

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

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EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 CORPORATE INFORMATION (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2017

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)

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
CORPORATE INFORMATION (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

<u>AUDITORS</u>	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	

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

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.

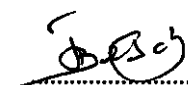
In accordance with the Bank's Charter, and subject to re-appointment by the Board of Governors, the directors hold office for a term of three years and are, therefore, not subject to retirement by rotation annually.

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



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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

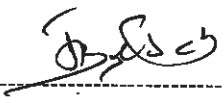
The Bank's Charter requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the directors to ensure that 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.

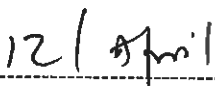


Director



Director


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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
<p>Credit risk and impairment of loans and advances to customers</p> <p>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.</p> <p>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.</p> <p>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 - <i>Financial Instruments</i> 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.</p> <p>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.</p> <p>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.</p>	<p>We evaluated the key controls over the approval, recording and monitoring of loans and advances.</p> <p>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.</p> <p>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.</p> <p>For a sample of individually impaired loans, we recalculated management's provision amount to check for arithmetical accuracy.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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.

- 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 USD	2016 USD
INCOME			
Interest income	4	<u>276,013,942</u>	<u>225,175,284</u>
Interest expense	5	(143,851,524)	(95,047,629)
Borrowing and financing costs	6	<u>(6,524,928)</u>	<u>(13,661,851)</u>
Interest and similar expense		<u>(150,376,452)</u>	<u>(108,709,480)</u>
Net interest income		125,637,490	116,465,804
Fee and commission income	7a	<u>56,804,279</u>	<u>55,010,879</u>
Net trading income		182,441,769	171,476,683
Risk mitigation costs	7b	(37,389,840)	(13,054,101)
Other income	8	<u>12,575,263</u>	<u>3,560,560</u>
OPERATING INCOME		<u>157,627,192</u>	<u>161,983,142</u>
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)		<u>10,345,372</u>	<u>(3,062,468)</u>
TOTAL EXPENDITURE		<u>(45,762,771)</u>	<u>(60,526,911)</u>
PROFIT FOR THE YEAR		<u>111,864,421</u>	<u>101,456,231</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		<u>111,864,421</u>	<u>101,456,231</u>
EARNINGS PER SHARE:			
Basic	12	<u>1,236</u>	<u>1,220</u>
Diluted	12	<u>1,176</u>	<u>1,153</u>

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	<u>1,338,030</u>	<u>784,175</u>
TOTAL ASSETS		<u>5,264,698,832</u>	<u>4,261,252,153</u>
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	<u>1,708,289,548</u>	<u>794,214,640</u>
TOTAL LIABILITIES		<u>4,243,662,666</u>	<u>3,404,767,217</u>
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	<u>27,406,782</u>	<u>24,349,494</u>
TOTAL EQUITY		<u>1,021,036,166</u>	<u>856,484,936</u>
TOTAL LIABILITIES AND EQUITY		<u>5,264,698,832</u>	<u>4,261,252,153</u>

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

12/April

 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			<u>101,456,231</u>	<u>-</u>	<u>101,456,231</u>
At 31 December 2016	<u>372,050,939</u>	<u>35,106,661</u>	<u>424,977,842</u>	<u>24,349,494</u>	<u>856,484,936</u>
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			<u>111,864,421</u>	<u>-</u>	<u>111,864,421</u>
At 31 December 2017	<u>431,225,426</u>	<u>52,968,478</u>	<u>509,435,480</u>	<u>27,406,782</u>	<u>1,021,036,166</u>

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)	<u>449,996,859</u>	<u>(94,032,484)</u>
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	<u>159,180,887</u>	<u>27,102,693</u>
Net cash generated from investing activities		<u>134,641,236</u>	<u>26,145,398</u>
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	<u>(23,293,199)</u>	<u>(21,785,529)</u>
Net cash generated from financing activities		<u>53,743,105</u>	<u>18,760,170</u>
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		<u>594,835,619</u>	<u>643,514,538</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	31(c)	<u>1,232,980,427</u>	<u>594,835,619</u>
FACILITIES AVAILABLE FOR LENDING	31(d)	<u>1,907,781,631</u>	<u>1,582,753,248</u>

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
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4. INTEREST INCOME	2017 USD	2016 USD
On loans and facilities:		
Project finance loans	95,166,425	55,913,350
Trade finance loans	<u>172,360,418</u>	<u>152,719,155</u>
	267,526,843	208,632,505
On placements:		
Deposits/Held-to-maturity investments	<u>8,487,099</u>	<u>16,542,779</u>
	<u>276,013,942</u>	<u>225,175,284</u>
5. INTEREST EXPENSE		
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	<u>31,828,148</u>	<u>30,185,367</u>
	<u>143,851,524</u>	<u>95,047,629</u>
6. BORROWING AND FINANCING COSTS		
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	<u>-</u>	<u>1,533</u>
	<u>6,524,928</u>	<u>13,661,851</u>
7 (a) FEE AND COMMISSION INCOME		
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	<u>97,912</u>	<u>16,821</u>
	<u>56,804,279</u>	<u>55,010,879</u>
(b) Risk Mitigation Costs		
*Insurance cover costs	22,275,106	10,236,731
**Risk down-selling costs	<u>15,114,734</u>	<u>2,817,370</u>
	<u>37,389,840</u>	<u>13,054,101</u>

*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).

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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	<u>72,750</u>	<u>-</u>
	<u>12,575,263</u>	<u>3,560,560</u>
<p>*Impaired assets recovered relate to previously written off loans that were recovered during the year.</p> <p>**Interest on capital arrears relates to interest on capital subscriptions received during the year from member states that were in arrears.</p> <p>***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.</p>		
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	<u>56,000</u>	<u>50,000</u>
	<u>30,784,811</u>	<u>31,522,886</u>
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	<u>1,026,547</u>	<u>1,302,561</u>
	<u>20,508,156</u>	<u>19,848,520</u>

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11.	IMPAIRMENT ON OTHER FINANCIAL ASSETS	2017 USD	2016 USD
	Other receivables (Note 21)	<u> </u>	<u>21,765</u>

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)	<u>1,093,389,513</u>	<u>571,454,637</u>
		<u>1,232,980,427</u>	<u>594,835,619</u>
	(i) Current accounts:		
	Amounts maintained in United States Dollars (USD)	<u>7,991,823</u>	<u>7,609,676</u>
	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	<u>425</u>	<u>4,164</u>
		<u>131,599,091</u>	<u>15,771,306</u>
		<u>139,590,914</u>	<u>23,380,982</u>

The average effective interest rate on current accounts was 0.49% (December 2016: 5.39%) per annum.

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13.	CASH AND BALANCES HELD WITH OTHER BANKS (Continued)	2017 USD	2016 USD
	(ii) Call and term deposits with banks:		
	United States Dollars (USD)	<u>1,006,613,250</u>	<u>400,168,898</u>
	Amounts maintained in other currencies:		
	Sudanese Pounds	82,400,556	167,465,912
	Ugandan Shillings	<u>4,375,707</u>	<u>3,819,827</u>
		<u>86,776,263</u>	<u>171,285,739</u>
		<u>1,093,389,513</u>	<u>571,454,637</u>

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 through 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.

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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.

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15. TRADE FINANCE LOANS	2017 USD	2016 USD
Principal loans	2,512,940,589	2,333,320,973
Interest receivable	<u>133,688,966</u>	<u>108,222,569</u>
Gross loans	2,646,629,555	2,441,543,542
Impairment on trade finance loans (Note 17)	<u>(75,381,275)</u>	<u>(48,400,632)</u>
Net loans	<u>2,571,248,280</u>	<u>2,393,142,910</u>
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	<u>295,791,736</u>	<u>450,538,307</u>
	<u>2,646,629,555</u>	<u>2,441,543,542</u>

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*	<u>(190,955,933)</u>	<u>(253,152,933)</u>
Loans signed	2,480,151,951	2,164,440,246
Less: Undisbursed	(7,223,037)	(15,467,972)
- Letters of credit opened		
- Letters of credit not yet opened	<u>(181,024,180)</u>	<u>(363,136,637)</u>
Loans disbursed	2,291,904,734	1,785,835,637
Interest capitalised**	50,901,119	51,008,238
Loans repaid	<u>(1,108,893,002)</u>	<u>(953,410,204)</u>
Principal loan balances	1,233,912,851	883,433,671
Interest receivable	<u>33,372,663</u>	<u>12,654,263</u>
Gross loans	1,267,285,514	896,087,934
Impairment on project loans (Note 17)	<u>(32,165,365)</u>	<u>(49,201,206)</u>
Net loans	<u>1,235,120,149</u>	<u>846,886,728</u>

* 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.

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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	<u>312,190,360</u>	<u>428,352,670</u>
	<u>1,267,285,514</u>	<u>896,087,934</u>

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	<u>49,201,206</u>	<u>48,400,632</u>	<u>97,601,838</u>
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	<u>32,165,365</u>	<u>75,381,275</u>	<u>107,546,640</u>

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 FOR THE YEAR ENDED 31 DECEMBER 2017

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
<i>At Cost:</i>						
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	-
	<u>17,496,672</u>	<u>22,761,285</u>	<u>40,257,957</u>	<u>40,257,957</u>	<u>17,496,672</u>	<u>-</u>

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.

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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
<i>At fair value through profit or loss</i>						
Aureos East Africa Fund	288,500	(288,500)	-	-	288,500	-
<i>At cost</i>						
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)
	<u>17,356,897</u>	<u>139,775</u>	<u>17,496,672</u>	<u>17,496,672</u>	<u>20,162,420</u>	<u>(2,805,523)</u>
TOTAL	<u>17,645,397</u>	<u>(148,725)</u>	<u>17,496,672</u>	<u>17,496,672</u>	<u>20,450,920</u>	<u>(2,805,523)</u>

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.

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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)	<u>(1,607,244)</u>	<u>(1,833,538)</u>
Instalments paid as at end of year - Note 18 (i) and (iii)	<u>40,257,957</u>	<u>17,496,672</u>
*Total subscribed capital includes paid up capital and unpaid subscriptions		
iii) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:		
African Export-Import Bank*	1,200,000	1,200,000
Pan African Housing Fund*	<u>407,244</u>	<u>633,538</u>
*Unpaid subscriptions are payable on call.	<u>1,607,244</u>	<u>1,833,538</u>
iv) Movement in the instalments paid:		
At beginning of year	17,496,672	17,645,397
Net additions at cost - Note 18 (i)	<u>22,761,285</u>	<u>(148,725)</u>
At end of year	<u>40,257,957</u>	<u>17,496,672</u>

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	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>738,986</u>	<u>738,986</u>
Liabilities	<u>-</u>	<u>-</u>
Equity	<u>738,986</u>	<u>738,986</u>
Bank's carrying amount of the investment	<u>369,493</u>	<u>369,493</u>

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.

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20. INVESTMENTS IN GOVERNMENT SECURITIES	2017	2016
	USD	USD
Treasury Notes:		
At 1 January	214,699,238	241,763,172
Matured bonds	(159,180,887)	(27,102,693)
Accrued income	<u>1,756,707</u>	<u>38,759</u>
	<u>57,275,058</u>	<u>214,699,238</u>

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	2016
	USD	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****	<u>614,835</u>	<u>585,040</u>
	<u>106,477,488</u>	<u>79,543,167</u>
<i>Appraisal fees receivable****</i>		
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)	<u>-</u>	<u>(21,765)</u>
At 31 December	<u>614,835</u>	<u>585,040</u>
Analysis of other receivables by maturity:		
Amounts due within one year	106,173,304	79,380,647
Amounts due after one year	<u>304,184</u>	<u>162,520</u>
	<u>106,477,488</u>	<u>79,543,167</u>

*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.

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)
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22. DEFERRED EXPENDITURE	2017 USD	2016 USD
COST		
At beginning of year	30,429,340	21,114,186
Additions	-	13,100,000
Disposals*	<u>(30,429,340)</u>	<u>(3,784,846)</u>
At end of year	<u>-</u>	<u>30,429,340</u>
AMORTISATION		
At beginning of year	12,334,174	9,924,030
Charge for the year	-	6,194,989
Disposals*	<u>(12,334,174)</u>	<u>(3,784,846)</u>
At end of year	<u>-</u>	<u>12,334,173</u>
NET CARRYING AMOUNT		
At end of year	<u>-</u>	<u>18,095,167</u>

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.

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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	<u>140,400</u>	<u>2,453,865</u>	<u>463,157</u>	<u>22,699,181</u>	<u>588,349</u>	<u>1,551,287</u>	<u>2,043,603</u>	<u>29,939,842</u>
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	-	<u>51,636</u>	-	<u>7,319,065</u>	<u>411,879</u>	<u>880,198</u>	<u>1,645,114</u>	<u>10,307,892</u>
NET CARRYING AMOUNT								
At 31 December 2017	<u>140,400</u>	<u>2,402,229</u>	<u>463,157</u>	<u>15,380,116</u>	<u>176,470</u>	<u>671,089</u>	<u>398,489</u>	<u>19,631,950</u>

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.

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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	<u>140,400</u>	<u>2,453,865</u>	<u>117,730</u>	<u>22,697,471</u>	<u>481,786</u>	<u>1,323,046</u>	<u>1,880,082</u>	<u>29,094,381</u>
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	-	<u>26,850</u>	-	<u>6,875,927</u>	<u>349,410</u>	<u>775,514</u>	<u>1,428,138</u>	<u>9,455,839</u>
NET CARRYING AMOUNT								
At 31 December 2016	<u>140,400</u>	<u>2,427,015</u>	<u>117,730</u>	<u>15,821,544</u>	<u>132,377</u>	<u>547,532</u>	<u>451,944</u>	<u>19,638,542</u>

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24. INTANGIBLE ASSETS	2017 USD	2016 USD
COST		
At beginning of year	2,410,666	1,821,547
Additions	<u>928,099</u>	<u>589,119</u>
At end of year	<u>3,338,765</u>	<u>2,410,666</u>
AMORTISATION		
At beginning of year	1,626,491	1,464,033
Charge for the year	<u>374,244</u>	<u>162,458</u>
At end of year	<u>2,000,735</u>	<u>1,626,491</u>
NET CARRYING AMOUNT		
At end of year	<u>1,338,030</u>	<u>784,175</u>

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	2017 USD	2016 USD
(a) CERTIFICATES OF DEPOSITS		
Lender		
Reserve Bank of Malawi	94,313,391	255,921,376
Banque Commerciale du Congo	20,000,000	20,000,000
African Trade Insurance Agency	<u>1,219,232</u>	<u>714,945</u>
	<u>115,532,623</u>	<u>276,636,321</u>

Certificates of deposits relate to borrowings that are payable within one year.

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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
Firststrand 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

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27. LONG TERM BORROWINGS

Lender	Date of Renewal/ disbursement	Maturity Date	Currency	Amount in Currency	Amounts as at 31 December 2017		Amounts as at 31 December 2016	
					Balance outstanding USD	Amount due within one year USD	Balance outstanding USD	Amount due within one year USD
African Development Bank	Dec-04	Aug-23	USD	171,696,249	12,949,985	65,876,015	14,376,015	51,500,000
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	20,000,000	10,000,000	30,000,000	10,000,000	20,000,000
China Development Bank	Dec-08	Mar-20	USD	48,302,095	28,302,095	84,906,473	36,604,378	48,302,095
KBC Bank	Various	Feb-20	USD	5,661,944	2,515,862	8,864,039	3,185,798	5,678,242
Exim Bank of India Loan	Various	Various	USD	113,192	106,706	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	-	-	-
US\$ 1.0 Billion Euro Medium Term Note Programme: Second Tranche	Dec-13	Mar-22	USD	700,000,000	-	300,000,000	-	300,000,000
FMO	Mar-10	Jan-18	USD	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	15,153,599	50,640,849	17,828,349	32,812,500
Private Export Funding Corporation	Aug-11	Oct-21	USD	23,054,367	5,949,514	29,003,619	5,949,252	23,054,367
KfW	Dec-13	Dec-28	USD	85,000,000	2,857,143	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
CDC Group	Oct-16	Oct-22	USD	45,454,545	13,636,364	50,000,000	4,545,455	45,454,545
Standard Chartered Bank / USAID	Sep-17	Jun-19	USD	3,703,000	1,953,468	-	-	-
Japan Bank for International Corporation (JIBC)	Jul-17	Feb-19	USD	2,471,876	1,818,950	-	-	-
AFD - Agence Francaise De Development	Dec-17	Mar-32	USD	12,000,000	-	-	-	-
The Exim - Import Bank of China	Dec-17	Dec-23	USD	250,000,000	21,033,379	-	-	-
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	3,779,765	1,391,378	5,327,159	1,433,270	3,893,888
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	8,489,294,845	1,390,927	5,327,159	1,433,270	3,893,888
Sub total for long term borrowings				1,720,757,671	338,090,370	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	794,214,640	109,392,301	684,822,339
Deferred Expenditure				(30,455,963)	(112,777)	-	-	-
				1,708,289,548	243,295,433	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

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

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	<u>42,170</u>	<u>47,768</u>
	<u>81,658,467</u>	<u>63,621,398</u>

*Provident fund relates to the Bank's contribution to the fund that is payable.

**Other creditors mainly relate to cash cover deposits by clients.

	2017 USD	2016 USD
Analysis of other payables by maturity:		
Amounts due within one year	75,009,560	58,383,548
Amounts due after one year	<u>6,648,907</u>	<u>5,237,850</u>
	<u>81,658,467</u>	<u>63,621,398</u>

29. PROVISION FOR SERVICE AND LEAVE PAY

(i) PROVISION FOR SERVICE PAY

At beginning of year	4,480,046	4,424,552
Increase in provision	792,997	950,022
Payment of service pay	<u>(191,573)</u>	<u>(894,528)</u>
At end of period	<u>5,081,470</u>	<u>4,480,046</u>

(ii) PROVISION FOR LEAVE PAY

At beginning of year	1,358,677	1,247,499
Increase in provision	164,977	298,807
Payment of leave pay	<u>(46,436)</u>	<u>(187,629)</u>
At end of year	<u>1,477,218</u>	<u>1,358,677</u>
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	<u>6,558,688</u>	<u>5,838,723</u>

Employees' entitlements to annual leave and service pay are recognised when they accrue to employees.

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

30. SHARE CAPITAL

	As at 31 December 2017		As at 31 December 2016	
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD
	TOTAL USD		' TOTAL USD	
Authorised capital:				
88,234 Class 'A' ordinary shares of USD	2,000,000,000		2,000,000,000	
22,667 each				2,000,000,000
220,584 Class 'B' ordinary shares of USD		1,000,000,000		1,000,000,000
4,533.42 each				
Less: Unsubscribed				
- Class 'A'	(265,385,158)		(397,420,433)	(397,420,433)
- Class 'B'		(902,613,064)		(921,730,497)
Subscribed capital:				
76,526 Class 'A' (2016: 70,701 ordinary shares of USD 22,667 each	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		78,269,503
Less: Callable capital	(1,387,691,874)		(1,282,063,654)	(1,282,063,654)
Payable capital	346,922,968	97,386,936	320,515,913	398,785,416
Less: Amounts not yet due	(9,367,819)		(12,330,848)	(12,330,848)
Capital due	337,555,149	97,386,936	308,185,065	386,454,568
Less: subscriptions in arrears	(3,716,659)		10,104,870	(14,403,629)
Paid up capital	333,838,490	97,386,936	293,781,436	372,050,939

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

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	<u>4,217</u>	<u>19,117,433</u>	<u>36,979,250</u>	<u>17,861,817</u>
At 31 December 2017	<u>21,482</u>	<u>97,386,936</u>	<u>150,355,414</u>	<u>52,968,478</u>
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	<u>1,894</u>	<u>8,586,297</u>	<u>16,822,150</u>	<u>8,235,853</u>
As at 31 December 2016:	<u>17,265</u>	<u>78,269,503</u>	<u>113,376,164</u>	<u>35,106,661</u>

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.

Dividends on ordinary shares declared and paid:

Final dividend for 2016: USD 304.21 per share (2015: 301.35 per share)	2016	2017
-Declared and paid	USD	USD
-Declared and not paid/payable	23,293,199	21,450,507
	<u>1,056,296</u>	<u>335,022</u>

Proposed dividends on ordinary shares:

Dividend for 2017: USD 308.67 per share (2016: USD 304.21 per share)	2016	2017
	<u>24,349,495</u>	<u>24,349,495</u>

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.

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

30. SHARE CAPITAL (Continued)

	31 December 2017		31 December 2016		TOTAL USD
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	
Movement in paid up share capital:					
At beginning of year	<u>293,781,436</u>	<u>78,269,503</u>	<u>270,057,887</u>	<u>69,683,206</u>	<u>339,741,093</u>
African Development Bank	1,047,215	-	965,614	-	965,614
National Social Security Fund- Uganda	-	235,738	-	7,348,674	7,348,674
National Pension Fund-Mauritius	-	244,805	-	-	-
Sacos Group Limited	-	-	-	548,544	548,544
Seychelles Pension Fund	-	-	-	-	-
Rwanda Social Security Board	-	4,234,215	-	-	-
Banco Nacional De Investment	-	117,869	-	122,402	122,402
Africa Reinsurance Corporation	-	104,269	-	72,535	72,535
OPEC Fund for International Development (OFID)	-	9,311,645	-	-	-
TDB Staff Provident Fund	-	4,170,747	-	-	-
TDB Directors & Select Stakeholders Provident Fund	-	213,071	-	-	-
Belarus	1,145,137	-	1,068,069	-	1,068,069
Burundi	430,673	-	394,406	-	394,406
China	1,183,216	485,076	1,097,084	494,142	1,591,226
Comoros	387,331	-	224,852	-	224,852
Congo DRC	9,628,675	-	1,701,170	-	1,701,170
Djibouti	-	-	99,735	-	99,735
Egypt	1,858,694	-	1,722,692	-	1,722,692
Eritrea	41,761	-	38,789	-	38,789
Ethiopia	1,858,694	-	1,722,692	-	1,722,692
Kenya	1,858,694	-	1,722,692	-	1,722,692
Malawi	457,873	-	430,673	-	430,673
Mauritius	838,679	-	3,032,845	-	3,032,845
Mozambique	2,063,604	-	2,000,136	-	2,000,136
Rwanda	953,089	-	422,798	-	422,798
Seychelles	95,201	-	86,135	-	86,135
Somalia	55,333	-	51,396	-	51,396
South Sudan	10,000,680	-	-	-	-
Swaziland	400,752	-	-	-	-
Tanzania	1,799,760	-	1,668,291	-	1,668,291
Uganda	2,357,368	-	2,053,630	-	2,053,630
Zambia	1,594,623	-	1,429,154	-	1,429,154
Zimbabwe	-	-	1,790,696	-	1,790,696
	<u>40,057,052</u>	<u>19,117,435</u>	<u>23,723,549</u>	<u>8,586,297</u>	<u>32,309,846</u>
	<u>333,838,488</u>	<u>97,386,938</u>	<u>293,781,436</u>	<u>78,269,503</u>	<u>372,050,939</u>

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.

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

31. NOTES TO THE STATEMENT OF CASH FLOWS	2017 USD	2016 USD
(a) Reconciliation of profit for the year to cash generated from operations:		
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	<u>719,965</u>	<u>166,672</u>
Profit before changes in operating assets and liabilities	<u>27,224,383</u>	<u>4,021,100</u>
(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	<u>859,314,761</u>	<u>110,191,979</u>
	<u>449,996,859</u>	<u>(94,032,484)</u>
(b) Analysis of changes in borrowings:		
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	<u>2,314,562,284</u>	<u>2,369,322,431</u>
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	<u>1,708,289,548</u>	<u>794,214,640</u>
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	<u>4,022,851,832</u>	<u>3,163,537,071</u>
Increase in total borrowings	<u>859,314,761</u>	<u>110,191,979</u>
	31 (a)	
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	<u>1,232,980,427</u>	<u>594,835,619</u>

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

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
	<u>4,130,164,941</u>	<u>2,568,059,261</u>	<u>1,562,105,680</u>

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

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
	<u>2,601,440,996</u>	<u>2,255,765,045</u>	<u>345,675,951</u>
TOTAL FACILITIES			
AT 31 DECEMBER 2017	<u>6,731,605,937</u>	<u>4,823,824,306</u>	<u>1,907,781,631</u>

Note:

Facilities utilised include outstanding letters of credit for Trade Finance amounting to USD 467,904,491 as disclosed in note 34(b)

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

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
	<u>3,955,057,013</u>	<u>2,474,378,136</u>	<u>1,480,678,877</u>

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

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
	<u>1,349,077,019</u>	<u>1,247,002,648</u>	<u>102,074,371</u>
TOTAL FACILITIES			
At 31 DECEMBER 2016	<u>5,304,134,032</u>	<u>3,721,380,784</u>	<u>1,582,753,248</u>

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	-	<u>4,797,549</u>	-	<u>4,797,549</u>
	<u>-</u>	<u>4,797,549</u>	<u>-</u>	<u>4,797,549</u>
At 31 December 2016:				
ASSETS				
Net derivative financial instruments	-	<u>75,760,442</u>	-	<u>75,760,442</u>
	<u>-</u>	<u>75,760,442</u>	<u>-</u>	<u>75,760,442</u>

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	<u>-</u>	<u>-</u>
	<u>-</u>	<u>288,500</u>
Total FV gains and losses in profit or loss	-	-
Additions/(retirements)	<u>-</u>	<u>(288,500)</u>
Balance as at 31 December	<u>-</u>	<u>-</u>

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

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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	<u>(102,929,017)</u>	<u>(44,409,204)</u>	<u>(3,038,231)</u>	<u>(150,376,452)</u>
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	<u>10,345,372</u>	<u>-</u>	<u>-</u>	<u>10,345,372</u>
Profit for the year	<u>69,290,903</u>	<u>45,056,122</u>	<u>(2,482,604)</u>	<u>111,864,421</u>
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	<u>(79,267,994)</u>	<u>(27,632,107)</u>	<u>(1,809,379)</u>	<u>(108,709,480)</u>
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	<u>-</u>	<u>(2,805,523)</u>	<u>-</u>	<u>(2,805,523)</u>
Profit for the year	<u>78,791,910</u>	<u>23,198,956</u>	<u>(534,635)</u>	<u>101,456,231</u>

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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	<u>2,710,923,894</u>	<u>1,275,747,599</u>	<u>1,278,027,339</u>	<u>5,264,698,832</u>
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	<u>2,447,155,963</u>	<u>1,708,289,548</u>	<u>88,217,155</u>	<u>4,243,662,666</u>
Equity	<u>-</u>	<u>-</u>	<u>1,021,036,166</u>	<u>1,021,036,166</u>
	<u>2,447,155,963</u>	<u>1,708,289,548</u>	<u>1,109,253,321</u>	<u>5,264,698,832</u>

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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	<u>2,851,068,502</u>	<u>864,752,893</u>	<u>545,430,758</u>	<u>4,261,252,153</u>
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	<u>2,541,092,456</u>	<u>794,214,640</u>	<u>69,460,121</u>	<u>3,404,767,217</u>
Equity	<u>-</u>	<u>-</u>	<u>856,484,936</u>	<u>856,484,936</u>
	<u>2,541,092,456</u>	<u>794,214,640</u>	<u>925,945,057</u>	<u>4,261,252,153</u>

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)
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34. CONTINGENT LIABILITIES AND COMMITMENTS

	2017 USD	2016 USD
(a) Approved capital expenditure		
Approved but not contracted	<u>12,841,523</u>	<u>14,099,435</u>
(b) Loans committed but not disbursed		
Project finance loans	181,024,180	211,626,646
Trade finance loans	<u>513,906,227</u>	<u>675,913,295</u>
	<u>694,930,407</u>	<u>887,539,941</u>

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	<u>-</u>	<u>10,274,707</u>
(c) Operating lease arrangements	<u>475,127,528</u>	<u>348,386,568</u>

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	<u>199,308</u>	<u>560,024</u>
	<u>646,270</u>	<u>1,399,801</u>

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	<u>(69,141,943)</u>	<u>(910,712,237)</u>
Outstanding loan balances at 31 December	<u>1,907,869,877</u>	<u>1,132,314,880</u>

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	<u>(178,691,389)</u>	<u>(87,996,575)</u>
Outstanding balances at 31 December	<u>266,009,640</u>	<u>321,797,391</u>

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)

	2017 USD	2016 USD
(d) Income and expenses		
• Interest income from loans to Member States earned during the year	<u>124,347,488</u>	<u>88,034,294</u>
• Interest expense on borrowings from Member States incurred during the year	<u>(8,275,603)</u>	<u>(8,279,514)</u>
• Fees and commission earned from Member States during the year	<u>43,171,393</u>	<u>34,644,298</u>

(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	<u>183,911</u>	<u>166,283</u>
	<u>4,020,662</u>	<u>3,527,031</u>

(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:

	2017 USD	%	2016 USD	%
Credit Exposures				
<i><u>On - statement of financial position Items</u></i>				
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	<u>5,280,819,504</u>	<u>100</u>	<u>4,276,845,398</u>	<u>100</u>
<i><u>Off - statement of financial position Items</u></i>				
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	<u>1,170,057,935</u>	<u>100</u>	<u>1,235,926,509</u>	<u>100</u>
Total Credit Exposure	<u>6,450,877,439</u>		<u>5,512,771,907</u>	

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.

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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	<u>93,584,053</u>	<u>(72,307,032)</u>	<u>21,277,021</u>	<u>1</u>
Total	<u>3,913,915,069</u>	<u>(107,546,640)</u>	<u>3,806,368,429</u>	<u>100</u>
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	<u>95,092,932</u>	<u>(60,957,859)</u>	<u>34,135,073</u>	<u>1</u>
Total	<u>3,337,631,476</u>	<u>(97,601,838)</u>	<u>3,240,029,638</u>	<u>100</u>

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	<u>40,988,486</u>	<u>-</u>
Total arrears	<u>179,682,987</u>	<u>101,492,359</u>

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	<u>54,684,000</u>	<u>23,458,469</u>
Total arrears	<u>79,760,165</u>	<u>86,814,242</u>
Amounts not in arrears	<u>13,823,888</u>	<u>8,278,690</u>
Total	<u>93,584,053</u>	<u>95,092,932</u>

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.

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)
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38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

<i>Collateral held for loan portfolio</i>		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	<u>5,292,985,880</u>	<u>6,131,095,492</u>
	Gross portfolio	<u>(3,913,915,069)</u>	<u>(3,337,631,476)</u>
	Net cover	<u>1,379,070,811</u>	<u>2,793,464,016</u>
(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	<u>5,036,520,956</u>	<u>5,908,982,360</u>
	Gross portfolio	<u>(3,834,154,904)</u>	<u>(3,798,915,298)</u>
	Net cover	<u>1,202,366,052</u>	<u>2,110,067,062</u>
(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	<u>256,464,924</u>	<u>222,113,132</u>
	Gross portfolio	<u>(93,584,053)</u>	<u>(95,092,932)</u>
	Net cover	<u>162,880,871</u>	<u>127,020,200</u>

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2017

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of risk

As at 31 December 2017

	Gross Exposure		Off-statement		Cash collateral/ In transit		Insurance		Net Exposure	
	On-statement Of financial Position	USD	Of financial Position	USD	In transit	USD	Insurance	USD	Net Exposure	%
Mining and Quarrying	8,567,631		-		-		-		8,567,631	-
Agribusiness	910,940,603		196,765,320		(80,878,832)		(399,656,043)		627,171,048	26
Banking and Financial Services	278,284,537		292,026,009		2,000,000		(170,427,487)		401,883,059	16
Education	4,037,391		-		-		-		4,037,391	-
Hospitality	37,182,259		15,244,864		-		-		52,427,123	2
Manufacturing and Heavy Industries	240,465,941		48,677,060		-		-		289,143,001	12
Other	73,715,613		185,841,241		(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		117,959,009		-		(24,589,200)		249,454,810	10
Petrochemicals	1,396,665,838		264,028,147		(720,675,589)		(691,975,775)		248,042,621	10
Real Estate	42,416,192		-		-		-		42,416,192	2
Telecommunications	91,667,804		2,115,912		-		(5,059,926)		88,723,790	4
Infrastructure	385,195,515		9,523,432		-		(280,000,000)		114,718,947	5
Transport and Logistics	273,670,379		36,534,089		-		(61,200,000)		249,004,468	10
	<u>3,913,915,069</u>		<u>1,170,057,935</u>		<u>(980,537,689)</u>		<u>(1,650,908,431)</u>		<u>2,452,526,884</u>	<u>100</u>

* 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

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 FOR THE YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of risk (continued)

As at 31 December 2016

	Gross Exposure		Off-statement		Cash collateral/ In transit		Insurance		Net Exposure	
	On-statement Of financial Position	%	Of financial Position	%	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	
	<u>3,337,631,476</u>	<u>100</u>	<u>1,235,926,509</u>	<u>100</u>	<u>(875,218,416)</u>	<u>(1,262,430,969)</u>	<u>2,435,908,600</u>	<u>100</u>		

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
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38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

<i>Restructured loans</i>	2017 USD	2016 USD
Project finance loans	4,928,979	24,816,680
Trade finance loans	<u>15,291,536</u>	<u>10,766,117</u>
	<u>20,220,515</u>	<u>35,582,797</u>

(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.

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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	<u>1,478,298,503</u>	<u>436,257,088</u>	<u>461,376,193</u>	<u>1,695,067,768</u>	<u>1,675,047,258</u>	<u>377,441,742</u>	<u>6,123,488,552</u>
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	<u>485,220,015</u>	<u>401,977,632</u>	<u>93,112,433</u>	<u>998,714,339</u>	<u>2,367,163,640</u>	<u>253,692,466</u>	<u>4,599,880,525</u>
Net liquidity gap	<u>993,078,488</u>	<u>34,279,456</u>	<u>368,263,760</u>	<u>696,353,429</u>	<u>(692,116,382)</u>	<u>123,749,276</u>	<u>1,523,608,027</u>
Cumulative gap	<u>993,078,488</u>	<u>1,027,357,944</u>	<u>1,395,621,704</u>	<u>2,091,975,133</u>	<u>1,399,858,751</u>	<u>1,523,608,027</u>	<u>1,523,608,027</u>

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.

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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

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

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	<u>102,299,180</u>	<u>411,124,982</u>	<u>411,124,982</u>	<u>181,506,245</u>	<u>-</u>	<u>-</u>	<u>694,930,407</u>
Total	<u>166,482,695</u>	<u>172,281,800</u>	<u>497,331,984</u>	<u>315,068,594</u>	<u>18,892,862</u>	<u>-</u>	<u>1,170,057,935</u>
At 31 December 2016							
Guarantees	-	-	-	10,274,707	-	-	10,274,707
Letters of credit	-	338,111,861	-	-	-	-	338,111,861
Loan commitments	<u>-</u>	<u>-</u>	<u>673,459,934</u>	<u>214,080,007</u>	<u>-</u>	<u>-</u>	<u>887,539,941</u>
Total	<u>-</u>	<u>338,111,861</u>	<u>673,459,934</u>	<u>224,354,714</u>	<u>-</u>	<u>-</u>	<u>1,235,926,509</u>

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.

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 FOR THE YEAR ENDED 31 DECEMBER 2017

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

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
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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:

FINANCIAL ASSETS	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	OTHER	TOTAL
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
	<u>369,493</u>	-	-	-	-	-	-	-	-	-	<u>369,493</u>
Total financial assets	<u>3,786,831,456</u>	<u>425</u>	<u>1,277,011,932</u>	<u>16,975</u>	<u>82,400,265</u>	<u>4,401,265</u>	<u>4,888,870</u>	<u>44,420,987</u>	<u>12,707,654</u>	<u>1,220,486</u>	<u>5,213,900,315</u>
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	<u>2,876,727,486</u>	-	<u>1,223,179,363</u>	<u>151,023</u>	<u>80,877,832</u>	-	-	<u>44,311,024</u>	<u>11,133,112</u>	<u>672,517</u>	<u>4,237,052,357</u>
NET POSITION	<u>910,103,970</u>	<u>425</u>	<u>53,832,569</u>	<u>(134,048)</u>	<u>1,522,433</u>	<u>4,401,265</u>	<u>4,888,870</u>	<u>109,963</u>	<u>1,574,542</u>	<u>547,679</u>	<u>976,847,958</u>

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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 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	<u>287</u>	<u>6,913,644</u>	<u>(143)</u>	<u>72</u>	<u>124,440</u>	<u>15,708</u>	<u>(33,941)</u>
2016	<u>1,207</u>	<u>(894,703)</u>	<u>(183)</u>	<u>239</u>	<u>-</u>	<u>31,924</u>	<u>(33,941)</u>

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.

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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	<u>95,025,505</u>	<u>77,853,320</u>
Total risk weighted assets	<u>2,572,970,527</u>	<u>2,314,733,909</u>
CAPITAL		
Paid up capital	431,225,426	372,050,939
Retained earnings and reserves	<u>589,810,739</u>	<u>484,427,909</u>
Total capital	<u>1,021,036,166</u>	<u>856,478,848</u>
CAPITAL ADEQUACY RATIO	<u>37.1%</u>	<u>37.0%</u>

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.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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	-	-	-	-	-	-
Other receivables	76,648,951	-	-	-	57,275,058	57,275,058
Trade finance loans	2,571,248,280	-	-	-	-	76,648,951
Project finance loans	1,235,120,149	-	-	-	-	2,571,248,280
Equity investments at cost	-	-	40,257,957	-	-	1,235,120,149
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

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

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

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

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	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	<u>2,646,629,555</u>	<u>566,072,066</u>	<u>2,080,557,489</u>	<u>2,441,543,542</u>	<u>855,403,801</u>	<u>1,586,139,741</u>
Less: Impairment on trade finance loans (Note 17)	<u>(75,381,275)</u>	-	<u>(75,381,275)</u>	<u>(48,400,632)</u>	-	<u>(48,400,632)</u>
NET LOANS	<u>2,571,248,280</u>	<u>566,072,066</u>	<u>2,005,176,214</u>	<u>2,393,142,910</u>	<u>855,403,801</u>	<u>1,537,739,109</u>

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42. PROJECT LOAN PORTFOLIO

Country	As at 31 December 2017										As at 31 December 2016		
	Amounts Approved USD	Amounts Signed USD	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 after One year USD	Within	
												One year USD	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	<u>2,671,107,884</u>	<u>2,480,151,951</u>	<u>2,291,904,734</u>	<u>50,901,119</u>	<u>(1,108,893,002)</u>	<u>33,372,663</u>	<u>1,267,285,514</u>	<u>385,586,099</u>	<u>881,699,415</u>	<u>896,087,934</u>	<u>219,079,465</u>	<u>677,008,469</u>	
Less: Impairment on project loans (note 17)							<u>(32,165,365)</u>		<u>(32,165,365)</u>	<u>(49,201,206)</u>		<u>(49,201,206)</u>	
NET LOANS							<u>1,235,120,149</u>	<u>385,586,099</u>	<u>849,534,050</u>	<u>846,886,728</u>	<u>219,079,465</u>	<u>627,807,263</u>	

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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	<u>3,662</u>	<u>4.79</u>	<u>83,006,554</u>	<u>66,405,243</u>	<u>16,601,311</u>	<u>16,601,311</u>	<u>16,601,311</u>
	<u>76,526</u>	<u>100</u>	<u>1,734,614,842</u>	<u>1,387,691,874</u>	<u>346,922,968</u>	<u>337,555,149</u>	<u>333,838,490</u>

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

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	<u>3,431</u>	<u>4.85</u>	<u>77,770,477</u>	<u>62,216,382</u>	<u>15,554,095</u>	<u>15,554,095</u>	<u>15,554,095</u>
	<u>70,701</u>	<u>100</u>	<u>1,602,579,567</u>	<u>1,282,063,654</u>	<u>320,515,913</u>	<u>308,185,065</u>	<u>293,781,436</u>

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEARENDED 31 DECEMBER 2017

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 Investimento	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
	<u>21,482</u>	<u>100</u>	<u>97,386,936</u>	<u>97,386,936</u>	<u>97,386,936</u>	<u>52,968,478</u>	<u>150,355,414</u>
As at 31 December 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 Investimento	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
	<u>17,265</u>	<u>100</u>	<u>78,269,503</u>	<u>78,269,503</u>	<u>78,269,503</u>	<u>35,106,661</u>	<u>113,376,164</u>

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.