236
Payment of Dividends	-25,049	-23,293	-21,786
Net cash from Financing Activities	**13,000**	**53,743**	**18,760**
Increase / (Decrease) in Cash and Cash Equivalents	**-103,363**	**637,908**	**-49,127**
Foreign Exchange (loss)/gain	16,301	236	448
Cash and Cash Equivalents as at 1 January	1,232,980	594,836	643,515
Cash and Cash Equivalents as at 31 December	**1,145,918**	**1,232,980**	**594,836**

Source: *December 2018, 2017 and 2016 - Audited Financial Statements*

Selected Financial Ratios

	Year ended 31 December		
	2018	2017	2016
Cost/Income Ratio	15.45%	16.24%	19.26%
Return on Shareholders' Equity	11.57%	12.04%	12.89%
Return on Average Assets	2.45%	2.35%	2.43%
NPLs as a % of Loan Portfolio	2.35%	2.39%	2.85%
Impairment Allowance as a % of Gross Loans	2.55%	2.75%	2.92%

Source: *December 2018, 2017 and 2016 - Audited Financial Statements*

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions) shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by an amended and restated Trust Deed (as amended or supplemented, the "**Trust Deed**") dated 14 May 2019 between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). The Trust Deed may be amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Registered Notes, Certificates, Coupons and Talons referred to below. An amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 14 May 2019 has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank N.A., London Branch as initial issuing and paying agent and the other agents named therein. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection in physical form during usual business hours, and upon reasonable notice at the specified offices of the Paying Agents and Transfer Agents.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those 0provisions of the Agency Agreement which are applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon **provided that** in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a Prospectus under Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**") the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder.

If indicated in the relevant Final Terms, any Global Notes issued from time to time may be intended to be held in a manner which will allow Eurosystem eligibility. This simply means that such Notes are intended to be issued in Eurosystem-eligible NGN form or Eurosystem eligible NSS Global Certificate form, respectively (as the case may be), in each case deposited with a Common Safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

In these Conditions:

(i) "**Common Depository**" means a depository common to the ICSDs;

(ii) "**Common Safekeeper**" means a common safekeeper for the ICSDs;

(iii) "**Eurosystem**" means the European System of Central Banks as the term is used by the Governing Council of the European Central Bank;

(iv) "**Eurosystem-eligible NGN**" means an NGN which is intended to be held in a manner which would allow Eurosystem eligibility, as indicated in the relevant Final Terms;

(v) "**Eurosystem-eligible NSS Global Certificate**" means an NSS Global Certificate which is intended to be held in a manner which would allow Eurosystem eligibility, as indicated in the relevant Final Terms;

(vi) "**ICSD**" means any or each of Euroclear and Clearstream, Luxembourg;

(vii) "**New Global Note**" or "**NGN**" means a temporary Global Bearer Note or a permanent Global Bearer Note in either case where the relevant Final Terms indicates that such Note is intended to be issued in new global note form; and

(viii) "**NSS Global Certificate**" means a Global Certificate where the relevant Final Terms indicates that such Note is intended to be issued under the safekeeping structure implemented on 1 July 2010 by the ICSDs.

Save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in respect of Registered Notes*), each Registered Note shall represent the entire holding of Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 2(b) (*Transfer of Registered Notes*) or (c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 7(e) (*Redemption at the Option of the Noteholders*)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d) (*Delivery of New Certificates*), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge**

Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d) (*Accrual of Interest*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(b)(ii) (*Registered Notes*)).

3. STATUS

The Notes and Coupons relating to them constitute (subject to Condition 4 (*Negative Pledge*)) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge)*, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), except for a Permitted Lien (as defined below), the Issuer will not create, or have outstanding, any mortgage, charge, lien, pledge, encumbrance or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) (a "**Lien**") to secure any of its indebtedness.

In this Condition:

"**Permitted Lien**" means:

(a) Liens existing on 14 May 2019;

(b) any netting or set-off arrangement entered into by the Issuer in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(c) any Lien over:

(i) any On-Loan Security which is created by the Issuer as security for any On-Loan Financing pursuant to which the relevant On-Loan was made available; or

(ii) any On-Loan which is created as security for the On-Loan Financing pursuant to which that On-Loan was made available where, "**On-Loan**" means, in respect of any On-Loan Financing, a loan or other form of financing made available to any person by the Issuer using the proceeds of that On-Loan Financing; "**On-Loan Financing**" means any financing made available to the Issuer for the purpose of the Issuer making any funds available to another person; and "**On-Loan Security**" means, in respect of any On-Loan, any Lien or guarantee created in favour of and/or for the benefit of the Issuer as security for that On-Loan;

(d) any Lien arising by operation of law or court or government body in the ordinary course of trading;

(e) any Lien securing any financial obligation of the Issuer incurred in connection with a Permitted Securitisation;

(f) any Lien over or affecting any asset acquired by the Issuer after the issue of the Notes, **provided that**

(i) if such Lien was not created in contemplation of the acquisition of that asset, the principal amount secured has not been increased in contemplation of or since the acquisition of that asset;

(ii) if such Lien is created in order to facilitate the acquisition of the asset, no such Lien shall extend to any other assets of the Issuer; or

(iii) if such Lien is created in order to facilitate the construction of a building or buildings to be owned by the Issuer, such Lien shall extend only to such building or buildings and the land on which such building or buildings is/are to be built; and

(g) Liens in respect of indebtedness up to a maximum of USD 30,000,000.

"**Permitted Securitisation**" means any transaction or series of transactions where indebtedness is incurred by the Issuer in connection with a securitisation of assets or factoring of receivables where the recourse of the provider(s) of that indebtedness is principally limited to those assets and or receivables, **provided that**, the aggregate outstanding principal amount of such financial obligation does not at the time of incurrence exceed 15 per cent. of the consolidated total assets of the Issuer (as determined by reference to the latest available audited financial statements of the Issuer), save that where the outstanding principal amount of indebtedness under any existing Permitted Securitisation is to be fully or partially repaid or refinanced with the proceeds of a transaction or series of transactions which itself or themselves will constitute a Permitted Securitisation then the existing outstanding principal amount of indebtedness to be repaid will not be taken into account for the purpose of the foregoing determination.

5. FINANCIAL COVENANTS

5.1 Capital Adequacy and Tangible Net Worth

The Issuer shall ensure that:

(a) it maintains a minimum capital adequacy ratio of 12 per cent. of capital against risk weighted assets calculated in accordance with the provisions of the Basel Paper; and

(b) its Tangible Net Worth shall not be less than USD 200,000,000.

In this Condition 5 (*Financial Covenants*):

"**Basel Paper**" means the paper entitled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version" dated June 2006 and prepared by the Basel Committee on Banking Supervision;

"**IFRS**" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board from time to time and consistently applied;

"**Tangible Net Worth**" means, in respect of the Issuer, at any time the aggregate of:

(a) the amount paid up or credited as paid up on the common stock of the Issuer;

(b) to the extent the Issuer's general reserves ("**General Reserves**") and/or share premium ("**Share Premium**") are included in audited financial statements produced by the issuer, the Issuer's General Reserves and Share Premium; and

(c) the Issuer's Retained Earnings, in each case as calculated in accordance with IFRS.

5.2 Information Undertakings

At any time that it is required to comply with the Financial Covenants set out under Condition 5.1 (*Capital Adequacy and Tangible Net Worth*) above, the Issuer shall supply to the Trustee:

(a) as soon as the same become available, but in any event within 135 days after the end of each of its financial years, its audited financial statements for that financial year; and

(b) as soon as they are available, but in any event within 90 days after the end of each half of each of its financial years, after the approval of its half year financial statements by the Issuer's Board of Directors, its financial statements for the relevant financial half year in the form such financial statements were so approved.

5.3 **No Event of Default Certificate**

(a) The Issuer has undertaken in the Trust Deed to deliver to the Trustee in relation to each set of financial statements delivered pursuant to paragraph (a) of Condition 5.2 (*Information Undertakings*) upon request by the Trustee a certificate of the Issuer as to there not having occurred an Event of Default, a Potential Event of Default or a Conditional Put Event and that the covenants in Condition 4 (*Negative Pledge*) have been complied with since the date of the last such certificate (the "**No Event of Default Certificate**"), or, if such an event had occurred, as to the details of such event, in the form set out in the Trust Deed. The Trustee will be entitled to rely without liability on any No Event of Default Certificate and shall not be obliged to monitor compliance by the Issuer with the covenants set forth in this Condition 4 (*Negative Pledge*) and shall not be required to review any financial statements or certificates provided pursuant to Condition 5.3 (*No Event of Default Certificate*) or to monitor the timing of their delivery and need not enquire further as regards the circumstances existing on the date of such No Event of Default Certificate.

(b) The Issuer is not in compliance with Condition 5.1 (*Capital Adequacy and Tangible Net Worth*) then it shall as soon as practicable inform the Trustee that it is no longer in compliance.

(c) Each such No Event of Default Certificate shall be signed by two authorised signatories of the Issuer.

6. **INTEREST AND OTHER CALCULATIONS**

(a) **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(h) (*Determination or Calculation by Trustee*).

(b) **Interest on Floating Rate Notes**

(i) ***Interest Payment Dates***

Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(h) (*Determination or Calculation by Trustee*). Such Interest Payment Date(s) may either be shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) ***Business Day Convention***

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) ***Rate of Interest for Floating Rate Notes***

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

For the purposes of these Conditions:

"**EURIBOR**" means the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation;

"LIBID" means the London inter-bank bid rate. It is the bid rate that banks are willing to pay for eurocurrency deposits in the London interbank market. The LIBID rate is derived by subtracting 0.125 per cent. from the LIBOR rate that has the same maturity;

"**LIBOR**" means the London inter-bank offered rate for a currency and period displayed on the appropriate page (being currently Reuters screen page LIBOR01 or LIBOR02) on the information service which publishes that rate; and

"**LIMEAN**" means the London inter-bank mean rate. It is the mid-market interest rate in the London interbank market, calculated by averaging the LIBID and LIBOR rates.

(B) *Screen Rate Determination for Floating Rate Notes*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR, LIBID and LIMEAN or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, LIBID and LIMEAN or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(l) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, LIBID or LIMEAN the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, LIBID or LIMEAN at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered: (i) if the Reference Rate is LIBOR, LIBID OR LIMEAN at approximately 11.00 a.m. (London time); or (ii), if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in: (i) if the Reference Rate is LIBOR, LIBID or LIMEAN the London inter-bank market; or (ii), if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be;

or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the

Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which: (i) if the Reference Rate is LIBOR, LIBID or LIMEAN at approximately 11.00 a.m. (London time); or (ii), if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in: (i) if the Reference Rate is LIBOR, LIBID or LIMEAN the London inter-bank market; or (ii), if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be;

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(b)(i) (*Early Redemption-Zero Coupon Notes*)).

(d) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 6 (*Interest and Other Calculations*) to the Relevant Date (as defined in Condition 9 (*Taxation*)).

(e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with this Condition 6 by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be. Unless specified hereon, the Minimum Rate of Interest shall be zero.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.

(f) **Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts**

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b) (ii) (*Interest on Floating Rate Notes-Business Day Convention*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11 (*Events of Default and Put Events*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee may, subject to its being indemnified and/or secured to its satisfaction, do so (or shall appoint an agent on its behalf to do so) (but without any liability accruing to the Trustee as a result) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(i) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**"); and/or

(iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement for Renminbi payments in Hong Kong; and/or

in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[(360 \times Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case $\mathbf{D_2}$ will be 30

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[(360 \times Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[(360 \times Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(vii) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

"**Euro-zone**" means the region comprised of EU Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, LIBID or LIMEAN the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(j) **Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the

Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

7. **REDEMPTION, PURCHASE AND OPTIONS**

(a) **Final Redemption**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

(b) **Early Redemption**

(i) ***Zero Coupon Notes***

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 7(c) (*Redemption for Tax Reasons*) or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the "**Amortised Face Amount**" of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(c) (*Redemption for Tax Reasons*) or upon it becoming due and payable as provided in Condition 11 (*Events of Default and Put Events*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c) (*Zero Coupon Notes*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) ***Other Notes***

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(c) (*Redemption for Tax Reasons*) or upon it becoming due and payable as provided in Condition 11 (*Events of Default and Put Events*), shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Tax Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time (if this Note is a Fixed Rate Note or a Zero Coupon Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 7(b) (*Early Redemption*) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Issuer Member State (as defined in Condition 9 (*Taxation*)), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(c) (*Redemption for Tax Reasons*), the Issuer shall deliver to the Trustee (a) a certificate signed by two authorised signatories of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) **Redemption at the Option of the Issuer**

If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes to be redeemed, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements and the rules and procedures of Euroclear and/or Clearstream, Luxembourg, where applicable (to be reflected in the records of Euroclear and Clearstream Luxembourg as either a pool factor or reduction in nominal amount or otherwise, in each case at their discretion) or any other Alternative Clearing System (as defined in the Trust Deed) as the case may be.

(e) **Redemption at the Option of Noteholders**

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases**

The Issuer may at any time purchase Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation**

All Notes purchased by or on behalf of the Issuer may be held by or on behalf of the Issuer or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8. PAYMENTS AND TALONS

(a) **Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below (and subject to Condition 8(i)), be made against presentation and surrender of the relevant Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f)(iv) (*Unmatured Coupons and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 8(f)(ii) (*Unmatured Coupons and unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes**

Payments of principal in respect of Registered Notes shall be made against presentation and surrender or, in the case of part payment only, endorsement of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

Subject to Condition 8(i), interest on Registered Notes shall be paid to the person shown on the Register at the close of the business day prior to the due date for payment thereof (the "**Record Date**"). Subject as provided below, payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 thereof, any regulations or agreements otherwise thereunder, official interpretations thereof ("**FATCA**"), or any law implementing an intergovernmental approach to FATCA but without prejudice to the provisions of Condition 9 (*Taxation*). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee (such approval not to be unreasonably withheld or delayed) to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, **provided that** at the time of such variation or termination, no downgrading of any voting assigned to the Notes shall result and **provided further that** the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in at least one major European city, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and unexchanged Talons**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10 (*Prescription*)).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10 (*Prescription*)).

(h) **Non-Business Days**

If any date for payment in respect of any Notes or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

(i) **Renminbi Account**

All payments in respect of the Notes in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in Hong Kong or such other financial centre(s) as may be specified in the applicable Final Terms as Renminbi Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong or any relevant Renminbi Settlement Centre).

(j) **Renminbi Currency Event**

If Renminbi Currency Events are specified in the applicable Final Terms and a Renminbi Currency Event occurs and is continuing on a date for payment of any amount due in respect of any Note or Coupon, the Issuer's obligation to make payment in Renminbi under the terms of the Notes may be satisfied by payment of such amount in U.S. dollars converted using the Spot Rate for the Rate Calculation Date.

Upon the occurrence of a Renminbi Currency Event that is continuing, the Issuer shall give irrevocable notice to the Noteholders in accordance with Condition 15 (*Replacement of Notes, Certificates, Coupons and Talons*) not less than five nor more than 30 days before the relevant due date for payment or, if this is not practicable due to the time at which the relevant Renminbi Currency Event occurs, as soon as practicable following such occurrence, stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms (and subject in the case of any determination of the Calculation Agent, to the provisions of Condition 6.2(f) (*Calculation Agent*)):

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and New York City;

"**Rate Calculation Date**" means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes;

"**Renminbi Currency Events**" means any one of Renminbi Illiquidity, Renminbi Non-Transferability and Renminbi Inconvertibility;

"**Renminbi Illiquidity**" means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to make a payment, if any amount, in whole or in part, under the Notes, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the Renminbi exchange market in Hong Kong;

"**Renminbi Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert in the general Renminbi exchange market in Hong Kong any amount, in whole or in part, due in respect of the Notes into Renminbi on any payment date, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation);

"**Renminbi Non-Transferability**" means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer due to an event beyond its control, to comply with such law, rule or regulation); and

"**Spot Rate**" means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including, among other things, pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

9. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within or on behalf of any Issuer Member State or any authority therein or thereof having power to tax, unless such withholding or deduction is required by a law to which the Issuer is or becomes subject. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) **Other connection**

to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Issuer Member State other than the mere holding of the Note or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date**

presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

Notwithstanding any other provision of this Condition 9, none of the Issuer, any Paying Agent or any other person shall be required to pay any additional amounts in respect of any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code, otherwise required pursuant to FATCA or required pursuant to any law implementing an intergovernmental approach to FATCA.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 (*Interest and Other Calculations*) or any amendment or supplement to it, (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed and (iv) "**Issuer Member State**" means any Member State of the Eastern and Southern African Trade and Development Bank as determined in accordance with its Charter.

10. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. EVENTS OF DEFAULT AND PUT EVENTS

11.1 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least twenty five per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to its being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(a) **Non-Payment of Principal**

default is made in the payment on the due date of principal in respect of any of the Notes; or

(b) **Non-Payment of Interest**

default is made in the payment on the due date of interest in respect of any of the Notes, **provided that** such default will not be an Event of Default if the failure to pay is caused by administrative or technical error and such default is remedied within three Business Days in London and Nairobi; or

(c) **Breach of Financial Covenants or Negative Pledge**

the Issuer does not perform or comply with any one or more of its obligations under Conditions 4 (*Negative Pledge*) or 5 (*Financial Covenants*); or

(d) **Breach of Other Obligations**

the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is certified by the Trustee as being materially prejudicial to the interests of the Noteholders and is incapable of remedy (including, but not limited to, as a result of the discontinuation of its corporate structure) or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or

(e) **Cross-Default**

(A) any other present or future indebtedness of the Issuer, for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described), (**provided that** any such default under any of the Issuer's financing arrangements, other than in respect of the Programme or the Notes issued hereunder, which is analogous to the events described in Condition 11.2 (*Put Events*) below must be declared due and payable in order for such default to constitute an Event of Default in accordance with this paragraph), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer fails to pay when due (but after the expiration of any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised **provided that** the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (e) have occurred equals or exceeds 10 per cent. of the net worth of the Issuer (as reasonably determined by the Trustee); or

(f) **Enforcement Proceedings**

any expropriation, distress, attachment, sequestration or execution (or any analogous procedure) or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer (other than as described in Condition 11.2(b) (*Government Intervention*)); or

(g) **Insolvency**

the Issuer is unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or the value of the assets of the Issuer is less than its liabilities (taking into account contingent and prospective liabilities); or

(h) **Winding-up**

any order is made or any resolution passed for the suspension or termination of the Issuer, or the Issuer otherwise ceases to exist; or

(i) **Cessation of Business**

the Issuer ceases, or threatens to cease, to carry on all or substantially all of its business or operations; or

(j) **Illegality**

it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes, the Agency Agreement or the Trust Deed.

The Issuer has undertaken in the Trust Deed that within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by two authorised signatories of the Issuer to the effect that as at a date not more than five days prior to the date of the certificate no Event of Default has occurred

11.2 **Put Events**

If any of the following events ("**Conditional Put Events**") occurs, the holder of any such Note will have the option (a "**Conditional Put Option**") (unless prior to the giving of the relevant Conditional Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 7(c) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Conditional Put Option Date (as defined below) at its principal amount together with interest accrued to (but excluding) the Conditional Put Option Date.

A "**Conditional Put Event**" will be deemed to occur if:

(a) ***Breach or Amendment of the Charter***

Any of Articles 5, 6, 7, 26, 27 or 29 of the Charter of the Eastern and Southern African Trade and Development Bank (the "**Charter**") is (i) amended other than in accordance with the terms of Article 44 of the Charter or (ii) breached by the Issuer in a manner or to an extent materially adversely affecting the Issuer's capacity to perform its obligations in respect of the Notes; or

(b) ***Government Intervention***

(i) All or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any person acting under the authority of any Issuer Member State (as defined in Condition 9 (*Taxation*)) or (ii) the Issuer is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues, and (in each case) such action has a materially adverse effect on the Issuer's capacity to perform its obligations in respect of the Notes. For the purpose of this Condition 11.2(ii), "**substantial**" means at least fifty per cent. of the undertaking, assets and revenues of the Issuer.

Promptly upon the Issuer becoming aware that a Conditional Put Event has occurred the Issuer shall, and the Trustee may if it has actual knowledge, and if so requested by the holders of at least twenty five per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Conditional Put Event Notice**") to the Noteholders in accordance with Condition 17 (*Notices*) specifying the nature of the Conditional Put Event and the procedure for exercising the Conditional Put Option.

To exercise the Conditional Put Option, the holder of a Bearer Note must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Conditional Put Option Period**") of 30 days after a Conditional Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Conditional Put Option Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Conditional Put Option Period (the "**Conditional Put Option Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefore issued pursuant to Condition 15 (*Replacement of Notes, Certificates, Coupons and Talons*)) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Conditional Put Option Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Conditional Put Option Notice to which payment is to be made, on the Conditional Put Option Date by transfer to that bank account and, in every other case, on or after the Conditional Put Option Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Conditional Put Option Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition 11.2 shall be treated as if they were Notes.

To exercise the Conditional Put Option, the holder of a Registered Note must deposit the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Conditional Put Option Notice obtainable from the Registrar or any Transfer Agent within the Conditional Put Option Period. No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified a bank account in the Conditional Put Option Notice to which payment is to be made, on the Conditional Put Option Date by transfer to that bank account and, in every other case, by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Conditional Put Option Date unless previously redeemed (or purchased) and cancelled.

If 75 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 11.2, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Conditional Put Option Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Conditional Put Event or any event which could lead to the occurrence of or could constitute a Conditional Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Conditional Put Event or other such event has occurred.

12. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

(a) **Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Trust Deed**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to cure any ambiguity, inconsistency or defective provision, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders or Couponholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) **Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual

Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13. **ENFORCEMENT**

At any time after the Notes become due and payable, only the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings or any other steps or actions in relation to the Trust Deed or the Notes unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. **INDEMNIFICATION OF THE TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is not obliged or required to take any action under the Trust Deed which may involve it in incurring any personal liability or expense unless indemnified, secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

The Trust Deed contains provisions for the Trustee to retire ***provided that*** *the Trustee has given at least three months written notice to the Issuer. The Trust Deed also contains provisions whereby the Noteholders may by Extraordinary Resolution remove the Trustee. Any such retirement or removal shall not be effective until a successor Trustee has been appointed. Noteholders shall be notified in accordance with Condition 17 (Notices) of any such retirement, removal and/or replacement of the Trustee.*

15. **REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

16. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes). References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

17. NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing, and if any such Notes are listed on the Irish Stock Exchange plc trading as Euronext Dublin (the "**Euronext Dublin**"), notices will be published either on the website of the Euronext Dublin (*www.ise.ie*) or in a daily newspaper with general circulation in the Republic of Ireland (which is expected to be *the Irish Times*). Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are listed on the Euronext Dublin, published either on the website of the Euronext Dublin (*www.ise.ie*) or in a daily newspaper with general circulation in the Republic of Ireland (which is expected to be *the Irish Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19. GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Notes, the Coupons, the Talons and the arbitration agreement at Clause 19(b) (*Arbitration*), including any non-contractual obligations arising out of or in connection with them, shall be governed by, and shall be construed in accordance with, English law.

(b) Arbitration

Subject to Clause 19(c) (*Trustee's option to refer Dispute to court*) below, and 19(d) (*Jurisdiction of the English Courts*) the Issuer agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed and the Notes, the Coupons or the Talons (including a claim, dispute or difference regarding its existence, termination or validity or any non contractual obligations arising out of or in connection with the Trust Deed (a "**Dispute**"), shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the "**Rules**") as in force at the date of the Trust Deed and as modified by this Clause, which Rules shall be deemed incorporated into this Clause. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, **provided that** if the third arbitrator has not been nominated within 30 days of the nomination of the second party-nominated arbitrator, such third arbitrator shall be appointed by the LCIA Court. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. Where more than one Dispute arises out of or in connection with Trust Deed, the Notes, the Coupons or the Talons, and such Disputes, in the reasonable opinion of the first arbitral tribunal to be appointed in respect of any of the Disputes (the "**First Tribunal**"), are so closely connected that it is fair and expedient for them to be resolved in the same proceedings, the First Tribunal may, upon application by any party, order that the proceedings to resolve one Dispute shall be consolidated with those to resolve any other Dispute. If the First Tribunal so orders, the parties to each Dispute which is a subject of such order shall be treated as having consented to that Dispute being finally decided by the First Tribunal, unless the LCIA Court decides that the First Tribunal would not be suitable. The seat of arbitration shall be London, England and the language of arbitration shall be English.

(c) **Trustee's option to refer Dispute to court**

The Trustee may, by notice in writing to the Issuer, require that a Dispute be heard by a court of law **provided that** such written notice is received by the Issuer before an arbitrator has been appointed in connection with such Dispute. A notice validly issued by the Trustee under this Condition 19(c) shall also be binding on all Noteholders and Couponholders. If the Trustee gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 19(d) (*Justification of the English Courts*) below.

(d) **Jurisdiction of the English Courts**

In the event that the Trustee validly issues a notice pursuant to Condition 19(c) (*Trustee's option to refer Dispute to court*) the following provisions shall apply:

(i) the courts of England shall have jurisdiction to settle any such Dispute;

(ii) the Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any such Dispute, and agrees not to claim that courts of England are not a convenient or appropriate forum; and

(iii) the submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Trustee, in accordance with this Condition 19, to take proceedings in any other court of competent jurisdiction, nor shall the taking of any proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

(e) **Immunity**

To the extent that the Issuer may in any jurisdiction claim for itself or its assets, property or revenues (irrespective of their use or intended use) immunity from jurisdiction, suit, enforcement, execution, attachment (whether in aid of execution, after the making of a final judgment of a court of competent jurisdiction or final award) or other legal process including in relation to the enforcement of any arbitration award and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets, property or revenues, the Issuer has agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction and the Charter.

The Issuer has waived any immunity from jurisdiction to which it might otherwise be entitled in any suit or proceedings arising out of or relating to the Trust Deed, and (*provided that* a certificate has been obtained in accordance with the Charter) the Notes, the Coupons and the Talons.

(f) **Service of Process**

The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any proceedings in England.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. **Initial Issue of Notes**

If the Global Notes or Global Certificates are stated in the applicable Final Terms to be issued in NGN or NSS form (as applicable), the Global Notes or NSS Global Certificates (as the case may be) will be deposited on or prior to the original issue date of the Tranche with a common safekeeper for Euroclear and Clearstream Luxembourg (the "**Common Safekeeper**"). Depositing the Global Notes or NSS Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Global Certificates which are not issued in NSS form may be delivered on or prior to the original issue date of the Tranche to a Common Depositary. If the Global Note is a CGN or the Global Certificate is not issued in NSS form, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any common nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the issue outstanding amount from time to time of the Notes shall be the amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the issue outstanding amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time. In the case of a NSS Global Certificate, the register maintained by the Registrar shall be conclusive evidence of the issue outstanding amount of Notes represented by the NSS Global Certificate.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3. **Exchange**

3.1 ***Temporary Global Notes***

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(a) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview* *of the Programme - Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(b) otherwise, in whole or in part, on or after the date which is 40 days after the completion of the distribution of all Notes of the relevant Tranche (as determined and certified by the relevant Dealer (the "**Distribution Compliance Period**")) upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 ***Permanent Global Notes***

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

(a) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(b) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 ***Global Certificates***

If the Final Terms state that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or

(ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 ***Partial Exchange of Permanent Global Notes***

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

3.5 ***Delivery of Notes***

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or, if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 *Exchange Date*

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4. Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is an overview of certain of those provisions:

4.1 *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement.

All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 8(e)(vii) will apply to the Definitive Notes only. In the case of payments in respect of Notes represented by a Global Certificate not issued in NSS form the Issuer shall procure that details of each such payment shall be entered in the records of the Registrar and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the Registrar and represented by the Global Certificate will be reduced accordingly.

If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. In the case of a NSS Global Certificate, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the Registrar and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the Registrar and represented by the NSS Global Certificate will be reduced accordingly. Payments under the NGN or NSS Global Certificate will be made to its holder.

Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system or Registrar (as the case may be) shall not affect such discharge.

4.2 ***Prescription***

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note or a Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 10).

4.3 **Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate).

4.4 **Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 **Purchase**

Notes represented by a permanent Global Note or Global Certificate may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

4.6 **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except (in the case of Notes represented by a permanent Global Note) that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

Any option of the Noteholders provided for in the Conditions may be exercised by the holder of the Global Certificate giving notice to the Registrar or Transfer Agent within the time limits relating to the deposit of Notes with a Registrar or Transfer Agent set out in the Conditions substantially in the form of the notice available from the Registrar or any Transfer Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised.

4.8 **NGN/NSS nominal amount**

Where the Global Note is an NGN or in the case of a NSS Global Certificate, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems or Registrar and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note or NSS Global Certificate (as the case may be) shall be adjusted accordingly.

4.9 **Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee or common safekeeper for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.10 **Notices**

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, except that so long as the Notes are listed on Euronext Dublin and the rules of that exchange so require, notices shall also be published either on the official website of Euronext Dublin *(www.ise.ie)* or in a leading newspaper having general circulation in the Republic of Ireland (which is expected to be *the Irish Times*).

USE OF PROCEEDS

The net proceeds from each issue of Notes shall be incorporated into the ordinary capital resources of the Issuer and used in its ordinary operations in accordance with its Charter.

The proceeds from the issue will not be used, directly or indirectly, to finance projects or transactions involving countries, entities or individuals facing international sanctions.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Bank's audited financial statements for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 (see "Selected Financial Information" above).

Critical Accounting Policies

The Bank's financial statements are prepared on the historical cost basis except for certain financial assets that have been measured at fair value, and are presented in United States dollars in accordance with the Bank's Charter. The reporting currency is the United States Dollar and most of the Bank's activities are conducted in this currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and also requires the Bank's management to exercise its judgement in the process of applying the Bank's accounting policies. The preparation of financial statements involves management estimates and assumptions that may affect the reported amounts of assets and liabilities within the financial year. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Income from loans and investments is recognised in profit or loss when it accrues, by reference to the principal outstanding and the interest rate applicable. Fees and commissions are recognised at the time of effecting the transaction. Borrowing costs are expensed in the period in which they are incurred. Assets and liabilities in foreign currencies are translated to United States Dollars at the relevant rates of exchange on the reporting date. Property and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation and any accumulated impairment loss. Intangible assets comprise the cost of acquired computer software programmes.

At each reporting date, the Bank reviews the carrying amounts of its financial, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. Expenditure incurred in relation to borrowings from which the Bank will derive benefits over a period beyond the period in which the facility is secured, if material, is capitalised and amortised over the life of the facility.

Statement of Comprehensive Income

Interest Income has grown progressively over the past years, specifically to USD 225.2 million, USD 276 million and USD 361.6 million for the years ended 2016, 2017 and 2018 respectively. The significant increase in interest income is partly the result of the utilisation of the USD 740 million raised under the Bank's 2016 syndicated loan, the USD 917 million from the Eurobond market in 2017, and other borrowings raised to fund the Bank's operations. The enhanced resource capacity enabled the Bank to finance a significantly higher volume of transactions under trade and project finance.

Arising from an expanded loan portfolio, project finance interest income grew by 32 per cent. from USD 95.2 million in 2017 to USD 125.4 million in 2018. Trade finance interest income increased from USD 172.4 million in 2017 to USD 204.3 million in 2018, a 19 per cent. increase.

For the years 2016, 2017 and 2018, interest expense was USD 95.0 million, USD 143.9 million and USD 198.5 million respectively. The 2017 Eurobond issue and the 2016 syndicated loans contributed to a significant increase in the interest expense recorded in 2017 and 2018, in addition to the increase in the LIBOR rate over the years. In addition to these borrowings, the Bank drew on its short term and long-term facilities to fund portfolio growth. Long-term borrowings amounted to USD 794.2 million in 2016, USD 1.7 billion in 2017 and USD 1.8 billion in 2018 while short-term borrowings amounted to USD 2.4 billion in 2016, USD 2.3 billion in 2017 and USD 2.4 billion in 2018.

Net Interest Income for the years ended 31 December 2016, 2017 and 2018 was USD 116.5 million, USD 125.6 million and USD 156.4 million respectively, with the annual increases mainly reflecting portfolio growth during the period and diversification into what the Bank assesses to be hitherto under-served markets by the Bank.

Fees and Commission Income, for the years ended 31 December 2016, 2017 and 2018 was USD 55.0 million, USD 56.8 million and USD 44.2 million respectively. The decrease in fee income is attributed to low volume levels of letters of credit in 2018. Risk mitigation costs (Risk Down-Selling and Insurance) for the year ended 31 December 2018 amounted to USD 35.5 million compared to USD 37.4 million in December 2017 and USD 13.1 million in December 2016. 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. Down-selling further provides the Bank with room to book new assets and generate incremental fee income. Insurance assists the Bank in receiving capital relief, as well as serving as a risk mitigant against credit and currency convertibility and externalisation risks. Since December 2016, the Bank has been insuring part of its callable capital, providing it with credit enhancement and effectively improving the average rating of its key shareholders. These risk mitigation measures are considered part of the Bank's overall credit positive initiatives contributing to the Bank's investment grade credit rating attainment.

Income from operations for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 was USD 162.0 million, USD 157.6 million and USD 173.5 million respectively. Net trading income rose by 6 per cent. from USD 171.48 million in 2016 to USD 182.4 million in 2017 and USD 200.6 million in 2018.

Operating Expenses for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 were USD 31.5 million, USD 30.8 million and USD 40.7 million respectively. Recruitment of new staff to drive the implementation of various strategic business initiatives, the introduction of performance linked pay incentives and the opening of new regional offices accounts for the increased operating expenses in the period 2016-2018. The annual increases were well below the business volume growth recorded during the period. Whilst operating costs increased due to the new regional structure, the cost to income ratio decreased from 16.24 in 2017 to 15.45 in 2018.

Total Comprehensive Income for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 was USD 101.5 million, USD 111.9 million and USD 129.8 million respectively

Statement of Financial Position

Total assets as at 31 December 2018 amounted to USD 5.6 billion compared to USD 5.3 billion as at 31 December 2017 representing, a 6 per cent. increase. This growth was due to receipt of funds from lenders to fund disbursements as well as maintain a healthy liquidity buffer. In addition, there was new lending towards trade finance and project finance activities. At 31 December 2018, net trade finance loans amounted to USD 2.7 billion and net project finance loans amounted to USD 1.4 billion. As at 31 December 2018, Cash and Bank balances were USD 1.1 billion compared to balances at 31 December 2017 and 31 December 2016 of USD 1.2 billion and USD 0.6 billion respectively.

Total liabilities as at 31 December 2018 were USD 4.4 billion compared to USD 4.2 billion as at 31 December 2017. Increases in funding required for the growing portfolio accounted for this increase in liabilities. As at 31 December 2018, short-term borrowings amounted to USD 2.4 billion compared to USD 2.3 billion at 31 December 2017. Long-term borrowings were USD 1.8 billion at 31 December 2018 compared with USD 1.7 billion at 31 December 2017.

Asset Quality and Non-performing Loans

The Bank's level of non-performing loans ("**NPLs**") fell from 2.39 per cent. at 31 December 2017 to 2.35 per cent. at 31 December 2018. The nominal amount of NPLs increased by 8 per cent. to USD 100.6 million from USD 93.6 million. The growth is in line with the 9 per cent. growth in the gross portfolio from USD 3.9 billion at 31 December 2017 to USD 4.3 billion at 31 December 2018.

Loan Recoveries

During the period, in respect of NPLs, the Bank recorded the following loan recoveries. For details on the percentage recovery for NPLs, refer to "*Collateral Enforcement*" below.

	Year ended 31 December		
	2018	**2017**	**2016**
		U.S.$'000	
Impaired Assets Recovered	4,357	11,087	3,015

Off Balance Sheet Transactions

In line with normal banking operations, the Bank conducts business involving acceptances, letters of credit, guarantees and performances. The majority of these facilities are offset by corresponding obligations of third parties.

The following table sets out the Bank's composition of off-balance sheet items for the years ended 31 December 2016, 2017 and 2018.

	Year ended 31 December		
	2018	**2017**	**2016**
		U.S.$'000	
Letters of credit - Project loans	280	7,223	15,468
Letters of credit - Trade loans	161,393	467,904	322,644
Guarantees	17,000	-	10,275
Total	**178,673**	**475,128**	**348,387**

DESCRIPTION OF THE BANK

Introduction

The Bank was established by charter on 6 November 1985 (the "**Charter**"), pursuant to Chapter 9 of the Treaty establishing the Preferential Trade Area (the "**PTA**") for Eastern and Southern African States. The PTA has since been transformed into the Common Market for Eastern and Southern Africa ("**COMESA**"), which is a regional economic integration bloc, whose membership currently includes 19 countries in Northern, Eastern and Southern Africa. With the formation of the Tripartite Free Trade Area ("**TFTA**") and the recent decision of African Union member states to create the African Continental Free Trade Area ("**AfCFTA**"), the Bank has positioned itself as a leading development finance institution of the TFTA and a key player within the future AfCFTA. The Bank is similar in structure to other supranational trade and development banks, such as the African Development Bank, the African Export-Import Bank and the East African Development Bank.

The Bank's vision is to become a world-class financial institution advancing the economic development, integration and prosperity of the Eastern and Southern African Region and its mission is to be at the forefront of extending development capital and services to advance regional growth and integration through customer focused and innovative financing instruments.

Since its establishment, the Bank has operated under its legal name "Eastern and Southern African Trade & Development Bank" as well as two trading names in English and in French: 'PTA Bank' and 'Banque de la ZEP' respectively. In May 2016, the Bank's Board of Governors (the "**BOG**") approved the rebranding of the Bank. It now trades under one trade name as the Trade and Development Bank ("**TDB**"), with a new logo and a new tagline. The Bank's legal name, "Eastern and Southern African Trade & Development Bank", remains unchanged.

The Bank's principal offices are located at Blue Tower, 2nd Floor, Rue de l'Institut, Ebene, P.O Box 43, Reduit, Mauritius and Chaussee Prince Louis, Rwagasore, P.O. Box 1750 Bujumbura, Burundi. Its telephone contacts at those addresses are +257-22224625/ +257-22220313(Burundi) and +230 4676016 / 230-4967204 (Mauritius), respectively. The Bank also has regional and operations hubs in Nairobi (Kenya), Harare (Zimbabwe) and Addis Ababa (Ethiopia). Its telephone contact at the Nairobi regional office is +254-732192000, while its telephone contact for the Harare regional office is +263-4788330-3/788336-9 and its telephone contact at the Addis Ababa office is +251 (0) 947363879. In line with its decentralisation and partnership strategy to better service the vast region it operates in and enhance its portfolio management, the Bank is also in the process of establishing a country office in Kinshasa (Democratic Republic of the Congo).

Brief History of the Bank

After establishment in 1985, the Bank went through formative years between 1986 and 1989 during which the principal activities undertaken were capital mobilisation, staff recruitment and establishment of various operational and policy instruments. Lending operations commenced on a limited scale in 1990 and continued until 1994 when political instability in Burundi forced the Bank to relocate its operations to Nairobi, Kenya.

Since 2016, Mauritius has become the Bank's second principal office alongside Bujumbura, Burundi. The Bank also maintains regional and operations hubs in Nairobi, Kenya, Harare, Zimbabwe, and Addis Ababa, Ethiopia. The Bank is also considering establishing other offices in the near future.

In April 2012, the Bank underwent a leadership succession process which resulted in the incumbent President and Chief Executive, Mr Admassu Tadesse, taking over from Dr Michael Gondwe who retired after serving the maximum two terms of five years each. Following this leadership change, a new five-year strategic plan covering the period 2013 to 2017 ("**Corporate Plan 2013-2017**"), was approved by the BOG in December 2012.

At its 32nd Annual Meeting in May 2016, the BOG unanimously renewed Mr. Admassu Tadesse's contract as President & Chief Executive of the Bank for a second term of five years effective April 2017. In August 2017, the BOG further approved the Bank's current five-year strategic plan covering the period 2018 to 2022 (the "**Corporate Plan 2018-2022**"). The Corporate Plan 2018-2022 reflects the Bank's transformation over the years toward the ideal of becoming a world class specialist African development finance institution with enhanced capacity to tackle larger and more impactful projects that will significantly contribute to the region's growth and prosperity. The Corporate Plan 2018-2022 further aims to propel the Bank to greater heights by expanding its footprint and portfolio in investing in value adding projects, intermediating more global and regional funding into Issuer Member States, with a strong focus on the 2030 sustainable development goals. "**Issuer Member State**" means any country which is an Eligible Member State[1], has acceded to the Charter and membership of the Bank, and is a shareholder of the Bank.

In order to bring its financial services closer to its clients in its Issuer Member States, the Bank has recently adopted a coverage model. The coverage model assumes full ownership of clients to deliver client-centric and innovative financial solutions. This hybrid coverage-product driven operating model, is an enhancement of the existing structure, aiming to further advance the Bank's diversification thrust, sub-regional presence for new business and improved portfolio management. It is also recognised as a drive for diversification and business development and enable the Bank to increase its deal pipeline and improve Issuer Member States' access to the Bank

Diversification

In order to address the development challenges of its Issuer Member States meaningfully and to react appropriately to market dynamics, the Bank plans to diversify its products and also expand its scope of sectoral and geographic intervention. This drive will also seek to diversify the Bank's earnings profile from interest income to a healthy balance by growing non-interest income. The Bank aims to accomplish this by:

(a) successfully running its operations through its joint venture, the Eastern and Southern African Trade Fund, which is expected to launch in the second quarter of 2019 at a level of US$ 50 million;

(b) growing its alternative investment offering through either proprietary or third-party funds; and

(c) growing syndication/co-investments offering and launching advisory services.

Regional Outreach

With a view to effectively addressing its customer needs amidst rapidly growing regional and local economies, the Bank has set up regional offices and plans to establish further satellite offices. These offices will serve a relationship and origination function by identifying areas of opportunity in line with the Bank's developmental mandate, manage more closely the Bank's portfolio of investments to improve further the quality of its assets, and continuously engage with its stakeholders. To increase the Bank's footprint in the region, the Addis Ababa country office was set up in 2017, and the Bank is currently in the process of setting up a Kinshasa country office.

Recent Developments

1. ***Strategic developments since September 2018***

   As part of the Bank's diversification, Syndication and Deal Structuring functions continue to expand their capacity to generate fee income in volumes of transactions, strengthening the Bank's ability to further grow its business. Continued efforts to expand capabilities in Asset Management and Advisory services are also ongoing.

2. ***Impact of ratings upgrades and drivers behind upgrades***

   In October 2018, Fitch upgraded the Bank's Long-Term Issuer Default Rating to 'BB+' from 'BB' (stable outlook) on account of the Bank's improving solvency and liquidity metrics based on increased quantum and quality of liquid assets and high internal capital generation ability.

   In November 2018, Moody's affirmed the Bank's 'Baa3' long term issuer rating (stable outlook) supported by the Bank's strengthened asset quality and capital adequacy. Capital adequacy has been strengthened in recent years due to (1) the general capital increase launched in 2013 including the expansion of the Bank's membership base and issuance of Class B shares and (2) a strong record of profitability, allowing the Bank to increase its capital levels through retained earnings.

[1] "**Eligible Member State**" means any country which has the status of membership of, or any country which is eligible to join the membership of, any of the Regional Economic Communities (RECs) or any other African country that borders an Issuer Member State.

In October 2018, GCR reaffirmed the Bank's investment rating of 'BBB-' (stable outlook) supported by their confirmation of the Bank's consistency in fulfilling its development mandate, strong shareholder support and capitalisation, adequate funding and liquidity, and improving asset quality.

The stable outlook reflects the strengthening of the Bank's credit profile provided by the existing insurance cover on callable capital from highly rated counterparties, improving asset quality and capital adequacy metrics.

The benefits of the ratings upgrades include the potential for the Bank to access new sources of funding as well as to obtain improved tenor and pricing in its funding.

The said credit ratings are reviewed annually and are not a recommendation to purchase, hold or sell any securities.

3. ***Financial Position***

Below is a table of selected financial information of the Bank for the years ended 2018 and 2017.

	2018	**2017**
	(USD million)	
Total Assets	5,557,574	5,264,699
Trade Finance & Project Finance Loans	4,163,004	3,806,368
Total Borrowings	4,165,284	4,022,852
Total Equity	1,192,026	1,021,036
Profit for the Year/Period	129,325	111,864

4. ***Business Trends***

There has been a renewed focus by the Bank on sovereign lending, syndications and forfaiting.

Further, the region in which the Bank operates has been characterised by economic growth driven by strong commodity trade flows and capital investment in infrastructure driven by growth in the services sector, oil and gas and manufacturing such as in the East Africa region and Mozambique.

5. ***Capacity and Coverage***

The Bank's institutional capacity building encompasses three main activities:

(i) skills upgrading;

(ii) system and procedural improvements; and,

(iii) organisational strengthening.

The Bank has made significant acquisition of resources in the last 18 months including human capital, financial resources, networks, systems and strengthened its corporate governance and internal controls. Adequate risk management policies and systems were developed and implemented including an enterprise risk management framework

To fulfil the Bank's vision to become a world class African financial institution, the Bank launched the Trade & Development Bank Academy (the "**TDB Academy**") in July 2018 as the educational arm and business of the Bank. The first phase of the TDB Academy will focus on delivering training to Bank staff, whereas the second phase will extend training to the Banks clients.

6. ***Planned new premises***

The Bank has commenced construction of its own office premises in Nairobi. The development of this commercial investment property was envisioned to meet the business growth and increase in the Bank's office requirements. Over the past three years, the Bank's growing office space requirements necessitated the renting of two additional office spaces and one archive in different locations in Nairobi. Until this property is fully developed, the Bank will be required to rent additional space to meet its increasing demand for office space.

The development of the Nairobi Office building is also intended as an investment by the Bank, and is intended to be marketed as a potential financial hub for other regional development financial institutions and other centre of excellences based in Nairobi.

In 2017, the Bank's regional office in Mauritius was upgraded to become the Bank's second principal office. As per the approval of the Bank's board of directors (the "**Board of Directors**" or the "**Board**"), the Bank joined AfricaRe, a strategic partner, to jointly purchase a property located in Ebene, Mauritius, with the Bank owning 40 per cent. of the building and AfricaRe owning 60 per cent. This is similar to the joint office arrangement with ZEP Re in Addis Ababa and the prospective joint office arrangement in Kinshasa with ATI and ZEP Re. The new premises will serve as a centre for funds management, fundraising and regional operation as well as corporate support and business continuity.

7. ***Corporate Plan 2018-2022***

During the 2018-2022 period, the Bank will continue to mobilise resources to support the financing of sustainable growth and transformation. In line with its Charter, the Bank will continue to grow its trade and development financing for a range of priority sectors, notably agribusiness, energy, industry, and infrastructure, including power, with some focus on renewable energy.

Building on its successes and lessons, the Bank has the following five strategic objectives in the Corporate Plan 2018-2022:

(i) to ensure managed growth and balanced and sustainable development impact;

(ii) to mobilise equity and debt financial resources, at the lowest possible costs, with optimal flexibility as well as diversity;

(iii) to develop further the Bank's human and institutional capital, and achieve high levels of operational excellence;

(iv) to build focused partnerships and collaboration for resource mobilisation, expanded impact and risk sharing; and

(v) to be a risk-intelligent organisation with high levels of asset quality and to achieve a higher investment grade rating.

8. ***Expanded Membership***

The Kingdom of eSwatini, the Republic of South Sudan and the Republic of Madagascar joined the Bank in 2016, 2017 and 2018, respectively. In order to expand its market, increase its resource base and strengthen regional economic integration, the Bank will continue to encourage the membership of Tunisia, Botswana, Angola and Algeria. The Bank will also continue to pursue membership of a number of emerging market states such as India as well as OECD states based on the strength of existing trade relations and/or political affiliations with East and Southern African States.

9. ***Subscription of Class B shares***

The OPEC Fund for International Development ("**OFID**") joined the membership of the Bank in December 2017, having subscribed to 2,054 Class B Shares for a total subscription commitment amounting to USD 19,999,798.

The Arab Bank for Economic Development (BADEA) joined the membership of the Bank in November 2018, having subscribed to 960 Class B Shares for a total subscription commitment amounting to USD 10,001,280.

In March 2019, the African Development Bank subscribed to 2,400 Class B Shares for a total subscription commitment amounting to USD 25,003,200.

10. ***Sudan regional business prospects post lifting of general US sanctions in October 2017***

Following the lifting of US sanctions on Sudan in October 2017, the Bank can engage in transactions such as USD funds transfer, or loans involving US banks to/from the Government of Sudan and its owned or controlled entities and settle Sudan related transactions using its USD accounts.

The shareholding of the Government of Sudan in the Bank and its operations in Sudan, will also no longer expose investors in or financial service providers of the Bank to OFAC risk under the now terminated OFAC sanctions against Sudan, thus unlocking facility syndication and providing distribution opportunities. However, EU sanctions on Sudan continue to apply.

Membership and Share Capital

Following amendments made to the Bank's Charter in January 2016, membership of the Bank has been redefined to comprise:

(a) Issuer Member States (or their Designated Institutions);

(b) other African and non-African states (or their Designated Institutions); and

(c) any African or non-African public or private institutions or corporate bodies.

"**Designated Institution**" means the central bank, sovereign wealth fund or any other state-owned agency of a member.

The terms and conditions governing the eligibility of membership are determined by the BOG, which shall approve the membership of any state (other than the Issuer Member States), body corporate, enterprise or other institution. The BOG determines the eligibility of each potential membership based on the provisions of the Charter, namely pursuant to Articles 3 and 5. These provisions outline the composition of the membership of the Bank, allocation of shares and the division of authorised capital stock.

The current Issuer Member States are: Burundi, the Union of the Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, South Sudan, Sudan, eSwatini, Tanzania, Uganda, Zambia and Zimbabwe. The People's Republic of China (represented by the People's Bank of China) and the Republic of Belarus (represented by the JSC Development Bank of Belarus), the African Development Bank, the Arab Bank for Economic Development, the National Pension Fund of Mauritius, Mauritian Eagle Insurance Company Ltd, Rwanda Social Security Board, Seychelles Pension Fund, Africa Reinsurance, PTA Reinsurance, Banco Nacional de Investimento (BNI), National Social Security Fund of Uganda, OPEC Fund for International Development, TDB Staff Provident Fund, TDB Directors and Select Stakeholders Provident Fund and SACOS Group Limited are institutional shareholders. The paid-up capital and shareholding levels are as indicated in the table under "*Capital subscriptions*" below.

Although the mandate and objective of the Bank at its inception was to operate in the context of, and as a financial arm of, COMESA, in 2012, the Bank expanded both its membership capital base as well as repositioned itself to serve as a specialised trade and development finance institution of the Grand Free Trade Area spanning COMESA, the East African Community ("**EAC**") and the Southern African Development Community ("**SADC**") which offers a larger outreach to the Bank in terms of membership while also sustaining the integration agenda with the development and financing of cross border infrastructure projects and facilitation of trade activities among members of the TFTA.

In June 2018, the Government of the Republic of Madagascar formally acceded to the membership of the Bank becoming its 22nd Issuer Member State.

The Bank does not finance projects, infrastructure or trade finance activity involving either Issuer Member States or enterprises located in Issuer Member States which are subject to sanctions imposed by the BOG on account of failing to fulfil capital subscription obligations for an extended period of time. Issuer Member States currently under sanctions imposed by the Bank, as determined by the BOG, are Eritrea and Somalia. On 28 August 2017, the Union of the Comoros was restored to good standing following receipt of its long-standing capital subscription arears and accumulated penalty interest in full.

Authorised share capital

At the 23rd Annual Meeting held in Mauritius in June 2007, the BOG approved an increase in the Bank's authorised share capital from USD 544 million to USD 2.0 billion with the par value of each share being USD 22,667. The effective date of this increase was 1 July 2007.

At the 28th Annual Meeting held in Lusaka, Zambia, in 2012, the BOG approved an increase in the Bank's authorised capital from USD 2.0 billion to USD 3.0 billion. This increase was achieved through the creation of 220,584 new Class B shares of a par value of USD 4,533.42 each. Following the creation of the Class B shares, the Bank currently has 7,343 and 197,485 unissued Class A and Class B shares respectively as at 31st December 2018.

Subscribed capital

As at 31 December 2018, the Bank had USD 1.9 billion in subscribed capital: all subscribed Class B shares and 20 per cent. of the subscribed Class A shares (or USD 471.4 million in aggregate) was payable, leaving USD 1.47 billion as callable capital. Of the payable capital, USD 461.7 million had been paid in as at 31 December 2018. The balance of the payable capital is expected to be paid between 2019 and 2020.

Capital subscriptions

The following table summarises the subscriptions to the capital stock of the Bank as at 31 December 2018:

	As at 31 December 2018							
	Shares subscribed[1]	Percentage of total[2]	Value USD[3]	Callable capital USD '000[4]	Payable capital USD '000[5]	Instalments due as at 31.12.2018 USD '000[6]	Instalments paid as at 31.12.2018 USD '000[7]	Percentage of paid up capital[8]
Class A shares								
Belarus	1,205	1.2%	27,314	21,851	5,463	5,463	5,463	1.2%
Burundi	1,602	1.5%	36,313	29,050	7,263	7,263	7,263	1.6%
China	4,433	4.3%	100,483	80,386	20,097	20,097	20,097	4.4%
Comoros	173	0.2%	3,921	3,137	784	784	784	0.2%
Djibouti	380	0.4%	8,613	6,891	1,723	1,723	1,723	0.4%
Congo DRC	5,607	5.4%	127,094	101,675	25,419	25,419	25,419	5.5%
Egypt	6,962	6.7%	157,808	126,246	31,562	31,562	31,562	6.8%
Eritrea	240	0.2%	5,440	4,352	1,088	1,088	709	0.2%
Ethiopia	6,962	6.7%	157,808	126,246	31,562	31,562	31,562	6.8%
Kenya	6,962	6.7%	157,808	126,246	31,562	31,562	31,562	6.8%
Madagascar	442	0.4%	10,019	8,015	2,004	401	401	0.1%
Malawi	1,721	1.7%	39,010	31,208	7,802	7,802	7,802	1.7%
Mauritius	3,293	3.2%	74,642	59,714	14,928	14,928	14,928	3.2%
Mozambique	2,252	2.2%	51,046	40,837	10,209	6,209	4,209	0.9%
Rwanda	1,957	1.9%	44,359	35,487	8,872	8,872	8,872	1.9%
Seychelles	351	0.3%	7,956	6,365	1,591	1,591	1,591	0.3%
Somalia	318	0.3%	7,208	5,767	1,442	1,442	940	0.2%
South Sudan	2,209	2.1%	50,071	40,057	10,014	10,014	10,014	2.2%
Sudan	5,277	5.1%	119,613	95,691	23,923	23,923	23,923	5.2%
eSwatini	444	0.4%	10,064	8,051	2,013	1,211	811	0.2%
Tanzania	6,735	6.5%	152,662	122,130	30,532	30,532	30,532	6.6%
Uganda	5,129	4.9%	116,259	93,007	23,252	23,252	23,252	5.0%
Zambia	5,989	5.8%	135,753	108,602	27,151	27,151	27,151	5.9%
Zimbabwe	6,337	6.1%	143,641	114,913	28,725	28,725	28,725	6.2%
African Development Bank	3,911	3.8%	88,651	70,921	17,730	17,730	17,730	3.8%
TOTAL CLASS A	**80,891**		**1,833,556**	**1,466,845**	**366,711**	**360,306**	**357,025**	
Class B shares								
African Development Bank	3,333	3.2%	15,110	-	15,110	15,110	15,110	3.3%
Africa Reinsurance Corporation	780	0.8%	3,536	-	3,536	3,536	3,536	0.8%
BADEA – Arab Bank for Economic Development in Africa	960	0.9%	4,352	-	4,352	4,352	4,352	0.9%
Banco Nacional de Investmento	888	0.9%	4,026	-	4,026	4,026	4,026	0.9%
Mauritian Eagle Insurance Company Limited	270	0.3%	1,224	-	1,224	1,224	1,224	0.3%
National Pension Fund–Mauritius	1,787	1.7%	8,101	-	8,101	8,101	8,101	1.8%
National Social Security Fund Uganda	2,966	2.9%	13,446	-	13,446	13,446	13,446	2.9%
OPEC Fund for International Development (OFID)	2,054	2.0%	9,312	-	9,312	9,312	9,312	2.0%
People's Republic of China	3,556	3.4%	16,121	-	16,121	16,121	16,121	3.5%
Rwanda Social Security Board	3,066	2.9%	13,899	-	13,899	13,899	13,899	3.0%
Sacos Group Limited	121	0.1%	549	-	549	549	549	0.1%
Seychelles Pension Fund	1,029	1.0%	4,665	-	4,665	4,665	4,665	1.0%
TDB Directors and Select Stakeholders Provident Fund	87	0.1%	394	-	394	394	394	0.1%
TDB Staff Provident Fund	1,368	1.3%	6,201	-	6,201	6,201	6,201	1.3%
ZEP-RE (PTA Reinsurance company)	834	0.8%	3,781	-	3,781	3,781	3,781	0.8%
TOTAL CLASS B	**23,099**		**104,717**		**104,717**	**104,717**	**104,717**	
TOTAL CAPITAL	**103,990**	**100%**	**1,938,273**	**1,466,845**	**471,428**	**465,023**	**461,742**	**100%**

1 *This refers to the number of the shares subscribed by the relevant person.*
2 *This represents the number of shares as a percentage of the total number of Class A and Class B shares subscribed.*
3 *This is the product of the shares subscribed and value of the shares as at 31 December 2018.*
4 *This represents the maximum obligation of the shareholder in the event of a call being made in response to financial distress.*

[5] *This is a sum of 'paid up capital' and 'unpaid but payable capital' i.e. capital that has either already been paid up by the shareholder or has been called and is due the shareholder.*
[6] *This refers to capital amounts due from the relevant shareholder on 31 December 2018 (prior to any payments on such date)*
[7] *This refers to capital amounts paid by the relevant shareholders on 31 December 2018.*
[8] *This refers to the paid up capital of the shareholder as a percentage of the total paid up capital of the Bank.*

The most significant membership expansion initiative under the Corporate Plan 2013-2017 was the introduction of a new shareholding category in the form of Class B shares to enhance the Bank's core capital base. The Class B share instrument was an opportunity for the Bank to engage the interest of institutional shareholders by delivering attractive returns on their investments and introducing a dedicated Board seat through governance reforms. Since its introduction in 2013, the Bank has successfully raised over USD 190 million through Class B shareholders, surpassing its projected target in the Corporate Plan 2013-2017 of USD 100 million.

Under the Corporate Plan 2018-2022, the recruitment of Class B shareholders is an ongoing exercise aimed at attracting African and non-African institutional investors.

The issuance of Class B shares is governed by the Charter, shareholder subscription agreements and applicable policies and resolutions adopted by the BOG and the Board of Directors from time to time. In accordance with the provisions of the Charter, Class B Shares are issued at par plus any appropriate premium, as may be required annually by the Board of Directors, based on a valuation methodology recommended by an independent accounting firm of high repute and adopted by the Board of Directors from time to time. Both Class A and Class B shares have equal voting rights and offer 1 vote per share.

To date, the Bank has fifteen Class B institutional investors namely, Rwanda Social Security Board, Seychelles Pension Fund, Africa Reinsurance Corporation, Banco Nacional de Investimento, PTA Reinsurance Company, National Pension Fund of Mauritius, Mauritian Eagle Insurance Company Ltd, National Social Security Fund of Uganda, OPEC Fund for International development; TDB Staff Provident Fund; TDB Directors and Select Stakeholders Provident Fund, SACOS Group Limited, the Arab Bank of Economic Development and the African Development Bank, in addition to the People's Republic of China (represented by the People's Bank of China).

There is typically a standard lock-in period of 5 years for Class B shares, but since its introduction in 2013, no Class B shareholder has withdrawn from the membership of the Bank.

In 2013, a new member, Paritetbank (a Designated Institution of the Republic of Belarus), invested in Class A shares. In 2018, the Republic of Belarus changed its Designated Institution from Paritetbank to the JSC Development Bank of Belarus. Other existing Class A shareholders such as Rwanda, Uganda, Zambia and Mauritius chose to take up the additional shares offered to them in Class A shares. In 2017, Kingdom of eSwatini and the Republic of South Sudan respectively became the 20th and 21st Issuer Member States of the Bank, while in June 2018, the Republic of Madagascar joined the Bank as its 22nd Issuer Member State.

No single shareholder has dominant voting rights. None of the largest shareholders hold more than 10 per cent. of the voting rights.

The Charter

The Charter which is binding on all Issuer Member States sets out the objectives, membership, capital structure and organisation of the Bank, as well as identifying the type of transactions the Bank may engage in. It also sets out the immunities, exemptions and privileges of the Bank. The Charter also contains provisions with respect to the allocation of capital subscriptions.

As set out in Article 4 of the Charter, the objectives of the Bank, among other things, are to:

(a) provide financial and technical assistance to promote the economic and social development of Issuer Member States taking into account the prevailing varying economic and other relevant conditions within the Issuer Member States;

(b) promote the development of trade among Issuer Member States conducted in accordance with the provisions of the COMESA Treaty by financing, where appropriate, activities related to such trade;

(c) further the aims of Issuer Member States by financing, wherever possible, projects designed to make the economies of the Issuer Member States increasingly complementary to each other;

(d) supplement the activities of national development agencies of the Issuer Member States by joint financing operations and by the use of such agencies as channels for financing specific projects;

(e) co-operate, within the terms of the Charter, with other institutions and organisations, public or private, national or international, which are interested in the economic and social development of the Issuer Member States; and

(f) undertake such other activities and provide such other services as may advance the Bank's objectives which includes the provision of finance to, and the making of investments in, any African or non-African public or private institution or corporate, whether or not the same is a member, where the Board of Directors is of the view that to do so may advance the objectives of the Bank.

These strategic objectives are achieved through the provision of project and infrastructure finance and trade finance, which are funded by the Bank's ordinary resources. Special operations are financed through funds from bilateral and multilateral donor institutions as well as from the Bank's own funds. Ordinary resources and special operations are further explained under "*Ordinary and Special Operations*" below.

Article 36 of the Charter provides that a member of the Bank which is an Issuer Member State may not withdraw from the Bank. In addition, subject to the provisions of the Charter and any regulation made as a supplement thereto, any member of the Bank other than an Issuer Member State wishing to withdraw from the Bank shall give to the President one year's written notice of its intention to withdraw and at the end of such year shall, if such notice is not withdrawn, cease to be a member of the Bank.

The Charter may be amended by a resolution of the BOG approved by a two-thirds majority of the total voting power of the BOG including at least two-thirds majority of the votes of shareholders which are Issuer Member States or African institutions.

Voting

The voting power of each Issuer Member State is equal to the number of shares of the capital stock of the Bank held by that Issuer Member State. However, for the Issuer Member States who are in arrears on their paid-in shares, their voting powers will be reduced in the proportion that unpaid up amounts bears to the paid up amount.

Voting in the BOG

(a) each governor is entitled to cast the number of votes of the Issuer Member State or member which appointed him and which he represents; and

(b) (except as otherwise expressly provided in the Charter) all matters before the BOG shall be decided by a majority of the votes present at the meeting.

Voting in the Board of Directors

(a) each director of the Bank (each a "**Director**") shall be entitled to cast the number of votes of those members of the Bank whom he or she represents, which votes need not be cast as a unit;

(b) notwithstanding paragraph 3(a) of Article 29 of the Charter, the business of the Board of Directors will initially be decided on a show of hands at which point the President and each independent director shall have one vote each as shall all the other Directors. The voting provided for in paragraph 3(a) of Article 29 of the Charter shall only apply if prior to or following such vote by a show of hands one of the other Directors so request it at the same meeting at which the vote is being taken; and

(c) (except as otherwise expressly provided in the Charter) all matters before the Board of Directors shall be decided by a majority of the total votes of the Issuer Member States of the Bank.

Borrowing, investment and other powers of the Bank

As per Article 21 of the Charter:

1. The Bank is empowered to borrow funds in the manner the Board of Directors may deem appropriate, as guided by sound banking principles, to achieve the objectives of the Bank, *inter alia*:

   (i) whenever concessional loans are available, the Bank shall give preference to concessional funds;

   (ii) the Bank may borrow funds from any source for the purpose of financing development and trade;

   (iii) the Bank may obtain lines of credit and special funds for specific project and programmes; and

   (iv) the Bank may accept deposits from other institutions on conditions to be determined by the Board of Directors.

2. Subject to the approval of its Board of Directors, the Bank shall be empowered to invest and in so doing it is guided by the following:

   (i) the Bank may invest surplus funds as the Board of Directors may determine;

   (ii) the Bank's policy on investment shall be intended to ensure maximum returns on its investments as well as sufficient liquidity for its operations;

   (iii) the Bank may invest funds not immediately needed in its operations in such obligations as it may determine and invest funds held by the Bank for pension or similar purposes in marketable securities, but the Bank shall ensure that any funds which it may decide to invest in the territories of the Issuer Member States shall be invested, as nearly as possible in equal proportions in each Issuer Member State;

   (iv) the Bank may guarantee securities in which it has invested in order to facilitate their sale; and

   (v) the Bank may enter into joint ventures with other regional and international institutions.

3. The Bank charges for any technical advice and assistance it provides.

4. The Bank studies and promotes investment opportunities within the Tripartite Free Trade Area which covers several regional economic blocs, including COMESA, SADC, the East African Community and the Indian Ocean Island Commission.

Use of Resources

The resources and facilities of the Bank shall be used only within the Issuer Member States or such other locations that the Board of Directors considers will serve to implement the objectives of the Bank as set out in the Charter. When approving the use of the resources and facilities of the Bank in locations other than that of an Issuer Member State, the Board of Directors shall take account of the need, wherever practical to do so, to preserve the immunities and privileges of the Bank.

Ordinary Operations

The operations of the Bank consist of ordinary operations and special operations. Ordinary operations are those financed from the Bank's ordinary capital resources, being:

(a) the authorised capital stock of the Bank subscribed to pursuant to the Charter;

(b) funds raised by borrowing of the Bank by virtue of powers conferred to it;

(c) calls on callable shares in the capital stock of the Bank; and

(d) funds received through the ordinary operations of the Bank.

The ordinary operations shall include, as a general policy, providing loans and guarantees to public and private institutions through the Lending Operations department. Ordinary operations account for almost 100 per cent. of the Bank's income. When loans are made to autonomous private institutions, the Bank may seek guarantees from the governments concerned.

Special operations and Special Funds

Special operations are those operations other than ordinary operations of the Bank. Special operations are financed from resources other than ordinary resources ("**Special Funds**"). The ordinary capital resources and the Special Funds of the Bank shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from each other.

As part of the diversification efforts of the Corporate Plan 2018-2022, the Bank has decided to strengthen its revenue generation by consolidating the Special Funds function within the Asset Management Department. The primary function of this Department will be to develop new sources of fee income by managing third party resources through a variety of vehicles including funds (e.g. Eastern Southern African Trade Fund) and trust accounts. The sources of these funds include development agencies, impact investors and family offices.

The Asset Management Department was initially called Special Funds and Agency Operations in order to distinguish itself from the monies raised by Treasury for day-to-day use by the Lending Operations department.

To date, there are no third-party funds under management of the Bank. The Eastern Southern African Trade Fund is expected to be operational in 2019.

Operational Limitations

To protect its capital stock, the Bank's Charter sets out the following operating limits:

(a) The total amount outstanding of loans, equity investments and guarantees in the ordinary operations shall not, at any time, exceed the Bank's ordinary capital resources.

(b) The total amount invested in equity capital out of ordinary capital resources shall not exceed 50 per cent. of the aggregate amount of the unimpaired capital actually paid in at any given time, together with the reserves and surplus included in its ordinary capital resources.

(c) In the case of guarantees given by the Bank in the ordinary course of operations, the total amount guaranteed shall not exceed 25 per cent. of the aggregate amount of the actual unimpaired paid up capital, together with the reserves and surplus included in its ordinary capital resources.

Callable Capital

Article 7(4) of the Charter provides that payment of the amount subscribed on callable shares in the capital stock of the Bank shall be subject to call on the recommendations of the Board of Directors to the BOG from time to time but such calls shall only be made as and when the amount thereof shall be required by the Bank:

(a) to repay monies raised by the Bank in the capital markets borrowed or otherwise acquired by the Bank for the purpose of making or participating in loans; and

(b) to pay or repay any loan or loans guaranteed in whole or in part by the Bank in furtherance of its objectives.

The Bank has never made a call on its callable capital. The total amount of callable capital increased from USD 1.28 billion as at 31 December 2016 to USD 1.39 billion as at 31 December 2017 and to USD 1.47 billion as at 31 December 2018. In 2017, the Bank procured credit enhancement for the callable capital of the Bank's non-investment grade shareholders in the amount of USD 630 million provided by a five-year rolling insurance policy, renewable annually. This policy was placed with a syndicate of highly rated private international credit insurers (Lloyds of London Syndicate), with the objective of strengthening the quality of shareholder support. The policy covers a loss that would result from the failure of a shareholder to pay, on or before the due date, the amount the shareholder has subscribed in callable shares should a call be made, making this a significant credit enhancement initiative.

Based on the 2018 year-end financials, this has raised callable capital from investment grade shareholders to approximately 60 per cent. of total callable capital. Credit rating agencies indicated that they have considered this initiative to be credit positive.

Dividends

Article 22(1) of the Charter provides that the BOG shall determine annually what part of net income of the Bank shall be allocated, after making provisions for reserves, to surplus and what part, if any, shall be distributed among the Shareholders of the Bank. A dividend award is declared by the BOG on the recommendation of the Board of Directors. The Board of Directors has the authority to determine the manner in which dividend distributions are made.

Under the guidance of an independent specialised consultant, the Bank's dividend policy (the "**Dividend Policy**") was formulated to guide management and the Board of Directors on financial, capital adequacy and other prudential considerations when determining dividend pay-outs. The establishment of specific pay-out ratio thresholds and parameters including profitability, capital adequacy, debt to equity ratio and liquidity ensures transparency and provides shareholders with reasonable expectations on the dividend distribution. Moreover, the policy makes clear that in circumstances where all the established parameters are not met, the BOG shall not declare a dividend pay-out.

The recommendation by the Board of Directors to the BOG on the dividend declaration is guided by Articles 22 (2) and 7(B) of the Charter as follows:

(a) any distributions are declared and paid according to the amounts paid up on the shares on which the dividend is paid;

(b) distributions are made in such manner and in such currency as the Board of Directors shall determine. This may include a distribution of further shares treated as fully paid up or the ability of a shareholder to opt for dividend entitlement to be met by way of an issue of fully paid up shares;

(c) the Board of Directors, in making the foregoing determinations, may draw a distinction between Class A shares and Class B shares;

(d) if a shareholder has failed to meet a payment obligation in respect of a share then any distribution entitlement shall first be set off against that unpaid obligation;

(e) subject to any exemption to be provided by the Board of Directors, the Bank has a first and paramount lien on all shares standing registered in the name of any person for all moneys presently payable by that person to the Bank; and

(f) the Bank's lien on a share extends to all dividends payable thereon and the Bank may apply the whole or part of any dividends declared in *pro rata* reduction of the amounts of any monies then due and outstanding from that Shareholder.

The Corporate Plan 2018-2022 reiterates that (i) cash dividends to Class A Shareholders are to be deferred until the Bank's authorised capital level is attained and in the event of a dividend declaration and distribution, additional shares are to be issued to Class A shareholders; and (ii) Class B shareholders, mainly institutional shareholders, are entitled to a cash dividend in the event of a dividend declaration and distribution but can also elect to convert the dividends into additional Class B shares.

The underlying principle behind the Bank's Dividend Policy is to allow flexibility and ensure sustainability and predictability of dividend payments. The establishment of a range in pay-out ratios also ensures that the recommended ratio is thought through and the shareholders have reasonable expectations on the amounts of dividends likely to be recommended by the Board.

	2018	**2017**	**2016**
Dividend Amount USD '000	31,684	27,407	24,349
Dividend Pay-out Ratio	24.50%	24.5%	24.0%

	2018	2017	2016
Dividend Per Share-USD	315.93	308.67	304.21

Source: ***Audited financial statements***

Legal Status, Capacity, Immunities and Privileges

The Bank possesses full legal personality and, in particular, full capacity to enter into contracts, acquire and dispose of movable and immovable property, and to institute legal proceedings.

Furthermore, the Bank possesses *de facto* preferred creditor status as a matter of conduct, rather than *de jure*, as a matter or law, similar to other international finance institutions. Coupled with privileges and immunities as embedded in Article 43 of the Charter, the Bank like other multilateral development banks ("**MDBs**") is also able to leverage on its privileged relationships with its sovereign members to, *inter alia*, negotiate (i) priority of payment over other creditors in cases where a general moratorium is imposed by a sovereign or (ii) preferential access to hard currency in the event of a foreign exchange crisis.

Under the Charter, the Bank enjoys various immunities and privileges including immunity from every form of legal process except in cases arising out of the exercise of its borrowing powers, when it may be sued only in a court of competent jurisdiction in the territory of an Issuer Member State in which the Bank has its principal office, or in the territory of an Issuer Member State or non-Issuer Member State where it has appointed an agent for the purpose of accepting service or notice of process or has issued or guaranteed securities. Such immunities and privileges also extend to the funds of the Bank as long as they are more than 50 per cent. owned by the Bank. However, the Bank will waive its immunity in respect of the Programme and Notes issued thereunder.

In 2017, the High Court of Kenya reaffirmed the Bank's immunities and privileges in the appellate case of CEO (PTA Bank) and Another vs Republic (High Court Appeal No. 165 of 2016 [2017] eKLR). The High Court's ruling overturned an earlier decision by the Magistrates Court issuing to the Kenyan police a warrant requiring the CEO and Head of Legal of the Bank to produce certain documents to the Kenyan police. In its ruling, the High Court confirmed the inviolability of premises occupied as offices by, and of official archives of, the Bank, hence re-confirming and fully recognising the immunities and privileges granted to the Bank, its staff, and its archives under international law and also under Kenyan law.

Specifically, Article 43(1) of the Charter provides that:

(a) any Issuer Member State that accedes to the membership or benefits from Bank funding shall first accede to the Agreement on Privileges and Immunities adopted by the Issuer Member States in December 1984 and shall take immediate steps to ratify and implement the same under that Issuer Member State's domestic law.

(b) non-COMESA African states when joining the Bank shall in the Deed of Accession to the membership of the Bank undertake to (i) vest the Bank with the same immunities, privileges and exemptions provided for in the Charter and (ii) recognise the Bank's Charter in their domestic law.

Article 43(7) of the Charter provides that:

"The Bank (a) may hold assets of any kind and operate accounts in any currency; and (b) shall be free to transfer its assets from one country to another and to convert any currency held by it into any other currency without being restricted by controls, regulations, restrictions or moratoria of any kind."

The property and assets of the Bank shall, wherever located and by whoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

These immunities are granted in the interests of the Bank. However, the President may waive them to such extent and upon such conditions as he may determine in cases where such waiver would, in his opinion, further the interests of the Bank.

Regulatory Supervision & Internal Audit

As a supranational institution, the Bank is not subject to regulatory supervision by a national body including with regard to capital adequacy. The conduct of the Bank's operations is vested with the Board of Directors which closely monitors directly or through its Audit and Risk Committee the Issuer's performance, risk profile and capital adequacy.

The Bank's capital management policy aims to maintain a capital adequacy ratio of at least 30 per cent. (as at 31 December 2018 the capital adequacy ratio of the Bank was 35 per cent.). This ratio is computed in line with recommendations of the paper prepared by the Basel Committee on Banking Supervision entitled "*International Convergence of Capital Measurement and Capital Standards*" dated July 1988 as amended from time to time ("**Basel I paper**") and 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**").

In order to reinforce its self-regulatory processes, the Bank has an internal audit coordinator who works closely with the outsourced internal auditors of the Bank – KPMG, Nairobi. The mandate and scope of KPMG's reviews is determined by the Board through its Audit and Risk Committee. KPMG's reviews are conducted on a quarterly basis or as often as the Board may require.

The Bank's Compliance and Risk Management Department ("**CRMD**") which reports directly to the Board further reinforces the Bank's self-regulatory processes. A detailed description of the role and functions of CRMD is provided in the section headed "*Departments of the Bank* ".

External Auditors

The Bank's current external auditors, Deloitte & Touche of Kenya, member of Institute of Certified Public Accountants of Kenya ("**ICPAK**"), whose registered address is at Deloitte Place Waiyaki Way, Muthangari, P.O Box 40092-00100 Nairobi ("**Deloitte**"**),** have audited and rendered an unqualified audit opinion on the accounts of the Bank for the year ended 31 December 2018. Deloitte were appointed the Bank's external auditors by the BOG in July 2018, following mandatory rotation by the previous auditors, Ernst & Young Kenya.

Ernst & Young of Kenya Re Towers, member of ICPAK, whose registered address is at Upper hill, off Ragati Road, P.O. Box 44286-00100 Nairobi ("**Ernst & Young**") audited and rendered an unqualified audit opinion on the accounts of the Bank for the years ended 31 December 2015 through to 31 December 2017.

BUSINESS OF THE BANK

In accordance with Article 13 of the Bank's Charter, the Bank may provide finances or facilitate financing in any one of the following ways to any agency, entity or enterprise operating in the territories of the Issuer Member States:

(a) by making or participating in loans with its unimpaired paid-in capital, reserves and undistributed surplus or with the unimpaired Special Funds;

(b) by making or participating in loans with funds raised by the Bank in the capital markets or borrowed or otherwise acquired by the Bank for inclusion in its ordinary capital resources;

(c) by the investment of funds referred to in paragraphs (a) and (b) above in the equity capital of an institution or enterprise;

(d) by accepting third party funds and managing them for a fee in order to make development impact across its member states;

(e) by guaranteeing, in whole or in part, loans made by others for economic development or for the promotion of trade within the TFTA;

(f) by purchasing, selling, dealing in or trading securities, notes, bills of exchange, bankers' acceptances or any other negotiable instruments, species and currencies and loans or analogous instruments as any principal, broker or agent;

(g) by making or receiving payments in any currency and for that purpose to maintain accounts in their respective financial centres and take membership of associations, organisations or institutions (whether bodies corporate, partnerships or otherwise) for the transmission, netting or settlement of payments;

(h) by issuing or giving guarantees or letters of credit, accepting, endorsing or availing bills of exchange, notes, bankers' acceptances or other negotiable instruments;

(i) by undertaking activities described in paragraphs (f), (g) and (h) above by borrowing or raising funds through issuance of securities, whether listed or unlisted, private placements, loans and the issuance of certificates of deposit; and

(j) by such other finance instruments as may be determined by the Board from time to time.

The Bank may also provide refinancing and accept, endorse, discount and re-discount the trade bills of the Issuer Member States. Further, it may provide export credit insurance and reinsurance of export credit organisations where they exist in Issuer Member States.

Eligible Goods and Transactions – general

The Bank finances transactions in all traded goods and services ("**Eligible Goods**") except armaments, ammunition and other military equipment, psychotropic drugs or narcotics, all items for which international trade is prohibited for environmental reasons or by international conventions, and pornographic and obscene materials. In addition, the Bank takes great care to respect the trade and other related policies or issues of Issuer Member States.

Under its projects and infrastructure finance activities, the Bank provides medium to long term financing to commercial projects that: (i) are incorporated and domiciled in an Issuer Member State (ii) fall within the Bank's identified priority sectors as described below (iii) are commercially viable (iv) are environmentally sustainable and technically feasible and (v) are able to generate sufficient cash flows to repay the Bank's loan.

Through its trade finance activities, the Bank aims to facilitate export and import trade flows from, to and between its Issuer Member States by providing short-term (usually up to one year), structured and self-liquidating financing facilities.

As with most development financial institutions, the Bank does not finance projects, infrastructure or trade finance activity involving:

(a) military arms, weaponry or ammunitions;

(b) production of or trade in activities deemed or legislated as illegal in its Issuer Member States or under international conventions and agreements;

(c) areas which have been notified by host countries or international legislation and deemed to have high biodiversity and/or cultural value, or any other activities that leads to substantial destruction of the environment;

(d) trade in wildlife or wildlife products regulated under the Convention on Trade in Endangered Species of Wild Fauna and Flora; and

(e) production or trade in chemicals, pesticides, herbicides and pharmaceuticals subject to national and international phase outs or bans.

Asset Management

A key strategic business initiative was the establishment of the asset management function. Targeting both investment funds, trusts, and special purpose funds, the purpose of this initiative is to exploit the Bank's understanding of the region and extensive networks and contacts with a wide range of stakeholders – governments, donors and the private sector by offering fund management services and contributing to the attainment of fund-specific development objectives.

The Bank can, through this service line, leverage its ability to act as a credible intermediary and conduit for attracting financing from various financial institutions.

Project and Infrastructure Finance ("PIF")

The Bank supports public and private sector projects that are commercially oriented in any viable economic sector or industry. The main objective for PIF activities is the provision of funding to projects that promote infrastructure development and economic integration of the countries in the region (COMESA, SADC, EAC, IGAD and IOC). Funding of financially viable projects within Issuer Member States is provided in varying forms, including medium and long-term senior loans, mezzanine loans, straight and quasi-equity, Sharia-compliant facilities and guarantees. PIF aims to mobilise resources from various long-term financiers through syndication transactions with commercial and development financial institutions, as well as export credit agencies. The PIF functions involve appraising credit applications, securing the required approvals and committing the underlying loans through appropriate documentation and fulfilment of conditions.

Eligible Sectors under PIF

The Bank provides funding to public and private sector projects in various sectors including the following:

(a) Agri-business and Forestry;

(b) Information & Communication Technology ("**ICT**");

(c) Manufacturing and Heavy Industries;

(d) Mining and Quarrying;

(e) Hospitality, Tourism and Hotels;

(f) Banking and Financial Services;

(g) Transport and Logistics: Roads, Pipes, Rail, Aviation, Ports, Airports and Marine Services;

(h) Oil and Gas;

(i) Energy: Independent Power Producers, Emergency Power, Hydro Power, Bio-Fuels and Clean Energy;

(j) Real Estate: Commercial, Retail and Residential;

(k) Education: K-12, VCT and Tertiary; and

(l) Health Services: Primary, Secondary and Tertiary Care Facilities.

Priority Sectors

The Bank has identified certain key priority sectors of focus:

(a) *Agri-business*: which includes agro-processing, logistics, agri-related infrastructure (such as silos and warehouses);

(b) *Oil and Gas*: including upstream, midstream and downstream segments with most Issuer Member States being net importers of oil and gas products, while others have benefited from the recent hydrocarbon discoveries; and,

(c) *Infrastructure*: which includes energy, transportation, supportive infrastructure (such as cement and steel) and social infrastructure (including education and health).

Maturities

PIF provides medium to long term funding. The medium-term funding is typically between a period of 3 to 5 years, inclusive of a grace period. The long-term funding can be up to 15 years, inclusive of a grace period.

Lending Instruments

Under its PIF activities, the Bank employs either one or a combination of the following modes of financing:

1. *Direct Project and Corporate Finance*

   This accounts for the largest portion of the Bank's portfolio and involves direct funding to the Bank's clients, with or without the use of third parties. Although such funding is often done through straight debt, the Bank also provides funding through mezzanine and quasi-equity structures. Given its developmental mandate, the Bank's investments often complement funding from other financial institutions:

   (i) *Syndications*: Resource mobilisation is a strategic priority for the Bank. The Bank invests through syndicated facilities, either as the mandated lead arranger or as a participant together with other reputable financial institutions. This enables the Bank to support large scale investments that may exceed its single obligor limits (as described below) as well as to promote the investment by others in its investments.

   (ii) *Parallel Lending Local or International Financial Institutions*: The Bank collaborates with other financial institutions as a parallel lender to close the financing gap. This can be on common or differing terms, depending on the nature of the investment.

2. *Lines of Credit ("**LOCs**") to Financial Intermediaries*

   The Bank provides lines of credit to financial intermediaries/national development agencies as a means of providing indirect funding to sub-borrowers. The Bank is able to provide funded and unfunded LOCs. Many of these LOCs are for Small and Medium Sized Enterprises ("**SMEs**") whose borrowing requirements are below the Bank's minimum investment threshold and thus do not qualify for direct funding from the Bank.

3. *Guarantees*

   The Bank provides guarantee facilities to eligible entities in Issuer Member States to enable them to access funding from institutions that are unable to fund the entities directly. Under these transactions, the Bank takes the borrower's credit risk and secures itself against the collateral of the borrowing entity whilst the lending institution takes the Bank's risk.

4. *Lease financing*

Under lease financing, the Bank finances equipment/machinery and enters into a rental agreement with the lessor that obliges the lessee to purchase the leased asset at the end of the agreement. The lease eases the cash flow burden on the lessee as the lessee is only required to pay rentals.

5. *Equity Participation*

In exceptional cases, the Bank takes limited equity stakes in certain strategic enterprises, provided the equity stake does not exceed 15 per cent. Currently, the Bank's strategic equity portfolio consists of African Export Import Bank, ZEP-Re (PTA Reinsurance Company), the African Trade Insurance Agency, Tononoka Steels Limited, Tanruss Investments Limited, Pan African Housing Fund, and Gulf African Bank.

Trade Finance

The Bank facilitates export and import trade flows from, to and between its Issuer Member States by providing tailor-made financing solutions. The Bank's trade finance operations include amongst others:

(a) the financing of either short or medium term in-land or cross border trade using one or more financing instruments;

(b) short to medium term financing tenures reflecting the underlying transaction cycle. In general, short-term tenures shall not exceed 12 months and medium-term tenures shall not exceed 36 months; and

(c) offer structured/self-liquidating transactions that are supporting specific underlying transactions.

Using a variety of financing instruments, the Bank provides trade finance support to the following sectors, among other sectors: manufacturing; agriculture; tourism; mining; infrastructure and petroleum and energy. The financing instruments used include pre- and post-shipment loans, import finance facilities, guarantees, performance and bid bonds, letters of credit, structured trade and commodity finance facilities, securities-backed facilities, bills and invoice discounting, asset based lending and bridging facilities. In addition, a strategic focus area in trade finance is letter of credit confirmation and discounting, as well as forfaiting transactions. In addition, the Bank is pursuing concessionary and grant funding facilities to blend with the Bank's own commercial financing.

Forfaiting is a part of the Bank's financial market strategy for the region. As part of the roll out, Financial Institutions ("**FIs**") appetite limits are being put in place for select FIs in the region. The appetite limits provide an array of products and services of which forfaiting forms a part. The forfaiting product targets more medium-term financing of up to 36 months largely for capital goods.

Loan Application Process

When providing loans, the business cycle consists of three distinct phases including pre-investment, investment and operation.

The process begins at the identification of investment opportunities. This is achieved through organised road shows in Issuer Member States and participation in workshops. Increasingly, the Bank is relying on its extensive network of co-financiers and syndicate partners for the generation of new business. Applications are made directly to the Bank or through the website portal. The main objective is to identify viable projects within the region that are aligned with the Corporate Plan 2018-2022. The strategy includes stringent project selection and emphasis on productive private sector investments. Long term sustainability and projects complimentarily of productive sectors in Issuer Member States is considered crucial in project selection.

Loan Processing

Upon receipt of a loan application, a review is carried out to determine whether the project meets the Bank's eligibility criteria with a key starting point being the borrower risk rating as described below.

Borrower Risk Rating

The preliminary review of a facility application includes conducting a borrower risk rating through any of the Bank's seven rating models to determine probability of default ("**PD**") and loss given default ("**LGD**") as well as eligibility criteria. The rating models' outputs are differentiated ratings as inputs to credit risk appetite setting, approval limits, pricing and as well as provisioning requirements.

The current risk rating models are:

(a) Financial Institutions;

(b) Sovereign;

(c) General Corporates;

(d) Greenfield Industrials;

(e) Greenfield Infrastructure;

(f) Power – Renewable; and

(g) Power - Conventional.

The borrower ratings are on a scale of 1-17 as described below, with 12 being the cut-off for onboarding new business unless exceptionally considered with mitigation:

(a) 1-7: Very Low Risk/Investment Grade;

(b) 8-10: Low Risk;

(c) 11-12: Moderate Risk;

(d) 13-14: High Risk; and

(e) 15-17: Very High Risk/Default.

Once the foregoing high-level review is finalised, the review process is steered by the officer responsible for the particular Issuer Member State or such other officer appointed by the head of the department. If the preliminary review is positive, a project brief is prepared and circulated to the New Deal Forum ("**NDF**") in order to enhance the due diligence process. Any comments received are collated and included in the check list of issues to be addressed during due diligence, where applicable. It is only after this process is fully completed that the due diligence process is undertaken on the project.

Upon return, the transaction team prepares a report summarising the outcome of the due diligence mission and outlining any issues requiring the attention of the management of the Bank. Depending on the report, the relevant director decides whether to proceed with the preparation of the necessary appraisal reports for submission to the approving authorities.

If the decision is to proceed, an Appraisal Report ("**AR**") covering all aspects of the project is prepared including financial projections. In addition to aspects such as the market, promoters' profiles, money laundering and Know Your Customer (see "*Money Laundering and Know Your Customer Checks*" below) information etc., financial analysis, among others is included, leading to a final borrower risk rating. The report is submitted to both an Operations Technical Committee ("**OTC**") to independently review the deal's technical and structure operation parameters, and the Credit and Risk Management Department. The latter reviews the AR and prepares a Risk Review Report ("**RRR**"). With the three reports, namely, the AR, the report prepared by the OTC and the RRR, a submission to the Corporate Credit Committee ("**CCC**") is made for consideration and approval.

The CCC comprises departmental heads and representatives of the operational departments, finance, legal, and compliance and risk management and makes a recommendation to the Board of Directors for projects beyond its risk-based mandates. The INVESCO (the Board sub-committee responsible for new credit and investments) has been established to report on investments and make recommendations to the Board of Directors with respect to credit approvals. The INVESCO does not itself have the ability to make credit approval decisions.

Certificate of Effectiveness

Once a facility is approved, the loan documentation is reviewed by both the legal and compliance departments until issuance of a Certificate of Effectiveness ("**COE**") which signifies that the relevant borrower can commence loan draw-downs.

At this stage, PIF hands over the relationship to the Portfolio Management Department which has the mandate to process disbursements. For trade finance, the relationship is handed over to Trade Finance – Middle Office for disbursement and monitoring

PIF and Trade Finance Portfolio Overview

The following table presents an overview of the Bank's trade finance and PIF loan portfolios on a gross basis as at 31 December 2016, 2017 and 2018.

	2018		**2017**		**2016**	
	Number of loans	*Balance USD '000*	*Number of loans*	*Balance USD '000*	*Number of loans*	*Balance USD '000*
Type of Loans						
Trade Finance	30	2,813,398	39	2,646,630	41	2,441,543
Project Finance	60	1,459,918	67	1,267,285	74	896,088
Total Loans	**90**	**4,273,316**	**106**	**3,913,915**	**115**	**3,337,631**

Sector-wise Distribution of Total Loan Portfolio

The following table presents an overview of the Bank's loan portfolios as at 31 December 2016, 2017 and 2018 by sector:

As at 31 December 2018

	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**	**Insurance**	**Net Exposure**	
	USD '000	*%*	*USD '000*	*%*	*USD '000*	*USD '000*	*USD '000*	*%*
Agribusiness	1,074,418	25%	199,350	28%	(140,559)	(476,138)	657,071	25%
Banking and Financial Services	198,918	5%	204,015	29%	-	(61,392)	341,541	13%
Education	2,309	-	-	-	-	-	2,309	-
Hospitality	34,547	1%	15,000	2%	-	-	49,547	2%
Manufacturing and Heavy Industries ..	223,671	5%	3,763	1%	-	-	227,434	8%
Other	7,642	-	389	-	(205)	-	7,826	-
Health Services	11,985	-	15,000	2%	-	-	26,985	1%
Energy	192,795	5%	145,128	21%	-	(19,180)	318,743	12%
Oil & Gas	1,412,474	33%	33,423	5%	(709,659)	(496,091)	240,145	9%
Real Estate	38,024	1%	-	-	-	-	38,024	1%
Telecommunications.	4,620	-	6,663	1%	-	(4,047)	7,236	-
Infrastructure	589,779	14%	83,300	12%	-	(314,010)	359,069	13%
Transport and Logistics	259,222	6%	1,658	-	-	(61,200)	199,680	7%
Wholesale Commodities	91,986	2%	-	-	-	(19,000)	72,986	3%
ICT	130,926	3%	-	-	-	-	130,926	5%
	4,273,316	**100%**	**707,689**	**100%**	**-850,423**	**-1,451,060**	**2,679,522**	**100%**

* Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are disbursed and part of exposures.

** Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.

As at 31 December 2017

	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**	**Insurance**	**Net Exposure**	
	USD '000	*%*	*USD '000*	*%*			*USD '000*	*%*
Mining and Quarrying	8,568	0%	-	0%	-	-	8,568	0%
Agribusiness	910,941	23%	196,765	17%	(80,879)	(399,656)	627,171	26%

	As at 31 December 2017							
	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**	**Insurance**	**Net Exposure**	
	USD '000	*%*	*USD '000*	*%*			*USD '000*	*%*
Banking and Financial Services.................	278,285	7%	292,026	25%	2,000	(170,427)	401,884	16%
Education	4,037	0%	-	0%	-	-	4,037	0%
Hospitality.................	37,182	1%	15,245	1%	-	-	52,427	2%
Manufacturing and Heavy Industries	240,466	6%	48,677	4%	-	-	289,143	12%
Other	73,716	2%	185,841	16%	(180,983)	(18,000)	60,574	2%
Health Services..........	15,020	0%	1,343	0%	-	-	16,363	1%
Energy.......................	156,085	4%	117,959	10%	-	(24,589)	249,455	10%
Petrochemicals...........	1,396,665	36%	264,028	23%	(720,676)	(691,976)	248,042	10%
Real Estate.................	42,416	1%	-	0%	-	-	42,416	2%
Telecommunications...	91,668	2%	2,116	0%	-	(5,060)	88,724	4%
Infrastructure	385,196	10%	9,523	1%	-	(280,000)	114,719	5%
Transport and Logistics	273,670	7%	36,534	3%	-	(61,200)	249,004	10%
	3,913,915	**100%**	**1,170,057**	**100%**	**(980,538)**	**(1,650,908)**	**2,452,527**	**100%**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

	As at 31 December 2016							
	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**	**Insurance**	**Net Exposure**	
	USD '000	*%*	*USD '000*	*%*			*USD '000*	*%*
Mining and Quarrying	8,021	0%	-	0%	-	-	8,021	0%
Agribusiness..............	932,319	28%	119,528	10%	(203,034)	(343,847)	504,966	21%
Banking and Financial Services.................	268,026	8%	230,206	19%	-	(140,204)	358,028	15%
Education	5,772	0%	-	0%	-	-	5,772	0%
Hospitality.................	41,389	1%	245	0%	-	-	41,634	2%
Manufacturing and Heavy Industries	246,304	7%	73,136	6%	-	-	319,440	13%
Other	44,787	1%	230,817	19%	(154,009)	(18,000)	103,595	4%
Health Services..........	19,791	1%	6,489	1%	-	-	26,280	1%
Energy.......................	100,450	3%	135,585	11%	-	(471)	235,564	10%
Petrochemicals...........	1,194,270	36%	269,302	22%	(518,175)	(592,500)	352,897	14%
Real Estate.................	53,539	2%	8,523	1%	-	-	62,062	3%
Telecommunications...	19,528	1%	275	0%	-	(6,209)	13,594	1%
Infrastructure	157,561	5%	161,821	13%	-	(100,000)	219,382	9%
Transport and Logistics	245,874	7%	-	0%	-	(61,200)	184,674	8%
	3,337,631	**100%**	**1,235,927**	**100%**	**(875,218)**	**(1,262,431)**	**2,435,909**	**100%**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

Source: ***Audited Financial Statements and Bank's information***

Sector-wise Distribution of the PIF and Trade Finance Portfolio

The following table presents an overview of the Bank's distribution of the PIF and Trade Finance loan portfolios as at 31 December 2016, 2017 and 2018 by sector:

	As at 31 December 2018									
	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**		**Insurance**		**Net Exposure**	
	PIF	***Trade Finance***	***PIF***	***Trade Finance***	***PIF***	***Trade Finance***	***PIF***	***Trade***	***PIF***	***Trade Finance***
					(USD '000)					
Agribusiness..............	76,931	997,488	-	199,350	-	(140,559)	-	(476,138)	76,931	580,141
Banking and Financial Services	67,921	130,997	-	204,014	-	-	(39,650)	(21,742)	28,271	313,269
Education	2,309	-	-	-	-	-	-	-	2,309	-
Energy.......................	132,875	59,928	145,128	-	-	-	(19,180)	-	258,823	59,928
Health Services..........	11,985	-	15,000	-	-	-	-	-	26,985	-
Hospitality.................	34,547	-	15,000	-	-	-	-	-	49,547	-
ICT...........................	128,694	2,015	-	-	-	-	-	-	128,694	2,015
Infrastructure	555,768	34,011	83,300	-	-	-	(280,000)	(34,011)	359,068	-
Manufacturing and Heavy Industries	223,880	-	3,764	-	-	-	-	-	227,644	-
Oil and Gas................	-	1,412,473	17,000	16,423	-	(709,660)	-	(496,091)	17,000	240,145

As at 31 December 2018

	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit		Insurance		Net Exposure	
	PIF	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade*	*PIF*	*Trade Finance*
					(USD '000)					
Other	-	7,642	-	389	-	(205)	-	-	-	7,826
Real Estate.................	38,024	-	-	-	-	-	-	-	38,024	-
Telecommunications...	4,620	-	-	6,663	-	-	(4,047)	-	573	6,663
Transport....................	182,364	76,858	1,658	-	-	-	(61,200)	-	122,822	76,858
Wholesale and Commodities..........	-	91,986	-	-	-	-	-	(19,000)	-	72,986
	1,459,918	**2,813,398**	**280,850**	**426,839**	**-**	**(850,424)**	**(404,077)**	**(1,046,982)**	**1,336,691**	**1,359,831**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

As at 31 December 2017

	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit		Insurance		Net Exposure	
	PIF	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*
					(USD '000)					
Agribusiness...............	63,481	847,460	196,765	-	-	(80,879)	-	(399,656)	63,481	563,690
Banking and Financial Services	71,046	207,239	279,026	13,000	-	2,000	(52,194)	(118,233)	31,852	370,032
Education	4,037	-	-	-	-	-	-	-	4,037	-
Energy........................	96,158	59,927	-	117,959	-	-	(24,589)	-	189,528	59,927
Health Services...........	15,020	-	-	1,343	-	-	-	-	16,363	-
Hospitality..................	37,182	-	-	15,245	-	-	-	-	52,427	-
Infrastructure.............	385,174	22	-	9,523	-	-	(280,000)	-	114,697	22
Manufacturing and Heavy Industries	230,106	10,360	17,500	31,177	-	-	-	-	261,283	27,860
Mining and Quarrying	3,824	4,744	-	-	-	-	-	-	3,824	4,744
Other	6,022	67,693	185,841	-	-	(180,983)	-	(18,000)	6,022	54,551
	(7)		264,028	-	-	(720,675)	-	(691,976)	-7	248,050
Petrochemicals		1,396,673								
Real Estate..................	42,416	-	-	-	-	-	-	-	42,416	-
Telecommunications...	91,111	557	2,116	-	-	-	(5,060)	-	86,051	2,673
Transport....................	221,716	51,955	36,534	-	-	-	(61,200)	-	160,516	88,489
	1,267,286	**2,646,630**	**981,810**	**188,247**	**-**	**(980,537)**	**(423,043)**	**(1,227,865)**	**1,032,490**	**1,420,038**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

As at 31 December 2016

	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit		Insurance		Net Exposure	
	PIF	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*
					(USD '000)					
Agribusiness...............	87,313	845,006	119,531	(2)	-	(203,034)	(34,596)	(309,250)	52,715	452,253
Banking and Financial Services	79,708	188,318	208,206	22,000	-	-	-	(140,205)	101,708	256,319
Education	5,772	-	-	-	-	-	-	-	5,772	-
Energy........................	40,522	59,927	-	135,585	-	-	-	(471)	176,107	59,456
Health Services...........	18,204	1,587	3,654	2,835	-	-	-	-	21,039	5,241
Hospitality..................	41,389	-	-	243	-	-	-	-	41,632	-
Infrastructure.............	53,150	104,411	150,000	11,821	-	-	-	(100,000)	64,971	154,411
Manufacturing and Heavy Industries	241,305	4,999	27,047	46,089	-	-	-	-	287,394	32,046
Mining and Quarrying	3,432	4,589	-	-	-	-	-	-	3,432	4,589
Other	6,556	38,232	230,817	-	-	(154,009)	-	(18,000)	6,556	97,040
	-		269,303	-	-	(518,175)	-	(592,500)	-	352,898
Petrochemicals		1,194,270								
Real Estate..................	53,539	-	-	8,523	-	-	-	-	62,062	-
Telecommunications...	19,528	-	-	275	-	-	(6,209)	-	13,594	-
Transport....................	245,670	204	-	-	-	-	(61,200)	-	184,470	204
	896,088	**2,441,543**	**1,008,558**	**227,369**	**-**	**(875,218)**	**(102,005)**	**(1,160,426)**	**1,021,452**	**1,414,457**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

Geographic Distribution of Total Loan Portfolio

The following table shows the geographical distribution of the Bank's on and off-balance sheet portfolio as at 31 December 2016, 2017 and 2018:

As at 31 December 2018

	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit	Insurance	Net Exposure	
	USD '000	*%*	*USD '000*	*%*	*USD '000*	*USD '000*	*USD '000*	*%*
Burundi	13,102	-	-	-	-	(4,047)	9,055	-
Congo DRC..........	12,958	-	-	-	-	-	12,958	-
Djibouti	48,980	1%	-	-	-	-	48,980	2%
Egypt....................	29,529	1%	-	-	-	(19,000)	10,529	-
Ethiopia	184,185	4%	108,577	15%	(0)	-	292,761	11%
Kenya	657,626	15%	6,663	1%	-	(280,000)	384,289	14%
Malawi	439,317	10%	125,364	18%	(85,304)	(248,000)	231,378	9%
Mauritius	138,938	3%	78,725	11%	-	-	217,663	8%
Mozambique.........	4,737	-	48,134	7%	-	-	52,871	2%
Rwanda	460,313	11%	28,467	4%	(150,000)	(61,200)	277,579	10%
Seychelles.............	4,318	-	-	-	(1)	-	4,318	-
Sudan	648,192	15%	-	-	(214,547)	(228,138)	205,507	8%
Tanzania	222,678	5%	48,912	7%	383	-	271,972	10%
Uganda	166,941	4%	118,147	17%	-	(34,011)	251,077	9%
Zambia	686,824	16%	60,500	9%	(955)	(496,092)	250,278	9%
Zimbabwe.............	554,678	13%	84,200	12%	(400,000)	(80,571)	158,307	6%
	4,273,316	**100%**	**707,689**	**100%**	**-850,424**	**-1,451,059**	**2,679,522**	**100%**

* Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.
** Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.

As at 31 December 2017

	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit	Insurance	Net Exposure	
	USD'000	*%*	*USD'00*	*%*			*USD'00*	*%*
Burundi	13,064	0%	-	0%	-	(5,060)	8,004	0%
Djibouti	6,505	0%	1,343	0%	-	-	7,848	0%
DR Congo.............	46,012	1%	17,500	1%	-	-	63,512	3%
Egypt....................	28,169	1%	-	0%	-	(18,000)	10,169	0%
Eretria...................	-	0%	-	0%	-	-	-	0%
Ethiopia	123,555	3%	224,007	19%	2,000	-	349,562	14%
Kenya	438,091	11%	38,150	3%	(1)	(280,000)	196,240	8%
Malawi	248,075	6%	251,900	22%	(44,311)	(228,276)	227,388	9%
Mauritius	128,563	3%	286,088	24%	(180,618)	(37,500)	196,533	8%
Rwanda	432,130	11%	29,459	3%	(140,000)	(61,200)	260,389	11%
Seychelles.............	5,699	0%	-	0%	(1)	-	5,698	0%
Sudan	681,130	17%	-	0%	(263,299)	(239,849)	177,982	7%
Tanzania	209,885	5%	73,952	6%	(3,939)	-	279,898	11%
Uganda	257,938	7%	18,702	2%	-	(100,000)	176,640	7%
Zambia	700,421	18%	49,762	4%	(369)	(550,000)	199,814	8%
Zimbabwe.............	594,678	15%	179,223	15%	(350,000)	(131,024)	292,877	12%
	3,913,915	**100%**	**1,170,086**	**100%**	**(980,538)**	**(1,650,909)**	**2,452,554**	**100%**

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** Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.

As at 31 December 2016

	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit	Insurance	Net Exposure	
	USD '000	*%*	*USD '000*	*%*			*USD '000*	*%*
Burundi	14,221	0%	10,275	1%	-	(6,209)	18,287	1%
Djibouti	4,616	0%	2,936	0%	-	-	7,552	0%
DR Congo.............	53,348	2%	30,093	2%	-	-	83,441	3%
Egypt....................	12,004	0%	52,706	4%	-	(18,000)	46,710	2%
Eretria...................	-	0%	-	0%	-	-	-	0%
Ethiopia	89,529	3%	68,336	6%	-	-	157,865	6%
Kenya	221,083	7%	291,281	24%	(105,471)	(100,000)	306,893	13%
Malawi	198,265	6%	142,480	12%	(3,213)	(123,800)	213,732	9%
Mauritius	35,621	1%	127,792	10%	(48,540)	(42,500)	72,373	3%
Rwanda	586,845	18%	70,042	6%	(263,298)	(111,200)	282,389	12%
Seychelles.............	8,126	0%	-	0%	(1,011)	-	7,115	0%
Sudan	728,265	22%	64,909	5%	(453,685)	(210,116)	129,373	5%
Tanzania	237,776	7%	74,037	6%	-	-	311,813	13%
Uganda	157,066	5%	17,182	1%	-	(58,350)	115,898	5%
Zambia	713,145	21%	77,589	6%	-	(500,000)	290,734	12%
Zimbabwe.............	277,721	8%	206,269	17%	-	(92,256)	391,734	16%
	3,337,631	**100%**	**1,235,927**	**100%**	**(875,218)**	**(1,262,431)**	**2,435,909**	**100%**

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** Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.

Geographic Distribution of the PIF and Trade Finance Portfolio

The following table presents an overview of the Bank's geographical distribution of the PIF and Trade Finance loan portfolios as at 31 December 2016, 2017 and 2018:

As at 31 December 2018

	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**		**Insurance**		**Net Exposure**	
	PIF	***Trade Finance***	***PIF***	***Trade Finance***	***PIF***	***Trade Finance***	***PIF***	***Trade***	***PIF***	***Trade Finance***
					(USD '000)					
Burundi	13,102	-	-	-	-	-	(4,037)	-	9,065	-
Djibouti......................	2,904	5,338	-	-	-	-	-	-	2,904	5,338
DR Congo	43,642	10,054	-	-	-	-	-	-	43,642	10,054
Egypt..........................	-	29,529	-	-	-	-	-	(19,000)	-	10,529
Ethiopia......................	74,128	110,057	18,763	89,814	-	-	-	-	92,891	199,871
Kenya.........................	627,132	30,494	-	6,663	-	-	(280,000)	-	347,132	37,157
Malawi	-	439,317	-	125,364	-	(85,303)	-	(248,000)	-	231,378
Mauritius....................	128,086	10,852	28,725	50,000	-	-	-	-	156,811	60,852
Mozambique..............	4,737	-	48,133	-	-	-	-	-	52,870	-
Rwanda	264,003	196,309	28,467	-	-	(150,000)	(61,200)	-	231,270	46,309
Seychelles	4,318	-	-	-	-	(1)	-	-	4,318	(1)
Sudan	37,015	611,177	-	-	-	(214,547)	-	(228,138)	37,015	168,492
Tanzania.....................	43,414	179,264	23,809	25,103	-	382	-	-	67,223	204,749
Uganda.......................	87,995	78,938	117,953	17,195	-	-	-	(34,011)	205,948	62,122
Zambia	16,191	670,633	-	60,500	-	(955)	-	(517,833)	16,191	212,345
Zimbabwe..................	113,251	441,436	15,000	69,200	-	(400,000)	(58,840)	-	69,411	110,636
	1,459,918	**2,813,398**	**280,850**	**443,839**	**-**	**(850,424)**	**(404,077)**	**(1,046,982)**	**1,336,691**	**1,359,831**

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** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

As at 31 December 2017

	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**		**Insurance**		**Net Exposure**	
	PIF	***Trade Finance***	***PIF***	***Trade Finance***	***PIF***	***Trade Finance***	***PIF***	***Trade***	***PIF***	***Trade Finance***
					(USD '000)					
Burundi	13,102	-	-	-	-	-	(5,060)	-	8,042	-
Djibouti......................	1,557	4,948	1,343	-	-	-	-	-	2,900	4,948
DR Congo	43,482	2,530	-	17,500	-	-	-	-	43,482	20,030
Egypt..........................	-	28,169	-	-	-	2,000	-	(18,000)	-	12,169
Ethiopia......................	65,248	58,307	24,564	199,443	-	-	-	-	89,812	257,750
Kenya.........................	412,383	25,708	13,000	25,150	-	(1)	(280,000)	-	145,383	50,857
Malawi	6,195	241,880	-	251,900	-	(44,311)	-	(228,276)	6,195	221,193
Mauritius....................	84,915	43,648	28,725	257,363	-	(180,618)	-	(37,500)	113,640	82,893
Mozambique..............	-	-	21,959	-	-	-	-	-	21,959	-
Rwanda	291,980	140,151	-	7,500	-	(140,000)	(61,200)	-	230,780	7,651
Seychelles	5,699	-	-	-	-	(1)	-	-	5,699	(1)
Sudan	34,689	646,441	-	-	-	(263,299)	-	(239,849)	34,689	143,293
Tanzania.....................	40,132	169,761	50,000	23,952	-	(3,939)	-	-	90,132	189,774
Uganda.......................	80,708	177,231	12,633	6,069	-	-	-	(100,000)	93,341	83,300
Zambia	20,724	679,664	15,762	34,000	-	(368)	-	(550,000)	36,486	163,296
Zimbabwe..................	166,472	428,192	20,261	158,933	-	(350,000)	(76,783)	(54,240)	109,950	182,885
	1,267,286	**2,646,630**	**188,247**	**981,810**	**-**	**(980,537)**	**(423,043)**	**(1,227,865)**	**1,032,490**	**1,420,038**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

As at 31 December 2016

	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**		**Insurance**		**Net Exposure**	
	PIF	***Trade Finance***	***PIF***	***Trade Finance***	***PIF***	***Trade Finance***	***PIF***	***Trade***	***PIF***	***Trade Finance***
					(USD '000)					
Burundi	14,221	-	275	-	-	-	(6,209)		8,287	-
Djibouti......................	-	4,616	2,835	101	-	-	-	-	2,835	4,717
DR Congo	45,622	7,727	93	30,000	-	-	-	-	45,715	37,727
Egypt..........................	-	12,004	-	52,706	-	-	-	(18,000)	-	46,710
Ethiopia......................	61,869	27,660	19,608	48,728	-	-	-	-	81,477	76,388
Kenya.........................	67,663	153,420	31,258	260,022	-	(105,471)	-	(100,000)	98,921	207,971
Malawi	9,124	189,141	-	142,479	-	(3,213)	-	(123,800)	9,124	204,607

	As at 31 December 2016									
	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit		Insurance		Net Exposure	
	PIF	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade*	*PIF*	*Trade Finance*
					(USD '000)					
Mauritius	12,297	23,325	-	127,792	-	(48,540)	-	(42,500)	12,297	60,077
Mozambique	-	-	-	-	-	-	-	-	-	-
Rwanda	270,496	316,349	60,494	9,547	-	(263,298)	(61,200)	(50,000)	269,790	12,598
Seychelles	7,115	1,011	-	-	-	(1,011)	-	-	7,115	-
Sudan	32,178	696,086	-	64,909	-	(453,685)	-	(210,116)	32,178	97,194
Tanzania	75,860	161,916	50,000	34,038	-	-	-	-	125,860	195,954
Uganda	88,422	68,643	12,118	5,064	-	-	-	(58,350)	100,540	15,357
Zambia	35,704	677,442	-	77,589	-	-	-	(500,000)	35,704	255,031
Zimbabwe	175,517	102,203	50,688	155,583	-	-	(34,596)	(57,660)	191,609	200,126
	896,088	**2,441,543**	**227,369**	**1,008,558**	**-**	**(875,218)**	**(102,005)**	**(1,160,426)**	**1,021,452**	**1,414,457**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*

** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

Total Portfolio by Borrower Type

The following table shows the distribution of the Bank's portfolio on a gross basis by type of borrower as at 31 December 2016, 2017 and 2018:

	Year ended 31 December					
	2018		2017		2016	
	Balance USD '000	*%*	*Balance USD '000*	*%*	*Balance USD '000*	*%*
Type of Borrower						
Small & Medium Enterprises...	196,175	4.59%	139,346	3.56%	152,580	4.57%
Large Corporations	969,215	22.68%	1,021,054	26.09%	1,286,365	38.54%
Banks & Financial institutions	128,857	3.02%	199,854	5.11%	108,924	3.26%
Government/Parastatals	2,979,069	69.71%	2,553,661	65.25%	1,789,762	53.62%
Total	**4,273,316**	**100%**	**3,913,915**	**100%**	**3,337,631**	**100%**

20 Largest Borrowers - Breakdown

The following table shows the Bank's 20 largest borrowers on a gross and net basis as at 31 December 2018:

Client	Country	Type	Sector	Gross Exposure	Share of Portfolio	Mitigants*	Net Exposure
				USD'000		*USD'000*	*USD'000*
Min. Of National Finance Zambia	Zambia	Trade	Oil & Gas	618,118	13.9%	497,047	121,071
The National Treasury Kenya	Kenya	Project	Infrastructure	544,166	12.3%	280,000	264,166
Reserve Bank of Zimbabwe	Zimbabwe	Trade	Oil & Gas	429,862	9.7%	429,862	-
Agricultural Bank of Sudan	Sudan	Trade	Agribusiness	420,585	9.5%	283,394	137,191
Reserve Bank of Malawi	Malawi	Trade	Agribusiness	340,212	7.7%	247,803	92,409
Rwandair Express	Rwanda	Project	Transport	216,691	4.9%	61,200	155,491
Commercial Bank of Ethiopia	Ethiopia	Trade	Banking	169,322	3.8%	0	169,322
Ministry of Finance and Economy	Sudan	Trade	Oil & Gas	159,291	3.6%	159,291	-
Bank of Kigali	Rwanda	Trade	Banking	150,000	3.4%	150,000	-
Econet Global	Mauritius	Project	ICT	117,652	2.7%	-	117,652
Alliance One Tobacco Malawi	Malawi	Trade	Agribusiness	87,163	2.0%	85,500	1,663
Malawi Leaf Company	Malawi	Trade	Agribusiness	75,031	1.7%	-	75,031
Habesha Cement Company	Ethiopia	Project	Manufacturing	66,717	1.5%	-	66,717
Alliance One of Tanzania	Tanzania	Trade	Agribusiness	62,837	1.4%	-	62,837
Kilwa Energy Limited	Tanzania	Trade	Energy	59,927	1.4%	-	59,927

Client	Country	Type	Sector	Gross Exposure	Share of Portfolio	Mitigants*	Net Exposure
				USD'000		*USD'000*	*USD'000*
Kampala Cement	Uganda	Project	Manufacturing	50,278	1.1%	-	50,278
Yumn Limited	Rwanda	Project	Energy	45,224	1.0%	-	45,224
PPC Barnet DRC	DRC	Project	Manufacturing	43,642	1.0%	-	43,642
PPC Zimbabwe Limited	Zimbabwe	Project	Manufacturing	37,512	0.8%	-	37,512
The White Nile Sugar Cop.......................	Sudan	Project	Agribusiness	37,015	0.8%	-	37,015
TOTAL.....................				**3,731,245**	**84.1%**	**2,194,097**	**1,537,148**

* *Mitigants comprise cash cover and credit risk insurance.*

As at 31 December 2018, the 20 largest borrowers accounted for 84.1 per cent. of the gross loan portfolio. All of the top 20 borrowers have been performing satisfactorily. The exposures are aligned to the key economic drivers of the Issuer Member States and are diversified from a geographical and sectoral perspective.

Somalia and Eritrea

In line with its internal policies, the Bank does not have any exposure in Somalia and Eritrea given their long-standing capital arrears. In addition, in accordance with the provisions of the Charter, the Bank has consistently set off each Issuer Member State's stock dividend entitlements against their capital arrears and accumulated penalty interest.

Collateral Arrangements

The Bank seeks to protect its interests in the event of unpredictable and extreme factors that may negatively affect a borrower's capacity to service its loan by calling for security or credit enhancement to be put in place. This includes mortgage interest on property, registered securities over financed or third-party assets and third-party guarantees.

In PIF, the Bank's minimum-security coverage on project and infrastructure transactions is 1.3 times the loan amount in relation to the market value of assets offered as collateral. The Bank aims to be conservative in estimating the market values of the securities offered and, in all cases, insists on independent valuation by a valuer approved by the Bank.

In trade finance transactions where the commodity is being financed, debtors and other illiquid assets are offered as collateral. The minimum security coverage is 1.25 times. However, in cases where liquid security such as cash, credit risk insurance and treasury bills are offered as collateral, the security coverage threshold is pegged at 1.10 times.

In assessing security, the Bank considers the following assets or a combination thereof as acceptable collateral for lending exposures for:

(a) Cash deposits or liens over cash deposits in a major or freely convertible currency with at least a 10 per cent. margin, for currency risk where the lending currency may differ from the collateral currency.

(b) Legal charges or mortgage bonds over real estate in the form of land and buildings recently valued (not more than one year) by approved property valuers. For the purposes of calculating a security value the Bank will discount market valuations by at least 20 per cent. to account for market fluctuations and forced sale values.

(c) All asset debentures over a company's assets as specified in their audited balance sheets with a margin of at least 20 per cent. to cater for market value fluctuations.

(d) Specific debentures and liens over stocks of the financed commodities. In structured commodity financing, the commodity being financed shall form the security of the facility with a margin of not less than 20 per cent. to cater for price and market volatility.

(e) Liens over treasury bills issued by the governments of the Issuer Member States with a margin of at least 10 per cent. to cover currency risk.

(f) Bank guarantees, inward letters of credit, bankers' acceptances, promissory notes and similar contingent instruments issued in favour of the Bank by first class rated institutions.

(g) Corporate, parent company, personal and shareholders guarantees backed by identifiable assets or instruments pledged in favour of the Bank.

(h) Any other security which may be deemed acceptable by the Credit Committee on a case-by-case basis.

In all instances, the Bank carries out due diligence on the assets offered as security to ensure the Bank's rights on enforceability and liquidation are protected with the necessary attendant insurances and other protections in place for the security to be deemed acceptable.

The Bank's policies require that fully implemented projects should be valued to establish their net worth. Subsequently, the Bank undertakes quarterly securities reviews during its routine supervision missions.

The security coverage ratio is improved by the decline in the Bank's exposure through regular repayments made by performing loans. For performing loan accounts, the Bank's exposure declines gradually as a result of regular repayments thereby improving the security coverage ratio. The Bank regularly revalues assets charged to the Lender as collateral. If deterioration of the securities is evident arrangements will be negotiated with the respective borrowers to make up for the difference.

The following table shows the composition of the Bank's collateral as at 31 December 2016, 2017 and 2018.

Collateral Type	**2018**		**2017**		**2016**	
	Value USD '000	*%*	*Value USD '000*	*%*	*Value USD '000*	*%*
Mortgages on properties	587,972	10%	695,559	13%	822,521	13%
Fixed charge on plant & equipment	786,376	13%	816,158	15%	866,914	14%
Cash deposits	1,087,467	18%	740,062	14%	830,601	14%
Sovereign undertakings	381,906	7%	912,364	17%	1,273,105	21%
Other Floating All Asset Debenture	63,678	1%	45,879	1%	268,382	4%
Insurance and Guarantees	2,979,738	51%	2,082,964	39%	2,069,572	34%
Total	**5,887,137**	**100%**	**5,292,986**	**100%**	**6,131,095**	**100%**

The following table summarises the geographical distribution of the Bank's collateral for the years ended 31 December 2018, 2017 and 2016.

	2018		**2017**		**2016**	
	Value USD '000	*%*	*Value USD '000*	*%*	*Value USD '000*	*%*
Country						
Zambia	769,352	13.07%	1,283,292	24.25%	1,412,569	23.04%
Tanzania	385,086	6.54%	353,980	6.69%	482,553	7.87%
Kenya	916,916	15.57%	267,875	5.06%	448,401	7.31%
Zimbabwe	1,278,108	21.71%	495,076	9.35%	566,526	9.24%
Uganda	330,774	5.62%	840,899	15.89%	333,289	5.44%
Malawi	343,026	5.83%	327,036	6.18%	465,142	7.59%
Seychelles	14,236	0.24%	14,236	0.27%	108,100	1.76%
Burundi	26,136	0.44%	26,136	0.49%	26,136	0.43%
Rwanda	705,156	11.98%	312,726	5.91%	743,615	12.13%
Sudan	756,768	12.85%	815,963	15.42%	975,896	15.92%
Ethiopia	128,957	2.19%	193,303	3.65%	214,362	3.50%
Mauritius	64,976	1.10%	196,603	3.71%	73,697	1.20%
DR Congo	121,005	2.06%	121,630	2.30%	228,205	3.72%
Djibouti	7,975	0.14%	9,020	0.17%	4,604	0.08%
Egypt	29,334	0.50%	35,211	0.67%	48,000	0.78%
Mozambique	9,332	0.16%	-	-	-	-
Total	**5,887,137**	**100%**	**5,292,986**	**100%**	**6,131,095**	**100.00 %**

Collateral Enforcement

The Bank's collateral enforcement experiences differ from one country to another. In enforcing collateral the Bank uses a combination of direct foreclosures, receivership and legal enforcement mechanisms such as court action. These experiences largely reflect the efficiency of the legal processes in terms of determining the outcomes of any legal challenges that may be raised by aggrieved borrowers.

The following table summarises the Bank's recovery experience on non-performing loans as at 31 December 2018.

Details	**Year ended 31 December 2018**		
Non-Performing Loans	**Principal Disbursed**	**Cumulative Recoveries**	**Recovery**
	USD '000	*USD '000*	
Trade Finance	53,617	29,257	55%
PIF	146,709	122,864	84%
Total	**200,326**	**152,121**	**76%**

The lower recovery rates on trade finance loans reflect the nature of collateral which mostly comprises stocks, receivables and other current assets.

Strategic Partnerships

In order to diversify its network of business partnerships, the Bank intends to remain an active member of a number of global and regional networks and alliances. These include the Global Network of Export Import Banks and International Development Financial Institutions ("**GNEXID**"), the Association of African Development Financial Institutions ("**AADFI**"), the Alliance of African International Financial Institutions ("**AAIFI**") and the International Development Finance Club ("**IDFC**"). The Bank has also entered into an export credit funding cooperation agreement with the Development Bank of Belarus.

As part of its drive to diversify and grow its funding base, the Bank will strengthen existing relationships with institutions such as the African Development Bank, the European Financing Partnership, the Export-Import Bank of India, the China Development Bank and USAID.

GNEXID

GNEXID aims to boost bilateral and multilateral agreements of various kinds among export-import banks and development financial institutions based in developing countries. The network was founded in 2006 in Geneva based on the recognition of the importance of South-South trade and investment flows as drivers of economic growth in the developing world. Cooperation by GNEXID's members is expected to reduce the costs of trade between developing nations, spurring investment across borders and making financing more readily available to new and innovative businesses and enabling the growth of niche markets. GNEXID allows members to learn from each other's experiences and share effective practices for entering new markets and establishing risk sharing methods for investments. Currently, the network has a membership of 24 institutions including Exim Bank of India, Afrexim Bank, Andean Development Corporation (Venezuela), Bank Ekspor of Indonesia, Caribbean Development Bank, Export Import Bank of Romania and State Export-Import Bank of Ukraine.

AADFI

Headquartered in Abidjan, Côte d'Ivoire, AADFI is an international organisation created under the auspices of the African Development Bank in 1975 with a membership comprising banking and financial institutions engaged in development finance activities in Africa. The main activities of the AADFI are the provision of information and training in the techniques of banking and finance as well as development policy advice to African bankers and finance officers. AADFI organises various training programmes comprising skills-base workshops and policy seminars aimed at assisting member-institutions to improve and update their technical competence and structures in line with the changing development needs of their countries.

AAIFI

Established in 2009, AAIFI is an alliance of African international financial institutions. Unlike AADFI whose membership comprises national and regional development finance institutions, AAIFI's membership is drawn from commercial banks and development finance institutions operating in multiple African countries. Among the objectives of AAIFI include sharing of information and experiences, risk sharing, pursuit of investment banking opportunities and promotion of reciprocal funds placement arrangements among members.

IDFC

The International Development Finance Club is an association of national and sub-regional Development Banks that support the realisation of national and international development plans through resource mobilisation assistance and technical advisory support. Members of the IDFC collaborate and pool expertise, resources best practices, and networks, amongst other assets, to add value to development projects and to resolve strategic and structural development challenges.

Related Party Transactions

The Bank's principal related parties are its Issuer Member States. The Bank makes loans to some of its Issuer Member States or to entities either controlled or significantly influenced by some of its Issuer Member States. In addition, the Bank secures lines of credit from certain Issuer Member States or institutions either controlled or significantly influenced by members. Loans and borrowings to or from related parties are made at market interest rates and are subject to commercial negotiations on the terms and conditions.

The table below shows the loans and borrowings to/from related parties as at 31 December 2018, 2017, and 2016.

	2018	**2017**	**2016**
		USD '000	
Loans to Issuer Member States	1,802,388	1,907,870	1,132,315
Borrowings from Issuer Member States..	158,746	266,010	321,797
Interest Income earned..	180,128	124,347	88,034
Interest Expense incurred..	9,368	8,276	8,280
Fees and commission earned	20,406	43,171	34,644

Material Litigation

Save as disclosed below, to the best of the Bank's knowledge there is no material litigation, prosecution or other civil or criminal legal action against the Bank or any of its Directors, which if found against the Bank may have a significant effect on the Bank and/or its business financial condition and operational results. With respect to the matters disclosed below, no provisions have been made as, in the opinion of the senior management of the Bank, it is unlikely that any significant loss will arise.

1. **Concorp**

The Bank was sued by Concorp International Company Limited ("**Concorp**") seeking damages for breach of contract and wrongful sale of its mortgaged assets in Uganda and loss of business of up to USD 18,000,000. The Bank's defence is premised on a written agreement between the two parties in which it was agreed that all disputes between the parties be settled by an arbitration tribunal in Sudan. The tribunal was set up and all disputes were referred to the tribunal. Full hearings were concluded and an award was given in favour of the Bank in 2009. Having lost the case in Sudan, Concorp attempted to revive the same case in Uganda, which in the assessment of the Bank was an abuse of court process and time due to the written agreement above mentioned. At the first hearing in Uganda, the Bank informed the court that in line with the written agreement between them, any dispute is to be referred to arbitration. On 6 March 2015, the court agreed with the Bank's position and directed Concorp to refer the dispute to arbitration.

On 13 March 2015, Concorp filed a Notice of Appeal in Uganda and applied for the original court record to enable it to prepare and file its Memorandum of Appeal for subsequent service on the Bank. This Notice of Appeal was served on the Bank on 16 March 2015.

Concorp is yet to file its Memorandum of Appeal.

2. **East African Foam**

East African Foam sued the Bank and the Bank's receiver for wrongful sale of its assets in Uganda and seeking damages of approximately USD 850,000 plus loss of earnings of USD 20,000 per month. The Bank denied the claim as it sold the property following East African Foam's default on its loan repayment and in line with due process. The court found in favour of the Bank.

Subsequently, the plaintiff served the Bank with a Notice of Appeal on 17 July 2013, and a Memorandum of Appeal on 9 December 2013.

The matter is to be heard on notice.

3. **Excel Textiles Mills Zambia Limited**

The Bank provided banking facilities to Excel Textiles Mills Zambia Limited ("**Excel**") pursuant to facility agreements dated 20 December 1991 and 20 April 1993 respectively for (i) UAPTA 1,700,000 (equivalent to USD 2,400,000) and (ii) UAPTA 200,000 (equivalent to USD 280,000).

Subsequently, Excel declared an arbitral dispute against the Bank (i) contesting being indebted to the Bank in the sum of USD 2,747,634.71 and (ii) claiming the sum of USD 6 million being amounts allegedly due from the Bank to Excel. The Bank disputed Excel's claim.

The arbitral dispute was set for a full hearing on 28 November 2017 before Hon. Justice Mathew Ngulube (Rtd.) (appointed by Excel), Hon. Justice Mark Albert Wood (appointed by the Bank) and Mr Hon Justice Dr Mumba Malila SC as the chairman appointed by the first 2 arbitrators.

At this hearing, the tribunal was disbanded, and the arbitration proceedings were terminated. Excel has since instituted a fresh claim on the same grounds at the COMESA Court of Justice. The preliminary hearing for this fresh claim was held in early March 2019 and the full arbitral hearing is scheduled for early June 2019.

4. **Kisakye Industries Limited**

On 1 June 2017 the Bank issued a demand letter to Kisakye Industries Limited ("**Kisakye**"), on account of Kisakye's payment default under its facility agreements with the Bank. Upon receipt of the Bank's demand letter, Kisakye instituted injunction proceedings seeking to restrain the Bank from exercising our remedies under the loan documentation and applicable law.

The Bank is in the process of contesting the injunction proceedings, and a hearing date will be confirmed in due course. In the meantime, Kisakye has approached the Bank for an out of court settlement proposing that some of its assets (including the financed equipment) be sold with all proceeds to be received by the Bank to offset its outstanding loan. This proposal is being considered by the Bank.

RISK MANAGEMENT AND ASSET QUALITY

As a self-regulated supranational institution, the Bank nonetheless strives to comply with all applicable prudential risk management standards and also aims to adopt the best practices in its industry. The Bank recognises that having a robust risk management framework and communicating this clearly to stakeholders can be a source of competitive advantage. Accordingly, there is a sustained focus on the overall risk management at the Bank driven by overarching objectives of achieving sustainable growth and attainment of investment grade rating. The Board has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has embedded a comprehensive risk management framework for measuring, monitoring, controlling and mitigating various risks.

At management level, the Bank-wide Integrated Risk Management Committee ("**BIRMC**") is responsible for monitoring compliance with the Bank's risk management policies and procedures and for the review of the adequacy of the risk management framework in relation to the risks faced by the Bank. BIRMC undertakes regular as well as *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Board.

Financial management

The Bank has continued implementing changes to build on its financial management performance.

The Bank is implementing a decision support tool which will be used to run scenarios in order to test the sensitivity of key outputs to different input assumptions and to predict financial results with greater confidence. The model will have a robust "What If" functionality to analyse a number of scenarios given a set of parameters, including capital adequacy, leverage, non-performing loans, impairments, liquidity, margin management. This is in addition to the enhancements to the SAP Enterprise Resource Planning which were implemented to enhance utilisation and return on investment.

Risk Management

The Bank has continued to strengthen its risk management framework to ensure that the risk function performs a key role in independently identifying, assessing, mitigating, controlling, monitoring and reporting significant risks facing the Bank. The Bank continues to base its risk management framework on a well-established governance process, relying both on individual responsibility and collective oversight, and by being supported by a comprehensive reporting and escalation process. The industry standard three lines of defence model is embedded in the Bank's operating model. In the first line of defence, line management is principally responsible for risk management. Business Unit managers are responsible for identification and appropriate reporting of risks to the various governance bodies of the Bank. The Risk Management function represents the second line of defence and is independent of line management. The Risk Management function is essentially accountable for establishing and maintaining the Bank's risk management framework as well as providing risk oversight as well as independently reporting on such matters to Senior Management and the Board. The risk department now includes a Chief Risk Officer, a Director of Credit Risk, a Head of Credit Risk, a Head of Enterprise Risk and a Head of Compliance. The third line of defence consists of internal auditors which provide an independent assessment of the adequacy and effectiveness of the control environment. The internal audit function reports independently to the Board Audit Committee. In this regard, the Bank has implemented a number of measures aimed at strengthening its risk management capacity, which include upgrading the function to a fully-fledged department with dedicated credit risk and internal audit co-ordinating units.

Lending Limits

The Bank has a Credit Risk Appetite Statement aimed at effective portfolio management to mitigate the extent of maximum credit losses that can be absorbed within the core lending activities while optimising returns against capital held.

The credit risk appetite is achieved through a mandate and limits framework to achieve the following objectives:

(a) limit concentration risk;

(b) keep business activities within business mandates;

(c) ensure activities remain of an appropriate scale relative to the underlying risk and reward; and

(d) ensure risk taking is supported by appropriate expertise and capabilities.

The core limits and mandates used by the Bank are identified below.

Country limits

The Bank's credit policies stipulate that credit exposure to any one Issuer Member State shall not exceed 30 per cent. of the total value of outstanding loans (all such credit limits are on a gross basis).

Given the risk capacity set as above, the Bank has further developed risk differentiated country risk appetite limits that consider country risk rating scores adjusted for debt absorption capacity and Bank exposure strategy for each country.

Sector limits

The Bank maintains a well-diversified portfolio across various economic sectors by ensuring that exposure to any one sector does not exceed 25 per cent. of the total loan portfolio outstanding. However, in view of the strategic nature and their significant contribution to GDP in almost all Issuer Member States, exposure within the following three priority sectors have been assigned a higher appetite limit as below:

(a) Oil & Gas at 40 per cent.: to reflect opportunities in downstream segment in the Issuer Member States that are net importers of oil a gas products, as well as upstream and downstream opportunities in Issuer Member States with newly discovered and undeveloped reserves;

(b) Agri-business at 35 per cent.: key GDP driver in the Issuer Member States economies with attendant opportunities in agro-processing and integrated value chain; and

(c) Infrastructure at 35 per cent.: key opportunities with sovereigns for deficit infrastructure development either through direct sovereign funding or public private partnerships.

Single Obligor Limits

To protect the Bank's risk capital and maintain financial stability, the single obligor limit ("**SOL**") is linked to the adequacy of the Bank's risk bearing capacity of its risk capital comprising of paid in capital and reserves. SOL hierarchy also considers the Bank's role as a development finance institution in the Issuer Member States.

The SOL is risk based, considering borrower risk ratings and corresponding facility amounts as a percentage of the Bank's capital and reserves as highlighted in the table below:

Borrower Rating	**Credit Quality**	**Single company**	**Economic groups within single country**	**Diversified economic groups and multi-country**	**Sovereign and sovereign guaranteed**	**Secondary market loan participation**
		Limit	**Limit**	**Limit**	**Limit**	**Limit**
1-7	Very Low Risk	20%	25%	30%	30%	10%
8-10	Low Risk	15%	20%	25%	25%	5%
11-12	Moderate Risk	10%	15%	20%	25%	5%
13-14	High Risk	5%	5%	5%	10%	0%
15-16	Very High Risk	2%	2%	2%	2%	N/A
17	Default	N/A				

Lending Authority

The Bank's lending authorities are risk-based considering borrower risk ratings and corresponding facility amounts as a percentage of the Bank's capital and reserves. The final hold amount is also constrained by the defined single obligor risk-based limits.

The following table defines the Corporate Credit Committee's gross lending mandates as delegated from the Board of Directors. Any amounts above the thresholds are referred to the Board of Directors through INVESCO:

Borrower ratings and description		**Products**		
		Short and Medium Term (Up to 3 years)		**Long term (>3 years)**
Borrower Rating	**Credit Quality**	**Structured & Self-Liquidating Facilities**	**Short term loans**	**Project and Infrastructure Finance**
1 -7	Very Low Risk	20% of capital and reserves Maximum USD 100m	Max USD 75m	5% of capital and reserves Maximum USD 50m
8 –10.......	Low Risk	15% of capital and reserves Maximum USD 75m	Max USD 50m	3% of capital and reserves Maximum USD 30m
11-12	Moderate Risk	10% of capital and reserves Maximum USD 50m	Max USD 30m	2% of capital and reserves Maximum USD 20m
13-14	High Risk	5% of capital and reserves Maximum USD 20m	Max USD 20m	1% of capital and reserves Maximum USD 10m
15-17	Very High Risk/Default	N/A		

Loan Reviews

The Bank's Portfolio Management Department ("**PMD**") undertakes a review of the portfolio and submits a report to the Board on a quarterly basis. At the management level, the Arrears Recovery Committee ("**ARC**") meets on a quarterly basis to review PMD's report on accounts experiencing significant loan repayment difficulties. ARC deliberates, approves and where appropriate provides guidance to PMD's recommendations for appropriate loan workout measures to be implemented for such accounts.

Loans Classification System

The classification of loans is dependent on the performance of the underlying facilities evidenced by the loan repayment ability of the borrowers.

*In line with best practices adopted by commercial banks and central banks in the region, the Bank has adopted a seven-category loan classification system ("**LCC**") as shown below:*

The Bank's Credit Risk Assessment System ("CRAS") rating ("PTAR")

CRAS rating	**Internal Loan Classification Categories (LCC)**	
Pass/Acceptable..	LCC 1	Low risk
	LCC 2	Satisfactory Risk
Special Mention..	LCC 3	Fair risk
	LCC 4	Watchlist
Substandard	LCC 5	Substandard
Bad & Doubtful	LCC 6	Bad & Doubtful
Loss	LCC 7	Loss

LCC 1& 2: Pass / Acceptable

Loans in this category are fully protected by the sound net-worth and paying capacity of the borrower, are performing in accordance with contractual terms, and are expected to continue doing so. Loans under this category are further classified as "Low Risk" or "Satisfactory Risk".

LCC 3 &4: Special Mention

Loans under this category are generally performing well but exhibit potential weaknesses that may, if not corrected, weaken the borrower's capacity to repay. The weaknesses may result in the Bank's position not being adequately protected. Examples of such weaknesses include but are not limited to: inability to properly supervise due to an inadequate loan agreement; deteriorating condition or control of collateral; and/or deteriorating economic conditions or adverse trends in the borrower's financial position which may, if not checked, jeopardise repayment capacity. In terms of the age of arrears, the project loan and/or trade finance loans will have been due for between 31 and 90 days. Loans under this category are further classified as "Fair Risk" or "Watch List" depending on the financial condition of the loan.

LCC 5: Substandard

Typically, loans in this category are not adequately protected by the current net-worth and paying capacity of the borrower. The primary sources of repayment are insufficient to service the debt and the Bank must look to secondary sources such as collateral, sale of fixed assets, refinancing, or additional capacity injections for repayment. Substandard loans have defined weaknesses that could jeopardise the orderly repayment of the debt thereby increasing the possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Such loans may or may not be past due but carry more than a normal degree of risk due to the borrower's unsatisfactory financial condition. An unduly long absence of current and satisfactory financial information or inadequate collateral documentation may also warrant a substandard classification.

Renegotiated loans will normally continue to be classified as substandard unless all past due income is paid by the borrower in cash at the time of re-negotiation and a sustained record of timely repayment of principal and income under a realistic repayment program has been demonstrated for a period of not less than 180 days. As a general rule, project and trade finance loans which have been due for between 91 and 180 days shall be classified as substandard.

LCC 6: Bad & Doubtful

Loans in this category have all the weaknesses inherent in a substandard loan with the added characteristic that the loans are not well secured. These weaknesses make collection in full, on the basis of currently existing facts, conditions, and value, highly questionable and improbable.

Although the possibility of loss is high, there however may exist important and reasonably specific pending factors, which may mitigate the actual amount of loss. As a result, it is difficult to determine the full extent of the loss. Such pending factors may include a capital injection, perfection of liens on additional collateral, refinancing plans, embarking on a new project or asset disposal. It must be noted that the pending event must have a reasonable chance of success in order to be considered in assessing the net risk involved. As a general guide, project and trade finance loans which have been due for more than 180 days shall be classified as doubtful.

LCC 7: Loss

Loans in this category are considered un-collectible or of such little value that their continuance as bankable assets is not warranted. However, the classification of a loan as a loss does not necessarily mean that there is no recovery or salvage value. Generally, project and trade finance loans that have been due for more than 365 days shall be classified as a "loss" unless such loan is well secured, legal action has actually commenced, and timely realisation of the collateral or enforcement of the guarantees can be expected.

Impaired Loans

Loans are identified as impaired when arrears on principal or interest are more than 90 days overdue or when there is adverse development (such as significant deterioration in the value of collateral) which creates significant doubt on the collectability of the principal loan and interest. At a minimum, all loans classified as substandard and below are considered impaired.

Provisions for Impairment Losses

At each balance sheet date, the Bank assesses whether there is objective evidence that a loan is impaired. A loan is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a "**loss event**") and that loss event has an impact on the estimated future cash flows of the loan that can be reliably estimated. The amount of loss is measured as the difference between the loan and the present value of the estimated future cash flows discounted at the effective interest rate made under the loan contract. The carrying amount of the loans is reduced through the use of an allowance account and the amount of loss is recognised in the income statement.

The methodology and assumptions for estimating future cash flows are reviewed regularly by the Bank in order to reduce the differences between loss estimates and actual loss experiences.

Specific provisions are made for loans categorised as non-performing i.e. those graded in the substandard, doubtful and loss categories. The assessment of specific provisions is measured as the difference between the loan carrying amount and the estimated future cash flows discounted at the loan's original effective interest rate. This assessment incorporates an estimation of the realisation from collateral held against the loan.

For the purpose of assessing collective impairment, the Bank groups and reviews on a quarterly basis all performing loans on the basis of similar credit characteristics which are relevant to the estimation of future cash flows for such loans. Prior to 2014, the Bank only had specific provisions on impaired accounts. However, in line with best practices, in 2014 collective impairment was re-introduced to create a buffer and further mitigate residual credit risks.

When a loan is known to be uncollectible, all the necessary legal procedures have been completed and the final loss has been determined, such a loan is written off against the related provision for impairment. Loans write-offs exceeding USD 1.0 million have to be approved by the Board. Subsequent recoveries of amounts previously written off are included in the income statement.

The following table sets forth information regarding the Bank's impaired loans as at 31 December 2016, 2017 and 2018.

	2018	2017	2016
		USD '000	
Impaired Loans – Projects & Infrastructure	24,148	21,486	52,042
Impaired Loans – Trade Finance	76,467	72,098	43,051
Total Impaired Loans	**100,615**	**93,584**	**95,093**
Specific Provisions for Impairment	99,356	72,307	60,958
General Provisions for Impairment	10,956	35,240	36,644
Total Provisions	**110,312**	**107,547**	**97,602**
Total Provisions/Total Impaired Loans	110%	115%	102.64%
Impaired Loans as a per cent. of total loans	2.35%	2.39%	2.85%

Asset quality as depicted by the ratio of impaired loans as a percentage of total loans, improved from 2.85 per cent. as at 31 December 2016 to 2.39 per cent. as at December 2017 and improved further to 2.35 per cent as at 31 December 2018, while the ratio of total provisions to total impaired loans remained above 100 per cent. (110 per cent. in 2018, 115 percent in 2017, and 103 per cent. in 2016).

The table below shows distribution of non-performing loans by geography as at 31 December 2018.

Country	% of Gross Exposure
Rwanda	3%
Zambia	11%
Uganda	6%
Sudan	31%
Tanzania	39%
Kenya	10%
	100%

The following table sets forth the information regarding the sector distribution of the non-performing loans as at 31 December 2018.

Sector	% of Gross Exposure
Hospitality	14%
ICT	6%
Manufacturing and Heavy Industries	14%
Wholesale Commodities	35%
Agribusiness	31%
	100%

LIQUIDITY AND INVESTMENT POLICIES

The management of liquidity is a critical treasury function aimed at ensuring that the Bank is in a position to meet its financial obligations as and when they fall due. The Bank currently manages its liquidity on a daily (3-months rolling) and monthly (24-months rolling) basis using criteria of bucketing assets, liabilities and off-balance sheet items in terms of maturity. Asset liability profile is prepared under the most prudent consideration of maturity dates with assets being classified according to the latest possible repayment date and liabilities being classified according to the earliest possible repayment date. Any significant negative gaps in each bucket are monitored and appropriate remedies instituted.

The Bank aims to maintain liquid assets to total assets ratio of at least 10 per cent. 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 administration expenses.

Historically, the liquid assets balance has been above the minimum ratio of 10 per cent. because the Bank, for reasons of prudence, holds a liquidity buffer above the 10 per cent. minimum requirement. This is due to timing differences on anticipated facility disbursements. In addition, the buffer helps to cushion the Bank since it has no central bank lender of last resort.

As part of its ALCO reporting package, treasury submits for discussion a 24-months rolling forecast. This forecast captures all the contractual loan receipts and other inflows, as well as maturing debt repayments, and other such outflows. As part of this exercise, pre-ALCO discussions are held with concerned departments to increase the accuracy of the forecast through assumed and or informed adjustments to disbursements, receipts and such other relevant items. With this constrained view, the Bank determines the possible timings of its pre-approved funding initiatives to match business needs. These are thereafter discussed and firmed up as agreed positions and / or with actions to be taken or for monitoring with a view to ensure the Bank is well resourced.

The Bank takes every possible step to avoid a funding contingency situation, using stress testing to predict potential problems. The Bank has developed a contingency plan that was approved by the Board of Directors in April 2018. This plan is a go-to practical live working document that describes the process via which the plan is enforced and includes details of the alternative funding sources that can be accessed in the event of liquidity stress.

The Bank defines a liquidity contingency situation as the state reached when the Bank's day-to-day liquidity management processes (including the use of committed lines) are unable to maintain a sufficient level of liquidity. This situation, if left unchecked, might result in a breach of internal limits, and in extreme conditions may result in an inability to carry on business.

The Bank's liquidity contingency plan is based on the following principles:

(a) predicting potential problems;

(b) mitigating the problem where possible;

(c) maintaining a robust contingency plan; and,

(d) maintaining up to date alternative, tested, funding sources.

Investments of short-term surplus funds are made in various short-term instruments subject to counter-party exposure limits approved by ALCO. Unless otherwise approved, investments in call deposits, certificates of deposits, term deposits, commercial paper and corporate bonds shall be made with banks and institutions with investment grade credit ratings. The investments are made in eligible currencies in which resources have been raised in order to mitigate currency risk. The Bank has engaged a consultant to assist in developing an investment framework that will enable the Bank in initiatives to diversify its investments portfolio in addition to money market investments. This process is aimed to be completed by July 2019.

FUNDING AND TREASURY AND HEDGING

Funding

In order to fulfill its developmental mandate, the Bank aims to increase and diversify its funding base by utilising bilateral lines of credit, letters of credit confirmation and refinancing limits, term deposits bond issuances and export credit agency relationships. Loan syndications, the Euro bond market and international financial institutions are expected to provide further diversification in terms of funding.

The following table sets forth a breakdown of the Bank's borrowings as at 31 December 2018, 2017 and 2016.

	2018	2017	2016
		USD '000	
Borrowings			
Short-Term Borrowings			
Certificates of deposits	1,244	115,532	276,636
Other Short-term borrowings	2,382,010	2,199,030	2,092,686
Total Short-term borrowings	**2,383,254**	**2,314,562**	**2,369,322**
Long-Term Borrowings			
Development Financial Institutions	454,446	479,164	409,543
Export Credit Agencies	393,427	250,113	513
Foreign currency bonds	700,000	917,031	300,000
Local currency bonds	110,269	7,558	10,654
Other long-term borrowings	123,889	54,424	73,505
Total Long-term borrowings	**1,782,031**	**1,708,290**	**794,215**
Total borrowings	**4,165,285**	**4,022,852**	**3,163,537**

Treasury and Hedging

The primary objective of the Bank's treasury operations is to mobilise sufficient resources to fund approved operational and administrative programmes and to effectively manage the Bank's liquidity, interest rate and foreign exchange risks in order to safeguard the Bank's financial integrity, protect its capital and generate adequate investment returns.

The Bank's Treasury department is responsible for the management of market risks within the parameters established by the BIRMC /Assets and Liabilities Committee ("**ALCO**"). This forum, chaired by the President or his designate, is responsible for the review and monitoring of risk management practices across the Bank as well as asset and liability management.

Given the Bank's non-complex activities and relatively short-term balance sheet structure, the Bank has a low interest rate risk profile. The Bank's conservative hedging policies involve mainly matching of assets and liabilities in terms of currency and interest rate attributes. Accordingly, it aims to match (to the extent possible) the currency of its borrowings with the currency of its loans. On interest rates, the Bank's policies require the matching of fixed rate borrowings with fixed rate loans and the matching of floating rate borrowings with floating rate loans. Floating rates are mainly based on LIBOR and re-pricing periods for both loans and borrowings are generally limited to no more than six months.

The Bank uses interest rate swaps, cross currency swaps and currency forward contracts on a selective basis to mitigate interest rate and currency risks that cannot be effectively mitigated through matching approaches.

Short Term Borrowings

Lines of credit are short-term in nature and are uncommitted. These facilities are essentially utilised for refinancing of issued letters of credit for trade finance transactions. Accordingly, the maturities as advised below reflect the maturity of the latest documentary financing issued by the relevant lender. Where the stated maturity date occurred on or before 31 December 2018, the loan has been repaid and the details have been included here solely for comparative purposes. Typically, the refinancing tenors range from 90 - 360 days.

The table below indicates the Bank's short-term borrowings as at 31 December 2018, 2017 and 2016 respectively.

	2018	2017	2016
		USD '000	
SHORT-TERM BORROWINGS			
CERTIFICATES OF DEPOSIT			
Reserve Bank of Malawi........................	-	94,313	255,921
Bank of the Republic of Burundi............		-	-
Banque Commerciale du Congo............	-	20,000	20,000
Banque Internationale pour l'Afrique au Congo	-	-	-
African Trade Insurance Agency............	1,244	1,219	715
	1,244	**115,532**	**276,636**

OTHER SHORT-TERM BORROWINGS	Date of Renewal/advance	Maturity Date	Currency	2018 USD '000	2017 USD '000	2016 USD '000
Global Syndicated Loan – 2016.............	May-18	Oct-21	USD	460,000	400,000	400,000
Asia Syndicated Loan – 2016.................	Dec-17	Jun-19	USD	340,000	340,000	340,000
Middle East Syndicated Loan 2017........	Dec -17	Dec -19	USD	329,302	307,053	-
Asia Syndicated Loan 2017	Dec -17	Dec -20	USD	237,000	237,000	270,599
The Bank of Tokyo Mitsubishi UFJ, Ltd	Oct-18	Dec-21	USD	221,220	75,000	-
Standard Chartered Bank	Dec-17	Dec-20	USD	193,807	-	-
Cargill Kenya Limited	Dec-17	Dec-19	USD	148,248	100,000	100,000
Mashreq Bank..	Nov-18	Nov-19	EUR	100,000	70,000	173,516
Mizuho Bank London	Nov-18	Nov-19	USD	75,000	50,000	21,466
Nedbank	Oct-18	Nov-21	USD	60,913	-	-
Sumitomo Mitsui Banking Corporation Euro	Jul-18	Feb-19	EUR	58,932	22,714	113,340
KfW	Dec-18	Mar-19	USD	40,000	164,773	142,638
Africa50	Dec-18	Mar-19	USD	39,762	52,713	51,325
Citibank New York................................	Nov-18	Mar-19	USD	29,953	-	46,316
Bank One Ltd	Oct-18	Jan-19	USD	22,871	-	40,000
Standard Bank South Africa...................	Sep-18	Jan-19	USD	5,142	-	-
ABSA Bank...	Oct-18	Apr-19	USD	4,633	-	-
African Trade Insurance Agency............	Jan-18	Sep-19	USD	3,677	1,931	-
BHF BANK...	Nov-18	Feb-19	USD	2,140	8,010	3,779
Commerzbank Frankfurt am Main	Jul-18	Jan-19	USD	306	16,276	38,285
Loius Dreyfus Commodities Kenya	Dec-17	Dec-18	USD	-	126,117	6,421
ABC Bank Incorporation Mauritius	Dec-17	Jan-18	USD	-	66,189	57,974
Bunge S.A	Nov-17	Nov-18	USD	-	48,294	41,069
Standard Chartered Bank Kenya	Dec-17	Jan-18	USD	-	30,000	30,000
Allfirst Bank..	Dec-17	Jun-18	USD	-	25,000	-
British Arab Commercial Bank PLC......	Dec-17	Dec-18	USD	-	25,000	5,000
Nouvobanq	Dec-17	Mar-18	USD	-	19,098	-
Standard Chartered Bank	Dec-17	Apr-18	USD	-	1,130	-
Africa Finance Corporation....................	Dec-16	Nov-17	USD	-	-	50,000
Mauritius Commercial Bank	Dec-16	Jun-17	USD	-	-	49,375
State Bank of Mauritius	Nov-16	Apr-17	USD	-	-	36,000
African Export Import Bank	Dec-15	Feb-17	EUR	-	-	35,729
Afrasia Bank Ltd- Mauritius	Nov-16	Jan-17	USD	-	-	23,697
Firstrand Bank Ltd.................................	Dec-16	Mar-17	USD	-	-	1,453
Sub Total for Other Short-Term Borrowings				**2,372,906**	**2,186,298**	**2,077,982**
Interest Payable				9,104	12,732	14,704
Certificate of Deposits				1,244	115,532	276,636
TOTAL SHORT-TERM BORROWINGS				**2,383,254**	**2,314,562**	**2,369,322**

Long-Term Borrowings

The following table indicates the Bank's long-term borrowings as at 31 December 2018, 2017 and 2016 respectively. Long-term lines of credit are committed in nature are essentially specific to identified sector(s) and countries by the Bank. These facilities are essentially utilised for financing of projects, not limited to infrastructure, that have a developmental impact and satisfy the Bank's eligibility criteria as well as additional screening required under each line of credit. The maturities reported in the table are as per financing agreement in place between the Bank and the respective funder(s).

	Date of Renewal/ disbursement	Maturity Date	Currency	2018 USD '000	2017 USD '000	2016 USD '000
Lender						
African Development Bank..	Dec-04	Aug-23	USD	158,746	171,696	65,876
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	10,000	20,000	30,000
China Development Bank	Dec-08	Mar-20	USD	20,000	48,302	84,906
KBC Bank	Various	Feb-20	USD	3,145	5,662	8,864
Exim Bank of India Loan...	Various	Various	USD	8	113	513
USD Eurobond Tranche II	Dec-13	Dec-18	USD	-	217,031	-
USD Eurobond Tranche III..	Dec-13	Mar-22	USD	700,000	700,000	300,000
FMO...	Mar-10	Jan-18	USD	-	2,000	10,000
Ceskoslovenska Obchodni Banka AS	Jul-07	May-17	USD	-	-	409
Development Bank of Southern Africa	Mar-07	Jun-23	USD	23,438	38,591	50,641
Private Export Funding Corporation	Aug-11	Oct-21	USD	17,105	23,054	29,004
OPEC Fund for International Development..................	Jun-01	Jun-15	USD	-	-	-
KfW	Dec-13	Dec-28	USD	107,143	85,000	60,000
KFW IPEX..	Sep-16	Dec-28	USD	123,112	-	-
European Investment Bank	Aug-16	Sep-26	USD	88,120	88,120	88,120
CDC Group	Oct-16	Dec-25	USD	81,818	45,455	50,000

	Date of Renewal/ disbursement	Maturity Date	Currency	2018	2017	2016
				USD '000	*USD '000*	*USD '000*
Standard Chartered Bank / USAID	Sep-17	Mar-24	USD	13,478	3,703	-
Japan Bank for International Corporation (JBIC)	Jul-17	Feb-24	USD	20,306	2,472	-
Agence Francaise De Development (AFD)	Dec-17	Mar-32	USD	57,000	12,000	-
The Exim -Import Bank of China.................................	Dec-17	Dec-23	USD	250,000	250,000	-
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	2,352	3,780	5,327
Tanzania local currency floating rate bond....................	Jun-15	May-20	TZS	2,350	3,779	5,327
Uganda local currency fixed rate bond..........................	Mar-18	Dec-27	UGX	100,565	-	-
Uganda local currency floating rate bond.....................	Feb-18	Sep-27	UGX	5,002	-	-
Sub-total for long-term borrowings				**1,783,688**	**1,720,758**	**788,987**
Interest payable..				25,025	17,988	5,228
				1,808,713	**1,738,746**	**794,215**
Deferred Expenditure..				(26,682)	(30,456)	-
Total long-term borrowings				**1,782,031**	**1,708,290**	**794,215**

Available Lines of Credit

The following table sets forth the information regarding the Bank's available lines of credit as at 31 December 2018, 2017 and 2016:

	2018		2017		2016	
	Short term	Long term	Short Term	Long term	Short term	Long term
	USD '000					
Available Lines of Credit						
Facilities Available.......................	4,006,276	2,640,065	4,130,164	2,901,441	3,955,057	1,349,077
Facilities Utilised..........................	2,460,843	2,295,125	2,568,059	2,555,765	2,474,378	1,247,003
Facilities Unutilised.....................	1,545,433	344,940	1,562,105	345,676	1,480,679	102,074

Short-term lines of credit

Increasingly, the Bank is meeting its short-term financing requirements through international syndicated loan market with major banks including Standard Chartered Bank, MUFG Bank, Mashreq Bank Psc, Commerzbank, Sumitomo Banking Corporation Europe leading the syndications.

The Bank has been engaged in a diversification of funding strategy based on its resource mobilisation strategy. This diversification initiative is in terms of tenors, currency, markets, and counterparty. As such, the Bank has successfully issued key transactions as follows:

Global Syndicated Loan

The Bank is a regular borrower in the loan markets, with its debut global syndicated loan in 2014, a second in 2016, and the most recent concluded in October 2018 with two tranches with a tenor of two and three years in the aggregate amount of USD 460 million. These transactions have a stable pool of participating banks that included Standard Chartered Bank, Citibank, Commerzbank, ICBC, MUFG Bank and Mashreqbank amongst others.

Asia Focused Syndicated Loan

The Bank made its debut Asia-focused syndicated loan in 2016, borrowing USD 340 million. The majority of participating banks came from China including Exim China, ICBC, Bank of Communications, China Construction Bank and others. This transaction is assessed by the Bank as successful given that it was a debut issuance by an African Development Finance Institution ("**DFI**") in the tenor bracket of 3 years. Subsequently, in its second Asia focused syndicated loan, more diversity was introduced to the pool of participating banks coming from India and Korea.

Middle East Focused Syndicated Loan

In 2017, the Bank accessed the Middle East conventional loan market and the Islamic finance market through its debut Middle East syndicated loan in the amount of USD 329 million. This transaction was a 2-year facility in USD and EUR, and both in conventional loan format and Sharia compliant format. The arrangers of the facility were Emirates NBD, First Abu Dhabi Bank, Mashreqbank and MUFG Bank.

Long-term lines of credit - IFIs/ECAs

To support its PIF and investment activities, the Bank mobilises medium and long-term funding from other development financial institutions, Export Credit Agencies ("**ECAs**") and also from the local and regional capital markets.

The long-term lines of credit include, amongst others, facilities from EIB, China Development Bank, Exim Bank of India, USAID, JBIC, KFW, Commonwealth Development Corporation, Agence Française de Dévélopment and African Development Bank. ECAs support financing exports from the countries where these institutions are domiciled. In effect, the resources provided under these facilities are tied and cannot be used to support all types of Bank-financed projects. The Bank's resource mobilisation strategy aims to diversify the funding base by introducing more untied resources such as those provided under the Eurobond proceeds. Under conventional long-term lines of credit, from international DFIs, use of proceeds is 'tied' to projects that the Bank on-lends to, with explicit covenants and reporting requirements. Untied resources, such as notes issued under the Bank's EMTN programme, allow much more flexible use of proceeds.

Master Risk Participation Agreements ("MRPAs")

With a view to addressing concentration risk arising out of the financing of large transactions; especially in the oil sector, the Bank has put in place a risk down-selling strategy by signing MRPAs with a number of institutions (including Afrexim). In addition to facilitating the selling down of risk to other parties, the MRPAs provide a source of business for the Bank to the extent which the partner institutions have excess credit risk which they would like to offload to other parties.

Loans Maturity Profile

The following table shows the maturity profile of the Bank's loans and advances as at 31 December 2018, 2017 and 2016:

	2018	**2017**	**2016**
		USD '000	
Maturity of Loans & Advances			
Within One Year	1,324,239	2,297,084	1,438,116
One year to three years	2,014,637	741,057	797,488
Three to five years	572,394	563,584	673,675
Over five years	362,046	312,190	428,352
Total	**4,273,316**	**3,913,915**	**3,337,631**

LIQUIDITY RISK

Liquidity risk is a primary concern for any financial institution, particularly those involved in long-term funding of projects and investments. The Bank is fully aware of this risk and, given its focus on promoting sustained long-term development in Issuer Member States, limits the use of short-term borrowings to its trade finance operations.

The Bank aims to maintain liquid assets to total assets ratio of at least 10 per cent. and an operating level of liquidity of at least 1.25 times the value of designated liabilities. Designated liabilities include 12 months of debt service obligations, disbursements not funded under any line of credit, committed capital expenditures and 12 months of administration expenses.

It is the Bank's policy to limit its borrowings to five times the paid-up capital and reserves plus fifty per cent. of callable capital.

The Bank's liquid assets are maintained in cash and near cash assets deposited at central banks of sovereign Issuer Member States and international commercial banks of investment grade ratings.

The following table sets out an analysis of the Bank's maturities of its financial assets and liabilities as at 31 December 2018, 2017 and 2016.

	Maturities of assets and liabilities as at 31 December 2018						
	Up to 1 month	**2 to 3 months**	**4 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
				USD '000			
ASSETS							
Cash and balances with other banks	958,326	-	182,967	4,625	-	-	1,145,918
Other receivables	71,397	117	164	270	302	-	72,250
Derivative financial instruments	54,043	-	-	-	-	-	54,043
Trade finance loans	190,020	88,866	344,140	494,826	2,177,224	41,639	3,336,715
Project loans	55,098	59,791	58,902	169,856	1,359,940	642,160	2,345,747
Equity investment at fair value through other comprehensive income	-	-	-	-	51,522	-	51,522
Investment in joint venture	-	-	-	-	387	-	387
Total assets	**1,328,884**	**148,774**	**586,173**	**669,577**	**3,589,375**	**683,799**	**7,006,582**
LIABILITIES							
Short term borrowings	252,645	109,833	496,795	645,205	893,220	-	2,397,698
Long term borrowings	13,560	53,351	33,690	138,684	1,552,412	357,760	2,149,457
Collection Account	119,577	-	-	-	-	-	119,577
Other payables	64,312	226	333	664	4,751	5,521	75,807
Total liabilities	**450,094**	**163,410**	**530,818**	**784,553**	**2,450,383**	**363,281**	**4,742,539**
Net liquidity gap	**878,790**	**(14,636)**	**55,355**	**(114,976)**	**1,138,992**	**320,518**	**2,264,043**
Cumulative gap	**878,790**	**864,154**	**919,509**	**804,533**	**1,943,525**	**2,264,043**	**2,264,043**

* *Equity Investment includes equity investments and investments from joint ventures*

* *Excluded from other receivables is non-financial assets (prepayments) excluded from other payables is grant funds payable and rental deposit*

	Maturities of assets and liabilities as at 31 December 2017						
	Up to 1 month	**2 to 3 months**	**4 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
				USD '000			
ASSETS							
Cash and balances with other banks	1,232,980	-	-	-	-	-	1,232,980
Investment in Government Securities	57,275	-	-	-	-	-	57,275
Other receivables	75,847	106	156	235	304	-	76,648
Derivative financial instruments	-	-	-	-	-	-	-
Trade finance loans	100,611	225,649	336,334	1,565,962	848,587	1,821	3,078,964
Project loans	11,585	210,503	124,886	128,870	785,529	375,621	1,636,994
Equity Investments - At Cost	-	-	-	-	40,627	-	40,627
Total assets	**1,478,298**	**436,258**	**461,376**	**1,695,067**	**1,675,047**	**377,442**	**6,123,488**
LIABILITIES							
Short term borrowings	253,987	357,740	68,052	671,043	998,605	-	2,349,427
Long term borrowings	25,215	43,934	24,607	326,843	1,364,120	251,534	2,036,253
Derivative financial instruments	4,798	-	-	-	-	-	4,798
Collection Account	127,796	-	-	-	-	-	127,796

	Up to 1 month	2 to 3 months	4 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
	Maturities of assets and liabilities as at 31 December 2017						
				USD '000			
Other payables	73,424	304	453	828	4,439	2,159	81,607
Total liabilities	**485,220**	**401,978**	**93,112**	**998,714**	**2,367,164**	**253,693**	**4,599,881**
Net liquidity gap	**993,078**	**34,280**	**368,264**	**696,353**	**(692,117)**	**123,749**	**1,523,607**
Cumulative gap	**993,078**	**1,027,358**	**1,395,622**	**2,091,975**	**1,399,859**	**1,523,607**	**1,523,607**

* *Equity Investment includes equity investments and investments from joint ventures*
* *Excluded from other receivables is non-financial assets (prepayments) excluded from other payables is grant funds payable and rental deposit*

	Up to 1 month	2 to 3 months	4 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
	Maturities of assets and liabilities as at 31 December 2016						
				USD '000			
ASSETS							
Cash and balances with other banks	591,016	3,820	-	-	-	-	594,836
Investment in Government Securities	-	-	-	227,877	-	-	227,877
Other receivables	53,396	78	111	172	163	-	53,920
Derivative financial instruments	-	-	-	-	75,760	-	75,760
Trade finance loans	283,632	129,035	403,620	545,680	1,316,889	-	2,678,856
Project loans	40,237	9,497	43,951	255,247	539,020	178,528	1,066,480
Equity Investments – At Fair Value	-	-	-	-	17,866	-	17,866
Equity Investments – At Cost	–	–	–	–	–	–	–
Total assets	**968,281**	**142,430**	**447,682**	**1,028,976**	**1,949,698**	**178,528**	**4,715,595**
LIABILITIES							
Short term borrowings	265,175	452,705	314,997	533,492	888,485	-	2,454,854
Long term borrowings	17,349	1,718	32,133	76,114	638,016	125,984	891,314
Collection Account	171,770	-	-	-	-	-	171,770
Other payables	57,470	160	239	464	3,321	1,917	63,571
Total liabilities	**511,764**	**454,583**	**347,369**	**610,070**	**1,529,822**	**127,901**	**3,581,509**
Net liquidity gap	**456,517**	**(312,153)**	**100,313**	**418,906**	**419,876**	**50,627**	**1,134,086**
Cumulative gap	**456,517**	**144,364**	**244,677**	**663,583**	**1,083,459**	**1,134,086**	**1,134,086**

* *Equity Investment includes equity investments and investments from joint ventures*
* *Excluded from other receivables is non-financial assets (prepayments) excluded from other payables is grant funds payable and rental deposit*

Source: *December 2016, 2017 and 2018 - Audited Financial Statements.*

The above table analyses financial assets and financial liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Currency Risk

The Bank mitigates its foreign currency transaction risk exposure by matching the currencies of its liabilities with those of its assets. The principal currency exposure arises from the translation of its assets and liabilities in foreign currency to its reporting currency, namely the U.S. Dollar. Thus, related exposure mainly arises from a revaluation of shareholders' funds, special and capital funds, as any translation gains or losses are added to, or subtracted from, these items.

The Bank does not actively trade in foreign currencies in order to generate income. However, in order to meet specific funding requirements, the Bank engages in limited scale spot foreign currency transactions.

The Bank's currency position as at 31 December 2018 was as follows:

Currency Risk as at 31 December 2018

	U.S.$	*GBP*	*EURO*	*KES*	*SDG*	*UGX*	*AED*	*MWK*	*TZS*	*Other*	*Total*
Financial Assets											
Assets	5,112,728	17	216,070	5	34,092	4,632	18,457	85,632	9,373	6,117	5,487,123
Financial Liabilities											
Liabilities	4,135,656	-	97,779	153	33,462	-	-	85,520	4,116	982	4,357,668
NET POSITION	**977,072**	**17**	**118,291**	**-148**	**630**	**4,632**	**18,457**	**112**	**5,257**	**5,135**	**1,129,455**

The Bank's currency position as at 31 December 2017 was as follows:

Currency Risk as at 31 December 2017											
	USD	*GBP*	*EURO*	*KES*	*SDG*	*UGX*	*AED*	*MWK*	*TZS* *USD'000*	*Other*	*Total*
FINANCIAL ASSETS											
Assets	3,786,831	0.43	1,277,012	17	82,401	4,401	4,889	44,421	12,708	1,220	5,213,900
FINANCIAL LIABILITIES											
Liabilities	2,876,727	-	1,223,179*	151	80,878	-	-	44,311	11,133	673	4,237,052
NET POSITION	**910,104**	**0.43**	**53,833**	**(134)**	**1,523**	**4,401**	**4,889**	**110**	**1,575**	**547**	**976,848**

** Note: The Euro amount of 908.5 billion equivalent to USD 1.092 billion notional amount of forward contracts.*

The Bank's currency position as at 31 December 2016 was as follows:

Currency Risk as at 31 December 2016									
	USD	*GBP*	*EURO*	*KES*	*SDG* *USD '000*	*UGXD*	*TZS*	*Other*	*Total*
Financial Assets									
Assets	3,901,141	4	104,471	(3)	167,466	4,110	15,864	4,056	4,197,109
Financial Liabilities									
Liabilities	2,936,544	–	110,400*	173	164,371	-	10,654	176,734	3,398,876
NET POSITION	**964,597**	**4**	**(5,929)**	**(176)**	**3,095**	**4,110**	**5,210**	**(172,678)**	**798,233**

** Note: the Euro amount of USD 110.4 million includes USD 721.5 million notional amount of forward contracts.*

Source: *December 2016, 2017and 2018 - Audited Financial Statements;*
All figures are in USD

For the financial period ending, 2016, 2017 and 2018, all of the currency mismatches are below 10 per cent. of the Bank's net-worth, the threshold beyond which the Bank is required to implement hedging strategies.

Interest Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The main source of potential interest rate risk to the Bank is the interest rate spread between the rate earned on assets and the cost of funds. Interest rate risk also arises from various factors, including timing differences between the contractual maturity or repricing of floating rate assets and liabilities. The Bank actively manages the related exposure but recognises that, in general, interest income is reduced during periods of low interest rates.

The Bank's interest rate exposure on its financial assets and liabilities, as at 31 December 2018, 2017 and 2016 is set out in the following tables:

As at 31 December 2018							
	Up to 1 month	**1 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Fixed Interest rate**	**Non-interest bearing**	**Total**
				USD '000			
FINANCIAL ASSETS							
Cash and balances with other banks	902,029	182,968	4,625	-	-	56,296	1,145,918
Other receivables	-	-	-	-	915	71,335	72,250
Derivative financial instruments	-	-	-	-	-	54,043	54,043
Trade finance loans	203,086	781,558	478,249	-	1,270,552	-	2,733,445
Project finance loans	72,531	1,247,295	-	-	109,733	-	1,429,559
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	51,522	51,522
Investment in Joint Venture	-	-	-	-	-	387	387
Total financial assets	**1,177,646**	**2,211,821**	**482,874**	**-**	**1,381,200**	**233,583**	**5,487,124**
FINANCIAL LIABILITIES							
Short term borrowings	436,539	1,628,890	315,291	-	2,534	-	2,383,254
Long term borrowings	280,696	801,334	-	-	700,000	-	1,782,030
Collection Accounts	-	-	-	-	-	119,577	119,577
Other payables	-	-	-	-	8,660	64,147	72,807
Total financial liabilities	717,235	2,430,224	315,291	-	711,194	183,724	4,357,668
Net interest rate exposure	460,411	(218,403)	167,583	-	670,006	49,859	1,129,456
Cumulative interest rate exposure	**460,411**	**242,008**	**409,591**	**409,591**	**1,079,597**	**1,129,456**	**1,129,456**

	As at 31 December 2017						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Fixed Interest rate	Non-interest bearing	Total
				USD '000			
FINANCIAL ASSETS							
Cash and balances with other banks	1,150,580	-	-	-	-	82,401	1,232,981
Investment in Government securities	-	-	-	-	57,275	-	57,275
Other receivables	-	-	-	-	855	75,794	76,649
Trade finance loans	418,911	729,454	213,404	19,483	1,189,997	-	2,571,249
Project finance loans	345,718	775,878	-	-	97,560	15,965	1,235,121
Equity investment at cost	-	-	-	-	-	40,257.96	40,258
Investment in Joint Venture	-	-	-	-	-	369.49	369
Total financial assets	**1,915,209**	**1,505,332**	**213,404**	**19,483**	**1,345,687**	**214,787**	**5,213,902**
FINANCIAL LIABILITIES							
Short term borrowings	501,956	1,226,180	352,941	-	233,486	-	2,314,563
Long term borrowings	13,433	774,046	-	-	920,811	-	1,708,290
Derivative financial instruments	-	-	-	-	-	4,798	4,798
Collection Accounts	-	-	-	-	-	127,796	127,796
Other payables	-	-	-	-	7,532	74,074	81,606
Total financial liabilities	**515,389**	**2,000,226**	**352,941**	**-**	**1,161,829**	**206,668**	**4,237,053**
Net interest rate exposure	**1,399,820**	**- 494,894**	**- 139,537**	**19,483**	**183,858**	**8,119**	**976,849**
Cumulative interest rate exposure	**1,399,820**	**904,926**	**765,389**	**784,872**	**968,730**	**976,849**	**976,849**

	As at 31 December 2016						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Fixed Interest rate	Non-interest bearing	Total
				USD '000			
ASSETS							
Cash & balances with other banks	423,550	3,820	-	-	-	167,466	594,836
Other Investment	-	-	-	-	214,699	-	214,699
Other receivables	-	-	-	-	563	53,356	53,919
Hedging Derivative	-	-	-	-	-	75,760	75,760
Trade finance loans	434,279	670,150	330,258	4,557	942,857	11,042	2,393,143
Project loans	493,246	138,006	-	-	178,752	36,883	846,887
Equity Investment at cost	-			-		17,866	17,866
Total assets	**1,351,075**	**811,976**	**330,258**	**4,557**	**1,336,871**	**362,373**	**4,197,110**
LIABILITIES							
Other payables	-	-	-	-	6,180	57,390	63,570
Collection Accounts	-	-	-	-	-	171,770	171,770
Short term borrowings	897,565	979,594	158,268	-	333,896	-	2,369,323
Long term borrowings	176,618	612,270	-	-	5,327	-	794,215
Total liabilities	**1,074,183**	**1,591,864**	**158,268**	**-**	**345,403**	**229,160**	**3,398,878**
Net interest rate exposure	**276,892**	**(779,888)**	**171,990**	**4,557**	**991,468**	**133,213**	**798,232**
Cumulative interest rate exposure	**276,892**	**(502,996)**	**(331,006)**	**(326,449)**	**665,019**	**798,232**	**798,232**

* *Equity Investment includes equity investments (note 18) and investments from joint ventures (note 19)*

* *Excluded from other receivables is non-financial assets (prepayments) excluded from other payables is grant funds payable & rental deposit*

* Fixed interest and non-interest bearing items are stated at amortised costs or their carrying amounts which approximate their fair values.

Source: December 2016, 2017 and 2018 - Audited Financial Statements;
All figures are in USD

With the exception of collection account deposits which are non-interest bearing, and Eurobond linked assets and liabilities, most of the Bank's financial assets and financial liabilities have floating interest rates and therefore re-price within short time intervals at least at every billing date.

Operational Risk

As with all financial institutions, the Bank is exposed to many types of operational risks, including business disruption and system or transaction processing failure. The Bank mitigates operational risk by maintaining a strong system of internal controls designed to manage that risk at appropriate levels in view of the Bank's financial strength, activities and type of markets in which it operates. The Bank's operational risk is monitored and controlled through business process reviews and compliance reviews by external and internal auditors in the finance, operations and information systems areas. In this context, the Bank has implemented the following initiatives:

(a) Enterprise Risk Management;

(b) Business Continuity Plan;

(c) Environment and Social Risk Analysis – on-going training for all the Bank's officers;

(d) Environmental and Social Governance Management System; and

(e) Anti-money Laundering Policy (update) and Training.

CAPITAL ADEQUACY

Being a supranational financial institution, the Bank is self-regulated. The conduct of operations is guided by the Charter with oversight vested with the Board of Directors which closely monitors directly or through its Audit Committee the Bank's performance, risk profile and capital adequacy.

Based on the need to mitigate against increased credit risks associated with projects and infrastructure financing in developing African economies, the Bank has established a capital management policy which aims to maintain a capital adequacy ratio (ratio of total capital to risk-weighted assets) of at least 30 per cent. This ratio is computed in line with recommendations of the paper prepared by the Basel Committee on Banking Supervision entitled "*International Convergence of Capital Measurement and Capital Standards*" dated July 1988 as amended from time to time ("**Basel I Paper**") and 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**"). There is presently no plan to move towards Basel III convergence, as the Bank feels its areas of operation are not ready for such convergence.

Tier 1 capital includes paid up share capital and revenue reserves. A summary of the Bank's capital adequacy ratio is set forth in the following table.

	2018	2017	2016
		USD '000	
Tier 1 Capital			
Paid up share capital	461,743	431,225	372,051
Revenue Reserves	730,283	589,811	484,428
Total Tier 1 capital	**1,192,026**	**1,021,036**	**856,479**
Tier 2 capital bonds			
Total Tier 2 capital			
Total Tier 1 and Tier 2 capital	**1,192,026**	**1,021,036**	**856,479**
Risk weighted assets			
On-balance sheet	3,336,944	2,657,945	2,236,881
Off-balance sheet	32,335	95,025	77,853
Total risk weighted assets	**3,369,279**	**2,752,970**	**2,314,734**
Basel Ratio (per cent.)	**35**	**37**	**37**

Source*: 31 December 2016, 2017 and 2018 - Audited Financial Statements*

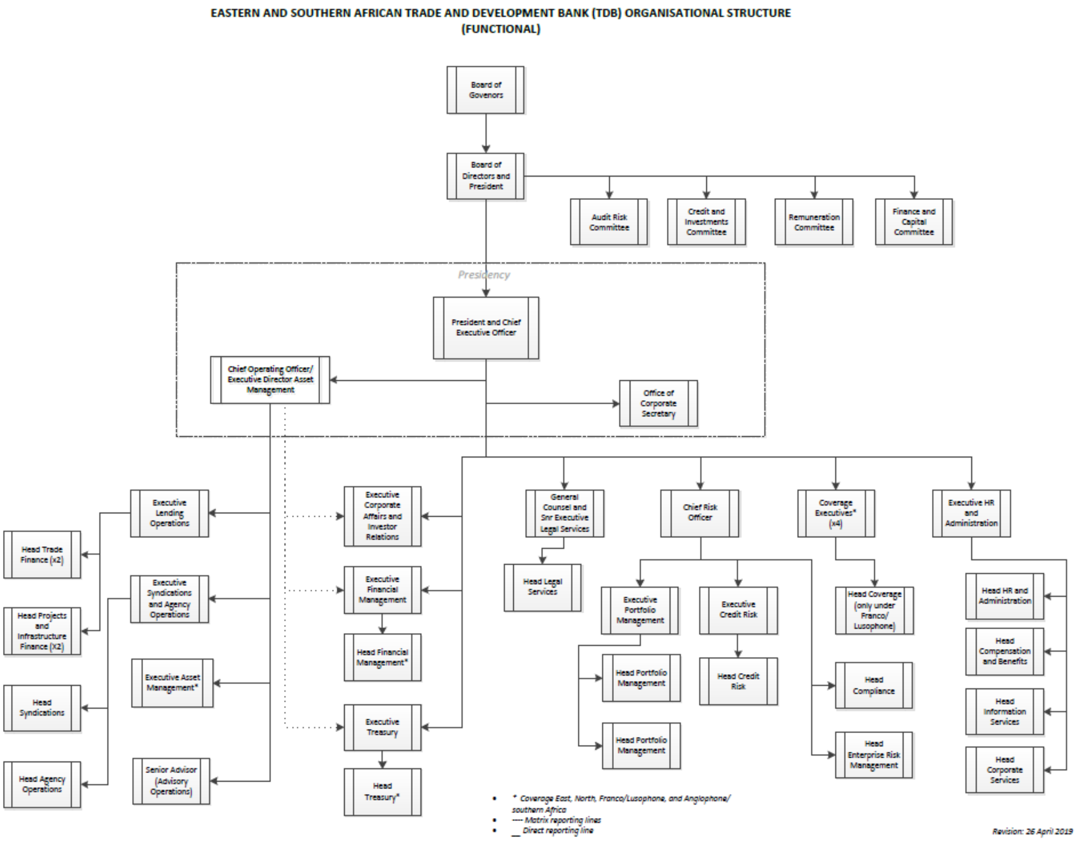
The Bank's tier 1 capital has achieved significant growth over the reporting period mainly due to increased profitability and capital subscriptions under the Bank's General Capital Increase program. These factors have enabled the Bank's capital adequacy ratio to remain well above the 30 per cent. threshold.

MANAGEMENT AND GOVERNANCE

ORGANISATION STRUCTURE

The principal operating activities of the Bank are business development, portfolio management, finance and administration. To ensure effective oversight of these activities, the Bank's operations are organised into several independent but closely aligned departments, namely: Lending Operations (Projects and Infrastructure and Trade Finance); Portfolio Management; Finance; Human Resources and Administration; Legal Services and, Compliance and Risk Management; Treasury; Asset Management, Syndications & Agency Operations and Corporate Affairs and Investor Relations, as depicted in the following organisation chart.

ORGANISATIONAL STRUCTURE (FUNCTIONAL)



BOG

The BOG is the supreme governing body of the Bank in whom all powers of the Bank are vested. Each shareholder of the Bank appoints one Governor and one alternate, with the alternate only voting in the absence of his Governor. The Governor or the alternate exercises voting powers on behalf of the shareholder for which he is a nominee.

The BOG generally comprises Ministers of Finance or Ministers of Economic Planning from Issuer Member States, as well as appointees by members of the Bank other than the Issuer Member States.

The BOG, which has delegated executive powers to the Board of Directors, ordinarily meets once a year. The current chairman of the BOG is Mr. Matia Kasaija, Minister of Finance, Planning and Economic Development of the Republic of Uganda.

Although it has delegated executive powers to the Board of Directors, certain specific powers, such as the increase or decrease of the Bank's authorised capital, appointment of the President, amendment of the Charter and approval of the Bank's audited accounts, are retained by the BOG.

The title and position of the current members of the BOG are listed below.

Hon. Ahmed Shide	Minister of Finance and Economic Cooperation, Federal Democratic Republic of Ethiopia
Hon. Margaret Mwanakatwe	Minister of Finance and National Planning, Republic of Zambia
Hon. Pravind Kumar Jugnauth	Prime Minister, Minister of Finance and Economic Development, Minister of Foreign Affairs, Regional Integration and International Trade, Republic of Mauritius
Hon. Maurice Loustau-Lalanne............	Minister of Finance, Trade and the Economic Planning, Republic of Seychelles
Hon. Matia Kasaija .... Chairman of the BOG	Minister of Finance, Planning and Economic Development Republic of Uganda
Hon. Dr. Domitien Ndihokubwayo........	Minister of Finance, Budget and Privatisations, Republic of Burundi
Hon. Said Ali Said Chayhane	Minister of Finance and Budget, Union of Comoros
Hon. Ilyas Moussa Dawaleh	Minister of Economy, Finance and Planning, Republic of Djibouti
Hon. Amr Nasser	Minister of Trade and Industry, Republic of Egypt
Hon. Berhane Habtemariam..................	Minister of Finance, State of Eritrea
Hon. Peter Munya	Cabinet Secretary, Industry, Trade and Cooperatives, Republic of Kenya
Hon. Dr. Goodall Gondwe	Minister of Finance, Economic Planning and Development Republic of Malawi
Hon. Prof. Mthuli Ncube	Minister of Finance and Economic Development, Republic of Zimbabwe
Hon. Uzziel Ndagijimana.......................	Minister of Finance and Economic Planning, Republic of Rwanda
Hon. Magdi Hassan Yassin....................	Minister of Finance and Economic Planning, Republic of Sudan
Hon. Phillip Mpango.............................	Minister of Finance and Economic Affairs, United Republic of Tanzania
Hon. Calixte Nganongo	Minister of Finance and Budget, Democratic Republic of Congo
Hon. Abdirahman Duale Beyle.............	Minister of Finance, Federal Republic of Somalia
Hon. Adriano Afonso Maleiane............	Minister of Economy and Finance, Republic of Mozambique
Hon. Salvatore Garang Mabiordit Wol..	Minister of Finance and Planning, Republic of South Sudan
Hon. Neal Rijkenberg	Minister of Finance, Kingdom of eSwatini
Hon. Richard Randriamandranto	Minister of Finance, Republic of Madagascar
Mr. Charles O Boamah	Senior Vice President, African Development Bank (AfDB)
H.E. Dr. Zhou Xiaochuan	Governor, People's Bank of China, People's Republic of China
Mr. Siarhei Staliarchuk	International Business Head, JSC Development Bank of Belarus
Mr. Veenay Rambarassah	Director of Investments, National Pension Fund of Mauritius
Mr. Derek Wong Wan Po	Managing Director, Mauritian Eagle Insurance Company Ltd
Ms. Lekha Nair	Chief Executive Officer, Seychelles Pension Fund
Mr. Corneille Karekezi	Group Managing Director, African-Re Insurance Corporation
Ms. Hope Murera..................................	Managing Director, ZEP-Re (PTA Reinsurance Company)
Mr. Richard Tusabe	Director General, Rwanda Social Security Board
Mr. Richard Byarugaba..........................	Chief Executive Officer, National Social Security Fund Uganda
Mr. Tomas Rodrigues Matola	President, Banco Nacional de Investimento
Ms. Jennifer Morel.................................	Chief Executive Officer, SACOS Group Limited
Mr. Tareq Alnassar, ...	Assistant Director General in Charge of Private Sector and Trade Finance Operations, the OPEC Fund for International Development(OFID)
Dr. Sidi Ould Tah..................................	Director General, Arab Bank for Economic Development in Africa (BADEA)

Board of Directors

The Board of Directors (the "**Board**") has responsibility for the general conduct of the ordinary operations of the Bank and, in this regard, exercises all the powers delegated to it by the BOG to discharge its responsibility.

The Board consists of not more than ten non-executive Directors (in addition to the President) appointed by the BOG as follows:

(a) five Directors and their alternates for the Issuer Member States following their nomination by five constituencies formed by countries in groups agreed by the BOG;

(b) one Director nominated by non-African states;

(c) one Director nominated by African institutions;

(d) one Director nominated by all other shareholders; and

(e) two independent Directors selected by the Remuneration and Nomination Committee of the Board of Directors and confirmed by the Chairman of the BOG.

The President is a member of the Board of Directors but is not entitled to appoint an alternate.

The Board meets once every three months and, in addition to these scheduled meetings, as often as the business of the Bank may require. The meetings are held at the Bank's principal or regional office locations or at any other location specified in the notice convening the meeting.

In addition to the powers provided for it expressly in the Charter and the powers delegated to it by the BOG, the Board shall be responsible for the conduct of the general operations of the Bank and, in particular:

(a) appoint such technical or other sub-committees as it deems necessary;

(b) determine the organisation and offices of the Bank and prescribe the responsibilities attached to the administrative and professional officers of the Bank;

(c) approve the budget of the Bank;

(d) prepare the work of the BOG;

(e) in conformity with the general directive of the BOG, take decisions concerning particular loans, guarantees, investments in equity capital and borrowing of funds by the Bank and on similar financial transactions;

(f) determine the rates of interest for loans, commissions and fees for guarantees and other financial transactions of a similar kind; and

(g) submit the accounts for each financial year and annual report for approval to the BOG at each annual meeting.

Mr. Gerard Pascal Bussier is the current Chair of the Board. The members of the Board are set out under "*Management and Governance*".

President of the Bank

According to the Bank's Charter, the President shall be a person of integrity and of the highest competence in matters pertaining to the activities, management and administration of the Bank. The President shall be the Chief Executive and legal representative of the Bank and shall conduct, under the direction of the Board of Directors, the current business of the Bank. The President is responsible for, among other things, the organisation, appointment and dismissal of officers and staff in accordance with the regulations prescribed by the Board.

The President shall hold office for a term of five years renewable only once at the discretion of the BOG. The Board may on a majority of two thirds of the total voting power at the meeting recommend the suspension of the President and the appointment of an acting President. However, the BOG has the powers to dismiss and suspend the President by a simple majority of the voting power of the Issuer Members present upon recommendation of the Board made pursuant to a decision of the Board taken by a majority of two thirds of the total voting power at the meeting. The President shall also be a national of an Issuer Member State.

The current President, Mr Admassu Tadesse, was appointed in April 2012. His initial term finished in 2017 and he was reappointed for a second term of five years. Previously, Mr. Tadesse was Executive Vice-President at the Development Bank of Southern Africa in Johannesburg, responsible for international finance and corporate strategy, where he served for ten years. Prior to that, he worked as an advisor, analyst and specialist, with various international funds and organisations in New York. Mr. Tadesse holds an MSc from the London School of Economics and an MBA from Wits Business School in South Africa. He is also an alumnus of Harvard Business School and the University of Western Ontario where he has also trained and qualified.

Mr. Tadesse has served on several boards, trusts and industry bodies in Africa and internationally. He has worked internationally for over thirty-five years, in ten countries across three continents, including ten years in the US, ten years in South Africa and five years in Kenya and Burundi. He is conversant in French and Arabic, and fluent in English and Amharic, his mother tongue. He is the recipient of a number of honours and awards.

Board Sub-Committees

The Board of Directors has four Board sub-committees namely, the Audit and Risk Committee, the Investment and Credit Committee, the Remuneration and Nominations Committee and the Finance and Capital Committee.

The Audit and Risk Committee ("**ARCO**") is mandated to assist the Board of Directors in discharging its duties relating to the identification and management of the key risks facing the Bank as they relate to monitoring and reviewing the Bank's Enterprise Risk Management Framework, Internal control and financial reporting practices. It serves in an advisory capacity to the Board and ensures that the Bank's assets are safeguarded, adequate internal controls are in place and that material risks are effectively managed.

The Investment and Credit Committee ("**INVESCO**") is mandated to provide oversight on matters relating to the Bank's investment and credit mandate, providing advice to management regarding the implementation of investment initiatives and assisting the Board in making major investments decisions; and monitoring the investment policies.

The Remuneration and Nominations Committee ("**REMCO**") is mandated to review, recommend and improve the Bank's policy framework and other inputs on human resource management including remuneration, incentives and other matters affecting working conditions, advising and making recommendations to the Board with regard to corporate performance and issues affecting staff working conditions. REMCO also acts as the reference committee for all matters relating to the Board's Code of Conduct.

The Finance and Capital Committee ("**FINCO**") is responsible for advising the Board on matters pertaining to, *inter alia*, financial and treasury management as well as capital raising.

Each Board-Committee is composed of at least four Directors. In accordance with the practice of the Bank, the Board Committees are reconstituted annually. The President is a member of INVESCO, FINCO and REMCO and attends ARCO in an ex-officio capacity.

The current members of each Board sub-committee are as follows:

ARCO

Dr. Natu Mwamba..........................	ARCO Chair and Non-Executive Director representing Tanzania, Egypt, Djibouti and eSwatini
Mr. Said Mhamadi	Non-Executive Director representing Sudan, Comoros, Uganda and DRC
Ms. Isabel Sumar............................	Non-Executive Director representing Kenya, Mozambique, Somalia and Zambia
Mr. John Bosco Sebabi	Non-Executive Director representing all Other Shareholders

Mr. Mohamed Kalif	Non-Executive Director representing African Institutions
Mr. Admassu Tadesse	President – Ex-Officio

FINCO

Mr. Mohamed Kalif	Non-Executive Director representing African Institutions
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Peter Simbani	Non-Executive Director representing Ethiopia, Seychelles, Malawi, Madagascar and Burundi
Mr. Gerard Bussier.........................	Non-Executive Director representing Zimbabwe, Mauritius, Rwanda, South Sudan and Eritrea
Mr. Mingzhi Liu.............................	Non-Executive Director representing non-African States
Mr. Admassu Tadesse	President

INVESCO

Mr. Juste Rwamabuga....................	INVESCO Chair and Non-Executive Independent Director
Mr. Peter Simbani	Non-Executive Director representing Ethiopia, Seychelles, Malawi, Madagascar and Burundi
Mr. Mingzhi Liu.............................	Non-Executive Director representing non-African States
Mr. Said Mhamadi	Non-Executive Director representing Sudan, Comoros, Uganda and DRC
Mr. Gerard Bussier.........................	Non-Executive Director representing Zimbabwe, Mauritius, Rwanda, South Sudan and Eritrea.
Mr. Admassu Tadesse	President

REMCO

Mr. John Bosco Sebabi	REMCO Chair and Non-Executive Director representing all Other Shareholders
Mr. Juste Rwamabuga...................	Non-Executive Independent Director
Dr. Natu Mwamba.........................	Non-Executive Director representing Eswatini, Tanzania, Egypt and Djibouti
Ms. Isabel Sumar...........................	Non-Executive Director representing Kenya, Mozambique, Somalia and Zambia
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Admassu Tadesse	President

The current members of the Board are listed below.

Mr. Gerard Pascal Bussier.............	Non-Executive Director for Zimbabwe, Mauritius, Rwanda, South Sudan and Eritrea. – Board Chairman
Mr. John Bosco Sebabi	Non-Executive Director for all Other Shareholders
Ms. Isabel Sumar...........................	Non-Executive Director for Kenya, Mozambique, Zambia and Somalia
Dr. Natu Mwamba.........................	Non-Executive Director for Egypt, Tanzania, Eswatini and Djibouti
Mr. Said Mhamadi	Non-Executive Director for Uganda, Sudan, DR Congo and Comoros
Mr. Peter Simbani	Non-Executive Director for Seychelles, Ethiopia, Burundi, Madagascar and Malawi
Mr. Mingzhi Liu............................	Non-Executive Director for Non-African States
Mr. Mohamed Kalif	Non-Executive Director for African Institutions
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Juste Rwamabuga...................	Non-Executive Independent Director
Mr. Samuel Mivedor	Alternate Non-Executive Director for African Institutions
Ms. Marie Gisele Masawa.............	Alternate Non-Executive Director for Uganda, Sudan, DR Congo and Comoros
Ms. Liu Wenzhong........................	Alternate Non-Executive Director for Non-African States
Ms. Kampeta Sayinzoga................	Alternate Non-Executive Director for Zimbabwe, Mauritius, Rwanda, South Sudan and Eritrea

Ms. Mariam Hamadou	Alternate Non-Executive Director for Egypt, Tanzania, Eswatini and Djibouti
Mr. Rupert Simeon........................	Alternate Non-Executive Director for Seychelles, Ethiopia, Burundi, Madagascar and Malawi
Prof. Oliver Saasa	Alternate Non-Executive Director for Kenya, Mozambique, Zambia and Somalia
Ms. Lekha Nair	Alternate Non-Executive Director for All Other Shareholders
Mr. Admassu Tadesse	President

None of the Directors has been, nor is currently, the subject of filing of a petition for bankruptcy, either in their own capacity or as an executive officer of any company. None of the Directors has been convicted of a criminal offence, nor is any Director the subject of current criminal proceedings. None of the Directors has been ruled temporarily or permanently unfit to engage in any business practices.

As at 31 December 2018, no Director held directly an interest in the Bank's ordinary issued share capital.

Since 2017, following approval by the BOG, the Provident Fund for Directors & Select Stakeholders of the Trade and Development Fund ("**DSPF"**) is a Class B shareholder of the Bank. The DSPF membership is open to members of the Board of Directors of the Bank, other than any Director who is a serving government employee and subject to an investment limit of the equivalent of ten (10) Class B shares per DSPF member. As at 30 April 2018, the DSPF owned 0.4 per cent. of the Bank's total shareholding.

Except for employment contracts with executive Directors, there are no existing or proposed contracts between any of the Directors and the Bank. There are no ongoing actual or potential significant conflicts of interest between any Director and their duties to the Bank.

Directors' Qualifications and Experience

John Bosco Sebabi

John Bosco Sebabi is the former Deputy Director General of the Rwanda Social Security Board in charge of funds management. He holds an MSc in International Economics, Banking and Finance from Cardiff University, Wales (The United Kingdom) and a BSc in Economics and an Associate degree in Economics. Mr. Sebabi is a fellow of the Fletcher Leadership Program for Financial Inclusion of the Fletcher School, Tufts University, and holds an executive education certificate from the Advanced Management Program (AMP). He is the Non-Executive Director representing All Other Shareholders.

Dr. Natu El Mamry Mwamba

Dr. Natu E. Mwamba holds a PhD in Economics from the University of Nottingham, United Kingdom and a Master's Degree from the University of Dar es Salaam. She is a Senior Lecturer at the University of Dar es Salaam and prior to that, was the Deputy Governor Bank of Tanzania 2011-2017. Dr. Mwamba is an accomplished and published researcher in various areas including economics, social and gender issues. She is the Non-Executive Director representing Djibouti, Egypt, Tanzania and eSwatini.

Gerard Pascal Bussier

Gerard Bussier is the Deputy Financial Secretary at the Ministry of Finance and Economic Development of the Government of Mauritius, heading the Directorate that deals with resource mobilisation, bilateral agreements, and economic cooperation including international affairs and trade. Mr. Bussier is a Certified Chartered Accountant (UK) and a Certified Fraud Examiner (USA). He also holds a Master's degree in Business Administration from the University of Mauritius with specialisation in finance. He is the Non-Executive Director representing Rwanda, Mauritius, Zimbabwe, Eritrea and South Sudan and Chairman of the Board of Directors.

Juste Rwamabuga

Juste Rwamabuga is a Burundian national with over 40 years' experience in public, private and international organisations, including, the World Bank, International Finance Corporation and the African Development Bank. He previously served as Division Manager, Transports Infrastructure Department of the African Development Bank. He holds an MBA from the University of Montreal, Canada. He is an Independent Non-Executive Director**.**

Peter Simbani

Peter Simbani heads the Department of Economic Planning and Development which is responsible for the formulation of the medium to long-term development plans for the country, the formulation of the public sector investment programme and monitoring the performance of sector plans. He has over 27 years' experience in aid and debt management.

He holds a Master's degree in International Development Studies from the University of Bradford as well as a Bachelor's degree in Social Sciences from Chancellor College of the University of Malawi. He is the Non-Executive Director representing Seychelles, Burundi, Madagascar, Ethiopia and Malawi.

Isabel Maria Sumar

Isabel Sumar is the National Director of Cooperation in the Mozambican Ministry of Finance responsible for managing cooperation with International partners supporting the state budget and coordination of the SADC Regional Integration. She possesses expertise in the oil and gas industry, management of public enterprises.

Ms. Sumar holds an MSc in Public Economic Management and Finance from the University of Birmingham in the United Kingdom and an Honors Degree in International Relations and Diplomacy from the National based University (ISRI). She is the Non-Executive Director representing Kenya, Zambia, Somalia and Mozambique.

Mingzhi Liu

Mingzhi Liu is the Chief Representative for the People's Bank of China at the Africa office in Tunis. Mr Liu holds a Masters and a PhD in Economics from the Peking University in Beijing, China. Mr. Liu possesses over 12 years of experience in development banking in Africa and China. He is the Non-Executive Director representing Non-African States.

Abdel-Rahman Taha

Dr. Taha holds a PhD in Business Administration from the University of California, Los Angeles and an MBA from the University of California, Berkeley. He has over 40 years' experience in the management of regional multilateral development finance institutions focusing on trade finance and export credit and political risk insurance, covering African and other developing countries.

Dr. Taha previously served as the CEO of the Islamic Corporation for the Insurance of Investment and Export Credit. He is an Independent Non-Executive Director.

Mohamed Kalif

Mohamed Kalif is the Head of Financial Intermediation of the African Development Bank ("**AfDB**") which covers commercial banks, trade finance, SMEs, insurance, leasing and regional development financial institutions. Before joining the Private Sector Department of the AfDB, Mr. Kalif was chief of risk of African Development Bank for a period of 7 years.

Mr. Kalif has accumulated 24 years of banking experience, including of risk management, corporate banking and PIF lending in commercial banks and development financial institutions environment. He is the Non-Executive Director representing African Institutions.

Said Mhamadi

Said Mhamadi is a Special Advisor to the Minister of Finance and Budget and for the EDF program in Comoros. Mr. Mhamadi previously served in various roles at the Ministry of Finance including, Director General for Budget and National Economy Expert for the European Development Fund.

Mr. Mhamadi is the Non-Executive Director representing the Democratic Republic of Congo, Uganda, Comoros and Sudan.

Admassu Tadesse, President and Chief Executive

Mr. Tadesse is the President and Chief Executive of the Bank. An economist and banker, Mr. Tadesse qualified at the London School of Economics and Political Science, Wits Business School and the University of Western Ontario, and trained in advanced management and banking at Harvard Business School and INSEAD.

Prior to his appointment, Mr. Tadesse served as a top executive for 10 years at the DBSA where he was responsible for international finance and investment, as well as corporate strategy.

Alternate Directors

Liu Wenzhong

Liu Wenzhong is the Deputy Director of MDBs Division, International Department of the People's Bank of China. Mr. Liu joined the People’s Bank's China in 1993 and has accumulated significant experience in monetary policy formulation and MDBs as well as international financial cooperation. From September 2001 to August 2002 Mr. Liu was seconded to Hong Kong Monetary Authority, from October 2005 to October 2007 he worked at a translator at the IMF, and from March 2015 to July 2017 he worked at the Board of Directors of the African Development Bank as a senior advisor. Mr. Liu holds a Master's degree from Curtin University of Technology, Australia. He is Non-Executive Alternate Director representing Non-African States.

Kampeta Sayinzoga

Ms. Sayinzoga is a holder of a Master's Degree in Economic Development and Policy Analysis from the University of Nottingham, UK. Ms. Sayinzoga is the Director General at the National Industrial Research and Development Agency and former Permanent Secretary and the Secretary to Treasury at the Ministry of Finance and Economic Planning in Rwanda. She is a board member of a number of institutions. She is the Alternate Non-Executive Director for Rwanda, Mauritius, Zimbabwe, Eritrea and South Sudan.

Oliver Saasa

Professor Oliver Saasa is a holder of a Master's Degree in Science in International Studies and a PhD in International Economic Studies from Southampton University in the UK. Mr. Saasa is currently a Managing Consultant/CEO of Premier Consult Ltd in Lusaka. He is the Alternate Non-Executive Director for Zambia, Mozambique, Kenya and Somalia.

Marie Gisele Masawa

Marie Gisèle Masawa is an Advisor in charge of a Bilateral and Multilateral Cooperation Unit at the Ministry of Finance, Democratic Republic of Congo. In this capacity, she is Alternate Non-Executive Director at the Bank and a Non-Executive Director of the Audit Committee of the South African Development Community (SADC). She is also the focal point of COMESA, ICGLR and ECCAS in the Ministry of Finance. She is the Alternate Non-Executive Director the Democratic Republic of Congo, Uganda, Comoros and Sudan.

Ekue Samuel Mivedor

Mr. Mivedor holds a Master's degree in business administration from SUNY Buffalo, New York. Mr. Mivedor is currently working as Manager, Portfolio Management Division in the Private Sector Department at the African Development Bank headquartered in Cote D' Ivoire. He has more than 15 years of experience in project finance, small and mid-size companies, microfinance, private equity investments, treasury operations and infrastructure projects. He is the Alternate Non-Executive Director representing African Institutions.

Rupert Simeon

Mr Simeon holds a B.A. (Hons) in Banking, Insurance and Finance from the University of Wales. Mr. Simeon is currently the Chief Executive Officer of the Societe Seychellois d'Investissment. He has occupied several posts within the Ministry of Finance, Trade and Investment over the years and is a member of several Boards including the Seychelles International Business Authority and Development Bank of Seychelles. He is the Alternate Non-Executive Director for Malawi, Seychelles, Madagascar, Burundi and Ethiopia.

Mariam Hamadou

Mrs. Hamadou is a holder of a Master's Degree in Management of Economic Policies from the CERDI in Clermont Ferrand, France. Ms. Hamadou is the Director of Economy and Planning in Djibouti. She has over 17 years of experience in Management, Project development and Assessment of policies. She is the Alternate Non-Executive Director for Djibouti, Tanzania, Egypt and eSwatini.

Lekha Nair

Lekha Nair is the CEO of Seychelles Pension Fund. She holds a Bachelor of Commerce-B Com in Accounting and Commerce from St Teresa's College in Kerala, India as well as a Master of Science in Public Finance from Leeds Metropolitan University in United Kingdom.

Ms. Nair possesses over 20 years of experience in Finance and has served in various roles and capacities in the Ministry of Finance and the Government of Seychelles. Ms. Nair sits on various boards including the Development Bank of Seychelles, SACOS Group-a private insurance company, the National Disaster Relief Fund, Seybrew-a private brewery company, Al Salam Bank of Seychelles and serves as Alternate Governor to the World Bank and the African Development Bank. She is the Alternate Non-Executive Director representing All other Shareholders.

Senior Management of the Bank

The following are the members of the Bank's senior management team.

Name	Nationality	Position
Admassu Tadesse........................	Ethiopian	President & Chief Executive
Frannie Leautier..........................	Tanzanian	Chief Operating Officer (COO)
Joy Ntare	Rwandan	Chief Risk Officer
David Mumbere Bamlango.........	Congolese	General Counsel & Senior Executive, Legal Services
Linda Bwakira............................	Burundian	Corporate Secretary
Abraham Byanyima	Ugandan	Executive, Treasury
Michael Awori	Kenyan	Executive, Lending Operations
Samuel Mugoya Higenyi.............	Ugandan	Executive, Syndications & Agency Operations
Wycliff Bbossa...........................	Ugandan	Executive, Portfolio Management
Goodman Chakanyuka................	Zimbabwean	Executive, Credit Risk Management
Francis Namboya	Malawian	Executive, Financial Management
Daniel Mezgebu	Ethiopian	Executive, Human Resources & Administration
Mary Kamari...............................	Rwandan	Executive, Corporate Affairs & Investor Relations
Mabouba Diagne.........................	Senegalese	Coverage Executive, Franco-Lusophone Africa
Antoine John Kevil Esther	Seychellois	Coverage Executive, North-East Africa & Representative
Gloria Thabisile Mamba	Swazi	Coverage Executive, Southern Africa (Anglophone)/Executive, Asset Management
Lloyd Muposhi...........................	Zambian	Coverage Executive, East Africa, and Sovereign Advisory Origination

Management Profiles

A management team led by the President of the Bank is responsible for steering the Bank's operations. This management team, in turn, reports to the Board. As President and Chief Executive of the Bank, Mr. Admassu Tadesse heads the current management team.

Reporting to the President and Chief Executive, the COO's major accountabilities include, but are not limited to, overseeing the development and implementation of policies and procedures towards achievement of the Bank's business operations mandates and objectives, coordinating the establishment and optimisation of efficient and sustainable product houses offering solutions to the Bank's clients in terms of quality and alignment to client objectives; supporting the CEO in meeting annual operational and financial targets through oversight and leadership of organisational budgets, team management, business development and innovation.

The role entails driving and executing key strategic priorities and translating them into comprehensive corporate strategies; defining and implementing corporate operations strategies; providing ongoing monitoring of results to ensure objectives are being met, undertaking corrective actions as required; developing business / investment plans; working as a key member of the executive leadership team; ensuring plans and tactics support the achievement of overall corporate objectives and strategy; partnering with institutional leadership, special committees and consultants to support execution of the Bank's key initiatives; and driving decision making processes that create medium and long term improvements and assuming other responsibilities as assigned by the President / CEO from time to time, including serving on various management committees.

There are no actual or potential conflicts of interest between any member of the Bank's management team and their duties and the Bank.

The following is a summary of key members of the current management team:

Admassu Tadesse - President and Chief Executive

Mr. Tadesse is the President and Chief Executive of the Bank. An economist and banker, Mr. Tadesse qualified at the London School of Economics and Political Science, Wits Business School and the University of Western Ontario, and trained in advanced management and banking at Harvard Business School and INSEAD. Prior to his appointment, Mr. Tadesse served as a top executive for 10 years at the Development Bank of Southern Africa where he was responsible for international finance and investment, as well as corporate strategy. Much earlier in his career, he served in various management and technical capacities with specialised UN agencies.

Mr. Tadesse is the vice-chairman of the Association of African Development Finance Institutions and a member of the Institute of Bankers and Institute of Directors of Southern Africa. He serves on several international boards and trust funds and is fluent in Arabic, English and French.

Dr. Frannie Leautier – Chief Operating Officer (COO)

Dr. Leautier brings over 20 years of experience in development finance to the Bank having led a distinguished international career in multilateral development finance institutions, having served as Senior Vice President and COO of the African Development Bank in Abidjan, and previously as Vice President at the World Bank in Washington DC. In addition to development finance skills, Dr. Leautier brings robust knowledge and networks from across Africa and globally in the areas of asset management, risk capacity and thought leadership having held various senior executive and non- executive roles. She was recently appointed as a non-executive director on the Africa Risk Capacity Board of Directors, where she chairs the Risk and Audit Committee.

Dr. Leautier holds a Ph.D. in Infrastructure Systems and Master of Science in Transportation from the Massachusetts Institute of Technology (MIT) and Bachelor of Science in Civil Engineering from the University of Dar-es-Salaam. She is fluent in English, French, and Swahili and is a recipient of several honours and awards.

Joy Ntare - Chief Risk Officer

Ms. Ntare is the Chief Risk Officer and has been with the Bank since April 2014. She has over 26 years of experience in accounting and finance. Prior to joining the Bank, Ms. Ntare was employed by the Central Bank of Rwanda for 20 years in several capacities (including Director General for Financial Stability, Director for Supervision of Non-Bank Financial Institutions) and Tanzania Electric Supply Company. Ms. Ntare holds an Advanced Diploma in Accountancy and a Master of Business Administration from Cardiff Business School, University of Wales. She is also a member of the Association of Chartered Certified Accountants (UK) and Institute of Certified Public Accountants of Rwanda.

David Bamlango - Senior Executive, Legal Services

Mr. Bamlango has over 13 years of extensive experience as a corporate lawyer in leveraged finance, project finance, debt capital markets, structured finance and derivatives. Prior to his appointment, Mr. Bamlango was Partner, Finance Practice Group at DLA Piper LLP and previously was an Associate, Finance and Banking Group at Mayer Brown LLP in Chicago.

Mr. Bamlango holds a Juris Doctor degree from Chicago-Kent College of Law, at the Illinois Institute of Technology, and a Master's in Business Law from Université Paris 1 Panthéon-Sorbonne, a License in Law from Université Lille 2, and a Graduate in Law from Université Libre des Pays des Grands Lacs. He is admitted to practice law in the State of New York and the State of Illinois. He is bilingual in English and French.

Abraham Byanyima - Executive, Treasury

Mr. Byanyima is the Executive for 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 a Vice President of Bank of New York Mellon and an Associate Director at UBS Investment Bank, New York.

He holds a Bachelor of Commerce from Makerere University and an MBA from Fordham University.

Michael Awori – Executive, Lending Operations

Mr. Awori has over 18 years of experience in investment banking, mergers & acquisitions, leveraged finance and corporate banking. He was most recently Regional Head of Debt Finance, East Africa at Barclays. He has previously held positions of Investment Banking Associate (Mergers & Acquisitions / Global Industrials) at Citigroup Chicago and Vice President, Asset Based Lending and Corporate Banking Officer both at JPMorgan Chase, Chicago.

He possesses a Master's of Business Administration from University of Chicago, Booth School of Business and Bachelor of Arts in Economics and Accounting from Goshen College.

Samuel Mugoya – Executive, Syndications & Agency Operations

Mr. Mugoya holds over 16 years of experience in the financial services sector coupled with 9 years oil and gas experience in contracting and M&A functions across Africa. He has a solid background in syndications and specialised finance with a highly rated track record for business development accomplishments as well as risk mitigation strategy.

Prior to his appointment, Mr. Mugoya was Senior Manager, Syndications and Specialized Finance, a role at African Export-Import Bank (Afreximbank) and has various held roles at Shell, KPMG and leading banks in Uganda.

He holds an MBA in International Business from Nyenrode Business University, Netherlands and a Bachelor of Arts in Economics and Political Science from Makerere University in Uganda.

Wycliff Bbossa - Executive, Portfolio Management

Mr. Bbossa is the Executive for Portfolio Management. He has worked with the Bank since 2000 in operations and has 20 years of experience in development finance, business advisory and commercial banking. Prior to joining the Bank, Mr. Bbossa worked with KPMG East Africa as a pre-divestiture and banking sector reforms consultant and debt recovery manager.

Mr. Bbossa holds a BA in Economics, Post Graduate diplomas in Economics Education and Industrial Projects Appraisal and an MA in Economics from the University of Malawi.

Goodman Chakanyuka - Executive, Credit Risk Management

Dr. Chakanyuka has been the Executive for Credit Risk Management since October 2013. He has over 18 years of experience in commercial banking across Southern Africa. Prior to joining the Bank, he was the Chief Risk Officer at Ned Bank (e Swatini) for 8 years and held senior positions at both Kingdom Bank and Afrexim Bank. Mr. Chakanyuka holds a BSc. in Economics and an MBA from the University of Zimbabwe and a Doctorate in Business Leadership from UNISA.

Mr Chakanyuka is an associate member of the Institute of Bankers (Zimbabwe) and holder of intermediate certificate of the Institute of Chartered Secretaries and Administrators (UK).

Francis Namboya- Executive, Financial Management

Mr. Namboya has been with the Bank since 2002 and has over 28 years of experience as a finance specialist. Prior to joining the Bank, Mr. Namboya worked as the Financial Controller and Company Secretary for the Commonwealth Development Corporation ("**CDC**") in Tanzania, United Kingdom and Malawi.

Mr. Namboya holds a Global Master of Business Administration from Oxford Brooks University in the UK, a Bachelor of Commerce (Accountancy) and a Diploma in Business Studies from the University of Malawi. He is a fellow of the Association of Chartered Certified Accountants (ACCA, UK) and is a Certified Public Accountant (CPA) in Malawi.

Daniel Mezgebu- Executive, Human Resources & Administration

Mr. Mezgebu is the Executive for Human Resources & Administration. Prior to joining the Bank, he was employed by dVenuts Wind Technologies as Director of Human Resources and Administration for three years. He has over 25 years of professional experience and has worked with several organisations including the Sheraton Hotel, American Embassy and Ethiopian Airlines.

Mr. Mezgebu holds a Master of Public Administration from the University of Greenwich and a Bachelor of Arts in Management and Public Administration from Addis Ababa University.

Mary Kamari - Executive, Corporate Affairs & Investor Relations

Ms. Kamari is the Executive for Corporate Affairs & Investor Relations and is responsible for stakeholder relations, strategic partnerships and board affairs. Prior to joining the Bank in April 2012, she was Regional Project Director with UNOPS and concurrently the Resource Mobilisation and International Relations Advisor at the Development Bank of South Africa, where she served for 5 years, establishing various-donor facilities.

Previously, Ms. Kamari was Managing Director for GoodWorks International in Rwanda and a consultant to the World Bank. She started her career as an Associate at the World Bank and holds a Master of Business Administration from California State University.

Dr. Mabouba Diagne – Coverage Executive, Franco-Lusophone Africa

Dr. Diagne has over 18 years of International (European & Pan African) Corporate & Investment Banking experience in senior management responsibilities with focus on corporate & investment banking, risk management, derivatives and structured credit financial products and structuring complex transactions. Prior to his appointment, Dr. Diagne has served in senior capacities at several leading global banks including Barclays Bank, Standard Bank, Credit Suisse and Commerzbank.

Dr. Diagne holds PhD in Financial Risk Management and Portfolio Optimisation and Master of Financial Mathematics from University of Kaiserslautern Germany. He also holds a Master of Applied Mathematics and Computer Sciences and a Bachelor of Applied Mathematics and Computer Science from University of Gaston Berger in Senegal. He is fluent in English, German, Italian, French and Wolof.

Antoine John Esther – Coverage Executive, North-East Africa & Representative

Mr. Esther holds 20 years of experience in corporate banking and insurance. He was most recently employed as Chief Executive Officer at Sacos Insurance Group in Seychelles. Prior to this, he held senior management roles at Barclays Bank Seychelles Ltd. and Barclays Bank Uganda and was Director of Business Development at Seychelles International Business Authority (now Financial Services Authority).

Mr Esther holds a Master of Business Administration from Durham University Business School, a Bachelor of Laws from University of London, a Post Graduate Certificate in Education and BSc. in Physics from Victoria University of Manchester and is bilingual in English and French.

Gloria Mamba – Coverage Executive, Southern Africa (Anglophone)/Executive, Asset Management

Ms. Mamba has over 20 years' experience in financial services in southern Africa with focus on strategy development and execution, business development, due diligence, financial analysis and structuring, negotiation and legal and risk management. Prior to her appointment, Ms. Mamba was Associate Director at

Deloitte Development Africa, based in Johannesburg. She has served in management roles at Global Environment Fund, Development Bank of Southern Africa, Blue Catalyst and United States Agency for International Development (USAID).

Ms. Mamba holds a Master of International Management from the American Graduate School of International Management and Bachelor of Arts from Columbia University.

Lloyd Muposhi - Coverage Executive, East Africa, and Sovereign Advisory Origination

Mr. Muposhi has been with the Bank since April 2014. He has over 15 years of diverse experiences in corporate banking with FirstRand Bank, Standard Chartered Bank and Citibank Zambia. He previously worked with Quantum Capital and Loita Capital Partners. Mr. Muposhi holds a Bachelor of Arts Degree from University of Zambia.

Linda Bwakira, Executive, Corporate Secretary

Ms. Bwakira has over 15 years of diverse experience as a legal professional with expertise in the setting up and governance of investment vehicles, structured finance and capital markets transactions. Prior to joining the Bank, she worked with leading law firms and financial institutions in Europe, including Clifford Chance and Natixis.

Ms. Bwakira holds a Postgraduate Degree in International Business law from the University of Toulouse and she is qualified to practice as a French avocat and a solicitor of England & Wales at the Paris Bar School and BPP Law School in London. She is fluent in Kirundi, English, French and Spanish.

The Eminent and Distinguished Persons Advisory Panel

In late 2016, the Bank established a High Level Eminent and Distinguished Persons Advisory Panel composed of a mix of current and former members of the COMESA Authority (former Heads of State), as well as former leaders of strategic regional institutions, both financial and economic. The panel was formed to advise the President and executive team of the Bank with strategic perspectives/insights and strong international networks that will support the promotion and re-positioning of the Bank, as well as its further growth and transformation.

In line the Corporate Plan 2018-2022, this High Level Eminent and Distinguished Persons Advisory Panel and its members will support high level engagements, through targeted advocacy and outreach with the objective of mobilising select member states/countries, strategic funding partners and institutional investors.

The following is a summary of the current members of the panel.

Name	Profile
H.E. Mr Danny Faure	President, Republic of Seychelles
H.E. Mr. Rupiah Banda	Former President, Republic of Zambia
Mr. Erastus Mwenche	Former Deputy Chairperson, African Union Commission
Dr. Donald Kaberuka	Former President, African Development Bank
Prof. Benno Ndulu	Former Governor, Bank of Tanzania
Dr. Norbert Kloppenburg	Member of the Executive Board, KfW

DEPARTMENTS OF THE BANK

The roles and responsibilities of each department are summarised below

Compliance and Risk Management

The Compliance and Risk Management Department ("**CRMD**") serves as an independent and dedicated risk management unit whose main responsibility of the monitoring, measurement, evaluation and reporting, on a Bank-wide basis, of all risks including compliance risk. The CRMD reports to the Audit Committee of the Board of Directors.

CRMD's specific responsibilities include:

(a) measuring and reporting on an aggregate basis, all risk exposures across the Bank against approved limits;

(b) coordinating the design, implementation and monitoring of business continuity and other corporate risk management plans;

(c) reviewing risk policies and risk exposure limits as may be recommended by departments and units;

(d) coordinating and facilitating the maintenance of risk registers and risk mitigation action plans;

(e) coordinating the design, implementation and monitoring of other risk management initiatives;

(f) conducting reviews and assessments of credit applications and providing independent opinions; and

(g) monitoring and reporting progress on implementation of departmental risk management plans.

CRMD monitors the Bank's risk exposures on a continuous basis and reports monthly to management through the BIRMC and quarterly through the Audit Committee of the Board of Directors.

Money Laundering and "Know Your Customer" Checks

In support of global efforts towards fighting money laundering and terrorism financing, the Bank applies various anti-money laundering and anti-terrorism financing controls as provided in its policy. These include the administration of "Know Your Customer" checklists, the designation of a Money Laundering Reporting Officer within the Compliance and Risk Management Department, continuous staff training and independent auditing of the procedures and controls to ensure conformity with best practices. The Bank also uses Thomson Reuters World Check programme to check counterparties against sanctions related lists globally and any negative publicity.

The Bank's "Know Your Customer" policy requires the submission of certain information including the entity's certificate of incorporation, physical and operating addresses, board resolutions/mandates with respect to specific transactions, memorandum and articles of association, profile of board members and management, details of shareholdings, and ultimate beneficial owners with a stake in excess of 20 per cent. in an entity, and recently audited financial statements. The policy prohibits any dealings with shell companies.

Additional information is obtained from various databases including the asset freeze targets lists designated by the United Nations and the European Union. The Bank also undertakes due diligence on the intended application of loan funds so as to satisfy itself on the authenticity of the transactions and credibility of the parties involved. For import related transactions, the Bank encourages disbursements through the use of confirmed letters of credit while for other transactions, disbursement applications are scrutinised to ensure that they conform to the purpose for which the loan was approved.

In 2015, the Bank reviewed and revamped its AML/CFT framework to further consolidate its effective internal controls. This included the enhanced customer due diligence policies, procedures, processes, for all customers particularly those that present a high risk of money laundering or terrorist financing. The Bank is currently in the process of undertaking an independent review of its AML/CFT and Sanctions framework to ensure that it is robust and up-to-date and conforms to best practice. This will ensure that the framework is able to adequately identify associated risks and take appropriate mitigating measures. The Bank has a whistle blowing policy that requires all employees to report any unusual transactions or non-compliance. Any suspicious transactions are reported to the Bank's Management and Board of Directors, and where need be, to the central banks or other Issuer Member States' regulatory authorities for further investigation.

Sanctions Checks

All the Bank's customers, counterparties, involved parties, and staff are screen against lists of persons, entities and countries appearing on the sanctions lists as published by the United Nations, European Union, United States government, the United Kingdom, and such other governments related to the transaction. Screening is carried out at onboarding, due diligence, financial close, disbursement, and monitoring stages. The Bank's screening solution is automated (World check) and capable on providing the bank with daily updates.

The Bank has a full-fledged Compliance Unit to ensure that the Bank complies with its internal sanctions policy, together with any local and international sanctions regime as may be applicable to the Bank.

Corporate Affairs and Investor Relations

The Corporate Affairs Department is responsible for managing key stakeholder relations which include Issuer Member States, lenders, business partners and donors. The department also coordinates membership expansion and the management of strategic partnerships with bilateral and multi-lateral development partners. The department provides analytical and policy advice to the President on various strategic initiatives, maintains information of development issues in the region, provides administrative and logistical support to the Board and handles the Bank's public relations activities.

Coverage

In line with the Bank's decentralisation and partnership strategy to better service the whole region, the Bank has recently revised its operating model in an endeavour to bring its services closer to clients. Under this new coverage model, the Bank aims to serve its clients through regional coverage banking teams strategically placed in each of the Bank's operational hubs namely, Mauritius, Kenya, Zimbabwe and Ethiopia. Each hub is headed by a regional coverage executive assisted by a number of International coverage bankers. The expansion and enhancement of the Bank's new and existing offices has redefined the Bank's business model into a customised country specific approach to reinforce its client focus and outreach.

The coverage team assumes full ownership of the client and, with the support of the lending operations team, offers improved turnaround time on client requests, whilst supporting the PMD team with the management of clients in the live portfolio.

Export Credit Agency Finance Unit

To support the Bank's corporate resource mobilisation strategy that calls for a diversified growth in funding sources and allow for bilateral sources of funding to drive business, the Bank set up a fully-fledged Export Credit Agency Finance Unit ("**ECA Finance Unit**") in 2016.

The ECA Finance Unit aims to contribute, among other things, to:

(a) minimisation of the Bank's cost of funding, hence contributing to the Bank's profitability;

(b) minimisation of mismatches of assets and liabilities, maturity, and currency;

(c) diversification and expansion of the Bank's sources of funding through expansion of ECA and ECA-backed lender base;

(d) expansion of the Bank's geographic coverage and sector diversification by providing access to finance to high-risk countries and sectors; and

(e) business and pipeline development by leveraging the Bank's relationships with ECAs and ECA-backed lenders.

The ECA Finance Unit is strengthening its collaboration with several ECAs in OECD countries, namely; Euler Hermes, Finnvera, JBIC-NEXI, US EXIM, SACE, EKN to actively support Bank projects with ECA-backed financing. The ECA Finance Unit is also in advanced discussions with ECAs in the emerging markets of India (Exim India), Brazil (BNDES) and Belarus (Eximgarant-DBRB) to consolidate and diversify its funding mix.

Finance

The Finance department is responsible for ensuring timely availability of accurate and readily usable financial information, and adequate funding to meet all operational requirements. Its main focus is therefore on budgeting and control, financial reporting and resource mobilisation and management.

Human Resources and Administration

The Human Resources and Administration Department is responsible for all staffing and administration matters including staff recruitment, staff welfare, performance evaluation and the provision of administrative support services to other departments.

In appointing officers and staff to the Bank, consideration is given to employing individuals with the highest standards of integrity and professionalism. During 2018, the Bank had 138 employees of which 101 employees were professionally qualified constituting 73 per cent. of the total workforce. Female employees represented 43 per cent. of the total workforce.

Legal Services

The Legal Services department has the responsibility of executing the general legal advisory services function of the Bank. In its core function of providing legal services support, the department is responsible for serving as general legal counsel of the Bank, drafting various legal instruments, instructing external counsel of the Bank and overseeing the smooth conduct of its litigation portfolio. It reviews and advises upon contractual arrangements with various counterparties with whom the Bank engages in its ordinary course of business.

Lending Operations Department (PIF and Trade Finance)

The Lending Operations Department is responsible for coordinating the Bank's two main financing activities namely PIF and trade finance with its key functions including appraising credit applications, securing the required approvals and committing the underlying loans through appropriate documentation and fulfilment of conditions precedent to disbursement. The Department is also responsible for relationship and portfolio management functions of trade finance accounts which are regular in terms of loan servicing.

Portfolio Management

The Portfolio Management Department ("**PMD**") is responsible for the administration and monitoring of PIF loans and investments immediately from the first disbursement of funds through to project implementation. PMD also takes over the responsibility of managing trade finance accounts whose ageing of arrears exceed 90 days.

The overall aim of the department is to manage and maintain a high quality loans portfolio by ensuring that all Bank-supported transactions perform in line with the credit appraisal requirements and that the approved terms and conditions are executed appropriately.

Other functions of PMD include:

(a) developing and improving the effectiveness and efficiency of the Bank's loan administration, supervision, monitoring, and debt recovery processes;

(b) checking and verifying compliance with the provisions of the credit approvals and the loan agreements in the disbursement process;

(c) checking and verifying compliance to the Banks' approved procurement policy and procedures by borrowers;

(d) sustaining regular loan repayment status of existing and new borrowers;

(e) grading of loans based on performance of individual accounts and recommending classification and loan provisioning;

(f) working out existing and potential non-performing loans through restructuring arrangements which are reinforced by effective supervision and monitoring activities; and

(g) assessing the performance and exit mechanisms for accounts in receivership and monitoring the overall performance of receivership operations for both in-house and external receivers.

(h) As part of its core responsibilities, PMD generates the following reports:

(i) back to office reports arising from the monitoring and supervision visits to projects;

(j) arrears recovery reports to apprise the ARC on the status of the outstanding arrears and the recovery actions taken or proposed to be taken by PMD to have the arrears settled. The reports are prepared on a monthly basis;

(k) quarterly compliance reports setting out the status of compliance by the borrower with the terms and conditions of the loan /facility agreement. The reports are submitted to CRMU; and

(l) quarterly portfolio reports detailing country, industry, sector exposure by type of advances and duration of loan. The reports which are submitted to the Board of Directors incorporate comments on the performance of the main borrowers and overall portfolio performance.

Syndications and Agency Operations

The Syndication and Agency Operations Department is responsible for implementing the Bank's capital leveraging and asset distribution strategy by mobilising funds from African and global development finance institutions, export credit agencies, commercial banks, debt and pension funds to support trade and infrastructure expansion in Issuer Member States. The department also supports the Bank's overall capital optimisation strategy by proactively distributing the Bank's loan assets to mitigate obligor, sector and geographic concentration to ensure adherence to prudential limits, whilst providing limits for booking of new loan assets and generating incremental fee income.

Through its leveraging role, the department attracts global and African financial institutions into large-ticket transactions arranged by the Bank to support sovereign and corporate clients, by optimising the Bank's preferred creditor status in the Issuer Member States,and acting as "*Mandated Lead Arranger*" and "*Facility Agent*" or "*Security Agent*" on such transactions.

Treasury

The Treasury Department is responsible for the management of the Bank's liquidity and market risks by ensuring that risk is controlled within the bank policy risk guidelines. Treasury is also charged with market facing functions that include term liability issuance as well as Money Market operations. A treasury management system platform was implemented at the end of 2018. With the implementation of the Treasury Management System, Treasury is in a better position to optimise capital and balance sheet management and Bank's liquidity

CORPORATE PLAN 2018-2022

Corporate Strategy

The Corporate Plan 2018-2022 was approved at the 2017 Annual General Meeting. It aims to continue to develop the Bank with increased capacity to intermediate global and African capital, and make a sustainable development impact in the region. This entails strengthening and expanding the Bank's operations in the financing of trade, infrastructure and enterprises, and asset management across the greater free trade area of 26 African countries envisaged under the Tripartite Agreement.

During the Corporate Plan 2018-2022 period, the Bank is planning to continue to mobilise resources to support the financing of sustainable growth and transformation. In line with its Charter, the Bank is planning to continue to grow its trade and development financing for a range of priority sectors, notably agribusiness, energy, industry, and infrastructure, including power, with some focus on renewable energy. The Bank will seek to support infrastructure in Issuer Member States with regional effects, notably in the areas of power, transport and ICT, including initiatives that advance the East African Power Pool and Southern African Power Pool formations, among others. It will seek to act as an agent of regional integration, co-mobilising key stakeholders and serving as a credible intermediary and conduit for financing viable projects with strong regional effects. As such, high importance will be assigned to viable projects that have cross border impacts, benefitting more than one country, enhancing the complementarity between the Issuer Member States. Where feasible, projects that add value to the region's raw materials, and use other inputs from the region, including labour, will be given close attention.

Building on the successes and lessons of the past Corporate Plan (2013-2017), the Bank has identified the following five strategic objectives in this Corporate Plan 2018-2022:

(a) ensure managed growth and balanced, sustainable development impact;

(b) mobilise equity and debt financial resources, at the lowest possible cost but with optimal flexibility from diverse sources;

(c) develop further the Bank's human and institutional capital, and achieve high levels of operational excellence;

(d) build focused partnerships and collaboration for resource mobilisation, expanded impact and risk sharing; and

(e) be a risk intelligent organisation with high levels of asset quality and investment grade rated.

The Bank will be looking for specific strategic themes and outcomes in its financing and interventions to advance greater development impact and address inclusiveness and sustainable growth in the region, with a focus on economic transformation through infrastructure, enterprise and trade financing, including in growth sectors such as agriculture and manufacturing.

The Bank's base case of growth will be an average growth rate of between 10 per cent. and 15 per cent. annually, subject to capital adequacy. The high case growth rate will be 15 per cent. to 20 per cent., and the low case rate will be 5 per cent. to 10 per cent. Under the high case, the balance sheet would rise to USD 10 billion; under the base case, it rises to USD 8.6 billion and in the low case, it rises to USD 7 billion. In its growth strategy, the Bank will aggressively advance its diversification agenda, in terms of both geography and sector.

As part of the diversification process, the Bank is embarking on deepening, scaling and consolidation of the achievements of the previous Corporate Plan. In this regard, to achieve geographic diversification, the Bank is targeting its asset lending opportunities in some of its underserved markets, embarking on product and business lines through syndication, advisory services, invoice discounting and forfaiting under its Trade Finance business. Further diversification of the Bank's funding base is targeted to source non-traditional sources of funding as well as the markets in the Middle East and Asia.

The additional capital to support this growth is to be achieved through a combination of means: retained profits, dividend recapitalisation and new share capital on the equity side. In this regard, a combination of sovereign and institutional investor capital will be pursued, both African and international, (from Asia, Europe, the Gulf region and the Americas).

To achieve the desired long-term plans of facilitating intra/extra regional trade, promoting regional integration and structural transformation, the Bank has three strategic pillars: (i) the PIF window (medium and long-term financing), (ii) trade finance (short term) and (iii) special funds and operations (asset management). By year 2022, the Bank has projected to have a minimum loan portfolio close to US $ 7.4 billion; of which US $ 1.8 billion would consist of PIF finance assets and US$ 5.6 billion of trade finance loans.

Enhanced Corporate Governance and Management

As a multilateral development institution, the Bank complies with good corporate governance principles and high ethical standards as embedded in the Bank's Charter. The corporate governance principles and standards adopted by the Bank have been developed with close reference to guidelines adopted by other highly rated international development financial institutions.

Since 2016, the Bank has appointed two independent non-executive directors in line with best practice and an additional board seat was filled to represent institutional shareholders. The formation of additional committees was also carried out with two new committees being formed, being the Investment and Credit Committee and the Nominations and Remuneration Committee. These committees have helped streamline the operations of the Board for greater efficiency and effectiveness.

The Bank's management team has been strengthened with the introduction of three senior executive positions, namely, Chief Operating Officer, Chief Financial Officer and Chief Risk Officer, responsible for these management roles. Similarly, management positions for Syndicated Loan and Advisory services have also been formed.

The Bank's investment grade shareholders, notably the African Development Bank, Mauritius, and the People's Bank of China ("**PBoC**") represent in aggregate 20.01 per cent. of the Bank's paid-in capital structure as at 31 December 2018. The overwhelming majority of the Bank's institutional investors which includes pension funds, re-insurance companies and specialised investment banks from within the region are African institutional investors, a further reflection of the confidence of African investors in their own financial institutions that show commitment to strong corporate governance and high performance. In 2017, the Bank also welcomed the OPEC Fund for International Development as a Class B investor. In 2018, the Arab Bank for Economic Development joined the Bank as its newest investor, purchasing 960 Class B shares.

Information Technology (IT)

The Bank's Corporate Plan 2018-2022 has earmarked information technology as a cornerstone for enhanced operational efficiency and effectiveness.

The Bank runs a fully integrated Enterprise Resource Planning system, on the SAP platform, to meet its accounting, administrative and management information requirements. Furthermore, underway is an initiative to enhance automation in various business processes as part of a comprehensive roadmap that commenced in 2016 and is scheduled for completion in 2019, at a total cost of USD 8 million.

The areas catered for, and in which new systems have and continue to be deployed include Treasury Management, Loan Origination, Credit- Risk Rating, Operational Risk Management, Anti-Money Laundering, Records and Document Management, Business Intelligence, System Integration and enhancements to the SAP Enterprise Resource Planning system.

Investment in communication infrastructure continues to be a priority area to ensure reliable and efficient connectivity between the Bank's headquarters in Mauritius and Burundi, and regional offices in Kenya, Ethiopia, Zimbabwe, and the recently launched Democratic Republic of Congo office.

To mitigate technological risks, the Bank has benchmarked against the International Standards Organisation ("**ISO**") information security framework to develop an Information Security Management System that is all encompassing and aligned with best-practice. The ISO standard is premised on the three pillars of information/data confidentiality, integrity and availability. Key among the risks being addressed are cyber threats against which investment in skills and systems is a major priority. Furthermore, an IT disaster recovery strategy aligned with the requirements of a Bank-wide Business Continuity Plan, in terms of recovery-time and recovery-point objectives, has been implemented. The procedures include scheduled data replication both on-and-offsite, and periodic assurance testing. The framework, coupled with ongoing records and document management policy and procedures enhancements, provides a strong foundation for effective data access management. Information Security staff awareness is regularly provided to mitigate against social engineering threats.

The IT staff has recently been increased to ensure more effective service delivery. Technical skill enhancement is addressed on an ongoing basis through the Bank's e-Learning platform and formal classroom training. Cross-training and skill diversification has been adopted to ensure business continuity in this regard. Inhouse skill capacity constraints are also addressed through an outsourcing model as deemed appropriate.

The Bank continues to promote utilisation of collaboration tools to improve team productivity. Related to this are initiatives to enhance knowledge management through existing and new IT tools.

From an IT governance perspective, the Bank has an approved IT strategy that informs the current IT automation roadmap, and investments are carried out in line with an approved set of IT architecture principles. Coupled with this is an oversight committee headed by the Chief Risk Officer, tasked with ensuring, above all, that the Bank's IT initiatives are aligned with its business objectives.

Regular independent audits and compliance reviews of IT are conducted with findings reported independently to the Bank's risk function, senior management and board.

Competition

Management believes the Bank occupies a competitive position in the operating region derived from its:

(a) ability to extend both long and short-term foreign and local currency denominated loans to the operating region;

(b) ability to act as a credible intermediary and conduit of financing for international financial institutions unable to lend directly to the operating region;

(c) capitalisation in U.S. dollars and the availability of significant levels of callable capital acting as guarantee to the Bank's borrowings;

(d) focus on the operating region's private sector, recognised as the engine of growth for the Issuer Member States;

(e) intimate knowledge of the operating region through linkages with government institutions, central banks, commercial banks, local development financial institutions and private sector operators; and

(f) human resources capacity with extensive experience, depth and breadth in development banking in Africa.

The competitive landscape in which the Bank operates includes local commercial banks, subsidiaries of international banks, regional and international development financial institutions. Given, however, the significant demand for development capital in the region, the Bank views the presence of these institutions both from a competitive position and also a complementary or collaborative perspective.

Subsidiaries of foreign banks operating in the Issuer Member States include Barclays, Standard Bank of South Africa, Citibank and Standard Chartered Bank. These banks are active in providing pre-and post-shipment finance and confirmation of letters of credit. The Bank enjoys good working relations with these foreign banks and is often invited to join club deals or syndications arranged by them. A number of these banks fund the Bank's trade finance activities.

The Bank enjoys strong relations with African continental and regional development financial institutions which include the African Development Bank ("**ADB**"), African Export-Import Bank ("**AfreximBank**"), Development Bank of South Africa ("**DBSA**") and the East African Development Bank ("**EADB**"). ADB has provided equity and lines of credit to the Bank in excess of USD 184 million and is an active co-financier on a number of Bank financed projects. The Bank has a 0.3 per cent. equity stake in Afrexim bank, an active co-financier on a number of trade finance transactions. DBSA has provided a USD 95 million line of credit to the Bank. DBSA and Afrexim are active co-financing partners on a number of Bank financed projects.

International financial institutions such as the International Finance Corporation, Agence Francaise de Development ("**AFD**"), Kreditanstalt fur Wiederaufbau (KFW), PROPARCO, (*Promotion et Participation* *pour la Coopération*), DEG (*Deutsche Investitions und Entwicklungsgesellschaft mbH*), FMO (*Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V.*), USAID and the European Investment Bank ("**EIB**"), CDC Group are active players in the provision of medium to long term development capital.

In 2013, the Bank secured accreditation from OECD's Development Assistance Committee ("**DAC**"). This accreditation has enabled the Bank to access development assistance funding at concessionary terms thereby contributing lower funding cost and improved competitiveness.

TAXATION

The Charter

Under Article 43 of The Charter, 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.

The Bank, its property, other assets, income and transaction, are exempt from all taxation and from all customs duties and prohibitions and restrictions on imports and exports in respect of articles imported or exported by the Bank for its official use.

Article 43 further states that no tax of any kind shall be levied on any obligations or securities issued by the Bank, including any dividend or interest thereon, by whomever held; which discriminates against such obligations or security solely because it is issued by the Bank; or if the sole reason for the imposition of such a tax is the place or currency in which such obligations or securities are issued, made payable or paid or the location of any office maintained by the Bank.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the second amended and restated dealer agreement dated 14 May 2019 (the "**Dealer Agreement**") between the Issuer and the Permanent Dealers and Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers.

The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

General:

Neither the Issuer nor any Dealer makes any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus, any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms, in all cases at its own expense.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in, or which is consistent with, the documents permitted to be circulated in accordance with Clause 5.2 (*Distribution of Prospectus*) of the Dealer Agreement.

United States of America:

"The Notes have not been and will not be registered under the Securities Act, or with any security regulatory authority of any state or other jurisdiction of the United States, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of, the Securities Act.

Each Dealer represents, warrants and agrees that it has offered and sold the Notes of any identifiable tranche, and shall offer and sell the Notes of any identifiable tranche (1) as part of its distribution at any time and (2) otherwise until 40 days after completion of the distribution of such tranche as determined and certified to the Issuer and each Relevant Dealer, by the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager, only in accordance with Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes or has solicited or will solicit offers for, or offer to sell, Notes by means of any general solicitation or advertising in the United States or otherwise in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer agrees to notify the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other Relevant Dealers of the end of the distribution compliance period.

Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

'The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such tranche as determined, and certified to the Issuer and [Relevant Dealers], by [Lead Manager], except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.'

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, unless the Final Terms or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "**C Rules**" or "not applicable", each Dealer represents and agrees in relation to each Tranche of Notes in bearer form:

(a) except to the extent permitted under U.S. Treas. Reg. §1.163 5(c)(2)(i)(D) (the "**D Rules**"):

  (i) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person and

  (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period

(b) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules

(c) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163 5(c)(2)(i)(D)(6) and

(d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in Clauses 3.2(a), 3.2(b) and 3.2(c) of the Dealer Agreement on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in Clauses 3.2(a), 3.2(b) and 3.2(c) of the Dealer Agreement.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

In addition, to the extent that the Final Terms relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg. §1.163 5(c)(2)(i)(C) (the "**C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer represents, warrants and agrees that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

    (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

    (iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area ("**EEA**") which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom:

(i) Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

    (a) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Belgium

With regard to Notes having a maturity of less than 12 months (and which therefore fall outside the scope of the Prospectus Directive), the Base Prospectus has not been, and it is not expected that it will be, submitted for approval to the Belgian Financial Services and Markets Authority. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it shall refrain from taking any action that would be characterised as or result in a public offering of Notes in Belgium in accordance with the Belgian Law on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended or replaced from time to time.

The Notes are not intended to be sold to Belgian Consumers, and each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, such Notes to Belgian Consumers, and has not distributed or caused to be distributed and will not distribute or cause to be distributed, the Base Prospectus, the relevant Final Terms or any other offering material relating to such Notes to Belgian Consumers.

For these purposes, a "**Belgian Consumer**" has the meaning provided by the Belgian Code of Economic Law, as amended from time to time (*Wetboek van 28 februari 2013 van economisch recht/Code du 28 février 2013 de droit économique*), being any natural person resident or located in Belgium and acting for purposes which are outside his/her trade, business or profession.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Kenya:

This Base Prospectus and the offering of any Notes have not been nor will it be approved by the Capital Markets Authority of Kenya.

Issuer Member States:

Each Dealer represents, warrants and undertakes that it will not, as part of its initial distribution of Notes, offer or sell any Notes to residents of any Issuer Member State or legal entity incorporated in any Issuer Member State.

Notes may not be offered or sold to residents of any Issuer Member State or to any legal entity incorporated in any Issuer Member State.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[[**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]/[•]]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, "**MiFID II**")/MiFID II]; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][2]

[**Singapore Securities and Futures Act Product Classification –** Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and ["Excluded Investment Products"]/["Specified Investment Products"] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

Final Terms dated [*Date*]

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

LEI: [2138004HC83AB2ENIZ64/[•]]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the USD 2,000,000,000

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 14 May 2019 [and the Base Prospectus Supplement dated [•] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus.]

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2 Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[Terms used herein shall be deemed to be defined as such for the purposes of the [•] Conditions (the "**Conditions**") set forth in the base prospectus dated [•] [and the supplements to it dated [•]] which are incorporated by reference in the Base Prospectus dated 14 May 2019. This document constitutes the Final Terms relating to the issue of the Notes described herein for the purposes of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 14 May 2019 [and the supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes the Prospectus Directive, save in respect of the Conditions which are set forth in the base prospectus dated [•] and are incorporated by reference in the Base Prospectus.]

The expression "**Prospectus Directive**" means Directive 2003/71/EC as amended or superseded.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and the Final Terms have been published on the website of Euronext Dublin (www.ise.ie) and the website of the Central Bank of Ireland (www.centralbank.ie). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive[3].

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

1.	[(i)]	Series Number:	[•]
	[(ii)	Tranche Number (If fungible with an existing Series:	[•]
		(a) Issue Date of existing Series	[•]
		(b) Aggregate Principal Amount of existing Series	[•]
		(c) Date on which the Notes become Fungible	[Not Applicable/The Notes shall be consolidated and form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date].]]
2.	Specified Currency or Currencies:		[•]
3.	Aggregate Nominal Amount of Notes:		[•]
	[(i)]	Series:	[•]
	[(ii)	Tranche:	[•]]
4.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(i)	Specified Denominations:	[•]
	(ii)	Calculation Amount:	[•]
6.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date	[*Specify*/Issue Date/Not Applicable]
7.	Maturity Date:		[*Specify date or* (*for Floating Rate Notes*) *Interest Payment Date falling in or nearest to the relevant month and year*]

[3] Remove this language for unlisted Notes.

8.	Interest Basis:		[[•] per cent. Fixed Rate] [[months][LIBOR/LIBID/LIMEAN/EURIBOR] +/- [•] per cent. Floating Rate] [Zero Coupon] [further particulars specified below in paragraphs 12 and 13]
9.	Put/Call Options:		[Investor Put] [Issuer Call] [further particulars specified below in paragraphs 15 and 16]
10.	(i)	Status of the Notes:	[Senior/Rated/Perpetual]/ Subordinated]
	(ii)	Date Board approval for issuance of Notes obtained:	[•] (N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
11.	**Method of distribution**:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[•] in each year [adjusted in accordance with [[Floating Rate Business Day Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] *and specify any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	Broken Amount(s):	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]
	(v)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA / Actual/365 (Fixed) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) / Actual/Actual-ICMA]
	(vi)	[Determination Dates:	[•] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]

13.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[[•][, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]] [[•]in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]]
	(ii)	Specified Interest Payment Dates:	[•]
	(iii)	First Interest Payment Date:	[•]
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
	(v)	Business Centre(s):	[•][Not Applicable]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[•][Not Applicable]
	(viii)	Screen Rate Determination:	[Applicable/Not Applicable]
		- Reference Rate/Benchmark:	[•]
		- Interest Determination Date(s):	[•]
		- Relevant Screen Page:	[•]
	(ix)	ISDA Determination:	[Applicable/Not Applicable]
		- Floating Rate Option:	[•]
		- Designated Maturity:	[•]
		- Reset Date:	[•]
	(x)	Margin(s):	[+/-][•] per cent. per annum
	(xi)	Minimum Rate of Interest:	[•] per cent. per annum
	(xii)	Rate of Interest:	[•] per cent. per annum
	(xiii)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA / Actual/365 (Fixed) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) / Actual/Actual-ICMA]

14.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]

PROVISIONS RELATING TO REDEMPTION

15.	**Call Option**			[Applicable/Not Applicable]
				(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):		[•]
	(ii)	Optional Redemption Amount(s) of each Note:		[•] per Calculation Amount
	(iii)	If redeemable in part:		
		(a)	Minimum Redemption Amount:	[•] per Calculation Amount
		(b)	Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period		[•]
16.	**Put Option**			[Applicable/Not Applicable]
				(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):		[•]
	(ii)	Optional Redemption Amount(s) of each Note:		[•] per Calculation Amount
	(iii)	Notice period		[•]
17.	**Final Redemption Amount of each Note**			[•] per Calculation Amount
	(i)	Payment Date:		[•]
	(ii)	Minimum Final Redemption Amount:		[•] per Calculation Amount
	(iii)	Maximum Final Redemption Amount:		[•] per Calculation Amount
18.	**Early Redemption Amount**			
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption.			[•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

19.	Form of Notes:	[**Bearer Notes**: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [Permanent Global Note exchangeable for a for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [**Registered Notes**: Global Certificate]
20.	New Global Note:	[Yes] [No]
21.	New Safekeeping Structure:	[Yes] [No]
22.	Financial Centre(s):	[Applicable] [Not Applicable] *Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), I6(v) and 18(ix) relates*
	(a) Date of payment	[•]
	(b) Place of payment	[•]
23.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No] [If yes, specify dates on which Talons will be exchangeable for further coupons]
24.	Renminbi Currency Events:	[Condition 8(j) is applicable/Not Applicable]
	Renminbi Settlement Centre(s)	[[•]/Not Applicable]
25.	Relevant Benchmark[s]:	[[LIBOR/EURIBOR] is provided by [*administrator legal name*]. As at the date hereof, [[administrator legal name][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation]/[Not Applicable]]

DISTRIBUTION

26.	(i) If syndicated, names [and addresses] of Managers [and underwriting commitments]:	[Not Applicable/give names, addresses and underwriting commitments] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
	(ii) [Date of Subscription Agreement:	[•]]

(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/give names]
(iv)	If non-syndicated, name and address of Dealer:	[Not Applicable/give name and address]
(v)	Total commission and concession:	[•] per cent. of the Aggregate Nominal Amount
(vi)	U.S. Selling Restrictions:	Reg. S Compliance Category; TEFRAC/TEFRA D/TEFRA not applicable]

Signed on behalf of the Eastern and Southern African Trade and Development Bank:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING**

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Dublin's regulated market] with effect from [•].] [The Issuer will also make an application for the Notes to be listed on the Official Market of the Stock Exchange of Mauritius Ltd.] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant market*] with effect from [•].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading*)
(ii)	Estimate of total expenses related to admission to trading	[•]

2. **RATINGS**

Ratings: [[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[S&P: [•]] [Moody's: [•]]

[[Fitch: [•]]

[[Other]: [•]]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

[[*Insert credit rating agency*] is established in the European Union and is registered under Regulation (EU) No 1060/2009 (the "**CRA Regulation**").]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "**CRA Regulation**").]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]]

4. ***Fixed Rate Notes only* - YIELD**

Indication of yield:	[•] [Not Applicable]

5. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[CFI Code:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]
[FISN:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]] (*If the CFI and/or FISN is not required or requested, it/they should be specified to be "Not Applicable"*)
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *societe anonyme* and the relevant identification numbers):	[Not Applicable/give name(s) and number(s)]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[•]
Names and addresses of additional Paying Agent(s) (if any):	[•]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [No. While the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Note that this does not necessarily mean that the Notes will then be

recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

GENERAL INFORMATION

1. It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on Euronext Dublin's regulated market will be admitted separately as and when issued, subject only to the issue of the relevant Notes. Application has been made to Euronext Dublin for Notes to be admitted to the Official List and trading on its regulated market.

   The Issuer may make an application for such listed Notes to also be listed on the Official Market of the Stock Exchange of Mauritius Ltd.

2. The update of the Programme was authorised by a resolution of the Board of Directors passed on 28 March 2019. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and with the issue and performance of Notes under the Programme. The establishment of the Programme and the issue and performance of Notes under the Programme is authorised pursuant to the Charter.

3. There has been no significant change in the financial or trading position of the Issuer, and no material adverse change in the prospects of the Issuer, since 31 December 2018. The Issuer prepares its financial statements in accordance with IFRS.

4. Save as disclosed on pages 89 to 90 of this Base Prospectus (see "*Business of the Bank – Material Litigation*"), the Issuer is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer.

5. Each Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

7. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in the Issuer being under an obligation or entitlement that is material to its ability to meet its obligations to noteholders in respect of the Notes being issued.

8. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions.

9. For so long as Notes may be issued pursuant to this Base Prospectus, physical copies of the following documents will be available, during usual business hours and upon reasonable notice on any weekday (public holidays excepted), for inspection at the registered offices of each of the Paying Agents and the Trustee:

(i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

(ii) the Agency Agreement;

(iii) the Charter of the Eastern and Southern African Trade and Development Bank;

(iv) the published annual report for the financial year ended 31 December 2018 and 31 December 2017 and audited accounts of the Issuer for the financial years ended 31 December 2018 and 2017;

(v) each Final Terms (save that Final Terms will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity); and

(vi) a copy of this Base Prospectus together with any Supplement of Base Prospectus or further Base Prospectus.

This Base Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the regulated market will be published on the website of Euronext Dublin (www.ise.ie) and the website of the Central Bank of Ireland (www.centralbank.ie)

10. Copies of the latest annual report and accounts of the Issuer and the latest interim accounts of the Issuer may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours and upon reasonable notice, so long as any of the Notes is outstanding.

11. The Bank's current external auditors, Deloitte & Touche of Kenya, whose registered address is at Deloitte Place Waiyaki Way, Muthangari, P.O Box 40092-00100 Nairobi ("**Deloitte**"), have audited and rendered an unqualified audit opinion on the accounts of the Bank for the year ended 31 December 2018.

Ernst & Young of Kenya-Re Towers, Upperhill, off Ragati Road, P.O. Box 44286, 00100 Nairobi GPO, Kenya (certified Public Accountants) ("**Ernst & Young**") have audited, and rendered an unqualified audit report on, the accounts of the Issuer for the year ended 31 December 2017 and 2016.

12. Each of Deloitte and Ernst & Young is a member of The Institute of Certified Public Accountants of Kenya ("**ICPAK**"), an affiliate of the International Federation of Accountants ("**IFAC**").

13. All notices to Noteholders shall be given to them in accordance with Condition 17 (*Notices*) (as modified, in the event of Notes held in global form, by the provisions of paragraph 4 "*Amendments to Conditions*" in "*Overview of Provisions relating to Notes while in Global Form*".

14. The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

15. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the notes and is not itself seeking admission of the notes to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin.

16. Certain of the Arrangers and Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Arrangers and Dealers and their affiliates may have positions, deal or make markets in an issuance of Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

17. In addition, in the ordinary course of their business activities, the Arrangers and Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Arrangers and Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Arrangers and Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially an issuance of Notes. Any such positions could adversely affect future trading prices of any issuance of Notes. The Arrangers and Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

18. The Bank's Legal Identifier Code ("**LEI**") is 2138004HC83AB2ENIZ64.

INDEX TO FINANCIAL STATEMENTS

EASTERN AND SOUTHERN AFRICAN
TRADE AND DEVELOPMENT BANK
(TDB - formerly PTA Bank)

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2018

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EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

BOARD OF GOVERNORS

SHAREHOLDERS (EACH SHAREHOLDER IS REPRESENTED BY A GOVERNOR ON THE BOARD OF GOVERNORS)

MEMBER STATES

Republic of Rwanda

United Republic of Tanzania

Republic of Zambia

Republic of Mauritius

Republic of Seychelles

Republic of Uganda

Republic of Burundi

Union of the Comoros

Arab Republic of Egypt

State of Eritrea

Republic of Kenya

Republic of Malawi

Republic of Zimbabwe

Republic of Djibouti

Republic of Sudan

Federal Democratic Republic of Ethiopia

Democratic Republic of Congo

Federal Republic of Somalia

Republic of South Sudan

Kingdom of eSwatini

Republic of Mozambique

Republic of Madagascar

NON-REGIONAL MEMBERS

People's Republic of China (represented by the People's Bank of China)

Republic of Belarus – Development Bank of Belarus

INSTITUTIONS

African Development Bank

National Pension Fund-Mauritius

Mauritian Eagle Insurance Company Limited

Rwanda Social Security Board

Banco Nacional de Investimento

Seychelles Pension Fund

Africa Re- Insurance Corporation

ZEP-RE (PTA Reinsurance Company)

National Social Security Fund – Uganda

SACOS Group Limited

OPEC Fund for International Development

TDB Staff Provident Fund

TDB Directors and Select Stakeholders Provident Fund

BADEA – Arab Bank for Economic Development in Africa

DIRECTORS

Mr. Gerard Bussier	Non-Executive Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan - Chairman, Board of Directors
Mr. John Bosco Sebabi	Non-Executive Director for All Other Shareholders
Mr. Peter Simbani	Non-Executive Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
Dr. Natu Mwamba	Non-Executive Director for Egypt, Tanzania, Djibouti and eSwatini
Mr. Said Mhamadi	Non-Executive Director for Uganda, Sudan, DR Congo and Comoros
Ms. Isabel Sumar	Non-Executive Director for Kenya, Zambia, Mozambique and Somalia
Mr. Liu Mingzhi	Non-Executive Director for Non-African States
Mr. Mohamed Kalif	Non-Executive Director for African Institutions
Mr. Juste Rwamabuga	Non-Executive Independent Director
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Admassu Tadesse	President and Chief Executive
Mr. Samuel Mivedor	Non-Executive Alternate Director for African Institutions
Ms. Kampeta Sayinzoga	Non-Executive Alternate Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan
Mr. Rupert Simeon	Non-Executive Alternate Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
Prof. Oliver Saasa	Non-Executive Alternate Director for Kenya, Zambia, Mozambique and Somalia
Ms. Marie Gisele Masawa	Non-Executive Alternate Director for Uganda, Sudan, DR Congo and Comoros (With effect from 1 October 2018)
Ms. Mariam Hamadou	Non-Executive Alternate Director for Egypt, Tanzania, Djibouti and eSwatini
Ms. Lekha Nair	Non-Executive Alternate Director for All Other Shareholders
Ms. Li Xiaoping	Non-Executive Alternate Director for Non-African States
Mr. Gerome Kamwanga	Non-Executive Alternate Director for Uganda, Sudan, DR Congo and Comoros (Up to 1 October 2018)

AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P. O. Box 40092, 00100 Nairobi, Kenya	
LAWYERS	Various	
HEADQUARTERS	TDB Headquarters 2nd Floor, Blue Tower Rue de L'Institute, Ebene P. O. Box 43, Reduit, Mauritius Telephone : +230- 4676021/4676016 Fax :+230-4675971 Email :Official@ptabank.org	TDB Headquarters Chaussee, Prince Louis, Rwagasore P. O. Box 1750, Bujumbura, Burundi Telephone :257 (22) 4966 / 257 (22) 4625 Fax :257 (22) 4983 Email :Official@ptabank.org
OTHER OFFICES	TDB Nairobi Regional Office : East Africa 197 Lenana Place, Lenana Road P. O. Box 48596 - 00100 Nairobi, Kenya Telephone :254 (20) 2712250 Fax :254 (20) 2711510 Swift :ESATKENA	
	TDB Harare Regional Office: Southern Africa 70 Enterprise Road Harare, Zimbabwe Telephone : 263(4)788330-3/788336-9/788317 FCT Line : +263-7827884955 Fax :+263-772788345	
	TDB Addis Ababa Regional Office: Horn of Africa and North Africa UNDP Compound Main Bole Rd, Olympia Roundabout, DRC St. Kirkos Subcity, Kebele 01, House No. 119, Addis Ababa, Ethiopia	

The directors have pleasure in presenting their report and the audited financial statements of the Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) for the year ended 31 December 2018.

1. PRINCIPAL ACTIVITIES

The principal activity of the Bank is to finance, where possible, viable projects and trade activities which have the potential to make the economies of the Member States increasingly complimentary to each other.

The Bank is established by a Charter pursuant to Chapter 9 of the Treaty for the establishment of the Preferential Trade Area (PTA), as subsequently repealed and replaced by the Treaty for the Common Market for the Eastern and Southern African States (COMESA).

2. RESULTS

The results for the period are set out on page 12.

The Bank adopted International Financial Reporting Standard (IFRS) 9, Financial Instruments effective 1 January 2018.

As a result of the above, the net impairment provisions on loans and low credit risk assets decreased from USD 107.5 million to USD 91.5 million. In addition, the equity investments were re-measured from USD 40.2 million to USD 50.9 as at 1 January 2018. The net impact resulted in a credit to total equity as at 1 January 2018 of USD 30.55 million to reflect the impact of the new standard. At the adoption date of IFRS 9, the Bank did not restate the comparative period, as permitted by the standard.

Accordingly, the current year 2018 results on classification, measurement and impairment of financial instruments are based on IFRS 9, while the prior years' results are based on International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement and therefore, certain amounts related to the financial instruments herein and related ratios are not comparable. The main impact under IFRS 9 is related to impairment provisions on loans and advances. The provision for impairment on performing loans and advances is stages 1 and 2 under IFRS 9, while impairment provision for credit losses on impaired loans and advances is stage 3.

For detailed description of the changes, refer to Notes 2, 3, 18 and 39 in these financial statements.

3. DIVIDEND

The Board has recommended a dividend of USD 315.93 (2017: USD 308.67) per share subject to the approval of the shareholders at the Annual General Meeting.

4. BOARD OF GOVERNORS

The current shareholders are shown on page 1.

In accordance with the Bank's Charter, each member shall appoint one governor.

5. DIRECTORS

The current members of the Board of Directors are shown on page 2.

In accordance with the Bank's Charter, and subject to re-appointment by the Board of Governors, the directors hold office for a term of three years and are, therefore, not subject to retirement by rotation annually.

6. AUDITORS

The Bank's auditors, Deloitte & Touche were appointed for a three-year term with effect from July 2018. They have expressed their willingness to continue in office in accordance with Article 26 (2) (e) of the Charter of the Bank.

By Order of the Board

Chairman

28 March 2019

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The Bank's Charter requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Bank's Charter. The directors are of the opinion that the annual financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Director	Director
28 March 2019	28 March 2019

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK
(TDB - formerly PTA Bank)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eastern and Southern African Trade and Development Bank (the "Bank") set out on pages 12 to 114, which comprise the statement of financial position at 31 December 2018 and the statement of profit or loss and other comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank's Charter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for Audit of the Financial Statements section of our report.

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of Eastern and Southern African Trade and Development Bank for the year ended 31 December 2017 were audited by another auditor, Ernst & Young LLP, who expressed an unmodified opinion on those financial statements on 12 April 2018.

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Report on the Audit of the Financial Statements (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">Application of IFRS 9 in the calculation of impairment of loans and advances</th></tr>
<tr><td>
The measurement of impairment of loans at the end of the year involves significant judgements and estimates by the Directors, which could have material impact on the financial position and the results of the Bank.
At 31 December 2018 the Bank reported total gross trade finance loans of USD 2.81 billion and USD 79.95 million of expected credit loss provisions (ECL), and total gross project finance loans of USD 1.46 billion and USD 30.36 million of ECL provisions. These are disclosed in Note 15 and Note 16 in the financial statements.
The Bank adopted IFRS 9 from 1 January 2018 which requires impairment losses to be evaluated on an ECL basis. The determination of impairment provisions for expected losses requires significant judgement, and we have identified the audit of ECL impairment provisions to be a key audit matter.
The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are:
Accuracy of ECL models
The ECL model applies to financial assets measured at amortised cost and certain loan commitments, as well as financial guarantee contracts.
Under IFRS 9 loss allowances are measured on either of the following bases:
(i) 12 month ECLs that result from possible default events within the 12 months after the reporting date; or
(ii) Lifetime ECLs that result from ECLs from all possible default events over the expected life of a financial instrument.
The Bank is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk ("SICR") since initial recognition.
The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the Bank's best available forward-looking information.
</td><td>
As IFRS 9 was adopted at the start of the year, we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition.
We tested the design and implementation of key controls across the processes relevant to the ECL. This included the allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring and recording of journal entries.
We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance by testing assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.
With the support of our internal modelling specialists, we :
(i) Assessed the reliability of historical macroeconomic and forward-looking information/assumptions used. As the loans are disbursed in different countries, we assessed the reasonableness of the Bank's internal macro-economic tool used to develop each country's ratings. We considered trends in the different economies and industries to which the Bank is exposed.
(ii) Tested the assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models.
(iii) Reviewed the appropriateness of management's assessment of lifetime of financial instruments based on outstanding term of the loan facilities
(iv) Reviewed the appropriateness of thresholds used to determine "SICR". The Bank bases this on both quantitative and qualitative indicators which was the basis of our review of the staging for a sample of the loans.
(v) Assessed the discounting used in the ECL calculation to ensure discounting was done to the reporting date using the appropriate effective interest rate (EIR).
</td></tr>
</table>

Report on the Audit of the Financial Statements (Continued)

Key Audit Matter	How the matter was addressed in the audit
Application of IFRS 9 in the calculation of impairment of loans and advances	
The abovementioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss is low. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive). ECLs are discounted at the original effective interest rate of the financial asset. The assessment of the ECL of a financial asset or a portfolio of financial assets entails estimations of the likelihood of defaults occurring and of the default correlations between counterparties. The Bank measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset. The assessment of SICR and the calculation of ECL both incorporate forward looking information. The Bank has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact of the PD, EAD and LGD vary by financial instrument. Significant judgement and estimates are applied in this process of incorporating forward looking information into the SICR assessment and ECL calculation. Refer to Note 3 (j) for the accounting policy on financial instruments; Note 3 (t) for the critical judgements used in determining the impairment losses; and Note 13, 14, 15, 16, 17 and 18 for the disclosure on financial assets.	We found that the models used for the measurement ECL to be appropriate and reasonable. In addition, the disclosures in the financial statements pertaining to the ECL measurement were found to be appropriate.

Other Information

The directors are responsible for the other information which comprises the Corporate Information and the Report of the directors, which we obtained prior this auditor's report and the Annual Report, and the Chairperson's Statement, President's Statement, Statement on Corporate Governance, Sustainability Reporting Statement, Corporate Information and Information on Economic Environment, Financial Management and Operations, which are expected to be made available to us after that date. The other information does not include the financial statements, and our auditor's report thereon.

Report on the Audit of the Financial Statements (Continued)

Other Information (continued)

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Bank's Charter, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as going concern.

Report on the audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi, Kenya

28 March 2019

CPA Fredrick Okwiri, Practising certificate No. 1699
Signing partner responsible for the independent audit

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 USD	2017 USD
INCOME			
Interest income	4	361,587,896	276,013,942
Interest expense	5	(198,468,902)	(143,851,524)
Borrowing costs	6	(6,723,839)	(6,524,928)
Interest and similar expense		(205,192,741)	(150,376,452)
Net interest income		156,395,155	125,637,490
Fee and commission income	7a	44,192,454	56,804,279
Net trading income		200,587,609	182,441,769
Risk mitigation costs	7b	(34,541,104)	(37,389,840)
Other income	8	7,482,851	12,575,263
OPERATING INCOME		173,529,356	157,627,192
EXPENDITURE			
Operating expenses	9	(40,707,782)	(30,784,811)
Impairment on other financial assets	11	(3,226,125)	-
Impairment allowance on loans	17	(23,156,955)	(25,323,332)
Net foreign exchange gains		22,886,898	10,345,372
TOTAL EXPENDITURE		(44,203,964)	(45,762,771)
PROFIT FOR THE YEAR		129,325,392	111,864,421
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to profit and loss:			
Fair value gain on fair value through other comprehensive income - Equity investments	18	450,000	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		129,775,392	111,864,421
EARNINGS PER SHARE:			
Basic	12	1,283	1,236
Diluted	12	1,270	1,176

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 USD	2017 USD
ASSETS			
Cash and balances held with other banks	13	1,145,918,378	1,232,980,427
Derivative financial instruments	14	54,042,940	-
Trade finance loans	15	2,733,444,885	2,571,248,280
Project loans	16	1,429,558,794	1,235,120,149
Investment in Government securities	20	-	57,275,058
Other receivables	21	117,136,030	106,477,488
Equity investments at fair value through other comprehensive income	18	51,521,730	40,257,957
Investment in joint venture	19	386,994	369,493
Property and equipment	23	23,710,110	19,631,950
Intangible assets	24	1,853,744	1,338,030
TOTAL ASSETS		5,557,573,605	5,264,698,832
LIABILITIES AND EQUITY			
LIABILITIES			
Collection account deposits	25	119,576,580	127,796,131
Derivative financial instruments	14	-	4,797,549
Short term borrowings	26	2,383,253,601	2,314,562,283
Provision for service and leave pay	29	7,828,640	6,558,688
Other payables	28	72,858,965	81,658,467
Long term borrowings	27	1,782,030,068	1,708,289,548
TOTAL LIABILITIES		4,365,547,854	4,243,662,666
EQUITY			
Share capital	30	461,742,558	431,225,426
Share premium	30	60,500,611	52,968,478
Retained earnings		607,076,151	509,435,480
Fair value reserve		11,178,799	-
Proposed dividend		31,684,721	27,406,782
Management reserve	31	19,842,911	-
TOTAL EQUITY		1,192,025,751	1,021,036,166
TOTAL LIABILITIES AND EQUITY		5,557,573,605	5,264,698,832

The notes on pages 16 to 114 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 28 March 2019 and were signed on its behalf by:

President

Director

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Fair value Reserve USD	Management Reserve* USD	Total equity USD
At 1 January 2017		372,050,939	35,106,661	424,977,842	24,349,494	-	-	856,484,936
Capital subscriptions	30	59,174,487	-	-	-	-	-	59,174,487
Share Premium	30	-	17,861,817	-	-	-	-	17,861,817
Proposed dividend	30	-	-	(27,406,783)	27,406,783	-	-	-
Dividend declared and paid	30	-	-	-	(23,293,199)	-	-	(23,293,199)
Dividend declared and payable	28	-	-	-	(1,056,296)	-	-	(1,056,296)
Total comprehensive income for the year		-	-	111,864,421	-	-	-	111,864,421
At 31 December 2017		431,225,426	52,968,478	509,435,480	27,406,782	-	-	1,021,036,166
At 1 January 2018-as previously stated		431,225,426	52,968,478	509,435,480	27,406,782	-	-	1,021,036,166
Effect of change in accounting policy	2(b)							
Credit Risk		-	-	19,842,911	-	-	-	19,842,911
Equity Investments	2(b)	-	-	-	-	10,728,799	-	10,728,799
At 1 January 2018 – as restated		431,225,426	52,968,478	529,278,391	27,406,782	10,728,799	-	1,051,607,876
Capital subscriptions	30	30,517,132	-	-	-	-	-	30,517,132
Share Premium	30	-	7,532,133	-	-	-	-	7,532,133
Proposed dividend	30	-	-	(31,684,721)	31,684,721	-	-	-
Dividend declared and paid	30	-	-	-	(25,049,089)	-	-	(25,049,089)
Dividend declared and payable	28	-	-	-	(2,357,693)	-	-	(2,357,693)
Equity Investments Reserve	2(b)	-	-	-	-	450,000	-	450,000
Appropriation to the Management Reserve	31	-	-	(19,842,911)	-	-	19,842,911	-
Total comprehensive income for the year		-	-	129,325,392	-	-	-	129,325,392
At 31 December 2018		461,742,558	60,500,611	607,076,151	31,684,721	11,178,799	19,842,911	1,192,025,751

*Management reserve was created in 2018 following board approval. The purpose of the reserve is for cushioning incidents of significant losses as disclosed in Note 31.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 USD	2017 USD
OPERATING ACTIVITIES			
Net cash (used in)/generated from operations	32(a)	(167,618,832)	449,526,341
INVESTING ACTIVITIES			
Purchase of property and equipment	23	(4,979,569)	(852,533)
Purchase of intangible assets	24	(937,627)	(928,099)
Acquisition of equity investments	18	(84,974)	(22,761,285)
Acquisition of interest in joint venture	19	(17,501)	-
Proceeds from redemption of government securities	20	57,275,058	159,180,887
Net cash generated from investing activities		51,255,387	134,638,970
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	30	30,517,132	59,174,487
Proceeds from share premium	30	7,532,133	17,861,817
Payment of dividends	30	(25,049,089)	(23,293,199)
Net cash generated from financing activities		13,000,176	53,743,105
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(103,363,269)	637,908,416
Foreign exchange gain on cash and cash equivalents		16,301,220	236,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,232,980,427	594,835,619
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(c)	1,145,918,378	1,232,980,427
FACILITIES AVAILABLE FOR LENDING	32(d)	1,890,373,212	1,907,781,631

1. CORPORATE INFORMATION

The principal activity of the Bank is to finance, where possible, viable projects and trade activities which have the potential to make the economies of the Member States increasingly complementary to each other.

Eastern and Southern African Trade and Development Bank ("the Bank") was established by the Charter pursuant to Chapter 9 of the Treaty for the establishment of the Preferential Trade Area (PTA), as subsequently repealed and replaced by the Treaty for the Common Market for the Eastern and Southern African States (COMESA).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS

The accounting policies adopted are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2017, except for new standards, amendments and interpretations effective 1 January 2018. The nature and impact of each new standard/ amendment are described below:

The Bank only considered those that are relevant to its operations. Consequently, all amendments not listed in this note do not impact the Bank.

New pronouncements issued as at 31 December 2018

a) IFRS 15 Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when the Company will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The Bank applied IFRS 15 on 1 January 2018 using the modified retrospective approach in which the cumulative effect of initially applying this Standard is recognised at the date of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2018 without restating comparative periods. There was no material impact of application of IFRS 15 and no adjustment to retained earnings was required.

b) IFRS 9 Financial instruments

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Standard replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

During the year, the Bank adopted IFRS 9 Financial Instruments (IFRS 9). As a result of the application of IFRS 9, there was a change in the accounting policies and these new policies were applicable from 1 January 2018. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The Bank applied IFRS 9 on 1 January 2018. As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information for 2017.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 39.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

The standard eliminates the previous IAS 39 categories of held-to-maturity, Loans and advances and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Bank classifies financial assets under IFRS 9, see Note 3(j).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Bank classifies financial liabilities under IFRS 9, see below.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9, see Note 3(j).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.
Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The Bank used the exemption not to restate comparative periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 USD	New carrying amount under IFRS 9 USD
Financial assets:					
Cash and balances held with other banks	13	Loans and receivables	Amortised cost	1,232,980,427	1,231,478,538
Trade finance	15	Loans and receivables	Amortised cost	2,571,248,280	2,589,671,753
Project loans	16	Loans and receivables	Amortised cost	1,235,120,149	1,238,041,476
Investment in Government securities	20	Loans and receivables	Amortised cost	57,275,058	57,275,058
Other receivables	21	Loans and receivables	Amortised cost	106,477,488	106,477,488
Equity investments – at cost	18	Cost	FVOCI	40,257,957	50,986,756
Total financial assets				5,243,359,359	5,273,931,069
Financial liabilities:					
Collection account deposits	25	Other liabilities	Amortised cost	127,796,131	127,796,131
Derivative financial instruments	14	FVTPL	FVTPL	4,797,549	4,797,549
Short term borrowings	26	Other liabilities	Amortised cost	2,314,562,283	2,314,562,283
Other payables	28	Other liabilities	Amortised cost	81,658,467	81,658,467
Long term borrowings	27	Other liabilities	Amortised cost	1,708,289,548	1,708,289,548
Total financial liabilities				4,237,103,978	4,237,103,978

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 - continued

The application of the Bank's policies in line with IFRS 9 did not result in any reclassification.

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

Financial assets:	Note	IAS 39 carrying amount USD	Re-measurement USD	IFRS 9 carrying amount USD
Amortised cost				
Cash and balances held with other banks				
Closing balance under IAS 39	13	1,232,980,427	-	-
Re-measurement – Expected credit losses		-	(1,501,889)	-
Opening balance under IFRS 9		1,232,980,427	(1,501,889)	1,231,478,538
Trade finance loans				
Closing balance under IAS 39	15	2,571,248,280	-	-
Re-measurement – Expected credit losses	17	-	15,787,947	-
Reversal of suspended interest		-	2,635,526	-
Opening balance under IFRS 9		2,571,248,280	18,423,473	2,589,671,753
Project finance loans				
Closing balance under IAS 39	16	1,235,120,149	-	-
Re-measurement – Expected credit losses	17	-	1,737,372	-
Reversal of suspended interest		-	1,183,955	-
Opening balance under IFRS 9		1,235,120,149	2,921,327	1,238,041,476
Investment in Government securities		57,275,058	-	57,275,058
Other receivables		106,477,488	-	106,477,488
Total amortised cost		5,203,101,402	19,842,911	5,222,944,313
Equity Investments – at cost				
Closing balance under IAS 39		40,257,957	-	-
Re-measurement – Expected credit losses		-	(40,257,957)	-
Closing balance		-	-	-
Fair value through other comprehensive income (FVOCI)				
Opening balance		-	-	-
Transfer from available for sale		-	40,257,957	-
Re-measurement – fair value		-	10,728,799	-
Opening balance under IFRS 9		-	-	50,986,756
Total FVOCI		40,257,957	10,728,799	50,986,756
Total assets		5,243,359,359	30,571,710	5,273,931,069

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 – (continued)

Financial liabilities	IAS 39 carrying amount USD	Re-measurement USD	IFRS 9 carrying amount USD
Amortised cost			
Collection account deposits	127,796,131	-	127,796,131
Short term borrowings	2,314,562,283	-	2,314,562,283
Long term borrowings	1,708,289,548	-	1,708,289,548
Closing balance under IAS 39	81,658,467	-	-
Opening balance under IFRS 9	-	-	81,658,467
Total amortised cost	4,232,306,429	-	4,232,306,429
Fair value through profit or loss			
Derivative financial instruments	4,797,549	-	4,797,549
Total Fair value through profit or loss	4,797,549	-	4,797,549
Total financial liabilities	4,237,103,978	-	4,237,103,978

Impact of transition of IFRS 9 on opening equity reserves

The following table summarises the impact of transition to IFRS 9 on the opening balance of the retained earnings and management reserve. There is no impact on other components of equity.

USD	Impact of adopting IFRS 9 at 1 January 2018
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	-
Fair valuation of Equity reserves previously measure at Cost	10,728,799
Opening balance under IFRS 9 (1 January 2018)	10,728,799
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	509,435,480
Recognition of expected credit losses under IFRS 9 (including loan commitments)	19,842,911
Opening balance under IFRS 9 (1 January 2018)	529,278,391

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

Impact of transition of IFRS 9 on opening equity reserves (Continued)

Measurement category	Loan loss allowance under IAS 39 USD	Remeasurements USD	Loan loss allowance under IFRS 9 USD
Cash and balances with financial institutions	-	1,501,887	1,501,887
Loans and advances to customers	107,546,640	(17,525,318)	90,021,322
Interest in Suspense (Stage 3 Loans and Advances)	-	(3,819,480)	-
Total	107,546,640	(19,842,911)	91,523,209

New pronouncements issued but not effective as at 31 December 2018

a) IFRS 16 Leases

The new standard is effective for annual periods beginning on or after 1 January 2019.

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

The new standard requires lessees to account for all leases under a single on-statement of financial position model (subject to certain exemptions) in a similar way to finance leases under IAS 17. The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-to-use asset).

- Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

Transition

Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

Impact

The Bank is currently assessing the impact of these amendments and plans to adopt the amendments on the required effective date if necessary.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued but not effective as at 31 December 2018 (Continued)

b) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Bank is assessing the impact of these amendments and will adopt as applicable if necessary.

c) Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests.

Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The Bank is assessing the impact of these amendments and will adopt as applicable if necessary.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for changes explained in Note 2 (b), the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Bank's Charter. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Bank's functional and reporting currency is the United States Dollars (USD).

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This is the first set of the Bank's annual financial statements in which IFRS 9 Financial Instruments has been applied. Resultant changes to significant accounting policies are described in Note 2.

Presentation of financial statements

The Bank presents its statement of financial position broadly in the order of liquidity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

i. Interest income from loans and investments

Interest income is recognised on an accrual basis using the effective interest rate method.

Effective interest rate

Income from loans and Investments is recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL). For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Interest on arrears of payable capital is taken to revenue when received.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

For financial assets that were credit-impaired on initial recognition, purchased originated credit impaired (POCI) assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition (continued)

ii. Fees and commissions

Fees and commissions are generally recognised on an accrual basis when a financing facility is provided over a period of time. These fees include Letter of Credit fees, confirmation fees, guarantee fees, commitment and other fees.

Other fees and commission income include one-off fees arising from the provision of financing facilities to the Bank's clients, like facility fees, drawdown fees, restructuring fees, that do not form an integral part of effective interest rate of the facilities are recognised on completion of the underlying transaction.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of loans or the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

c) Borrowing and financing costs

Borrowing costs are interest and other borrowing and financing costs that the Bank incurs in connection with the borrowing of funds. Interest expense is recognised in profit or loss on the accrual basis taking into account the effective interest rate. Other borrowing and financing costs are expensed in the period in which they are incurred. Discounts and premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity are calculated on an effective interest basis.

d) Foreign currencies

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss. All differences arising on non–trading activities are taken to other operating income in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

e) Property and equipment

All categories of property and equipment are stated at historical cost and subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property and equipment

Depreciation on other assets is calculated at rates which are estimated to write off the cost of property and equipment to their estimated residual values in equal annual instalments over their expected useful lives. The expected useful life of each class of asset is up to the following:

Computer equipment	3-5 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Furniture and fittings	5-10 years
Buildings	50 years

Freehold land and buildings are not depreciated.

Leasehold land is depreciated over the unexpired term of the lease on the straight-line basis

Assets in the course of construction for administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

f) Intangible assets

The Bank's intangible assets relate to the value of computer software. An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

The intangible assets' useful lives and methods of amortisation are reviewed at each reporting date and adjusted prospectively if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Tax

In accordance with paragraph 6 of Article 43 of its Charter, the Bank is exempt from all forms of tax.

h) Share capital

In accordance with Article 7 of the Charter, for Class A shares, issued and called-up shares are paid for in instalments by the members. Payable capital is credited as share capital and instalments not yet due and due but not paid at period-end are deducted there-from. For Class B shares, payment of the amount subscribed by subscribers shall be paid in full within 90 days from the date of subscription.

i) Financial instruments - Policy applicable after 1 January 2018

Financial instruments

A financial asset or liability is recognised when the Bank becomes party to the contractual provisions of the instrument (i.e. the trade date). This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets

Initial Recognition and Measurement

Except for trade receivables that do not have a significant financing component, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price.

The Bank classifies its financial assets into three principal classification categories based on the cash flow characteristics of the asset and the business model assessment. Financial instruments are measured at:

- Amortised Cost;
- Fair Value through Other Comprehensive Income (FVOCI); and
- Faith Value through Profit or Loss (FVTPL)

A financial asset is classified into one of these categories on initial recognition. The previous categories of Held to Maturity, Loans and Receivables, and Available for Sale under IAS 39 have been replaced. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Initial Recognition and Measurement (continued)

The Bank recognises its Cash and Balances held with banks, Investment in Government Securities, Trade Finance and Project Finance loans and other receivables at amortised cost. Project financing is long term in nature, while trade financing is short term in nature. These instruments are subject to impairment.

Fair Value through Other Comprehensive Income (FVOCI) – Debt

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank does not have any debt instruments measured at FVOCI.

Fair Value through Other Comprehensive Income (FVOCI) – Equity

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). This election is made on an investment-by investment basis. The Bank has elected to classify certain equity investments it holds at FVOCI.

Fair Value through Profit or Loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Bank classifies its derivative financial instruments at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest

To determine whether a financial asset should be classified as measured at amortised cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considered the contractual terms of the instrument. This included assessing whether the financial asset contained a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considered:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Initial Recognition and Measurement (continued)

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest - continued

- terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Interest rates on certain loans made by the Bank are based on Standard Variable Rates (SVRs) that are set at the discretion of the Bank. SVRs are generally based on a market interbank rate and also include a discretionary spread. In these cases, the Bank will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- the borrowers are able to prepay the loans without significant penalties;
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly

Some of the Bank's loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if:

- a financial asset is acquired or originated at a premium or discount to its contractual par amount,
- the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and
- the fair value of the prepayment feature is insignificant on initial recognition.

De Minimis

A contractual cash flow characteristic may not affect the classification of a financial asset if it could have only a de minimis effect on the financial asset's contractual cash flows. To make this determination, the Bank considers the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial asset.

Business Model Assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Initial Recognition and Measurement (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Derecognition and Modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

However, when the modification of a financial instrument not measured at FVTPL does not result in derecognition, the Bank will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, although under IAS 39 fair value changes of liabilities designated under the fair value option were recognised in profit and loss, under IFRS 9, fair value changes are generally presented as follows:

(a) the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability should be presented in other comprehensive income; and
(b) the remainder of the change in the fair value of the liability should be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss (in which case all gains or losses are recognised in profit or loss).

Initial Measurement of Financial Liabilities

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings and payables, directly attributable transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Financial liabilities (continued)

Subsequent Measurement

The Bank classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Collection account deposits, short term borrowings, long term borrowings and other payables are classified at amortised cost.

The Bank classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Collection account deposits, short term borrowings, long term borrowings and other payables are classified at amortised cost.

Derecognition

The Bank derecognises a financial liability when, and only when, its contractual obligations specified in the contract are discharged or cancelled or expire.

Reclassification

The Bank only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified. Such changes are expected to be very infrequent, and are determined by the Bank's senior management as a result of external or internal changes.

An entity shall not reclassify any financial liability.

Write-off

The Bank directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Impairment – Trade finance and Project finance loans, Investments, Other receivables, Loan Commitments and Financial Guarantee Contracts

IFRS 9 replaced the previous 'Incurred Loss' model in IAS 39 with a forward-looking 'Expected Credit Loss (ECL)' model.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Offsetting (Continued)

- financial assets that are debt instruments;
- Trade and other receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

No impairment loss is recognised on equity investments.

The Bank recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring. The Bank recognises loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

ECLs are an unbiased and probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Measurement of ECLs (Continued)

- a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses

Hedge Accounting

IFRS 9 introduces a new general hedge accounting model that better aligns hedge accounting with risk management activities. However, the current hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. As permitted, the Bank elected not to adopt the IFRS 9 hedge accounting requirements and instead will continue applying the IAS 39 hedge accounting requirements. The Bank has, however, complied with the revised hedge accounting disclosures required by the consequential amendments made to IFRS 7.

The Bank makes use of derivative instruments to manage exposures to interest rate and foreign currency risks. In order to manage these risks, the Bank applies hedge accounting for transactions which meet specified criteria. At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that is used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair Value Hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in profit or loss in 'other income'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss in 'other income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the Effective Interest Rate (EIR). If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash Flow Hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in net trading income in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Cash Flow Hedges (Continued)

When the hedged transaction affects profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line in profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in profit or loss. When a forecast is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

(k) Employee entitlements

Employee entitlements to service pay and annual leave are recognised when they accrue to employees.

A provision is made for the estimated liability of service pay as a result of services rendered by employees up to the year end. Employees are entitled to a full month pay for every year of service completed.

A provision is made for the estimated liability of annual leave for services rendered by employees up to the year end.

(l) Retirement benefit costs

The Bank operates a defined contribution provident fund scheme for its employees. The Bank contributes 21% of an employee's gross salary to the fund while employees can choose to contribute 7%, 14% or 21%. The Bank's contributions to the defined contribution plan are charged to profit or loss in the year to which they relate. The funds of the scheme are held independently of the Bank's assets.

(m) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by customers to third parties. The Bank will only be required to meet these obligations in the event of the customers' default. These obligations are accounted for as off-statement of financial position transactions and disclosed as contingent liabilities.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from the date of the advance.

(o) Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

A finance lease is a lease that transfers to the lessee substantially all of the risks and rewards of ownership. A lease that is not a finance lease is an operating lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Leases (Continued)

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases and are recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(p) Provisions for other liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(q) Government grants

Government grants are not recognized unless there is reasonable assurance that the grants will be received and that the Bank will comply with the conditions attaching to the grant. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss in equal annual instalments over the expected useful life of the asset.

(r) Collection accounts deposits

Collection accounts deposits include amounts collected on behalf of customers from proceeds of Bank funded commodities. The funds are held until maturity of underlying loans. Collection accounts are recorded at amortized cost. They are derecognized when the underlying assets are discharged.

(s) Investment in Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss and other comprehensive income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Bank's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss 2018 NIL (2017 NIL) of joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Investment in Joint Venture (Continued)

The financial statements of the joint venture are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

(t) Critical judgments in applying the Bank's accounting policies

In the process of applying the Bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances of assets and liabilities within the next financial year.

(i) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for 'longer–dated' derivatives and discount rates, prepayment rates and default rate assumptions for 'asset-backed' securities. The Bank measures financial instruments, such as, derivatives, and non-financial assets, at fair value at each reporting date.

The fair value of financial instruments is disclosed in more detail in Note 33.

(ii) Impairment losses on loans – Trade and Project Finance

Judgement is made in establishing the criterion for determining whether credit risk on the financial instrument has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Losses (ECLs) and selection and approvals of models used to measure ECL.

Assets accounted for at amortised cost and fair value through other comprehensive income are evaluated for impairment on a basis described in accounting policy 3(b).

The Bank recognises loss allowance at an amount equal to either 12-month expected credit losses (ECLs) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

For credit exposures where there have not been significant increases in credit risk since initial recognition, the Bank provides for 12-month ECLs. These are classified as Stage 1 assets.
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Critical judgments in applying the Bank's accounting policies (Continued)

ii) Impairment losses on loans – Trade and Project Finance (Continued)

For credit exposures that are credit impaired and in default, similar to stage 2 assets, a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

The impairment loss on loans is disclosed in more detail in notes 15, 16 and 17.

(iii) Classification and measurement of financial assets

Judgement is made on classification of financial assets assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely for Payment of Principal and Interest (SPPI) on the principal amount outstanding.

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(iv) Significant increase of credit risk

As explained in note 3 (j) above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. Instead, in assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Refer to note 2 for more details.

(u) Key sources of estimation uncertainty

i. Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario:

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

ii. Probability of default:

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Key sources of estimation uncertainty (Continued)

iii. Loss Given Default:

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

iv. Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment.

v. Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments.

(v) Models and assumptions used

The Bank uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to note 2 for more details on ECL measurement.

(w) Management Reserve

The Board of Directors approved creation of a management reserve in October 2018. When the Bank adopted at 1 January 2018 IFRS 9- Financial Instruments accounting standard's Expected Loss (ECL) Model it showed that the Bank's credit policy was more conservative and resulted in USD 19.84 million excess impairment provision.

The board therefore approved the creation of the management reserve to cushion the Bank against credit risk and other incidents of significant loss. The USD 19.84 million excess impairment provision was transferred to the management reserve as at 31 December 2018. Transfers into and out of this management reserve will be approved by the Board of Directors.

	2018 USD	2017 USD
4. INTEREST INCOME		
On loans and facilities:		
Project finance loans	125,422,165	95,166,425
Trade finance loans	204,323,254	172,360,418
	329,745,419	267,526,843
On placements:		
Deposits/Held at amortised cost	31,842,477	8,487,099
	361,587,896	276,013,942

	2018 USD	2017 USD
5. INTEREST EXPENSE		
Interest payable on funds borrowed from:		
Banks and financial institutions	109,789,083	68,076,920
Regional and International Bond Markets	51,544,521	43,946,456
Other Institutions	37,135,298	31,828,148
	198,468,902	143,851,524

	2018 USD	2017 USD
6. BORROWING COSTS		
Facility and management fees	3,556,994	1,665,080
Guarantee fees	437,562	1,953,732
Commitment fees	2,068,253	1,608,761
Agency fees	270,784	631,802
Other costs	271,745	496,813
Bank commission	118,501	168,740
	6,723,839	6,524,928

7. (a) FEE AND COMMISSION INCOME

	2018 USD	2017 USD
Upfront fees in trade finance	20,130,054	41,168,729
Letter of credit fees in trade finance	4,364,683	5,952,378
Management fees in trade finance	5,847,001	537,406
Facility fees in project finance	9,347,577	3,415,925
Drawdown fees in trade finance	683,225	2,247,760
Commitment fees in project finance	505,739	450,494
Drawdown fees in project finance	306,718	386,657
Other fees in trade finance	(87,999)	185,500
Restructuring fees in project finance	1,914,115	875,204
Appraisal fees in project finance	207,704	578,992
Management fees in project finance	380,105	354,326
Letter of credit fees in project finance	116,762	401,407
Document handling fees in trade finance	269,453	151,589
Other Project fees	207,317	97,912
	44,192,454	56,804,279

(b) RISK MITIGATION COSTS

	2018 USD	2017 USD
*Insurance cover costs	32,139,864	22,275,106
**Risk down-selling costs	2,401,240	15,114,734
	34,541,104	37,389,840

*This is premium on insurance cover taken on loans made to various borrowers. As at 31 December 2018, the insurance cover was USD 1.45 billion (2017: USD 1.65 billion). The cover was taken with African Trade Insurance Agency Ltd, Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), Mar Risk Services Limited and Lloyds of London, all of which are Investment-grade companies.

**These costs represent Risk down-selling costs relating to 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 under which, the loan assets are selectively traded to manage obligor, sector and geographic prudential limits and to provide room for booking of new assets and generating incremental fee income. During the year ended 31 December 2018, the Bank had down sold/distributed an aggregate of USD 704 million (2017 – USD 950 million).

8. OTHER INCOME

	2018 USD	2017 USD
Impaired assets recovered *	4,356,719	11,086,964
Other income	1,017,817	536,846
Interest on capital arrears**	2,073,647	552,498
Grant income ***	-	297,346
Interest on staff loans	39,668	28,859
Rental income	-	72,750
	7,482,851	12,575,263

8. OTHER INCOME (Continued)

*Impaired assets recovered relate to previously written off loans that were recovered during the year.

**Interest on capital arrears relates to interest on capital subscriptions received during the year from member states that were in arrears.

***The grant is provided by the African Development Bank (AFDB) to fund various consultancies and training. The proceeds are credited to the AFDB deferred income account and included in other payables (Note 29). Transfers are made to income when the costs which the grant relates to have been incurred.

9. OPERATING EXPENSES

	2018 USD	2017 USD
Staff costs (Note 10)	26,960,147	20,508,156
Consultants and advisors	5,951,626	3,353,207
Depreciation of property and equipment	898,757	856,858
Official missions	2,028,531	1,604,402
Other operating expenses	1,316,520	894,520
Board of Directors meetings	814,697	893,231
Business promotion	1,334,185	1,318,308
Rent	619,082	509,511
Board of Governors meeting	308,324	416,374
Amortisation of intangible assets	421,913	374,244
Audit fees	54,000	56,000
	40,707,782	30,784,811

10. STAFF COSTS

Salaries and wages	15,331,421	12,571,500
Other costs	4,041,442	2,901,054
Staff Provident fund contributions –defined contribution plan	2,340,775	1,952,534
Service and leave pay expenses	1,644,260	1,026,547
Staff reward and recognition scheme	3,602,249	2,056,521
	26,960,147	20,508,156

11. IMPAIRMENT ON OTHER FINANCIAL ASSETS

Other receivables (Note 21)	3,226,125	-

This relates to appraisal fees on projects previously recognized as income receivable, now written off.

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year of USD 129,325,392 (2017: USD 111,864,421) by the weighted average number of ordinary shares in issue during the year.

Basic Earnings per Share:

The weighted average number of shares in issue is calculated based on the capital instalments due as at year end. The weighted average number of shares in issue during the year was 100,794 comprising Class A – 78,643 and Class B – 22,151 (2017: 90,498 comprising Class A -71,360 and Class B -19,138).

Diluted Earnings per Share:

The diluted earnings per share is computed using the total shares in issue during the year; it takes into account the dilutive effect of the callable Class A shares. The number of shares in issue during the year for purposes of diluted earnings per share was 101,853 (2017: 95,122).

13. CASH AND BALANCES HELD WITH OTHER BANKS

	2018 USD	2017 USD
Current accounts – Note 13 (i)	139,901,609	139,590,914
Call and term deposits with banks – Note 13 (ii)	1,006,016,769	1,093,389,513
	1,145,918,378	1,232,980,427

(i) Current accounts:

	2018	2017
Amounts maintained in United States Dollars (USD)	7,915,526	7,991,823
Amounts maintained in other currencies:		
Euro	18,937,550	77,072,156
Tanzania Shillings	2,805,352	3,953,925
Malawi Kwacha	85,631,536	44,420,987
Ethiopian Birr	408,055	521,832
Ugandan Shilling	7,026	25,558
United Arab Emirates Dirham	18,456,873	4,888,870
South African Rand	8,279	5,136
Burundi Francs	9,572	3,316
Mauritian Rupee	5,200	17,753
British Pounds	17,258	425
Japanese Yen	33,614	29,514
Zambia Kwacha	5,660,730	642,645
Kenyan Shilling	5,038	16,974
	131,986,083	131,599,091
	139,901,609	139,590,914

The average effective interest rate on current accounts was 4.95% (December 2017: 0.49%) per annum.

13. CASH AND BALANCES HELD WITH OTHER BANKS (Continued)

	2018 USD	2017 USD
(ii) Call and term deposits with banks:		
United States Dollars (USD)	967,299,667	1,006,613,250
Amounts maintained in other currencies:		
Sudanese Pounds	34,091,883	82,400,556
Ugandan Shillings	4,625,219	4,375,707
	38,717,102	86,776,263
	1,006,016,769	1,093,389,513

The effective interest rates per annum by currency of deposits were as follows:

	2018	2017
Uganda Shillings	11.79%	9.99%
United States Dollars	1.79%	0.51%

The deposits in Sudanese pounds do not earn interest.

14. DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to interest rate and foreign currency risks. This is done by engaging in interest rate swaps, currency swaps and currency forward contracts.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, a fixed rate of interest. The payment flows are usually netted off against each other, with the difference being paid by one party to the other. This swap does not qualify for fair value hedge accounting, and the Bank has treated interest rate swaps contracted to hedge the interest rate risk exposure associated with the fixed rate on its Eurobond as economic hedges, thus derivatives at fair value though Profit and Loss.

The Bank hedges its exposure to adverse movements on currency exchange rates on its Euro disbursements by entering into currency forward exchange contracts. Currency forward exchange contracts are hedges, since the bank is protecting is the USD parity of the Euro, thus hedging the value of the assets from fluctuations.

14. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The table below shows the derivative financial instruments, recorded as assets or liabilities at year-end.

	2018 USD	2017 USD
(a) Currency Hedges:		
Foreign exchange forward contracts:		
Balance as at 1 January	(4,797,549)	75,418,629
Contracts traded during the year-Net	26,665,311	(84,268,108)
Fair valuation	32,175,178	4,051,930
Balance as at 31 December	54,042,940	(4,797,549)
Total Currency Hedges	54,042,940	(4,797,549)
(b) Interest Rate Swap:		
Cash flows		
Balance as at 1 January	-	341,813
Amounts due from counterparties	-	302,055
Amount received from counterparties	-	(196,062)
Amounts settled	-	(447,806)
Balance as at 31 December	-	-
Total Interest Rate Swaps	-	-
Total derivative assets (a) and (b)	54,042,940	(4,797,549)

15. TRADE FINANCE LOANS

	2018	2017
Principal loans	2,686,114,042	2,512,940,589
Interest receivable	127,283,804	133,688,966
Gross loans	2,813,397,846	2,646,629,555
Impairment on trade finance loans (Note 17)	(79,952,961)	(75,381,275)
Net loans	2,733,444,885	2,571,248,280

15. TRADE FINANCE LOANS (Continued)

	2018 USD	2017 USD
Maturing:		
Within one year	1,102,563,832	1,911,498,219
One to three years	1,487,909,814	439,339,600
Over three years	222,924,200	295,791,736
	2,813,397,846	2,646,629,555

The gross non-performing trade finance loans was USD 76,467,029 (2017: USD 72,098,214). The specific impairment provisions related to these loans amounted to USD 75,208,488 (2017: 50,821,193) hence the carrying value of the loans amount was USD 1,258,541 (2017: 21,277,021). General provisions for trade finance loans amounted to USD 54,744,473 (2017: USD 24,560,077).

16. PROJECT LOANS

	2018 USD	2017 USD
Loans disbursed	2,720,138,793	2,291,904,734
Interest capitalised**	56,582,529	50,901,119
Loans repaid	(1,350,947,319)	(1,108,893,002)
Principal loan balances	1,425,774,003	1,233,912,851
Interest receivable	34,144,315	33,372,663
Gross loans	1,459,918,318	1,267,285,514
Impairment on project loans (Note 17)	(30,359,524)	(32,165,365)
Net loans	1,429,558,794	1,235,120,149

* Unsigned loans refer to loans that have been approved but whose facility agreements have not yet been processec and signed.

**Interest capitalized relates to interest in arrears on loans which were restructured now capitalized.

Maturing:	2018 USD	2017 USD
Within one year	221,675,395	385,586,099
One year to three years	526,726,621	301,717,151
Three to five years	349,469,998	267,791,904
Over five years	362,046,304	312,190,360
	1,459,918,318	1,267,285,514

The aggregate non-performing project loans was USD 24,147,841 (December 2017 - USD 21,485,839). The specific impairment provisions related to these loans amounted to USD 24,147,841 (December 2017 - USD 21,485,839) hence the carrying value of the loans amounted to NIL (December 2017- NIL). General provisions for project finance loans amounted to USD 6,211,683 (December 2017 - USD 10,679,529).

17. IMPAIRMENT ALLOWANCE

The movement in the allowance is as follows:

	Project Finance Loans USD	Trade Finance Loans USD	Low Credit Risk Assets USD	Off-Balance Sheet Commitments USD	Total Allowance USD
At 1 January 2017	49,201,206	48,400,632	-	-	97,601,838
Amounts written-off	(15,378,530)	-	-	-	(15,378,530)
(Income)/charge for the year	(1,657,311)	26,980,643	-	-	25,323,332
- Amount written-back	(5,124,877)	(4,871,937)	-	-	(9,996,814)
- Individually assessed	-	31,852,580	-	-	31,852,580
- Collectively assessed	3,467,566	-	-	-	3,467,566
At 31 December 2017	32,165,365	75,381,275	-	-	107,546,640
As 1 January 2018 -As previously stated	32,165,365	75,381,275	-	-	107,546,640
Effect of change in accounting policy*	(1,737,372)	(15,787,947)	1,501,887	-	(16,023,432)
At 1 January 2018-restated	30,427,993	59,593,328	1,501,887	-	91,523,208
(Income)/charge for the year	(68,469)	20,359,633	1,258,541	1,607,250	23,156,955
- Amount written-back	(1,437,556)	-	-	-	(1,437,556)
- Provisions	1,369,087	20,359,633	1,258,541	1,607,250	24,594,511
At 31 December 2018	30,359,524	79,952,961	2,760,428	1,607,250	114,680,163

*Arose as a result of adoption of IFRS 9 in January 2018 which resulted in lower provisions than was previously held.

18. EQUITY INVESTMENTS

(i) Equity participation

	Beginning Cost USD	Additions at cost USD	Total Ending Cost USD	Investment Carrying Value at year End USD	Investment Carrying Value Previous Year USD	Fair value adjustment for day 1 USD	Fair value adjustment for the year USD
As at 31 December 2018:							
At fair value through other comprehensive income:							
African Export Import Bank	2,364,160	-	2,364,160	6,589,000	2,364,160	4,224,840	-
PTA Reinsurance	31,938,654	-	31,938,654	38,886,000	31,938,654	6,947,346	-
Tononoka	628,653	-	628,653	1,835,000	628,653	1,206,347	-
Tanruss	1,755,000	-	1,755,000	276,000	1,755,000	(1,691,000)	212,000
Africa Trade Insurance Company	1,000,000	-	1,000,000	1,015,000	1,000,000	(223,000)	238,000
Gulf African Bank	1,978,734	-	1,978,734	2,243,000	1,978,734	264,266	-
Pan African Housing Fund	592,756	84,974	677,730	677,730	592,756	-	-
	40,257,957	84,974	40,342,931	51,521,730	40,257,957	10,728,799	450,000
As at 31 December 2017:							
At cost:							
African Export Import Bank	2,364,160	-	2,364,160	2,364,160	2,364,160	-	-
Africa Trade Insurance Agency	1,000,000	-	1,000,000	1,000,000	1,000,000	-	-
Gulf African Bank	1,978,734	-	1,978,734	1,978,734	1,978,734	-	-
Pan African Housing Fund	433,657	159,099	592,756	592,756	433,657	-	-
Tanruss	1,755,000	-	1,755,000	1,755,000	1,755,000	-	-
Tononoka	628,653	-	628,653	628,653	628,653	-	-
ZEP-RE (PTA Reinsurance Company)	9,336,468	22,602,186	31,938,654	31,938,654	9,336,468	-	-
	17,496,672	22,761,285	40,257,957	40,257,957	17,496,672	-	-

The Bank's main equity investments are in ZEP-RE (PTA Reinsurance Company), African Export-Import Bank, Tanruss, Africa Trade Insurance Agency and Gulf African Bank. In addition, the Bank has subscribed to the equity of various projects in its Member States. The Bank's participation is expressed in US Dollars. As at 31 December 2018, all investments were carried at fair value as per provision of IFRS 9 adopted in January 2018. In the previous years, these investments were carried at cost, except for Pan African Housing Fund which has always been carried at fair value The Bank does not intend to dispose the shares in the short term, and none of the shares have been derecognized

18. EQUITY INVESTMENTS (Continued)	2018 USD	2017 USD
ii) Instalments paid:		
Total subscribed capital*	41,865,201	41,865,201
Less: Instalments not due – Note 18 (iii)	(1,522,270)	(1,607,244)
Instalments paid as at end of year – Note 18 (i) and (iv)	40,342,931	40,257,957

*Total subscribed capital includes paid up capital and unpaid subscriptions

iii) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:

	2018 USD	2017 USD
African Export-Import Bank*	1,200,000	1,200,000
Pan African Housing Fund*	322,270	407,244
*Unpaid subscriptions are payable on call.	1,522,270	1,607,244

iv) Movement in the instalments paid:

	2018 USD	2017 USD
At beginning of year	40,257,957	17,496,672
Net additions at cost – Note 18 (i)	84,974	22,761,285
At end of year	40,342,931	40,257,957

19. INVESTMENT IN JOINT VENTURES

The Bank has a 50% interest in Eastern and Southern African Trade Advisers Limited (ESATAL) and 50% interest in Eastern and Southern African Infrastructure Fund (ESAIF). The joint ventures were incorporated in 2016 and their principal place of business is Ebene, Mauritius. ESATAL and ESAIF are vehicles that will raise and manage the Trade Finance Fund and the Infrastructure Fund, respectively. The Bank's voting rights in the joint ventures is equal to its ownership interest. The Bank's interest in the joint ventures is accounted for using the equity method in the financial statements. No quoted market price exists for the investments. Both ESATAL and ESAIF have a 31 December year end for reporting purposes.

Summarised financial information of the joint ventures is set out below:

	2018 USD	2017 USD
Current assets - cash and cash equivalents	773,988	738,986
Non-current assets	-	-
TOTAL ASSETS	773,988	738,986
Liabilities	-	-
Equity	773,988	738,986
Bank's carrying amount of the investment	386,994	369,493

19. INVESTMENT IN JOINT VENTURES (Continued)

ESATAL and ESAIF are yet to start operations. The joint ventures had no contingent liabilities or capital commitments at 31 December 2018. ESATAL and ESAIF cannot distribute their profits without the consent from the venture partners.

	2018 USD	2017 USD
Movement in joint venture:		
At 1 January	369,493	369,493
*Additional investment	17,501	-
At 31 December	386,994	369,493

* The movement relates to additional investment in ESAIF.

20. INVESTMENTS IN GOVERNMENT SECURITIES

Treasury Notes:

At 1 January	57,275,058	214,699,238
Matured bonds	(57,275,058)	(159,180,887)
Accrued income	-	1,756,707
At 31 December	-	57,275,058

The treasury notes were issued by the Government of Malawi and held as investments in Malawi Kwacha equivalent. They matured in 2018, hence the nil balance as 31 December 2018 (December 2017 - USD 57.3 million, bearing interest at a rate of 6.50% per annum). These investments were managed by the Reserve Bank of Malawi and FDH Bank. The investments are classified at amortised cost under IFRS 9.

21. OTHER RECEIVABLES

	2018 USD	2017 USD
Down-sold assets*	70,000,000	75,000,072
Prepayments and other receivables**	44,886,422	29,828,548
Staff loans and advances***	1,216,404	1,034,033
Appraisal fees****	1,033,204	614,835
	117,136,030	106,477,488

*Appraisal fees receivable*****

As at 1 January	614,835	585,040
Accrued income	5,198,448	544,550
Receipts	(1,553,954)	(514,755)
Amounts written off (Note 11)	(3,226,125)	-
At 31 December	1,033,204	614,835

21. OTHER RECEIVABLES (Continued)

	2018 USD	2017 USD
Amounts due within one year	116,834,370	106,173,304
Amounts due after one year	301,660	304,184
	117,136,030	106,477,488

*Down-sold assets represent loan assets sold to the Bank's counterparties on a non-funded basis. The amount will be settled within 6 months after year end. Down-selling receivable does not attract interest.

**Prepayments and other receivables comprise mainly of insurance costs on the Bank's exposures and facility fees paid in relation to short term facilities extended to the Bank by lenders.

***Staff loans and advances are granted in accordance with the Staff Rules and Regulations approved by the Board of Directors. These staff loans and advances have various repayment terms ranging from 3 to 36 months.

****Appraisal fees are recognized as income receivable on approval of a facility to the borrower by the Bank.

22. DEFERRED EXPENDITURE

	2018 USD	2017 USD
COST		
At beginning of year	-	30,429,340
Additions	-	-
Transfer*	-	(30,429,340)
At end of year	-	-
AMORTISATION		
At beginning of year	-	12,334,174
Charge for the year	-	-
Transfer*	-	(12,334,174)
At end of year	-	-
NET CARRYING AMOUNT		
At end of year	-	-

Deferred expenditure comprises export credit insurance costs, long term borrowing costs and costs incurred to raise, issue and list local currency bonds and Eurobonds in the Bank's member countries and international markets. These costs are amortised over the life of the underlying borrowings and bonds. Disposals relate to fully amortised costs removed from the books during the reporting period.

*This relates to transfer of deferred expenditure to long-term borrowings.

With effect from 2017, deferred expenditure was transferred to long term borrowings consistent with the application of the effective interest rate (EIR).

23. PROPERTY AND EQUIPMENT

Year ended 31 December 2018:	Freehold land US	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST								
At 1 January 2018	140,400	2,453,865	463,157	22,699,181	588,349	1,551,287	2,043,603	29,939,842
Additions	-	-	603,982	3,883,342	136,920	210,023	145,302	4,979,569
Disposals	-	-	-	-	-	(10,586)	(11,741)	(22,327)
At 31 December 2018	140,400	2,453,865	1,067,139	26,582,523	725,269	1,750,724	2,177,164	34,897,084
DEPRECIATION								
At 1 January 2018	-	51,636	-	7,319,065	411,879	880,198	1,645,114	10,307,892
Charge for the year	-	24,783	-	430,094	85,544	127,335	231,001	898,757
Disposals	-	-	-	-	-	(8,645)	(11,030)	(19,675)
At 31 December 2018	-	76,419	-	7,749,159	497,423	998,888	1,865,085	11,186,974
NET CARRYING AMOUNT								
At 31 December 2018	140,400	2,377,446	1,067,139	18,833,364	227,846	751,836	312,079	23,710,110

Leasehold Land:

Leasehold land refers to land that the Bank owns and holds on a 99-year leasehold title. Amortization is charged over the life of the lease.

Building Under Construction:

The Bank is in the process of constructing an office building. Professional costs comprising contractors and consultants' fees have been incurred and in line with IAS 16, Property, Plant and Equipment, no depreciation has been charged on these costs until the building is ready for use.

None of the assets have been pledged to secure borrowings of the Bank.

23. PROPERTY AND EQUIPMENT (Continued)

Year ended 31 December 2017:	Freehold land USD	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST								
At 1 January 2017	140,400	2,453,865	117,730	22,697,471	481,786	1,323,046	1,880,082	29,094,380
Additions	-	-	345,427	1,710	106,563	228,241	170,592	852,533
Disposals	-	-	-	-	-	-	(7,071)	(7,071)
At 31 December 2017	140,400	2,453,865	463,157	22,699,181	588,349	1,551,287	2,043,603	29,939,842
DEPRECIATION								
At 1 January 2017	-	26,850	-	6,875,927	349,410	775,514	1,428,138	9,455,839
Charge for the year	-	24,786	-	443,138	62,469	104,684	221,781	856,858
Disposals	-	-	-	-	-	-	(4,805)	(4,805)
At 31 December 2017	-	51,636	-	7,319,065	411,879	880,198	1,645,114	10,307,892
NET CARRYING AMOUNT								
At 31 December 2017	140,400	2,402,229	463,157	15,380,116	176,470	671,089	398,489	19,631,950

24. INTANGIBLE ASSETS

	2018 USD	2017 USD
COST		
At beginning of year	3,338,765	2,410,666
Additions	937,627	928,099
At end of year	4,276,392	3,338,765
AMORTISATION		
At beginning of year	2,000,735	1,626,491
Charge for the year	421,913	374,244
At end of year	2,422,648	2,000,735
NET CARRYING AMOUNT		
At end of year	1,853,744	1,338,030

Intangible assets relate to cost of acquired computer software.
Computer software are amortised over their estimated useful lives, which is on average 5 years.

25. COLLECTION ACCOUNT DEPOSITS

	2018 USD	2017 USD
At 1 January	127,796,131	177,770,025
Increase	43,519,141	45,703,718
Reduction	(51,738,692)	(89,677,612)
At 31 December	119,576,580	127,796,131

Collection account deposits represent deposits collected by the Bank on behalf of the customers from proceeds of Bank funded commodities to be applied on loan repayments as they fall due.

26. SHORT TERM BORROWINGS

(a) CERTIFICATES OF DEPOSITS

Lender	2018 USD	2017 USD
Reserve Bank of Malawi	-	94,313,391
Banque Commerciale du Congo	-	20,000,000
African Trade Insurance Agency	1,243,996	1,219,232
	1,243,996	115,532,623

Certificates of deposits relate to borrowings that are payable within one year.

26. SHORT TERM BORROWINGS (Continued)

(b) OTHER SHORT-TERM BORROWINGS

	Date of renewal/ advance	Maturity Date	Currency	2018 USD	2017 USD
Syndicated Loan - Citibank	May-18	Oct-21	USD	460,000,000	400,000,000
Syndicated Loan – Asia (I)	Dec-17	Jun-19	USD	340,000,000	340,000,000
Syndicated Loan- Middle First Abu Dhabi Bank PJSC	Dec-17	Dec-19	USD	329,301,555	307,052,975
Syndicated Loan – Asia (II)	Dec-17	Dec-20	USD	237,000,000	237,000,000
The Bank of Tokyo Mitsubishi UFJ, Ltd	Oct-18	Dec-21	USD	221,220,401	75,000,000
Standard Chartered Bank London	Dec-17	Dec-20	USD	193,806,513	-
Cargill Kenya Limited	Dec-17	Dec-19	USD	148,247,850	100,000,000
Mashreq Bank	Nov-18	Nov-19	USD	100,000,000	70,000,000
Mizuho Bank London	Nov-18	Nov-19	USD	75,000,000	50,000,000
Nedbank	Oct-18	Nov-21	USD	60,912,877	-
Sumitomo Mitsui Banking Corporation Euro	Jul-18	Feb-19	EUR	58,931,936	22,713,734
KfW	Dec-18	Mar-19	USD	40,000,000	164,773,423
Africa50	Dec-18	Mar-19	USD	39,761,916	52,712,716
Citibank	Nov-18	Mar-19	USD	29,952,505	-
Bank One Ltd	Oct-18	Jan-19	USD	22,871,000	-
Standard Bank South Africa	Sep-18	Jan-19	USD	5,141,589	-
ABSA Bank	Oct-18	Apr-19	USD	4,632,718	-
African Trade Insurance Agency	Jan-18	Sep-19	USD	3,677,350	1,930,823
BHF BANK	Nov-18	Feb-19	USD	2,140,494	8,009,538
Commerzbank Frankfurt am Main	Jul-18	Jan-19	USD	307,260	16,275,938
Loius Dreyfus Commodities Kenya	Dec-17	Dec-18	USD	-	126,117,322
ABC Bank Incorporation Mauritius	Dec-17	Jan-18	USD	-	66,188,900
Bunge S.A	Nov-17	Nov-18	USD	-	48,293,746
Standard Chartered Bank Kenya	Dec-17	Jan-18	USD	-	30,000,000
Allfirst Bank	Dec-17	Jun-18	USD	-	25,000,000
British Arab Commercial Bank PLC	Jun-18	Dec-18	USD	-	25,000,000
Nouvobanq	Dec-17	Mar-18	USD	-	19,098,457
Standard Chartered Bank	Dec-17	Apr-18	USD	-	1,130,482
Sub-total for other short-term borrowings				2,372,905,964	2,186,298,054
INTEREST PAYABLE				9,103,641	12,731,606
Certificate of Deposits (Note 26a)				1,243,996	115,532,623
TOTAL SHORT-TERM BORROWINGS				2,383,253,601	2,314,562,283

Borrowings are classified as short term or long term on the basis of the book of business that the Bank funds i.e, Trade or Project loans, and not on the basis of contractual maturity of the liability

27. LONG TERM BORROWINGS

					Amounts as at 31 December 2018			Amounts as at 31 December 2017		
Lender	Date of Renewal/ disbursement	Maturity Date	Currency	Amount in Currency	Balance outstanding USD	Amount due within one year USD	Amount due after one year USD	Balance outstanding USD	Amount due within one year USD	Amount due after one Year USD
African Development Bank	Dec-04	Aug-23	USD	158,746,264	158,746,264	11,250,000	147,496,264	171,696,249	12,949,985	158,746,264
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	10,000,000	10,000,000	10,000,000	-	20,000,000	10,000,000	10,000,000
China Development Bank	Dec-08	Mar-20	USD	20,000,000	20,000,000	20,000,000	-	48,302,095	28,302,095	20,000,000
KBC Bank	Various	Feb-20	USD	3,144,827	3,144,827	2,515,862	628,965	5,661,944	2,515,862	3,146,082
Exim Bank of India Loan	Various	Various	USD	7,850	7,850	7,850	-	113,192	106,706	6,486
US$ 1.0 Billion Euro Medium Term Note Programme: First Tranche	Dec-13	Dec-18	USD	-	-	-	-	217,031,000	217,031,000	-
US$ 1.0 Billion Euro Medium Term Note Programme: Second Tranche	Dec-13	Mar-22	USD	700,000,000	700,000,000	-	700,000,000	700,000,000	-	700,000,000
FMO	Mar-10	Jan-18	USD	-	-	-	-	2,000,000	2,000,000	-
Development Bank of Southern Africa	Mar-07	Jun-23	USD	23,437,500	23,437,500	9,375,000	14,062,500	38,591,099	15,153,599	23,437,500
Private Export Funding Corporation	Aug-11	Oct-21	USD	17,104,853	17,104,853	5,949,514	11,155,339	23,054,367	5,949,514	17,104,853
KfW	Dec-13	Dec-28	USD	107,142,857	107,142,857	5,714,286	101,428,571	85,000,000	2,857,143	82,142,857
KFW IPEX	Sep-16	Dec-28	USD	123,111,820	123,111,820	13,364,622	109,747,198	-	-	-
European Investment Bank	Aug-16	Sep-26	USD	88,120,000	88,120,000	5,874,667	82,245,333	88,120,000	-	88,120,000
CDC Group	Oct-16	Dec-25	USD	81,818,182	81,818,182	14,889,746	66,928,436	45,454,545	13,636,364	31,818,181
Standard Chartered Bank / USAID	Sep-17	Mar-24	USD	13,478,240	13,478,240	2,449,520	11,028,720	3,703,000	1,953,468	1,749,532
Japan Bank for International Corporation (JBIC)	Jul-17	Feb-24	USD	20,306,413	20,306,413	7,365,175	12,941,238	2,471,876	1,818,950	652,926
AFD -Agence Francaise De Development	Dec-17	Mar-32	USD	57,000,000	57,000,000		57,000,000	12,000,000	-	12,000,000
The Exim -Import Bank of China	Dec-17	Dec-23	USD	250,000,001	250,000,001	25,274,725	224,725,276	250,000,000	21,033,379	228,966,621
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	5,365,496,168	2,351,638	1,369,446	982,192	3,779,765	1,391,378	2,388,387
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	5,364,547,731	2,350,022	1,369,446	980,576	3,778,539	1,390,927	2,387,612
IDC – Industrial Development Corporation	Mar-18	Dec-27	USD	100,565,184	100,565,184	11,173,909	89,391,275	-	-	-
BADEA	Feb-18	Sep-27	USD	5,001,933	5,001,933	-	5,001,933	-	-	-
Sub-total for long term borrowings					1,783,687,584	147,943,768	1,635,743,816	1,720,757,671	338,090,370	1,382,667,301
Interest payable					25,024,959	25,024,959	-	17,987,840	17,987,840	-
Total					1,808,712,543	172,968,727	1,635,743,816	1,738,745,511	356,078,210	1,382,667,301
Deferred Expenditure					(26,682,475)	(26,682,475)	-	(30,455,963)	(112,777)	(30,343,186)
Total long-term borrowings					1,782,030,068	146,286,252	1,635,743,816	1,708,289,548	355,965,433	1,352,324,115

The Bank repays these borrowings in either quarterly or semi-annual instalments. The Bank has not given any security for the borrowings. It has not defaulted on any of them.
Borrowings are classified as short term or long term on the basis of the book of business that the Bank funds i.e, Trade or Project loans, and not on the basis of contractual maturity of the liability.

28. OTHER PAYABLES

	2018 USD	2017 USD
Accrued expenses	9,374,066	4,548,881
Accrued fees-Trade Finance	850,382	968,344
Provident fund*	1,243,471	8,119,134
Other creditors**	54,008,954	63,865,893
Accrued reward & recognition	4,971,407	3,006,127
Accrued fees-Project Finance	1,370	42,170
Rental deposit	51,622	51,622
Dividends payable	2,357,693	1,056,296
	72,858,965	81,658,467

*Provident fund relates to the Bank's contribution to the fund that is payable.
**Other creditors mainly relate to cash cover deposits by clients.

Analysis of other payables by maturity:	2018 USD	2017 USD
Amounts due within one year	65,535,685	75,009,560
Amounts due after one year	7,323,280	6,648,907
	72,858,965	81,658,467

29. PROVISION FOR SERVICE AND LEAVE PAY

(i) PROVISION FOR SERVICE PAY

	2018 USD	2017 USD
At beginning of year	5,081,470	4,480,046
Increase in provision	1,155,218	792,997
Payment of service pay	(196,497)	(191,573)
At end of year	6,040,191	5,081,470

(ii) PROVISION FOR LEAVE PAY

	2018 USD	2017 USD
At beginning of year	1,477,218	1,358,677
Increase in provision	402,898	164,977
Payment of leave pay	(91,667)	(46,436)
At end of year	1,788,449	1,477,218
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	7,828,640	6,558,688

Employees' entitlements to annual leave and service pay are recognized when they accrue to employees

30. SHARE CAPITAL

	As at 31 December 2018			As at 31 December 2017		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Authorised capital:						
- 88,234 Class 'A' ordinary shares of USD 22,667 each	2,000,000,000	-	2,000,000,000	2,000,000,000	-	2,000,000,000
- 220,584 Class 'B' ordinary shares of USD 4,533.42 each	-	1,000,000,000	1,000,000,000	-	1,000,000,000	1,000,000,000
Less: Unsubscribed						
- Class 'A'	(166,443,703)	-	(166,443,703)	(265,385,158)	-	(265,385,158)
- Class 'B'	-	(895,282,523)	(895,282,523)	-	(902,613,064)	(902,613,064)
Subscribed capital:						
- 80,891 Class 'A' (2017: 76,526) ordinary shares of USD 22,667 each	1,833,556,297	-	1,833,556,297	1,734,614,842	-	1,734,614,842
- 23,099 Class 'B' (2017: 21,482) ordinary shares of USD 4,533.40 each	-	104,717,477	104,717,477	-	97,386,936	97,386,936
Less: Callable capital	(1,466,845,038)	-	(1,466,845,038)	(1,387,691,874)	-	(1,387,691,874)
Payable capital	366,711,259	104,717,477	471,428,736	346,922,968	97,386,936	444,309,904
Less: Amounts not yet due	(6,404,787)	-	(6,404,787)	(9,367,819)	-	(9,367,819)
Capital due	360,306,472	104,717,477	465,023,949	337,555,149	97,386,936	434,942,085
Less: subscriptions in arrears	(3,281,391)	-	(3,281,391)	(3,716,659)	-	(3,716,659)
Paid up capital	357,025,081	104,717,477	461,742,558	333,838,490	97,386,936	431,225,426

30. SHARE CAPITAL (Continued)

	31 December 2018			31 December 2017		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Movement in paid up share capital						
At beginning of year	333,838,490	97,386,936	431,225,426	293,781,436	78,269,503	372,050,939
African Development Bank	1,128,817	-	1,128,817	1,047,215	-	1,047,215
BADEA – Arab Bank for Economic Development in Africa	-	4,352,084	4,352,084	-	-	-
National Social Security Fund- Uganda	-	389,875	389,875	-	235,738	235,738
National Pension Fund-Mauritius	-	-	-	-	244,805	244,805
Rwanda Social Security Board	-	376,274	376,274	-	4,234,215	4,234,215
Banco Nacionale De Investment	-	-	-	-	117,869	117,869
Africa Reinsurance Corporation	-	-	-	-	104,269	104,269
OPEC Fund for International Development (OFID)	-	-	-	-	9,311,645	9,311,645
TDB Staff Provident Fund	-	2,030,972	2,030,972	-	4,170,746	4,170,746
TDB Directors & Select Stakeholders Provident Fund	-	181,336	181,336	-	213,071	213,071
Belarus	1,222,205	-	1,222,205	1,145,137	-	1,145,137
Burundi	462,407	-	462,407	430,673	-	430,673
China	1,282,952	-	1,282,952	1,183,218	485,075	1,668,293
Comoros	40,801	-	40,801	387,331	-	387,331
Congo DRC	3,540,695	-	3,540,695	9,628,675	-	9,628,675
Djibouti	108,802	-	108,802	-	-	-
Egypt	2,012,830	-	2,012,830	1,858,694	-	1,858,694
Eritrea	45,216	-	45,216	41,761	-	41,761
Ethiopia	2,012,830	-	2,012,830	1,858,694	-	1,858,694
Kenya	2,012,830	-	2,012,830	1,858,694	-	1,858,694
Madagascar	400,753	-	400,753	-	-	-
Malawi	498,674	-	498,674	457,873	-	457,873
Mauritius	952,014	-	952,014	838,679	-	838,679
Mozambique	145,069	-	145,069	2,063,604	-	2,063,604
Rwanda	539,475	-	539,475	953,089	-	953,089
Seychelles	99,735	-	99,735	95,201	-	95,201
Somalia	59,912	-	59,912	55,333	-	55,333
South Sudan	13,600	-	13,600	10,000,680	-	10,000,680
Swaziland	409,820	-	409,820	400,752	-	400,752
Tanzania	1,944,829	-	1,944,829	1,799,760	-	1,799,760
Uganda	2,520,571	-	2,520,571	2,357,368	-	2,357,368
Zambia	1,731,754	-	1,731,754	1,594,623	-	1,594,623
	23,186,591	7,330,541	30,517,132	40,057,054	19,117,433	59,174,487
	357,025,081	104,717,477	461,742,558	333,838,490	97,386,936	431,225,426

Payable capital is one fifth of the subscribed capital to Class 'A' shares. The remaining four fifths of the subscribed capital constitutes callable capital. The Bank's Board of Governors may, on the recommendation of the Board of Directors, make a call only when the amount thereof is required to repay existing borrowings or to meet guaranteed commitments. Note 44 contains the status of subscriptions to the capital stock by member countries.

30 . SHARE CAPITAL (Continued)

Share Premium: (Class B Shares Only)	Number of shares	Share value USD	Price paid USD	Share premium USD
As at 31 December 2018:				
At1 January 2018	21,482	97,386,936	150,355,414	52,968,478
Additions during the year	1,617	7,330,541	14,862,674	7,532,133
At 31 December 2018	23,099	104,717,477	165,218,088	60,500,611
As at 31 December 2017:				
As at 1 January 2017:	17,265	78,269,503	113,376,164	35,106,661
Additions during the year	4,217	19,117,433	36,979,250	17,861,817
As at 31 December 2017:	21,482	97,386,936	150,355,414	52,968,478

Class A and B shares

As at 31 December 2018, there were 80,891 'A' ordinary shares (2017: 76,526 and 23,099 Class 'B' ordinary shares (2017: 21,482). Class 'A' shares have a par value of USD 22,667 each (comprising 80% callable and 20% payable) and were issued only to Members, while Class 'B' shares have a par value of USD 4,533.42 each and are issued both to Members and other institutional investors. All ordinary shares have a right to receive dividends in the proportion of the number of shares held by each member, as and when declared by the Board of Governors.

Nature and purpose of the share premium

Class 'B' shares are issued at a premium of USD 6,915.58 (2017: USD 5,884.58) that is determined after a valuation of the Bank's shares. The share premium is used to finance the operations of the Bank.

	2018 USD	2017 USD
Dividends on ordinary shares declared and paid:		
Final dividend for 2017: USD 308.67 per share (2016: 304.21 per share)		
-Declared and paid	25,049,089	23,293,199
-Declared and not paid/payable	2,357,693	1,056,296
	27,406,782	24,349,495
Proposed dividends on ordinary shares:		
Dividend for 2018: USD 315.93 per share (2017: USD 308.67 per share)	31,684,721	27,406,783

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

31. MANAGEMENT RESERVE

The management reserve is used to record appropriations from retained earnings to cushion the Bank against future credit risk and other incidents of significant loss. Amounts recorded in management reserves cannot be reclassified to profit or loss and the transfers into and out of this management reserve are approved by the Board of Directors.

32. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash generated from operations:

	2018 USD	2017 USD
Profit for the year	129,325,392	111,864,421
Adjustments:		
Depreciation on property and equipment (Note 23)	898,757	856,858
Amortisation of intangible assets (Note 24)	421,913	374,244
Profit from disposal of property and equipment	2,652	2,266
(Gain) in foreign exchange	(16,301,220)	(236,392)
Interest received	(271,215,413)	(235,762,869)
Interest paid	182,199,807	123,612,040
Management Reserve	19,842,913	-
Provision for impairment	23,156,955	25,323,332
Increase in provision for service and leave pay	981,788	481,956
Profit before changes in operating assets and liabilities	69,313,544	26,515,856
Increase in other receivables	(10,658,542)	(26,934,321)
(Increase)/decrease in hedging derivative instruments-Assets	(54,042,940)	75,760,442
(Decrease)/Increase in hedging derivative instruments-Liabilities	(4,797,549)	4,797,549
Increase in trade finance loans	(182,556,237)	(205,086,013)
Increase in project loans	(194,370,177)	(386,576,110)
Decrease in deferred expenditure	-	18,095,167
Decrease in collection accounts deposits	(8,219,550)	(43,973,894)
(Decrease)/Increase in other payables	(14,022,988)	16,980,773
Provision for service and leave pay paid	288,164	238,009
Increase in interest receivable on government securities	-	(1,756,707)
Interest received	271,215,413	235,762,869
Interest paid	(182,199,807)	(123,612,040)
Net increase in borrowings (Note 32 (b))	142,431,837	859,314,761
	(167,618,832)	449,526,341

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of changes in borrowings:

	2018 USD	2017 USD
Short term borrowings:		
At beginning of year	2,314,562,284	2,369,322,431
Loans received	2,634,377,484	1,670,688,314
Repayments	(2,565,686,167)	(1,725,448,461)
At end of year	2,383,253,601	2,314,562,284
Long term borrowings:		
At beginning of year	1,708,289,548	794,214,640
Loans received	547,625,476	1,175,933,883
Repayments	(473,884,956)	(261,858,975)
At end of year	1,782,030,068	1,708,289,548
Total borrowings:		
At beginning of year	4,022,851,832	3,163,537,071
Loans received	3,182,002,960	2,846,622,197
Repayments	(3,039,571,123)	(1,987,307,436)
At end of year	4,165,283,669	4,022,851,831
Increase in total borrowings (Note 32 (a))	142,431,837	859,314,760

For purposes of the Statement of Cash Flows, borrowings received for on-lending are treated as normal operations of the Bank and, therefore, are classified as cash generated from operations.

(c) Analysis of cash and cash equivalents

	2018 USD	2017 USD
Cash and balances with other banks - Note 13	1,145,918,378	1,232,980,427

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending

As at 31 December 2018 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Asian Syndicated Loan 1	340,000,000	340,000,000	-
Middle East Syndication 2017 (First Abu Dhabi Bank PJSC)	329,301,555	329,301,555	-
Cargill Kenya	148,247,850	148,247,850	-
African Trade Insurance Agency	4,921,346	4,921,346	-
BHF Bank	34,306,500	4,972,880	29,333,620
AFREXIM	171,532,500	-	171,532,500
NIC Bank	40,000,000	-	40,000,000
Natixis	30,000,000	-	30,000,000
ING Bank	102,919,500	-	102,919,500
KBC Bank	28,588,750	-	28,588,750
DZ Bank	15,158,226	-	15,158,226
Standard Chartered Bank	330,000,000	221,419,972	108,580,028
Asian Syndication 11, 2017 (Standard Chartered Bank)	237,000,000	237,000,000	-
BNP Paribas Group	75,000,000	-	75,000,000
Commerz Bank	114,355,000	307,260	114,047,740
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	5,141,589	84,858,411
Deutsche Bank	60,000,000	-	60,000,000
Commercial Bank of Africa	80,000,000	-	80,000,000
Mizuho	80,000,000	75,000,000	5,000,000
Sumitomo Mitsui Banking Corporation	220,000,000	73,665,000	146,335,000
Rand Merchant Bank	50,000,000	-	50,000,000
Bank of Tokyo Mitsubishi	221,220,401	221,220,401	-
Banque de Commerce de placement	9,865,500	-	9,865,500
State Bank of Mauritius	25,000,000	-	25,000,000
Mashreqbank	100,000,000	100,000,000	-
FimBank	28,588,750	-	28,588,750
FBN Bank London	5,000,000	-	5,000,000
Societe Generale	95,000,000	-	95,000,000
Barclays/Absa Bank	24,000,000	23,358,811	641,189
Banque BIA, France	22,871,000	-	22,871,000
BMCE Bank	28,588,750	-	28,588,750
British Arab Commercial Bank	57,177,500	-	57,177,500
Citibank	65,000,000	49,554,598	15,445,402
Syndicated Loan Oct 2018 (Citibank)	460,000,000	460,000,000	-
Nedbank	85,000,000	64,098,885	20,901,115
United Bank Limited	5,000,000	-	5,000,000
Africa50	39,761,917	39,761,917	-
Bank One	22,871,000	22,871,000	-
KFW IPEX	40,000,000	40,000,000	-
TOTAL	4,006,276,045	2,460,843,064	1,545,432,981

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (Continued)

LONG TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Eurobond	700,000,000	700,000,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
European Investment Bank (EIB)	88,120,000	88,120,000	-
African Development Bank	330,000,000	270,000,000	60,000,000
Development Bank of South Africa	95,000,000	95,000,000	-
Private Export Funding Corporation (PEFCO)	60,000,000	60,000,000	-
BKB Bank	51,403,510	36,854,139	14,549,371
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
KfW	160,000,000	110,000,000	50,000,000
KfW- Ipex	133,135,287	133,135,287	-
China Development Bank	122,900,000	122,900,000	-
BHF Bank	18,000,000	7,300,000	10,700,000
Japan Bank for International Corporation (JBIC)	80,000,000	23,040,956	56,959,044
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
CDC Group	100,000,000	100,000,000	-
BADEA	15,000,000	5,000,000	10,000,000
IDC- Industrial Development Corporation	105,000,000	100,565,184	4,434,816
Standard Chartered Bank / USAID	50,000,000	14,703,000	35,297,000
AFD -Agence Francaise De Development	75,000,000	57,000,000	18,000,000
The Exim -Import Bank of China	250,000,000	250,000,000	-
OPEC Fund for International Development (OFID)	60,000,000	-	60,000,000
Exim Bank USA	No Limit	-	No Limit
TOTAL	2,640,065,352	2,295,125,121	344,940,231
TOTAL FACILITIES: 31 December 2018	6,646,341,397	4,755,968,185	1,890,373,212

<u>Note</u>:

Facilities utilised include outstanding letters of credit amounting to USD 161,673,239 as disclosed in note 35(b).

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (Continued)

As at 31 December 2017 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Syndicated Loan 2	400,000,000	400,000,000	-
Syndicated Loan 1	340,000,000	340,000,000	-
First Abu Dhabi Bank PJSC-Middle East Syndication	336,524,025	307,052,975	29,471,050
Standard Chartered Bank-Asian Syndication	237,000,000	237,000,000	-
Sumitomo Mitsui Banking Corporation	220,000,000	176,608,672	43,391,328
Standard Chartered Bank	180,000,000	89,305,073	90,694,927
AFREXIM Bank	179,662,500	-	179,662,500
KFW	164,773,423	164,773,423	-
Louis Dreyfus	126,117,322	126,117,322	-
Commerzbank	119,775,000	29,250,577	90,524,423
Certificates of deposit	115,532,623	115,532,623	-
ING Bank	107,797,500	-	107,797,500
Cargill Kenya	100,000,000	100,000,000	-
Societe Generale	95,000,000	-	95,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	9,053,385	80,946,615
Commercial Bank of Africa	80,000,000	-	80,000,000
Mizuho Bank	80,000,000	50,000,000	30,000,000
FBN Bank London	80,000,000	-	80,000,000
BNP Paribas Group	75,000,000	-	75,000,000
Bank of Tokyo Mitsubishi	75,000,000	75,000,000	-
Mashreq Bank	70,000,000	70,000,000	-
ABC Bank Mauritius	66,188,900	66,188,900	-
Citibank	65,000,000	1,310,211	63,689,789
Deutsche Bank	60,000,000	-	60,000,000
British Arab Commercial Bank	59,887,500	25,000,000	34,887,500
Africa50	52,712,716	52,712,716	-
Rand Merchant Bank	50,000,000	25,000,000	25,000,000
Bunge S.A	48,293,746	48,293,746	-
NIC Bank	40,000,000	-	40,000,000
BHF Bank	35,932,500	19,424,305	16,508,195
Nedbank	35,000,000	-	35,000,000
Natixis	30,000,000	-	30,000,000
KBC Bank	29,943,750	-	29,943,750
FimBank	29,943,750	-	29,943,750
BMCE Bank	29,943,750	-	29,943,750
Bank One	25,000,000	-	25,000,000
Banque BIA, France	23,955,000	-	23,955,000
Barclays/Absa Bank	20,000,000	6,178,650	13,821,350
Nouvobanq	19,098,457	19,098,457	-
DZ Bank	15,158,226	15,158,226	-
State Bank of Mauritius	15,000,000	-	15,000,000
Banque de Commerce de placement	9,993,430	-	9,993,430
United Bank Limited	5,000,000	-	5,000,000
Africa Trade Insurance Agency	1,930,823	-	1,930,823
	4,130,164,941	2,568,059,261	1,562,105,680

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (continued)

LONG TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Eurobond	700,000,000	700,000,000	-
Eurobond	300,000,000	300,000,000	-
African Development Bank	330,000,000	270,000,000	60,000,000
Eurobond	300,000,000	300,000,000	-
The Exim -Import Bank of China	250,000,000	250,000,000	-
KfW	160,000,000	85,000,000	75,000,000
China Development Bank	122,900,000	122,900,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
Development Bank of South Africa	95,000,000	95,000,000	-
European Investment Bank (EIB)	88,120,000	88,120,000	-
Agence Francaise De Development (AFD)	75,000,000	12,000,000	63,000,000
Private Export Funding Corporation (PEFCO)	60,000,000	60,000,000	-
BKB Bank	51,403,510	36,854,139	14,549,371
FMO	50,000,000	50,000,000	-
CDC Group	50,000,000	50,000,000	-
Standard Chartered Bank / USAID	50,000,000	3,703,000	46,297,000
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
Industrial Development Bank (IDC)	30,000,000	-	30,000,000
BHF Bank	18,000,000	7,300,000	10,700,000
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
BADEA	15,000,000	-	15,000,000
Japan Bank for International Corporation (JBIC)	9,510,931	3,381,351	6,129,580
Exim Bank USA	No limit	-	No limit
	2,901,440,996	2,555,765,045	345,675,951
TOTAL FACILITIES AT 31 DECEMBER 2017	6,731,605,937	4,823,824,306	1,907,781,631

Note:

Facilities utilised include outstanding letters of credit amounting to USD 475,127,528 as disclosed in note 35(b).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Net derivative financial instruments

Currency swaps, interest rate swaps and currency forward contracts are derivative products valued using a valuation technique with market-observable inputs. The most frequently applied valuation technique is the swap model using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates.

Financial instruments disclosed at fair value

Management assessed that the fair value of financial instruments not measured at fair value approximates their carrying amount.

Fair Value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

At 31 December 2018:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
ASSETS				
Net derivative financial instruments	-	54,042,940	-	54,042,940
Equity investments at fair value through other comprehensive income	-	-	51,521,730	51,521,730
	-	54,042,940	51,520,730	105,564,670
At 31 December 2017:				
LIABILITIES				
Net derivative financial instruments	-	4,797,549	-	4,797,549
	-	4,797,549	-	4,797,549

The Bank has not designated any loan or receivable or borrowings and payables as at fair value through profit or loss.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Transfers between Level 1, 2 and Level 3:

As at 31 December 2018 and 31 December 2017, there were no transfers between the levels.

Valuation of financial Instruments recorded at fair value:

The Bank uses widely recognised valuation models for determining fair values of interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Level 2. The valuation is done in the Treasury Management System where these instruments are managed.

The Bank invests in private equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Bank contracts experts to value these investments. Valuation is done using International Private Equity Valuation Guidelines for these positions.

Valuations of financial instruments are the responsibility of Management.

The valuation of derivative financial instruments is performed daily in the Treasury Management System, while that of equity investments is performed on a semi-annual basis by consultants who are contracted by the Financial Management Department. The valuations are also subject to quality assurance procedures performed by the Bank's internal and external auditors. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the preceding periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by senior management. Appropriateness of valuation methods and inputs is considered and management may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Net changes in fair value of financial assets and financial liabilities -Level 3

	As at 31 December 2018			As at 31 December 2017		
	Realised USD	Unrealised USD	Total gains/(losses) USD	Realised USD	Unrealised USD	Total gains/(losses) USD
ASSETS						
Equity investments – at fair value through other comprehensive income	11,178,799	-	11,178,799	-	-	-
	=========	======	==========	=====	=========	=========
LIABILITIES	-	-	-	-	-	-
	=========	======	==========	=====	=========	=========

The Bank adopted IFRS 9 Financial Instruments on 1 January 2018. Equity investments, which were previously held at cost under IAS 39, were now recognized at fair value through other comprehensive income. Consequently, the gain disclosed as at 31 December relates to valuation gains upon recognizing the assets at fair value from cost.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Quantitative information of significant unobservable inputs – Level 3:

Description	Valuation Technique	Unobservable input	Range (weighted average)	2018 USD	2017 USD
Equity investments – at fair value through other comprehensive income	International Private Equity Valuation Guidelines	Multiple variables	n/a	51,521,730	-

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Level 3:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

As at 31 December 2018:

Description	Input	Sensitivity used	Effect on fair value USD
Equity investments – at fair value through other comprehensive income	Multiple variables	5%	2,576,087

As at 31 December 2017: NIL

Significant increases (decreases) in the equity of investee companies in isolation would result in a significantly (lower) higher fair value measurement

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	2018 USD	2017 USD
Balance as at 31 January	40,257,957	17,496,672
IFRS 9 adjustment	10,728,799	-
Balance as at 31 January-Restated	50,986,756	17,496,672
FV gains and losses	450,000	-
Additions	84,974	22,761,285
Balance as at 31 December	51,521,730	40,257,957

34. SEGMENT REPORTING

The Bank's main business is offering loan products, which is carried out in distinct geographic coverage areas. As such, the Bank has chosen to organise the Bank based on the loan products offered as well as coverage areas for segmental reporting.

The main types of loan products are:

- Trade finance – Short term and structured medium-term financing in support of trading activities such as imports and exports in various member states.
- Project finance – Medium and long- term financing of viable and commercially oriented public and private sector projects and investments in various economic sectors or industries.

Other operations comprise other miscellaneous income like rental of office premises which cannot be directly attributed to the Bank's main business. The Bank also participates in the investment of Government securities and other unlisted equity investments. Transactions between the business segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, which form the majority of the statement of financial position.

34. SEGMENT REPORTING (Continued)

a) STATEMENT OF COMPREHENSIVE INCOME

	East Africa USD	North East Africa USD	Southern Africa USD	Franco / Lusophone USD	Multi - Regional USD	Total Lending Operations USD	Corporate USD	Consolidated/ Bank Total USD
INCOME								
Interest income	91,440,363	111,132,038	76,846,704	2,396,245	47,930,069	329,745,419	31,842,477	361,587,896
Interest expense and other borrowing costs	(50,559,206)	(63,454,029)	(44,238,902)	(1,381,908)	(27,331,490)	(186,965,535)	(18,227,206)	(205,192,741)
Net interest income	40,881,157	47,678,009	32,607,802	1,014,337	20,598,579	142,779,884	13,615,271	156,395,155
Fee and commission income	11,977,476	988,364	20,435,473	2,338,308	8,452,833	44,192,454	-	44,192,454
Net Trading Income	52,858,633	48,666,373	53,043,275	3,352,645	29,051,412	186,972,338	13,615,271	200,587,609
Risk Mitigation Costs	(8,221,032)	(9,019,064)	(14,032,706)	-	(279,333)	(31,552,135)	(2,988,969)	(34,541,104)
Other Income	1,564,251	-	2,533,153	49,940	-	4,147,344	3,335,507	7,482,851
Depreciation and amortisation	-	-	-	-	-	-	(1,320,670)	(1,320,670)
Operating expenditure	(897,995)	(389,952)	(450,054)	(748,743)	(3,415,261)	(5,902,005)	(33,485,107)	(39,387,112)
Impairment allowance on loans	(11,012,333)	(1,103,071)	(7,233,548)	(638,737)	(1,910,725)	(21,898,414)	(1,258,541)	(23,156,955)
Impairment on other assets	(471,125)	-	-	(255,000)	-	(726,125)	(2,500,000)	(3,226,125)
Exchange Gains	-	-	-	-	-	-	22,886,898	22,886,898
PROFIT FOR THE YEAR	33,820,399	38,154,286	33,860,120	1,760,105	23,446,093	131,041,003	(1,715,611)	129,325,392

34. SEGMENT REPORTING (Continued)

The table below analyses the breakdown of segmental assets, liabilities, income and expenses;

a) STATEMENT OF COMPREHENSIVE INCOME (Continued)

Year Ended 31 December 2018:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	204,323,254	125,422,165	31,842,477	361,587,896
Interest expense and other borrowing costs	(116,941,399)	(70,024,156)	(18,227,206)	(205,192,741)
Net interest income	87,381,855	55,398,029	13,615,271	156,395,155
Fee and commission income	31,206,418	12,986,036	-	44,192,454
Risk mitigation costs	(23,385,321)	(7,905,473)	(3,250,310)	(34,541,104)
Other income	-	-	1,052,485	1,052,485
Interest on capital arrears	-	-	2,073,647	2,073,647
Other assets written-off	(2,500,000)	(726,125)		(3,226,125)
Other assets recovered	503,410	3,850,173	3,136	4,356,719
Operating expenses	(19,781,660)	(19,605,452)	-	(39,387,112)
Depreciation and amortisation	(662,813)	(657,857)		(1,320,670)
Impairment on assets	(20,359,633)	68,469	(1,258,541)	(21,549,705)
Impairment on off-balance sheet commitments	(744,814)	(862,436)	-	(1,607,250)
Foreign exchange gain	22,886,898	-	-	22,886,898
Profit for the year	74,544,340	42,545,364	12,235,688	129,325,392

Year Ended 31 December 2017:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	178,408,979	95,166,425	2,438,538	276,013,942
Interest expense and other borrowing costs	(102,929,017)	(44,409,204)	(3,038,231)	(150,376,452)
Net interest income	75,479,962	50,757,221	(599,693)	125,637,490
Fee and commission income	50,243,362	6,560,917	-	56,804,279
Risk mitigation costs	(29,889,732)	(4,128,898)	(3,371,210)	(37,389,840)
Other income	-	-	935,801	935,801
Interest on capital arrears	-	-	552,498	552,498
Other assets recovered	6,029,262	5,057,702	-	11,086,964
Operating expenses	(15,312,618)	(14,241,090)	-	(29,553,708)
Depreciation and amortisation	(624,062)	(607,041)	-	(1,231,103)
Impairment on loans	(26,980,643)	1,657,311	-	(25,323,332)
Foreign exchange loss	10,345,372	-	-	10,345,372
Profit for the year	69,290,903	45,056,122	(2,482,604)	111,864,421

34. SEGMENT REPORTING (Continued)

The table below analyses the breakdown of segmental assets, liabilities, income and expenses;

b) REVENUE FROM MAJOR GROUPS

	2018 USD	2017 USD
Groups contributing 10% or more of revenue	223,371,145	146,206,289
All other customers	150,566,918	178,124,833
Total Revenue	373,938,063	324,331,122

c) STATEMENT OF FINANCIAL POSITION

As at 31 December 2018:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	56,296,236	-	1,089,622,142	1,145,918,378
Derivative financial instruments	54,042,940	-	-	54,042,940
Other receivables	-	-	117,136,030	117,136,030
Trade finance loans	2,733,444,885	-	-	2,733,444,885
Project loans	-	1,429,558,518	-	1,429,558,794
Equity investments at fair value other comprehensive income	-	51,521,730	-	51,521,730
Investment in Joint Ventures	-	386,994	-	386,994
Property and equipment	-	-	23,710,110	23,710,110
Intangible assets	-	-	1,853,744	1,853,744
Total assets	2,843,784,061	1,481,467,242	1,232,322,026	5,557,573,605
Liabilities:				
Short term borrowings	2,383,253,601	-	-	2,383,253,601
Long term borrowings	-	1,782,030,068	-	1,782,030,068
Collection account deposits	119,576,580	-	-	119,576,580
Provision for service and leave pay	-	-	7,828,640	7,828,640
Other payables	-	-	72,858,965	72,858,965
Total liabilities	2,502,830,181	1,782,030,068	80,687,605	4,365,547,854
Equity	-	-	1,192,025,751	1,192,025,751
	2,502,830,181	1,782,030,068	1,272,713,356	5,557,573,605

34. SEGMENT REPORTING (Continued)

c) STATEMENT OF FINANCIAL POSITION

As at 31 December 2017:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	82,400,556	-	1,150,579,871	1,232,980,427
Investment in Government securities - held to maturity	57,275,058	-	-	57,275,058
Other receivables	-	-	106,477,488	106,477,488
Trade finance loans	2,571,248,280	-	-	2,571,248,280
Project loans	-	1,235,120,149	-	1,235,120,149
Equity investments at cost	-	40,257,957	-	40,257,957
Investment in joint ventures	-	369,493	-	369,493
Property and equipment	-	-	19,631,950	19,631,950
Intangible assets	-	-	1,338,030	1,338,030
Total assets	2,710,923,894	1,275,747,599	1,278,027,339	5,264,698,832
Liabilities:				
Short term borrowings	2,314,562,283	-	-	2,314,562,283
Long term borrowings	-	1,708,289,548	-	1,708,289,548
Collection account deposits	127,796,131	-	-	127,796,131
Derivative financial instruments	4,797,549	-	-	4,797,549
Provision for service and leave pay	-	-	6,558,688	6,558,688
Other payables	-	-	81,658,467	81,658,467
Total liabilities	2,447,155,963	1,708,289,548	88,217,155	4,243,662,666
Equity	-	-	1,021,036,166	1,021,036,166
	2,447,155,963	1,708,289,548	1,109,253,321	5,264,698,832

35. CONTINGENT LIABILITIES AND COMMITMENTS

	2018 USD	2017 USD
(a) Approved capital expenditure		
Approved but not contracted	17,294,830	12,841,523
Approved and contracted	10,105,737	-
(b) Loans committed but not disbursed		
Project finance loans	263,569,643	181,024,180
Trade finance loans	265,445,719	513,906,227
	529,015,362	694,930,407

In line with normal banking operations, the Bank conducts business involving acceptances, guarantees and performances. The majority of these facilities are offset by corresponding obligations of third parties.

	2018 USD	2017 USD
Letters of credit – Project finance loans	280,000	7,223,037
- Trade finance loans	161,393,239	467,904,491
Guarantee	17,000,000	-
	178,673,239	475,127,528

(c) Operating lease arrangements

The Bank as a lessor

This relates to the Bank's building in Bujumbura of which part has been leased out. Rental income earned during the year was USD NIL (2017 – USD NIL). At the reporting date, the Bank had contracted with tenants for the following future lease receivables (2017: NIL)

Leases are negotiated for an average term of 2 years and rentals are reviewed every 2 years. The leases are cancelled with a penalty when the tenants do not give 3 months' notice to vacate the premises. The leases had not been renewed by 31 December, 2018.

The Bank as a lessee

At year end, the Bank had outstanding commitments under operating leases which fall due as follows:

	2018 USD	2017 USD
Within one year	350,021	446,962
In the second to fifth year inclusive	256,661	199,308
	606,682	646,270

Operating lease payments represent rentals payable by the Bank for use of its office premises. These leases are negotiated for an average term of 5 years.

35. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(d) Pending litigation

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes provisions to cater for any adverse effects which the claims may have on its financial standing.

As at 31 December 2018, there were legal proceedings involving the Bank amounting to USD 38,789,873 (2017 – USD 25,100,000) that are yet to be determined. No provision has been made as, in the opinion of the Directors and the Bank's lawyers, it is unlikely that any significant loss will crystallise.

36. RELATED PARTY TRANSACTIONS

(a) Membership and governance

As a supranational development financial institution with a membership comprising:- Class A Shareholders- Twenty two COMESA /African States (the "Member States"), two non-African State and one institutional member;- Class B Shareholders – one non-African State and Fourteen institutional members,- subscription to the capital of the Bank is made by all its Members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each Member of the Bank, who exercise the voting power of the appointing Member. The Board of Directors, which is composed of Nineteen (19) Directors elected by the Members is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank makes loans to some of its Member States. The Bank also borrows funds from some of its Members. Such loans granted to Member States are approved by the Board of Directors.

The following are the details of the transactions and balances with related parties:-

(b) Loans to member states	2018 USD	2017 USD
Outstanding loans at 1 January	1,907,869,877	1,132,314,880
Loans disbursed during the year	453,571,429	844,696,940
Loans repaid during the year	(559,053,690)	(69,141,943)
Outstanding loan balances at 31 December	1,802,387,616	1,907,869,877

Loans to related parties are subject to commercial negotiations on the terms and conditions of varying interest rates and terms. Outstanding balances at year-end are secured by cash security deposits, sovereign undertakings/guarantees and insurance. The loans to Member States are performing and the Bank has not made any specific provision for doubtful debts relating to amounts owed by related parties (2017: Nil). General provisions have been raised as applicable.

36. RELATED PARTY TRANSACTIONS (Continued)

(c) Borrowings from members

	2018 USD	2017 USD
Outstanding borrowings at 1 January	266,009,640	321,797,391
Borrowings received during the year	8,513,580	122,903,638
Borrowings repaid during the year	(115,776,956)	(178,691,389)
Outstanding balances at 31 December	158,746,264	266,009,640

Borrowings from related parties are subject to commercial negotiations on the terms and conditions. The outstanding balances as at year-end are unsecured and there has been no guarantee provided by the Bank for any borrowings from members. The borrowings are for an average period of ten years.

(d) Income and expenses

	2018 USD	2017 USD
• Interest income from loans to Member States earned during the year	180,127,858	124,347,488
• Interest expense on borrowings from Member States incurred during the year	(9,367,901)	(8,275,603)
• Fees and commission earned from Member States during the year	20,406,465	43,171,393

(e) Other related parties

The remuneration of members of key management staff during the year was as follows:

	2018 USD	2017 USD
Salaries and other short-term benefits	4,520,153	2,854,882
Post employment benefits: Defined contribution: Provident Fund	705,313	636,269
Board of Directors and Board of Governors allowances	258,775	345,600
Other long-term employee benefits	279,153	183,911
	5,763,394	4,020,662

(f) Share capital

During the year, Class 'B' shares with a value of USD 2,212,308 (2017: USD 4,338,484) were issued to the TDB Staff Provident Fund and to TDB Directors and Select Stakeholder Provident Fund.

37. CURRENCY

The financial statements are presented in United States Dollars (USD). At the reporting date, the conversion rates between one USD and certain other currencies were as analysed below:

	2018	2017
British Pound	0.7885	0.7411
Euro	0.8745	0.8318
United Arab Emirates Dirham	3.6729	3.6730
Zambian Kwacha	11.9500	9.9500
Sudanese Pound	28.8370	19.7015
South Africa Rand	14.3717	12.3075
Ethiopian Birr	28.3273	27.3345
Mauritian Rupee	34.1500	33.5095
Kenya Shilling	101.8000	103.3000
Japanese Yen	110.4350	112.5400
Malawi Kwacha	728.7700	726.0702
Burundi Franc	1756.0000	1757.6050
Tanzania Shilling	2281.6000	2246.0000
Uganda Shilling	3726.2500	3635.7500

38. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require disclosure in or adjustment to, these financial statements.

39. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are as outlined below:

(a) INTRODUCTION

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement monitoring and reporting, subject to risk limits and other governance controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk (non–trading risks). It is also subject to country risk.

Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk appetite statement and risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive appetite statement and risk management framework for measuring, monitoring, controlling and mitigation of the Bank's risks. The policies are integrated in the overall management information systems of the Bank and supplemented by a management reporting structure.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and other stakeholders understand their roles and obligations.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) INTRODUCTION (Continued)

Risk management structure (Continued)

The Bank-Wide Integrated Risk Management Committee (BIRMC) is responsible for monitoring compliance with the Bank's risk management policies and procedures and review of the adequacy of the risk management framework in relation to the risks faced by the Bank. BIRMC undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on prudential limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The notes below provide detailed information on each of the above risks and the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(b) CREDIT RISK

The Bank defines credit risk as the risk that adverse changes in the credit quality of borrowers will negatively affect the Bank's financial performance and financial condition. Credit risk arises from both client-specific risk and country risk. The Bank, through its lending operations to private sector and public sector entities in its Member Countries, and to a lesser extent, treasury operations, is exposed to credit risk.

Credit Risk Appetite

The Bank adheres to a defined credit risk appetite which considers the maximum credit losses the Bank is prepared to absorb from its lending activities in pursuit of corporate objectives.

The credit risk appetite statement further defines risk-based lending mandates and limits to manage credit risk concentrations at single/group borrower, country and sector levels within expectations to minimise unexpected credit losses.

All limits were within approved risk appetite thresholds as at 31 December 2018

Risk Management Policies and Processes

The Bank manages credit risk through an integrated risk management policy framework and processes which place great emphasis on rigorous screening of borrowers at loan origination.

The risk management policies and processes are designed to identify, measure, manage and control credit risk throughout the whole project cycle. The lending process follows a formalised system of strict procedures and processes and committee-based decision-making processes.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK (Continued)

Client-Specific Risk

The Bank uses credit assessment and risk profiling systems, including borrower risk rating models to evaluate the credit risk of the investment proposals both at loan origination and during the life of the loan.

The Bank seeks to mitigate credit risk in its lending operations and calls for risk mitigating measures such as security in the form of real estate collateral, personal and corporate guarantees. Such collateral is re-valued every three years or earlier should there be any evidence of diminution in value.

Country risk

The Bank considers country-specific political, social and economic events which may have an adverse impact on the credit quality of its borrowers. To mitigate such risks, the Bank uses prudent country exposure management policies. In addition, the Bank considers the economic, social and political profile of the country in which the investment project is domiciled before approval is granted. The investment proposal is also loaded with the risk premium that reflects the risk rating of the host country.

Notes 42 and 43 of the Financial Statements contain further country exposure analysis as at 31 December 2018 and 31 December 2017.

Credit-related commitment risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies. These are further disclosed under Note 35(b).

Credit quality

The following tables sets out information about the credit quality and credit risk exposure of financial assets measured at amortised cost (31 December 2018) and loans and receivables (31 December 2017). Unless specifically indicated, the amounts in the table represent gross carrying amounts. For loan commitments the amounts in the table represent the undrawn portion of amounts committed. Loan commitments are undisbursed facilities including letters of credit. Explanation of the terms 'Stage 1', 'Stage 2', 'Stage 3' and purchased originated credit impaired (POCI) assets is included in Note 2 (b) and 3 (j).

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Credit quality (Continued)

	31 December 2018				31 December 2017
	Stage 1	Stage 2	Stage 3	Total	Total
Project finance loans:	USD	USD	USD	USD	USD
Pass/Acceptable	1,254,771,124	-	-	1,254,771,124	1,094,560,380
Special mention	-	180,999,353	-	180,999,353	151,239,295
Substandard, Doubtful & Loss	-	-	24,147,841	24,147,841	21,485,839
	1,254,771,124	180,999,353	24,147,841	1,459,918,318	1,267,285,514
Loss Allowance	(1,584,648)	(4,627,035)	(24,147,841)	(30,359,524)	(32,165,365)
Carrying Amount	1,253,186,476	176,372,318	-	1,429,558,794	1,235,120,149
Trade finance loans:					
Pass/ acceptable	2,527,025,580	-	-	2,527,025,580	2,383,278,832
Special mention	-	211,163,777	-	211,163,777	191,252,509
Substandard, Doubtful & Loss	-	-	75,208,489	75,208,489	72,098,214
	2,527,025,580	211,163,777	75,208,489	2,813,397,846	2,646,629,555
Loss Allowance	(2,470,667)	(2,273,805)	(75,208,489)	(79,952,961)	(75,381,275)
Carrying Amount	2,524,554,913	208,889,972	-	2,733,444,885	2,571,248,280
Undisbursed commitments:					
Pass/ Acceptable	566,479,040	-	-	566,479,040	396,963,457
Special mention	-	2,457,056	-	2,457,056	15,411,903
	566,479,040	2,457,056	-	568,936,096	412,375,360
Loss Allowance	(1,517,384)	(27,252)	-	(1,544,636)	-
Carrying Amount	564,961,656	2,429,804	-	567,391,460	412,375,360
Letters of Credit:					
Pass/acceptable	19,121,521	-	-	19,121,521	47,948,322
Special mention	-	-	-	-	22,682,974
	19,121,521	-	-	19,121,521	70,631,296
Loss Allowance	(62,614)	-	-	(62,614)	-
Carrying Amount	19,058,907	-	-	19,058,907	70,631,296

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

	31 December 2018				31 December 2017
Total off-balance sheet items	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Total USD
Pass/ Acceptable	585,600,561	-	-	585,600,561	444,911,779
Special mention	-	2,457,056	-	2,457,056	38,094,877
	585,600,561	2,457,056	-	588,057,617	483,006,656
Loss Allowance	(1,579,998)	(27,252)	-	(1,607,250)	-
Carrying Amount	584,020,563	2,429,804	-	586,450,367	483,006,656

Maximum Exposure to Credit Risk before Collateral Held:

Credit Exposures	2018 USD	%	2017 USD	%
On – statement of financial position Items				
Cash and Balances held with other banks	1,145,918,378	21	1,232,980,427	23
Investment in Government securities	-	-	57,275,058	1
Other receivables	72,249,608	1	76,648,950	1
Derivative financial instruments	54,042,940	1	-	-
Loans and advances	4,273,316,164	77	3,913,915,069	75
-Project loans	1,459,918,318		1,267,285,514	
-Trade finance loans	2,813,397,846		2,646,629,555	
Sub Total	5,545,527,090	100	5,280,819,504	100
Off – statement of financial position Items				
Letters of Credit	161,673,239	23	475,127,528	41
Loan Commitments not disbursed	529,015,362	75	694,930,407	59
Guarantees and Performance Bonds	17,000,000	2	-	-
Sub Total	707,688,601	100	1,170,057,935	100
Total Credit Exposure	6,253,215,691		6,450,877,439	

The above figures represent the worst case scenario of credit exposure for the two years without taking into account any collateral held or other credit enhancements. Loan and advances and off-statement of financial position items took up 79.66% in 2018 (2017 – 78.8%) of the total maximum credit exposure.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Other than cash and bank balances amounting to USD 1,145,918,378 (2017 -USD 1,232,980,427) and Investment in government securities of USD NIL (2017-USD 57,275,058) all other credit risk exposures are secured by collateral in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

As at 31 December 2018, the fair value of collateral held for impaired loans and advances was USD 251,217,197 (2017 – USD 256,464,924) and provided sufficient cover over the gross exposure of USD 100,614,870 (2017-USD 93,584,053) and over the net exposure of USD NIL (2017-USD 21,277,021) after deducting the impairment allowances.

Classification of Loans and advances

For year ended 31 December 2018: Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired*	4,043,912,116	(10,956,156)	4,032,955,960	97
Past due but not impaired	128,789,178	-	128,789,178	3
Impaired	100,614,870	(99,356,329)	1,258,541	0
Total	4,273,316,164	(110,312,485)	4,163,003,679	100

For year ended 31 December 2017 Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired*	3,640,648,029	(35,239,608)	3,605,408,421	95
Past due but not impaired	179,682,987	-	179,682,987	4
Impaired	93,584,053	(72,307,032)	21,277,021	1
Total	3,913,915,069	(107,546,640)	3,806,368,429	100

The amounts which are past due but not impaired are secured by collaterals in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

*The impairment allowance on neither past due nor impaired amounts relate to general provisions.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Classification of Loans and advances (Continued)

Ageing of arrears for past due loans and advances not impaired

	2018 USD	2017 USD
Below 30 Days	49,728,080	26,100,797
31 to 90 Days	4,326,490	31,394,293
91-180 Days	4,153,855	23,155,054
181-360 Days	40,221,656	58,044,357
Over 360 Days	30,359,097	40,988,486
Total arrears	128,789,178	179,682,987

Ageing of arrears for impaired loans and advances

	2018 USD	2017 USD
Below 30 Days	195,265	1,214,342
31-90 Days	301,917	-
91-180 Days	739,049	12,287,561
181-360 Days	2,989,861	11,574,262
Over 360 Days	74,751,873	54,684,000
Total arrears	78,977,965	79,760,165
Amounts not in arrears	21,636,905	13,823,888
Total	100,614,870	93,584,053

Loans and advances that are neither past due nor impaired

The Bank classifies loans and advances under this category for borrowers that are up to date with their principal and interest payments and conforming to all the agreed terms and conditions. Such borrowers are financially sound and demonstrate capacity to continue to service their debts in the future. The Bank classifies such loans as 'Low Risk-PTAR 1 and Satisfactory Risk-PTAR 2' in line with its Loan Classification Policy.

Past due but not impaired

Loans under this category are performing well but exhibit potential weaknesses which may, if not corrected in good time, weaken the borrower's capacity to repay. These weaknesses may also result in the Bank's interest not being adequately protected. Such weaknesses include temporary cash flow constraints and deteriorating economic conditions. The Bank classifies such loans as 'Fair Risk-PTAR 3 and Watch Risk- PTAR 4' in line with its Loan Classification Policy. Sovereign loans that are past due are not considered impaired unless otherwise approved by the Bank's Board of Directors.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Impaired loans and advances

The Bank, depending on the severity of default and deterioration of borrower's financial condition and collateral, classifies impaired loans into three categories 'Substandard-PTAR 5', 'Doubtful-PTAR 6' and 'Loss-PTAR 7'. Thus, impaired loans range from those that are not adequately protected by their current sound worth and paying capacity of the obligor to those that are considered uncollectible or of such little value that their continuance as bankable assets is not warranted.

Collateral Held

In addition to its rigorous credit risk assessments, the Bank seeks to protect its interests in the event of unpredictable and extreme factors that negatively affect the borrower's capacity to service the Bank's loan by calling for credit enhancement arrangements in need. In this regard, the Bank calls for security such as mortgage interest on property, registered securities over financed or third-party assets and guarantees. The security cover required is, at least, one and a third times the loan amount that is disbursed. Such security is subject to regular reviews and, if necessary, revaluation every three years.

The Bank does not hold security over deposits placed with other banks or financial institutions and government securities. However, the Bank places deposits with well vetted and financially sound counter-parties. In addition, the Bank places limits on counter-party exposures which are set, monitored and reviewed by the Bank-Wide Integrated Risk Management Committee.

For both periods ended 31 December 2018 and 31 December 2017, the Bank's collateral exceeded the outstanding gross portfolio.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Collateral held for loan portfolio

		2018 USD	2017 USD
(i)	Total portfolio:		
	Mortgages on properties	587,971,517	695,558,779
	Fixed charge on plant and equipment	786,375,582	816,158,207
	Cash security deposits	1,087,466,651	740,061,620
	Sovereign undertakings	381,906,582	912,363,601
	Insurance and Guarantees	2,979,738,078	2,082,965,110
	Other floating all asset debenture	63,678,563	45,878,563
	Total security cover	5,887,136,973	5,292,985,880
	Gross portfolio	(4,273,316,164)	(3,913,915,069)
	Net cover	1,613,820,809	1,379,070,811
(ii)	Loans not impaired:		
	Mortgages on properties	493,631,052	591,884,789
	Fixed charge on plant and equipment	661,389,974	709,434,599
	Cash security deposits	1,087,466,651	740,061,620
	Sovereign undertakings	381,906,582	912,363,601
	Insurance and Guarantees	2,947,846,954	2,036,897,784
	Other floating all asset debenture	63,678,563	45,878,563
	Total security cover	5,635,919,776	5,036,520,956
	Gross portfolio	(4,172,701,294)	(3,820,331,016)
	Net cover	1,463,218,482	1,216,189,940
(iii)	Impaired loans:		
	Mortgages on properties	94,340,465	103,673,990
	Fixed charge on plant and equipment	124,985,608	106,723,608
	Insurance and Guarantees	31,891,124	46,067,326
	Total security cover	251,217,197	256,464,924
	Gross portfolio	(100,614,870)	(93,584,053)
	Net cover	150,602,327	162,880,871

Inputs, assumptions and techniques used for estimating impairment

Significant Increase in Credit Risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

The Bank uses the following criteria for determining whether there has been a significant increase in credit risk:

- Qualitative indicators;
- Project finance and Trade Finance loans rated PTAR 3 and 4; and
- a backstop of 30 days past due

Credit Risk Classification

The Bank allocates each exposure to a credit risk classification using its Credit Risk Assessment System based on the exposures' risk attributes and their fair values accurately determined and reflected in the Bank's books as well as applying experienced credit judgement. The Bank uses these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using days past due, qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower. The Bank goes through a credit appraisal process and determines the credit quality of each exposure on initial recognition based on available information about the borrower. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk classification.

The table below provides an indicative mapping of how the Group's internal credit grades relate to PD.

Trade Finance loans

Grading:	12-month weighted average PD
Very Low risk	0.33%
Low risk Moderate risk	3.06%
High risk Substandard	100%

Project Finance loans

Grading:	12-month weighted average PD
Very Low risk	0.54%
Low risk Moderate risk	10.90%
High risk Substandard Bad & Doubtful Loss	100%

Determining Whether Credit Risk Has Increased Significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varies by product and includes a backstop based on delinquency.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Determining Whether Credit Risk Has Increased Significantly

Currently, the Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being rated as PTAR 3 and PTAR 4 or being in arrears for a period of 30 to 89 days. The Bank will develop an internal rating model going forward and movement in the probability of default (PD) between the reporting period and initial recognition date/ the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk. In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors linked to the Bank's risk management processes indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past-due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Definition of Default

The Bank will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower has a risk classification of PTAR 5,6 and 7;or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Bank has not rebutted the 90 days past due buck stop.

Incorporation of forward-looking Information

The Bank incorporates forward-looking information in its measurement of ECLs. The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, assigned a 20% and 30% probability of occurring respectively. The base case represents a most-likely outcome and is aligned with information used by the Bank for determining country lending limits as well as strategic planning. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the various jurisdictions in which the Bank operates, supranational organisations such as the World Bank and the International Monetary Fund and selected private sector and academic forecasters.

The Bank formulates a 'base case' view of the future direction of relevant economic variables in the various jurisdictions in which it operates, and a representative range of other possible forecast scenarios based on advice from the Bank's Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs, assumptions and techniques used for estimating impairment – continued

Incorporation of forward-looking Information - continued

The macroeconomic variables applied are those used as part of determining the country risk ratings for different jurisdictions in which the bank lends. Using forecasted macroeconomic information, the country risk ratings are forecasted for a period of three (3) years and the aggregated changes in country risk ratings, year-on-year, starting with the base year (financial reporting year-end) are applied as the forward looking information.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

These key drivers include Political risk, Economic strength and performance, Transfer and currency risk, Governance, Debt sustainability vs Fiscal strength and Bank experience. Country risk ratings have been developed based on analysing these factors and the aggregate predicted changes in these ratings considered as the predictor of the future default rate. The economic scenarios used are approved by the Bank's Credit Committee.

Modified Financial Assets (Restructured Assets)

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. When the terms of a financial asset are modified, and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximise collection opportunities and minimise the risk of default. Under the Bank's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank Credit Committee regularly reviews reports on restructuring activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs, assumptions and techniques used for estimating impairment - continued

Inputs into Measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

- Probability of Default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data that leverage regulatory models. They are adjusted to reflect forward-looking information as described above.

PD estimates for loans and advances are estimates at a certain date, which are calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and are assessed at portfolio level for portfolios of assets that have similar characteristics. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, external market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this leads to a change in the estimate of the associated PD. Lifetime PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The Bank PD estimates for other exposures are estimates at a certain date, which are estimated based on external credit rating information and assessed using rating tools tailored to the various categories of counterparties and exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on collateral available against exposures and the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral quality, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calibrated for different collateral types by applying haircuts to adjust the market value of collateral to best reflect the amounts recoverable. The collateral values to consider are calculated on a discounted cash flow basis using the effective interest.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and non-financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which is estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee. For overdrafts, guarantee facilities and other revolving facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period of one year unless the expected life of the exposure can be reasonably determined.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Product type; and
- Industry.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Amount arising from ECL

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment. Comparative amounts for 2017 are shown in Note 17, and they represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	As at 31 December 2018			
Project finance loans;	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balance at 1 January	1,964,474	6,539,709	21,485,839	29,990,022
Transfer to 12 months ECL	773,111	(773,111)	-	-
Transfer to Lifetime ECL not credit impaired	(65,570)	65,570	-	-
Transfer to Lifetime ECL credit impaired	-	(47,915)	47,915	-
Net re-measurement of Loss allowance	(958,225)	(1,071,756)	4,051,643	2,021,662
Financial assets derecognised	(129,142)	(85,462)	-	(214,604)
Financial assets written off	-	-	(1,437,556)	(1,437,556)
Balance at 31 December	1,584,648	4,627,035	24,147,841	30,359,524

Trade finance loans:				
Balance at 1 January	3,756,909	3,039,495	50,821,193	57,617,597
Transfer to 12 months ECL	1,055,331	(1,055,331)	-	-
Transfer to Lifetime ECL not credit impaired	(65,989)	65,989	-	-
Transfer to Lifetime ECL credit impaired	-	(569,898)	569,898	-
Net of financial assets originated and remeasurement of Loss allowance	(1,899,056)	(464,885)	25,075,938	-
				22,711,997
Financial assets derecognised	(376,620)	(13)	-	(376,633)
Balance at 31 December	2,470,575	1,015,357	76,467,029	79,952,961

Undisbursed commitments:				
Balance at 1 January	1,670,699	89,134	-	1,759,833
Net remeasurement of Loss allowance	(177,385)	-	-	(177,385)
Net financial assets originated or purchased	1,265,725	27,252	-	1,292,977
Financial assets derecognised	(1,241,655)	(89,134)	-	(1,330,789)
Balance at 31 December	1,517,384	27,252	-	1,544,636

Letters of credit:				
Balance at 1 January	333,710	131,186	-	464,896
Net remeasurement of Loss allowance	5,287	-	-	5,287
Net financial assets originated or purchased	34,641	-	-	34,641
Financial assets derecognized	(311,025)	(131,186)	-	(442,211)
Balance at 31 December	62,613	-	-	62,613

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loss allowance (Continued)

The ECL on cash and balances with other banks, Trade and Project finance loans and loan commitments are presented in cash and balances with other banks, Trade and Project finance loans and other liabilities respectively in the statement of financial position.

Gross Loans and advances

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment. Comparative amounts for 2017 represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	As at 31 December 2018				31 December
	Stage 1	Stage 2	Stage 3	Total	2017
Project finance loans;	USD	USD	USD	USD	USD
Balance at 1 January	1,076,907,090	151,239,295	21,485,839	1,249,632,224	846,886,728
Transfer to 12 months ECL	34,455,556	(34,455,556)	-	-	-
Transfer to Lifetime ECL not credit impaired	(61,713,993)	61,713,993	-	-	-
Transfer to Lifetime ECL credit impaired	-	(3,823,196)	3,823,196	-	-
New financial assets originated	226,550,837	13,209,361	276,362	240,036,560	435,777,316
Financial assets derecognised	(21,428,366)	(6,884,544)	-	(28,312,910)	-
Financial assets written off	-	-	(1,437,556)	(1,437,556)	(15,378,530)
Balance at 31 December	1,254,771,124	180,999,353	24,147,841	1,459,918,318	1,267,285,514
Trade finance loans:					
Balance at 1 January	2,417,929,845	191,252,509	72,098,214	2,681,280,568	2,441,543,542
Transfer to 12 months ECL	75,155,108	(75,155,108)	-		
Transfer to Lifetime ECL not credit impaired	(32,424,801)	32,424,801	-	-	-
Transfer to Lifetime ECL credit impaired	-	(10,326,100)	10,326,100	-	-
Net remeasurement	224,260,830	72,971,480	(7,215,825)	290,016,485	205,086,013
Financial assets derecognised	(157,895,402)	(3,805)	-	(157,899,207)	-
Balance at 31 December	2,527,025,580	211,163,777	75,208,489	2,813,397,846	2,646,629,555
Undisbursed commitments:					
Balance at 1 January	396,963,457	15,411,903	-	412,375,360	-
Net financial assets originated or purchased	424,761,405	2,457,056	-	427,218,461	-
Financial assets derecognised	(255,245,822)	15,411,903	-	270,657,725	-
Balance at 31 December	566,479,040	2,457,056	-	568,936,096	-
Letters of credit:					
Balance at 1 January	47,948,322	22,682,974	-	70,631,296	-
Net financial assets originated or purchased	4,797,522	-	-	4,797,522	-
Financial assets derecognized	(4,254,323)	(22,682,974)	-	(66,937,297)	-
Balance at 31 December	19,121,521	-	-	19,121,521	-

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector

As at 31 December 2018

	Gross Exposure							
	On-statement Of financial Position USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Net Exposure	%
Agribusiness	1,074,418,460	25	199,350,368	28	(140,559,232)	(476,138,225)	657,071,371	25
Banking and Financial Services	198,917,764	5	204,013,500	29	(149)	(61,391,880)	341,539,235	13
Education	2,308,796	-	-	-	-	-	2,308,796	-
Hospitality	34,547,045	1	15,000,000	2	-	-	49,547,045	2
Manufacturing and Heavy Industries	223,670,818	5	3,763,300	1	-	-	227,434,118	8
Other	7,642,328	-	388,775	-	(204,720)	-	7,826,383	-
Health Services	11,985,131	-	15,000,000	2	-	-	26,985,131	1
Energy	192,794,558	5	145,128,143	20	-	(19,179,459)	318,743,242	13
Oil & Gas	1,412,473,215	33	33,422,949	5	(709,659,400)	(496,091,494)	240,145,270	9
Real Estate	38,024,424	1	-	-	-	-	38,024,424	1
Telecommunications	4,620,074	-	6,663,365	1	-	(4,047,378)	7,236,061	-
Infrastructure	589,779,418	14	83,300,000	12	-	(314,011,050)	359,068,368	13
Transport and Logistics	259,221,780	6	1,658,201	-	-	(61,200,000)	199,679,981	7
Wholesale Commodities	91,986,022	2	-	-	-	(19,000,000)	72,986,022	3
ICT	130,926,331	3	-	-	-	-	130,926,331	5
	4,273,316,164	100	707,688,601	100	(850,423,501)	(1,451,059,486)	2,679,521,778	100

**Off–statement of financial position items include loans approved but not disbursed, outstanding letters of credit and guarantees and performance bonds where applicable.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector (continued)

As at 31 December 2017

	Gross Exposure							
	On-statement Of financial Position USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Net Exposure	%
Mining and Quarrying	8,567,631	-	-	-	-	-	8,567,631	-
Agribusiness	910,940,603	23	196,765,320	17	(80,878,832)	(399,656,043)	627,171,048	26
Banking and Financial Services	278,284,537	7	292,026,009	25	2,000,000	(170,427,487)	401,883,059	16
Education	4,037,391	-	-	-	-	-	4,037,391	-
Hospitality	37,182,259	1	15,244,864	1	-	-	52,427,123	2
Manufacturing and Heavy Industries	240,465,941	6	48,677,060	4	-	-	289,143,001	12
Other	73,715,613	2	185,841,241	16	(180,983,268)	(18,000,000)	60,573,586	2
Health Services	15,020,366	-	1,342,852	-	-	-	16,363,218	1
Energy	156,085,001	4	117,959,009	10	-	(24,589,200)	249,454,810	10
Petrochemicals	1,396,665,838	36	264,028,147	23	(720,675,589)	(691,975,775)	248,042,621	10
Real Estate	42,416,192	1	-	-	-	-	42,416,192	2
Telecommunications	91,667,804	3	2,115,912	-	-	(5,059,926)	88,723,790	4
Infrastructure	385,195,515	10	9,523,432	1	-	(280,000,000)	114,718,947	5
Transport and Logistics	273,670,379	7	36,534,089	3	-	(61,200,000)	249,004,468	10
	3,913,915,069	100	1,170,057,935	100	(980,537,689)	(1,650,908,431)	2,452,526,884	100

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country

As at 31 December 2018

	Gross Exposure							
	On-statement of Financial Position USD	%	Off-statement -f Financial Position USD	%	Cash Collateral/ In transit USD	Insurance USD	Net Exposure USD	%
Burundi	13,102,481	-	-	-	-	(4,047,378)	9,055,103	-
Congo DRC	12,958,133	-	-	-	-	-	12,958,133	-
Djibouti	48,980,244	2	-	-	-	-	48,980,244	3
Egypt	29,529,122	1	-	-	-	(19,000,000)	10,529,122	-
Ethiopia	184,184,481	4	108,576,800	15	(149)	-	292,761,132	11
Kenya	657,625,678	15	6,663,365	1	-	(280,000,000)	384,289,043	14
Malawi	439,317,346	10	125,364,368	18	(85,303,325)	(248,000,000)	231,378,389	9
Mauritius	138,937,939	3	78,725,000	11	-	-	217,662,939	8
Mozambique	4,736,869	-	48,133,750	7	-	-	52,870,619	3
Rwanda	460,312,576	11	28,466,575	3	(150,000,000)	(61,200,000)	277,579,151	10
Seychelles	4,318,402	-	-	-	(880)	-	4,317,522	-
Sudan	648,191,877	15	-	-	(214,546,597)	(228,138,225)	205,507,055	8
Tanzania	222,677,538	5	48,911,673	7	382,512	-	271,971,723	10
Uganda	166,941,115	4	118,147,070	17	-	(34,011,050)	251,077,135	9
Zambia	686,824,380	16	60,500,000	9	(955,062)	(496,091,494)	250,277,824	9
Zimbabwe	554,677,983	14	84,200,000	12	(400,000,000)	(80,571,339)	158,306,644	6
	4,273,316,164	100	707,688,601	100	(850,423,501)	(1,451,059,486)	2,679,521,778	100

**Off–statement of financial position items include loans approved but not disbursed, outstanding letters of credit and guarantees and performance bonds where applicable.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country (Continued)

As at 31 December 2017

	Gross Exposure							
	Off-statement Of Financial Position USD	%	Off-statement Of Financial Position USD	%	Cash Collateral/ In transit USD	Insurance USD	Net Exposure USD	%
Burundi	13,064,427	-	-	-	-	(5,059,926)	8,004,501	-
Djibouti	6,505,141	-	1,342,852	-	-	-	7,847,993	-
DR Congo	46,012,291	2	17,500,000	1	-	-	63,512,291	3
Egypt	28,168,977	1	-	-	-	(18,000,000)	10,168,977	-
Ethiopia	123,554,893	3	224,006,841	19	2,000,000	-	349,561,734	14
Kenya	438,090,767	11	38,149,999	3	(1,000)	(280,000,000)	196,239,766	8
Malawi	248,075,222	6	251,900,000	22	(44,311,024)	(228,275,775)	227,388,423	10
Mauritius	128,562,888	3	286,087,668	24	(180,617,792)	(37,500,000)	196,532,764	8
Rwanda	432,130,450	11	29,458,931	3	(140,000,000)	(61,200,000)	260,389,381	11
Seychelles	5,698,688		-	-	(900)	-	5,697,788	-
Sudan	681,130,494	17	-	-	(263,299,240)	(239,848,875)	177,982,379	7
Tanzania	209,885,358	5	73,952,121	7	(3,939,083)	-	279,898,396	11
Uganda	257,938,242	7	18,702,239	2	-	(100,000,000)	176,640,481	7
Zambia	700,420,807	18	49,733,898	4	(368,650)	(550,000,000)	199,786,055	9
Zimbabwe	594,676,424	16	179,223,386	15	(350,000,000)	(131,023,855)	292,875,955	12
	3,913,915,069	100	1,170,057,935	100	(980,537,689)	(1,650,908,431)	2,452,526,884	100

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured loans

During the course of the Bank's normal course of business and lending activities, financial assets may be restructured or modified.

The following tables refer to restructured financial assets where the restructuring does not result in de-recognition

	2018 USD	2017 USD
Financial assets restructured during the year*		
Gross carrying amount before restructuring	56,600,390	20,220,515
Loss allowance before restructuring	(1,525,044)	-
Net amortised cost before restructuring	55,075,336	20,220,515
Net restructuring loss	(209,376)	-
Net amortised cost after restructuring	54,865,960	20,220,515

Financial assets restructured since initial recognition at a time when loss allowance was based on lifetime ECL.

Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL cost after restructuring.

*2018 loss allowance is based on lifetime Expected Credit Loss (ECL) under IFRS 9 while 2017 loss allowance is based on IAS 39 Incurred Loss.

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from financial liabilities. The Bank's liquidity policy ensures that it has resources to meet its net disbursement and debt service obligations and allows it flexibility in deciding the appropriate time to access capital markets.

The Bank holds sufficient liquid assets to enable it to continue normal operations even in the unlikely event that it is unable to obtain fresh resources from its lending partners and the capital markets for an extended period of time. To achieve this objective, the Bank operates on a prudential minimum level of liquidity, which is based on projected net cash requirements.

The prudential minimum level of liquidity is updated quarterly.

The liquidity position statement is presented under the most prudent consideration of maturity dates. Liabilities are classified according to the earliest possible repayment date, while assets are classified according to the latest possible repayment date.

The Bank-wide Integrated Risk Management Committee (BIRMC) is tasked with the responsibility of ensuring that all foreseeable funding commitments can be met when due, and that the Bank will not encounter difficulty in meeting obligations from its financial liabilities as they occur.

BIRMC relies substantially on the Treasury Department to coordinate and ensure discipline, certify adequacy of liquidity under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2018	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	958,325,687	-	182,967,472	4,625,219	-	-	1,145,918,378
Other receivables	71,396,778	117,481	164,047	269,642	301,660	-	72,249,608
Derivative financial instruments	54,042,940	-	-	-	-	-	54,042,940
Trade finance loans	190,018,891	88,866,009	344,140,366	494,825,692	2,177,224,269	41,639,354	3,336,714,581
Project loans	55,099,605	59,790,767	58,900,733	169,856,644	1,359,940,100	642,159,604	2,345,747,453
Equity investment at fair value through other comprehensive income	-	-	-	-	51,521,730	-	51,521,730
Investment in joint venture	-	-	-	-	386,994	-	386,994
Total assets	1,328,883,901	148,774,257	586,172,618	669,577,197	3,589,374,753	683,798,958	7,006,581,684
LIABILITIES							
Short term borrowings	252,645,244	109,832,041	496,795,236	645,204,854	893,220,401	-	2,397,697,776
Long term borrowings	13,560,334	53,351,287	33,689,541	138,683,519	1,552,411,862	357,760,071	2,149,456,614
Collection Account	119,576,580	-	-	-	-	-	119,576,580
Other payables	64,311,909	226,454	333,016	664,306	4,750,909	5,520,749	75,807,343
Total liabilities	450,094,067	163,409,782	530,817,793	784,552,679	2,450,383,172	363,280,820	4,742,538,313
Net liquidity gap	878,789,834	(14,635,525)	55,354,825	(114,975,482)	1,138,991,581	320,518,138	2,264,043,371
Cumulative gap	878,789,834	864,154,309	919,509,134	804,533,652	1,943,525,233	2,264,043,371	2,264,043,371

The above table analyses financial assets and financial liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2017	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	1,232,980,427	-	-	-	-	-	1,232,980,427
Investment in Government securities	57,275,058	-	-	-	-	-	57,275,058
Other receivables	75,847,285	105,758	156,449	235,275	304,184	-	76,648,951
Trade finance loans	100,611,075	225,648,773	336,334,051	1,565,962,488	848,586,613	1,820,500	3,078,963,500
Project loans	11,584,658	210,502,557	124,885,693	128,870,005	785,529,011	375,621,242	1,636,993,166
Equity investment at cost	-	-	-	-	40,257,957	-	40,257,957
Investment in joint venture	-	-	-	-	369,493	-	369,493
Total assets	1,478,298,503	436,257,088	461,376,193	1,695,067,768	1,675,047,258	377,441,742	6,123,488,552
LIABILITIES							
Short term borrowings	253,987,143	357,739,680	68,052,488	671,043,419	998,604,537	-	2,349,427,267
Long term borrowings	25,215,078	43,933,835	24,606,962	326,842,575	1,364,120,384	251,533,898	2,036,252,732
Derivative financial instruments	4,797,549	-	-	-	-	-	4,797,549
Collection Account	127,796,131	-	-	-	-	-	127,796,131
Other payables	73,424,114	304,117	452,983	828,345	4,438,719	2,158,568	81,606,846
Total liabilities	485,220,015	401,977,632	93,112,433	998,714,339	2,367,163,640	253,692,466	4,599,880,525
Net liquidity gap	993,078,488	34,279,456	368,263,760	696,353,429	(692,116,382)	123,749,276	1,523,608,027
Cumulative gap	993,078,488	1,027,357,944	1,395,621,704	2,091,975,133	1,399,858,751	1,523,608,027	1,523,608,027

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of loan commitments and off-balance financial liabilities are as follows:

	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
At 31 December 2018							
Guarantees	-	17,000,000	-	-	-	-	17,000,000
Letters of credit	56,946,523	98,867,112	5,859,604	-	-	-	161,673,239
Loan commitments	52,901,536	105,803,072	158,704,609	211,606,145	-	-	529,015,362
Total	109,848,059	221,670,184	164,564,213	211,606,145	-	-	707,688,601
At 31 December 2017							
Letters of credit	64,183,515	172,281,800	86,207,002	133,562,349	18,892,862	-	475,127,528
Loan commitments	102,299,180	-	411,124,982	181,506,245	-	-	694,930,407
Total	166,482,695	172,281,800	497,331,984	315,068,594	18,892,862	-	1,170,057,935

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

(i) Liquidity and funding management

The Bank's liquidity and funding policies require:

- Entering into lending contracts subject to availability of funds,
- Projecting cash flows by major currency and considering the level of liquid assets necessary in relation thereto,
- Maintaining a diverse range of funding sources with back–up facilities,
- Investment in short term liquid instruments which can easily be sold in the market when the need arises,
- Investments in property and equipment are properly budgeted for and done when the Bank has sufficient cash flows,
- Maintaining liquidity and funding contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications.

(ii) Contingency Plans

The Bank carries out contingency funding planning at the beginning of the year. This details the following measures to combat liquidity crisis:

- Unutilised lines of credit, including standby facilities, from different counter-parties.
- Term deposits with counter-parties and prospects of withdrawal and rollovers.
- Investment portfolio and its defeasance period.
- Amount of short-term resources with a time period, required to raise such resources.
- Amount which can be raised from other counter parties based on the Bank's past relationships.

(d) MARKET RISK

The objective of the Bank's market risk management process is to manage and control market risk exposures in order to optimise return on risk. Market risk is the risk that movement in market factors, including interest rates and foreign currency exchange rates, will reduce income or value of portfolio.

Overall responsibility for management of market risk rests with BIRMC. The Treasury Department is responsible for the development of detailed market risk management policies and for the day-to-day implementation of those policies.

The management of market risk is supplemented by the monitoring of sensitivity analysis of the key market risk variables. The Bank normally uses simulation models to measure the impact of changes in interest rates on net interest income. The key assumptions used in these models include loan volumes and pricing and changes in market conditions. Those assumptions are based on the best estimates of actual positions. The models cannot precisely predict the actual impact of changes in interest rates on income because these assumptions are highly uncertain.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The extent of exposure to interest rate risk is largely determined by the length of time for which the rate of interest is fixed for a financial instrument. The Bank's principal interest rate risk management objective is to generate a suitable overall net interest margin by matching the interest rate characteristic and re-pricing profile of assets with those of the underlying borrowings and equity sources respectively.

39. FINANCIAL RISK MANAGEMENT

(d) MARKET RISK (Continued)

(i) Interest rate risk continued (Continued)

The table below summarises the Bank's exposure to interest rate risk

At 31 December 2018:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	902,029,451	182,967,472	4,625,219	-	-	56,296,236	1,145,918,378
Other receivables	-	-	-	-	914,339	71,335,269	72,249,608
Derivative financial instruments	-	-	-	-		54,042,940	54,042,940
Trade finance loans	203,086,043	781,557,716	478,249,313	-	1,270,551,813	-	2,733,444,885
Project finance loans	72,530,429	1,247,295,494	-	-	109,732,871	-	1,429,558,794
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	51,521,730	51,521,730
Investment in Joint Venture	-	-	-	-	-	386,994	386,994
Total financial assets	1,177,645,923	2,211,820,682	482,874,532	-	1,381,199,023	233,583,169	5,487,123,329
FINANCIAL LIABILITIES							
Short term borrowings	436,539,339	1,628,889,926	315,290,536	-	2,533,800	-	2,383,253,601
Long term borrowings	280,695,902	801,334,166	-	-	700,000,000	-	1,782,030,068
Collection Accounts	-	-	-	-	-	119,576,580	119,576,580
Other payables	-	-	-	-	8,660,284	64,147,059	72,807,343
Total financial liabilities	717,235,241	2,430,224,092	315,290,536	-	711,194,084	183,723,639	4,357,667,592
Net interest rate exposure	460,410,682	(218,403,410)	167,583,996	-	670,004,939	49,859,530	1,129,455,737
Cumulative interest rate exposure	460,410,682	242,007,272	409,591,268	409,591,268	1,079,596,207	1,129,455,737	1,129,455,737

* Fixed interest and non-interest-bearing items are stated at amortised costs or their carrying amounts which approximate their fair values

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

The table below summarises the Bank's exposure to interest rate risk.

At 31 December 2017:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	1,150,579,872	-	-	-	-	82,400,555	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	-	57,275,058
Other receivables	-	-	-	-	854,947	75,794,004	76,648,951
Trade finance loans	418,911,241	729,453,680	213,404,000	19,482,554	1,189,996,805	-	2,571,248,280
Project finance loans	345,717,665	775,878,035	-	-	97,559,575	15,964,874	1,235,120,149
Equity Investments cost	-	-	-	-	-	40,257,957	40,257,957
Investment in Joint Venture	-	-	-	-	-	369,493	369,493
Total financial assets	1,915,208,778	1,505,331,715	213,404,000	19,482,554	1,345,686,385	214,786,883	5,213,900,315
FINANCIAL LIABILITIES							
Short term borrowings	501,955,108	1,226,180,118	352,940,970	-	233,486,087	-	2,314,562,283
Long term borrowings	13,433,428	774,045,655	-	-	920,810,465	-	1,708,289,548
Collection Accounts	-	-	-	-	-	127,796,131	127,796,131
Derivative financial instruments						4,797,549	4,797,549
Other payables	-	-	-	-	7,532,183	74,074,663	81,606,846
Total financial liabilities	515,388,536	2,000,225,773	352,940,970	-	1,161,828,735	206,668,343	4,237,052,357
Net interest rate exposure	1,399,820,242	(494,894,058)	(139,536,970)	19,482,554	183,857,650	8,118,540	976,847,958
Cumulative interest rate exposure	1,399,820,242	(904,926,184)	765,389,214	(784,871,768)	968,729,418	976,847,958	976,847,958

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

Interest rate risk - Sensitivity analysis

The Bank monitors the impact that an immediate hypothetical increase or decrease in interest rates of 100 basis points applied at the beginning of the year would have on net interest income.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at year end. The analysis was prepared using the following assumptions:

- Interest-bearing assets and liabilities outstanding as at 31 December 2018 were outstanding at those levels for the whole year,
- Interest-bearing assets and liabilities denominated in currencies other than USD experienced similar movements in interest rates, and
- All other variables are held constant.

If interest rates had been 100 basis points higher or lower with the above assumptions applying, the Bank's net profit for the year ended 31 December 2018 of USD 129,325,392 (2017: USD 111,864,421) would increase or decrease by USD 4,098,006 (2017 - USD 7,848,718) as follows:

Effect on the Bank's Net Profit:

The profit for the year ended 31 December 2018 would increase to USD 133,423,398 (2017: USD 119,713,139) or decrease to USD 125,227,386 (2017: USD 104,015,703).

The potential change is 3.2% (2017 – 7%) of the year's profit.

(ii) Currency risk

Currency risk is defined as the potential loss that could result from adverse changes in foreign exchange rates. Currency risks are minimised and, where possible, eliminated by requiring assets to be funded by liabilities that have matching currency characteristics.

Foreign currency positions are monitored on a quarterly basis. The single currency exposure, irrespective of short or long positions should not exceed the limit of 10% of the Bank's net worth.

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2018 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	OTHER	TOTAL
FINANCIAL ASSETS											
Cash and balances with other banks	975,223,472	17,258	18,937,550	5,038	34,091,883	4,632,245	18,456,873	85,631,536	2,805,352	6,117,171	1,145,918,378
Other receivables	2,249,608	-	70,000,000	-	-	-	-	-	-	-	72,249,608
Derivative Financial Investment	1,088,955,690		(1,034,912,750)	-	-	-	-	-	-	-	54,042,940
Trade finance loans	1,591,736,052	-	1,141,708,833	-	-	-	-	-	-	-	2,733,444,885
Project finance loans	1,402,654,661	-	20,336,543	-	-	-	-	-	6,567,590	-	1,429,558,794
Equity Investments at fair value through other comprehensive income	51,521,730	-	-	-	-	-	-	-	-	-	51,521,730
Investment in joint Venture	386,994	-	-	-	-	-	-	-	-	-	386,994
Total financial assets	5,112,728,207	17,258	216,070,176	5,038	34,091,883	4,632,245	18,456,873	85,631,536	9,372,942	6,117,171	5,487,123,329
FINANCIAL LIABILITIES											
Short term borrowings	2,285,474,141	-	97,779,460	-	-	-	-	-	-	-	2,383,253,601
Long term borrowings	1,777,327,209	-	-	-	-	-	-	-	4,702,859	-	1,782,030,068
Collection account	205,749.05				33,461,879			85,519,973	(587,232)	976,211	119,576,580
Other payables	72,649,235	-	-	152,773	-	-	-	-	-	5,335	72,807,343
Total financial liabilities	4,135,656,334	-	97,779,460	152,773	33,461,879	-	-	85,519,973	4,115,627	981,546	4,357,667,592
NET POSITION	977,071,873	17,258	118,290,716	(147,735)	630,004	4,632,245	18,456,873	111,563	5,257,315	5,135,625	1,129,455,737

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(iii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2017 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	OTHER	TOTAL
FINANCIAL ASSETS											
Cash and balances with other banks	1,014,605,073	425	77,072,156	16,975	82,400,265	4,401,265	4,888,870	44,420,987	3,953,925	1,220,486	1,232,980,427
Investment in Government securities	57,275,058	-	-	-	-	-	-	-	-	-	57,275,058
Other receivables	76,648,951	-	-	-	-	-	-	-	-	-	76,648,951
Trade finance loans	1,394,732,339	-	1,176,515,941	-	-	-	-	-	-	-	2,571,248,280
Project finance loans	1,202,942,585	-	23,423,835	-	-	-	-	-	8,753,729	-	1,235,120,149
Equity Investments at cos	40,257,957	-	-	-	-	-	-	-	-	-	40,257,957
Investment in joint venture	369,493	-	-	-	-	-	-	-	-	-	369,493
Total financial assets	3,786,831,455	425	1,277,011,932	16,975	82,400,556	4,401,265	4,888,870	44,420,987	12,707,654	1,220,486	5,213,900,315
FINANCIAL LIABILITIES											
Short term borrowings	2,183,627,303	-	130,934,980	-	-	-	-	-	-	-	2,314,562,283
Long term borrowings	1,700,730,044	-	-	-	-	-	-	-	7,559,504	-	1,708,289,548
Collection account	(1,632,500)	-	-	-	80,877,832	-		44,311,024	3,573,608	666,167	127,796,131
Derivative financial instruments	(1,087,446,834)	-	1,092,244,383	-	-	-	-	-	-	-	4,797,549
Other payables	81,449,473	-	-	151,023	-	-	-	-	-	6,350	81,606,846
Total financial liabilities	2,876,727,486	-	1,223,179,363	151,023	80,877,832	-	-	44,311,024	11,133,112	672,517	4,237,052,357
NET POSITION	910,103,970	425	53,832,569	(134,048)	1,522,433	4,401,265	4,888,870	109,963	1,574,542	547,679	976,847,958

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(iii) Currency Risk (Continued)

Currency risk - Sensitivity Analysis

The Bank is mainly exposed to Euros, Pound Sterling, Kenya Shillings, Tanzania Shillings, Sudanese Pounds, and Uganda Shilling. The following analysis details the Bank's sensitivity to a 10% increase and decrease in the value of the USD against the other currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes cash and term deposits, securities, loans and borrowings in currencies other than United States Dollars. A positive number below indicates a decrease in profit and reserves when the USD strengthens by 10% against the other currencies in which the Bank has a net asset position. For a 10% weakening of the USD against the relevant currencies, there would be an equal opposite impact on the net profit.
The Bank has operations in and lends to customers in Zimbabwe but all the transactions are made in USD.

	GBP	EURO	KES	TSH	AED	SDG	UGX
2018	2,291	10,778,941	(1,110)	230	502,451	2,135	(11,150)
2017	287	6,913,644	(143)	72	124,440	15,708	(33,941)

40. CAPITAL MANAGEMENT

The Bank, being a supranational financial institution, is not subject to any regulatory supervision by a national body. The conduct of operations is vested with the Board of Directors which closely monitors directly or through its Audit Committee the Bank's performance, risk profile and capital adequacy.

Based on the need to protect against increased credit risks associated with projects and infrastructure financing in developing African economies, the Bank's capital management policy aims to maintain a capital adequacy ratio of at least 30 per cent. This ratio is computed in line with recommendations of the paper prepared by the Basel Committee on Banking Supervision entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988 as amended from time to time (Basel I paper) and 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).

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To have sufficient capital to support its development mandate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to Member States and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is monitored monthly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee. Currently, the Bank's capital is entirely Tier 1 capital which is: Paid-up share capital, retained earnings and other reserves.

40. CAPITAL MANAGEMENT (Continued)

Risk-weighted assets are measured by means of a hierarchy of seven risk weights classified to reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

A summary of the Bank's capital adequacy computations is provided below.

	2018 USD	2017 USD
RISK WEIGHTED ASSETS		
On-Statement of financial position assets	3,336,944,081	2,657,945,022
Off- Statement of financial position assets	32,334,648	95,025,505
Total risk weighted assets	3,369,278,729	2,752,970,527
CAPITAL		
Paid up capital	461,742,558	431,225,426
Retained earnings and reserves	730,283,193	589,810,739
Total capital	1,192,025,751	1,021,036,165
CAPITAL ADEQUACY RATIO	35.4%	37.1%

In addition to its paid-up capital, the Bank has access to additional capital in the form of callable capital. During the years, the Bank complied with its capital adequacy requirements. There were no events after the reporting date.

41. FINANCIAL INSTRUMENTS CATEGORIES

The table below sets out the Bank's analysis of financial instrument categories.

As at 31 December 2018:	Amortised Cost USD	At fair value through profit or loss USD	At fair value through other comprehensive income USD	Total carrying amount USD
Financial assets				
Cash and balances held with banks	1,145,918,378	-	-	1,145,918,378
Other receivables	72,249,608	-	-	72,249,608
Trade finance loans	2,733,444,885	-	-	2,733,444,885
Project finance loans	1,429,558,794	-	-	1,429,558,794
Equity investments at fair value through other comprehensive income	-	-	51,521,730	51,521,730
Investment in joint ventures	386,994	-	-	386,994
Derivative financial instruments	-	54,042,940	-	54,042,940
Total financial assets	5,381,558,659	54,042,940	51,521,730	5,487,123,329
Financial liabilities				
Collection account deposits	119,576,580	-	-	119,576,580
Short term borrowings	2,383,253,601	-	-	2,383,253,601
Long term borrowings	1,782,030,068	-	-	1,782,030,068
Other payables	72,807,343	-	-	72,807,343
Total financial liabilities	4,357,667,592	-	-	4,357,667,592

Note: The classification as at 31 December 2018 is based on IFRS 9.

41. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

As at 31 December 2017:	Loans and receivables USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Held to Maturity USD	Total carrying amount USD
Financial assets						
Cash and balances held with banks	1,232,980,427	-	-	-	-	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	57,275,058
Other receivables	76,648,951	-	-	-	-	76,648,951
Trade finance loans	2,571,248,280	-	-	-	-	2,571,248,280
Project finance loans	1,235,120,149	-	-	-	-	1,235,120,149
Equity investments at cost	-	-	40,257,957	-	-	40,257,957
Investment in joint ventures	-	-	369,493	-	-	369,493
Total financial assets	5,115,997,807	-	40,427,450	-	57,275,058	5,213,900,315
Financial liabilities						
Collection account deposits	127,796,131	-	-	-	-	127,796,131
Derivative financial instruments	-	4,797,549	-	-	-	4,797,549
Short term borrowings	2,314,562,283	-	-	-	-	2,314,562,283
Long term borrowings	1,708,289,548	-	-	-	-	1,708,289,548
Other payables	81,606,846	-	-	-	-	81,606,846
Total financial liabilities	4,232,254,808	4,797,549	-	-	-	4,237,052,357

Note: The classification as at 31 December 2017 is based on IAS 39.

42. TRADE FINANCE LOAN PORTFOLIO

	As at 31 December 2018			As at 31 December 2017		
Country	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD
Congo DRC	10,053,966	53,966	10,000,000	2,530,000	2,530,000	-
Djibouti	5,338,371	29,200	5,309,171	4,948,151	548,684	4,399,467
Egypt	29,529,122	29,529,122	-	28,168,977	28,168,977	-
Ethiopia	110,056,653	31,343,679	78,712,974	58,307,075	8,306,721	50,000,354
Kenya	30,493,663	980,363	29,513,300	25,708,146	4,591,646	21,116,500
Malawi	439,317,346	173,701,598	265,615,748	241,879,726	118,177,171	123,702,555
Mauritius	10,852,025	10,852,025	-	43,647,842	43,647,842	-
Rwanda	196,309,241	1,309,241	195,000,000	140,150,914	-	140,150,914
Sudan	611,176,960	138,770,894	472,406,066	646,441,078	122,706,295	523,734,783
Tanzania	179,263,850	113,323,337	65,940,513	169,760,948	100,417,163	69,343,785
Uganda	78,938,128	37,321,450	41,616,678	177,230,606	69,237,311	107,993,295
Zambia	670,633,392	134,633,392	536,000,000	679,696,821	41,501,167	638,195,654
Zimbabwe	441,435,129	12,430,788	429,004,341	428,159,271	26,239,089	401,920,182
Gross Loans	2,813,397,846	684,279,055	2,129,118,791	2,646,629,555	566,072,066	2,080,557,489
Less: Impairment on trade finance loans (Note 17)	(79,952,961)	-	(79,952,961)	(75,381,275)	-	(75,381,275)
NET LOANS	2,733,444,885	684,279,055	2,049,165,830	2,571,248,280	566,072,066	2,005,176,214

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
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43. PROJECT LOAN PORTFOLIO

						As at 31 December 2018			As at 31 December 2017	
Country	Amounts Disbursed USD	Interest Capitalized USD	Amounts Repaid USD	Interest Receivable USD	Balance Outstanding USD	Due within One year USD	Due after One year USD	Balance Outstanding USD	Due Within One year USD	Due after One year USD
Burundi	26,176,875	1,192,186	(15,240,573)	973,994	13,102,482	4,788,604	8,313,878	13,064,427	2,679,656	10,384,771
Congo DRC	2,835,000	-	-	69,168	2,904,168	2,388,540	41,253,333	43,482,291	2,228,958	41,253,333
Djibouti	44,200,000	-	(2,946,666)	2,388,540	43,641,874	600,730	2,303,438	1,556,990	64,843	1,492,147
Eritrea	403,652	-	(403,652)	-	-	-	-	-	-	-
Ethiopia	118,686,267	603,611	(48,551,941)	3,389,890	74,127,827	5,466,504	68,661,323	65,247,817	12,514,129	52,733,688
Kenya	968,413,563	1,532,900	(354,048,895)	11,234,446	627,132,014	67,539,019	559,592,995	412,382,620	51,480,420	360,902,200
Malawi	60,793,337	2,920	(60,796,257)	-	-	-	-	6,195,495	6,195,497	(2)
Mauritius	138,914,516	-	(11,566,112)	737,511	128,085,915	19,892,107	108,193,807	84,915,046	2,981,158	81,933,888
Mozambique	4,666,250	-	-	70,619	4,736,869	70,619	4,666,250	-	-	-
Rwanda	375,079,500	3,612,691	(118,071,523)	3,382,667	264,003,335	33,772,051	230,231,284	291,979,537	189,653,714	102,325,823
Seychelles	41,364,276	-	(37,046,094)	220	4,318,402	1,363,856	2,954,546	5,698,687	1,380,506	4,318,181
Sudan	45,106,624	17,056,064	(25,392,904)	245,132	37,014,916	245,132	36,769,784	34,689,416	20,549,806	14,139,610
Tanzania	204,861,005	682,910	(163,634,208)	1,503,981	43,413,688	11,762,367	31,651,321	40,124,412	15,513,281	24,611,131
Uganda	232,819,778	6,103,522	(156,882,191)	5,961,877	88,002,986	23,749,363	64,253,624	80,707,638	29,104,023	51,603,615
Zambia	131,225,914	25,086,069	(140,120,995)	-	16,190,988	7,601,691	8,589,297	20,723,986	8,574,675	12,149,311
Zimbabwe	324,592,236	709,656	(216,245,308)	4,186,270	113,242,854	42,434,812	70,808,043	166,517,152	42,665,433	123,851,719
Gross loans	2,720,138,793	56,582,529	(1,350,947,319)	34,144,315	1,459,918,318	221,675,395	1,238,242,923	1,267,285,514	385,586,099	881,699,415
Less: Impairment on project loans (note 17)					(30,359,524)	-	(30,359,524)	-	-	(32,165,365)
NET LOANS					1,429,558,794	221,675,395	1,238,242,923	1,235,120,149	385,586,099	849,534,050

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2018:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2018 USD	Instalments paid as at 31.12.2018 USD
Belarus	1,205	1.49	27,313,735	21,850,988	5,462,747	5,462,747	5,462,747
Burundi	1,602	1.98	36,312,534	29,050,027	7,262,507	7,262,507	7,262,507
China	4,433	5.48	100,482,811	80,386,249	20,096,562	20,096,562	20,096,562
Comoros	173	0.21	3,921,391	3,137,113	784,278	784,278	784,278
Djibouti	380	0.47	8,613,460	6,890,768	1,722,692	1,722,692	1,722,692
Congo DRC	5,607	6.93	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Egypt	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Eritrea	240	0.30	5,440,080	4,352,064	1,088,016	1,088,016	709,306
Ethiopia	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Kenya	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Madagascar	442	0.55	10,018,814	8,015,051	2,003,763	400,753	400,753
Malawi	1,721	2.13	39,009,907	31,207,926	7,801,981	7,801,981	7,801,981
Mauritius	3,293	4.07	74,642,431	59,713,945	14,928,486	14,928,486	14,928,486
Mozambique	2,252	2.78	51,046,084	40,836,869	10,209,215	6,208,944	4,208,806
Rwanda	1,957	2.42	44,359,319	35,487,455	8,871,864	8,871,864	8,871,864
Seychelles	351	0.43	7,956,117	6,364,894	1,591,223	1,591,223	1,591,223
Somalia	318	0.39	7,208,106	5,766,485	1,441,621	1,441,621	939,830
South Sudan	2,209	2.73	50,071,403	40,057,122	10,014,281	10,014,281	10,014,281
Sudan	5,277	6.52	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
eSwatini	444	0.55	10,064,148	8,051,318	2,012,830	1,211,324	810,572
Tanzania	6,735	8.33	152,662,245	122,129,796	30,532,449	30,532,449	30,532,449
Uganda	5,129	6.34	116,259,043	93,007,234	23,251,809	23,251,809	23,251,809
Zambia	5,989	7.40	135,752,663	108,602,130	27,150,533	27,150,533	27,150,533
Zimbabwe	6,337	7.83	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,911	4.83	88,650,637	70,920,510	17,730,127	17,730,127	17,730,127
	80,891	100	1,833,556,297	1,466,845,038	366,711,259	360,306,472	357,025,081

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

Class 'B' shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
As at 31December 2018:							
Total Shares Issued	220,584	100%	1,000,000,000				
African Development Bank	3,333	14.43	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Africa Reinsurance Corporation	780	3.38	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
BADEA – Arab Bank for Economic Development in Africa	960	4.16	4,352,084	4,352,084	4,352,084	5,649,196	10,001,280
Banco Nacional de Investmento	888	3.84	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.17	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,787	7.74	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	2,966	12.84	13,446,125	13,446,125	13,446,125	12,381,427	25,827,552
OPEC Fund for International Development (OFID)	2,054	8.89	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	15.39	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	3,066	13.27	13,899,467	13,899,467	13,899,467	7,893,485	21,792,952
Sacos Group Limited	121	0.52	548,544	548,544	548,544	454,304	1,002,848
Seychelles Pension Fund	1,029	4.45	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
TDB Directors and Select Stakeholders Provident Fund	87	0.38	394,408	394,408	394,408	145,292	539,700
TDB Staff Provident Fund	1,368	5.92	6,201,717	6,201,717	6,201,717	2,164,875	8,366,592
ZEP-RE (PTA Reinsurance company)	834	3.61	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	23,099	100	104,717,477	104,717,477	104,717,477	60,500,611	165,218,088

Class'B' shares were first issued in 2013 following approval by the Board of Governors in December 2012 to increase the Banks's authorized capital from USD 2.0 billion to USD 3.0 billion. This increase was achieved through the creation of new class 'B' shares of par value of USD 4,533.420375 each. Class 'B' shares do not have a callable portion and are payable at once.

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

As at 31 December 2017:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2017 USD	Instalments paid as at 31.12.2017 USD
Belarus	1,156	1.51	26,203,052	20,962,442	5,240,610	4,240,542	4,240,542
Burundi	1,500	1.96	34,000,500	27,200,400	6,800,100	6,800,100	6,800,100
China	4,150	5.42	94,068,050	75,254,440	18,813,610	18,813,610	18,813,610
Comoros	164	0.21	3,717,388	2,973,910	743,478	743,478	743,478
Djibouti	356	0.47	8,069,452	6,455,562	1,613,890	1,613,890	1,613,890
Congo DRC	5,340	6.98	121,041,780	96,833,424	24,208,356	24,208,356	21,878,078
Egypt	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Eritrea	240	0.31	5,440,080	4,352,064	1,088,016	1,088,016	664,089
Ethiopia	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Kenya	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Malawi	1,611	2.11	36,516,537	29,213,230	7,303,307	7,303,307	7,303,307
Mauritius	3,083	4.03	69,882,361	55,905,889	13,976,472	13,976,472	13,976,472
Mozambique	2,220	2.90	50,320,740	40,256,592	10,064,148	4,063,740	4,063,740
Rwanda	1,838	2.40	41,661,946	33,329,557	8,332,389	8,332,389	8,332,389
Seychelles	329	0.43	7,457,443	5,965,954	1,491,489	1,491,489	1,491,489
Somalia	318	0.42	7,208,106	5,766,485	1,441,621	1,441,621	879,919
South Sudan	2,206	2.88	50,003,402	40,002,722	10,000,680	10,000,680	10,000,680
Sudan	5,277	6.90	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
eSwatini	442	0.58	10,018,814	8,015,050	2,003,764	801,505	400,753
Tanzania	6,306	8.24	142,938,102	114,350,482	28,587,620	28,587,620	28,587,620
Uganda	4,830	6.31	109,481,610	87,585,288	21,896,322	20,731,238	20,731,238
Zambia	5,607	7.33	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Zimbabwe	6,337	8.28	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,662	4.79	83,006,554	66,405,243	16,601,311	16,601,311	16,601,311
	76,526	100	1,734,614,842	1,387,691,874	346,922,968	337,555,149	333,838,490

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

As at 31 December 2017: Class 'B' Shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
Africa Reinsurance Corporation	780	3.63	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
African Development Bank	3,333	15.52	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Investmento	888	4.13	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.26	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,787	8.32	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	2,880	13.41	13,056,251	13,056,251	13,056,251	11,875,353	24,931,604
OPEC Fund for International Development (OFID)	2,054	9.56	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	16.55	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	2,983	13.89	13,523,193	13,523,193	13,523,193	7,405,065	20,928,258
Seychelles Pension Fund	1,029	4.79	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
Sacos Group Limited	121	0.56	548,544	548,544	548,544	454,304	1,002,848
TDB Staff Provident Fund	920	4.28	4,170,745	4,170,745	4,170,745	1,349,255	5,520,000
TDB Directors and Select Stakeholders Provident Fund	47	0.22	213,071	213,071	213,071	72,469	285,540
ZEP-RE (PTA Reinsurance company)	834	3.88	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	21,482	100	97,386,936	97,386,936	97,386,936	52,968,478	150,355,414

EASTERN AND SOUTHERN AFRICAN
TRADE AND DEVELOPMENT BANK
(TDB - formerly PTA Bank)

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2017

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

BOARD OF GOVERNORS

SHAREHOLDERS (EACH SHAREHOLDER IS REPRESENTED BY A GOVERNOR ON THE BOARD OF GOVERNORS)

MEMBER STATES

Republic of Rwanda

United Republic of Tanzania

Republic of Zambia

Republic of Mauritius

Republic of Seychelles

Republic of Uganda

Republic of Burundi

Union of the Comoros

Arab Republic of Egypt

State of Eritrea

Republic of Kenya

Republic of Malawi

Republic of Zimbabwe

Republic of Djibouti

Republic of Sudan

Federal Democratic Republic of Ethiopia

Democratic Republic of Congo

Federal Republic of Somalia

Republic of South Sudan

Kingdom of Swaziland

Republic of Mozambique

NON-REGIONAL MEMBERS

People's Republic of China (represented by the People's Bank of China)

Republic of Belarus -Paritetbank

INSTITUTIONS

African Development Bank

National Pension Fund-Mauritius

Mauritian Eagle Insurance Company Limited

Rwanda Social Security Board

Banco Nacional de Investimento

Seychelles Pension Fund

Africa Re- Insurance Company

ZEP-RE (PTA Reinsurance Company)

National Social Security Fund - Uganda

SACOS Group Limited

OPEC Fund for International Development

TDB Staff Provident Fund

TDB Directors and Select Stakeholders Provident Fund

DIRECTORS

Mr. John Bosco Sebabi	Non-Executive Director for All Other Shareholders Chairman, Board of Directors
Mr. Gerard Bussier	Non-Executive Director for Zimbabwe, Mauritius, Rwanda and Eritrea
Mr. Peter Simbani	Non-Executive Director for Seychelles, Ethiopia, Burundi and Malawi
Dr. Natu Mwamba	Non-Executive Director for Egypt, Tanzania, Djibouti and Swaziland
Mr. Said Mhamadi	Non-Executive Director for Uganda, Sudan, DR Congo and Comoros (with effect from 31 August 2017)
Ms. Isabel Sumar	Non-Executive Director for Kenya, Zambia, Mozambique and Somalia
Mr. Liu Mingzhi	Non-Executive Director for Non-African States
Mr. Mohamed Kalif	Non-Executive Director for African Institutions
Mr. Juste Rwamabuga	Non-Executive Independent Director
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Admassu Tadesse	President and Chief Executive
Mr. Samuel Mivedor	Non-Executive Alternate Director for African Institutions
Ms. Kampeta Sayinzoga	Non-Executive Alternate Director for Zimbabwe, Mauritius, Rwanda and Eritrea
Mr. Rupert Simeon	Non-Executive Alternate Director for Seychelles, Ethiopia, Burundi and Malawi
Prof. Oliver Saasa	Non-Executive Alternate Director for Kenya, Zambia, Mozambique and Somalia
Mr. Gerome Kamwanga	Non-Executive Alternate Director for Uganda, Sudan, DR Congo and Comoros
Ms. Mariam Hamadou	Non-Executive Alternate Director for Egypt, Tanzania, Djibouti and Swaziland
Ms. Lekha Nair	Non-Executive Alternate Director for All Other Shareholders
Ms. Li Xiaoping	Non-Executive Alternate Director for Non-African States (with effect from 1 October 2017)
Ms. Li Hui	Non-Executive Alternate Director for Non-African States (up to 1 October 2017)

AUDITORS	Ernst & Young LLP Kenya Re Towers, Upperhill Off Ragati Road P. O. Box 44286 - 00100 Nairobi, Kenya	
LAWYERS	Various	
HEADQUARTERS	TDB Headquarters 2nd Floor, Blue Tower Rue de L'Institute, Ebene P. O. Box 43, Reduit, Mauritius Telephone: +230- 4676021/4676016 Fax:+230-4675971 Email :Official@ptabank.org	TDB Headquarters Chaussee, Prince Louis, Rwagasore P. O. Box 1750, Bujumbura, Burundi Telephone :257 (22) 4966 / 257 (22) 4625 Fax :257 (22) 4983 Email :Official@ptabank.org
OTHER OFFICES	TDB Nairobi Regional Office : East Africa 197 Lenana Place, Lenana Road P. O. Box 48596 - 00100 Nairobi, Kenya Telephone :254 (20) 2712250 Fax :254 (20) 2711510 Swift :ESATKENA	
	TDB Harare Regional Office: Southern Africa 70 Enterprise Road Harare, Zimbabwe Telephone: 263(4)788330-3/788336-9/788317 FCT Line : +263-7827884955 Fax :+263-772788345	
	TDB Addis Ababa Regional Office: Horn of Africa and North Africa UNDP Compound Main Bole Rd, Olympia Roundabout, DRC St. Kirkos Subcity, Kebele 01, House No. 119, Addis Ababa, Ethiopia	

The directors have pleasure in presenting their report and the audited financial statements of the Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) for the year ended 31 December 2017.

1. PRINCIPAL ACTIVITIES

The principal activity of the Bank is to finance, where possible, viable projects and trade activities which have the potential to make the economies of the Member States increasingly complimentary to each other.

The Bank is established by a Charter pursuant to Chapter 9 of the Treaty for the establishment of the Preferential Trade Area (PTA), as subsequently repealed and replaced by the Treaty for the Common Market for the Eastern and Southern African States (COMESA).

2. RESULTS

The results for the period are set out on page 10.

3. DIVIDEND

The Board has recommended a dividend of USD 308.67 (2016: USD 304.21) per share subject to the approval of the shareholders at the Annual General Meeting.

4. BOARD OF GOVERNORS

The current shareholders are shown on page 1.

In accordance with the Bank's Charter, each member shall appoint one governor.

5. DIRECTORS

The current members of the Board of Directors are shown on page 2.

In accordance with the Bank's Charter, and subject to re-appointment by the Board of Governors, the directors hold office for a term of three years and are, therefore, not subject to retirement by rotation annually.

6. AUDITORS

The Bank's auditors, Ernst & Young LLP, have served their full term and are not eligible for re-appointment in accordance with Article 26 (2) (e) of the Charter of the Bank.

By Order of the Board

Chairman

....2018

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

The Bank's Charter requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Bank's Charter. The directors are of the opinion that the annual financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Director

12/April----------------2018

Director

12/April-------------------------2018

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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)

Opinion

We have audited the accompanying financial statements of Eastern and Southern African Trade and Development Bank (the "Bank"), which comprise the statements of financial position as at 31 December 2017 and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 10 to 93.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank's Charter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Credit risk and impairment of loans and advances to customers	
Loans and advances to customers comprising trade finance loans and project finance loans as disclosed in notes 15 and 16 to the financial statements, represent 72% (2016: 76%) of the total assets of the Bank. The estimation of impairment of these loans and advances is a subjective area due to the significant judgment required in determining whether a loss event has occurred. Management also applies subjective assumptions in estimating the amount and timing of future cash flows when determining provision for impaired loans. There is a risk that the assumptions used may be inappropriate and hence the estimated impairment loss may be inadequate. Further, the Bank has disclosed in note 3(a), reasonably estimable information relevant to assessing the possible impact that application of the new IFRS 9 - *Financial Instruments* will have on the entity's financial statements in the period of initial application. The new standard which became effective on 1 January 2018, changes the way the Bank calculates impairment of loans and advances from an incurred loss model to an expected credit loss model. Subjective assumptions are required in determining the inputs to the model which are forecasts of future events and economic conditions to be used when determining significant increases in credit risk in order to measure expected impairment losses. Due to the significance of loans and advances and the related estimation process which is highly subjective, impairment of loans and advances was considered a key audit matter. We also considered the disclosures of these items included in notes 3(a), 15, 16 and 17 to be important to the users of the financial statements.	We evaluated the key controls over the approval, recording and monitoring of loans and advances. We tested the completeness and accuracy of the underlying loan data used in the impairment calculation by agreeing details to the Bank's source systems. We determined, for a sample of loans, whether key judgments were appropriate given the borrowers' circumstances. The key judgements we evaluated include whether the Bank's assumptions on the expected future cash flows, including the value of realizable collateral, was based on up-to-date valuations and available market information.. For a sample of individually impaired loans, we recalculated management's provision amount to check for arithmetical accuracy. We evaluated the aging of a sample of loans within the loan risk classification categories to ensure that the loans were included in the right category, and provisioned accordingly. For the general provision, which reflects losses incurred but not yet identified, we re-computed the provisions applied against respective loan categories for a sample of loans. We evaluated the model used and assumptions made by management in arriving at the possible impact of the application of IFRS 9 on the financial statements for purposes of disclosure. We further focused on the adequacy of the Bank's disclosure regarding the loan provisions and the related risks such as credit risk, liquidity risk and the aging of the loans.

Other Information

The directors are responsible for the other information. The other information comprises the Corporate Information and the Report of the Directors, which we obtained prior to the date of this report, and the Chairperson's Statement, President's Statement, Statement on Corporate Governance, Sustainability Reporting Statement, Corporate Information and Information on Economic Environment, Financial Management and Operations, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairperson's Statement; President's Statement; Statement on Corporate Governance; Sustainability Reporting Statement; Corporate Information and Information on Economic Environment, Financial Management, and Operations, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The directors are responsible for the preparation of financial statements and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Nancy Muhoya - P/No. P.2158

Ernst & Young

Nairobi, Kenya

12 April 2018

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		USD	USD
INCOME			
Interest income	4	276,013,942	225,175,284
Interest expense	5	(143,851,524)	(95,047,629)
Borrowing and financing costs	6	(6,524,928)	(13,661,851)
Interest and similar expense		(150,376,452)	(108,709,480)
Net interest income		125,637,490	116,465,804
Fee and commission income	7a	56,804,279	55,010,879
Net trading income		182,441,769	171,476,683
Risk mitigation costs	7b	(37,389,840)	(13,054,101)
Other income	8	12,575,263	3,560,560
OPERATING INCOME		157,627,192	161,983,142
EXPENDITURE			
Operating expenses	9	(30,784,811)	(31,522,886)
Impairment on other financial assets	11	-	(21,765)
Impairment allowance on project and trade finance loans	17	(25,323,332)	(23,114,269)
Impairment of equity instruments at cost	18	-	(2,805,523)
Net foreign exchange gains/(losses)		10,345,372	(3,062,468)
TOTAL EXPENDITURE		(45,762,771)	(60,526,911)
PROFIT FOR THE YEAR		111,864,421	101,456,231
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		111,864,421	101,456,231
EARNINGS PER SHARE:			
Basic	12	1,236	1,220
Diluted	12	1,176	1,153

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 USD	2016 USD
ASSETS			
Cash and balances held with other banks	13	1,232,980,427	594,835,619
Derivative financial instruments	14	-	75,760,442
Trade finance loans	15	2,571,248,280	2,393,142,910
Project loans	16	1,235,120,149	846,886,728
Investment in Government securities	20	57,275,058	214,699,238
Other receivables	21	106,477,488	79,543,167
Equity investments -at cost	18	40,257,957	17,496,672
Investment in joint venture	19	369,493	369,493
Deferred expenditure	22	-	18,095,167
Property and equipment	23	19,631,950	19,638,542
Intangible assets	24	1,338,030	784,175
TOTAL ASSETS		5,264,698,832	4,261,252,153
LIABILITIES AND EQUITY			
LIABILITIES			
Collection account deposits	25	127,796,131	171,770,025
Derivative financial instruments	14	4,797,549	-
Short term borrowings	26	2,314,562,283	2,369,322,431
Provision for service and leave pay	29	6,558,688	5,838,723
Other payables	28	81,658,467	63,621,398
Long term borrowings	27	1,708,289,548	794,214,640
TOTAL LIABILITIES		4,243,662,666	3,404,767,217
EQUITY			
Share capital	30	431,225,426	372,050,939
Share premium	30	52,968,478	35,106,661
Retained earnings		509,435,480	424,977,842
Proposed dividend	30	27,406,782	24,349,494
TOTAL EQUITY		1,021,036,166	856,484,936
TOTAL LIABILITIES AND EQUITY		5,264,698,832	4,261,252,153

The financial statements were approved by the board of directors on 12/April 2018
and were signed on its behalf by:

President 12/April/2018

Director 12/April/2018

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Total equity USD
At 1 January 2016	339,741,093	26,870,808	347,871,106	21,785,528	736,268,535
Capital subscriptions (Note 30)	32,309,846	-	-	-	32,309,846
Share Premium (note 30)	-	8,235,853	-	-	8,235,853
Proposed dividend (note 30)	-	-	(24,349,495)	24,349,495	-
Dividend declared and paid (note 30)	-	-	-	(21,450,507)	(21,450,507)
Dividend declared and payable (note 28)	-	-	-	(335,022)	(335,022)
Total comprehensive income for the year	-	-	101,456,231	-	101,456,231
At 31 December 2016	372,050,939	35,106,661	424,977,842	24,349,494	856,484,936
At 1 January 2017	372,050,939	35,106,661	424,977,842	24,349,494	856,484,936
Capital subscriptions (Note 30)	59,174,487	-	-	-	59,174,487
Share Premium (Note 30)	-	17,861,817	-	-	17,861,817
Proposed dividend (note 30)	-	-	(27,406,783)	27,406,783	-
Dividend declared and paid (note 30)	-	-	-	(23,293,199)	(23,293,199)
Dividend declared and payable (note 28)	-	-	-	(1,056,296)	(1,056,296)
Total comprehensive income for the year	-	-	111,864,421	-	111,864,421
At 31 December 2017	431,225,426	52,968,478	509,435,480	27,406,782	1,021,036,166

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 USD	2016 USD
OPERATING ACTIVITIES			
Net cash generated from operations	31(a)	449,996,859	(94,032,484)
INVESTING ACTIVITIES			
Purchase of property and equipment	23	(852,533)	(499,302)
Proceeds from disposal of property and equipment	23	2,266	17,402
Purchase of intangible assets	24	(928,099)	(589,119)
Acquisition of equity investments	18	(22,761,285)	(139,775)
Disposal of equity investments	18	-	288,500
Acquisition of Interest in Joint Venture	19	-	(35,001)
Proceeds from redemption of Government securities	20	159,180,887	27,102,693
Net cash generated from investing activities		134,641,236	26,145,398
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	30	59,174,487	32,309,846
Proceeds from share premium	30	17,861,817	8,235,853
Payment of dividends	30	(23,293,199)	(21,785,529)
Net cash generated from financing activities		53,743,105	18,760,170
INCREASE/(DECREASE) IN CASH AND CASH		638,381,200	(49,126,916)
Foreign exchange (loss)/gain on cash and cash equivalents		(236,392)	447,997
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		594,835,619	643,514,538
CASH AND CASH EQUIVALENTS AT END OF YEAR	31(c)	1,232,980,427	594,835,619
FACILITIES AVAILABLE FOR LENDING	31(d)	1,907,781,631	1,582,753,248

1. CORPORATE INFORMATION

The principal activity of the Bank is to finance, where possible, viable projects and trade activities which have the potential to make the economies of the Member States increasingly complementary to each other.

Eastern and Southern African Trade and Development Bank ("the Bank") was established by the Charter pursuant to Chapter 9 of the Treaty for the establishment of the Preferential Trade Area (PTA), as subsequently repealed and replaced by the Treaty for the Common Market for the Eastern and Southern African States (COMESA).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Bank's functional and reporting currency is the United States Dollars (USD).

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of financial statements

The Bank presents its statement of financial position broadly in the order of liquidity.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Income from loans and investments is recognised in profit or loss when it accrues, by reference to the principal outstanding and the effective interest rate applicable. Interest on arrears of payable capital is taken to revenue when received.

Fees and commissions are generally recognised on an accrual basis when a financing facility is provided over a period of time. These fees include Letter of Credit fees, confirmation fees, guarantee fees, commitment and other fees.

Other fees and commission income include one-off fees arising from the provision of financing facilities to the Bank's clients, like facility fees, drawdown fees, restructuring fees, that do not form an integral part of effective interest rate of the facilities are recognised on completion of the underlying transaction.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of loans or the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend from investments is recognised when the Bank's right to receive payment has been established.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Borrowing and financing costs

Borrowing costs are interest and other borrowing and financing costs that the Bank incurs in connection with the borrowing of funds. Interest expense is recognised in profit or loss on the accrual basis taking into account the effective interest rate. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. Other borrowing and financing costs are expensed in the period in which they are incurred. Discounts and premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity are calculated on an effective interest basis.

(d) Foreign currencies

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss. All differences arising on non-trading activities are taken to other operating income in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(e) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. Such cost includes the cost of replacing part of property and equipment if the recognition criteria are met. All other repairs and maintenance costs are expensed as incurred.

Depreciation is calculated at rates which are estimated to write off the cost of property and equipment to their estimated residual values in equal annual instalments over their expected useful lives. The expected useful life of each class of asset is up to the following:

Computer equipment	3-5 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Furniture and fittings	5-10 years
Buildings	50 years
Leasehold Land	99 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

The Bank's intangible assets relate to the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated at rates which are estimated to write off the cost of the intangible assets in equal annual instalments over 3-5 years.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

The intangible assets' useful lives and methods of amortisation are reviewed at each reporting date, and adjusted prospectively if appropriate.

(g) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either:

(i) the asset's fair value less costs of disposal is higher than its carrying amount; or
(ii) the asset's value in use can be estimated to be close to its fair value less costs of disposal and fair value less costs of disposal can be determined.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For all assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Tax

In accordance with paragraph 6 of Article 43 of its Charter, the Bank is exempt from all forms of tax.

(i) Share capital

In accordance with Article 7 of the Charter, for Class A shares, issued and called-up shares are paid for in instalments by the members. Payable capital is credited as share capital and instalments not yet due and due but not paid at period-end are deducted there-from. For Class B shares, payment of the amount subscribed by subscribers shall be paid in full within 90 days from the date of subscription.

(j) Financial instruments

A financial asset or liability is recognised when the Bank becomes party to the contractual provisions of the instrument (i.e. the trade date). This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets

Initial recognition and measurement

The Bank classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition depending on the purpose and characteristics of the asset and management's intention in acquiring them. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for selling in the short-term or if so designated by management. Non-hedging derivatives are also categorised as held for trading.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (continued)

Loans, advances and receivables

The Bank deals in project and infrastructure financing and trade financing. Project financing is long term in nature, while trade financing is short term in nature. Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs, other than for an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate and foreign currency risks. In order to manage these risks, the Bank applies hedge accounting for transactions which meet specified criteria. At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in profit or loss in 'other income'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss in 'other income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in net trading income in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (continued)

Cash flow hedges (continued)

When the hedged transaction affects profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line in profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in profit or loss. When a forecast is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Available-for-sale financial (AFS) investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss as impairment on other financial assets. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established. During the period, the Bank had no AFS investments.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - the Bank has transferred substantially all the risks and rewards of the asset, or
  - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (continued)

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or payables. The Bank determines the classification of its financial liabilities at initial recognition.

Initial measurement of financial liabilities

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings and payables, directly attributable transaction costs.

Subsequent measurement

Subsequent measurement of financial liabilities at fair value through profit or loss is at fair value and gains or losses arising from changes in fair value are recognised in profit or loss.

After initial recognition, interest bearing loans and borrowings and payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in profit or loss unless required or permitted by any accounting standard or interpretation, and is specifically disclosed in the accounting policies of the Bank.

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets, other than investments at fair value through profit or loss, is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (continued)

Impairment of financial assets (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss on loans and receivables and held to maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When a loan is known to be uncollectible, when all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off are included in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (continued)

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The fair value of financial instruments is described in more detail in Note 31.

(k) Employee entitlements

Employee entitlements to service pay and annual leave are recognised when they accrue to employees.

A provision is made for the estimated liability of service pay as a result of services rendered by employees up to the year end. Employees are entitled to a full month pay for every year of service completed. An actuarial valuation is carried out every three years to determine the service pay liability. The last valuation was carried out in December 2017.

A provision is made for the estimated liability of annual leave for services rendered by employees up to the year end.

(l) Retirement benefit costs

The Bank operates a defined contribution provident fund scheme for its employees. The Bank contributes 21% of an employee's gross salary to the fund while employees can choose to contribute 7%, 14% or 21%. The Bank's contributions to the defined contribution plan are charged to profit or loss in the year to which they relate. The funds of the scheme are held independently of the Bank's assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by customers to third parties. The Bank will only be required to meet these obligations in the event of the customers' default. These obligations are accounted for as off-statement of financial position transactions and disclosed as contingent liabilities.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from the date of the advance.

(o) Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee
A finance lease is a lease that transfers to the lessee substantially all of the risks and rewards of ownership. A lease that is not a finance lease is an operating lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases and are recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(p) Provisions for other liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(q) Government grants

Government grants are not recognized unless there is reasonable assurance that the grants will be received and that the Bank will comply with the conditions attaching to the grant. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss in equal annual instalments over the expected useful life of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Collection accounts deposits

Collection accounts deposits include amounts collected on behalf of customers from proceeds of Bank funded commodities. The funds are held until maturity of underlying loans. Collection accounts are recorded at amortized cost. They are derecognized when the underlying assets are discharged.

(s) Investment in Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss and other comprehensive income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Bank's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

(t) Critical judgments in applying the Bank's accounting policies

In the process of applying the Bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances of assets and liabilities within the next financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Critical judgments in applying the Bank's accounting policies (Continued)

(i) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for 'longer-dated' derivatives and discount rates, prepayment rates and default rate assumptions for 'asset-backed' securities. The Bank measures financial instruments, such as, derivatives, and non-financial assets, at fair value at each reporting date.

The fair value of financial instruments is disclosed in more detail in Note 31.

(ii) Impairment losses on loans and advances

The Bank reviews individually all its loans and advances at each quarter end to assess whether an impairment loss should be recorded in profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The impairment loss on loans is disclosed in more detail in notes 14, 15 and 16.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2016, except for new standards, amendments and interpretations effective 1 January 2017. The nature and impact of each new standard/ amendment are described below:

The Bank only considered those that are relevant to its operations. Consequently, all amendments not listed in Note 3 do not impact the Bank.

New pronouncements issued as at 31 December 2017

(a) IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018.

On 29 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application permitted if, and only if, it is possible without the use of hindsight. The bank will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement including impairment changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

The new classification and measurement and impairment requirements will be applied by adjusting our statement of financial position on 1 January 2018, the date of initial application, with no restatement of comparative period financial information.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(a) IFRS 9 Financial Instruments (Continued)

Based on current estimates, the adoption of IFRS 9 is expected to result in a reduction in impairment provision/increase to retained earnings as at 1 January 2018 ranging from approximately 35%-45%

The impact is primarily attributable to increases in:

- the allowance for credit losses under the new impairment requirements
- changes in fair valuation of equity investments of approximately 7% of current carrying value

Additionally, the adoption of IFRS 9 is not expected to have a material impact on our capital adequacy ratios. We will continue to monitor and refine certain elements of our impairment process in advance of the first quarter of 2018 reporting.

Classification and measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39 classifications of FVTPL, available for sale (AFS), loans and receivables, and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9 other than the provisions relating to the recognition of changes in own credit risk for financial liabilities designated at fair value through profit or loss, as permitted by IFRS 9.

The combined application of the contractual cash flow characteristics and business model tests as at 1 January 2018 is expected to result in certain differences in the classification of financial assets when compared to our classification under IAS 39. The most significant change involves approximately USD 40.3m of unlisted equity investments held at cost that will now be classified at FVOCI.

Impairment

Impairment Overall Comparison of the New Impairment Model and the Current Model

IFRS 9 introduces a new, single impairment model for financial assets that requires the recognition of expected credit losses (ECL) rather than incurred losses as applied under the current standard. Currently, impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after initial recognition of the asset and that loss event has a detrimental impact on the estimated future cash flows of the asset that can be reliably estimated. If there is no objective evidence of impairment for an individual financial asset, that financial asset is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment losses incurred but not yet identified. Under IFRS 9, ECLs will be recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the current model.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(a) IFRS 9 Financial Instruments (Continued)

Under the current standard, incurred losses are measured by incorporating reasonable and supportable information about past events and current conditions. Under IFRS 9, the ECL model, which is forward-looking, in addition requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, inflation rates, interest rates, and gross domestic product will be incorporated into the risk parameters. Estimating forward-looking information will require significant judgment and must be consistent with the forward-looking information used by the Bank for other purposes, such as forecasting and budgeting.

Scope

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as at FVOCI, and off-statement of financial position loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The above-mentioned reclassifications into or out of these categories under IFRS 9 and items that previously fell under the IAS 37 framework were considered in determining the scope of our application of the new expected credit loss impairment model.

Measurement of Expected Credit Losses

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument. The measurement of ECLs will be based primarily on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD).

The ECL model contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Interest income is calculated on the gross carrying amount of the financial assets in Stages 1 and 2 and on the net carrying amount of the financial assets in Stage 3.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(a) IFRS 9 Financial Instruments (Continued)

Assessment of Significant Increase in Credit Risk

The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. The Bank has included relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past due are migrated to Stage 2.

Definition of Default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. Under IFRS 9, the Bank will consider a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due. The Bank's write-off policy under IAS 39 is not expected to be materially different under IFRS 9.

Hedge Accounting

IFRS 9 introduces a new general hedge accounting model that better aligns hedge accounting with risk management activities. However, the current hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. As permitted, the Bank elected not to adopt the IFRS 9 hedge accounting requirements and instead will continue applying the IAS 39 hedge accounting requirements. The Bank will, however, comply with the revised hedge accounting disclosures required by the consequential amendments made to IFRS 7.

(b) IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 Leases, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(b) IFRS 15 Revenue from Contracts with Customers (continued)

The principles in IFRS 15 will be applied using a five-step model:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licenses of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

Clarifications to IFRS 15

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. The amendments:

- Clarify when a promised good or service is distinct within the context of the contract
- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
- Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
- Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition.

Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

Impact

The Bank has assessed the impact of IFRS 15 and it is not expected to impact the Bank significantly as the majority of the Bank's income is outside the scope of IFRS 15.

(c) IFRS 16 Leases

The new standard is effective for annual periods beginning on or after 1 January 2019.

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(c) IFRS 16 Leases (Continued)

Key features

- The new standard requires lessees to account for all leases under a single on-statement of financial position model (subject to certain exemptions) in a similar way to finance leases under IAS 17. The new standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-to-use asset).
- Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

Transition

Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

Impact

The Bank is currently assessing the impact of these amendments and plans to adopt the amendments on the required effective date.

(d) Transfers of Investment Property (Amendments to IAS 40)

Effective for annual periods beginning on or after 1 January 2018

Key requirements

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Transition

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed.

Impact

The amendments will eliminate diversity in practice. The Bank is considering the impact of these amendments and will adopt as applicable on transition date.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(e) IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non- monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non- monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Transition

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Early application of interpretation is permitted and must be disclosed.

First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

Impact

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non- monetary liability relating to advance consideration received or paid in a foreign currency.

(f) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Bank is assessing the impact of these amendments and will adopt as applicable if necessary.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(g) IAS 7 Disclosure Initiative-Amendment to IAS 7

Effective for annual periods beginning on or after 1 January 2017.

Key requirements

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Transition

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

Impact

The amendments are intended to provide information to help investors better understand changes in an entity's debt.

Annual improvement cycle 2014-2016 (issued in December 2016), to the extent that they are applicable to the Bank.

(h) IAS 28 Investments in Associates and Joint Ventures

Clarification that measuring investees at fair value through profit or loss is an investment-by- investment choice. The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

Annual improvement cycle 2015-2017 (issued in December 2017) are not applicable to the Bank.

4. INTEREST INCOME

	2017 USD	2016 USD
On loans and facilities:		
Project finance loans	95,166,425	55,913,350
Trade finance loans	172,360,418	152,719,155
	267,526,843	208,632,505
On placements:		
Deposits/Held-to-maturity investments	8,487,099	16,542,779
	276,013,942	225,175,284

5. INTEREST EXPENSE

	2017 USD	2016 USD
Interest payable on funds borrowed from:		
Banks and financial institutions	68,076,920	45,445,358
Regional and International Bond Markets	43,946,456	19,416,904
Other Institutions	31,828,148	30,185,367
	143,851,524	95,047,629

6. BORROWING AND FINANCING COSTS

	2017 USD	2016 USD
Guarantee fees	1,953,732	302,217
Facility and management fees	1,665,080	5,531,076
Commitment fees	1,608,761	547,478
Other costs	1,128,615	966,675
Drawdown fees	168,740	117,882
Amortisation of deferred expenditure	-	6,194,990
Bank commissions and charges	-	1,533
	6,524,928	13,661,851

7 (a) FEE AND COMMISSION INCOME

	2017 USD	2016 USD
Upfront fees in trade finance	41,168,729	31,830,072
Letter of credit fees in trade finance	5,952,378	10,326,320
Facility fees in project finance	3,415,925	2,230,922
Drawdown fees in trade finance	2,247,760	1,778,013
Restructuring fees in project finance	875,204	676,657
Appraisal fees in project finance	578,992	474,226
Management fees in trade finance	537,406	4,432,445
Commitment fees in project finance	450,494	942,856
Letter of credit fees in project finance	401,407	194,191
Drawdown fees in project finance	386,657	797,868
Management fees in project finance	354,326	448,234
Other fees in trade finance	185,500	736,238
Document handling fees in trade finance	151,589	126,016
Other Project fees	97,912	16,821
	56,804,279	55,010,879

(b) Risk Mitigation Costs

	2017 USD	2016 USD
*Insurance cover costs	22,275,106	10,236,731
**Risk down-selling costs	15,114,734	2,817,370
	37,389,840	13,054,101

*This is premium on insurance cover taken on loans made to various borrowers. As at 31 December 2017, the insurance cover was USD 1.65 billion (2016: USD 1.18 billion). The cover was taken with African Trade Insurance Agency Ltd, Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), Mar Risk Services Limited and Lloyds of London, all of which are investment-grade companies.

**These costs represent Risk down-selling costs relating to 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 under which, the loan assets are selectively traded to manage obligor, sector and geographic prudential limits and to provide room for booking of new assets and generating incremental fee income. During the year ended 31 December 2017, the Bank had down sold/distributed an aggregate of USD 950 million (2016 – USD 117.7 million).

8. OTHER INCOME

	2017 USD	2016 USD
Impaired assets recovered *	11,086,964	3,015,335
Interest on capital arrears**	552,498	60,160
Other income	536,846	429,133
Grant income ***	297,346	29,247
Interest on staff loans	28,859	26,685
Rental income	72,750	-
	12,575,263	3,560,560

*Impaired assets recovered relate to previously written off loans that were recovered during the year.

**Interest on capital arrears relates to interest on capital subscriptions received during the year from member states that were in arrears.

***The grant is provided by the African Development Bank (AFDB) to fund various consultancies and training. The proceeds are credited to the AFDB deferred income account and included in other payables (Note 28). Transfers are made to income when the costs which the grant relates to have been incurred.

9. OPERATING EXPENSES

	2017 USD	2016 USD
Staff costs (Note 10)	20,508,156	19,848,520
Consultants and advisors	3,353,207	5,273,961
Official missions	1,604,402	1,070,993
Business promotion	1,318,308	492,877
Other operating expenses	894,519	862,360
Board of Directors meetings	893,231	865,536
Depreciation of property and equipment	856,859	2,278,832
Rent	509,511	390,230
Board of Governors meeting	416,374	227,119
Amortisation of intangible assets	374,244	162,458
Audit fees	56,000	50,000
	30,784,811	31,522,886

10. STAFF COSTS

Salaries and wages	12,571,500	13,052,606
Other costs	2,901,054	2,520,746
Staff reward and recognition scheme	2,056,521	1,294,926
Staff Provident fund contributions -defined contribution plan	1,952,534	1,677,681
Service and leave pay expenses	1,026,547	1,302,561
	20,508,156	19,848,520

11. IMPAIRMENT ON OTHER FINANCIAL ASSETS	2017 USD	2016 USD
Other receivables (Note 21)	-	21,765

This relates to appraisal fees on projects previously recognized as income receivable, now written off.

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year of USD 111,864,421 (2016: USD 101,456,231) by the weighted average number of ordinary shares in issue during the year.

Basic Earnings per Share:

The weighted average number of shares in issue is calculated based on the capital instalments due as at year end. The weighted average number of shares in issue during the year was 90,538 comprising Class A - 71,360 and Class B - 19,177 (2016: 83,165 comprising Class A -67,095 and Class B -16,070).

Diluted Earnings per Share:

Diluted earnings per share takes into account the dilutive effect of the callable Class A shares. The number of shares in issue during the year for purposes of diluted earnings per share was 95,122 (2016: 87,966).

13. CASH AND BALANCES HELD WITH OTHER BANKS	2017 USD	2016 USD
Current accounts - Note 13 (i)	139,590,914	23,380,982
Call and term deposits with banks - Note 13 (ii)	1,093,389,513	571,454,637
	1,232,980,427	594,835,619
(i) Current accounts:		
Amounts maintained in United States Dollars (USD)	7,991,823	7,609,676
Amounts maintained in other currencies:		
Euro	77,072,156	7,390,705
Malawi Kwacha	44,420,987	3,250,458
United Arab Emirates Dirham	4,888,870	37,490
Tanzania Shillings	3,953,925	4,171,941
Zambia Kwacha	642,645	-
Ethiopian Birr	521,832	744,740
Japanese Yen	29,514	95
Ugandan Shilling	25,558	151,626
Mauritian Rupee	17,753	4,647
Kenyan Shilling	16,974	(3,430)
South African Rand	5,136	10,712
Burundi Francs	3,316	8,158
British Pounds	425	4,164
	131,599,091	15,771,306
	139,590,914	23,380,982

The average effective interest rate on current accounts was 0.49% (December 2016: 5.39%) per annum.

13. CASH AND BALANCES HELD WITH OTHER BANKS (Continued)

	2017 USD	2016 USD
(ii) Call and term deposits with banks:		
United States Dollars (USD)	1,006,613,250	400,168,898
Amounts maintained in other currencies:		
Sudanese Pounds	82,400,556	167,465,912
Ugandan Shillings	4,375,707	3,819,827
	86,776,263	171,285,739
	1,093,389,513	571,454,637

The effective interest rates per annum by currency of deposits were as follows:

	2017	2016
Uganda Shillings	9.99%	14.21%
Kenya Shillings	-	13.50%
United States Dollars	0.51%	0.61%

The deposits in Sudanese pounds do not earn interest.

14. DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to interest rate and foreign currency risks. This is done by engaging in interest rate swaps, currency swaps and currency forward contracts.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, a fixed rate of interest. The payment flows are usually netted off against each other, with the difference being paid by one party to the other. This swap does not qualify for fair value hedge accounting, and the Bank has treated interest rate swaps contracted to hedge the interest rate risk exposure associated with the fixed rate on its Eurobond as economic hedges, thus derivatives at fair value though Profit and Loss.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled. To avoid creating currency mismatches, the Bank swaps its Euro assets/loans for USD in cases where disbursement made was in Euro.

The Bank also hedges its exposure to adverse movements on currency exchange rates on its Euro disbursements by entering into currency forward exchange contracts. Currency forward exchange contracts are hedges, since the bank is protecting is the USD parity of the Euro, thus hedging the value of the assets from fluctuations.

14. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The table below shows the derivative financial instruments, recorded as assets or liabilities at year-end.

	2017 USD	2016 USD
a) Currency Hedges		
(i) Cross Currency Swap:		
Net opening balance as at 1 January	-	327,065
Payments under swap arrangement	-	2,284,030
Receipts under swap agreement	-	(2,818,264)
Exchange gain	-	14,527
Net balances retired-contracts expired	-	192,642
Balance as at 31 December	-	-
(ii) Foreign exchange forward contracts		
Balance as at 1 January	75,418,629	59,790,952
Contracts entered into during the year-net	642,722,850	166,743,390
Fair valuation	-	(4,978,605)
Net amounts settled	(722,939,028)	(146,137,108)
Balance as at 31 December	(4,797,549)	75,418,629
Total Currency Hedges	(4,797,549)	75,418,629
b) Interest Rate Swap:		
(i) Cash flows		
Balance as at 1 January	341,813	875,059
Amounts due from counterparties	302,055	2,018,145
Amount received from counterparties	(196,062)	(2,551,391)
Amounts settled	(447,806)	-
Balance as at 31 December	-	341,813
Total Interest Rate Swaps	-	341,813
Total derivative assets (a) and (b)	(4,797,549)	75,760,442

The Bank entered into foreign exchange forward contracts to hedge against mismatches in EUR assets and liabilities by selling EUR and buying USD forward. The Bank's exposure under derivative instruments is monitored as part of the overall management of its market risk.

15. TRADE FINANCE LOANS

	2017 USD	2016 USD
Principal loans	2,512,940,589	2,333,320,973
Interest receivable	133,688,966	108,222,569
Gross loans	2,646,629,555	2,441,543,542
Impairment on trade finance loans (Note 17)	(75,381,275)	(48,400,632)
Net loans	2,571,248,280	2,393,142,910
Maturing:		
Within one year	1,911,498,219	1,219,036,080
One to three years	439,339,600	771,969,155
Over three years	295,791,736	450,538,307
	2,646,629,555	2,441,543,542

The gross non performing trade finance loans was USD 72,098,214 (December 2016 - USD 43,050,665). The specific impairment provisions related to these loans amounted to USD 50,821,193 (December 2016 - USD 18,968,613) hence the carrying value of the loans amount was USD 21,277,021 (December 2016 -USD 24,082,051). General provisions for trade finance loans amounted to USD 24,560,077 (December 2016 - USD 29,432,014).

16. PROJECT LOANS

		2017 USD	2016 USD
Approved loans less cancellations		2,671,107,884	2,417,593,179
Less: Unsigned loans*		(190,955,933)	(253,152,933)
Loans signed		2,480,151,951	2,164,440,246
Less: Undisbursed	- Letters of credit opened	(7,223,037)	(15,467,972)
	- Letters of credit not yet opened	(181,024,180)	(363,136,637)
Loans disbursed		2,291,904,734	1,785,835,637
Interest capitalised**		50,901,119	51,008,238
Loans repaid		(1,108,893,002)	(953,410,204)
Principal loan balances		1,233,912,851	883,433,671
Interest receivable		33,372,663	12,654,263
Gross loans		1,267,285,514	896,087,934
Impairment on project loans (Note 17)		(32,165,365)	(49,201,206)
Net loans		1,235,120,149	846,886,728

* Unsigned loans refer to loans that have been approved but whose facility agreements have not yet beer processed and signed.

**Interest capitalised relates to interest in arrears on loans which were restructured now capitalized.

16. PROJECT LOANS (Continued)

Maturing:	2017 USD	2016 USD
Within one year	385,586,099	219,079,465
One year to three years	301,717,151	25,518,431
Three to five years	267,791,904	223,137,368
Over five years	312,190,360	428,352,670
	1,267,285,514	896,087,934

The aggregate non-performing project loans was USD 21,485,839 (December 2016 - USD 52,042,067. The specific impairment provisions related to these loans amounted to USD 21,485,839 (December 2016 - USD 41,989,246) hence the carrying value of the loans amounted to NIL (December 2016 - USD 10,053,021.) General provisions for project finance loans amounted to USD 10,679,529 (December 2016 - USD 7,211,963).

17. IMPAIRMENT ALLOWANCE ON PROJECT AND TRADE FINANCE LOANS

The movement in the allowance is as follows:

	Project finance loans USD	Trade finance loans USD	Total Allowance USD
At 1 January 2016	63,685,994	31,288,578	94,974,572
Amounts written-off	(19,547,387)	(939,616)	(20,487,003)
Charge for the year	5,062,599	18,051,670	23,114,269
- Specific provisions	3,742,984	7,187,847	10,930,831
- General provisions	1,319,615	10,863,823	12,183,438
At 31 December 2016	49,201,206	48,400,632	97,601,838
At 1 January 2017	49,201,206	48,400,632	97,601,838
Amounts written -off	(15,378,530)	-	(15,378,530)
Charge for the year	(1,657,311)	26,980,643	25,323,332
- Amount written-back	(5,124,877)	(4,871,937)	(9,996,814)
- Specific provisions	-	31,852,580	31,852,580
- General provisions	3,467,566	-	3,467,566
At 31 December 2017	32,165,365	75,381,275	107,546,640

18. EQUITY INVESTMENTS

(i) Equity participation

As at 31 December 2017:	Beginning Cost USD	Additions/ disposals at cost USD	Total Ending Cost USD	Investment Carrying Value at year End USD	Investment Carrying Value Previous Year USD	Adjustment for the Year USD
At Cost:						
African Export Import Bank	2,364,160	-	2,364,160	2,364,160	2,364,160	-
PTA Reinsurance	9,336,468	22,602,186	31,938,654	31,938,654	9,336,468	-
Tononoka	628,653	-	628,653	628,653	628,653	-
Tanruss	1,755,000	-	1,755,000	1,755,000	1,755,000	-
Africa Trade Insurance Company	1,000,000	-	1,000,000	1,000,000	1,000,000	-
Gulf African Bank	1,978,734	-	1,978,734	1,978,734	1,978,734	-
Pan African Housing Fund	433,657	159,099	592,756	592,756	433,657	-
	17,496,672	22,761,285	40,257,957	40,257,957	17,496,672	-

The Bank's main equity investments are in ZEP-RE (PTA Reinsurance Company), African Export-Import Bank, Tanruss, Africa Trade Insurance Agency and Gulf African Bank. In addition, the Bank has subscribed to the equity of various projects in its Member States. The Bank's participation is expressed in US Dollars.

As at 31 December 2017, all investments were carried at cost given that the shares are not traded in an active market. The acquisition of new shares is one-off and therefore the new share price cannot be reliably used to determine their fair values both in the current and subsequent prices.

The Bank does not intend to dispose the shares in the short term, and none of the shares have been derecognized.

18. EQUITY INVESTMENTS (Continued)

i) Equity participation (Continued)

31 December 2016	Beginning cost USD	Additions at cost USD	Total ending cost USD	Investment carrying amount 2016 USD	Investment carrying amount 2015 USD	Adjustment for the year USD
At fair value through profit or loss						
Aureos East Africa Fund	288,500	(288,500)	-	-	288,500	-
At cost						
African Export Import Bank	2,364,160	-	2,364,160	2,364,160	2,364,160	-
Africa Trade Insurance Agency	1,000,000	-	1,000,000	1,000,000	1,000,000	-
Gulf African Bank	1,978,734	-	1,978,734	1,978,734	1,978,734	-
Pan African Housing Fund	293,882	139,775	433,657	433,657	293,882	-
Tanruss	1,755,000	-	1,755,000	1,755,000	1,755,000	-
Tononoka	628,653	-	628,653	628,653	628,653	-
ZEP-RE (PTA Reinsurance Company)	9,336,468	-	9,336,468	9,336,468	12,141,991	(2,805,523)
	17,356,897	139,775	17,496,672	17,496,672	20,162,420	(2,805,523)
TOTAL	17,645,397	(148,725)	17,496,672	17,496,672	20,450,920	(2,805,523)

As at 31 December, 2016, there were no investments at fair value since Aureos East Africa, which had been carried at fair value in the previous years, was liquidated in 2016.

18. EQUITY INVESTMENTS (Continued)

	2017 USD	2016 USD
ii) Instalments paid:		
Total subscribed capital*	41,865,201	19,330,210
Less: Instalments not due - Note 18 (iii)	(1,607,244)	(1,833,538)
Instalments paid as at end of year - Note 18 (I) and (iii)	40,257,957	17,496,672

*Total subscribed capital includes paid up capital and unpaid subscriptions

iii) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:

	2017	2016
African Export-Import Bank*	1,200,000	1,200,000
Pan African Housing Fund*	407,244	633,538
*Unpaid subscriptions are payable on call.	1,607,244	1,833,538

iv) Movement in the instalments paid:

	2017	2016
At beginning of year	17,496,672	17,645,397
Net additions at cost - Note 18 (i)	22,761,285	(148,725)
At end of year	40,257,957	17,496,672

19. INVESTMENT IN JOINT VENTURES

The Bank has a 50% interest in Eastern and Southern African Trade Advisers Limited (ESATAL) and 50% interest in Eastern and Southern African Infrastructure Fund (ESAIF). The joint ventures were incorporated in 2015 and their principal place of business is Ebene, Mauritius. ESATAL and ESAIF are vehicles that will raise and manage the Trade Finance Fund and the Infrastructure Fund, respectively. The Bank's voting rights in the joint ventures is equal to its ownership interest. The Bank's interest in the joint ventures is accounted for using the equity method in the financial statements. No quoted market price exists for the investments.

Summarised financial information of the joint ventures is set out below:

	2017 USD	2016 USD
Current assets - cash and cash equivalents	738,986	738,986
Non-current assets	-	-
TOTAL ASSETS	738,986	738,986
Liabilities	-	-
Equity	738,986	738,986
Bank's carrying amount of the investment	369,493	369,493

ESATAL and ESAIF are yet to start operations. The joint ventures had no contingent liabilities or capital commitments at 31 December 2017. ESATAL and ESAIF cannot distribute their profits without the consent from the venture partners.

20. INVESTMENTS IN GOVERNMENT SECURITIES

	2017 USD	2016 USD
Treasury Notes:		
At 1 January	214,699,238	241,763,172
Matured bonds	(159,180,887)	(27,102,693)
Accrued income	1,756,707	38,759
	57,275,058	214,699,238

The treasury notes, issued by the Government of Malawi, represent investments made in Malawi Kwacha equivalent of USD 57.3 million (December 2016 - USD 214.7 million bearing interest at a rate of 6.50% per annum. These investments are managed by the Reserve Bank of Malawi and FDH Bank.

21. OTHER RECEIVABLES

	2017 USD	2016 USD
Down-sold assets*	75,000,072	52,659,500
Prepayments and other receivables**	29,828,538	25,624,544
Staff loans and advances***	1,034,033	674,083
Appraisal fees****	614,835	585,040
	106,477,488	79,543,167
*Appraisal fees receivable****		
As at 1 January	585,040	373,281
Accrued income	544,550	1,079,419
Receipts	(514,755)	(845,895)
Amounts written off (Note 11)	-	(21,765)
At 31 December	614,835	585,040
Analysis of other receivables by maturity:		
Amounts due within one year	106,173,304	79,380,647
Amounts due after one year	304,184	162,520
	106,477,488	79,543,167

*Down-sold assets represent loan assets sold to the Bank's counterparties on a non-funded basis. The amount will be settled within 6 months after year end. Down-selling receivable does not attract interest.

**Prepayments and other receivables comprise mainly of insurance costs on the Bank's exposures and facility fees paid in relation to short term facilities extended to the Bank by lenders.

***Staff loans and advances are granted in accordance with the Staff Rules and Regulations approved by the Board of Directors. The effective interest rate on staff loans and advances was 4.09% (December 2016: 4.23%) per annum. These staff loans and advances have various repayment terms ranging from 3 to 36 months.

****Appraisal fees are recognized as income receivable on approval of a facility to the borrower by the Bank.

22. DEFERRED EXPENDITURE

	2017 USD	2016 USD
COST		
At beginning of year	30,429,340	21,114,186
Additions	-	13,100,000
Disposals*	(30,429,340)	(3,784,846)
At end of year	-	30,429,340
AMORTISATION		
At beginning of year	12,334,174	9,924,030
Charge for the year	-	6,194,989
Disposals*	(12,334,174)	(3,784,846)
At end of year	-	12,334,173
NET CARRYING AMOUNT		
At end of year	-	18,095,167

Deferred expenditure comprises export credit insurance costs, long term borrowing costs and costs incurred to raise, issue and list local currency bonds and Eurobonds in the Bank's member countries and international markets. These costs are amortised over the life of the underlying borrowings and bonds. Disposals relate to fully amortised costs removed from the books during the reporting period.

* The disposals relate to transfer of deferred expenditure to long term borrowings consistent with the application of the effective interest rate (EIR) principle.

23. PROPERTY AND EQUIPMENT

Year ended 31 December 2017:	Freehold land USD	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST								
At 1 January 2017	140,400	2,453,865	117,730	22,697,471	481,786	1,323,046	1,880,082	29,094,380
Additions	-	-	345,427	1,710	106,563	228,241	170,592	852,533
Disposals	-	-	-	-	-	-	(7,071)	(7,071)
At 31 December 2017	140,400	2,453,865	463,157	22,699,181	588,349	1,551,287	2,043,603	29,939,842
DEPRECIATION								
At 1 January 2017	-	26,850	-	6,875,927	349,410	775,514	1,428,138	9,455,839
Charge for the year	-	24,786	-	443,138	62,469	104,684	221,781	856,858
Disposals	-	-	-	-	-	-	(4,805)	(4,805)
At 31 December 2017	-	51,636	-	7,319,065	411,879	880,198	1,645,114	10,307,892
NET CARRYING AMOUNT								
At 31 December 2017	140,400	2,402,229	463,157	15,380,116	176,470	671,089	398,489	19,631,950

Building Under Construction:

The Bank is in the process of constructing an office building, with actual commencement expected in 2018. Professional costs have been incurred and in line with IAS 16, Property, Plant and Equipment, no depreciation has been charged on these costs until the building is ready for use.

23. PROPERTY AND EQUIPMENT

Year ended 31 December 2016:	Freehold land USD	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST								
At 1 January 2016	140,400	2,453,865	-	22,574,641	458,744	1,296,696	1,748,878	28,673,224
Additions	-	-	117,730	122,830	23,043	33,745	201,954	499,302
Disposals	-	-	-	-	-	(7,395)	(70,750)	(78,145)
At 31 December 2016	140,400	2,453,865	117,730	22,697,471	481,786	1,323,046	1,880,082	29,094,381
DEPRECIATION								
At 1 January 2016	-	2,066	-	4,996,015	284,437	702,824	1,252,408	7,237,750
Charge for the year	-	24,784	-	1,879,912	64,973	79,892	229,271	2,278,832
Disposals	-	-	-	-	-	(7,202)	(53,541)	(60,743)
At 31 December 2016	-	26,850	-	6,875,927	349,410	775,514	1,428,138	9,455,839
NET CARRYING AMOUNT								
At 31 December 2016	140,400	2,427,015	117,730	15,821,544	132,377	547,532	451,944	19,638,542

24. INTANGIBLE ASSETS

	2017 USD	2016 USD
COST		
At beginning of year	2,410,666	1,821,547
Additions	928,099	589,119
At end of year	3,338,765	2,410,666
AMORTISATION		
At beginning of year	1,626,491	1,464,033
Charge for the year	374,244	162,458
At end of year	2,000,735	1,626,491
NET CARRYING AMOUNT		
At end of year	1,338,030	784,175

Intangible assets relate to cost of acquired computer software.

25. COLLECTION ACCOUNT DEPOSITS

These represent deposits collected by the Bank on behalf of the customers from proceeds of Bank funded commodities to be applied on loan repayments as they fall due.

26. SHORT TERM BORROWINGS

(a) CERTIFICATES OF DEPOSITS

Lender	2017 USD	2016 USD
Reserve Bank of Malawi	94,313,391	255,921,376
Banque Commerciale du Congo	20,000,000	20,000,000
African Trade Insurance Agency	1,219,232	714,945
	115,532,623	276,636,321

Certificates of deposits relate to borrowings that are payable within one year.

26. SHORT TERM BORROWINGS (Continued)

(b) OTHER SHORT TERM BORROWINGS

	Date of renewal/ advance	Maturity Date	Currency	2017 USD	2016 USD
Syndicated Loan - Citibank	Oct-17	Oct-19	USD	400,000,000	400,000,000
Syndicated Loan - Asia	Dec-17	Jun-19	USD	340,000,000	340,000,000
Syndicated Loan- Middle First Abu Dhabi Bank PJSC	Dec-17	Dec-19	USD	307,052,975	-
Standard Chartered Bank London	Dec-17	Dec-20	USD	237,000,000	270,599,292
KfW	Dec-17	Mar-18	USD	164,773,423	142,637,793
Loius Dreyfus Commodities Kenya	Dec-17	Dec-18	USD	126,117,322	6,421,063
Cargill Kenya Limited	Dec-17	Dec-19	USD	100,000,000	100,000,000
The Bank of Tokyo Mitsubishi UFJ, Ltd	Dec-17	Dec-18	USD	75,000,000	-
Mashreq Bank	Mar-17	Mar-18	EUR	70,000,000	173,516,471
ABC Bank Incorporation Mauritius	Dec-17	Jan-18	USD	66,188,900	57,974,396
Africa50	Dec-17	Mar-18	USD	52,712,716	51,325,233
Mizuho Bank London	Sep-17	Sep-18	USD	50,000,000	21,465,728
Bunge S.A	Nov-17	Nov-18	USD	48,293,746	41,069,132
Standard Chartered Bank Kenya	Dec-17	Jan-18	USD	30,000,000	30,000,000
Allfirst Bank	Dec-17	Jun-18	USD	25,000,000	-
British Arab Commercial Bank PLC	Dec-17	Dec-18	USD	25,000,000	5,000,000
Sumitomo Mitsui Banking Corporation	Nov-17	Nov-18	EUR	22,713,734	113,339,750
Nouvobanq	Dec-17	Mar-18	USD	19,098,457	-
Commerzbank Frankfurt am Main	Dec-17	Jun-18	USD	16,275,938	38,285,314
BHF BANK	Dec-17	Mar-18	USD	8,009,538	3,778,614
African Trade Insurance Agency	Aug-17	Aug-18	USD	1,930,823	-
Standard Chartered Bank	Dec-17	Apr-18	USD	1,130,482	-
Africa Finance Corporation	Dec-16	Nov-17	USD	-	50,000,000
Mauritius Commercial Bank	Dec-16	Jun-17	USD	-	49,375,042
Citibank New York	Sep-16	Jan-17	USD	-	46,315,850
Bank One Ltd	Oct-16	Jan-17	USD	-	40,000,000
State Bank of Mauritius	Nov-16	Apr-17	USD	-	36,000,000
African Export Import Bank	Dec-15	Feb-17	EUR	-	35,729,131
Afrasia Bank Ltd- Mauritius	Nov-16	Jan-17	USD	-	23,696,775
Firstrand Bank Ltd	Dec-16	Mar-17	USD	-	1,452,912
Sub total for other short term borrowings				2,186,298,054	2,077,982,496
INTEREST PAYABLE				12,731,606	14,703,614
Certificate of Deposits (Note 26a)				115,532,623	276,636,321
TOTAL SHORT TERM BORROWINGS				2,314,562,283	2,369,322,431

Borrowings are classified as short term or long term on the basis of the book of business that the Bank funds i.e, Trade or Project loans, and not on the basis of contractual maturity of the liability

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

27. LONG TERM BORROWINGS

					Amounts as at 31 December 2017			Amounts as at 31 December 2016		
Lender	Date of Renewal/ disbursement	Maturity Date	Currency	Amount in Currency	Balance outstanding USD	Amount due within one year USD	Amount due after one year USD	Balance outstanding USD	Amount due within one year USD	Amount due after one Year USD
African Development Bank	Dec-04	Aug-23	USD	171,696,249	171,696,249	12,949,985	158,746,264	65,876,015	14,376,015	51,500,000
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	20,000,000	20,000,000	10,000,000	10,000,000	30,000,000	10,000,000	20,000,000
China Development Bank	Dec-08	Mar-20	USD	48,302,095	48,302,095	28,302,095	20,000,000	84,906,473	36,604,378	48,302,095
KBC Bank	Various	Feb-20	USD	5,661,944	5,661,944	2,515,862	3,146,082	8,864,039	3,185,798	5,678,242
Exim Bank of India Loan	Various	Various	USD	113,192	113,192	106,706	6,486	513,451	400,638	112,813
US$ 1.0 Billion Euro Medium Term Note Programme: First Tranche	Dec-13	Dec-18	USD	217,031,000	217,031,000	217,031,000	-	-	-	-
US$ 1.0 Billion Euro Medium Term Note Programme: Second Tranche	Dec-13	Mar-22	USD	700,000,000	700,000,000	-	700,000,000	300,000,000	-	300,000,000
FMO	Mar-10	Jan-18	USD	2,000,000	2,000,000	2,000,000	-	10,000,000	8,000,000	2,000,000
Ceskoslovenska Obchodni Banka AS	Jul-07	May-17	USD	-	-	-	-	408,729	408,729	-
Development Bank of Southern Africa	Mar-07	Jun-23	USD	38,591,099	38,591,099	15,153,599	23,437,500	50,640,849	17,828,349	32,812,500
Private Export Funding Corporation	Aug-11	Oct-21	USD	23,054,367	23,054,367	5,949,514	17,104,853	29,003,619	5,949,252	23,054,367
KfW	Dec-13	Dec-28	USD	85,000,000	85,000,000	2,857,143	82,142,857	60,000,000	-	60,000,000
European Investment Bank	Aug-16	Sep-26	USD	88,120,000	88,120,000	-	88,120,000	88,120,000	-	88,120,000
CDC Group	Oct-16	Oct-22	USD	45,454,545	45,454,545	13,636,364	31,818,181	50,000,000	4,545,455	45,454,545
Standard Chartered Bank / USAID	Sep-17	Jun-19	USD	3,703,000	3,703,000	1,953,468	1,749,532	-	-	-
Japan Bank for International Corporation (JBIC)	Jul-17	Feb-19	USD	2,471,876	2,471,876	1,818,950	652,926	-	-	-
AFD -Agence Francaise De Development	Dec-17	Mar-32	USD	12,000,000	12,000,000	-	12,000,000	-	-	-
The Exim -Import Bank of China	Dec-17	Dec-23	USD	250,000,000	250,000,000	21,033,379	228,966,621	-	-	-
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	8,489,351,763	3,779,765	1,391,378	2,388,387	5,327,159	1,433,270	3,893,888
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	8,489,294,845	3,778,539	1,390,927	2,387,612	5,327,159	1,433,270	3,893,888
Sub total for long term borrowings					1,720,757,671	338,090,370	1,382,667,301	788,987,492	104,165,154	684,822,339
Interest payable					17,987,840	17,987,840	-	5,227,147	5,227,147	-
Total long term borrowings					1,738,745,511	356,078,210	1,382,667,301	794,214,640	109,392,301	684,822,339
Deferred Expenditure					(30,455,963)	(112,777)	(30,343,185)	-	-	-
					1,708,289,548	355,965,433	1,352,324,116	794,214,640	109,392,301	684,822,339

The Bank repays these borrowings in either quarterly or semi-annual instalments. The Bank has not given any security for the borrowings. It has not defaulted on any of them.
Borrowings are classified as short term or long term on the basis of the book of business that the Bank funds i.e, Trade or Project loans, and not on the basis of contractual maturity of the liability

28. OTHER PAYABLES

	2017 USD	2016 USD
Other creditors**	66,872,020	34,533,951
Provident fund*	8,119,134	9,200,773
Accrued expenses	4,548,881	16,956,160
Dividends payable	1,056,296	335,022
Accrued fees-Trade Finance	968,344	2,496,102
Rental deposit	51,622	51,622
Accrued fees-Project Finance	42,170	47,768
	81,658,467	63,621,398

*Provident fund relates to the Bank's contribution to the fund that is payable.
**Other creditors mainly relate to cash cover deposits by clients.

Analysis of other payables by maturity:	2017 USD	2016 USD
Amounts due within one year	75,009,560	58,383,548
Amounts due after one year	6,648,907	5,237,850
	81,658,467	63,621,398

29. PROVISION FOR SERVICE AND LEAVE PAY

(i) PROVISION FOR SERVICE PAY

	2017	2016
At beginning of year	4,480,046	4,424,552
Increase in provision	792,997	950,022
Payment of service pay	(191,573)	(894,528)
At end of period	5,081,470	4,480,046

(ii) PROVISION FOR LEAVE PAY

	2017	2016
At beginning of year	1,358,677	1,247,499
Increase in provision	164,977	298,807
Payment of leave pay	(46,436)	(187,629)
At end of year	1,477,218	1,358,677
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	6,558,688	5,838,723

Employees' entitlements to annual leave and service pay are recognised when they accrue to employees.

30. SHARE CAPITAL

	As at 31 December 2017			As at 31 December 2016		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Authorised capital:						
88,234 Class 'A' ordinary shares of USD 22,667 each	2,000,000,000	-	2,000,000,000	2,000,000,000	-	2,000,000,000
220,584 Class 'B' ordinary shares of USD 4,533.42 each	-	1,000,000,000	1,000,000,000	-	1,000,000,000	1,000,000,000
Less: Unsubscribed						
- Class 'A'	(265,385,158)	-	(265,385,158)	(397,420,433)	-	(397,420,433)
- Class 'B'	-	(902,613,064)	(902,613,064)	-	(921,730,497)	(921,730,497)
Subscribed capital:						
76,526 Class 'A' (2016: 70,701 ordinary shares of USD 22,667 each	1,734,614,842	-	1,734,614,842	1,602,579,567	-	1,602,579,567
21,482 Class 'B' (2016: 17,265 ordinary shares of USD 4,533.42 each	-	97,386,936	97,386,936	-	78,269,503	78,269,503
Less: Callable capital	(1,387,691,874)	-	(1,387,691,874)	(1,282,063,654)	-	(1,282,063,654)
Payable capital	346,922,968	97,386,936	444,309,904	320,515,913	78,269,503	398,785,416
Less: Amounts not yet due	(9,367,819)	-	(9,367,819)	(12,330,848)	-	(12,330,848)
Capital due	337,555,149	97,386,936	434,942,085	308,185,065	78,269,503	386,454,568
Less: subscriptions in arrears	(3,716,659)	-	(3,716,659)	10,104,870	-	(14,403,629)
Paid up capital	333,838,490	97,386,936	431,225,426	293,781,436	78,269,503	372,050,939

30. SHARE CAPITAL (Continued)

Share Premium: (Class B Shares Only)	Number of shares	Share value USD	Price paid USD	Share premium USD
As at 31 December 2017:				
At 1 January 2017	17,265	78,269,503	113,376,164	35,106,661
Additions during the year	4,217	19,117,433	36,979,250	17,861,817
At 31 December 2017	21,482	97,386,936	150,355,414	52,968,478
As at 31 December 2016:				
As at 1 January 2016:	15,371	69,683,206	96,554,014	26,870,808
Additions during the year	1,894	8,586,297	16,822,150	8,235,853
As at 31 December 2016:	17,265	78,269,503	113,376,164	35,106,661

Class A and B shares
As at 31 December 2017, there were 76,526 'A' ordinary shares (2016: 70,701) and 21,482 Class 'B' ordinary shares (2016: 17,265). Class 'A' shares have a par value of USD 22,667 each (comprising 80% callable and 20% payable) and were issued only to Members, while Class 'B' shares have a par value of USD 4,533.42 each and are issued both to Members and other institutional investors. All ordinary shares have a right to receive dividends in the proportion of the number of shares held by each member, as and when declared by the Board of Governors.

Nature and purpose of the share premium
Class 'B' shares are issued at a premium of USD 5,203.13 (2016: USD 4,661.20) that is determined after a valuation of the Bank's shares. The share premium is used to finance the operations of the Bank.

	2017 USD	2016 USD
Dividends on ordinary shares declared and paid:		
Final dividend for 2016: USD 304.21 per share (2015: 301.35 per share)		
-Declared and paid	23,293,199	21,450,507
-Declared and not paid/payable	1,056,296	335,022
	24,349,495	21,785,528
Proposed dividends on ordinary shares:		
Dividend for 2017: USD 308.67 per share (2016: USD 304.21 per share)	27,406,783	24,349,495

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

30. SHARE CAPITAL (Continued)

	31 December 2017			31 December 2016		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Movement in paid up share capital:						
At beginning of year	293,781,436	78,269,503	372,050,939	270,057,887	69,683,206	339,741,093
African Development Bank	1,047,215	-	1,047,215	965,614	-	965,614
National Social Security Fund- Uganda	-	235,738	235,738	-	7,348,674	7,348,674
National Pension Fund-Mauritius	-	244,805	244,805	-	-	-
Sacos Group Limited	-	-	-	-	548,544	548,544
Seychelles Pension Fund	-	-	-	-	-	-
Rwanda Social Security Board	-	4,234,215	4,234,215	-	-	-
Banco Nacionale De Investment	-	117,869	117,869	-	122,402	122,402
Africa Reinsurance Corporation	-	104,269	104,269	-	72,535	72,535
OPEC Fund for International Development (OFID)	-	9,311,645	9,311,645	-	-	-
TDB Staff Provident Fund	-	4,170,747	4,170,747	-	-	-
TDB Directors & Select Stakeholders Provident Fund	-	213,071	213,071	-	-	-
Belarus	1,145,137	-	1,145,137	1,068,069	-	1,068,069
Burundi	430,673	-	430,673	394,406	-	394,406
China	1,183,216	485,076	1,668,293	1,097,084	494,142	1,591,226
Comoros	387,331	-	387,331	224,852	-	224,852
Congo DRC	9,628,675	-	9,628,675	1,701,170	-	1,701,170
Djibouti	-	-	-	99,735	-	99,735
Egypt	1,858,694	-	1,858,694	1,722,692	-	1,722,692
Eritrea	41,761	-	41,761	38,789	-	38,789
Ethiopia	1,858,694	-	1,858,694	1,722,692	-	1,722,692
Kenya	1,858,694	-	1,858,694	1,722,692	-	1,722,692
Malawi	457,873	-	457,873	430,673	-	430,673
Mauritius	838,679	-	838,679	3,032,845	-	3,032,845
Mozambique	2,063,604	-	2,063,604	2,000,136	-	2,000,136
Rwanda	953,089	-	953,089	422,798	-	422,798
Seychelles	95,201	-	95,201	86,135	-	86,135
Somalia	55,333	-	55,333	51,396	-	51,396
South Sudan	10,000,680	-	10,000,680	-	-	-
Swaziland	400,752	-	400,752	-	-	-
Tanzania	1,799,760	-	1,799,760	1,668,291	-	1,668,291
Uganda	2,357,368	-	2,357,368	2,053,630	-	2,053,630
Zambia	1,594,623	-	1,594,623	1,429,154	-	1,429,154
Zimbabwe	-	-	-	1,790,696	-	1,790,696
	40,057,052	19,117,435	59,174,487	23,723,549	8,586,297	32,309,846
	333,838,488	97,386,938	431,225,426	293,781,436	78,269,503	372,050,939

Payable capital is one fifth of the subscribed capital to Class 'A' shares. The remaining four fifths of the subscribed capital constitutes callable capital. The Bank's Board of Governors may, on the recommendation of the Board of Directors, make a call only when the amount thereof is required to repay existing borrowings or to meet guaranteed commitments. Note 41 contains the status of subscriptions to the capital stock by member countries.

31. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash generated from operations:

		2017 USD	2016 USD
Profit for the year		111,864,421	101,456,231
Adjustments:			
Depreciation on property and equipment		856,858	2,278,832
Amortisation of intangible assets		374,244	162,458
Loss/(Gain) in foreign exchange		236,392	(447,997)
Fair value loss on revaluation of equity investments		-	2,805,523
Interest received		(235,762,869)	(219,149,882)
Interest paid		123,612,040	93,634,994
Provision for impairment		25,323,332	23,114,269
Increase in provision for service and leave pay		719,965	166,672
Profit before changes in operating assets and liabilities		27,224,383	4,021,100
(Increase)/decrease in other receivables		(26,934,321)	108,202,713
Decrease/(increase) in hedging derivative instruments-Assets		75,760,442	(14,767,367)
Increase in hedging derivative instruments-Liabilities		4,797,549	
Increase in trade finance loans		(205,086,013)	(203,082,193)
Increase in project loans		(386,576,110)	(153,286,813)
Decrease/(increase) in deferred expenditure		18,095,167	(6,905,011)
Decrease in collection accounts deposits		(43,973,894)	(92,704,013)
Increase in other payables		16,980,773	28,820,992
Increase in interest receivable on government securities		(1,756,707)	(38,759)
Interest received		235,762,869	219,149,882
Interest paid		(123,612,040)	(93,634,994)
Increase in borrowings	31 (b)	859,314,761	110,191,979
		449,996,859	(94,032,484

(b) Analysis of changes in borrowings:

		2017 USD	2016 USD
Short term borrowings:			
At beginning of year		2,369,322,431	2,179,240,539
Loans received		1,670,688,314	3,139,551,683
Repayments		(1,725,448,461)	(2,949,469,791)
At end of year		2,314,562,284	2,369,322,431
Long term borrowings:			
At beginning of year		794,214,640	874,104,553
Loans received		1,175,933,883	197,948,073
Repayments		(261,858,975)	(277,837,986)
At end of year		1,708,289,548	794,214,640
Total borrowings:			
At beginning of year		3,163,537,071	3,053,345,092
Loans received		2,846,622,197	3,211,916,928
Repayments		(1,987,307,436)	(3,101,724,949)
At end of year		4,022,851,832	3,163,537,071
Increase in total borrowings	31 (a)	859,314,761	110,191,979

For purposes of the Statement of Cash Flows, borrowings received for on-lending are treated as normal operations of the Bank and, therefore, are classified as cash generated from operations.

(c) Analysis of cash and cash equivalents

	2017 USD	2016 USD
Cash and balances with other banks - Note 13	1,232,980,427	594,835,619

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending

As at 31 December 2017 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Syndicated Loan 2	400,000,000	400,000,000	-
Syndicated Loan 1	340,000,000	340,000,000	-
First Abu Dhabi Bank PJSC-Middle East Syndication	336,524,025	307,052,975	29,471,050
Standard Chartered Bank-Asian Syndication	237,000,000	237,000,000	-
Sumitomo Mitsui Banking Corporation	220,000,000	176,608,672	43,391,328
Standard Chartered Bank	180,000,000	89,305,073	90,694,927
AFREXIM Bank	179,662,500	-	179,662,500
KFW	164,773,423	164,773,423	-
Louis Dreyfus	126,117,322	126,117,322	-
Commerzbank	119,775,000	29,250,577	90,524,423
Certificates of deposit	115,532,623	115,532,623	-
ING Bank	107,797,500	-	107,797,500
Cargill Kenya	100,000,000	100,000,000	-
Societe Generale	95,000,000	-	95,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	9,053,385	80,946,615
Commercial Bank of Africa	80,000,000	-	80,000,000
Mizuho Bank	80,000,000	50,000,000	30,000,000
FBN Bank London	80,000,000	-	80,000,000
BNP Paribas Group	75,000,000	-	75,000,000
Bank of Tokyo Mitsubishi	75,000,000	75,000,000	-
Mashreq Bank	70,000,000	70,000,000	-
ABC Bank Mauritius	66,188,900	66,188,900	-
Citibank	65,000,000	1,310,211	63,689,789
Deutsche Bank	60,000,000	-	60,000,000
British Arab Commercial Bank	59,887,500	25,000,000	34,887,500
Africa50	52,712,716	52,712,716	-
Rand Merchant Bank	50,000,000	25,000,000	25,000,000
Bunge S.A	48,293,746	48,293,746	-
NIC Bank	40,000,000	-	40,000,000
BHF Bank	35,932,500	19,424,305	16,508,195
Nedbank	35,000,000	-	35,000,000
Natixis	30,000,000	-	30,000,000
KBC Bank	29,943,750	-	29,943,750
FimBank	29,943,750	-	29,943,750
BMCE Bank	29,943,750	-	29,943,750
Bank One	25,000,000	-	25,000,000
Banque BIA, France	23,955,000	-	23,955,000
Barclays/Absa Bank	20,000,000	6,178,650	13,821,350
Nouvobanq	19,098,457	19,098,457	-
DZ Bank	15,158,226	15,158,226	-
State Bank of Mauritius	15,000,000	-	15,000,000
Banque de Commerce de placement	9,993,430	-	9,993,430
United Bank Limited	5,000,000	-	5,000,000
Africa Trade Insurance Agency	1,930,823	-	1,930,823
	4,130,164,941	2,568,059,261	1,562,105,680

31.NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(c) Facilities available for lending (continued)

	Facilities available	Facilities utilised	Facilities unutilised
LONG TERM FACILITIES LENDER	USD	USD	USD
Eurobond	700,000,000	700,000,000	-
African Development Bank	330,000,000	270,000,000	60,000,000
Eurobond	300,000,000	300,000,000	-
The Exim -Import Bank of China	250,000,000	250,000,000	-
KfW	160,000,000	85,000,000	75,000,000
China Development Bank	122,900,000	122,900,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
Development Bank of South Africa	95,000,000	95,000,000	-
European Investment Bank (EIB)	88,120,000	88,120,000	-
Agence Francaise De Development (AFD)	75,000,000	12,000,000	63,000,000
Private Export Funding Corporation (PEFCO)	60,000,000	60,000,000	-
BKB Bank	51,403,510	36,854,139	14,549,371
FMO	50,000,000	50,000,000	-
CDC Group	50,000,000	50,000,000	-
Standard Chartered Bank / USAID	50,000,000	3,703,000	46,297,000
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
Industrial Development Bank (IDC)	30,000,000	-	30,000,000
BHF Bank	18,000,000	7,300,000	10,700,000
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
BADEA	15,000,000	-	15,000,000
Japan Bank for International Corporation (JBIC)	9,510,931	3,381,351	6,129,580
Exim Bank USA	No limit	-	No limit
	2,601,440,996	2,255,765,045	345,675,951
TOTAL FACILITIES			
AT 31 DECEMBER 2017	6,731,605,937	4,823,824,306	1,907,781,631

Note:

Facilities utilised include outstanding letters of credit for Trade Finance amounting to USD 467,904,491 as disclosed in note 34(b)

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending

As at 31 December 2016 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilized USD	Facilities unutilised USD
Syndicated Loan 2	400,000,000	400,000,000	-
Syndicated Loan 1	340,000,000	340,000,000	
Short Term Placements	276,636,321	276,636,321	-
Bridge loan	225,000,000	225,000,000	-
Sumitomo Mitsui Banking Corporation	220,000,000	114,506,082	105,493,918
Standard Chartered Bank	180,000,000	111,341,562	68,658,438
Mashreqbank	173,516,471	173,516,471	-
AFREXIM Bank	157,978,500	35,729,130	122,249,370
KFW-Ipex	142,637,793	142,637,793	-
Commerzbank	105,319,000	41,550,826	63,768,174
Cargill Kenya Limited	100,000,000	100,000,000	-
Citibank Nairobi	98,000,000	46,315,850	51,684,150
Societe Generale	95,000,000	-	95,000,000
ING Bank	94,787,100	55,268,714	39,518,386
Standard Bank South Africa	90,000,000	-	90,000,000
Mauritius Commercial Bank	90,000,000	49,375,042	40,624,958
Commercial Bank of Africa	80,000,000	-	80,000,000
FBN Bank London	80,000,000	-	80,000,000
Mizuho Bank	80,000,000	21,465,728	58,534,272
BNP Paribas Group	63,191,400	-	63,191,400
Deutsche Bank	60,000,000	-	60,000,000
ABC Bank Incorporation, Mauritius	57,974,396	57,974,396	-
British Arab Commercial Bank	52,659,500	5,000,000	47,659,500
Africa50	51,325,233	51,325,233	-
State Bank of Mauritius	51,000,000	36,000,000	15,000,000
Kenya Commercial Bank	50,000,000	-	50,000,000
Rand Merchant Bank	50,000,000	4,454,262	45,545,738
African Finance Corporation	50,000,000	50,000,000	-
Bunge SA	41,069,131	41,069,131	-
NIC Bank	40,000,000	-	40,000,000
Bank One	40,000,000	40,000,000	-
Nedbank	35,000,000	-	35,000,000
Natixis	30,000,000	-	30,000,000
CFC Stanbic Bank	30,000,000	-	30,000,000
BMCE Bank	26,329,750	-	26,329,750
KBC Bank	26,329,750	5,056,907	21,272,843
FimBank	26,329,750	14,421,209	11,908,541
Afrasia Bank Limited	23,696,775	23,696,775	-
Banque BIA, France	21,063,800	-	21,063,800
Barclays/Absa Bank	20,000,000	-	20,000,000
BHF Bank	15,797,850	5,615,641	10,182,209
DZ Bank	15,000,000	-	15,000,000
Habib Bank London	10,000,000	-	10,000,000
Intesa Sanpaolo	10,000,000	-	10,000,000
Banque de Commerce de placement	9,993,430	-	9,993,430
Bank of China	8,000,000	-	8,000,000
Louis Dreyfus Commodities Kenya	6,421,063	6,421,063	-
United Bank Limited	5,000,000	-	5,000,000
	3,955,057,013	2,474,378,136	1,480,678,877

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (continued)

LONG TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Eurobond	398,746,000	398,746,000	-
African Development Bank	150,000,000	150,000,000	-
China Development Bank	122,900,000	122,900,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
European Investment Bank (EIB)	97,245,000	88,120,000	9,125,000
Development Bank of South Africa	95,000,000	95,000,000	-
Private Export Funding Corporation(PEFCO)	60,000,000	60,000,000	-
KfW	60,000,000	60,000,000	-
KBC Bank	51,403,510	36,854,139	14,549,371
FMO	50,000,000	50,000,000	-
CDC Group	50,000,000	50,000,000	-
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
Industrial Development Bank (IDC)	30,000,000	-	30,000,000
BHF Bank	18,000,000	7,300,000	10,700,000
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
Japan Bank for International Corporation (JBIC)	12,700,000	-	12,700,000
Ceskoslovenska Obchodni Banka AS	6,575,954	6,575,954	-
Exim Bank USA	No limit	-	No limit
TOTAL FACILITIES	1,349,077,019	1,247,002,648	102,074,371
At 31 DECEMBER 2016	5,304,134,032	3,721,380,784	1,582,753,248

Note:

Facilities utilised include outstanding letters of credit for Trade Finance amounting to USD 322,643,889 as disclosed in note 34(b)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments

Currency swaps, interest rate swaps and currency forward contracts are derivative products valued using a valuation technique with market-observable inputs. The most frequently applied valuation technique is the swap model using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

At 31 December 2017:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
LIABILITIES				
Net derivative financial instruments	-	4,797,549	-	4,797,549
	-	4,797,549	-	4,797,549
At 31 December 2016:				
ASSETS				
Net derivative financial instruments	-	75,760,442	-	75,760,442
	-	75,760,442	-	75,760,442

The Bank has not designated any loan or receivable or borrowings and payables as at fair value through profit or loss.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Transfers between Level 1, 2 and Level 3:

As at 31 December 2017 and 2016, there were no transfers between the levels.

Valuation of financial Instruments recorded at fair value:

The Bank uses widely recognised valuation models for determining fair values of interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

Valuations of financial instruments are the responsibility of Management.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	2017 USD	2016 USD
Balance as at 1 January	-	288,500
Financial assets recognized at FV-Level 2 or cost during the year	-	-
	-	288,500
Total FV gains and losses in profit or loss	-	-
Additions/(retirements)	-	(288,500)
Balance as at 31 December	-	-

Note: For all other financial instruments not measured at fair value, their carrying value approximates their fair value.

33. SEGMENT REPORTING

The Bank's main business is offering loan products. As such, the Bank has chosen to organise the Bank based on the loan products offered for segmental reporting.

The main types of loan products are:

- Trade finance - Short term and structured medium term financing in support of trading activities such as imports and exports in various member states.
- Project finance - Medium and long term financing of viable and commercially oriented public and private sector projects and investments in various economic sectors or industries.

Other operations comprise other miscellaneous income like rental of office premises which cannot be directly attributed to the Bank's main business. The Bank also participates in the investment of Government securities and other unlisted equity investments. Transactions between the business segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, which form the majority of the statement of financial position.

Information about geographical areas has not been included, as this is not available and the cost to develop is considered to be excessive

33. SEGMENT REPORTING (Continued)

The table below analyses the breakdown of segmental assets, liabilities, income and expenses;

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2017:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	178,408,979	95,166,425	2,438,538	276,013,942
Interest expense and other borrowing costs	(102,929,017)	(44,409,204)	(3,038,231)	(150,376,452)
Net interest income	75,479,962	50,757,221	(599,693)	125,637,490
Fee and commission income	50,243,362	6,560,917	-	56,804,279
Risk mitigation costs	(29,889,732)	(4,128,898)	(3,371,210)	(37,389,840)
Other income	-	-	935,801	935,801
Interest on capital arrears	-	-	552,498	552,498
Other assets recovered	6,029,262	5,057,702	-	11,086,964
Operating expenses	(15,312,618)	(14,241,090)	-	(29,553,708)
Depreciation and amortisation	(624,062)	(607,041)	-	(1,231,103)
Impairment on loans	(26,980,643)	1,657,311	-	(25,323,332)
Foreign exchange gain	10,345,372	-	-	10,345,372
Profit for the year	69,290,903	45,056,122	(2,482,604)	111,864,421
Year Ended 31 December 2016:				
Gross interest income	168,114,873	55,913,350	1,147,061	225,175,284
Interest expense and other borrowing costs	(79,267,994)	(27,632,107)	(1,809,379)	(108,709,480)
Net interest income	88,846,879	28,281,243	(662,318)	116,465,804
Fee and commission income	48,403,340	6,607,539	-	55,010,879
Risk mitigation costs	(12,228,336)	(825,765)	-	(13,054,101)
Other income	-	417,542	67,523	485,065
Other assets written off	-	(21,765)	-	(21,765)
Interest on capital arrears	-	-	60,160	60,160
Other assets recovered	-	3,015,335	-	3,015,335
Operating expenses	(23,097,848)	(5,983,748)	-	(29,081,596)
Depreciation and amortisation	(2,017,988)	(423,302)	-	(2,441,290)
Impairment on loans	(18,051,669)	(5,062,600)	-	(23,114,269)
Foreign exchange loss	(3,062,468)	-	-	(3,062,468)
Fair value gain on equity investments	-	(2,805,523)	-	(2,805,523)
Profit for the year	78,791,910	23,198,956	(534,635)	101,456,231

33. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other	82,400,556	-	1,150,579,871	1,232,980,427
Investment in Government securities - held to maturity	57,275,058	-	-	57,275,058
Other receivables	-	-	106,477,488	106,477,488
Trade finance loans	2,571,248,280	-	-	2,571,248,280
Project loans	-	1,235,120,149	-	1,235,120,149
Equity investments - at costs	-	40,257,957	-	40,257,957
Investment in Joint Ventures	-	369,493	-	369,493
Property and equipment	-	-	19,631,950	19,631,950
Intangible assets	-	-	1,338,030	1,338,030
Total assets	2,710,923,894	1,275,747,599	1,278,027,339	5,264,698,832
Liabilities:				
Short term borrowings	2,314,562,283	-	-	2,314,562,283
Long term borrowings	-	1,708,289,548	-	1,708,289,548
Collection account deposits	127,796,131	-	-	127,796,131
Derivative financial instruments	4,797,549	-	-	4,797,549
Provision for service and leave pay	-	-	6,558,688	6,558,688
Other payables	-	-	81,658,467	81,658,467
Total liabilities	2,447,155,963	1,708,289,548	88,217,155	4,243,662,666
Equity	-	-	1,021,036,166	1,021,036,166
	2,447,155,963	1,708,289,548	1,109,253,321	5,264,698,832

33. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other	167,465,912	-	427,369,707	594,835,619
Investment on Government securities	214,699,238	-	-	214,699,238
Derivative financial instruments	75,760,442	-	-	75,760,442
Trade finance loans	-	-	79,543,167	79,543,167
Project loans	2,393,142,910	-	-	2,393,142,910
Equity investments at fair value through profit or loss	-	846,886,728	-	846,886,728
Equity investments at cost	-	-	-	-
Investment in joint ventures	-	17,496,672	-	17,496,672
Other receivables	-	369,493	-	369,493
Deferred expenditure	-	-	18,095,167	18,095,167
Property and equipment	-	-	19,638,542	19,638,542
Intangible assets	-	-	784,175	784,175
Total assets	2,851,068,502	864,752,893	545,430,758	4,261,252,153
Liabilities:				
Collection account deposits	2,369,322,431	-	-	2,369,322,431
Short term borrowings	-	794,214,640	-	794,214,640
Long term borrowings	171,770,025	-	-	171,770,025
Other payables		-	63,621,398	63,621,398
Provision for service and leave pay	-	-	5,838,723	5,838,723
Total liabilities	2,541,092,456	794,214,640	69,460,121	3,404,767,217
Equity	-	-	856,484,936	856,484,936
	2,541,092,456	794,214,640	925,945,057	4,261,252,153

34. CONTINGENT LIABILITIES AND COMMITMENTS

	2017 USD	2016 USD
(a) Approved capital expenditure		
Approved but not contracted	12,841,523	14,099,435
(b) Loans committed but not disbursed		
Project finance loans	181,024,180	211,626,646
Trade finance loans	513,906,227	675,913,295
	694,930,407	887,539,941

In line with normal banking operations, the Bank conducts business involving acceptances, guarantees and performances. The majority of these facilities are offset by corresponding obligations of third parties.

	2017 USD	2016 USD
Letters of credit - Project finance loans	7,223,037	15,467,972
- Trade finance loans	467,904,491	322,643,889
Guarantees	-	10,274,707
	475,127,528	348,386,568

(c) Operating lease arrangements

The Bank as a lessor

This relates to the Bank's building in Bujumbura of which part has been leased out. Rental income earned during the year was USD 72,750 (2016 - USD NIL). At reporting date, the Bank had no future lease receivables (2016: NIL)

Leases are negotiated for an average term of 2 years and rentals are reviewed every 2 years. The leases are cancelled with a penalty when the tenants do not give 3 months' notice to vacate the premises. The leases had not been renewed by 31 December, 2017.

The Bank as a lessee

At year end, the Bank had outstanding commitments under operating leases which fall due as follows:

	2017 USD	2016 USD
Within one year	446,962	839,777
In the second to fifth year inclusive	199,308	560,024
	646,270	1,399,801

Operating lease payments represent rentals payable by the Bank for use of its office premises. These leases are negotiated for an average term of 5 years.

34. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(d) Pending litigation

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes provisions to cater for any adverse effects which the claims may have on its financial standing.

As at 31 December 2017, there were legal proceedings involving the Bank amounting to USD 25,100,000 (2016 - USD 24,850,000) that are yet to be determined. No provision has been made as, in the opinion of the Directors and the Bank's lawyers, it is unlikely that any significant loss will crystallise.

35. RELATED PARTY TRANSACTIONS

(a) Membership and governance

As a supranational development financial institution with a membership comprising:- Class A Shareholders- Twenty two COMESA /African States (the "Member States"), two non-African State and one institutional member;- Class B Shareholders - one non-African State and thirteen institutional members,- subscription to the capital of the Bank is made by all its Members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each Member of the Bank, who exercise the voting power of the appointing Member. The Board of Directors, which is composed of Nineteen (19) Directors elected by the Members is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank makes loans to some of its Member States. The Bank also borrows funds from some of its Members. Such loans granted to Member States are approved by the Board of Directors.

The following are the details of the transactions and balances with related parties:-

(b) Loans to member states	2017 USD	2016 USD
Outstanding loans at 1 January	1,132,314,880	1,206,539,908
Loans disbursed during the year	844,696,940	836,487,209
Loans repaid during the year	(69,141,943)	(910,712,237)
Outstanding loan balances at 31 December	1,907,869,877	1,132,314,880

Loans to related parties are subject to commercial negotiations on the terms and conditions of varying interest rates and terms. Outstanding balances at year-end are secured by cash security deposits, sovereign undertakings/guarantees and insurance. The loans to Member States are performing and the Bank has not made any specific provision for doubtful debts relating to amounts owed by related parties (2016: Nil). General provisions have been raised as applicable.

(c) Borrowings from members	2017 USD	2016 USD
Outstanding borrowings at 1 January	321,797,391	364,990,246
Borrowings received during the year	122,903,638	44,803,720
Borrowings repaid during the year	(178,691,389)	(87,996,575)
Outstanding balances at 31 December	266,009,640	321,797,391

Borrowings from related parties are subject to commercial negotiations on the terms and conditions. The outstanding balances as at year-end are unsecured and there has been no guarantee provided by the Bank for any borrowings from members. The borrowings are for an average period of ten years.

35. RELATED PARTY TRANSACTIONS (Continued)

(d) Income and expenses	2017 USD	2016 USD
• Interest income from loans to Member States earned during the year	124,347,488	88,034,294
• Interest expense on borrowings from Member States incurred during the year	(8,275,603)	(8,279,514)
• Fees and commission earned from Member States during the year	43,171,393	34,644,298

(e) Other related parties

The remuneration of members of key management staff during the year was as follows:

	2017 USD	2016 USD
Salaries and other short-term benefits	2,854,882	2,500,857
Post employment benefits: Defined contribution: Provident Fund	636,269	578,121
Board of Directors and Board of Governors allowances	345,600	281,770
Other long-term employee benefits	183,911	166,283
	4,020,662	3,527,031

(f) Share capital

During the year, Class 'B' shares with a value of USD 4,383,818 were issued to the TDB Staff Provident Fund and to TDB Directors and Select Stakeholder Provident Fund.

36. CURRENCY

The financial statements are presented in United States Dollars (USD). At the reporting date, the conversion rates between one USD and certain other currencies were as analysed below:

	2017	2016
British Pound	0.7411	0.8147
Euro	0.8318	0.9495
United Arab Emirates Dirham	3.6730	3.6730
Zambian Kwacha	9.9500	9.8900
Sudanese Pound	19.7015	9.6940
South Africa Rand	12.3075	13.6287
Ethiopian Birr	27.3345	22.5160
Mauritian Rupee	33.5095	36.0200
Kenya Shilling	103.3000	102.5700
Japanese Yen	112.5400	116.8000
Malawi Kwacha	726.0702	727.4651
Burundi Franc	1757.6050	1675.3000
Tanzania Shilling	2246.0000	2180.0000
Uganda Shilling	3635.7500	3610.0000

37. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require disclosure in or adjustment to, these financial statements.

38. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are as outlined below:

(a) INTRODUCTION

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk (non-trading risks). It is also subject to country risk.

Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive risk management framework for measuring, monitoring, controlling and mitigation of the Bank's risks. The policies are integrated in the overall management information systems of the Bank and supplemented by a management reporting structure.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and other stakeholders understand their roles and obligations.

The Bank-Wide Integrated Risk Management Committee (BIRMC) is responsible for monitoring compliance with the Bank's risk management policies and procedures and review of the adequacy of the risk management framework in relation to the risks faced by the Bank. BIRMC undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The notes below provide detailed information on each of the above risks and the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(b) CREDIT RISK

The Bank defines credit risk as the risk that adverse changes in the credit quality of borrowers will negatively affect the Bank's financial performance and financial condition. Credit risk arises from both client-specific risk and country risk. The Bank, through its lending operations to private sector and public sector entities in its Member Countries, and to a lesser extent, treasury operations, is exposed to credit risk.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK (Continued)

Risk Management Policies and Processes

The Bank manages credit risk through an integrated risk management policy framework and processes which place great emphasis on rigorous screening of borrowers at loan origination.

The risk management policies and processes are designed to identify, measure, manage and control credit risk throughout the whole project cycle. The lending process follows a formalised system of strict procedures and processes and committee-based decision-making processes.

Client-Specific Risk

The Bank uses credit assessment and risk profiling systems to evaluate the credit risk of the investment proposals both at loan origination and during the life of the loan.

The Bank seeks to mitigate credit risk in its lending operations and calls for risk mitigating measures such as security in the form of real estate collateral, personal and corporate guarantees. Such collateral is re-valued every three years or earlier should there be any evidence of diminution in value. To ensure prudent management of concentration risk, the Bank limits exposure to a single borrower to 25% of its paid up capital and retained earnings

Country risk

The Bank considers country-specific political, social and economic events which may have an adverse impact on the credit quality of its borrowers. To mitigate such risks, the Bank uses prudent country exposure management policies. In addition, the Bank considers the economic, social and political profile of the country in which the investment project is domiciled before approval is granted. The investment proposal is also loaded with the risk premium that reflects the risk rating of the host country.

The Bank limits its exposure to any single Member country to 30% of its total loan portfolio. As at 31 December 2017, all country exposures were within this limit.

Notes 41 and 42 of the Financial Statements contain the country exposure analysis as at 31 December 2017 and 31 December 2016.

Credit-related commitment risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies. These are further disclosed under Note 34(b).

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Maximum Exposure to Credit Risk before Collateral Held:

Credit Exposures	2017 USD	%	2016 USD	%
On - statement of financial position Items				
Cash and Balances held with other banks	1,232,980,427	23	594,835,619	15
Investment in Government securities	57,275,058	1	214,699,238	5
Other receivables	76,648,950	1	53,918,623	1
Derivative financial instruments	-	-	75,760,442	2
Loans and advances	3,913,915,069	75	3,337,631,476	78
-Project loans	1,267,285,514		896,087,934	
-Trade finance loans	2,646,629,555		2,441,543,542	
Sub Total	5,280,819,504	100	4,276,845,398	100
Off - statement of financial position Items				
Letters of Credit	475,127,528	41	338,111,861	27
Loan Commitments not disbursed	694,930,407	59	887,539,941	72
Guarantees and Performance Bonds	-	-	10,274,707	1
Sub Total	1,170,057,935	100	1,235,926,509	100
Total Credit Exposure	6,450,877,439		5,512,771,907	

The above figures represent the worst case scenario of credit exposure for the two years without taking into account any collateral held or other credit enhancements. Loan and advances and off-statement of financial position items took up 79% in 2017 (2016 - 83%) of the total maximum credit exposure.

Other than cash and bank balances amounting to USD 1,232,980,427 (2016 -USD 594,835,619) and Investment in government securities of USD 57,275,058 (2016-USD 214,699,238) all other credit risk exposures are secured by collateral in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

As at 31 December 2017, the fair value of collateral held for impaired loans and advances was USD 256,464,924 (2016 - USD 222,113,132) and provided sufficient cover over the gross exposure of USD 93,584,053 (2016-USD 95,092,932) and over the net exposure of USD 21,277,021 (2016-USD 34,135,073) after deducting the impairment allowances.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Classification of Loans and advances

For year ended 31 December 2017: Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired*	3,640,648,029	(35,239,608)	3,605,408,421	95
Past due but not impaired	179,682,987	-	179,682,987	5
Impaired	93,584,053	(72,307,032)	21,277,021	1
Total	3,913,915,069	(107,546,640)	3,806,368,429	100

For year ended 31 December 2016 Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired*	3,141,046,185	(36,643,979)	3,104,402,206	96
Past due but not impaired	101,492,359	-	101,492,359	3
Impaired	95,092,932	(60,957,859)	34,135,073	1
Total	3,337,631,476	(97,601,838)	3,240,029,638	100

The amounts which are past due but not impaired are secured by collaterals in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

*The impairment allowance on neither past due nor impaired amounts relate to general provisions.

Ageing of arrears for past due loans and advances not impaired

	2017 USD	2016 USD
Below 30 Days	26,100,797	50,638,134
31 to 90 Days	31,394,293	50,854,225
91-180 Days	23,155,054	-
181-360 Days	58,044,357	-
Over 360 Days	40,988,486	-
Total arrears	179,682,987	101,492,359

Ageing of arrears for impaired loans and advances

	2017 USD	2016 USD
Below 30 Days	1,214,342	1,529,018
31-90 Days	-	3,493,701
91-180 Days	12,287,561	24,320,759
181-360 Days	11,574,262	34,012,295
Over 360 Days	54,684,000	23,458,469
Total arrears	79,760,165	86,814,242
Amounts not in arrears	13,823,888	8,278,690
Total	93,584,053	95,092,932

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loans and advances that are neither past due nor impaired

The Bank classifies loans and advances under this category for borrowers that are up to date with their principal and interest payments and conforming to all the agreed terms and conditions. Such borrowers are financially sound and demonstrate capacity to continue to service their debts in the future. The Bank classifies such loans as 'Low Risk-PTAR 1 and Satisfactory Risk-PTAR 2' in line with its Loan Classification Policy.

Past due but not impaired

Loans under this category are performing well but exhibit potential weaknesses which may, if not corrected in good time, weaken the borrower's capacity to repay. These weaknesses may also result in the Bank's interest not being adequately protected. Such weaknesses include temporary cash flow problems and deteriorating economic conditions. The Bank classifies such loans as 'Fair Risk-PTAR 3 and Watch Risk- PTAR 4' in line with its Loan Classification Policy. Sovereign loans that are past due are not considered impaired unless otherwise approved by the Bank's Board of Directors.

Impaired loans and advances

The Bank, depending on the severity of default and deterioration of borrower's financial condition and collateral, classifies impaired loans into three categories 'Substandard-PTAR 5', 'Doubtful-PTAR 6' and 'Loss-PTAR 7'. Thus, impaired loans range from those that are not adequately protected by their current sound worth and paying capacity of the obligor to those that are considered uncollectible or of such little value that their continuance as bankable assets is not warranted.

Collateral Held

In addition to its rigorous credit risk assessments, the Bank seeks to protect its interests in the event of unpredictable and extreme factors that negatively affect the borrower's capacity to service the Bank's loan by calling for credit enhancement arrangements. In this regard, the Bank calls for security such as mortgage interest on property, registered securities over financed or third party assets and third party guarantees. The security cover required is, at least, one and half times the loan amount that is disbursed. Such security is subject to regular reviews and, if necessary, revaluation every three years.

The Bank does not hold security over deposits placed with other banks or financial institutions and government securities. However, the Bank places deposits with well vetted and financially sound counter-parties. In addition, the Bank places limits on counter-party exposures which are set, monitored and reviewed by the Bank-Wide Integrated Risk Management Committee.

For both periods ended 31 December 2017 and 31 December 2016, the Bank's collateral exceeded the outstanding gross portfolio.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

	Collateral held for loan portfolio	2017 USD	2016 USD
(i)	Total portfolio:		
	Mortgages on properties	695,558,779	822,521,130
	Fixed charge on plant and equipment	816,158,207	866,914,455
	Cash security deposits	740,061,620	830,600,740
	Sovereign undertakings	912,363,601	1,273,105,261
	Insurance and Guarantees	2,082,965,110	2,069,571,769
	Other floating all asset debenture	45,878,563	268,382,137
	Total security cover	5,292,985,880	6,131,095,492
	Gross portfolio	(3,913,915,069)	(3,337,631,476)
	Net cover	1,379,070,811	2,793,464,016
(ii)	Loans not impaired:		
	Mortgages on properties	591,884,789	677,632,056
	Fixed charge on plant and equipment	709,434,599	821,974,961
	Cash security deposits	740,061,620	830,600,740
	Sovereign undertakings	912,363,601	1,273,105,261
	Insurance and Guarantees	2,036,897,784	2,037,287,205
	Other floating all asset debenture	45,878,563	268,382,137
	Total security cover	5,036,520,956	5,908,982,360
	Gross portfolio	(3,834,154,904)	(3,798,915,298)
	Net cover	1,202,366,052	2,110,067,062
(iii)	Impaired loans:		
	Mortgages on properties	103,673,990	144,889,074
	Fixed charge on plant and equipment	106,723,608	44,939,494
	Insurance and Guarantees	46,067,326	32,284,564
	Total security cover	256,464,924	222,113,132
	Gross portfolio	(93,584,053)	(95,092,932)
	Net cover	162,880,871	127,020,200

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of risk

As at 31 December 2017

	Gross Exposure On-statement Of financial Position USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Net Exposure	%
Mining and Quarrying	8,567,631	-	-	-	-	-	8,567,631	-
Agribusiness	910,940,603	23	196,765,320	17	(80,878,832)	(399,656,043)	627,171,048	26
Banking and Financial Services	278,284,537	7	292,026,009	25	2,000,000	(170,427,487)	401,883,059	16
Education	4,037,391	-	-	-	-	-	4,037,391	-
Hospitality	37,182,259	1	15,244,864	1	-	-	52,427,123	2
Manufacturing and Heavy Industries	240,465,941	6	48,677,060	4	-	-	289,143,001	12
Other	73,715,613	2	185,841,241	16	(180,983,268)	(18,000,000)	60,573,586	2
Health Services	15,020,366	-	1,342,852	-	-	-	16,363,218	1
Energy	156,085,001	4	117,959,009	10	-	(24,589,200)	249,454,810	10
Petrochemicals	1,396,665,838	36	264,028,147	23	(720,675,589)	(691,975,775)	248,042,621	10
Real Estate	42,416,192	1	-	-	-	-	42,416,192	2
Telecommunications	91,667,804	2	2,115,912	-	-	(5,059,926)	88,723,790	4
Infrastructure	385,195,515	10	9,523,432	1	-	(280,000,000)	114,718,947	5
Transport and Logistics	273,670,379	7	36,534,089	3	-	(61,200,000)	249,004,468	10
	3,913,915,069	100	1,170,057,935	100	(980,537,689)	(1,650,908,431)	2,452,526,884	100

**Off-statement of financial position items include loans approved but not disbursed, outstanding letters of credit and guarantees and performance bonds.

The Bank, as part of its prudent management of credit risk arising from high sectoral concentration, limits the net exposure to Petrochemicals and Agribusiness sectors to 35% of the Bank's total loan book, and 25% for all other sectors. As at 31 December 2017, all loan and advances sectoral concentrations were within the stipulated limit

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of risk (continued)

As at 31 December 2016

	Gross Exposure On-statement Of financial Position		Off-statement Of financial Position		Cash collateral/ In transit	Insurance	Net Exposure	
	USD	%	USD	%	USD	USD	USD	%
Mining and Quarrying	8,021,410	-	-	-	-	-	8,021,410	-
Agribusiness	932,318,916	28	119,528,320	10	(203,034,465)	(343,847,013)	504,965,758	21
Banking and Financial Services	268,026,040	8	230,205,834	19	-	(140,203,539)	358,028,335	15
Education	5,771,990	-	-	-	-	-	5,771,990	-
Hospitality	41,388,623	1	244,865	-	-	-	41,633,488	2
Manufacturing and Heavy Industries	246,304,182	7	73,135,533	6	-	-	319,439,715	13
Other	44,787,302	1	230,816,559	19	(154,009,225)	(18,000,000)	103,594,636	4
Health Services	19,790,861	1	6,489,448	1	-	-	26,280,309	1
Energy	100,449,765	3	135,584,796	11	-	(471,313)	235,563,248	10
Petrochemicals	1,194,270,524	36	269,302,632	22	(518,174,726)	(592,500,000)	352,898,430	14
Real Estate	53,538,588	2	8,522,813	1	-	-	62,061,401	2
Telecommunications	19,527,724	1	274,707	-	-	(6,209,104)	13,593,327	1
Insurance: Infrastructure	157,561,056	5	161,821,002	13	-	(100,000,000)	219,382,058	9
Insurance: Transport and Logistics	245,874,495	7	-	-	-	(61,200,000,)	184,674,495	8
	3,337,631,476	100	1,235,926,509	100	(875,218,416)	(1,262,430,969)	2,435,908,600	100

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38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured loans	2017 USD	2016 USD
Project finance loans	4,928,979	24,816,680
Trade finance loans	15,291,536	10,766,117
	20,220,515	35,582,797

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from financial liabilities. The Bank's liquidity policy ensures that it has resources to meet its net disbursement and debt service obligations and allows it flexibility in deciding the appropriate time to access capital markets.

The Bank holds sufficient liquid assets to enable it to continue normal operations even in the unlikely event that it is unable to obtain fresh resources from its lending partners and the capital markets for an extended period of time. To achieve this objective, the Bank operates on a prudential minimum level of liquidity, which is based on projected net cash requirements.

The prudential minimum level of liquidity is updated quarterly.

The liquidity position statement is presented under the most prudent consideration of maturity dates. Liabilities are classified according to the earliest possible repayment date, while assets are classified according to the latest possible repayment date.

The Bank-wide Integrated Risk Management Committee (BIRMC) is tasked with the responsibility of ensuring that all foreseeable funding commitments can be met when due, and that the Bank will not encounter difficulty in meeting obligations from its financial liabilities as they occur.

BIRMC relies substantially on the Treasury Department to coordinate and ensure discipline, certify adequacy of liquidity under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2017	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	1,232,980,427	-	-	-	-	-	1,232,980,427
Investment in Government securities	57,275,058	-	-	-	-	-	57,275,058
Other receivables	75,847,285	105,758	156,449	235,275	304,184	-	76,648,951
Trade finance loans	100,611,075	225,648,773	336,334,051	1,565,962,488	848,586,613	1,820,500	3,078,963,500
Project loans	11,584,658	210,502,557	124,885,693	128,870,005	785,529,011	375,621,242	1,636,993,166
Equity investment at cost	-	-	-	-	40,257,957	-	40,257,957
Investment in joint venture	-	-	-	-	369,493	-	369,493
Total assets	1,478,298,503	436,257,088	461,376,193	1,695,067,768	1,675,047,258	377,441,742	6,123,488,552
LIABILITIES							
Short term borrowings	253,987,143	357,739,680	68,052,488	671,043,419	998,604,537	-	2,349,427,267
Long term borrowings	25,215,078	43,933,835	24,606,962	326,842,575	1,364,120,384	251,533,898	2,036,252,732
Derivative finacial instruments	4,797,549	-	-	-	-	-	4,797,549
Collection Account	127,796,131	-	-	-	-	-	127,796,131
Other payables	73,424,114	304,117	452,983	828,345	4,438,719	2,158,568	81,606,846
Total liabilities	485,220,015	401,977,632	93,112,433	998,714,339	2,367,163,640	253,692,466	4,599,880,525
Net liquidity gap	993,078,488	34,279,456	368,263,760	696,353,429	(692,116,382)	123,749,276	1,523,608,027
Cumulative gap	993,078,488	1,027,357,944	1,395,621,704	2,091,975,133	1,399,858,751	1,523,608,027	1,523,608,027

The above table analyses financial assets and financial liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2016	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	591,015,791	3,819,828	-	-	-	-	594,835,619
Investment in Government securities	-	-	-	227,876,780	-	-	227,876,780
Other receivables	53,396,149	77,572	110,669	171,713	162,520	-	53,918,623
Derivative financial instruments	-	-	-	-	75,760,442	-	75,760,442
Trade finance loans	283,632,317	129,034,828	403,620,482	545,679,697	1,316,888,638	-	2,678,855,962
Project loans	40,236,915	9,497,414	43,951,374	255,246,563	539,020,368	178,527,666	1,066,480,300
Equity investments at cost	-	-	-	-	17,496,672	-	17,496,672
Investment in joint venture	-	-	-	-	369,493	-	369,493
Total financial assets	968,281,172	142,429,642	447,682,525	1,028,974,753	1,949,698,133	178,527,666	4,715,593,891
FINANCIAL LIABILITIES							
Short term borrowings	265,174,799	452,704,593	314,996,931	533,492,410	888,484,879	-	2,454,853,612
Long term borrowings	17,348,786	1,718,301	32,132,714	76,113,640	638,015,618	125,984,094	891,313,153
Collection Account	171,770,025	-	-	-	-	-	171,770,025
Other payables	57,469,779	159,707	238,592	463,848	3,320,805	1,917,045	63,569,776
Total liabilities	511,763,389	454,582,601	347,368,237	610,069,898	1,529,821,302	127,901,139	3,581,506,566
Net liquidity gap	456,517,783	(312,152,959)	100,314,288	418,904,855	419,876,831	50,626,527	1,134,087,325
Cumulative gap	456,517,783	144,364,824	244,679,112	663,583,968	1,083,460,798	1,134,087,325	1,134,087,325

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of loan commitments and off balance financial liabilities are as follows:

At 31 December 2017	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
Letters of credit	64,183,515	172,281,800	86,207,002	133,562,349	18,892,862	-	475,127,528
Loan commitments	102,299,180	-	411,124,982	181,506,245	-	-	694,930,407
Total	166,482,695	172,281,800	497,331,984	315,068,594	18,892,862	-	1,170,057,935

At 31 December 2016	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
Guarantees	-	-	-	10,274,707	-	-	10,274,707
Letters of credit	-	338,111,861	-	-	-	-	338,111,861
Loan commitments	-	-	673,459,934	214,080,007	-	-	887,539,941
Total	-	338,111,861	673,459,934	224,354,714	-	-	1,235,926,509

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

(i) Liquidity and funding management

The Bank's liquidity and funding policies require:

- Entering into lending contracts subject to availability of funds,
- Projecting cash flows by major currency and considering the level of liquid assets necessary in relation thereto,
- Maintaining a diverse range of funding sources with back-up facilities,
- Investment in short term liquid instruments which can easily be sold in the market when the need arises,
- Investments in property and equipment are properly budgeted for and done when the Bank has sufficient cash flows,
- Maintaining liquidity and funding contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications.

(ii) Contingency Plans

The Bank carries out contingency funding planning at the beginning of the year. This details the following measures to combat liquidity crisis:

- Unutilised lines of credit, including standby facilities, from different counter-parties.
- Term deposits with counter-parties and prospects of withdrawal and rollovers.
- Investment portfolio and its defeasance period.
- Amount of short-term resources with a time period, required to raise such resources.
- Amount which can be raised from other counter parties based on the Bank's past relationships.

(d) MARKET RISK

The objective of the Bank's market risk management process is to manage and control market risk exposures in order to optimise return on risk. Market risk is the risk that movement in market factors, including interest rates and foreign currency exchange rates, will reduce income or value of portfolio.

Overall responsibility for management of market risk rests with BIRMC. The Treasury Department is responsible for the development of detailed market risk management policies and for the day-to-day implementation of those policies.

The management of market risk is supplemented by the monitoring of sensitivity analysis of the key market risk variables. The Bank normally uses simulation models to measure the impact of changes in interest rates on net interest income. The key assumptions used in these models include loan volumes and pricing and changes in market conditions. Those assumptions are based on the best estimates of actual positions. The models cannot precisely predict the actual impact of changes in interest rates on income because these assumptions are highly uncertain.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The extent of exposure to interest rate risk is largely determined by the length of time for which the rate of interest is fixed for a financial instrument. The Bank's principal interest rate risk management objective is to generate a suitable overall net interest margin by matching the interest rate characteristic and re-pricing profile of assets with those of the underlying borrowings and equity sources respectively.

38. FINANCIAL RISK MANAGEMENT

(i) Interest rate risk continued (Continued)

The table below summarises the Bank's exposure to interest rate risk

At 31 December 2017:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	1,150,579,872	-	-	-	-	82,400,555	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	-	57,275,058
Other receivables	-	-	-	-	854,947	75,794,004	76,648,951
Trade finance loans	418,911,241	729,453,680	213,404,000	19,482,554	1,189,996,805	-	2,571,248,280
Project finance loans	345,717,665	775,878,035	-	-	97,559,575	15,964,874	1,235,120,149
Equity Investments cost	-	-	-	-	-	40,257,957	40,257,957
Investment in joint venture	-	-	-	-	-	369,493	369,493
Total financial assets	1,915,208,778	1,505,331,715	213,404,000	19,482,554	1,345,686,385	214,786,883	5,213,900,315
FINANCIAL LIABILITIES							
Short term borrowings	501,955,108	1,226,180,118	352,940,970	-	233,486,087	-	2,314,562,283
Long term borrowings	13,433,428	774,045,655	-	-	920,810,465	-	1,708,289,548
Collection Accounts	-	-	-	-	-	127,796,131	127,796,131
Derivative financial instruments						4,797,549	4,797,549
Other payables	-	-	-	-	7,532,183	74,074,663	81,606,846
Total financial liabilities	515,388,536	2,000,225,773	352,940,970	-	1,161,828,735	206,668,343	4,237,052,357
Net interest rate exposure	1,399,820,242	(494,894,058)	(139,536,970)	19,482,554	183,857,650	8,118,540	976,847,958
Cumulative interest rate exposure	1,399,820,242	(904,926,184)	765,389,214	(784,871,768)	968,729,418	976,847,958	976,847,958

* Fixed interest and non-interest bearing items are stated at amortised costs or their carrying amounts which approximate their fair values

38. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

The table below summarises the Bank's exposure to interest rate risk.

At 31 December 2016:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	423,549,880	3,819,827	-	-	-	167,465,912	594,835,619
Investment in Government securities	-	-	-	-	214,699,238	-	214,699,238
Other receivables	-	-	-	-	562,660	53,355,963	53,918,623
Derivative financial instruments	-	-	-	-	-	75,760,442	75,760,442
Trade finance loans	434,279,327	670,149,605	330,257,705	4,557,326	942,856,676	11,042,271	2,393,142,910
Project finance loans	493,246,373	138,005,617	-	-	178,751,417	36,883,320	846,886,727
Equity Investments cost	-	-	-	-	-	17,496,672	17,496,672
Investment in joint venture	-	-	-	-	-	369,493	369,493
Total financial assets	1,351,075,580	811,975,049	330,257,705	4,557,326	1,336,869,991	362,374,073	4,197,109,724
FINANCIAL LIABILITIES							
Short term borrowings	897,564,652	979,593,934	158,268,073	-	333,895,772	-	2,369,322,431
Long term borrowings	176,617,628	612,269,853	-	-	5,327,159	-	794,214,640
Collection Accounts	-	-	-	-	-	171,770,025	171,770,025
Other payables	-	-	-	-	6,179,852	57,389,924	63,569,776
Total financial liabilities	1,074,182,280	1,591,863,787	158,268,073	-	345,402,783	229,159,949	3,398,876,872
Net interest rate exposure	276,893,300	(779,888,738)	171,989,632	4,557,326	991,467,208	133,214,124	798,232,852
Cumulative interest rate exposure	276,893,300	(502,995,438)	(331,005,806)	(326,448,480)	665,018,728	798,232,852	798,232,852

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

Interest rate risk - Sensitivity analysis

The Bank monitors the impact that an immediate hypothetical increase or decrease in interest rates of 100 basis points applied at the beginning of the year would have on net interest income.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at year end. The analysis was prepared using the following assumptions:

- Interest-bearing assets and liabilities outstanding as at 31 December 2017 were outstanding at those levels for the whole year,
- Interest-bearing assets and liabilities denominated in currencies other than USD experienced similar movements in interest rates, and
- All other variables are held constant.

If interest rates had been 100 basis points higher or lower with the above assumptions applying, the Bank's net profit for the year ended 31 December 2017 of USD 111,864,421 (2016: USD 101,456,231) would increase or decrease by USD 7,848,718 (2016 - USD 1,117,492) as follows:

Effect on the Bank's Net Profit:

The profit for the year ended 31 December 2017 would increase to USD 119,713,139 (2016: USD 102,573,723) or decrease to USD 104,015,703 (2016: USD 100,338,739).

The potential change is 7% (2016 – 1.1%) of the year's profit.

(ii) Currency risk

Currency risk is defined as the potential loss that could result from adverse changes in foreign exchange rates. Currency risks are minimised and, where possible, eliminated by requiring assets to be funded by liabilities that have matching currency characteristics.

Foreign currency positions are monitored on a quarterly basis. The single currency exposure, irrespective of short or long positions should not exceed the limit of 10% of the Bank's net worth.

38. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2017 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	OTHER	TOTAL
FINANCIAL ASSETS											
Cash and balances with other banks	1,014,605,073	425	77,072,156	16,975	82,400,265	4,401,265	4,888,870	44,420,987	3,953,925	1,220,486	1,232,980,427
Investment in Government securities	57,275,058	-	-	-	-	-	-	-	-	-	57,275,058
Other receivables	76,648,951	-	-	-	-	-	-	-	-	-	76,648,951
Trade finance loans	1,394,732,339	-	1,176,515,941	-	-	-	-	-	-	-	2,571,248,280
Project finance loans	1,202,942,585	-	23,423,835	-	-	-	-	-	8,753,729	-	1,235,120,149
Equity Investments at cost	40,257,957	-	-	-	-	-	-	-	-	-	40,257,957
	369,493	-	-	-	-	-	-	-	-	-	369,493
Total financial assets	3,786,831,456	425	1,277,011,932	16,975	82,400,265	4,401,265	4,888,870	44,420,987	12,707,654	1,220,486	5,213,900,315
FINANCIAL LIABILITIES											
Short term borrowings	2,183,627,303	-	130,934,980	-	-	-	-	-	-	-	2,314,562,283
Long term borrowings	1,700,730,044	-	-	-	-	-	-	-	7,559,504	-	1,708,289,548
Collection account	(1,632,500)	-	-	-	80,877,832	-		44,311,024	3,573,608	666,167	127,796,131
Derivative financial instruments	(1,087,446,834)	-	1,092,244,383	-	-	-	-	-	-	-	4,797,549
Other payables	81,449,473	-	-	151,023	-	-	-	-	-	6,350	81,606,846
Total financial liabilities	2,876,727,486	-	1,223,179,363	151,023	80,877,832	-	-	44,311,024	11,133,112	672,517	4,237,052,357
NET POSITION	910,103,970	425	53,832,569	(134,048)	1,522,433	4,401,265	4,888,870	109,963	1,574,542	547,679	976,847,958

38. FINANCIAL RISK MANAGEMENT (Continued)

MARKET RISK (Continued)

(iii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2016 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	TZSH	OTHER	TOTAL
FINANCIAL ASSETS									
Cash and balances with other banks	407,778,574	4,164	7,390,705	(3,430)	167,465,912	3,971,453	4,171,941	4,056,300	594,835,619
Investment in Government securities	214,699,238	-	-	-	-	-	-	-	214,699,238
Other receivables	53,918,623	-	-	-	-	-	-	-	53,918,623
Derivative financial instruments	943,388,070	-	(867,627,628)	-	-	-	-	-	75,760,442
Trade finance loans	1,447,036,840	-	946,106,070	-	-	-	-	-	2,393,142,910
Project finance loans	816,453,643	-	18,602,230	-	-	138,504	11,692,350	-	846,886,727
Equity investments at cost	17,496,672	-	-	-	-	-	-	-	17,496,672
Investment in joint venture	369,493	-	-	-	-	-	-	-	369,493
Total financial assets	3,901,141,153	4,164	104,471,377	(3,430)	167,465,912	4,109,957	15,864,291	4,056,300	4,197,109,724
FINANCIAL LIABILITIES									
Short term borrowings	2,085,405,657	-	110,400,302	-	-	-	-	173,516,472	2,369,322,431
Long term borrowings	783,560,322	-	-	-	-	-	10,654,318	-	794,214,640
Collection account	4,186,261	-	-	-	164,371,219	-	-	3,212,545	171,770,025
Other payables	63,391,463	-	-	173,300	-	-	-	5,013	63,569,776
Total financial liabilities	2,936,543,703	-	110,400,302	173,300	164,371,219	-	10,654,318	176,734,030	3,398,876,872
NET POSITION	964,597,450	4,164	(5,928,925)	(176,730)	3,094,693	4,109,957	5,209,973	(172,677,730)	798,232,852

38. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Currency Risk (Continued)

Currency risk - Sensitivity Analysis

The Bank is mainly exposed to Euros, Pound Sterling, Kenya Shillings, Tanzania Shillings, Sudanese Pounds, and Uganda Shilling. The following analysis details the Bank's sensitivity to a 10% increase and decrease in the value of the USD against the other currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes cash and term deposits, securities, loans and borrowings in currencies other than United States Dollars. A positive number below indicates a decrease in profit and reserves when the USD strengthens by 10% against the other currencies in which the Bank has a net asset position. For a 10% weakening of the USD against the relevant currencies, there would be an equal opposite impact on the net profit.

	GBP	EURO	KES	TSH	AED	SDG	UGX
2017	287	6,913,644	(143)	72	124,440	15,708	(33,941)
2016	1,207	(894,703)	(183)	239	-	31,924	(33,941)

39. CAPITAL MANAGEMENT

The Bank, being a supranational financial institution, is not subject to any regulatory supervision by a national body. The conduct of operations is vested with the Board of Directors which closely monitors directly or through its Audit Committee the Bank's performance, risk profile and capital adequacy.

Based on the need to protect against increased credit risks associated with projects and infrastructure financing in developing African economies, the Bank's capital management policy aims to maintain a capital adequacy ratio of at least 30 per cent. This ratio is computed in line with recommendations of the paper prepared by the Basel Committee on Banking Supervision entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988 as amended from time to time (Basel I paper) and 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).

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To have sufficient capital to support its development mandate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to Member States and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is monitored monthly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee. Currently, the Bank's capital is entirely Tier 1 capital which is: Paid-up share capital, retained earnings and other reserves.

39. CAPITAL MANAGEMENT (Continued)

Risk-weighted assets are measured by means of a hierarchy of seven risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

A summary of the Bank's capital adequacy computations is provided below.

	2017 USD	2016 USD
RISK WEIGHTED ASSETS		
On-Statement of financial position assets	2,657,945,022	2,236,880,589
Off- Statement of financial position assets	95,025,505	77,853,320
Total risk weighted assets	2,572,970,527	2,314,733,909
CAPITAL		
Paid up capital	431,225,426	372,050,939
Retained earnings and reserves	589,810,739	484,427,909
Total capital	1,021,036,166	856,478,848
CAPITAL ADEQUACY RATIO	37.1%	37.0%

In addition to its paid-up capital, the Bank has access to additional capital in the form of callable capital. During the years, the Bank complied with its capital adequacy requirements. There were no events after the reporting date.

40. FINANCIAL INSTRUMENTS CATEGORIES

The table below sets out the Bank's analysis of financial instrument categories.

As at 31 December 2017:	Loans and receivables USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Held to Maturity USD	Total carrying amount USD
Financial assets						
Cash and balances held with banks	1,232,980,427	-	-	-	-	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	57,275,058
Other receivables	76,648,951	-	-	-	-	76,648,951
Trade finance loans	2,571,248,280	-	-	-	-	2,571,248,280
Project finance loans	1,235,120,149	-	-	-	-	1,235,120,149
Equity investments at cost	-	-	40,257,957	-	-	40,257,957
Total financial assets	5,115,997,807	-	40,257,957	-	57,275,058	5,213,530,822
Financial liabilities						
Collection account deposits	127,796,131	-	-	-	-	127,796,131
Derivative financial instruments	-	4,797,549	-	-	-	4,797,549
Short term borrowings	2,314,562,283	-	-	-	-	2,314,562,283
Long term borrowings	1,708,289,548	-	-	-	-	1,708,289,548
Other payables	81,606,846	-	-	-	-	81,606,846
Total financial liabilities	4,232,254,808	4,797,549	-	-	-	4,237,052,357

40. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

As at 31 December 2016:	Loans and receivables USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Held to Maturity USD	Total carrying amount USD
Financial assets						
Cash and balances held with banks	594,835,619	-	-	-	-	594,835,619
Investment in Government securities	-	-	-	-	214,699,238	214,699,238
Other receivables	53,918,623	-	-	-	-	53,918,623
Trade finance loans	2,393,142,910	-	-	-	-	2,393,142,910
Project finance loans	846,886,728	-	-	-	-	846,886,728
Equity investments at cost	-	-	17,496,672	-	-	17,496,672
Derivative financial instruments	-	341,813	-	75,418,629	-	75,760,442
Total financial assets	3,888,783,880	341,813	17,496,672	75,418,629	214,699,238	4,196,740,232
Financial liabilities						
Collection account deposits	171,770,025	-	-	-	-	171,770,025
Short term borrowings	2,369,322,431	-	-	-	-	2,369,322,431
Long term borrowings	794,214,640	-	-	-	-	794,214,640
Other payables	63,569,776	-	-	-	-	63,569,776
Total financial liabilities	3,398,876,872	-	-	-	-	3,398,876,872

41. TRADE FINANCE LOAN PORTFOLIO

Country	As at 31 December 2017			As at 31 December 2016		
	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD
Burundi	-	-	-	-	-	-
Congo DRC	2,530,000	2,530,000	-	7,726,524	7,726,524	-
Djibouti	4,948,151	548,684	4,399,467	4,615,707	1,197,257	3,418,450
Egypt	28,168,977	28,168,977	-	12,003,562	12,003,562	-
Ethiopia	58,307,075	8,306,721	50,000,354	27,660,036	24,548,100	3,111,936
Kenya	25,708,146	4,591,646	21,116,500	153,420,417	8,471,222	144,949,195
Malawi	241,879,726	118,177,171	123,702,555	189,141,186	94,518,814	94,622,372
Mauritius	43,647,842	43,647,842	-	23,324,637	20,580,932	2,743,705
Rwanda	140,150,914	-	140,150,914	316,349,038	1,599,426	314,749,612
Seychelles	-	-	-	1,011,191	1,011,191	-
Sudan	646,441,078	122,706,295	523,734,783	696,086,435	324,281,548	371,804,887
Tanzania	169,760,948	100,417,163	69,343,784	161,915,797	106,861,296	55,054,501
Uganda	177,230,606	69,237,311	107,993,295	68,643,471	971,704	67,671,767
Zambia	679,696,821	41,501,167	638,195,654	677,441,537	231,158,838	446,282,699
Zimbabwe	428,159,271	26,239,089	401,920,182	102,204,004	20,473,387	81,730,617
Gross Loans	2,646,629,555	566,072,066	2,080,557,489	2,441,543,542	855,403,801	1,586,139,741
Less: Impairment on trade finance loans (Note 17)	(75,381,275)	-	(75,381,275)	(48,400,632)	-	(48,400,632)
NET LOANS	2,571,248,280	566,072,066	2,005,176,214	2,393,142,910	855,403,801	1,537,739,109

42. PROJECT LOAN PORTFOLIO

							As at 31 December 2017			As at 31 December 2016		
Country	Amounts Approved USD	Amounts Signed USD	Amounts Disbursed USD	Interest Capita-lized USD	Amounts Repaid USD	Interest Receivable USD	Balance Outstanding USD	Due within One year USD	Due after One year USD	Balance Outstanding USD	Within One year USD	Due after One year USD
Burundi	30,358,906	26,241,448	26,139,793	1,192,186	(14,659,730)	392,179	13,064,427	2,679,656	10,384,772	14,220,656	1,810,789	12,409,867
Congo DRC	44,200,000	44,200,000	44,200,000	-	(2,946,666)	2,228,958	43,482,291	2,228,958	41,253,333	45,621,752	12,963	45,608,789
Djibouti	1,492,148	1,492,148	1,492,148	-	-	64,843	1,556,990	64,843	1,492,148	-	-	-
Eritrea	403,652	403,652	403,652	-	(403,652)	-	-	-	-	-	-	-
Ethiopia	151,389,367	127,889,367	106,808,502	522,176	(46,546,238)	4,463,377	65,247,817	12,514,129	52,733,688	61,868,600	713,971	61,154,629
Kenya	719,657,707	671,457,707	651,842,135	1,532,900	(250,762,389)	9,769,973	412,382,620	51,480,420	360,902,200	67,662,952	5,569,007	62,093,946
Malawi	60,973,723	60,973,723	60,793,337	2,920	(55,376,150)	775,388	6,195,495	6,195,497	(2)	9,123,527	6,011,027	3,112,500
Mauritius	137,225,000	122,225,000	93,500,000	-	(10,632,778)	2,047,824	84,915,046	2,981,158	81,933,888	12,296,555	(4,000)	12,300,555
Rwanda	397,022,238	382,301,701	361,032,009	3,612,691	(78,945,556)	6,280,393	291,979,537	189,653,714	102,325,823	270,495,786	178,726,683	91,769,103
Seychelles	47,364,275	41,364,275	41,364,276	-	(35,682,458)	16,870	5,698,687	1,380,506	4,318,181	7,114,638	69,183	7,045,455
Sudan	65,790,387	65,790,387	45,106,624	12,464,752	(25,392,904)	2,510,944	34,689,416	20,549,806	14,139,610	32,178,473	-	32,178,473
Tanzania	283,303,210	241,803,213	191,670,275	682,910	(154,087,183)	1,858,409	40,124,412	15,513,281	24,611,131	75,860,181	9,662,924	66,197,257
Uganda	226,412,050	213,281,396	226,838,885	5,094,860	(153,165,995)	1,939,884	80,707,637	29,104,023	51,603,615	88,422,282	6,773,231	81,649,052
Zambia	150,610,909	146,529,183	131,225,914	25,086,069	(135,629,955)	41,958	20,723,986	8,574,675	12,149,310	35,703,919	3,710,598	31,993,321
Zimbabwe	354,904,312	334,198,751	309,487,184	709,655	(144,661,348)	981,663	166,517,153	42,665,435	123,851,718	175,518,612	6,023,090	169,495,522
Gross loans	2,671,107,884	2,480,151,951	2,291,904,734	50,901,119	(1,108,893,002)	33,372,663	1,267,285,514	385,586,099	881,699,415	896,087,934	219,079,465	677,008,469
Less: Impairment on project loans (note 17)							(32,165,365)	-	(32,165,365)	(49,201,206)	-	(49,201,206)
NET LOANS							1,235,120,149	385,586,099	849,534,050	846,886,728	219,079,465	627,807,263

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2017:

CLASS 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2017 USD	Instalments paid as at 31.12.2017 USD
Belarus	1,156	1.51	26,203,052	20,962,442	5,240,610	4,240,542	4,240,542
Burundi	1,500	1.96	34,000,500	27,200,400	6,800,100	6,800,100	6,800,100
China	4,150	5.42	94,068,050	75,254,440	18,813,610	18,813,610	18,813,610
Comoros	164	0.21	3,717,388	2,973,910	743,478	743,478	743,478
Djibouti	356	0.47	8,069,452	6,455,562	1,613,890	1,613,890	1,613,890
Congo DRC	5,340	6.98	121,041,780	96,833,424	24,208,356	24,208,356	21,878,078
Egypt	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Eritrea	240	0.31	5,440,080	4,352,064	1,088,016	1,088,016	664,089
Ethiopia	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Kenya	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Malawi	1,611	2.11	36,516,537	29,213,230	7,303,307	7,303,307	7,303,307
Mauritius	3,083	4.03	69,882,361	55,905,889	13,976,472	13,976,472	13,976,472
Mozambique	2,220	2.90	50,320,740	40,256,592	10,064,148	4,063,740	4,063,740
Rwanda	1,838	2.40	41,661,946	33,329,557	8,332,389	8,332,389	8,332,389
Seychelles	329	0.43	7,457,443	5,965,954	1,491,489	1,491,489	1,491,489
Somalia	318	0.42	7,208,106	5,766,485	1,441,621	1,441,621	879,919
South Sudan	2,206	2.88	50,003,402	40,002,722	10,000,680	10,000,680	10,000,680
Sudan	5,277	6.90	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
Swaziland	442	0.58	10,018,814	8,015,051	2,003,763	801,505	400,753
Tanzania	6,306	8.24	142,938,102	114,350,482	28,587,620	28,587,620	28,587,620
Uganda	4,830	6.31	109,481,610	87,585,287	21,896,323	20,731,238	20,731,238
Zambia	5,607	7.33	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Zimbabwe	6,337	8.28	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,662	4.79	83,006,554	66,405,243	16,601,311	16,601,311	16,601,311
	76,526	100	1,734,614,842	1,387,691,874	346,922,968	337,555,149	333,838,490

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2016:

CLASS 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2017 USD	Instalments paid as at 31.12.2017 USD
Belarus	1,124	1.59	25,477,708	20,382,166	5,095,542	3,095,405	3,095,405
Burundi	1,405	1.99	31,847,135	25,477,708	6,369,427	6,369,427	6,369,427
China	3,889	5.50	88,151,963	70,521,570	17,630,393	17,630,393	17,630,393
Comoros	162	0.23	3,672,054	2,937,643	734,411	734,411	356,148
Djibouti	356	0.50	8,069,452	6,455,562	1,613,890	1,613,890	1,613,890
Congo DRC	5,340	7.55	121,041,780	96,833,424	24,208,356	24,208,356	12,249,403
Egypt	6,108	8.64	138,450,036	110,760,029	27,690,007	27,690,007	27,690,007
Eritrea	240	0.34	5,440,080	4,352,064	1,088,016	1,088,016	622,329
Ethiopia	6,108	8.64	138,450,036	110,760,029	27,690,007	27,690,007	27,690,007
Kenya	6,108	8.64	138,450,036	110,760,029	27,690,007	27,690,007	27,690,007
Malawi	1,510	2.14	34,227,170	27,381,736	6,845,434	6,845,434	6,845,434
Mauritius	2,898	4.10	65,688,966	52,551,173	13,137,793	13,137,793	13,137,793
Mozambique	2,206	3.12	50,003,402	40,002,722	10,000,680	2,000,136	2,000,136
Rwanda	1,731	2.45	39,236,577	31,389,262	7,847,315	7,847,315	7,379,300
Seychelles	308	0.44	6,981,436	5,585,149	1,396,287	1,396,287	1,396,287
Somalia	318	0.45	7,208,106	5,766,485	1,441,621	1,441,621	824,586
Sudan	5,277	7.46	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
Tanzania	5,909	8.36	133,939,303	107,151,442	26,787,861	26,787,861	26,787,861
Uganda	4,567	6.46	103,520,189	82,816,151	20,704,038	18,373,870	18,373,870
Zambia	5,369	7.59	121,699,123	97,359,298	24,339,825	24,339,826	23,824,150
Zimbabwe	6,337	8.96	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,431	4.85	77,770,477	62,216,382	15,554,095	15,554,095	15,554,095
	70,701	100	1,602,579,567	1,282,063,654	320,515,913	308,185,065	293,781,436

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

CLASS 'B' shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
As at 31 December 2017:							
Africa Reinsurance Corporation	780	3.63	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
African Development Bank	3,333	15.52	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Investmento	888	4.13	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.26	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund-Mauritius	1,787	8.32	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	2,880	13.41	13,056,251	13,056,251	13,056,251	11,875,353	24,931,604
OPEC Fund for International Development (OFID)	2,054	9.56	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	16.55	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	2,983	13.89	13,523,193	13,523,193	13,523,193	7,405,065	20,928,258
Seychelles Pension Fund	1,029	4.79	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
Sacos Group Limited	121	0.56	548,544	548,544	548,544	454,304	1,002,848
TDB Staff Provident Fund	920	4.28	4,170,747	4,170,747	4,170,747	1,349,253	5,520,000
TDB Directors and Select Stakeholders Provident Fund	47	0.22	213,071	213,071	213,071	72,469	285,540
ZEP-RE (PTA Reinsurance company)	834	3.88	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	21,482	100	97,386,936	97,386,936	97,386,936	52,968,478	150,355,414
As at 31December 2016:							
Africa Reinsurance Corporation	757	4.38	3,431,799	3,431,799	3,431,799	1,712,729	5,144,528
African Development Bank	3,333	19.30	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Investmento	862	4.99	3,907,807	3,907,807	3,907,807	1,352,746	5,260,553
Mauritian Eagle Insurance Company Limited	270	1.56	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund-Mauritius	1,733	10.04	7,856,418	7,856,418	7,856,418	2,692,570	10,548,988
National Social Security Fund Uganda	2,828	16.38	12,820,513	12,820,513	12,820,513	11,604,767	24,425,280
People's Republic of China	3,449	19.98	15,635,767	15,635,767	15,635,767	5,420,216	21,055,983
Rwanda Social Security Board	2,049	11.87	9,288,978	9,288,978	9,288,978	3,016,462	12,305,440
Seychelles Pension Fund	1,029	5.96	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
Sacos Group Limited	121	0.70	548,544	548,544	548,544	454,304	1,002,848
ZEP-RE (PTA Re insurance company)	834	5.20	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	17,265	100	78,269,503	78,269,503	78,269,503	35,106,661	113,376,164

Class'B' shares were first issued in 2013 following approval by the Board of Governors in December 2012 to increase the Banks's authorized capital from USD 2.0 billion to USD 3.0 billion. This increase was achieved through the creation of new class 'B' shares of par value of USD 4,533.420375 each. Class 'B' shares do not have a callable portion and are payable at once.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2016

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BOARD OF GOVERNORS

Hon. Claver Gatete	Minister for Finance and Economic Planning Republic of Rwanda Chairman, Board of Governors
Hon. Dr. Phillip Mpango	Minister for Finance and Economic Affairs United Republic of Tanzania
Hon. Felix Mutati	Minister for Finance and National Planning Republic of Zambia
Hon. Pravind Jugnauth	Prime Minister, Minister of Home Affairs, External Communications and National Development Unit Minister for Finance and Economic Development, Republic of Mauritius
Hon. Dr. Louis Rene Peter Larose	Minister for Finance, Trade and Economic Planning Republic of Seychelles
Hon. Matia Kasaija	Minister for Finance, Planning and Economic Development Republic of Uganda
Hon. Dr. Domitien Ndihokubwayo	Minister for Finance Republic of Burundi
Hon. Said Ali Said Chayhane	Minister for Finance & Budget, Federal Islamic Republic of Comoros
H.E. Amr El-Garhy	Minister for Finance Arab Republic of Egypt
Hon. Berhane Abrehe	Minister for Finance State of Eritrea
Hon. Adan Mohamed, EGH	Cabinet Secretary Ministry of Industry, Investment and Trade Republic of Kenya
Hon. Goodall Gondwe	Minister for Finance, Economic Planning and Development Republic of Malawi
Hon. Patrick Chinamasa	Minister for Finance and Economic Development Republic of Zimbabwe
H.E. Ilyas Moussa Dawaleh	Minister for Economy, Finance and Planning, in charge of Privatization Republic of Djibouti
Hon. Badr El-Din Mahmoud Abbas	Minister for Finance and National Economy Republic of Sudan
Hon. Dr. Abraham Tekeste	Minister for Finance and Economic Development Federal Democratic Republic of Ethiopia
Hon. Henri Yav Mulang	Minister for Finance Democratic Republic of Congo
Hon. Adriano Afonso Maleiane	Minister for Economy and Finance Mozambique
Hon. Mohamed Aden Ibrahim	Minister for Finance Federal Republic of Somalia

BOARD OF GOVERNORS (Continued)

H.E. Dr. Zhou Xiaochuan	Governor, People's Bank of China People's Republic of China
Mr. Charles O Boamah	African Development Bank (AfDB) Vice President - Finance
Mr. Andrei S. Brishtelev	Paritetbank -Belarus, Chairman of the Board
Mr Veenay Rambarassah	National Pension Fund-Mauritius Senior Analyst
Mr. Derek Wong Wan Po	Mauritian Eagle Insurance Company Limited Managing Director
Mr.Jonathan Gatera	Rwanda Social Security Board, Director General
Mr. Tomas Rodrigues Matola	Banco Nacional de Investimento, President
Ms. Lekha Nair	Seychelles Pension Fund Chief Executive Officer
Mr. Corneille Karekezi	Africa Re- Insurance Company Group Managing Director
Ms. Hope Murera	ZEP-RE (PTA Reinsurance Company) Managing Director
Mr. Richard Byarugaba	National Social Security Fund - Uganda Chief Executive Officer
Mr. John A. K Esther	SACOS Group Limited Chief Executive Officer

Former Governors

Hon. Anerood Jugnauth	Prime Minister, Minister for Defence, Home Affairs, Minister for Finance and Economic Development, Minister for Rodrigues and National Development Unit Republic of Mauritius
H.E Hany Kadry Dimian	Minister for Finance Arab Republic of Egypt
Hon. Alexander B. Chikwanda	Minister for Finance and National Planning Republic of Zambia
Mr. Rajni Varia	ZEP-RE (PTA Reinsurance Company) Managing Director
Hon. Abdulaziz Mohammed	Minister for Finance and Economic Development Federal Democratic Republic of Ethiopia
Hon. Jean Paul Adam	Minister for Finance, Trade and the Blue Economy Republic of Seychelles
Hon. Tabu Abdallah Manirakiza	Minister for Finance Republic of Burundi
H.E Mohamed Ali Soilihi	Vice President in Charge of Finance, Economy, Budget, Investment, Foreign Trade and Privatization Federal Islamic Republic of Comoros

DIRECTORS

Mr. Mohamed Kalif	Director for African Institutions (AI) Chairman
Mr. Gerard Bussier	Director for Zimbabwe, Mauritius, Rwanda and Eritrea
Mr. Peter Simbani	Director for Seychelles, Ethiopia, Burundi and Malawi
Dr. Natu Mwamba	Director for Egypt, Tanzania and Djibouti
Mr. Gerome Kamwanga	Director for Uganda, Sudan, DR Congo and Comoros
Ms. Isabel Sumar	Director for Kenya, Zambia, Mozambique and Somalia
Mr. Liu Mingzhi	Director for Non-African states members
Mr. John Bosco Sebabi	Director for All Other Shareholders
Mr. Juste Rwamabuga	Independent Director
Dr. Abdel-Rahman Taha	Independent Director
Mr. Admassu Tadesse	President and Chief Executive
Mr. Samuel Mivedor	Alternate Director for African Institutions (AI)
Ms. Kampeta Sayinzoga	Alternate Director for Zimbabwe, Mauritius, Rwanda and Eritrea
Mr. Rupert Simeon	Alternate Director for Seychelles, Ethiopia, Burundi and Malawi
Prof. Oliver Saasa	Alternate Director for Kenya, Zambia, Mozambique and Somalia
Ms. Li Hiu	Alternate Director for Non-African states members
Ms. Mariam Hamadou	Alternate Director for Egypt, Tanzania and Djibouti
Ms. Lekha Nair	Alternate Director for All Other Shareholders

AUDITORS	Ernst & Young LLP Kenya Re Towers, Upperhill Off Ragati Road P. O. Box 44286 - 00100 Nairobi, Kenya	
LAWYERS	Various	
HEADQUARTERS	TDB Headquarters 2nd Floor, Blue Tower Rue de L'Institute, Ebene P.O Box 43, Reduit, Mauritius Telephone: +230- 4676021/4676016 Fax:+230-4675971 Email :Official@ptabank.org	TDB Headquarters Chaussee, Prince Louis, Rwagasore P O Box 1750, Bujumbura, Burundi Telephone :257 (22) 4966 / 257 (22) 4625 Fax :257 (22) 4983 Email :Official@ptabank.org
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	TDB Harare Regional Office:Southern Africa 70 Enterprise Road Harare, Zimbabwe Telephone: 263(4)788330-3/788336-9/788317 FCT Line : +263-7827884955 Fax :+263-772788345	
	TDB Addis Ababa Regional Office: Horn of Africa and North Africa UNDP Compound Main Bole Rd, Olympia Roundabout, DRC St. Kirkos Subcity, Kebele 01, House No. 119, Addis Ababa, Ethiopia	

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in presenting their report and the audited financial statements of the Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) for the year ended 31 December 2016.

1. PRINCIPAL ACTIVITIES

The principal activity of the Bank is to finance, where possible, viable projects and trade activities which have the potential to make the economies of the Member States increasingly complimentary to each other.

The Bank is established by a Charter pursuant to Chapter 9 of the Treaty for the establishment of the Preferential Trade Area (PTA), as subsequently repealed and replaced by the Treaty for the Common Market for the Eastern and Southern African States (COMESA).

2. RESULTS

The results for the period are set out on page 11.

3. DIVIDEND

The Board has recommended a dividend of USD 304.21 (2015: USD 301.35) per share subject to the approval of the shareholders at the Annual General Meeting.

4. BOARD OF GOVERNORS

The current members of the Board of Governors are shown on page 1 - 2.

In accordance with the Bank's Charter, each member shall appoint one governor.

5. DIRECTORS

The current members of the Board of Directors are shown on page 3.

In accordance with the Bank's Charter, and subject to re-appointment by the Board of Governors, the directors hold office for a term of three years and are, therefore, not subject to retirement by rotation annually.

6. AUDITORS

The Bank's auditors, Ernst & Young LLP, have expressed their willingness to continue in office in accordance with Article 26 (2) (e) of the Charter of the Bank.

By Order of the Board

Chairman

21 February 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

The Bank's Charter requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Bank's Charter. The directors are of the opinion that the annual financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Director

21 February 2017

Director

21 February 2017

EY
Building a better working world

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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)

Opinion

We have audited the accompanying financial statements of Eastern and Southern African Trade and Development Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 11 to 99.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank's Charter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Eastern and Southern African Trade and Development Bank. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Eastern and Southern African Trade and Development Bank. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Credit risk and impairment of loans and advances to customers Loans and advances represent 76.03% (2015: 70.99%) of total assets of the Bank.	We evaluated the key controls over the approval, recording and monitoring of loans and advances.

Key Audit Matter	How the matter was addressed in the audit
Impairment of these loans and advances is a subjective area due to the level of judgment required in determining whether a loss event has occurred and use of subjective assumptions applied by management in estimating the amount and timing of future cash flows when determining provision for impaired loans. There is a risk that the assumptions used may be inappropriate and hence the estimated impairment loss may be inadequate. Each quarter management prepares loan loss provisions using the Bank's charter and policy guidelines. At year end, the collective and individual impairment losses are determined by management based on valuation models. Due to the significance of loans and advances and the related estimation process this is considered a key audit matter. Disclosures of these items are included in notes 15, 16 and 17 of the financial statements.	We tested the completeness and accuracy of the underlying loan data used in the impairment calculation by agreeing details to the Bank's source systems. We determined, for a sample of loans, whether key judgments were appropriate given the borrowers' circumstances. The key judgements we evaluated include whether the Bank's assumptions on the expected future cash flows, including the value of realizable collateral, was based on up to date valuations and available market information. For a sample of individually impaired loans, we recalculated management's provision amount to check for arithmetical accuracy. We evaluated the aging of a sample of loans within the loan risk classification categories to ensure that the loans were included in the right category, and provisioned accordingly. For the general provision, which reflects losses incurred but not yet identified, we re-computed the general provisions applied against respective loan categories for a sample of loans based on the Bank's policy. We further focused on the adequacy of the Bank's disclosure regarding the loan provisions and the related risks such as credit risk, liquidity risk and the aging of the loans to bank customers.
Fair valuation of derivative financial instruments The Bank uses derivative financial instruments to manage its exposure to interest rate risk and foreign currency risk. As disclosed in note 14 and note 40 to the financial statements, derivative financial instruments (asset) amounted to USD 75,760,442 comprising of forward foreign exchange contracts of USD 75,418,629 and interest rate swaps of USD 341,813 as at 31 December 2016. Forward foreign exchange contracts are valued using an implied forward rate and discounted using a risk free rate. The fair value of interest rate swaps is calculated using a discounted cash flow model in which the contractual cash flows are discounted using a risk free rate. Due to the subjectivity involved in determining the implied forward rates and risk free rates, the valuation of derivative financial instruments is considered to be a key audit matter for our audit.	We assessed the appropriateness of the valuation models used to value the derivative financial instruments. We involved our internal valuation specialists to assess the valuation of a sample of each type of derivative financial instruments to assess whether the valuations performed by the Bank were reasonable. We also compared the fair value adjustments passed by management to our recalculation. We assessed the sources and accuracy of key inputs used in the valuations such as the risk free rates, spot rates and implied forward rates. We benchmarked these rates against external sources. We obtained third party confirmations for a sample of the open positions as at 31 December 2016. We reviewed the financial statement disclosures related to the derivative financial instruments for completeness and accuracy and to assess compliance with the IFRS disclosure requirements.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors; Statement of Directors' Responsibilities and the Corporate Information (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of the auditor's report, and the Chairperson's Statement; President's Statement; Statement on Corporate Governance; Sustainability Reporting Statement; Corporate Information and Information on Economic Environment, Financial Management, and Operations, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairperson's Statement; President's Statement; Statement on Corporate Governance; Sustainability Reporting Statement; Corporate Information and Information on Economic Environment, Financial Management, and Operations, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The directors are responsible for the preparation of financial statements and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Nancy Muhoya - P/No. P.2158

Ernst & Young

Nairobi, Kenya

22/2/2017

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 USD	2015 USD
INCOME			
Interest income	4	225,175,284	208,668,727
Interest expense	5	(95,047,629)	(89,499,439)
Borrowing and financing costs	6	(13,661,851)	(8,691,468)
Interest and similar expense		(108,709,480)	(98,190,907)
Net interest income		116,465,804	110,477,820
Fee and commission income	7a	55,010,879	47,866,029
Net trading income		171,476,683	158,343,849
Risk mitigation costs	7b	(13,054,101)	(15,348,399)
Other income	8	3,560,560	8,886,823
OPERATING INCOME		161,983,142	151,882,273
EXPENDITURE			
Operating expenses	9	(31,522,886)	(20,895,869)
Impairment on other financial assets	11	(21,765)	(241,287)
Impairment allowance on project and trade finance loans	17	(23,114,269)	(32,767,866)
Impairment of equity instruments at cost	18	(2,805,523)	(223,800)
Net foreign exchange (losses)/gains		(3,062,468)	(3,033,765)
TOTAL EXPENDITURE		(60,526,911)	(57,162,587)
PROFIT FOR THE YEAR		101,456,231	94,719,686
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		101,456,231	94,719,686
EARNINGS PER SHARE:			
Basic	12	1,220	1,271
Diluted	12	1,153	1,183

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 USD	2015 USD
ASSETS			
Cash and balances held with other banks	13	594,835,619	643,514,540
Derivative financial instruments	14	75,760,442	60,993,075
Trade finance loans	15	2,393,142,910	2,208,112,386
Project loans	16	846,886,728	698,662,513
Equity investments - at fair value through profit or loss	18	-	288,500
Investment in Government securities	20	214,699,238	241,763,172
Equity investments -at cost	18	17,496,672	20,162,420
Investment in joint venture	19	369,493	334,492
Other receivables	21	79,543,167	187,745,880
Deferred expenditure	22	18,095,167	11,190,156
Property and equipment	23	19,638,542	21,435,474
Intangible assets	24	784,175	357,514
TOTAL ASSETS		4,261,252,153	4,094,560,122
LIABILITIES AND EQUITY			
LIABILITIES			
Collection account deposits	25	171,770,025	264,474,038
Short term borrowings	26	2,369,322,431	2,179,240,539
Long term borrowings	27	794,214,640	874,104,553
Provision for service and leave pay	29	5,838,723	5,672,051
Other payables	28	63,621,398	34,800,406
TOTAL LIABILITIES		3,404,767,217	3,358,291,587
EQUITY			
Share capital	30	372,050,939	339,741,093
Share premium	30	35,106,661	26,870,808
Retained earnings		424,977,842	347,871,106
Proposed dividend	30	24,349,494	21,785,528
TOTAL EQUITY		856,484,936	736,268,535
TOTAL LIABILITIES AND EQUITY		4,261,252,153	4,094,560,122

The financial statements were approved by the board of directors on ....21 February.......... 2017
and were signed on its behalf by:

....
President

....
Director

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Total equity USD
At 1 January 2015	307,962,561	19,778,406	274,936,948	19,244,435	621,922,350
Capital subscriptions (Note 30)	31,778,532	-	-	-	31,778,532
Share Premium (note 30)	-	7,092,402	-	-	7,092,402
Proposed dividend (note 30)	-	-	(21,785,528)	21,785,528	-
Dividends declared (note 30)	-	-	-	(19,244,435)	(19,244,435)
Total comprehensive income for the year	-	-	94,719,686	-	94,719,686
At 31 December 2015	339,741,093	26,870,808	347,871,106	21,785,528	736,268,535
At 1 January 2016	339,741,093	26,870,808	347,871,106	21,785,528	736,268,535
Capital subscriptions (Note 30)	32,309,846	-	-	-	32,309,846
Share Premium (Note 30)	-	8,235,853	-	-	8,235,853
Proposed dividend (note 30)	-	-	(24,349,495)	24,349,495	-
Dividend declared (note 30)	-	-	-	(21,785,529)	(21,785,529)
Total comprehensive income for the year	-	-	101,456,231	-	101,456,231
At 31 December 2016	372,050,939	35,106,661	424,977,842	24,349,494	856,484,936

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 USD	2015 USD
OPERATING ACTIVITIES			
Net cash generated from operations	31(a)	(94,032,484)	220,161,759
INVESTING ACTIVITIES			
Purchase of property and equipment	23	(499,302)	(1,750,498)
Proceeds from disposal of property and	23	17,402	-
Purchase of intangible assets	24	(589,119)	(87,015)
Acquisition of equity investments	18	(139,775)	(1,345,354)
Disposal of equity investments	18	288,500	-
Acquisition of Interest in Joint Venture	19	(35,001)	(334,492)
Purchase of government securities	20	-	(34,000,000)
Proceeds from redemption of Government securities	20	27,102,693	8,280,471
Net cash generated from (used in) investing activities		26,145,398	(29,236,888)
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	30	32,309,846	31,778,532
Proceeds from share premium	30	8,235,853	7,092,402
Payment of dividends	30	(21,785,529)	(19,244,435)
Net cash generated from financing activities		18,760,170	19,626,499
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(49,126,916)	210,551,370
Foreign exchange gain/(loss) on cash and cash equivalents		447,997	(3,033,765)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		643,514,538	435,996,933
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	31(c)	594,835,619	643,514,538
FACILITIES AVAILABLE FOR LENDING	31(d)	1,582,753,248	1,348,706,084

1. CORPORATE INFORMATION

The principal activity of the Bank is to finance, where possible, viable projects and trade activities which have the potential to make the economies of the Member States increasingly complementary to each other.

Eastern and Southern African Trade and Development Bank ("the Bank") was established by the Charter pursuant to Chapter 9 of the Treaty for the establishment of the Preferential Trade Area (PTA), as subsequently repealed and replaced by the Treaty for the Common Market for the Eastern and Southern African States (COMESA).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Bank's functional and reporting currency is the United States Dollars (USD).

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of financial statements

The Bank presents its statement of financial position broadly in the order of liquidity.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Income from loans and investments is recognised in profit or loss when it accrues, by reference to the principal outstanding and the effective interest rate applicable. Interest on arrears of payable capital is taken to revenue when received.

Fees and commissions are generally recognised on an accrual basis when a financing facility is provided over a period of time. These fees include Letter of Credit fees, confirmation fees, guarantee fees, commitment and other fees.

Other fees and commission income include one-off fees arising from the provision of financing facilities to the Bank's clients, like facility fees, drawdown fees, restructuring fees, that do not form an integral part of effective interest rate of the facilities are recognised on completion of the underlying transaction.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of loans or the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend from investments is recognised when the Bank's right to receive payment has been established.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Borrowing and financing costs

Borrowing costs are interest and other borrowing and financing costs that the Bank incurs in connection with the borrowing of funds. Interest expense is recognised in profit or loss on the accrual basis taking into account the effective interest rate. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. Other borrowing and financing costs are expensed in the period in which they are incurred. Discounts and premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity are calculated on an effective interest basis.

(d) Foreign currencies

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss. All differences arising on non-trading activities are taken to other operating income in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(e) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. Such cost includes the cost of replacing part of property and equipment if the recognition criteria are met. All other repairs and maintenance costs are expensed as incurred.

Depreciation is calculated at rates which are estimated to write off the cost of property and equipment to their estimated residual values in equal annual instalments over their expected useful lives. The expected useful life of each class of asset is up to the following:

Computer equipment	3-5 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Furniture and fittings	5-10 years
Buildings	50 years
Leasehold Land	99 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

The Bank's intangible assets relate to the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated at rates which are estimated to write off the cost of the intangible assets in equal annual instalments over 3-5 years.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The intangible assets' useful lives and methods of amortisation are reviewed at each reporting date, and adjusted prospectively if appropriate.

(g) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either:

i) the asset's fair value less costs of disposal is higher than its carrying amount; or
ii) the asset's value in use can be estimated to be close to its fair value less costs of disposal and fair value less costs of disposal can be determined.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For all assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Deferred expenditure

Expenditure incurred in relation to a borrowing facility from which the Bank will derive benefits over a period beyond the year in which the facility is secured, if material, is capitalised and amortised over the life of the facility. This relates to expenditure incurred to acquire long term facilities.

(i) Tax

In accordance with paragraph 6 of Article 43 of its Charter, the Bank is exempt from all forms of tax.

(j) Share capital

In accordance with Article 7 of the Charter, for Class A shares, issued and called-up shares are paid for in instalments by the members. Payable capital is credited as share capital and instalments not yet due and due but not paid at year-end are deducted there-from. For Class B shares, payment of the amount subscribed by subscribers shall be paid in full within 90 days from the date of subscription.

(k) Financial instruments

A financial asset or liability is recognised when the Bank becomes party to the contractual provisions of the instrument (i.e. the trade date). This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets

Initial recognition and measurement

The Bank classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition depending on the purpose and characteristics of the asset and management's intention in acquiring them. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Non-hedging derivatives are also categorised as held for trading.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Loans, advances and receivables

The Bank deals in project and infrastructure financing and trade financing. Project financing is long term in nature, while trade financing is short term in nature. Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs, other than for an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate and foreign currency risks. In order to manage these risks, the Bank applies hedge accounting for transactions which meet specified criteria. At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in profit or loss in 'other income'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss in 'other income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in net trading income in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Cash flow hedges (Continued)

When the hedged transaction affects profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line in profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in profit or loss. When a forecast is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Available-for-sale financial assets

This category comprises financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans, advances and receivables, or (c) held-to-maturity investments. The Bank has not designated any loans or receivables as available-for-sale. The Bank does not have investments classified in this category.

Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the available-for sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in profit or loss in other operating income.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

(a) Financial assets at fair value through profit or loss
(b) Loans, advances and receivables
(c) Held-to-maturity investments
(d) Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Bank has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment.

Available-for-sale financial (AFS) investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss as impairment on other financial assets. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established. During the year, the Bank had no AFS investments.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  a) the Bank has transferred substantially all the risks and rewards of the asset, or
  b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or payables. The Bank determines the classification of its financial liabilities at initial recognition.

Initial measurement of financial liabilities

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings and payables, directly attributable transaction costs.

Subsequent measurement

Subsequent measurement of financial liabilities at fair value through profit or loss is at fair value and gains or losses arising from changes in fair value are recognised in profit or loss.

After initial recognition, interest bearing loans and borrowings and payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in profit or loss unless required or permitted by any accounting standard or interpretation, and is specifically disclosed in the accounting policies of the Bank.

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets, other than investments at fair value through profit or loss, is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Impairment of financial assets (Continued)

If there is objective evidence that an impairment loss on loans and receivables and held to maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When a loan is known to be uncollectible, when all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off are included in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The fair value of financial instruments is described in more detail in Note 32.

(l) Employee entitlements

Employee entitlements to service pay and annual leave are recognised when they accrue to employees.

A provision is made for the estimated liability of service pay as a result of services rendered by employees up to the year end. Employees are entitled to a full month pay for every year of service completed. An actuarial valuation is carried out every three years to determine the service pay liability. The last valuation was carried out in December 2015.

A provision is made for the estimated liability of annual leave as a result of services rendered by employees up to the year end.

(m) Retirement benefit costs

The Bank operates a defined contribution provident fund scheme for its employees. The Bank contributes 21% of an employee's gross salary to the fund while employees can choose to contribute 7%, 14% or 21%. The Bank's contributions to the defined contribution plan are charged to profit or loss in the year to which they relate. The funds of the scheme are held independently of the Bank's assets.

(n) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by customers to third parties. The Bank will only be required to meet these obligations in the event of the customers' default. These obligations are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from the date of the advance.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

A finance lease is a lease that transfers to the lessee substantially all of the risks and rewards of ownership. A lease that is not a finance lease is an operating lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases and are recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(q) Provisions for other liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(r) Government grants

Government grants are not recognized unless there is reasonable assurance that the grants will be received and that the Bank will comply with the conditions attaching to the grant. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss in equal annual instalments over the expected useful life of the asset.

(s) Collection accounts deposits

Collection accounts deposits include amounts collected on behalf of customers from proceeds of Bank funded commodities. The funds are held until maturity of underlying loans. Collection accounts are recorded at amortized cost. They are derecognized when the underlying assets are discharged.

(t) Investment in Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Investment in Joint Venture (Continued)

The statement of profit or loss and other comprehensive income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Bank's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

(u) Critical judgments in applying the Bank's accounting policies

In the process of applying the Bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances of assets and liabilities within the next financial year.

(i) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for 'longer-dated' derivatives and discount rates, prepayment rates and default rate assumptions for 'asset-backed' securities. The Bank measures financial instruments, such as, derivatives, and non-financial assets, at fair value at each reporting date.

The fair value of financial instruments is disclosed in more detail in Note 32.

(ii) Impairment losses on loans and advances

The Bank reviews individually all its loans and advances at each quarter end to assess whether an impairment loss should be recorded in profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The impairment loss on loans is disclosed in more detail in notes 15, 16 and 17.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Critical judgments in applying the Bank's accounting policies (Continued)

(iii) Property and equipment

In applying the Bank's accounting policy, management makes judgment in determining the useful life for property and equipment. The depreciation rates used are set out in the accounting policy (e) above. See Note 23 for the carrying amounts of property and equipment and depreciation charge for the year.

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2015, except for new standards, amendments and interpretations effective 1 January 2016. The nature and impact of each new standard/ amendment are described below:

The Bank only considered those that are relevant to its operations.

New pronouncements issued as at 31 December 2016

(a) IFRS 9 *Financial Instruments*

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

Classification and measurement of financial assets

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Bank's business model for managing the assets and the instruments' contractual cash flow characteristics The IAS 39 measurement categories will be replaced by: fair Value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow the Bank to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

Classification and measurement of financial liabilities

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise

Impairment

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(a) IFRS 9 *Financial Instruments (Continued)*

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

Transition

Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. There are choices regarding transition. The standard must be retrospectively applied, but comparatives need not be restated unless the Bank makes a policy choice to do so. Additionally, the hedging requirements can be deferred until the IASB's macro-hedging project is complete. The Bank is yet to elect what route it intends to take.

Impact

The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. An increase in impairment provisions is expected as a result of providing for both expected and incurred losses. The Bank is still yet to consider whether to apply hedge accounting under IFRS 9.

In December 2016 the Bank set up a multidisciplinary implementation team ('the Team') with members from its Risk, Finance and Operations departments to prepare for IFRS 9 implementation ('the Project').The Project has clear individual work streams and a budget with four key phases: the initial assessment and analysis (Gap analysis), design and build, testing the system, and implementation (parallel running in 2017and go live in 2018). The Gap analysis stage is scheduled to commence in January 2017.

(b) IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28*

In August 2015, the IASB issued Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28* proposing to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method.

Key requirements

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

The Bank is currently assessing the impact of these amendments and plans to adopt them on the required effective date

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(c) IFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 Leases, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:
-Identify the contract(s) with a customer
-Identify the performance obligations in the contract
-Determine the transaction price
-Allocate the transaction price to the performance obligations in the contract
-Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licenses of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

Clarifications to IFRS 15

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. The amendments:
-Clarify when a promised good or service is distinct within the context of the contract
-Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
-Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
-Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
-Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition.

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(c) IFRS 15 *Revenue from Contracts with Customers (Continued)*

Transition

Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach. Early application is permitted and must be disclosed.

Impact

The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

(d) IFRS 16 *Leases*

The new standard is effective for annual periods beginning on or after 1 January 2019.

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

Transition

Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

Impact

The Bank is currently assessing the impact of these amendments and plans to adopt the amendments on the required effective date.

(e) IAS 1 *Disclosure Initiative - Amendments to IAS 1*

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(e) IAS 1 *Disclosure Initiative - Amendments to IAS 1(Continued)*

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

Transition

Early adoption is permitted. The Board considers these amendments to be clarifications that do not affect the Bank's accounting policies or accounting estimates.

Impact

The amendments do not affect recognition and measurement but the Bank has taken note of these

(f) IAS 7 *Disclosure Initiative - Amendments to IAS 7*

Effective for annual periods beginning on or after 1 January 2017

Key requirements

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Transition

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

Impact

The Bank is considering the impact of these amendments and will adopt as applicable on transition date. The amendments are intended to provide information to help investors better understand changes in the Bank's debt.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(g) IAS 27 *Equity Method in Separate Financial Statements - Amendments to IAS 27*

Effective for annual periods beginning on or after 1 January 2016

Key requirements

The amendments to IAS 27 *Separate Financial Statements* allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39) Or
- Using the equity method

The entity must apply the same accounting for each category of investment. A consequential amendment was also made to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

Transition

The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

Impact

The Bank has taken note of and adopted these amendments in accounting for investments in joint ventures.

(h) IFRS 2 *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2*

Effective for annual periods beginning on or after 1 January 2018

Key Requirements

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

- The classification of a share-based payment transaction with net settlement features for withholding tax obligations. This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share- based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(h) IFRS 2 *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (Continued)*

- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity- settled. The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

Transition

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted.

Impact

The Bank is assessing the impact of these amendments.

(i) *Transfers of Investment Property (Amendments to IAS 40)*

Effective for annual periods beginning on or after 1 January 2018

Key requirements

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Transition

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed.

Impact

The Bank is considering the impact of these amendments.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(j) IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Effective for annual periods beginning on or after 1 January 2018

Key requirements

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non- monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Transition

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:
-The beginning of the reporting period in which the entity first applies the interpretation;
Or
-The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

Impact

The Bank is considering the impact of these amendments.

Improvements to International Financial Reporting Standards

Key requirements

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2012-2014 cycle (issued in September 2014)

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2012-2014 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted and must be disclosed.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(k) IFRS 7 *Financial Instruments: Disclosures*

Servicing contracts

- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

Applicability of the offsetting disclosures to condensed interim financial statements

- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- The amendment must be applied retrospectively.

(l) IAS 19 *Employee Benefits*

Discount rate: regional market issue

- The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- The amendment must be applied prospectively.

(m) IAS 34 *Interim Financial Reporting*

Disclosure of information 'elsewhere in the interim financial report'

- The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).
- The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.
- The amendment must be applied retrospectively.

The Bank has assessed the impact of these amendments and adopted the applicable amendments on the effective date.

2014-2016 cycle (issued in December 2016)

Following is a summary of the amendments from the 2014-2016 annual improvements cycle

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

(n) IAS 28 *Investments in Associates and Joint Ventures*

Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarifies that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact

(o) IFRS 12 *Disclosure of Interests in Other Entities*

Clarification of the scope of the disclosure requirements in IFRS 12

- The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
- The amendments are effective from 1 January 2017 and must be applied retrospectively.

4. INTEREST INCOME

	2016 USD	2015 USD
On loans and facilities:		
Project finance loans	55,913,350	48,352,083
Trade finance loans	152,719,155	143,015,388
	208,632,505	191,367,471
On placements:		
Deposits/Held-to-maturity investments	16,542,779	17,301,256
	225,175,284	208,668,727

5. INTEREST EXPENSE

	2016 USD	2015 USD
Interest payable on funds borrowed from:		
Banks and financial institutions	45,445,358	48,691,578
Regional and International Bond Markets	19,416,904	23,002,316
Other Institutions	30,185,367	17,805,545
	95,047,629	89,499,439

6. BORROWING AND FINANCING COSTS

	2016 USD	2015 USD
Amortisation of deferred expenditure	6,194,990	6,459,222
Facility and management fees	5,531,076	1,263,528
Other costs	1,816,370	779,561
Drawdown fees	117,882	58,882
Bank commissions and charges	1,533	130,275
	13,661,851	8,691,468

7 (a) FEE AND COMMISSION INCOME

	2016 USD	2015 USD
Upfront fees in trade finance	31,830,072	18,597,472
Letter of credit fees in trade finance	10,326,320	15,848,177
Management fees in trade finance	4,432,445	1,428,673
Facility fees in project finance	2,230,922	1,137,101
Drawdown fees in trade finance	1,778,013	756,568
Commitment fees in project finance	942,856	1,184,617
Drawdown fees in project finance	797,868	93,485
Other fees in trade finance	736,238	4,990,726
Restructuring fees in project finance	676,657	132,543
Appraisal fees in project finance	474,226	893,258
Management fees in project finance	448,234	298,323
Letter of credit fees in project finance	194,191	1,819,926
Document handling fees in trade finance	126,016	221,591
Other Project fees	16,821	463,569
	55,010,879	47,866,029

(b) Risk Mitigation Costs

	2016 USD	2015 USD
*Insurance cover costs	10,236,731	6,697,732
**Income Forgone	2,817,370	8,650,667
	13,054,101	15,348,399

*This is premium on insurance cover taken on loans made to various borrowers. As at 31 December 2016, the insurance cover was USD 1.18 billion (2015: USD 763.76 million). The cover was taken with African Trade Insurance Agency Ltd and reinsured with Lloyds of London (Syndicates and Insurance Companies).

**These costs represent the income foregone as a result of the Bank selling down part of its large credit exposures to certain counterparties. The risk down-selling strategy aims to reduce concentration risk especially in the Petrochemicals sector and allows the retention of large clients whose financing requirements may exceed the Bank's lending limits. As at 31 December 2016, the Bank had secured from various counterparties risk management capacity amounting to USD 67.7 million (31 December 2015: USD 600 million).

8. OTHER INCOME

	2016 USD	2015 USD
Impaired assets recovered *	3,015,335	6,659,073
Other income	429,133	558,383
Interest on capital arrears**	60,160	1,341,440
Grant income ***	29,247	133,150
Interest on staff loans	26,685	26,154
Rental income	-	168,623
	3,560,560	8,886,823

*Impaired assets recovered relate to previously written off loans that were recovered during the year.

**Interest on capital arrears relates to interest on capital subscriptions received during the year from member states that were in arrears..

***The grant is provided by the African Development Bank (AFDB) to fund various consultancies and training. The proceeds are credited to the AFDB deferred income account and included in other payables (Note 28). Transfers are made to income when the costs which the grant relates to have been incurred.

9. OPERATING EXPENSES

	2016 USD	2015 USD
Staff costs (Note 10)	19,848,520	15,285,166
Consultants and advisors	5,273,961	1,227,827
Depreciation of property and equipment	2,278,832	765,659
Official missions	1,070,993	1,121,287
Other operating expenses	862,360	736,600
Board of Directors meetings	865,536	672,690
Business promotion	492,877	318,417
Rent	390,230	341,452
Board of Governors meeting	227,119	241,833
Amortisation of intangible assets	162,458	136,938
Audit fees	50,000	48,000
	31,522,886	20,895,869

10. STAFF COSTS

Salaries and wages	13,052,606	9,660,031
Other costs	2,520,746	2,213,642
Staff Provident fund contributions -defined contribution plan	1,677,681	1,561,070
Service and leave pay expenses	1,302,561	915,251
Staff reward and recognition scheme	1,294,926	935,172
	19,848,520	15,285,166

11. IMPAIRMENT ON OTHER FINANCIAL ASSETS

	2016 USD	2015 USD
Other receivables (Note 21)	21,765	241,287

This relates to appraisal fees on projects previously recognized as income receivable, now written off.

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year of USD 101,456,231 (2015: USD 94,719,686) by the weighted average number of ordinary shares in issue during the year.

Basic Earnings per Share:

The weighted average number of shares in issue is calculated based on the capital instalments due as at year end. The weighted average number of shares in issue during the year was 83,165 comprising Class A - 67,095 and Class B - 16,070 (2015: 74,512 comprising Class A - 60,788 and Class B -13,724).

Diluted Earnings per Share:

Diluted earnings per share takes into account the dilutive effect of the callable Class A shares. The number of shares in issue during the year for purposes of diluted earnings per share was 87,966 (2015: 80,076).

13. CASH AND BALANCES HELD WITH OTHER BANKS

	2016 USD	2015 USD
Current accounts - Note 13 (i)	23,380,982	116,195,904
Call and term deposits with banks - Note 13 (ii)	571,454,637	527,318,636
	594,835,619	643,514,540
(i) Current accounts:		
Amounts maintained in United States Dollars (USD)	7,609,676	107,728,956
Amounts maintained in other currencies:		
Euro	7,390,705	(1,770,950)
Tanzania Shillings	4,171,941	2,254,406
Malawi Kwacha	3,250,458	686
Ethiopian Birr	744,740	777,926
Ugandan Shilling	151,626	7,147,788
United Arab Emirates Dirham	37,490	-
South African Rand	10,712	675
Burundi Francs	8,158	5,674
Mauritian Rupee	4,647	21,687
British Pounds	4,164	36,221
Japanese Yen	95	118
Kenyan Shilling	(3,430)	(7,283)
	15,771,306	8,466,948
	23,380,982	116,195,904

The average effective interest rate on current accounts was 5.39% (December 2015: 0.50%) per annum.

13. CASH AND BALANCES HELD WITH OTHER BANKS (Continued)

(ii) Call and term deposits with banks:

	2016 USD	2015 USD
United States Dollars (USD)	400,168,898	257,754,729
Amounts maintained in other currencies:		
Sudanese Pounds	167,465,912	268,412,841
Ugandan Shillings	3,819,827	564,268
Kenya Shillings	-	586,797
	171,285,739	269,563,906
	571,454,637	527,318,635

The effective interest rates per annum by currency of deposits were as follows:

	2016	2015
Uganda Shillings	14.21%	14.38%
Kenya Shillings	13.50%	11.69%
United States Dollars	0.61%	0.83%

The deposits in Sudanese pounds do not earn interest.

14. DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to interest rate and foreign currency risks. This is done by engaging in interest rate swaps, currency swaps and currency forward contracts.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, a fixed rate of interest. The payment flows are usually netted off against each other, with the difference being paid by one party to the other. This swap does not qualify forfair value hedge accounting, and the Bank has treated interest rate swaps contracted to hedge the interest rate risk exposure associated with the fixed rate on its Eurobond as economic hedges, thus derivatives at fair value though Profit and Loss.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled. To avoid creating currency mismatches, the Bank swaps its Euro assets/loans for USD in cases where disbursement made was in Euro.

The Bank also hedges its exposure to adverse movements on currency exchange rates on its Euro disbursements by entering into currency forward exchange contracts. Currency forward exchange contracts are hedges, since the bank is protecting is the USD parity of the Euro, thus hedging the value of the assets from fluctuations.

14. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The table below shows the derivative financial instruments, recorded as assets or liabilities at year-end.

	2016 USD	2015 USD
a) Currency Hedges		
(i) Cross Currency Swap:		
Net opening balance as at 1 January	327,065	268,819
Payments under swap arrangement	2,284,030	2,419,505
Receipts under swap agreement	(2,818,264)	(2,898,284)
Exchange gain	14,527	51,447
Fair value gain	-	485,577
Net balances retired-contracts expired	192,642	-
Balance as at 31 December	-	327,064
(ii) Foreign exchange forward contracts		
Balance as at 1 January	59,790,952	32,887,780
Contracts entered into during the year-Net	166,743,390	684,066,442
Fair valuation	(4,978,605)	-
Net amounts settled	(146,137,108)	(657,163,270)
Balance as at 31 December	75,418,629	59,790,952
Total Currency Hedges	75,418,629	60,118,016
b) Interest Rate Swap:		
(i) Fair value movements		
Balance as at 1 January	-	149,579
Amortisation of interest rate swap	-	(149,579)
Balance as at 31 December	-	-
(ii) Cash flows		
Balance as at 1 January	875,059	883,144
Amounts due from counterparties	2,018,145	4,278,935
Amount received from counterparties	(2,551,391)	(4,287,020)
Balance as at 31 December	341,813	875,059
Total Interest Rate Swaps	341,813	875,059
Total derivative assets (a) and (b)	75,760,442	60,993,075

At the inception of the second tranche of the USD 300 million Eurobond in December 2013, the Bank entered into interest swaps to hedge USD 300 million. The swaps exchanged the fixed rate for floating rate in order to match the floating rates offered on loans.

In addition, in December 2010, the Bank entered into a cross currency swap by exchanging a Euro receivable (loan) of EUR 10,113,078 for a US dollar receivable of USD 13,407,919. The contract expired on 31 December, 2016.

Further, the Bank entered into foreign exchange forward contracts to hedge against mismatches in EUR assets and liabilities by selling EUR and buying USD forward. The Bank's exposure under derivative instruments is monitored as part of the overall management of its market risk.

15. TRADE FINANCE LOANS

	2016 USD	2015 USD
Principal loans	2,333,320,973	2,136,398,251
Interest receivable	108,222,569	103,002,713
Gross loans	2,441,543,542	2,239,400,964
Impairment on trade finance loans (Note 17)	(48,400,632)	(31,288,578)
Net loans	2,393,142,910	2,208,112,386
Maturing:		
Within one year	1,219,036,080	2,071,216,760
One to three years	771,969,155	168,184,204
Over three years	450,538,307	-
	2,441,543,542	2,239,400,964

The gross non performing trade finance loans was USD 43,050,665(December 2015 - USD 12,720,386). The specific impairment provisions related to these loans amounted to USD 18,968,613(December 2015 - USD 12,720,386) hence the carrying value of the loans amount was USD 24,082,051 (December 2015 -NIL). General provisions for trade finance loans amounted to USD 29,432,014 (December 2015 - USD 18,568,192).

16. PROJECT LOANS

		2016 USD	2015 USD
Approved loans less cancellations		2,417,593,179	2,073,271,552
Less: Unsigned loans*		(253,152,933)	(223,659,112)
Loans signed		2,164,440,246	1,849,612,440
Less: Undisbursed	- Letters of credit opened	(15,467,972)	(7,044,474)
	- Letters of credit not yet opened	(363,136,637)	(332,304,459)
Loans disbursed		1,785,835,637	1,510,263,507
Interest capitalised**		51,008,238	42,972,790
Loans repaid		(953,410,204)	(807,960,121)
Principal loan balances		883,433,671	745,276,176
Interest receivable		12,654,263	17,072,331
Gross loans		896,087,934	762,348,507
Impairment on project loans (Note 17)		(49,201,206)	(63,685,994)
Net loans		846,886,728	698,662,513

* Unsigned loans refer to loans that have been approved but whose facility agreements have not yet been processed and signed.

**Interest capitalised relates to interest in arrears on loans which were restructured now capitalized.

16. PROJECT LOANS (Continued)

Maturing:	2016 USD	2015 USD
Within one year	219,079,465	175,829,983
One year to three years	25,518,431	252,973,469
Three to five years	223,137,368	180,736,498
Over five years	428,352,670	152,808,557
	896,087,934	762,348,507

The aggregate non performing project loans was USD 52,042,067(December 2015 - USD 73,508,830). The specific impairment provisions related to these loans amounted to USD 41,989,246 (December 2015 - USD 57,793,646) hence the carrying value of the loans amounted to USD 10,053,021 (December 2015 - USD 15,715,184.) General provisions for project finance loans amounted to USD 7,211,963 (December 2015 - USD 5,892,348).

17. IMPAIRMENT ALLOWANCE ON PROJECT AND TRADE FINANCE LOANS

The movement in the allowance is as follows:

	Project finance loans USD	Trade finance loans USD	Total Allowance USD
At 1 January 2015	14,695,396	53,245,347	67,940,743
Amounts written-off	(5,734,037)	-	(5,734,037)
Charge for the year	54,724,635	(21,956,769)	32,767,866
- Specific provisions	34,175,223	(22,343,589)	19,119,048
- General provisions	20,549,412	386,820	13,648,818
At 31 December 2015	63,685,994	31,288,578	94,974,572
At 1 January 2016	63,685,994	31,288,578	94,974,572
Amounts written -off	(19,547,387)	(939,616)	(20,487,003)
Charge for the year	5,062,599	18,051,670	23,114,269
- Specific provisions	3,742,984	7,187,847	10,930,831
- General provisions	1,319,615	10,863,823	12,183,438
At 31 December 2016	49,201,206	48,400,632	97,601,838

18. EQUITY INVESTMENTS

i) Equity participation

31 December 2016

	Share-Holding %	Beginning cost USD	Additions at cost USD	Total ending cost USD	Investment carrying amount 2016 USD	Investment carrying amount 2015 USD	Adjustment for the year USD
At fair value through profit or loss							
Aureos East Africa Fund	-	288,500	(288,500)	-	-	288,500	-
At cost							
African Export Import Bank	0.48	2,364,160	-	2,364,160	2,364,160	2,364,160	-
Africa Trade Insurance Agency	0.10	1,000,000	-	1,000,000	1,000,000	1,000,000	-
Gulf African Bank	5.33	1,978,734	-	1,978,734	1,978,734	1,978,734	-
Pan African Housing Fund	2.38	293,882	139,775	433,657	433,657	293,882	-
Tanruss	4.06	1,755,000	-	1,755,000	1,755,000	1,755,000	-
Tononoka	5.00	628,653	-	628,653	628,653	628,653	-
ZEP-RE (PTA Reinsurance Company)	8.28	9,336,468	-	9,336,468	9,336,468	12,141,991	(2,805,523)
		17,356,897	139,775	17,496,672	17,496,672	20,162,420	(2,805,523)
TOTAL		17,645,397	(148,725)	17,496,672	17,496,672	20,450,920	(2,805,523)

The Bank's main equity investments are in ZEP-RE (PTA Reinsurance Company), African Export-Import Bank, Tanruss, Africa Trade Insurance Agency and Gulf African Bank. In addition, the Bank has subscribed to the equity of various projects in its Member States. The Bank's participation is expressed in US Dollars.

As at 31 December, 2016, there were no investments at fair value since Aureos East Africa, which had been carried at fair value in the previous year, was liquidated in 2016. As at 31 December 2015, only the investment in Aureos East Africa was carried at fair value. All other investments were carried at cost as there were no readily available prices since the shares are not traded in an active market, and their fair values could not otherwise be reliably measured.

The Bank does not intend to dispose the shares in the short term, and none of the shares have been derecognized.

18. EQUITY INVESTMENTS(Continued)

(i) Equity participation (Continued)

	Share-holding	Beginning cost USD	Additions at cost USD	Total ending cost USD	Investment carrying amount 2015 USD	Investment carrying amount 2014 USD	Fair value loss for the year USD
At fair value through profit or loss							
Aureos East Africa Fund	5.00	355,695	-	355,695	288,500	512,300	(223,800)
At cost							
African Export Import Bank	0.33	1,182,080	1,182,080	2,364,160	2,364,160	1,182,080	-
Africa Trade Insurance Agency	0.10	1,000,000	-	1,000,000	1,000,000	1,000,000	-
Gulf African Bank	5.33	1,978,734	-	1,978,734	1,978,734	1,978,734	-
Pan African Housing Fund	2.38	130,608	163,274	293,882	293,882	130,608	-
Tanruss	4.06	1,755,000	-	1,755,000	1,755,000	1,755,000	-
Tononoka	5.00	628,653	-	628,653	628,653	628,653	-
ZEP-RE (PTA Reinsurance Company)	11.6	9,336,468	-	9,336,468	12,141,991	12,141,991	-
		16,011,543	1,345,354	17,356,897	20,162,420	18,817,066	-
TOTAL		16,367,238	1,345,354	17,712,592	20,450,920	19,329,366	(223,800)

As at 31 December 2015, only the investment in Aureos East Africa was carried at fair value. All other investments were carried at cost as there were no readily available prices since the shares are not traded in an active market, and their fair values could not otherwise be reliably measured. As at 31 December 2015 and 31 December, 2014, investment in ZEP-RE (PTA Reinsurance Company) was carried at fair value. The fair value was determined using the latest share transaction price for October 2013. The shares were sold as a one-off issue and there have been no transactions subsequently. Therefore, the investment is carried at carrying amount as at 31 December 2015 in these financial statements, which becomes its new cost since a reliable measure of fair value is no longer available, in accordance with IAS 39.

The Bank does not intend to dispose the shares in the short term, and none of the shares have been derecognized.

18. EQUITY INVESTMENTS (Continued)

ii) Instalments paid:

	2016 USD	2015 USD
Total subscribed capital*	19,330,210	19,636,645
Less: Instalments not due - Note 18 (iii)	(1,833,538)	(1,924,053)
Instalments paid as at end of year - Note 18 (I) and (iii)	17,496,672	17,712,592

*Total subscribed capital includes paid up capital and unpaid subscriptions

iii) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:

	2016	2015
African Export-Import Bank*	1,200,000	1,200,000
Aureos East Africa Fund*	-	17,935
Pan African Housing Fund*	633,538	706,118
*Unpaid subscriptions are payable on call.	1,833,538	1,924,053

iv) Movement in the instalments paid:

	2016	2015
At beginning of year	17,645,397	16,367,238
Net additions at cost - Note 18 (i)	(148,725)	1,345,354
At end of year	17,496,672	17,712,592

19. INVESTMENT IN JOINT VENTURES

The Bank has a 50% interest in Eastern and Southern African Trade Advisers Limited (ESATAL) and 50% interest in Eastern and Southern African Infrastructure Fund (ESAIF). The joint ventures were incorporated in 2015 and their principal place of business is Ebene, Mauritius. ESATAL and ESAIF are vehicles that will raise and manage the Trade Finance Fund and the Infrastructure Fund, respectively. The Bank's voting rights in the joint ventures is equal to its ownership interest. The Bank's interest in the joint ventures is accounted for using the equity method in the financial statements. No quoted market price exists for the investments.

Summarised financial information of the joint ventures is set out below:

	2016 USD	2015 USD
Current assets - cash and cash equivalents	738,986	668,984
Non-current assets	-	-
TOTAL ASSETS	738,986	668,984
Liabilities	-	-
Equity	738,986	668,984
Bank's carrying amount of the investment	369,493	334,492

ESATAL and ESAIF are yet to start operations. The joint ventures had no contingent liabilities or capital commitments a at 31 December 2016. ESATAL and ESAIF cannot distribute their profits without the consent from the venture partners.

20. INVESTMENTS IN GOVERNMENT SECURITIES

	2016 USD	2015 USD
Treasury Notes:		
Maturing within 360 days after year end (at face value)	241,763,172	216,000,000
Additions during year	-	34,000,000
Matured bonds	(27,102,693)	(8,280,471)
Accrued income	38,759	43,643
	214,699,238	241,763,172

The treasury notes, issued by the Government of Malawi, represent investments made in Malawi Kwacha equivalent of USD 214.7 million (December 2015 - USD 241.76 million bearing interest at a rate of 6.50% per annum. These investments are managed by the Reserve Bank of Malawi and FDH Bank.

All the treasury notes will mature within twelve months after the reporting date.

21. OTHER RECEIVABLES

	2016 USD	2015 USD
Down-sold assets*	52,659,500	163,936,500
Prepayments and other receivables**	25,624,544	22,783,616
Staff loans and advances***	674,083	652,483
Appraisal fees****	585,040	373,281
	79,543,167	187,745,880
*Appraisal fees receivable****		
As at 1 January	373,281	805,000
Accrued income	1,079,419	164,599
Receipts	(845,895)	(355,031)
Amounts written off (Note 11)	(21,765)	(241,287)
At 31 December	585,040	373,281
Analysis of other receivables by maturity:		
Amounts due within one year	79,380,647	187,525,747
Amounts due after one year	162,520	220,133
	79,543,167	187,745,880

*Down-sold assets represent loan assets sold to the Bank's counterparties on a non-funded basis. The amount will be settled within 6 months after year end. Down-selling receivable does not attract interest.

**Prepayments and other receivables comprise mainly of insurance costs on the Bank's exposures and facility fees paid in relation to short term facilities extended to the Bank by lenders.

***Staff loans and advances are granted in accordance with the Staff Rules and Regulations approved by the Board of Directors. The effective interest rate on staff loans and advances was 4.23% (December 2015: 4.43%) per annum. These staff loans and advances have various repayment terms ranging from 3 to 36 months.

****Appraisal fees are recognized as income receivable on approval of a facility to the borrower by the Bank.

22. DEFERRED EXPENDITURE

	2016 USD	2015 USD
COST		
At beginning of year	21,114,186	28,062,019
Additions	13,100,000	1,022,104
Disposals	(3,784,846)	(7,969,937)
At end of year	30,429,340	21,114,186
AMORTISATION		
At beginning of year	9,924,030	11,434,745
Disposals	(3,784,846)	(7,969,937)
Charge for the year	6,194,989	6,459,222
At end of year	12,334,174	9,924,030
NET CARRYING AMOUNT		
At end of year	18,095,167	11,190,156

Deferred expenditure comprises export credit insurance costs, long term borrowing costs and costs incurred to raise, issue and list local currency bonds and Eurobonds in the Bank's member countries and international markets. These costs are amortised over the life of the underlying borrowings and bonds. Disposals relate to fully amortised costs removed from the books during the reporting period.

23. PROPERTY AND EQUIPMENT

Year ended 31 December 2016:	Freehold land USD	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST								
At 1 January 2016	140,400	2,453,865	-	22,574,641	458,744	1,296,696	1,748,878	28,673,224
Additions	-	-	117,730	122,830	23,043	33,745	201,954	499,302
Disposals	-	-	-	-	-	(7,395)	(70,750)	(78,145)
At 31 December 2016	140,400	2,453,865	117,730	22,697,471	481,786	1,323,046	1,880,082	29,094,381
DEPRECIATION								
At 1 January 2016	-	2,066	-	4,996,015	284,437	702,824	1,252,408	7,237,750
Charge for the year	-	24,784	-	1,879,912	64,973	79,892	229,271	2,278,832
Disposals	-	-	-	-	-	(7,202)	(53,541)	(60,743)
At 31 December 2016	-	26,850	-	6,875,927	349,410	775,514	1,428,138	9,455,839
NET CARRYING AMOUNT								
At 31 December 2016	140,400	2,427,015	117,730	15,821,544	132,377	547,532	451,944	19,638,542

Building Under Construction:

The Bank is in the process of constructing an office building, with actual commencement expected in 2017. Professional costs have been incurred and in line with IAS 16, Property, Plant and Equipment, no depreciation has been charged on these costs until the building is ready for use.

23. PROPERTY AND EQUIPMENT (Continued)

Year ended 31 December 2015:	Freehold land USD	Leasehold land USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST							
At 1 January 2015	2,594,265	-	21,304,943	455,422	1,264,458	1,407,798	27,026,886
Additions	-	-	1,269,698	74,409	36,208	370,183	1,750,498
Reclassification*	(2,453,865)	2,453,865	-	-	-	-	-
Disposals	-	-	-	(71,087)	(3,970)	(29,103)	(104,160)
At 31 December 2015	140,400	2,453,865	22,574,641	458,744	1,296,696	1,748,878	28,673,224
DEPRECIATION							
At 1 January 2015	-	-	4,551,512	292,628	629,483	1,087,295	6,560,918
Charge for the year	-	2,066	444,503	62,896	77,311	178,883	765,659
Disposals	-	-	-	(71,087)	(3,970)	(13,770)	(88,827)
At 31 December 2015	-	2,066	4,996,015	284,437	702,824	1,252,408	7,237,750
NET CARRYING AMOUNT							
At 31 December 2015	140,400	2,451,799	17,578,626	174,307	593,872	496,470	21,435,474

**Reclassification between Freehold and Leasehold Land in 2015:*

The Bank holds a freehold title to a property in Nairobi, Kenya, located on LR 1 /184 Lenana Road.

The current Constitution of Kenya, enacted on 27 August 2010, introduced significant changes in the landholding by non-citizens. The Constitution no longer allows foreigners and foreign bodies to own freehold land and leasehold land in excess of 99 years. Freehold land and leasehold land of more than 99 years owned by foreigners and foreign bodies automatically becomes 99 year leases upon enactment of the required legislation under Article - 65(4) of the constitution. These changes in the landholding took effect on 2 May 2012 upon the enactment of the Land Registration Act No. 3 of 2012.

As per the definition of Articles 65(3) of the constitution, the Bank is a non-citizen and hence the status of its freehold land changes to 99 year lease. Under the revised International Accounting standards No. 17 (IAS 17), a 99 year lease qualifies for a finance lease classification if the lessor transfers significantly risks and rewards incidental to the ownership of the land to the Bank.

Accordingly, the new 99 year lease qualifies as a finance lease. Although the Bank's title documents to the land still show the land as freehold, the Bank has opted to account for its land as leasehold in compliance with the Kenyan legislation

24. INTANGIBLE ASSETS

	2016 USD	2015 USD
COST		
At beginning of year	1,821,547	1,734,532
Additions	589,119	87,015
At end of year	2,410,666	1,821,547
AMORTISATION		
At beginning of year	1,464,033	1,327,095
Charge for the year	162,458	136,938
At end of year	1,626,491	1,464,033
NET CARRYING AMOUNT		
At end of year	784,175	357,514

Intangible assets relate to cost of acquired computer software.

25. COLLECTION ACCOUNT DEPOSITS

These represent deposits collected by the Bank on behalf of the customers from proceeds of Bank funded commodities to be applied on loan repayments as they fall due.

26. SHORT TERM BORROWINGS

(a) CERTIFICATES OF DEPOSITS

Lender	2016 USD	2015 USD
Reserve Bank of Malawi	255,921,376	284,831,667
Banque Commerciale du Congo	20,000,000	5,000,000
African Trade Insurance Agency	714,945	700,000
Bank of the Republic of Burundi	-	35,000,000
Banque Internationale pour l'Afrique au Congo	-	16,000,000
	276,636,321	341,531,667

Certificates of deposits relate to borrowings that are payable within one year.

26. SHORT TERM BORROWINGS (Continued)

(b) OTHER SHORT TERM BORROWINGS

	Date of renewal/ advance	Maturity Date	Currency	2016 USD	2015 USD
Syndicated Loan - Citibank	Oct-16	Oct-19	USD	400,000,000	-
Syndicated Loan - Asia	Dec-16	Jun-19	USD	340,000,000	-
Standard Chartered Bank London	Oct-16	Apr-17	USD	270,599,292	238,895,424
Mashreq Bank	Dec-16	Dec-17	EUR	173,516,471	80,418,660
KFW	Dec-16	Sep-17	USD	142,637,793	20,000,000
Sumitomo Mitsui Banking Corporation	Nov-16	Nov-18	USD	113,339,750	105,529,688
Cargill Kenya Limited	Dec-16	Dec-19	USD	100,000,000	116,474,878
ABC Bank Inc. Mauritius	Dec-16	Jan-17	EUR	57,974,396	66,809,310
Africa50	Dec-16	Mar-17	USD	51,325,233	-
Africa Finance Corporation	Dec-16	Nov-17	USD	50,000,000	50,000,000
Mauritius Commercial Bank	Dec-16	Jun-19	USD	49,375,042	
Citibank New York	Sep-16	Jan-17	USD	46,315,850	61,836,147
Bunge S.A	Sep-16	Mar-17	USD	41,069,132	-
Bank One Ltd	Oct-16	Jan-17	USD	40,000,000	50,000,000
Commerzbank	Dec-16	Jun-17	USD	38,285,314	114,461,779
State Bank of Mauritius	Nov-16	Apr-17	USD	36,000,000	25,924,010
African Export Import Bank	Dec-15	Feb-17	EUR	35,729,131	63,519,717
Standard Chartered Bank Kenya	Dec-16	Jun-17	USD	30,000,000	30,000,000
Afrasia Bank Ltd- Mauritius	Nov-16	Jan-17	USD	23,696,775	50,000,000
Mizuho Bank London	Oct-16	Oct-17	USD	21,465,728	39,450,000
Loius Dreyfus Commodities Kenya	Jul-16	Jul-17	USD	6,421,063	-
British Arab Commercial Bank	Nov-16	Feb-17	USD	5,000,000	-
BHF Bank	Dec-16	Mar-17	USD	3,778,614	-
Firstrand Bank Ltd	Dec-16	Mar-17	USD	1,452,912	58,703,120
Syndicated Loan - Commerzbank	Apr-16	Sep-16	USD	-	320,500,000
ING Bank	Mar-16	Oct-16	USD	-	50,573,247
African Development Bank	Jun-15	Sep-16	USD	-	50,229,000
Societe Generale	Feb-16	Jul-16	USD	-	2,852,324
FBN Bank	Jun-16	Jul-16	EUR	-	76,823,073
Standard Corporate and Merchant Bank	Mar-16	Sep-16	USD	-	32,689,819
Bank of Tokyo Mitsubishi	Dec-15	Dec-16	USD	-	66,666,667
Deutsche Bank AG	Dec-15	Mar-16	USD	-	52,055,234
Banque de Commerce et de Placement	Nov-15	Feb-16	USD	-	1,290,869
Sub total for other short term borrowings				2,077,982,496	1,825,702,966
INTEREST PAYABLE				14,703,614	12,005,906
Certificate of Deposits (Note 26a)				276,636,321	341,531,667
TOTAL SHORT TERM BORROWINGS				2,369,322,431	2,179,240,539

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

27. LONG TERM BORROWINGS

					Amounts as at 31 December 2016			Amounts as at 31 December 2015		
Lender	Date of renewal/ disbursement	Maturity date	Currency	Amount in Currency	Balance outstanding USD	Amount due within one year USD	Amount due after one Year USD	Balance outstanding USD	Amount due within one year USD	Amount due after one year USD
African Development Bank	Dec-04	Aug-23	USD	65,876,015	65,876,015	14,376,015	51,500,000	80,158,580	14,408,580	65,750,000
Africa Agriculture and Trade Investment Fund	Sept-12	Sept-19	USD	30,000,000	30,000,000	10,000,000	20,000,000	30,000,000	-	30,000,000
China Development Bank	Dec-08	Mar-20	USD	84,906,473	84,906,473	36,604,378	48,302,095	101,511,616	16,656,221	84,855,395
KBC Bank	Various	Feb-20	USD	8,864,039	8,864,039	3,185,798	5,678,241	13,466,736	4,588,899	8,877,837
Exim Bank of India Loan	Various	Various	USD	513,451	513,451	400,638	112,813	1,941,460	1,914,109	27,351
US$ 1.0 Billion Euro Medium Term Note Programme: First Tranche	Nov-10	Jan-16	USD	-	-	-	-	98,746,000	98,746,000	-
US$ 1.0 Billion Euro Medium Term Note Programme: Second Tranche	Dec-13	Jan-18	USD	300,000,000	300,000,000	-	300,000,000	300,000,000	-	300,000,000
FMO	Mar-10	Jan-18	USD	10,000,000	10,000,000	8,000,000	2,000,000	18,000,000	8,000,000	10,000,000
Ceskoslovenska Obchodni Banka AS	Jul-07	May-17	USD	408,729	408,729	408,729	-	1,230,061	821,265	408,796
Development Bank of Southern Africa	Mar-07	Jun-23	USD	50,640,849	50,640,849	17,828,349	32,812,500	62,654,381	19,216,881	43,437,500
OPEC Fund for International Development	Jun-13	Jun-16	USD	-	-	-	-	50,000,000	50,000,000	-
Private Export Funding Corporation	Aug-11	Oct-21	USD	29,003,619	29,003,619	5,949,252	23,054,367	34,953,395	5,949,514	29,003,881
KfW	Dec-13	Dec-28	USD	60,000,000	60,000,000	-	60,000,000	60,131,792	131,792	60,000,000
European Investment Bank	Aug-16	Sep-26	USD	88,120,000	88,120,000	-	88,120,000	-	-	-
CDC Group	Oct-16	Oct-22	USD	50,000,000	50,000,000	4,545,455	45,454,545	-	-	-
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	11,613,205,761	5,327,159	1,433,270	3,893,889	6,827,308	1,143,527	5,683,781
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	11,613,205,761	5,327,159	1,433,270	3,893,889	6,827,450	1,143,527	5,683,923
Uganda local currency fixed rate bond	Oct-09	Oct-16	UGX	-	-	-	-	47,477	47,477	-
Uganda local currency floating rate bond	Oct-09	Oct-16	UGX	-	-	-	-	406,506	406,506	-
Subtotal for long term borrowings					788,987,493	104,165,154	684,822,339	866,902,762	223,174,298	643,728,464
Interest payable					5,227,147	5,227,147	-	7,201,791	7,201,791	-
Total long term borrowings					794,214,640	109,392,301	684,822,339	874,104,553	230,376,089	643,728,464

The Bank repays these borrowings in either quarterly or semi-annual instalments. The Bank has not given any security for the borrowings. It has not defaulted on any of them.

28. OTHER PAYABLES

	2016 USD	2015 USD
Accrued expenses	34,533,951	5,354,032
Accrued fees-Trade Finance	16,956,160	2,865,143
Provident fund*	9,200,773	7,556,916
Other creditors**	2,496,102	17,621,729
Accrued fees-Project Finance	335,022	75,329
Rental deposit	51,622	51,622
Dividends payable	47,768	1,273,522
Unspent African Development Bank Grant	-	2,113
	63,621,398	34,800,406

*Provident fund relates to the Bank's contribution to the fund that is payable.
**Other creditors mainly relate to cash cover deposits by clients.

Analysis of other payables by maturity:	2016 USD	2015 USD
Amounts due within one year	58,383,548	30,302,231
Amounts due after one year	5,237,850	4,498,175
	63,621,398	34,800,406

29. PROVISION FOR SERVICE AND LEAVE PAY

(i) PROVISION FOR SERVICE PAY

	2016	2015
At beginning of year	4,224,552	4,224,058
Increase in provision	950,022	670,417
Payment of service pay	(894,528)	(469,923)
At end of period	4,480,046	4,424,552

(ii) PROVISION FOR LEAVE PAY

	2016	2015
At beginning of year	1,247,499	1,193,936
Increase in provision	298,807	165,596
Payment of leave pay	(187,629)	(112,033)
At end of year	1,358,677	1,247,499
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	5,838,723	5,672,051

Employees' entitlements to annual leave and service pay are recognised when they accrue to employees.

30. SHARE CAPITAL

	As at 31 December 2016			As at 31 December 2015		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Authorised capital:						
88,234 Class 'A' ordinary shares of USD 22,667 each	2,000,000,000	-	2,000,000,000	2,000,000,000	-	2,000,000,000
220,584 Class 'B' ordinary shares of USD 4,533.42 each	-	1,000,000,000	1,000,000,000	-	1,000,000,000	1,000,000,000
Less: Unsubscribed						
- Class 'A'	(397,420,433)	-	(397,420,433)	(533,331,765)	-	(533,331,765)
- Class 'B'	-	(921,730,497)	(921,730,497)	-	(930,316,795)	(930,316,795)
Subscribed capital:						
70,701 Class 'A' (2015: 64,705) ordinary shares of USD 22,667 each	1,602,579,567	-	1,602,579,567	1,466,668,235	-	1,466,668,235
17,265 Class 'B' (2015: 15,371 ordinary shares of USD 4,533.42 each	-	78,269,503	78,269,503	-	69,683,205	69,683,205
Less: Callable capital	(1,282,063,654)	-	(1,282,063,654)	1,173,334,587	-	(1,173,334,587)
Payable capital	320,515,913	78,269,503	398,785,416	293,333,648	69,683,2055	363,016,853
Less: Amounts not yet due	(12,330,848)	-	(12,330,848)	13,170,890	-	(13,170,890)
Capital due	308,185,065	78,269,503	386,454,568	280,162,758	69,683,205	349,845,963
Less: subscriptions in arrears	(14,403,629)	-	(14,403,629)	10,104,870	-	(10,104,870)
Paid up capital	293,781,436	78,269,503	372,050,939	270,057,888	69,683,205	339,741,093

30. SHARE CAPITAL (Continued)

Share Premium:	Number of shares	Share value USD	Price paid USD	Share premium USD
As at 31 December 2016:				
At1 January 2016	15,371	69,683,206	96,554,014	26,870,808
Additions during the year	1,894	8,586,297	16,822,150	8,235,853
At 31 December 2016	17,265	78,269,503	113,376,164	35,106,661
As at 31 December 2015:				
As at 1 January 2015:	13,482	61,119,575	80,897,981	19,778,406
Additions during the year	1,889	8,563,631	15,656,033	7,092,402
As at 31 December 2015:	15,371	69,683,206	96,554,014	26,870,808

Class A and B shares
As at 31 December 2016, there were 70,701 'A' ordinary shares (2015: 64,705) and 17,265 Class 'B' ordinary shares (2015: 15,371). Class 'A' shares have a par value of USD 22,667 each (comprising 80% callable and 20% payable) and were issued only to Members, while Class 'B' shares have a par value of USD 4,533.42 each and are issued both to Members and other institutional investors. All ordinary shares have a right to receive dividends in the proportion of the number of shares held by each member, as and when declared by the Board of Governors.

Nature and purpose of the share premium
Class 'B' shares are issued at a premium of USD 4,661.20 (2015: USD 3,754.58) that is determined after a valuation of the Bank's shares. The share premium is used to finance the operations of the Bank.

Dividends on ordinary shares declared and paid:	2016 USD	2015 USD
Final dividend for 2015: USD 301.35 per share (2014: 329.50 per share)	21,785,529	19,244,435
Proposed dividends on ordinary shares:		
Dividend for 2016: USD 304.21 per share (2014: USD 301.35 per share)	24,349,495	21,785,528

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

30. SHARE CAPITAL (Continued)

	As at 31 December 2016			As at 31 December 2015		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Movement in paid up share capital:						
At beginning of year	270,057,887	69,683,206	339,741,093	246,842,986	61,119,575	307,962,561
African Development Bank	965,614	-	965,614	998,281	-	988,281
National Social Security Fund Uganda	-	7,348,674	7,348,674	-	5,471,838	5,471,838
Mauritian Eagle Insurance Company	-	-	-	-	299,206	299,206
Sacos Group Limited	-	548,544	548,544	-	-	-
Seychelles Pension Fund	-	-	-	-	1,645,632	1,645,632
Rwanda Social Security Board	-	-	-	-	22,667	22,667
Banco Nationale De Investment	-	122,402	122,402	-	4,533	4,533
Africa Reinsurance Corporation	-	72,535	72,535	-	1,092,554	1,092,554
Belarus	1,068,069	-	1,068,069	1,027,268	-	1,027,268
Burundi	394,406	-	394,406	398,939	-	398,939
China- People's Republic	1,097,083	494,143	1,591,226	1,119,750	27,201	1,146,951
Comoros	224,852	-	224,852	8,896	-	8,896
Congo DRC	1,701,170	-	1,701,170	575,558	-	575,558
Djibouti	99,735	-	99,735	99,735	-	99,735
Egypt	1,722,692	-	1,722,692	1,758,959	-	1,758,959
Eritrea	38,789	-	38,789	39,539	-	39,539
Ethiopia	1,722,692	-	1,722,692	1,758,959	-	1,758,959
Kenya	1,722,692	-	1,722,692	1,758,959	-	1,758,959
Malawi	430,673	-	430,673	430,673	-	430,673
Mauritius	3,032,845	-	3,032,845	3,005,644	-	3,005,644
Mozambique	2,000,136	-	2,000,136			
Rwanda	422,798	-	422,798	1,298,819	-	1,298,819
Seychelles	86,135	-	86,135	86,135	-	86,135
Somalia	51,396	-	51,396	52,390	-	52,390
Sudan	-	-	-	1,618,423	-	1,618,423
Tanzania	1,668,291	-	1,668,291	1,482,421	-	1,482,421
Uganda	2,053,630	-	2,053,630	826,540	-	826,540
Zambia	1,429,154	-	1,429,154	3,056,587	-	3,056,587
Zimbabwe	1,790,696	-	1,790,696	1,822,426	-	1,822,426
	23,723,548	8,586,298	32,309,846	23,214,901	8,563,631	31,778,532
At the end of the year	293,781,435	78,269,504	372,050,939	270,057,887	69,683,206	339,741,093

Payable capital is one fifth of the subscribed capital to Class 'A' shares. The remaining four fifths of the subscribed capital constitutes callable capital. The Bank's Board of Governors may, on the recommendation of the Board of Directors, make a call only when the amount thereof is required to repay existing borrowings or to meet guaranteed commitments. Note 43 contains the status of subscriptions to the capital stock by member countries.

31. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash generated from operations:

		2016 USD	2015 USD
Profit for the year		101,456,231	94,719,686
Adjustments:			
Depreciation on property and equipment		2,278,832	765,659
Amortisation of intangible assets		162,458	136,938
Loss on disposal of property and equipment		-	15,333
(Gain)/loss in foreign exchange		(447,997)	3,033,765
Fair value loss on revaluation of equity investments		2,805,523	223,800
Interest received		(219,149,882)	(189,818,776)
Interest paid		93,634,994	90,681,199
Provision for impairment		23,114,269	32,767,866
Increase in provision for service and leave pay		166,672	254,057
Profit before changes in operating assets and liabilities		4,021,100	32,779,528
(Decrease)/increase in other receivables		108,202,713	101,373,775
Increase in hedging derivative instruments-net		(14,767,367)	(26,803,754)
(Increase) in trade finance loans		(203,082,193)	(361,283,971)
(Increase) in project loans		(153,286,813)	(66,547,509)
Decrease in deferred expenditure		(6,905,011)	5,437,118
Increase /(decrease) in collection accounts deposits		(92,704,013)	137,699,693
Increase in other payables		28,820,992	13,799,809
(Increase) in interest receivable on government securities		(38,759)	(43,643)
Interest received		219,149,882	189,818,776
Interest paid		(93,634,994)	(90,681,199)
Increase in borrowings	31 (b)	110,191,979	284,613,137
		(94,032,484)	220,161,759

(b) Analysis of changes in borrowings:

		2016 USD	2015 USD
Short term borrowings:			
At beginning of year		2,179,240,539	1,919,329,465
Loans received		3,139,551,683	3,124,916,104
Repayments		(2,949,469,791)	(2,865,005,030)
At end of year		2,369,322,431	2,179,240,539
Long term borrowings:			
At beginning of year		874,104,553	849,402,489
Loans received		197,948,073	120,288,898
Repayments		(277,837,986)	(95,586,834)
At end of year		794,214,640	874,104,553
Total borrowings:			
At beginning of year		3,053,345,092	2,768,731,954
Loans received		3,211,916,928	3,245,205,002
Repayments		(3,101,724,949)	(2,960,591,864)
At end of year		3,163,537,071	3,053,345,092
Increase in total borrowings	31 (a)	110,191,979	284,613,137

For purposes of the Statement of Cash Flows, borrowings received for on-lending are treated as normal operations of the Bank and, therefore, are classified as cash generated from operations.

(c) Analysis of cash and cash equivalents

	2016 USD	2015 USD
Cash and balances with other banks - Note 13	594,835,619	643,514,540

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending

As at 31 December 2016 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES	Facilities available USD	Facilities utilized USD	Facilities unutilised USD
Syndicated Loan 2	400,000,000	400,000,000	-
Syndicated Loan 1	340,000,000	340,000,000	
Short Term Placements	276,636,321	276,636,321	-
Bridge loan	225,000,000	225,000,000	-
Sumitomo Mitsui Banking Corporation	220,000,000	114,506,082	105,493,918
Standard Chartered Bank	180,000,000	111,341,562	68,658,438
Mashreqbank	173,516,471	173,516,471	-
AFREXIM Bank	157,978,500	35,729,130	122,249,370
KFW-Ipex	142,637,793	142,637,793	-
Commerzbank	105,319,000	41,550,826	63,768,174
Cargill Kenya Limited	100,000,000	100,000,000	-
Citibank Nairobi	98,000,000	46,315,850	51,684,150
Societe Generale	95,000,000	-	95,000,000
ING Bank	94,787,100	55,268,714	39,518,386
Standard Bank South Africa	90,000,000	-	90,000,000
Mauritius Commercial Bank	90,000,000	49,375,042	40,624,958
Commercial Bank of Africa	80,000,000	-	80,000,000
FBN Bank London	80,000,000	-	80,000,000
Mizuho Bank	80,000,000	21,465,728	58,534,272
BNP Paribas Group	63,191,400	-	63,191,400
Deutsche Bank	60,000,000	-	60,000,000
ABC Bank Incorporation, Mauritius	57,974,396	57,974,396	-
British Arab Commercial Bank	52,659,500	5,000,000	47,659,500
Africa50	51,325,233	51,325,233	-
State Bank of Mauritius	51,000,000	36,000,000	15,000,000
Kenya Commercial Bank	50,000,000	-	50,000,000
Rand Merchant Bank	50,000,000	4,454,262	45,545,738
African Finance Corporation	50,000,000	50,000,000	-
Bunge SA	41,069,131	41,069,131	-
NIC Bank	40,000,000	-	40,000,000
Bank One	40,000,000	40,000,000	-
Nedbank	35,000,000	-	35,000,000
Natixis	30,000,000	-	30,000,000
CFC Stanbic Bank	30,000,000	-	30,000,000
BMCE Bank	26,329,750	-	26,329,750
KBC Bank	26,329,750	5,056,907	21,272,843
FimBank	26,329,750	14,421,209	11,908,541
Afrasia Bank Limited	23,696,775	23,696,775	-
Banque BIA, France	21,063,800	-	21,063,800
Barclays/Absa Bank	20,000,000	-	20,000,000
BHF Bank	15,797,850	5,615,641	10,182,209
DZ Bank	15,000,000	-	15,000,000
Habib Bank London	10,000,000	-	10,000,000
Intesa Sanpaolo	10,000,000	-	10,000,000
Banque de Commerce de placement	9,993,430	-	9,993,430
Bank of China	8,000,000	-	8,000,000
Louis Dreyfus Commodities Kenya	6,421,063	6,421,063	-
United Bank Limited	5,000,000	-	5,000,000
	3,955,057,013	2,474,378,136	1,480,678,877

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (continued)

	Facilities available	Facilities utilised	Facilities unutilised
LONG TERM FACILITIES LENDER	USD	USD	USD
Eurobond	398,746,000	398,746,000	-
African Development Bank	150,000,000	150,000,000	-
China Development Bank	122,900,000	122,900,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
European Investment Bank (EIB)	97,245,000	88,120,000	9,125,000
Development Bank of South Africa	95,000,000	95,000,000	-
Private Export Funding Corporation(PEFCO)	60,000,000	60,000,000	-
KfW	60,000,000	60,000,000	-
KBC Bank	51,403,510	36,854,139	14,549,371
FMO	50,000,000	50,000,000	-
CDC Group	50,000,000	50,000,000	-
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
Industrial Development Bank (IDC)	30,000,000	-	30,000,000
BHF Bank	18,000,000	7,300,000	10,700,000
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
Japan Bank for International Corporation (JBIC)	12,700,000	-	12,700,000
Ceskoslovenska Obchodni Banka AS	6,575,954	6,575,954	-
Exim Bank USA	No limit	-	No limit
	1,349,077,019	1,247,002,648	102,074,371
TOTAL FACILITIES			
At 31 DECEMBER 2016	5,304,134,032	3,721,380,784	1,582,753,248

Note:

Facilities utilised include outstanding letters of credit for Trade Finance amounting to USD 322,643,889 as disclosed in note 34(b)

31.NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending

As at 31 December 2015 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilized USD	Facilities unutilised USD
Standard Chartered Bank	405,000,000	374,302,464	30,697,536
Short Term Placements	341,531,667	341,531,667	
Mauritius Commercial Bank	160,000,000	-	160,000,000
AFREXIM	125,000,000	63,519,716	61,480,284
Commerz Bank	117,535,215	117,535,215	-
Bank of Tokyo Mitsubishi	100,000,000	100,000,000	-
Firstrand Bank	100,000,000	58,703,120	41,296,880
ING Bank	98,361,900	50,667,170	47,694,730
Mashreqbank	95,181,693	95,181,692	1
Societe Generale	95,000,000	58,177,808	36,822,192
Standard Bank South Africa	90,000,000	59,995,447	30,004,553
Commercial Bank of Africa	80,000,000	-	80,000,000
FBN Bank London	80,000,000	76,623,072	3,376,928
BNP Paribas Group	75,000,000	-	75,000,000
Sumitomo Mitsui Banking Corporation	73,000,000	72,590,698	409,302
HSBC Bank	72,000,000	-	72,000,000
Citibank Nairobi	65,284,297	65,284,297	-
Deutsche Bank	60,000,000	58,137,543	1,862,457
British Arab Commercial Bank	54,645,500	-	54,645,500
African Finance Corporation	50,000,000	50,000,000	-
Kenya Commercial Bank	50,000,000	-	50,000,000
State Bank of Mauritius	50,000,000	27,138,204	22,861,796
UBA,New York	50,000,000	-	50,000,000
NIC Bank	40,000,000	-	40,000,000
Mizuho Bank London	40,000,000	39,450,000	550,000
BADEA	40,000,000	-	40,000,000
BCV	32,787,300	-	32,787,300
Natixis	30,000,000	-	30,000,000
CFC Stanbic Bank	30,000,000	186,967	29,813,033
FimBank	29,962,569	29,962,569	-
KBC Bank	27,322,750	19,999,999	7,322,751
BMCE Bank	27,322,750	9,999,999	17,322,751
BHF Bank	21,858,200	3,226,110	18,632,090
Byblos Bank	21,858,200	-	21,858,200
Banque BIA, France	21,858,200	9,999,999	11,858,201
KFW	20,000,000	20,000,000	-
Ghana International Bank	20,000,000	-	20,000,000
Banque de Commerce de placement	16,393,650	6,178,425	10,215,225
DZ Bank	15,000,000	-	15,000,000
Investec	15,000,000	-	15,000,000
Barclays/Absa Bank	15,000,000	-	15,000,000
Nedbank	10,000,000	-	10,000,000
Habib Bank London	10,000,000	9,999,999	1
Intesa Sanpaolo	10,000,000	9,999,999	1
Bank of China	8,000,000	7,999,999	1
Bank of China	5,000,000	4,999,999	1
United Bank Limited	5,000,000	-	5,000,000
	2,999,903,891	1,841,392,177	1,158,511,714

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (continued)

	Facilities available	Facilities utilised	Facilities unutilised
LONG TERM FACILITIES LENDER	USD	USD	USD
Eurobond	398,746,000	398,746,000	-
African Development Bank	150,000,000	150,000,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
China Development Bank	122,900,000	122,900,000	-
European Investment Bank	97,245,000	-	97,245,000
Development Bank of Southern Africa	95,000,000	95,000,000	-
Private Export Funding Corporation	60,000,000	60,000,000	-
KfW	60,000,000	60,000,000	-
KBC Bank	51,403,510	36,854,140	14,549,370
Opec Fund for International Development	50,000,000	50,000,000	-
FMO	50,000,000	50,000,000	-
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
Industrial Development Corporation	30,000,000	-	30,000,000
BHF Bank	18,000,000	7,300,000	10,700,000
Tanzania Local Currency Bond	16,506,555	16,506,555	-
Japan Bank for International Corporation	12,700,000	-	12,700,000
Ceskoslovenska Obchodni Banka AS	6,575,954	6,575,954	-
Uganda Shillings Local Currency Bond	3,674,312	3,674,312	-
Overseas Private Investment Corporation	1,400,000	1,400,000	-
Exim Bank USA	No limit	-	No limit
TOTAL FACILITIES	1,354,151,331	1,163,956,961	190,194,370
At 31 DECEMBER 2015	4,354,055,222	3,005,349,138	1,348,706,084

Note:

Facilities utilised include outstanding letters credit for Trade Finance amounting to USD 341,874,767 as disclosed in note 34(b)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments

Currency swaps, interest rate swaps and currency forward contracts are derivative products valued using a valuation technique with market-observable inputs. The most frequently applied valuation technique is the swap model using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates.

Equity Investments - at fair value through profit or loss

Unquoted equity investments are valued using a valuation technique with non market observable inputs. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

At 31 December 2016:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
ASSETS				
Derivative financial instruments	-	75,760,442	-	75,760,442
Equity investments - at fair value through profit or loss	-	-	-	-
	-	75,760,442	-	75,760,442
LIABILITIES	-	-	-	-

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2015:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
ASSETS				
Derivative financial instruments	-	60,993,075	-	60,993,075
Equity Investments - at fair value through profit or loss	-	-	288,500	288,500
	-	60,993,075	288,500	61,281,575
LIABILITIES	-	-	-	-

The Bank has not designated any loan or receivable or borrowings and payables as at fair value through profit or loss.

Transfers between Level 1, 2 and Level 3:

As at 31 December 2016, there were no transfers between the levels.

As at 31 December 2015, equity holding in ZEP-RE (PTA Reinsurance Company) was transferred out of Level 2 of the fair value hierarchy and re-designated from equity investment at fair value through profit or loss to equity investment at cost. This is because the investment no longer meets the requirements to be measured at fair value since there are no recent transactions from which fair value can be readily determined.

Valuation of financial Instruments recorded at fair value:

The Bank uses widely recognised valuation models for determining fair values of interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

The Bank invests in private equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Bank uses the International Private Equity Valuation Guidelines for these positions.

Valuations of financial instruments are the responsibility of Management.

The valuation of equity investments and derivative financial instruments is performed on a semi-annual basis by the Financial Management Unit. The valuations are also subject to quality assurance procedures performed by the Bank's internal and external auditors. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the preceding periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by senior management. Appropriateness of valuation methods and inputs is considered and management may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Net changes in fair value of financial assets and financial liabilities through profit or loss:

	As at 31 December 2016			As at 31 December 2015		
	Realised USD	Unrealised USD	Total gains/(losses) USD	Realised USD	Unrealised USD	Total gains/(losses) USD
ASSETS						
Net Derivative financial instruments:						
- Interest rate swap	-	-	-	-	(149,579)	(149,579)
- Currency swap	-	-	-	-	485,577	485,577
Equity investments - at fair value through profit or loss	-	-	-	-	(223,800)	(223,800)
	-	-	-	-	112,198	112,198
LIABILITIES	-	-	-	-	-	-

Quantitative information of significant unobservable inputs - Level 3:

Description	Valuation Technique	Unobservable input	Range (weighted average)	2016 USD	2015 USD
Equity investments - at fair value through profit or loss	International Private Equity Valuation Guidelines	Multiple variables	n/a	-	288,500

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy - Level 3:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

As at 31 December 2016:

Description	Input	Sensitivity used	Effect on fair value USD
Equity investments - at fair value through profit or loss	Multiple variables	-	-

As at 31 December 2015:

Description	Input	Sensitivity used	Effect on fair value USD
Equity investments - at fair value through profit or loss	Multiple variables	5%	14,425

Significant increases (decreases) in the equity of investee companies in isolation would result in a significantly (lower) higher fair value measurement

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	2016 USD	2015 USD
Balance as at 31 January	288,500	512,300
Financial assets recognized at FV-Level 2	-	-
Financial assets recognized at cost in current year	-	-
	288,500	512,300
Total FV gains and losses in profit or loss	-	(223,800)
Additions	-	-
Retirements	(288,500)	-
Balance as at 31 December	-	288,500

33. SEGMENT REPORTING

The Bank's main business is offering loan products. As such, the Bank has chosen to organise the Bank based on the loan products offered for segmental reporting.

The main types of loan products are:

- Trade finance - Short term and structured medium term financing in support of trading activities such as imports and exports in various member states.
- Project finance - Medium and long term financing of viable and commercially oriented public and private sector projects and investments in various economic sectors or industries.

Other operations comprise other miscellaneous income like rental of office premises which cannot be directly attributed to the Bank's main business. The Bank also participates in the investment of Government securities and other unlisted equity investments. Transactions between the business segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, which form the majority of the statement of financial position.

Information about geographical areas has not been included, as this is not available and the cost to develop is considered to be excessive.

33. SEGMENT REPORTING (Continued)

The table below analyses the breakdown of segmental assets, liabilities, income and expenses;

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2016:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	168,114,873	55,913,350	1,147,061	225,175,284
Interest expense and other borrowing costs	(79,267,994)	(27,632,108)	(1,809,379)	(108,709,481)
Net interest income	88,846,879	28,281,242	(662,318)	116,465,803
Fee and commission income	36,175,004	5,781,775	-	41,956,779
Other income	-	417,542	67,523	485,065
Other assets written off	-	(21,765)	-	(21,765)
Interest on capital arrears	-	-	60,160	60,160
Other assets recovered	-	3,015,335	-	3,015,335
Operating expenses	(23,097,848)	(5,983,748)	-	(29,081,596)
Depreciation and amortisation	(2,017,988)	(423,302)	-	(2,441,290)
Impairment on loans	(18,051,669)	(5,062,600)	-	(23,114,269)
Foreign exchange loss	(3,062,468)	-	-	(3,062,468)
Fair value gain on equity investments	-	(2,805,523)	-	(2,805,523)
Profit for the year	78,791,910	23,198,956	(534,635)	101,456,231
Year Ended 31 December 2015:				
Gross interest income	159,416,207	48,352,083	900,437	208,668,727
Interest expense and other borrowing costs	(70,477,044)	(26,334,208)	(1,379,655)	(98,190,907)
Net interest income	88,939,163	22,017,875	(479,218)	110,477,820
Fee and commission income	26,494,807	6,022,823	-	32,517,630
Other income	-	-	886,310	886,310
Other assets written off	-	(241,287)	-	(241,287)
Interest on capital arrears	-	-	1,341,440	1,341,440
Other assets recovered	1,779,735	4,879,338	-	6,659,073
Operating expenses	(17,186,386)	(2,806,886)	-	(19,993,272)
Depreciation and amortisation	(831,962)	(70,635)	-	(902,597)
Impairment on loans	21,956,769	(54,724,635)	-	(32,767,866)
Foreign exchange gain	(3,033,765)	-	-	(3,033,765)
Fair value gain on equity investments	-	(223,800)	-	(223,800)
Profit for the year	118,118,361	(25,147,207)	1,748,532	94,719,686

33. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016:	Trade finance USD	Project USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	167,465,912	-	427,369,707	594,835,619
Investment in Government securities -	214,699,238	-	-	214,699,238
Derivative financial instruments	75,760,442	-	-	75,760,442
Other receivables	-	-	79,543,167	79,543,167
Trade finance loans	2,393,142,910	-	-	2,393,142,910
Project loans	-	846,886,728	-	846,886,728
Equity investments - at fair value through	-	-	-	-
Equity investments - at costs	-	17,496,672	-	17,496,672
Investment in Joint Ventures	-	369,493	-	369,493
Deferred expenditure	-	-	18,095,167	18,095,167
Property and equipment	-	-	19,638,542	19,638,542
Intangible assets	-	-	784,175	784,175
Total assets	2,851,068,502	864,752,893	545,430,758	4,261,252,153
Liabilities:				
Short term borrowings	2,369,322,431	-	-	2,369,322,431
Long term borrowings	-	794,214,640	-	794,214,640
Collection account deposits	171,770,025	-	-	171,770,025
Provision for service and leave pay		-	5,838,723	5,838,723
Other payables	-	-	63,621,398	63,621,398
Total liabilities	2,541,092,456	794,214,640	69,460,121	3,404,767,217
Equity	-	-	856,484,936	856,484,936
	2,541,092,456	794,214,640	925,945,057	4,261,252,153

33. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other	264,474,038	-	379,040,502	643,514,540
Investment on Government securities	-	-	241,763,172	241,763,172
Derivative financial instruments	-	-	60,993,075	60,993,075
Trade finance loans	2,208,112,386	-	-	2,208,112,386
Project loans	-	698,662,513	-	698,662,513
Equity investments at fair value through profit or loss	-	288,500	-	288,500
Equity investments at cost	-	20,162,420	-	20,162,420
Investment in joint ventures	-	334,492	-	334,492
Other receivables	-	-	187,745,880	187,745,880
Deferred expenditure	-	-	11,190,156	11,190,156
Property and equipment	-	-	21,435,474	21,435,474
Intangible assets	-	-	357,514	357,514
Total assets	2,472,586,424	719,447,925	902,525,773	4,094,560,122
Liabilities:				
Collection account deposits	264,474,038	-	-	264,474,038
Short term borrowings	2,179,240,539	-	-	2,179,240,539
Long term borrowings	-	874,104,553	-	874,104,553
Other payables	-	-	34,800,406	34,800,406
Provision for service and leave pay	-	-	5,672,051	5,672,051
Total liabilities	2,179,240,539	874,104,553	40,472,457	3,358,291,587
Equity	-	-	736,268,535	736,268,535
	2,443,714,577	874,104,553	776,740,992	4,094,560,122

34. CONTINGENT LIABILITIES AND COMMITMENTS

	2016 USD	2015 USD
(a) Capital commitments		
Approved but not contracted	14,099,435	9,471,715
(b) Loans committed but not disbursed		
Project finance loans	211,626,646	219,343,426
Trade finance loans	675,913,295	511,347,097
	887,539,941	730,690,523

(c) Contingencies

In line with normal banking operations, the Bank conducts business involving acceptances, guarantees and performances. The majority of these facilities are offset by corresponding obligations of third parties.

	2016 USD	2015 USD
Letters of credit - Project finance loans	15,467,972	7,044,474
- Trade finance loans	322,643,889	341,874,767
Guarantees	10,274,707	2,041,765
	348,386,568	350,961,006

(d) Operating lease arrangements

The Bank as a lessor

This relates to the Bank's building in Bujumbura of which part has been leased out. Rental income earned during the year was NIL (2015 - USD 168,623). At reporting date, the Bank had no future lease receivables (2015: NIL):

Leases are negotiated for an average term of 2 years and rentals are reviewed every 2 years. The leases are cancelled with a penalty when the tenants do not give 3 months notice to vacate the premises. The leases had not been renewed by 31 December, 2016.

The Bank as a lessee

At year end, the Bank had outstanding commitments under operating leases which fall due as follows:

	2016 USD	2015 USD
Within one year	839,777	274,727
In the second to fifth year inclusive	560,024	726,613
	1,399,801	1,001,340

Operating lease payments represent rentals payable by the Bank for use of its office premises. These leases are negotiated for an average term of 5 years.

34. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(e) Pending litigation

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes provisions to cater for any adverse effects which the claims may have on its financial standing.

As at 31 December 2016, there were legal proceedings involving the Bank amounting to USD 24,850,000 (2015 - USD 19,340,000) that are yet to be determined. No provision has been made as, in the opinion of the Directors and the Bank's lawyers, it is unlikely that any significant loss will crystallise.

35. RELATED PARTY TRANSACTIONS

(a) Membership and governance

As a supranational development financial institution with a membership comprising:- Class A Shareholders- Twenty COMESA /African States (the "Member States"), two non-African State and one institutional member;- Class B Shareholders - one non-African State and ten institutional members,- subscription to the capital of the Bank is made by all its Members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each Member of the Bank, who exercise the voting power of the appointing Member. The Board of Directors, which is composed of thirteen (13) Directors elected by the Members is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank makes loans to some of its Member States. The Bank also borrows funds from some of its Members. Such loans granted to Member States are approved by the Board of Directors.

The following are the details of the transactions and balances with related parties:-

(b) Loans to member states	2016 USD	2015 USD
Outstanding loans at 1 January	1,206,539,908	1,156,104,821
Loans disbursed during the year	836,487,209	1,322,929,001
Loans repaid during the year	(910,712,237)	(1,272,493,914)
Outstanding loan balances at 31 December	1,132,314,880	1,206,539,908

Loans to related parties are subject to commercial negotiations on the terms and conditions of varying interest rates and terms. Outstanding balances at year-end are secured by cash security deposits, sovereign undertakings/guarantees and insurance. The loans to Member States are performing and the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2015: Nil). The loans are granted for an average period of one year.

35. RELATED PARTY TRANSACTIONS (Continued)

(c) Borrowings from members

	2016 USD	2015 USD
Outstanding borrowings at 1 January	364,990,246	279,156,500
Borrowings received during the year	44,803,720	95,584,634
Borrowings repaid during the year	(87,996,575)	(9,750,888)
Outstanding balances at 31 December	321,797,391	364,990,246

Borrowings from related parties are subject to commercial negotiations on the terms and conditions. The outstanding balances as at year-end are unsecured and there has been no guarantee provided by the Bank for any borrowings from members. The borrowings are for an average period of ten years.

(d) Income and expenses

	2016 USD	2015 USD
• Interest income from loans to Member States earned during the year	88,034,294	77,509,593
• Interest expense on borrowings from Member States incurred during the year	(8,279,514)	(9,616,953)
• Fees and commission earned from Member States during the year	34,644,298	24,623,254

(e) Other related parties

The remuneration of members of key management staff during the year was as follows:

	2016 USD	2015 USD
Salaries and other short-term benefits	2,667,140	1,908,812
Post employment benefits: Defined contribution: Provident Fund	578,121	460,483
Board of Directors and Board of Governors allowances	281,770	48,300
	3,527,031	2,417,595

36. CURRENCY

The financial statements are presented in United States Dollars (USD). At the reporting date, the conversion rates between one USD and certain other currencies were as analysed below:

	2016	2015
British Pound	0.8147	0.6744
Euro	0.9495	0.9150
United Arab Emirates Dirham	3.6730	3.6725
Sudanese Pound	9.6940	6.0482
Zambian Kwacha	9.8900	11.2475
South Africa Rand	13.6287	15.5632
Ethiopian Birr	22.5160	20.9470
Mauritian Rupee	36.0200	35.8772
Kenya Shilling	102.5700	102.2500
Japanese Yen	116.8000	120.4216
Malawi Kwacha	727.4651	658.3900
Burundi Franc	1675.3000	1531.0000
Tanzania Shilling	2180.0000	2158.4975
Uganda Shilling	3610.0000	3377.3175

37. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require disclosure in or adjustment to, these financial statements.

38. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are as outlined below:

(a) INTRODUCTION

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk (non-trading risks). It is also subject to country risk.

Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive risk management framework for measuring, monitoring, controlling and mitigation of the Bank's risks. The policies are integrated in the overall management information systems of the Bank and supplemented by a management reporting structure.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and other stakeholders understand their roles and obligations.

The Bank-Wide Integrated Risk Management Committee (BIRMC) is responsible for monitoring compliance with the Bank's risk management policies and procedures and review of the adequacy of the risk management framework in relation to the risks faced by the Bank. BIRMC undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The notes below provide detailed information on each of the above risks and the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(b) CREDIT RISK

The Bank defines credit risk as the risk that adverse changes in the credit quality of borrowers will negatively affect the Bank's financial performance and financial condition. Credit risk arises from both client-specific risk and country risk. The Bank, through its lending operations to private sector and public sector entities in its Member Countries, and to a lesser extent, treasury operations, is exposed to credit risk.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK (Continued)

Risk Management Policies and Processes

The Bank manages credit risk through an integrated risk management policy framework and processes which place great emphasis on rigorous screening of borrowers at loan origination.

The risk management policies and processes are designed to identify, measure, manage and control credit risk throughout the whole project cycle. The lending process follows a formalised system of strict procedures and processes and committee-based decision-making processes.

Client-Specific Risk

The Bank uses credit assessment and risk profiling systems to evaluate the credit risk of the investment proposals both at loan origination and during the life of the loan.

The Bank seeks to mitigate credit risk in its lending operations and calls for risk mitigating measures such as security in the form of real estate collateral, personal and corporate guarantees. Such collateral is re-valued every three years or earlier should there be any evidence of diminution in value. To ensure prudent management of concentration risk, the Bank limits exposure to a single borrower to 25% of its paid up capital and retained earnings

Country risk

The Bank considers country-specific political, social and economic events which may have an adverse impact on the credit quality of its borrowers. To mitigate such risks, the Bank uses prudent country exposure management policies. In addition, the Bank considers the economic, social and political profile of the country in which the investment project is domiciled before approval is granted. The investment proposal is also loaded with the risk premium that reflects the risk rating of the host country.

The Bank limits its exposure to any single Member country to 30% of its total loan portfolio. As at 31 December 2016, all country exposures were within this limit.

Notes 41 and 42 of the Financial Statements contain the country exposure analysis as at 31 December 2016 and 31 December 2015.

Credit-related commitment risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies. These are further disclosed under Note 34(c).

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Maximum Exposure to Credit Risk before Collateral Held:

Credit Exposures	2016 USD	%	2015 USD	%
On - statement of financial position Items				
Cash and Balances held with other banks	594,835,619	14	643,514,540	16
Investment in Government securities	214,699,238	5	241,763,172	6
Other receivables	53,918,623	1	164,962,264	4
Derivative Financial instruments	75,760,442	2	60,993,075	1
Loans and advances	3,337,631,476	78	3,001,749,471	73
-Project loans	896,087,934		762,348,507	
-Trade finance loans	2,441,543,542		2,239,400,964	
Sub Total	4,276,845,398	100	4,112,982,522	100
Off - statement of financial position Items				
Letters of Credit	338,111,861	27	348,919,241	32
Loan Commitments not disbursed	887,539,941	72	730,690,523	68
Guarantees and Performance Bonds	10,274,707	1	2,041,765	-
Sub Total	1,235,926,509	100	1,081,651,529	100
Total Credit Exposure	5,512,177,907		5,194,634,051	

The above figures represent the worst case scenario of credit exposure for the two years without taking into account any collateral held or other credit enhancements. Loan and advances and off-statement of financial position items took up 84% in 2016 (2015 - 80%) of the total maximum credit exposure.

Other than cash and bank balances amounting to USD 594,835,619 (2015 -USD 643,514,540) all other credit risk exposures are secured by collateral in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

As at 31 December 2016, the fair value of collateral held for impaired loans and advances was USD 222,113,132 (2015 - USD 412,077,829) and provided sufficient cover over the gross exposure of USD 95,092,932 (2015-USD 86,229,211) and over the net exposure of USD 34,135,073 (2015-USD 15,715,179) after deducting the impairment allowances.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Classification of Loans and advances

For year ended 31 December 2016: Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired	3,141,046,185	(36,643,976)	3,104,402,209	96
Past due but not impaired	101,492,359	-	101,492,359	3
Impaired	95,092,932	(60,957,859)	34,135,073	1
Total	3,337,631,476	(97,601,835)	3,240,029,641	100

For year ended 31 December 2015 Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired	2,648,287,767	(24,460,540)	2,623,827,227	90
Past due but not impaired	267,232,493	-	267,232,493	9
Impaired	86,229,211	(70,514,032)	15,715,179	1
Total	3,001,749,471	(94,974,572)	2,906,774,899	100

The amounts which are past due but not impaired are secured by collaterals in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

Ageing of arrears for past due loans and advances not impaired

	2016 USD	2015 USD
Below 30 Days	50,638,134	152,678,075
31 to 90 Days	50,854,225	114,554,418
Total arrears	101,492,359	267,232,493

Ageing of arrears for impaired loans and advances

	2016	2015
Below 30 Days	1,529,018	2,950,787
31-90 Days	3,493,701	357,132
91-180 Days	24,320,759	16,066,427
181-360 Days	34,012,295	22,573,153
Over 360 Days	23,458,469	65,242,360
Total arrears	86,814,242	107,189,859
Amounts not in arrears/(Restructured loans)	8,278,690	(20,960,648)
Total	95,092,932	86,229,211

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loans and advances that are neither past due nor impaired

The Bank classifies loans and advances under this category for borrowers that are up to date with their principal and interest payments and conforming to all the agreed terms and conditions. Such borrowers are financially sound and demonstrate capacity to continue to service their debts in the future. The Bank classifies such loans as 'Low Risk-PTAR 1 and Satisfactory Risk-PTAR 2' in line with its Loan Classification Policy.

Past due but not impaired

Loans under this category are performing well but exhibit potential weaknesses which may, if not corrected in good time, weaken the borrower's capacity to repay. These weaknesses may also result in the Bank's interest not being adequately protected. Such weaknesses include temporary cash flow problems and deteriorating economic conditions. The Bank classifies such loans as 'Fair Risk-PTAR 3 and Watch Risk- PTAR 4' in line with its Loan Classification Policy. Sovereign loans that are past due are not considered impaired unless otherwise approved by the Bank's Board of Directors.

Impaired loans and advances

The Bank, depending on the severity of default and deterioration of borrower's financial condition and collateral, classifies impaired loans into three categories 'Substandard-PTAR 5', 'Doubtful-PTAR 6' and 'Loss-PTAR 7'. Thus, impaired loans range from those that are not adequately protected by their current sound worth and paying capacity of the obligor to those that are considered uncollectible or of such little value that their continuance as bankable assets is not warranted.

Collateral Held

In addition to its rigorous credit risk assessments, the Bank seeks to protect its interests in the event of unpredictable and extreme factors that negatively affect the borrower's capacity to service the Bank's loan by calling for credit enhancement arrangements. In this regard, the Bank calls for security such as mortgage interest on property, registered securities over financed or third party assets and third party guarantees. The security cover required is, at least, one and half times the loan amount that is disbursed. Such security is subject to regular reviews and, if necessary, revaluation every three years.

The Bank does not hold security over deposits placed with other banks or financial institutions and government securities. However, the Bank places deposits with well vetted and financially sound counter-parties. In addition, the Bank places limits on counter-party exposures which are set, monitored and reviewed by the Bank-Wide Integrated Risk Management Committee.

For both periods ended 31 December 2016 and 31 December 2015, the Bank's collateral exceeded the outstanding gross portfolio.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

	Collateral held for loan portfolio	2016 USD	2015 USD
(i)	Total portfolio:		
	Mortgages on properties	822,521,130	635,948,361
	Fixed charge on plant and equipment	866,914,455	767,196,751
	Cash security deposits	830,600,740	865,519,340
	Sovereign undertakings	1,273,105,261	767,636,989
	Insurance and Guarantees	2,069,571,769	1,728,576,031
	Other floating all asset debenture	268,382,137	355,481,787
	Total security cover	6,131,095,492	5,120,359,259
	Gross portfolio	(3,337,631,476)	(3,001,749,471)
	Net cover	2,793,464,016	2,118,609,788
(ii)	Past due but not impaired:		
	Mortgages on properties	677,632,056	33,109,149
	Fixed charge on plant and equipment	821,974,961	25,015,488
	Cash security deposits	830,600,740	-
	Sovereign undertakings	1,273,105,261	65,015,488
	Insurance and Guarantees	2,037,287,205	69,000,000
	Other floating all asset debenture	268,382,137	40,000,000
	Total security cover	5,908,982,360	232,140,125
	Gross portfolio	(101,492,359)	(267,232,493)
	Net cover	5,807,490,001	(35,092,368)
(iii)	Impaired loans:		
	Mortgages on properties	144,889,074	75,253,541
	Fixed charge on plant and equipment	44,939,494	51,162,144
	Cash security deposits	-	850,000
	Sovereign undertakings	-	52,012,144
	Insurance and Guarantees	32,284,564	232,800,000
	Total security cover	222,113,132	412,077,829
	Gross portfolio	(95,092,932)	(86,229,211)
	Net cover	127,020,200	325,848,618

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of risk

As at 31 December 2016

	Gross Exposure On-statement Of financial Position USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Net Exposure USD	%
Mining and Quarrying	8,021,410	-	-	-	-	-	8,021,410	-
Agribusiness	932,318,916	28	119,528,320	10	(203,034,465)	(343,847,013)	504,965,758	21
Banking and Financial Services	268,026,040	8	230,205,834	19	-	(140,203,539)	358,028,335	15
Education	5,771,990	-	-	-	-	-	5,771,990	-
Hospitality	41,388,623	1	244,865	-	-	-	41,633,488	2
Manufacturing and Heavy Industries	246,304,182	7	73,135,533	6	-	-	319,439,715	13
Other	44,787,302	1	230,816,559	19	(154,009,225)	(18,000,000)	103,594,636	4
Health Services	19,790,861	1	6,489,448	1	-	-	26,280,309	1
Energy	100,449,765	3	135,584,796	11	-	(471,313)	235,563,248	10
Petrochemicals	1,194,270,524	36	269,302,632	22	(518,174,726)	(592,500,000)	352,898,430	14
Real Estate	53,538,588	2	8,522,813	1	-	-	62,061,401	2
Telecommunications	19,527,724	1	274,707	-	-	(6,209,104)	13,593,327	1
Insurance: Infrastructure	157,561,056	5	161,821,002	13	-	(100,000,000)	219,382,058	9
Insurance: Transport and Logistics	245,874,495	7	-	-	-	(61,200,000,)	184,674,495	8
	3,337,631,476	100	1,235,926,509	100	(875,218,416)	(1,262,430,969)	2,435,908,600	100

**Off -statement of financial position items include loans approved but not disbursed, outstanding letters of credit and guarantees and performance bonds.

The Bank, as part of its prudent management of credit risk arising from high sectoral concentration, limits the net exposure to Petrochemicals and Agribusiness sectors to 35% of the Bank's total loan book, and 25% for all other sectors. As at 31 December 2016, all loan and advances sectoral concentrations were within the stipulated limit

38. FINANCIAL RISK MANAGEMENT (Continued)

As at 31 December 2015

	Gross Exposure On-statement Of financial Position		Off-statement Of financial Position		Cash collateral/ In transit	Insurance	Net Exposure	
	USD	%	USD	%	USD	USD	USD	%
Mining and Quarrying	46,498,420	2	18,790,350	2	-	-	65,288,770	3
Agribusiness	663,051,429	22	120,779,699	11	(327,300,786)	(132,117,612)	324,412,730	13
Banking and Financial Services	286,546,860	10	147,598,509	14	(438,027)	-	433,707,342	17
Education	7,514,509	-	(376)	-	-	-	7,514,133	-
Hospitality	57,455,162	2	2,066,252	-	-	-	59,521,414	2
Manufacturing and Heavy Industries	176,173,483	6	139,073,310	13	-	-	315,246,793	12
Other	40,716,129	1	222,997,422	21	-	-	263,713,551	10
Health Services	26,536,759	1	2,926,385	-	-	-	29,463,144	1
Energy	98,375,384	3	39,456,165	4	-	(32,380,584)	105,450,965	4
Petrochemicals	1,295,165,817	43	331,657,882	31	(462,807,121)	(550,000,000)	614,016,578	24
Real Estate	68,617,018	2	13,394,864	1	-	-	82,011,882	3
Telecommunications	34,118,045	1	2,222,152	-	-	(6,209,104)	30,131,093	1
Infrastructure	73,237,444	2	-	-	-	-	73,237,444	3
Transport and Logistics	127,743,012	4	40,688,915	4	-	(43,057,683)	125,374,244	5
	3,001,749,471	100	1,081,651,529	100	(790,545,934)	(763,764,983)	2,529,090,083	100

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured loans	2016 USD	2015 USD
Project finance loans	24,816,680	-
Trade finance loans	10,766,117	390,000,000
	35,582,797	390,000,000

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from financial liabilities. The Bank's liquidity policy ensures that it has resources to meet its net disbursement and debt service obligations and allows it flexibility in deciding the appropriate time to access capital markets.

The Bank holds sufficient liquid assets to enable it to continue normal operations even in the unlikely event that it is unable to obtain fresh resources from its lending partners and the capital markets for an extended period of time. To achieve this objective, the Bank operates on a prudential minimum level of liquidity, which is based on projected net cash requirements.

The prudential minimum level of liquidity is updated quarterly.

The liquidity position statement is presented under the most prudent consideration of maturity dates. Liabilities are classified according to the earliest possible repayment date, while assets are classified according to the latest possible repayment date.

The Bank-wide Integrated Risk Management Committee (BIRMC) is tasked with the responsibility of ensuring that all foreseeable funding commitments can be met when due, and that the Bank will not encounter difficulty in meeting obligations from its financial liabilities as they occur.

BIRMC relies substantially on the Treasury Department to coordinate and ensure discipline, certify adequacy of liquidity under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2016	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	591,015,791	3,819,828	-	-	-	-	594,835,619
Investment in Government securities	-	-	-	227,876,780	-	-	227,876,780
Other receivables	53,396,149	77,572	110,669	171,713	162,520	-	53,918,623
Derivative financial instruments	-	-	-	-	75,760,442	-	75,760,442
Trade finance loans	283,632,317	129,034,828	403,620,482	545,679,697	1,316,888,638	-	2,678,855,962
Project loans	40,236,915	9,497,414	43,951,374	255,246,563	539,020,368	178,527,666	1,066,480,300
Equity investments at cost	-	-	-	-	17,866,165	-	17,866,165
Total financial assets	968,281,172	142,429,642	447,682,525	1,028,974,753	1,949,698,133	178,527,666	4,715,593,891
FINANCIAL LIABILITIES							
Short term borrowings	265,174,799	452,704,593	314,996,931	533,492,410	888,484,879	-	2,454,853,612
Long term borrowings	17,348,786	1,718,301	32,132,714	76,113,640	638,015,618	125,984,094	891,313,153
Collection Account	171,770,025	-	-	-	-	-	171,770,025
Other payables	57,469,779	159,707	238,592	463,848	3,320,805	1,917,045	63,569,776
Total liabilities	511,763,389	454,582,601	347,368,237	610,069,898	1,529,821,302	127,901,139	3,581,506,566
Net liquidity gap	456,517,783	(312,152,959)	100,314,288	418,904,855	419,876,831	50,626,527	1,134,087,325
Cumulative gap	456,517,783	144,364,824	244,679,112	663,583,968	1,083,460,798	1,134,087,325	1,134,087,325

The above table analyses financial assets and financial liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of loan commitments and off balance financial liabilities are as follows:

At 31 December 2016	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
Guarantees	-	-	-	10,274,707	-	-	10,274,707
Letters of credit	-	338,111,861	-	-	-	-	338,111,861
Loan commitments	-	-	673,459,934	214,080,007	-	-	887,539,941
Total	-	338,111,861	673,459,934	224,354,714	-	-	1,235,926,509
At 31 December 2015							
Guarantees	-	-	-	2,041,765	-	-	2,041,765
Letters of credit	-	348,919,241	-	-	-	-	348,919,241
Loan commitments	-	-	511,347,097	219,343,426	-	-	730,690,523
Total	-	348,919,241	511,347,097	221,385,191	-	-	1,081651,529

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2015	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	642,927,743	586,797	-	-	-	-	643,514,540
Investment in Government securities	-	-	-	241,763,172		-	241,763,172
Other receivables	164,034,873	69,951	103,526	160,500	593,414	-	164,962,264
Derivative financial instruments	-	-	-	-	60,993,075	-	60,993,075
Trade finance loans	730,794,285	322,340,355	514,465,968	503,616,152	136,895,626	-	2,208,112,386
Project loans	56,543,325	26,529,027	29,113,515	63,644,116	370,023,973	152,808,557	698,662,513
Equity investments							
- At fair value through profit or loss	-	-	-	-	288,500	-	288,500
- At cost	-	-	-	-	20,162,420	-	20,162,420
Total financial assets	1,594,300,226	349,526,130	543,683,009	809,183,940	588,957,008	152,808,557	4,038,458,870
FINANCIAL LIABILITIES							
Short term borrowings	399,799,620	582,716,614	382,205,556	794,303,637	20,215,112	-	2,179,240,539
Long term borrowings	116,879,510	18,604,203	61,152,236	33,740,140	569,370,850	74,357,614	874,104,553
Collection Account	264,150,398	323,640	-	-	-	-	264,474,038
Other payables	29,467,497	142,934	213,891	424,174	3,043,917	1,454,258	34,746,671
Total liabilities	810,297,025	601,787,391	443,571,683	828,467,951	592,629,879	75,811,872	3,352,565,801
Net liquidity gap	784,003,201	(252,261,261)	(100,111,326)	(19,284,011)	(3,672,871)	76,996,685	685,893,069
Cumulative gap	784,003,201	531,741,940	631,853,266	612,569,255	608,896,384	685,893,069	685,893,069

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

(i) Liquidity and funding management

The Bank's liquidity and funding policies require:

- Entering into lending contracts subject to availability of funds,
- Projecting cash flows by major currency and considering the level of liquid assets necessary in relation thereto,
- Maintaining a diverse range of funding sources with back-up facilities,
- Investment in short term liquid instruments which can easily be sold in the market when the need arises,
- Investments in property and equipment are properly budgeted for and done when the Bank has sufficient cash flows,
- Maintaining liquidity and funding contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications.

(ii)Contingency Plans

The Bank carries out contingency funding planning at the beginning of the year. This details the following measures to combat liquidity crisis:

- Unutilised lines of credit, including standby facilities, from different counter-parties.
- Term deposits with counter-parties and prospects of withdrawal and rollovers.
- Investment portfolio and its defeasance period.
- Amount of short-term resources with a time period, required to raise such resources.
- Amount which can be raised from other counter parties based on the Bank's past relationships.

(d) MARKET RISK

The objective of the Bank's market risk management process is to manage and control market risk exposures in order to optimise return on risk. Market risk is the risk that movement in market factors, including interest rates and foreign currency exchange rates, will reduce income or value of portfolio.

Overall responsibility for management of market risk rests with BIRMC. The Treasury Department is responsible for the development of detailed market risk management policies and for the day-to-day implementation of those policies.

The management of market risk is supplemented by the monitoring of sensitivity analysis of the key market risk variables. The Bank normally uses simulation models to measure the impact of changes in interest rates on net interest income. The key assumptions used in these models include loan volumes and pricing and changes in market conditions. Those assumptions are based on the best estimates of actual positions. The models cannot precisely predict the actual impact of changes in interest rates on income because these assumptions are highly uncertain.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The extent of exposure to interest rate risk is largely determined by the length of time for which the rate of interest is fixed for a financial instrument. The Bank's principal interest rate risk management objective is to generate a suitable overall net interest margin by matching the interest rate characteristic and re-pricing profile of assets with those of the underlying borrowings and equity sources respectively.

38. FINANCIAL RISK MANAGEMENT

(i) Interest rate risk continued (Continued)

The table below summarises the Bank's exposure to interest rate risk

At 31 December 2016:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	423,549,880	3,819,827	-	-	-	167,465,912	594,835,619
Investment in Government securities	-	-	-	-	214,699,238	-	214,699,238
Other receivables	-	-	-	-	562,660	53,355,963	53,918,623
Derivative financial instruments	-	-	-	-	-	75,760,442	75,760,442
Trade finance loans	434,279,327	670,149,605	330,257,705	4,557,326	942,856,676	11,042,271	2,393,142,910
Project finance loans	493,246,373	138,005,617	-	-	178,751,417	36,883,320	846,886,727
Equity Investments cost	-	-	-	-	-	17,866,165	17,866,165
Total financial assets	1,351,075,580	811,975,049	330,257,705	4,557,326	1,336,869,991	362,374,073	4,197,109,724
FINANCIAL LIABILITIES							
Short term borrowings	897,564,652	979,593,934	158,268,073	-	333,895,772	-	2,369,322,431
Long term borrowings	176,617,628	612,269,853	-	-	5,327,159	-	794,214,640
Collection Accounts	-	-	-	-	-	171,770,025	171,770,025
Other payables	-	-	-	-	6,179,852	57,389,924	63,569,776
Total financial liabilities	1,074,182,280	1,591,863,787	158,268,073	-	345,402,783	229,159,949	3,398,876,872
Net interest rate exposure	276,893,300	(779,888,738)	171,989,632	4,557,326	991,467,208	133,214,124	798,232,852
Cumulative interest rate exposure	276,893,300	(502,995,438)	(331,005,806)	(326,448,480)	665,018,728	798,232,852	798,232,852

* Fixed interest and non-interest bearing items are stated at amortised costs or their carrying amounts which approximate their fair values

38. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

The table below summarises the Bank's exposure to interest rate risk.

At 31 December 2015:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	374,514,901	586,797	-	-	-	268,412,842	643,514,540
Investment in Government securities	-	-	-	-	241,763,172	-	241,763,172
Other receivables	-	-	-	-	591,496	164,370,768	164,962,264
Derivative financial instruments	-	875,058	-	-	-	60,118,017	60,993,075
Trade finance loans	56,488,100	36,515,807	419,916,304	43,656,454	1,638,815,324	12,720,397	2,208,112,386
Project finance loans	299,710,837	115,900,333	85,099,357	1,742,319	194,228,314	1,981,353	698,662,513
Equity Investments							
- At fair value through profit or loss	-	-	-	-	-	288,500	288,500
- At cost	-	-	-	-	-	20,162,420	20,162,420
Total financial assets	730,713,838	153,877,995	505,015,661	45,398,773	2,075,398,306	528,054,297	4,038,458,870
FINANCIAL LIABILITIES							
Short term borrowings	963,323,643	705,088,836	117,971,970	20,215,113	372,640,977	-	2,179,240,539
Long term borrowings	126,238,363	710,058,858	6,827,448	-	30,979,884	-	874,104,553
Collection Accounts	-	-	-	-	-	264,474,038	264,474,038
Other payables	-	-	-	-	5,351,532	29,395,139	34,746,671
Total financial liabilities	1,089,562,006	1,415,147,694	124,799,418	20,215,113	408,972,393	293,869,177	3,352,565,801
Net interest rate exposure	(358,848,168)	(1,261,269,699)	380,216,243	25,183,660	1,666,425,913	234,185,120	685,893,069
Cumulative interest rate exposure	(358,848,168)	(1,620,117,867)	(1,239,901,624)	(1,214,717,964)	451,707,949	685,893,069	685,893,069

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

Interest rate risk - Sensitivity analysis

The Bank monitors the impact that an immediate hypothetical increase or decrease in interest rates of 100 basis points applied at the beginning of the year would have on net interest income.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at year end. The analysis was prepared using the following assumptions:

- Interest-bearing assets and liabilities outstanding as at 31 December 2016 were outstanding at those levels for the whole year,
- Interest-bearing assets and liabilities denominated in currencies other than USD experienced similar movements in interest rates, and
- All other variables are held constant.

If interest rates had been 100 basis points higher or lower with the above assumptions applying, the Bank's net profit for the year ended 31 December 2016 of USD 101,456,231 (2015: USD 94,719,686) would increase or decrease by USD 1,117,492 (2015 - USD 12,190,930) as follows:

Effect on the Bank's Net Profit:

The profit for the year ended 31 December 2016 would increase to USD 102,573,723 (2015: USD 106,910,616) or decrease to USD 100,338,739 (2015: USD 82,528,756).

The potential change is 1.1% (2015 - 12.9%) of the year's profit.

(ii) Currency risk

Currency risk is defined as the potential loss that could result from adverse changes in foreign exchange rates. Currency risks are minimised and, where possible, eliminated by requiring assets to be funded by liabilities that have matching currency characteristics.

Foreign currency positions are monitored on a quarterly basis. The single currency exposure, irrespective of short or long positions should not exceed the limit of 10% of the Bank's net worth.

38. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2016 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	TZSH	OTHER	TOTAL
FINANCIAL ASSETS									
Cash and balances with other banks	407,778,574	4,164	7,390,705	(3,430)	167,465,912	3,971,453	4,171,941	4,056,300	594,835,619
Investment in Government securities	214,699,238	-	-	-	-	-	-	-	214,699,238
Other receivables	53,918,623	-	-	-	-	-	-	-	53,918,623
Derivative financial instruments	943,388,070	-	(867,627,628)	-	-	-	-	-	75,760,442
Trade finance loans	1,447,036,840	-	946,106,070	-	-	-	-	-	2,393,142,910
Project finance loans	816,453,643	-	18,602,230	-	-	138,504	11,692,350	-	846,886,727
Equity Investments at cost	17,866,165	-	-	-	-	-	-	-	17,866,165
Total financial assets	3,901,141,153	4,164	104,471,377	(3,430)	167,465,912	4,109,957	15,864,291	4,056,300	4,197,109,724
FINANCIAL LIABILITIES									
Short term borrowings	2,085,405,657	-	110,400,302	-	-	-	-	173,516,472	2,369,322,431
Long term borrowings	783,560,322	-	-	-	-	-	10,654,318	-	794,214,640
Collection account	4,186,261	-	-	-	164,371,219	-	-	3,212,545	171,770,025
Other payables	63,391,463	-	-	173,300	-	-	-	5,013	63,569,776
Total financial liabilities	2,936,543,703	-	110,400,302	173,300	164,371,219	-	10,654,318	176,734,030	3,398,876,872
NET POSITION	964,597,450	4,164	(5,928,925)	(176,730)	3,094,693	4,109,957	5,209,973	(172,677,730)	798,232,852

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38. FINANCIAL RISK MANAGEMENT (Continued)

MARKET RISK (Continued)

(iii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2015 was as follows:

FINANCIAL ASSETS	USD	GBP	EURO	KES	SDG	UGX	TZSH	OTHER	TOTAL
Cash and balances with other banks	365,483,686	36,221	(1,770,950)	579,514	268,412,841	7,712,056	2,254,406	806,766	643,514,540
Investment in Government securities	241,763,172	-	-	-	-	-	-	-	241,763,172
Other receivables	164,962,264	-	-	-	-	-	-	-	164,962,264
Derivative financial instruments	782,483,595	-	(721,490,520)	-	-	-	-	-	60,993,075
Trade finance loans	1,216,723,046	-	991,389,340	-	-	-	-	-	2,208,112,386
Project finance loans	668,812,801	-	15,356,809	-	-	345,442	14,147,461	-	698,662,513
Equity Investments									
- At fair value through profit or loss	288,500	-	-	-	-	-	-	-	288,500
- At cost	20,162,420	-	-	-	-	-	-	-	20,162,420
Total financial assets	3,460,679,484	36,221	283,484,679	579,514	268,412,841	8,057,498	16,401,867	806,766	4,038,458,870
FINANCIAL LIABILITIES									
Short term borrowings	1,913,453,965	-	265,786,574	-	-	-	-	-	2,179,240,539
Long term borrowings	859,995,812	-	-	-	-	453,918	13,654,823	-	874,104,553
Collection account	1,021,342	-	-	-	263,452,696	-	-	-	264,474,038
Other payables	34,632,448	-	-	100,618	-	-	-	13,605	34,746,671
Total financial liabilities	2,809,103,567	-	265,786,574	100,618	263,452,696	453,918	13,654,823	13,605	3,352,565,801
NET POSITION	651,575,917	36,221	17,698,105	478,896	4,960,145	7,603,580	2,747,044	793,161	685,893,069

38. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Currency Risk (Continued)

Currency risk - Sensitivity Analysis

The Bank is mainly exposed to Euros, Pound Sterling, Kenya Shillings, Tanzania Shillings, Sudanese Pounds, and Uganda Shilling. The following analysis details the Bank's sensitivity to a 10% increase and decrease in the value of the USD against the other currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes cash and term deposits, securities, loans and borrowings in currencies other than United States Dollars. A positive number below indicates a decrease in profit and reserves when the USD strengthens by 10% against the other currencies in which the Bank has a net asset position. For a 10% weakening of the USD against the relevant currencies, there would be an equal opposite impact on the net profit.

	GBP	EURO	KES	TSH	SDG	UGX
2016	1,207	(849,703)	(183)	239	31,924	(33,941)
2015	5,317	1,928,671	8,393	127	82,010	(31,358)

39. CAPITAL MANAGEMENT

The Bank, being a supranational financial institution, is not subject to any regulatory supervision by a national body. The conduct of operations is vested with the Board of Directors which closely monitors directly or through its Audit Committee the Bank's performance, risk profile and capital adequacy.

Based on the need to protect against increased credit risks associated with projects and infrastructure financing in developing African economies, the Bank's capital management policy aims to maintain a capital adequacy ratio of at least 30 per cent. This ratio is computed in line with recommendations of the paper prepared by the Basel Committee on Banking Supervision entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988 as amended from time to time (Basel I paper) and 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).

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To have sufficient capital to support its development mandate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to Member States and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is monitored monthly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee. Currently, the Bank's capital is entirely Tier 1 capital which is: Paid-up share capital, retained earnings and other reserves.

39. CAPITAL MANAGEMENT (Continued)

Risk-weighted assets are measured by means of a hierarchy of seven risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

A summary of the Bank's capital adequacy computations is provided below.

	2016 USD	2015 USD
RISK WEIGHTED ASSETS		
On-Statement of financial position assets	2,236,880,589	1,812,316,602
Off- Statement of financial position assets	77,853,320	70,804,731
Total risk weighted assets	2,314,733,909	1,883,121,333
CAPITAL		
Paid up capital	372,050,939	339,741,093
Retained earnings and reserves	484,427,909	396,527,442
Total capital	856,478,848	736,268,535
CAPITAL ADEQUACY RATIO	37.0%	39.1%

In addition to its paid-up capital, the Bank has access to additional capital in the form of callable capital. During the years, the Bank complied with its capital adequacy requirements. There were no events after the reporting date.

40. FINANCIAL INSTRUMENTS CATEGORIES

The table below sets out the Bank's analysis of financial instrument categories.

As at 31 December 2016:	Loans and receivables USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Held to Maturity USD	Total carrying amount USD
Financial assets						
Cash and balances held with banks	594,835,619	-	-	-	-	594,835,619
Investment in Government securities	-	-	-	-	214,699,238	214,699,238
Other receivables	53,918,623	-	-	-	-	53,918,623
Trade finance loans	2,393,142,910	-	-	-	-	2,393,142,910
Project finance loans	846,886,728	-	-	-	-	846,886,728
Equity investments at cost	-	-	17,496,672	-	-	17,496,672
Derivative financial instruments	-	341,813	-	75,418,629	-	75,760,442
Total financial assets	3,888,783,880	341,813	17,496,672	75,418,629	214,699,238	4,196,740,232
Financial liabilities						
Collection account deposits	-	-	-	-	171,770,025	171,770,025
Short term borrowings	-	-	-	-	2,369,322,431	2,369,322,431
Long term borrowings	-	-	-	-	794,214,640	794,214,640
Other payables	-	-	-	-	63,569,776	63,569,776
Total financial liabilities	-	-	-	-	3,398,876,872	3,398,876,872

41. TRADE FINANCE LOAN PORTFOLIO

Country	As at 31 December 2016 Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD	As at 31 December 2015 Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD
Burundi	-	-	-	5,047,017	5,047,017	-
Congo DRC	7,726,524	7,726,524	-	-	-	
Djibouti	4,615,707	1,197,257	3,418,450	2,035,492	24,932	2,010,560
Egypt	12,003,562	12,003,562	-	228,684	228,684	-
Ethiopia	27,660,036	24,548,100	3,111,936	88,048,439	27,037,953	61,010,486
Kenya	153,420,417	8,471,222	144,949,195	50,396,656	48,569,754	1,826,903
Malawi	189,141,186	94,518,814	94,622,372	207,401,942	54,991,992	152,409,949
Mauritius	23,324,637	20,580,932	2,743,705	13,487,722	13,487,722	-
Rwanda	316,349,038	1,599,426	314,749,612	43,170,625	559,540	42,611,085
Seychelles	1,011,191	1,011,191	-	12,384,716	9,384,716	3,000,000
Sudan	696,086,435	324,281,548	371,804,887	787,272,222	561,535,286	225,736,936
Tanzania	161,915,797	106,861,296	55,054,501	176,556,612	94,698,852	81,857,760
Uganda	68,643,471	971,704	67,671,767	6,716,731	1,447,928	5,268,803
Zambia	677,441,537	231,158,838	446,282,699	703,259,687	689,417,597	13,842,090
Zimbabwe	102,204,004	20,473,387	81,730,617	143,394,419	61,168,635	82,225,784
Gross Loans	2,441,543,542	855,403,801	1,586,139,741	2,239,400,964	1,567,600,608	671,800,356
Less: Impairment on trade finance loans (Note 17)	(48,400,632)	-	(48,400,632)	(31,288,578)	-	(31,288,578)
NET LOANS	2,393,142,910	855,403,801	1,537,739,109	2,208,112,386	1,567,600,608	640,511,778

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2016:

CLASS 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2016 USD	Instalments paid as at 31.12.2016 USD
Belarus	1,124	1.59	25,477,708	20,382,166	5,095,542	3,095,405	3,095,405
Burundi	1,405	1.99	31,847,135	25,477,708	6,369,427	6,369,427	6,369,427
China	3,889	5.50	88,151,963	70,521,570	17,630,393	17,630,393	17,630,393
Comoros	162	0.23	3,672,054	2,937,643	734,411	734,411	356,148
Djibouti	356	0.50	8,069,452	6,455,562	1,613,890	1,613,890	1,613,890
Congo DRC	5,340	7.55	121,041,780	96,833,424	24,208,356	24,208,356	12,249,403
Egypt	6,108	8.64	138,450,036	110,760,029	27,690,007	27,690,007	27,690,007
Eritrea	240	0.34	5,440,080	4,352,064	1,088,016	1,088,016	622,329
Ethiopia	6,108	8.64	138,450,036	110,760,029	27,690,007	27,690,007	27,690,007
Kenya	6,108	8.64	138,450,036	110,760,029	27,690,007	27,690,007	27,690,007
Malawi	1,510	2.14	34,227,170	27,381,736	6,845,434	6,845,434	6,845,434
Mauritius	2,898	4.10	65,688,966	52,551,173	13,137,793	13,137,793	13,137,793
Mozambique	2,206	3.12	50,003,402	40,002,722	10,000,680	2,000,136	2,000,136
Rwanda	1,731	2.45	39,236,577	31,389,262	7,847,315	7,847,315	7,379,300
Seychelles	308	0.44	6,981,436	5,585,149	1,396,287	1,396,287	1,396,287
Somalia	318	0.45	7,208,106	5,766,485	1,441,621	1,441,621	824,586
Sudan	5,277	7.46	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
Tanzania	5,909	8.36	133,939,303	107,151,442	26,787,861	26,787,861	26,787,861
Uganda	4,567	6.46	103,520,189	82,816,151	20,704,038	18,373,870	18,373,870
Zambia	5,369	7.59	121,699,123	97,359,298	24,339,825	24,339,826	23,824,150
Zimbabwe	6,337	8.96	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,431	4.85	77,770,477	62,216,382	15,554,095	15,554,095	15,554,095
	70,701	100	1,602,579,567	1,282,063,654	320,515,913	308,185,065	293,781,436

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

CLASS 'B' shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
As at 31December 2016:							
Africa Reinsurance Corporation	757	4.38	3,431,799	3,431,799	3,431,799	1,712,729	5,144,528
African Development Bank	3,333	19.30	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Investmento	862	4.99	3,907,807	3,907,807	3,907,807	1,352,746	5,260,553
Mauritian Eagle Insurance Company Limited	270	1.56	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund-Mauritius	1,733	10.04	7,856,418	7,856,418	7,856,418	2,692,570	10,548,988
National Social Security Fund Uganda	2,828	16.38	12,820,513	12,820,513	12,820,513	11,604,767	24,425,280
People's Republic of China	3,449	19.98	15,635,767	15,635,767	15,635,767	5,420,216	21,055,983
Rwanda Social Security Board	2,049	11.87	9,288,978	9,288,978	9,288,978	3,016,462	12,305,440
Seychelles Pension Fund	1,029	5.96	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
Sacos Group Limited	121	0.70	548,544	548,544	548,544	454,304	1,002,848
ZEP-RE(PTA Reinsurance company)	834	5.20	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	17,265	100	78,269,503	78,269,503	78,269,503	35,106,661	113,376,164
As at 31December 2015:							
Africa Reinsurance Corporation	741	4.82	3,359,265	3,359,265	3,359,265	1,638,144	4,997,409
African Development Bank	3,333	21.68	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Investmento	835	5.43	3,785,406	3,785,406	3,785,406	1,226,882	5,012,288
Mauritian Eagle Insurance Company Limited	270	1.76	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund-Mauritius	1,733	11.27	7,856,418	7,856,418	7,856,418	2,692,570	10,548,988
National Social Security Fund Uganda	1,207	7.85	5,471,838	5,471,838	5,471,838	4,531,778	10,003,616
People's Republic of China	3,340	21.73	15,141,624	15,141,624	15,141,624	4,912,104	20,053,728
Rwanda Social Security Board	2,049	13.33	9,288,978	9,288,978	9,288,978	3,016,462	12,305,440
Seychelles Pension Fund	1,029	6.69	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
ZEP-RE(PTA Re insurance company)	834	5.43	3,780,873	3,780,873	3,780,873	1,223,128	5,004,001
	15,371	100	69,683,206	69,683,206	69,683,206	26,870,808	96,554,014

Class'B' shares were first issued in 2013 following approval by the Board of Governors in December 2012 to increase the Banks's authorized capital from USD 2.0 billion to USD 3.0 billion. This increase was achieved through the creation of new class 'B' shares of par value of USD 4,533.420375 each. Class 'B' shares do not have a callable portion and are payable at once.

Registered Office of the Issuer

Eastern and Southern African Trade and Development Bank

2nd Floor Blue Tower,
Rue de l'Institut, Ebene,
Mauritius

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Lenana Road
P. O. Box 48596-00100
Nairobi
Kenya

Arrangers and Dealers

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Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstrasse 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Emirates NBD Bank PJSC
c/o Emirates NBD Capital
Capital Limited
Level 12, Gate- West Wing
DIFC
Dubai
United Arab Emirates
P.O Box 506710

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

SMBC Nikko Capital Markets Limited
One New Change
London EC4M 9AF
United Kingdom

Standard Chartered Bank
1 Basinghall Avenue
London EC2V 5DD
United Kingdom

Trustee

Citicorp Trustee Company Limited
Citigroup Centre
25 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Irish Listing Agent

Arthur Cox Listing Services Limited

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland

Issuing and Paying Agent, Transfer Agent and Calculation Agent

Citibank N.A., London Branch
Citigroup Centre
25 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Registrar

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60323 Frankfurt
Germany

Auditors of the Issuer

Deloitte & Touche
Deloitte Place
Waiyaki Way, Muthangari
P. O. Box 40092
GPO 00100, Nairobi
Republic of Kenya

Legal Advisers

To the Issuer in respect of English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Issuer in respect of the laws of Kenya

Anjarwalla & Khanna Advocates
ALN House, Eldama Ravine Gardens
Westlands
P.O. Box 200-00606
Sarit Centre
Nairobi
Republic of Kenya

To the Arranger and Dealers and the Trustee in respect of English law

Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FINAL TERMS dated 21 MAY 2019

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

LEI: 2138004HC83AB2ENIZ64

Issue of U.S.$ 500,000,000 4.875 per cent. Notes due 2024 under the U.S.$ 2,000,000,000 Euro Medium Term Note Programme

Part A - Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 14 May 2019 which constitutes a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus.

The expression "**Prospectus Directive**" means Directive 2003/71/EC as amended or superseded.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and the Final Terms have been published on the website of Euronext Dublin (www.ise.ie) and the website of the Central

Bank of Ireland (www.centralbank.ie). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

1.	(i)	Series Number:	1
	(ii)	Tranche Number (If fungible with an existing Series:	1
		(a) Issue Date of existing Series	Not Applicable.
		(b) Aggregate Principal Amount of existing Series	Not Applicable.
		(c) Date on which the Notes become Fungible	Not Applicable.
2.		Specified Currency or Currencies:	U.S. Dollars.
3.		Aggregate Nominal Amount of Notes:	U.S.$ 500,000,000
4.		Issue Price:	99.453 per cent. of the Aggregate Nominal Amount
5.	(i)	Specified Denominations:	U.S.$ 200,000 and integral multiples of U.S.$ 1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$ 1,000
6.	(i)	Issue Date:	23 May 2019
	(ii)	Interest Commencement Date	Issue Date
7.		Maturity Date:	23 May 2024
8.		Interest Basis:	4.875 per cent. Fixed Rate Further particulars specified below in paragraph 12
9.		Put/Call Options:	Conditional Put Event applies in accordance with Condition 11.2
10.	(i)	Status of the Notes:	Senior
	(ii)	Date Board approval for issuance of Notes obtained:	28 March 2019
11.		Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.		Fixed Rate Note Provisions	Applicable
	(i)	Rate[(s)] of Interest:	4.875 per cent. per annum payable semi-annually in arrear
	(ii)	Interest Payment Date(s):	23 May and 23 November in each year

	(iii) Fixed Coupon Amount[(s)]:	U.S.$ 24.375 per Calculation Amount
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	30/360
	(vi) Determination Dates:	Not Applicable
13.	Floating Rate Note Provisions	Not Applicable
14.	Zero Coupon Note Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

15.	Call Option	Not Applicable
16.	Put Option	Conditional Put Event applies in accordance with Condition 11.2
17.	Final Redemption Amount of each Note	U.S.$ 1,000 per Calculation Amount
	(i) Payment Date:	23 May 2024
	(ii) Minimum Final Redemption Amount:	Not Applicable
	(iii) Maximum Final Redemption Amount:	Not Applicable
18.	Early Redemption Amount	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption.	U.S.$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

19.	Form of Notes:	Registered Notes: Global Certificates.
20.	New Global Note:	No
21.	New Safekeeping Structure:	No
22.	Financial Centre(s):	Not Applicable
	(a) Date of payment	Not Applicable
	(b) Place of payment	Not Applicable
23.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No
24.	Renminbi Currency Events:	Not Applicable
	Renminbi Settlement Centre(s)	Not Applicable
25.	Relevant Benchmark[s]:	Not Applicable

DISTRIBUTION

26.

(i)	If syndicated, names of Managers:	**Citigroup Global Markets Limited** Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom Telephone: +44 20 7986 9000 Facsimile: +44 20 7721 2829 Attention: Fixed Income Syndicate Desk **Commerzbank Aktiengesellschaft** Kaiserstrasse 16 (Kaiserplatz) 60311 Frankfurt am Main Federal Republic of Germany Fax: +4969 13685719 Attention: Group Legal-Debt Securities **Emirates NBD Bank PJSC** c/o Emirates NBD Capital Limited Level 12, West Wing The Gate Building DIFC Dubai United Arab Emirates P.O. Box: 506710 Telefax: +97 1432 54332 Attention: Debt Capital Markets **MUFG Securities EMEA plc** Ropemaker Place 25 Ropemaker Street London EC2Y 9AJ United Kingdom Email: legal-primarymarkets@int.sc.mufg.jp Attention: Legal- Primary Markets **SMBC Nikko Capital Markets Limited** One New Change London EC4M 9AF United Kingdom Tel: +44 (0)20 3527 7000 Email: LNTM@smbcnikko-cm.com Attention: Legal **Standard Chartered Bank** PO Box 999 Dubai UAE Tel: +44 20 7885 8653 Fax: +44 20 7885 3653 Attention: Debt Capital Markets, Africa

(ii)	Date of Subscription Agreement:	21 May 2019
(iii)	Stabilisation Manager(s) (if any):	Standard Chartered Bank
(iv)	If non-syndicated, name and address of Dealer:	Not Applicable
(v)	Total commission and concession:	0.07 per cent. of the Aggregate Nominal Amount per Manager
(vi)	U.S. Selling Restrictions:	Reg S. TEFRA not applicable.

Signed on behalf of the Eastern and Southern African Trade and Development Bank:

By:

Duly authorised

Admassu Y. TADESSE
PRESIDENT AND CHIEF EXECUTIVE
TDB

Part B – Other Information

1. LISTING

(i)	Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on Euronext Dublin's regulated market with effect from 23 May 2019. The Issuer will also make an application for the Notes to be listed on the Official Market of the Stock Exchange of Mauritius Ltd.
(ii)	Estimate of total expenses related to admission to trading	€1,000

2. RATINGS

Ratings:	The Notes to be issued are expected to be rated: Moody's Investors Service Ltd ("**Moody's**"): Baa3 Fitch Ratings Limited ("**Fitch**"): BB+ Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EU) No 1060/2009 (the "**CRA Regulation**").

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. YIELD

Indication of yield:	5.00 per cent.

5. OPERATIONAL INFORMATION

ISIN Code:	XS1827041721
Common Code:	182704172
CFI Code:	DTFXFR
FISN:	EASTERN AND SOU/1EMTN 20240523 REST
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant	Not Applicable

identification numbers):	
Delivery:	Delivery against payment.
Names and addresses of initial Paying Agent(s):	Citibank N.A., London Branch Citigroup Centre 25 Canada Square Canary Wharf London W14 5LB United Kingdom
Names and addresses of additional Paying Agent(s) (if any):	Not Applicable.
Intended to be held in a manner which would allow Eurosystem eligibility:	No. While the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.