

**Deloitte.**

**EASTERN AND SOUTHERN AFRICAN  
TRADE AND DEVELOPMENT BANK  
(TDB - FORMERLY PTA BANK)**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX-MONTH PERIOD ENDED**

**30 JUNE 2018**

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)  
INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – FORMERLY PTA BANK)  
CORPORATE INFORMATION  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

BOARD OF GOVERNORS

SHAREHOLDERS (EACH SHAREHOLDER IS REPRESENTED BY A GOVERNOR ON THE BOARD OF GOVERNORS)

MEMBER STATES

Republic of Rwanda

United Republic of Tanzania

Republic of Zambia

Republic of Mauritius

Republic of Seychelles

Republic of Uganda

Republic of Burundi

Union of the Comoros

Arab Republic of Egypt

State of Eritrea

Republic of Kenya

Republic of Malawi

Republic of Zimbabwe

Republic of Djibouti

Republic of Sudan

Federal Democratic Republic of Ethiopia

Democratic Republic of Congo

Federal Republic of Somalia

Republic of South Sudan

Kingdom of Swaziland

Republic of Mozambique

Republic of Madagascar

NON-REGIONAL MEMBERS

People's Republic of China (represented by the People's Bank of China)

Republic of Belarus -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)

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, Eritrea and South Sudan
Mr. Peter Simbani	Non-Executive Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
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
Ms. Isabel Sumar	Non-Executive Director for Kenya, Zambia, Mozambique and Somalia
Mr. Liu Mingzhi	Non-Executive Director for Non-African States
Mr. Mohamed Kalif	Non-Executive Director for African Institutions
Mr. Juste Rwamabuga	Non-Executive Independent Director
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Admassu Tadesse	President and Chief Executive
Mr. Samuel Mivedor	Non-Executive Alternate Director for African Institutions
Ms. Kampeta Sayinzoga	Non-Executive Alternate Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan
Mr. Rupert Simeon	Non-Executive Alternate Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
n/a	Non-Executive Alternate Director for Kenya, Zambia, Mozambique and Somalia
Ms. Marie Gisele Masawa	Non-Executive Alternate Director for Uganda, Sudan, DR Congo and Comoros
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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – FORMERLY PTA BANK)  
CORPORATE INFORMATION (Continued)

AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P.O Box 40092 GPO 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@tdbgroup.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@tdbgroup.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 SIX-MONTH PERIOD ENDED 30 JUNE 2018**

The directors have pleasure in presenting their report and the reviewed interim condensed financial statements of the Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) for the six-month period ended 30 June 2018.

**1. PRINCIPAL ACTIVITIES**

The principal activity of the Bank is to finance, where possible, viable projects and trade activities which have the potential to make the economies of the Member States increasingly complimentary to each other.

The Bank is established by a Charter pursuant to Chapter 9 of the Treaty for the establishment of the Preferential Trade Area (PTA), as subsequently repealed and replaced by the Treaty for the Common Market for the Eastern and Southern African States (COMESA).

**2. RESULTS**

The results for the period are set out on page 7.

**3. DIVIDEND**

The Board does not recommend a dividend in respect of the six-month period ended 30 June 2018 (USD 308.67 per share in respect of the financial year ended 31 December 2017)

**4. BOARD OF GOVERNORS**

The current shareholders are shown on page 1.

In accordance with the Bank's Charter, each member shall appoint one governor.

**5. DIRECTORS**

The current members of the Board of Directors are shown on page 2.

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

**6. AUDITORS**

The Bank's auditors, Deloitte & Touche were appointed for a three-year term with effect from July 2018. They have expressed their willingness to continue in office in accordance with Article 26 (2) (e) of the Charter of the Bank.

By Order of the Board

Chairman

  
03/10/2018-----2018


EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)  
STATEMENT OF DIRECTORS' RESPONSIBILITIES  
ON THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

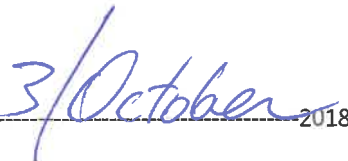
The Bank's Charter requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Bank as at the end of the financial period and of the operating results of the Bank for that period. It also requires the directors to ensure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

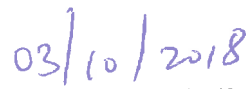
The directors accept responsibility for the interim condensed financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IAS 34 *Interim Financial Reporting* and in the manner required by the Bank's Charter. The directors are of the opinion that the interim condensed 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.

  
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Director

  
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Director

  
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2018

  
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2018

## REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)

### *Introduction*

We have reviewed the accompanying interim condensed statement of financial position of Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) as at 30 June 2018 and the related interim condensed statement of profit or loss and other comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

The directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with IAS 34 *Interim Financial Reporting* and the requirements of the Bank's Charter. Our responsibility is to express a conclusion on the interim financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements does not present fairly, in all material respects, the financial position of Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) as at 30 June 2018, and its financial performance and cash flows for the six-month period then ended in accordance with IAS 34 *Interim Financial Reporting* and the requirements of the Bank's Charter.

*The engagement partner responsible for the review resulting in this independent auditors' report is CPA F. Okwiri – P/No. 1699.*



**Certified Public Accountants (Kenya)**

**Nairobi, Kenya**

3 October 2018



EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)  
 INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

	Note	Reviewed Six months to 30 June 2018 USD	Reviewed Six months to 30 June 2017 USD
<b>INCOME</b>			
Interest income	4	171,714,275	136,267,783
Interest expense	5	(96,693,163)	(66,276,534)
Other borrowing and finance costs	6	(3,879,029)	(3,272,599)
Interest and similar expense		(100,572,192)	(69,549,133)
Net interest income		71,142,083	66,718,650
Fees and commission income	7(a)	23,250,581	22,079,340
Net trading income		94,392,664	88,797,990
Risk mitigation costs	7(b)	(17,401,925)	(16,077,892)
Other income	8	3,970,982	1,792,705
Operating income		80,961,721	74,512,803
<b>EXPENDITURE</b>			
Operating expenses	9	(16,072,590)	(13,001,074)
Impairment on project and trade finance loans	17	(12,254,805)	(11,167,078)
Net foreign exchange gains		7,150,392	1,619,399
Impairment on other financial assets	11	(361,250)	-
TOTAL EXPENDITURE		(21,538,253)	(22,548,753)
PROFIT FOR THE PERIOD		59,423,468	51,964,050
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that maybe reclassified subsequently to profit and loss:</i>			
Fair value gain on fair value through other comprehensive income equity investments		10,728,797	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		70,152,265	51,964,050
<b>EARNINGS PER SHARE:</b>			
Basic:	12	617	601
Diluted:	12	601	576

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)  
 INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2018

	Note	Reviewed 30 June 2018 USD	Audited 31 December 2017 USD
<b>ASSETS</b>			
Cash and balances held with other banks	13	1,086,677,741	1,232,980,427
Derivative financial instruments	14	60,384,668	-
Trade finance loans	15	2,558,750,043	2,571,248,280
Project loans	16	1,506,781,123	1,235,120,149
Investment in Government securities	20	-	57,275,058
Other receivables	21	166,709,093	106,477,488
Equity investments	18	51,006,706	40,257,957
Investment in joint venture	19	386,994	369,493
Property and equipment	23	19,900,241	19,631,950
Intangible assets	24	1,281,035	1,338,030
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>5,451,877,644</b>	<b>5,264,698,832</b>
		<b>=====</b>	<b>=====</b>
<b>EQUITY AND LIABILITIES</b>			
<b>LIABILITIES</b>			
Collection account deposits	25	62,510,654	127,796,131
Derivative financial instruments	14	-	4,797,549
Short term borrowings	26	2,299,410,288	2,314,562,283
Other payables	28	51,668,725	81,658,467
Provision for service and leave pay	29	7,418,309	6,558,688
Long term borrowings	27	1,915,573,056	1,708,289,548
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>4,336,581,032</b>	<b>4,243,662,666</b>
		<hr/>	<hr/>
<b>EQUITY</b>			
Share capital	30	436,475,051	431,225,426
Share premium	30	53,856,920	52,968,478
Retained earnings		568,858,948	509,435,480
Proposed dividend		27,406,782	27,406,782
Credit risk reserve		17,970,114	-
Equity investments reserve		10,728,797	-
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>1,115,296,612</b>	<b>1,021,036,166</b>
		<hr/>	<hr/>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,451,877,644</b>	<b>5,264,698,832</b>
		<b>=====</b>	<b>=====</b>

The interim financial statements set out on pages 7 to 72 were approved by the board of directors on 03/10/2018 and were signed on its behalf by:

  
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 President

  
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 Director

**EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)  
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

	Share capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Credit risk reserve* USD	Equity investments reserve** USD	Total equity USD
At 1 January 2017	372,050,939	35,106,661	424,977,842	24,349,494	-	-	856,484,936
Capital subscription (Note 30)	13,914,144	-	-	-	-	-	13,914,144
Share premium (Note 30)	-	5,459,091	-	-	-	-	5,459,091
Total comprehensive income for the period	-	-	51,964,050	-	-	-	51,964,050
At 30 June 2017	385,965,083	40,565,752	476,941,892	24,349,494	-	-	927,822,221
At 1 January 2018 - as previously stated	431,225,426	52,968,478	509,435,480	27,406,782	-	-	1,021,036,166
Effect of change in accounting policy*	-	-	-	-	17,970,114	-	17,970,114
At 1 January 2018 - as restated	431,225,426	52,968,478	509,435,480	27,406,782	17,970,114	-	1,039,006,280
Capital subscription (Note 30)	5,249,625	-	-	-	-	-	5,249,625
Share premium	-	888,442	-	-	-	-	888,442
Total comprehensive income for the period	-	-	59,423,468	-	-	10,728,797	70,152,265
At 30 June 2018	436,475,051	53,856,920	568,858,948	27,406,782	17,970,114	10,728,797	1,115,296,612

\*Credit risk reserve arose as a result of adoption of IFRS 9 in January 2018 which resulted in lower provisions than was previously held.

\*\*Equity investments reserve arose from revaluation of equity investments previously held at cost upon adoption of IFRS 9 in January 2018.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)  
 INTERIM CONDENSED STATEMENT OF CASH FLOWS  
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

	Note	Reviewed Six months to 30 June 2018 USD	Reviewed Six months to 30 June 2017 USD
<b>OPERATING ACTIVITIES</b>			
Net cash used in operations	31(a)	(207,479,616)	(131,837,866)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	23	(714,205)	(342,169)
Disposal of property and equipment	23	422	-
Purchase of intangible assets	24	(137,761)	(759,000)
Net proceeds of purchase of equity investments	18	(19,952)	(22,678,153)
Net Investment in Joint Ventures	19	(17,501)	-
Redemption of Government securities	20	57,275,058	65,265,055
Net cash generated from investing activities		56,386,061	41,485,733
<b>FINANCING ACTIVITIES</b>			
Proceeds from capital subscriptions	30	5,249,625	13,914,144
Proceeds from share premium	30	888,442	5,459,090
Net cash receipts from financing activities		6,138,067	19,373,234
DECREASE IN CASH AND CASH EQUIVALENTS		(144,955,488)	(70,978,899)
Foreign exchange (loss)/gain on cash and cash equivalents		(1,347,198)	603,080
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,232,980,427	594,835,619
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	31(c)	1,086,677,741	524,459,800
FACILITIES AVAILABLE FOR LENDING	31(d)	2,017,381,298	1,903,018,935

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – FORMERLY PTA BANK)  
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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 interim condensed financial statements for the six-months ended 30 June 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. 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).

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's annual financial statements as at 31 December 2017.

*Presentation of interim condensed financial statements*

The Bank presents its interim condensed 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.

(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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.



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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) 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.

(q) 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.

(r) 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

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.

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

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Investment in Joint Venture (Continued)

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.

#### (s) Critical judgments in applying the Bank's accounting policies

In the process of applying the Bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances of assets and liabilities within the next financial year.

##### (i) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for 'longer-dated' derivatives and discount rates, prepayment rates and default rate assumptions for 'asset-backed' securities. The Bank measures financial instruments, such as, derivatives, and non-financial assets, at fair value at each reporting date.

The fair value of financial instruments is disclosed in more detail in Note 32.

##### (ii) *Impairment losses on loans and advances*

The Bank reviews individually all its loans and advances at each quarter end to assess whether an impairment loss should be recorded in profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The impairment loss on loans is disclosed in more detail in notes 15, 16 and 17.

### 3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounting policies adopted are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2017, except for new standards, amendments and interpretations effective 1 January 2018. The nature and impact of each new standard/ amendment are described below:

The Bank only considered those that are relevant to its operations. Consequently, all amendments not listed in this note do not impact the Bank.

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

### 3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

#### **New pronouncements issued as at 30 June 2018**

##### IFRS 9 Financial Instruments

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

##### (a) Financial instruments

A financial asset or liability is recognised when the Bank becomes party to the contractual provisions of the instrument (i.e. the trade date). This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

##### Financial assets

##### Initial Recognition and Measurement

Except for trade receivables that do not have a significant financing component, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price.

The Bank classifies its financial assets into three principal classification categories based on the cash flow characteristics of the asset and the business model assessment. Financial instruments are measured at:

- Amortised Cost;
- Fair Value through Other Comprehensive Income (FVOCI); and
- Fair Value through Profit or Loss (FVTPL)

A financial asset is classified into one of these categories on initial recognition. The previous categories of Held to Maturity, Loans and Receivables, and Available for Sale under IAS 39 have been replaced. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

##### Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

(a) Financial instruments (continued)

Amortised cost (Continued)

The Bank recognises its Cash and Balances held with banks, Investment in Government Securities, Trade Finance and Project Finance loans and other receivables at amortised cost. Project financing is long term in nature, while trade financing is short term in nature.

Fair Value through Other Comprehensive Income (FVOCI) – Debt

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank has no debt instruments classified at FVOCI.

Fair Value through Other Comprehensive Income (FVOCI) – Equity

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis. The Bank has elected to classify certain equity investments it holds at FVOCI.

Fair Value through Profit or Loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Bank classifies its derivative financial instruments at FVTPL.

Business Model Assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

### 3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

#### (a) Financial instruments (continued)

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest

To determine whether a financial asset should be classified as measured at amortised cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considered the contractual terms of the instrument. This included assessing whether the financial asset contained a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considered:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Interest rates on certain loans made by the Bank are based on Standard Variable Rates (SVRs) that are set at the discretion of the Bank. SVRs are generally based on a market interbank rate and also include a discretionary spread. In these cases, the Bank will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- the borrowers are able to prepay the loans without significant penalties;
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

Some of the Bank's loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if:

- a financial asset is acquired or originated at a premium or discount to its contractual par amount,
- the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and
- the fair value of the prepayment feature is insignificant on initial recognition.

#### De Minimis

A contractual cash flow characteristic may not affect the classification of a financial asset if it could have only a de minimis effect on the financial asset's contractual cash flows. To make this determination, the Bank considers the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial asset.

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

(a) Financial instruments (continued)

Derecognition and Modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

However, when the modification of a financial instrument not measured at FVTPL does not result in derecognition, the Bank will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Financial Liabilities

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

The Bank classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Collection account deposits, short term borrowings, long term borrowings and other payables are classified at amortised cost.

Derecognition

The Bank derecognises a financial liability when, and only when, its contractual obligations specified in the contract are discharged or cancelled or expire.

Reclassification

The Bank only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified.

Write-off

The Bank directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

(a) Financial instruments (continued)

Offsetting (Continued)

Impairment – Financial Assets, Loan Commitments and Financial Guarantee Contracts

IFRS 9 replaced the previous 'Incurred Loss' model in IAS 39 with a forward-looking 'Expected Credit Loss (ECL)' model.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- Trade receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

No impairment loss is recognised on equity investments.

The Bank recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. The Bank recognises loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade and lease receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

ECLs are an unbiased and probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover

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

### 3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

#### (a) Financial instruments (continued)

##### Measurement of ECLs (Continued)

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;
- a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

##### Definition of Default

The Bank will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower has a risk classification of PTAR 5,6 and 7; or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Bank has not rebutted the 90 days past due buck stop.

##### Significant Increase in Credit Risk

The Bank, in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank identifies a significant increase in credit risk where exposures have a regulatory risk rating of 'watch', are greater than 30 days past due or by comparing an exposures:

- credit risk quality at the date of reporting; with
- the credit risk quality on initial recognition of the exposure.

##### Credit Risk Classification

The Bank allocates each exposure to a credit risk classification using its Credit Risk Assessment System based on the exposures' risk attributes and their fair values accurately determined and reflected in the Bank's books as well as applying experienced credit judgement. The Bank uses these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using days past due, qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower. The Bank goes through a credit appraisal process and determines the credit quality of each exposure on initial recognition based on available information about the borrower. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk classification.



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

### 3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

#### (a) Financial instruments (continued)

##### Determining Whether Credit Risk Has Increased Significantly

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varies by product and includes a backstop based on delinquency.

##### Determining Whether Credit Risk Has Increased Significantly (Continued)

Currently, the Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being in arrears for a period of 31 to 90 days in accordance with IFRS 9 paragraph 5.5.11. The Bank will develop an internal rating model going forward and movement in the probability of default (PD) between the reporting period and initial recognition date/ the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk. In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past-due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

##### Modified Financial Assets (Restructured Assets)

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Under IFRS 9, when the terms of a financial asset are modified, and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximise collection opportunities and minimise the risk of default. Under the Bank's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank Credit Committee regularly reviews reports on restructuring activities.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

##### Inputs into Measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

- PD;
- loss given default (LGD); and
- exposure at default (EAD).

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

(a) Financial instruments (continued)

Modified Financial Assets (Restructured Assets) (Continued)

These parameters are derived from internally developed statistical models and other historical data that leverage regulatory models. They are adjusted to reflect forward-looking information as described below.

PD estimates for loans and advances are estimates at a certain date, which are calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and are assessed at portfolio level for portfolios of assets that have similar characteristics. The Bank PD estimates for other exposures are estimates at a certain date, which are calculated based on statistical rating tools and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, external market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this leads to a change in the estimate of the associated PD. Lifetime PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on collateral available against exposures and the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral quality, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calibrated for different collateral types by applying haircuts to adjust the market value of collateral to best reflect the amounts recoverable. The collateral values to consider are calculated on a discounted cash flow basis using the effective interest.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which is estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee. For overdrafts, guarantee facilities and other revolving facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period of one year unless the expected life of the exposure can be reasonably determined.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Product type; and
- Industry.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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

### 3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

#### (a) Financial instruments (continued)

##### Forward-looking Information

Under IFRS 9, the Bank incorporates forward-looking information in its measurement of ECLs. The Bank formulates a 'base case' view of the future direction of relevant economic variables in the various jurisdictions in which it operates, and a representative range of other possible forecast scenarios based on advice from the Bank's Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the various jurisdictions in which the Bank operates, supranational organisations such as the World Bank and the International Monetary Fund and selected private sector and academic forecasters.

The base case represents a most-likely outcome and be aligned with information used by the Bank for other purposes, such as strategic planning and country lending limits. The other scenarios represent more optimistic and more pessimistic outcomes.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include inflation rates and GDP forecasts. Predicted relationships between the key indicators and default and loss rates on the portfolios of financial assets have been developed based on analysing historical data over the past 5 years. The economic scenarios used are approved by the Bank's Credit Committee.

##### Hedge Accounting

IFRS 9 introduces a new general hedge accounting model that better aligns hedge accounting with risk management activities. However, the current hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. As permitted, the Bank elected not to adopt the IFRS 9 hedge accounting requirements and instead will continue applying the IAS 39 hedge accounting requirements. The Bank has, however, complied with the revised hedge accounting disclosures required by the consequential amendments made to IFRS 7.

The Bank makes use of derivative instruments to manage exposures to interest rate and foreign currency risks. In order to manage these risks, the Bank applies hedge accounting for transactions which meet specified criteria. At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that is used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

##### Fair Value Hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in profit or loss in 'other income'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss in 'other income'.

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

(a) Financial instruments (continued)

Fair Value Hedges

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the Effective Interest Rate (EIR). If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash Flow Hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in net trading income in profit or loss.

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

**New pronouncements issued but not effective as at 30 June 2018**

(a) IFRS 16 Leases

The new standard is effective for annual periods beginning on or after 1 January 2019.

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-statement of financial position model (subject to certain exemptions) in a similar way to finance leases under IAS 17. The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-to-use asset).
- Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

**Transition:** Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

**Impact:** The Bank is currently assessing the impact of these amendments and plans to adopt the amendments on the required effective date.

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

(b) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Bank is assessing the impact of these amendments and will adopt as applicable if necessary.

4 INTEREST INCOME	June 2018 USD	June 2017 USD
On loans and facilities:		
Project finance loans	58,375,119	40,642,889
Trade finance loans	93,360,871	88,403,073
	<hr/>	<hr/>
	151,735,990	129,045,962
	<hr/>	<hr/>
On placements:		
Deposits/held-to-maturity investments	19,978,285	7,221,821
	<hr/>	<hr/>
	171,714,275	136,267,783
	=====	=====
5 INTEREST EXPENSE		
Interest payable on funds borrowed from:		
- Banks and financial institutions	49,889,764	23,431,230
- Regional and international bond markets	26,164,069	26,330,008
- Amortisation of deferred expenditure	6,631,366	3,956,814
- Other institutions	14,007,964	12,558,482
	<hr/>	<hr/>
	96,693,163	66,276,534
	=====	=====
6 OTHER BORROWING AND FINANCE COSTS		
Facility and management fees	450,000	881,801
Bank commissions and charges	68,866	49,806
Other costs	3,360,163	2,340,992
	<hr/>	<hr/>
	3,879,029	3,272,599
	=====	=====

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

	30 June 2018 USD	30 June 2017 USD
7 (a) FEES AND COMMISSIONS INCOME		
Letter of credit fees in trade finance	2,316,813	2,832,911
Upfront fees in trade finance	9,093,965	14,741,229
Management fees in trade finance	2,862,001	-
Drawdown fees in trade finance	64,620	932,170
Document handling fees in trade finance	91,787	82,093
Other trade finance fees	(87,999)	-
Syndication fees in project finance	11,250	-
Restructuring fees in project finance	545,319	187,500
Letter of credit fees in project finance	97,830	235,451
Facility fees on project finance	7,392,165	1,616,675
Appraisal fees on project finance	178,279	339,871
Commitment fees on project finance	46,745	356,749
Drawdown project fees	306,718	488,022
Management project fees	283,505	192,324
Other project fees	47,583	74,345
	<u>23,250,581</u>	<u>22,079,340</u>
	=====	=====
(b) RISK MITIGATION COSTS		
*Insurance cover costs	15,731,811	10,073,944
**Risk down selling costs	1,670,114	6,003,948
	<u>17,401,925</u>	<u>16,077,892</u>
	=====	=====

\*This is premium on insurance cover taken on various loan exposures. As at 30 June 2018, the insurance cover was USD 1.61 billion (June 2017: USD 1.4 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 period ended 30 June 2018, the Bank had down sold/distributed an aggregate of USD 625 million (2017 – USD 395 million).

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

	30 June 2018 USD	30 June 2017 USD
8	OTHER INCOME	
	Impaired asset recovered*	1,527,011
	Interest on capital arrears	-
	Grant income **	171,258
	Other income	60,842
	Interest on staff loans	13,344
	Rental income	20,250
	<hr/>	<hr/>
	3,970,982	1,792,705
	=====	=====
<p>*Impaired assets recovered relate to previously written off loans that were recovered during the period.</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 other income when the costs which the grant relates to have been incurred.</p>		
9	OPERATING EXPENSES	
	30 June 2018 USD	30 June 2017 USD
	Staff costs (note 10)	8,775,899
	Official missions	623,724
	Consultants and advisers	1,652,490
	Depreciation of property and equipment	425,743
	Board of Directors meetings	364,987
	Board of Governors meetings	37,114
	Business promotion	298,862
	Audit fees	28,000
	Amortisation of intangible assets	170,346
	Rent	218,166
	Other operating expenses	405,743
	<hr/>	<hr/>
	16,072,590	13,001,074
	=====	=====
10	STAFF COSTS	
	Salaries and wages	5,367,469
	Staff reward and recognition scheme	678,260
	Staff provident fund contributions-defined contribution plan	935,109
	Leave pay expense	215,125
	Service expense	385,650
	Other costs	1,194,286
	<hr/>	<hr/>
	11,191,997	8,775,899
	=====	=====

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

	30 June 2018 USD	30 June 2017 USD
11	IMPAIRMENT ON OTHER FINANCIAL ASSETS	
	Other receivables (Note 21)	-
	=====	=====
	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 period of USD 59,423,468 (2017: USD 51,964,050) by the weighted average number of ordinary shares in issue during the year.	
	<i>Basic Earnings per Share:</i>	
	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 period was 96,289 comprising Class A – 74,461 and Class B – 21,828 (2017: 86,465 comprising Class A -67,981 and Class B -18,484).	
	<i>Diluted Earnings per Share:</i>	
	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 98,938 (2017: 90,235).	
13	CASH AND BALANCES HELD WITH OTHER BANKS	
	30 June 2018 USD	31 December 2017 USD
	Current accounts – Note 13 (i)	139,590,914
	Call and term deposits with banks – Note 13 (ii)	1,093,389,513
	=====	=====
	1,086,677,741	1,232,980,427
	=====	=====
	(i) Current accounts:	
	Amounts maintained in United States Dollars (USD)	7,991,823
	=====	=====
	Amounts maintained in other currencies:	
	Euro	77,072,156
	Malawi Kwacha	44,420,987
	United Arab Emirates Dirham	4,888,870
	Tanzania Shillings	3,953,925
	Zambia Kwacha	642,645
	Ethiopian Birr	521,832
	Japanese Yen	29,514
	Ugandan Shilling	25,558
	Mauritian Rupee	17,753
	Kenyan Shilling	16,974
	South African Rand	5,136
	Burundi Francs	3,316
	British Pounds	425
	=====	=====
	42,702,816	131,599,091
	=====	=====
	499,653,420	139,590,914
	=====	=====



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

13 CASH AND BALANCES HELD WITH OTHER BANKS (Continued)

The average effective interest rate on current accounts was 4.93% (December 2017 – 0.49%) per annum.

	30 June 2018 USD	31 December 2017 USD
(ii) Call and term deposits with banks: United States Dollars (USD)	526,532,325	1,006,613,250
Amounts maintained in other currencies:		
Sudanese Pounds	56,296,236	82,400,556
Ugandan Shillings	4,195,760	4,375,707
	<u>60,491,996</u>	<u>86,776,263</u>
	<u>587,024,321</u>	<u>1,093,389,513</u>
	=====	=====

The effective interest rates per annum by currency of deposits were as follows:

United States Dollars	1.55%	0.51%
Uganda Shillings	9.94%	9.99%
	=====	=====

The deposits in Sudanese pounds do not earn an 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 interest in return for paying or receiving, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The Bank applies fair value hedge accounting to interest rate swaps contracted to hedge the interest rate risk exposure associated with the fixed rate on its Eurobond.

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 cash flow hedges.

The table below shows the fair values of derivative financial instruments, recorded as net assets at period end.

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

14 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	30 June 2018 USD	31 December 2017 USD
(a) FX Forward		
Net opening balance at beginning of the period	(4,797,549)	75,418,629
Contracts entered into during period-Net	584,486,660	642,722,850
Net amounts settled	(519,304,443)	(722,939,028)
	<hr/>	<hr/>
Net closing balance as at 30 June	60,384,668 =====	(4,797,549) =====
(b) Interest Rate Swap		
Net opening balance at beginning of the period	-	341,813
Amounts due from counterparties	-	302,055
Receipts under swap agreements	-	(196,062)
Retired contracts	-	(447,806)
	<hr/>	<hr/>
Net closing balance as at period end	- =====	- =====
Net Financial Derivatives asset/(liability)	60,384,668 =====	(4,797,549) =====

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.

	30 June 2018 USD	31 December 2017 USD
15 TRADE FINANCE LOANS		
Principal loans	2,499,352,944	2,512,940,589
Interest receivable	125,268,893	133,688,966
	<hr/>	<hr/>
Gross loans	2,624,621,837	2,646,629,555
Impairment on trade finance loans (note 17)	(65,871,794)	(75,381,275)
	<hr/>	<hr/>
Net loans	2,558,750,043 =====	2,571,248,280 =====
Analysis of gross loans by maturity:		
Maturing:		
Within one year	755,465,300	1,911,498,219
One to three years	1,160,605,560	439,339,600
Over three years	708,550,977	295,791,736
	<hr/>	<hr/>
	2,624,621,837 =====	2,646,629,555 =====

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

15 TRADE FINANCE LOANS (Continued)

The gross non-performing trade finance loans were USD 67,135,477 (December 2017: USD 72,098,214). The specific impairment allowance related to these loans amounted to USD 59,463,917 (December 2017: USD 50,821,193) hence the carrying amount of the loans was USD 7,671,560 (December 2017: 21,277,021). General provisions for trade finance loans amounted to USD 6,407,872 (December 2017- USD 24,560,077).

16 PROJECT LOANS	30 June 2018 USD	31 December 2017 USD
Approved loans less cancellations	3,162,394,979	2,671,107,884
Less: Unsigned loans*	(190,955,934)	(190,955,933)
<hr/>		
Loans signed	2,971,439,045	2,480,151,951
Less: Undisbursed - Letters of credit opened	(16,944,496)	(15,467,972)
- Letters of credit not yet opened	(350,821,251)	(363,136,637)
<hr/>		
Loans disbursed	2,603,673,298	2,291,904,734
Interest capitalised**	51,909,781	50,901,119
Loans repaid	(1,163,394,431)	(1,108,893,002)
<hr/>		
Principal loan balances	1,492,188,648	1,233,912,851
Interest receivable	50,552,014	33,372,663
<hr/>		
Gross loans	1,542,740,662	1,267,285,514
Impairment on project loans (note 17)	(35,959,539)	(32,165,365)
<hr/>		
Net loans	1,506,781,123	1,235,120,149
	=====	=====

\* Unsigned loans refer to loans that have been approved but facility agreements have not yet been processed and signed.

\*\*Interest capitalised relates to interest in arrears on loans which were restructured now capitalized.

	30 June 2018 USD	31 December 2017 USD
Analysis of gross loans by maturity:		
Maturing:		
Within one year	286,184,579	385,586,099
One year to three years	424,098,382	301,717,151
Three to five years	380,085,000	267,791,904
Over five years	452,372,701	312,190,360
<hr/>		
	1,542,740,662	1,267,285,514
	=====	=====

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

16 PROJECT LOANS (Continued)

The aggregate non-performing project loans was USD 31,175,050 (December 2017 - USD 21,485,839). The specific impairment provisions related to these loans amounted to USD 31,175,050 (December 2017 - USD 21,485,839) hence the carrying value of the loans amounted to NIL (December 2017 - NIL). General provisions for project finance loans amounted to USD 4,784,492 (December 2017 - USD 10,679,529).

17 IMPAIRMENT ON PROJECT AND TRADE FINANCE LOANS

Year Ended 30 December 2017:

The movement in provision is as follows	Project finance loans USD	Trade finance loans USD	Total provisions USD
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
	=====	=====	=====

Broken Down as follows:

Six-Month Period to 30 June 2017:

Amounts written off	(11,904,964)	-	(11,904,964)
Charge for six-months	(1,086,003)	12,253,081	11,167,078
Specific	-	8,439,760	8,439,760
General	2,621,932	3,813,321	6,435,253
Amount written back	(3,707,935)	-	(3,707,935)
As at 30 June 2017	36,210,239	60,653,713	96,863,952
	=====	=====	=====

Six-month Period to 31 December 2017:

Amounts written off	(3,473,566)	-	(3,473,566)
Charge for six-months	(571,308)	14,727,562	14,156,254
Specific	-	23,412,820	23,412,820
General	845,634	-	845,634
Amount written back	(1,416,942)	(8,685,258)	(10,102,200)
At 31 December 2017	32,165,365	75,381,275	107,546,640
	=====	=====	=====

Period Ended 30 June 2018:

The movement in provisions is as follows:

At 1 January 2018	32,165,365	75,381,275	107,546,640
Amounts written-off	(1,737,371)	(16,232,741)	(1117,970,112)
Charge for the period:	5,531,545	6,723,260	12,254,805
- Specific provisions	9,689,211	8,642,724	18,331,935
- General provisions	(4,157,666)	(1,919,464)	(6,077,130)
At 30 June 2018	35,959,539	65,871,794	101,831,333
	=====	=====	=====

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

18 EQUITY INVESTMENTS

- Fair value through other comprehensive income

(i) Equity participation

	Beginning value USD	Additions/ disposals at cost USD	Total ending value USD	Investment carrying value at period end USD	Investment carrying value previous year USD	Revaluation adjustment for the period USD
As at 30 June 2018:						
<i>At valuation</i>						
African Export Import Bank	2,364,160	-	2,364,160	6,589,000	2,364,160	4,224,840
PTA Reinsurance	31,938,654	-	31,938,654	38,885,999	31,938,654	6,947,345
Tononoka	628,653	-	628,653	1,835,000	628,653	1,206,347
Tanruss	1,755,000	-	1,755,000	64,000	1,755,000	(1,691,000)
Africa Trade Insurance Company	1,000,000	-	1,000,000	777,000	1,000,000	(222,300)
Gulf African Bank	1,978,734	-	1,978,734	2,242,999	1,978,734	264,265
Pan African Housing Fund	592,756	19,952	612,708	612,708	592,756	-
	40,257,957	19,952	40,277,909	51,006,706	40,257,957	10,729,797

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 30 June 2018, all investments were carried at fair value as per provision of IFRS 9 adopted in January 2018. In the previous years, these investments were carried at cost.

The Bank does not intend to dispose the shares in the short term, and none of the shares have been derecognized.

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

18 EQUITY INVESTMENTS (Continued)

(i) Equity participation (Continued)

As at 31 December 2017:

At Cost:

	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
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	-
<b>TOTAL</b>	<b>17,496,672</b>	<b>22,761,285</b>	<b>40,257,957</b>	<b>40,257,957</b>	<b>17,496,672</b>	<b>-</b>

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

	30 June 2018 USD	31 December 2017 USD
18 EQUITY INVESTMENTS (CONTINUED)		
(ii) Installments paid:		
Total subscribed capital	41,865,201	41,865,201
Less: Installments not due – note 18(iii)	(1,587,292)	(1,607,244)
	<u>40,277,909</u>	<u>40,257,957</u>
	=====	=====
Installments paid as at end of period– note 18(iv)	40,277,909	40,257,957
	<u>40,277,909</u>	<u>40,257,957</u>
	=====	=====
(iii) Unpaid subscriptions expressed in US Dollars at period-end rates comprised:		
African Export Import Bank	1,200,000	1,200,000
Pan African Housing Fund	387,292	407,244
	<u>1,587,292</u>	<u>1,607,244</u>
	=====	=====
(iv) Movement in the installments paid:		
At beginning of period	40,257,957	17,496,672
Additions at cost – note 18 (i)	19,952	22,761,285
	<u>40,277,909</u>	<u>40,257,957</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.

Summarized financial information of the joint ventures is set out below:

	30 June 2018 USD	31 December 2017 USD
Current Assets: Cash and cash equivalents	773,988	738,986
Non-current assets	-	-
	<u>773,988</u>	<u>738,986</u>
	=====	=====
TOTAL ASSETS	773,988	738,986
	<u>773,988</u>	<u>738,986</u>
	=====	=====
Liabilities	-	-
Equity	773,988	738,986
	<u>773,988</u>	<u>738,986</u>
	=====	=====
Bank's carrying amount of the investment	386,994	369,493
	<u>386,994</u>	<u>369,493</u>
	=====	=====

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

19 INVESTMENT IN JOINT VENTURES (Continued)

ESATAL and ESAIF are yet to start operations. The joint ventures had no contingent liabilities or capital commitments as at 30 June 2018 (31 December 2017: NIL). ESATAL and ESAIF cannot distribute their profits without the consent from the venture partners.

	30 June 2018	31 December 2017
20 INVESTMENTS IN GOVERNMENT SECURITIES		
Treasury Notes: Held to maturity Maturing within 360 days after period end		
At beginning of period	57,275,058	214,699,238
Additions during the period	-	-
Matured bills	(57,275,058)	(159,180,887)
Add: Accrued coupon interest	-	1,756,707
	<u>                    </u>	<u>                    </u>
At end of period	-	57,275,058
	=====	=====

The treasury notes were issued by the Government of Malawi and held as investments in Malawi Kwacha equivalent. They matured in 2018, hence the nil balance as 30 June 2018 (December 2017 - USD 575 million, bearing interest at a rate of 6.50% per annum). These investments were managed by the Reserve Bank of Malawi and FDH Bank.

	30 June 2018	31 December 2017
21 OTHER RECEIVABLES		
Down-sold assets*	75,000,082	75,000,072
Prepayments and other receivables**	89,948,416	29,828,548
Staff loans and advances***	1,366,873	1,034,033
Appraisal fees****	393,722	614,835
	<u>                    </u>	<u>                    </u>
Appraisal fees receivable****	166,709,093	106,477,488
	=====	=====
At the beginning of the period	614,835	585,040
Accrued Income	150,000	544,550
Receipts	(9,863)	(514,755)
Amounts written off (Note 11)	(361,250)	-
	<u>                    </u>	<u>                    </u>
At the end of the period	393,722	614,835
	=====	=====
Analysis of other receivables by maturity:		
Amounts due within one year	166,364,124	106,173,304
Amounts due after one year	344,969	304,184
	<u>                    </u>	<u>                    </u>
	166,709,093	106,477,488
	=====	=====



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

21 OTHER RECEIVABLES (Continued)

\*Down-sold assets represent loan assets sold to the Bank's counterparties on a non-funded basis. Downselling receivables are usually settled within 6 months after period 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 4.08% (December 2017: 4.09%) 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.

	30 June 2018 USD	31 December 2017 USD
22. DEFERRED EXPENDITURE		
COST		
At beginning of year	-	30,429,340
Additions	-	-
Reclassification	-	(30,429,340)
Disposals	-	-
	<hr/>	<hr/>
At end of year	-	-
AMORTISATION		
At beginning of year	-	12,334,174
Reclassification to long term borrowings	-	(12,334,174)
Disposals	-	-
Charge for the year	-	-
	<hr/>	<hr/>
At end of year	-	-
NET CARRYING AMOUNT		
At end of year	-	-
	=====	=====

Deferred expenditure comprises export credit insurance costs, long term borrowing costs and costs incurred to raise, issue and list local currency bonds and Eurobonds in the Bank's member countries and international markets. These costs are amortised over the life of the underlying borrowings and bonds. Disposals relate to fully amortised costs removed from the books during the reporting period.

With effect from 2017, deferred expenditure was transferred to long term borrowings consistent with the application of the effective interest rate (EIR)

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

23 PROPERTY AND EQUIPMENT

At 30 June 2018:	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 2018	140,400	2,453,865	463,157	22,699,181	588,349	1,551,287	2,043,603	29,939,842
Additions	-	-	370,301	-	136,920	80,699	126,285	714,205
Disposals	-	-	-	-	-	-	(3,935)	(3,935)
At 30 June 2018	140,400	2,453,865	833,458	22,699,181	725,269	1,631,986	2,165,953	30,650,112
DEPRECIATION								
At 1 January 2018	-	51,636	-	7,319,065	411,879	880,198	1,645,114	10,307,892
Charge for the period	-	12,393	-	212,175	41,249	61,731	117,944	445,492
Disposals	-	-	-	-	-	-	(3,513)	(3,935)
At 30 June 2018	-	64,029	-	7,531,240	453,128	941,929	1,759,545	10,749,871
NET BOOK VALUE	140,400	2,389,836	833,458	15,167,941	272,141	690,057	406,408	19,900,241
Leasehold Land:								

Leasehold land refers to land that the Bank owns and holds on a 99-year leasehold title. Amortization is charged over the life of the lease.

Building Under Construction:

The Bank is in the process of constructing an office building. Professional costs comprising contractors and consultants fees have been incurred and in line with IAS 16, Property, Plant and Equipment, no depreciation has been charged on these costs until the building is ready for use.

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

23 PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land USD	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
At 31 December 2017:								
<b>COST</b>								
At 1 January 2017	140,400	2,453,865	117,730	22,697,471	481,786	1,323,046	1,880,082	29,094,380
Additions	-	-	345,427	1,710	106,563	228,241	170,592	852,533
Disposals	-	-	-	-	-	-	(7,071)	(7,071)
At 31 December 2017	140,400	2,453,865	463,157	22,699,181	588,349	1,551,287	2,043,603	29,939,842
<b>DEPRECIATION</b>								
At 1 January 2017	-	26,850	-	6,875,927	349,410	775,514	1,428,138	9,455,839
Charge for the year	-	24,786	-	443,138	62,469	104,684	221,781	856,858
Disposals	-	-	-	-	-	-	(4,805)	(4,805)
At 31 December 2017	-	51,636	-	7,319,065	411,879	880,198	1,645,114	10,307,892
<b>NET BOOK VALUE</b>								
At 31 December 2017	140,400	2,402,229	463,157	15,380,116	176,470	671,089	398,489	19,631,950

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

	30 June 2018 USD	31 December 2017 USD
24	INTANGIBLE ASSET	
	COST	
	At the beginning of the period	3,338,765
	Additions	137,761
		<u>3,476,526</u>
	At the end of the period	<u>3,338,765</u>
	AMORTISATION	
	At the beginning of the period	2,000,735
	Charge for the period	194,756
		<u>2,195,491</u>
	At the end of the period	<u>2,000,735</u>
	NET BOOK VALUE	
	At the end of the period	1,281,035
		=====

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 but not yet applied in loan repayments as the loans are not yet due.

	30 June 2018 USD	31 December 2017 USD
26	SHORT TERM BORROWINGS	
	(a) CERTIFICATES OF DEPOSIT	
	Lender	
	African Trade Insurance Agency	1,243,996
	Banque Commerciale Du Congo	-
	Reserve Bank of Malawi	-
		<u>1,243,996</u>
	Subtotal for Certificates of Deposit	115,532,623
		=====

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

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

26 SHORT TERM BORROWINGS (Continued)

(b) OTHER SHORT TERM BORROWINGS

				30 June 2018 USD	31 December 2017 USD
	Date of renewal/ advance	Maturity date	Currency		
Syndicated Loan - Citibank	Apr-18	Oct-19	USD	400,000,000	400,000,000
Syndicated Loan- ME First Abu Dhabi Bank PJSC	Dec-17	Dec-19	USD	341,667,619	307,052,975
Syndicated Loan - Asia (I)	Dec-17	Jun-19	USD	340,000,000	340,000,000
Syndicated Loan - Asia (II)	Dec-17	Dec-20	USD	237,000,000	-
Standard Chartered Bank London	Jan-18	Dec-18	USD	170,421,035	237,000,000
The Bank of Tokyo Mitsubishi UFJ, Ltd	Apr-18	Dec-18	USD	150,000,000	75,000,000
Cargill Kenya Limited	Dec-17	Dec-19	USD	148,247,850	100,000,000
Sumitomo Mitsui Banking Corporation Euro	Apr-18	Dec-18	EUR	123,196,160	22,713,734
Loius Dreyfus Commodities Kenya	Dec-17	Dec-18	USD	99,647,225	126,117,322
Mashreq Bank	Jun-18	Jul-18	EUR	70,000,000	70,000,000
Africa50	Jun-18	Sep-19	USD	53,589,857	52,712,716
Bunge S.A	Nov-17	Nov-18	USD	48,293,746	48,293,746
Mizuho Bank London	Sep-17	Sep-18	USD	30,000,000	50,000,000
Bank One Ltd	Apr-18	Jul-18	USD	23,301,800	-
British Arab Commercial Bank PLC	Jun-18	Dec-18	USD	12,500,000	25,000,000
DZ Bank	Mar-18	Oct-18	USD	11,940,648	-
Afrasia Bank	Apr-18	Jul-18	EUR	9,320,720	-
Commerzbank Frankfurt am Main	Feb-18	Jun-18	USD	3,808,290	16,275,938
African Trade Insurance Agency	May-18	Jun-19	USD	3,456,106	1,930,823
BHF BANK	Apr-18	Jul-18	USD	2,069,112	8,009,538
Nedbank	May-18	Sep-18	USD	1,981,208	-
Citibank New York	Jun-18	Sep-18	USD	855,670	-
KfW	Dec-17	Mar-18	USD	-	164,773,423
ABC Bank Incorporation Mauritius	Dec-17	Jan-18	USD	-	66,188,900
Standard Chartered Bank Kenya	Dec-17	Jan-18	USD	-	30,000,000
Allfirst Bank	Dec-17	Jun-18	USD	-	25,000,000
Nouvobanq	Dec-17	Mar-18	USD	-	19,098,457
Standard Chartered Bank	Dec-17	Apr-18	USD	-	1,130,482
				<hr/>	<hr/>
Sub-total for other short term borrowings				2,281,297,046	2,186,298,054
				<hr/>	<hr/>
Interest payable				16,869,246	12,731,606
Certificates of deposit (Note 26 (a))				1,243,996	115,532,623
				<hr/>	<hr/>
TOTAL SHORT TERM BORROWINGS				2,299,410,288	2,314,562,283
				=====	=====

Borrowings are classified as short term or long term on the basis of the book of business that the Bank funds i.e. trade or project loans, and not on the basis of contractual maturity of the liability.

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

**27 LONG TERM BORROWINGS**

Lender	Date of Renewal/ disbursement	Maturity Date	Currency	Amount in Currency	As at 30 June 2018			As at 31 December 2017		
					Balance outstanding USD	Amount due within one year USD	Amount due after one year USD	Balance outstanding USD	Amount due within year USD	Amount due after one year USD
African Development Bank	Dec-04	Aug-23	USD	164,371,264	11,250,000	153,121,264	171,696,249	12,949,984	158,746,265	
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	20,000,000	10,000,000	10,000,000	20,000,000	10,000,000	10,000,000	
China Development Bank	Dec-08	Mar-20	USD	30,000,000	20,000,000	10,000,000	48,302,095	28,302,095	20,000,000	
KBC Bank	Various	Feb-20	USD	4,403,124	2,515,862	1,887,262	5,661,944	2,515,862	3,146,082	
Exim Bank of India Loan	Various	Various	USD	21,283	21,283	-	113,192	106,706	6,486	
US\$ 1.0 Billion Euro Medium Term Note	Dec-13	Dec-18	USD	217,031,000	217,031,000	-	217,031,000	217,031,000	-	
Programme: First Tranche *										
US\$ 1.0 Billion Euro Medium Term Note	Dec-13	Mar-22	USD	700,000,000	-	700,000,000	700,000,000	-	700,000,000	
Programme: Second Tranche *										
FMO	Mar-10	Jan-18	USD	-	-	-	2,000,000	2,000,000	-	
Development Bank of Southern Africa	Mar-07	Jun-23	USD	33,820,325	15,070,325	18,750,000	38,591,099	15,153,599	23,437,500	
Private Export Funding Corporation	Aug-11	Oct-21	USD	20,079,610	5,949,514	14,130,096	23,054,367	5,949,514	17,104,853	
KfW	Dec-13	Dec-28	USD	85,000,000	2,857,143	82,142,857	85,000,000	2,857,143	82,142,857	
KfW IPEX	Dec-13	Dec-28	USD	129,794,131	16,221,764	113,572,367	-	-	-	
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	40,908,997	13,636,364	27,272,633	45,454,545	13,636,364	31,818,181	
Standard Chartered Bank / USAID	Sep-17	Jun-19	USD	3,702,985	3,702,985	-	3,703,000	1,953,468	1,749,532	
Japan Bank for International Corporation (JBIC)	Jul-17	Feb-19	USD	6,451,817	3,240,239	3,211,578	2,471,876	1,818,950	652,926	
AFD -Agence Francaise De Development	Dec-17	Mar-32	USD	12,000,000	-	12,000,000	12,000,000	-	12,000,000	
The Exim -Import Bank of China	Dec-17	Dec-23	USD	250,000,001	22,933,494	227,066,507	250,000,000	21,033,379	228,966,621	
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	6,926,412,428	1,371,851	1,669,250	3,779,765	1,391,378	2,388,387	
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	6,926,412,428	1,371,851	1,668,050	3,778,539	1,390,927	2,387,612	
IDC - Industrial Development Corporation	Mar-18	Dec-27	USD	100,565,201	10,588,838	89,976,363	-	-	-	
BADEA	Feb-18	Sep-27	USD	5,000,000	-	5,000,000	-	-	-	
Sub total for long term borrowings				1,917,350,740	357,762,513	1,559,588,227	1,720,757,671	338,090,369	1,382,667,302	
Interest payable				23,989,365	23,989,365	-	17,987,840	17,987,840	-	
Total long term borrowings				1,941,340,105	381,751,878	1,559,588,227	1,738,745,511	356,078,209	1,382,667,302	
Deferred expenditure				(25,767,049)	(9,206,356)	(16,560,693)	(30,455,963)	(112,777)	(30,343,186)	
				1,915,573,056	372,545,522	1,543,027,534	1,708,289,548	355,965,432	1,352,324,116	

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 INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

	30 June 2018 USD	31 December 2017 USD
28 OTHER PAYABLES		
Other creditors**	37,900,463	66,872,020
Provident fund*	6,951,772	8,119,134
Accrued expenses	2,010,490	4,548,881
Accrued reward and recognition***	2,924,494	-
Dividends payable	1,048,943	1,056,296
Accrued fees-Trade Finance	764,839	968,344
Rental deposit	51,622	51,622
Accrued fees-Project Finance	16,102	42,170
	<u>51,668,725</u> =====	<u>81,658,467</u> =====

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

\*\*Other creditors mainly relate to cash cover deposits by customers.

\*\*\*This relates accruals for short term and long-term incentives and rewards based on projected performance.  
(3,006,127: 31 December 2017)

	30 June 2018 USD	31 December 2017 USD
Analysis of other payables by maturity:		
Amounts due within one year	447,719,244	75,009,560
Amounts due after one year	6,949,480	6,648,907
	<u>51,668,724</u> =====	<u>81,658,467</u> =====
29 PROVISION FOR SERVICE AND LEAVE PAY		
(i) PROVISION FOR SERVICE PAY		
At beginning of year	5,081,470	4,480,046
Increase in provision	726,159	792,997
Payment of service pay	(146,452)	(191,573)
	<u>5,661,177</u>	<u>5,081,470</u>
At end of period	5,661,177	5,081,470
(ii) PROVISION FOR LEAVE PAY		
At beginning of year	1,477,218	1,358,677
Increase in provision	325,232	164,977
Payment of leave pay	(46,318)	(46,436)
	<u>1,757,132</u>	<u>1,477,218</u>
At end of period	1,757,132	1,477,218
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	<u>7,418,309</u> =====	<u>6,558,688</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 INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

30 SHARE CAPITAL AND SHARE PREMIUM

(a)	Share capital	30 June 2018		31 December 2017		Total USD
		Class 'A' shares USD	Class 'B' shares USD	Class 'A' shares USD	Class 'B' shares USD	
	Authorised capital:					
	88,234 Class 'A' ordinary shares of USD 22,667 each	2,000,000,000	-	2,000,000,000	-	2,000,000,000
	220,584 Class 'B' ordinary shares of USD 4,533.420375 each	-	1,000,000,000	-	1,000,000,000	1,000,000,000
	Less: Unsubscribed					
	- Class 'A'	(255,366,344)	-	(265,385,158)	-	(265,385,158)
	- Class 'B'	-	(900,400,754)	-	(902,613,064)	(902,613,064)
	Subscribed capital:					
	76,968 Class 'A' (December 2017: 76,526) ordinary shares of USD 22,667 each	1,744,633,654	-	1,734,614,842	-	1,734,614,842
	21,970 Class 'B' (December 2017: 21,482) ordinary shares of USD 4,533.42 each	-	99,599,246	-	97,386,936	97,386,936
	Less: Callable capital	(1,395,706,925)	-	(1,387,691,874)	-	(1,387,691,874)
	Payable capital					
	Less: Amounts not yet due	348,926,729 (10,664,544)	99,599,246	346,922,968 (9,367,819)	97,386,936	444,309,904 (9,367,819)
	Capital due					
	Less: subscriptions in arrears	338,262,185 (1,386,380)	99,599,246	337,555,149 (3,716,659)	97,386,936	434,942,085 (3,716,659)
	Paid up capital	336,875,805	99,599,246	333,838,490	97,386,936	431,225,426



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

30 SHARE CAPITAL AND SHARE PREMIUM (Continued)

(b) Share Premium-Class B shares only:

	Number of shares	Share value USD	Price paid USD	Share premium USD
As at 30 June 2018:				
At 1 January 2018	21,482	97,386,936	150,355,414	52,968,478
Additions during the period	488	2,212,310	3,100,752	888,442
	<u>21,970</u>	<u>99,599,246</u>	<u>153,456,166</u>	<u>53,856,920</u>
At 30 June 2018	=====	=====	=====	=====
As at 31 December 2017:				
As at 1 January 2017	17,265	78,269,503	113,376,164	35,106,661
Additions during the year	4,217	19,117,433	36,979,250	17,861,817
	<u>21,482</u>	<u>27,386,936</u>	<u>150,355,414</u>	<u>52,968,478</u>
As at 31 December 2017:	=====	=====	=====	=====

Class A and B shares

As at 30 June 2018, there were 76,968 'A' ordinary shares (December 2017: 76,526) and 21,970 Class 'B' ordinary shares (December 2017: 21,482). Class 'A' shares have a par value of USD 22,667 each (comprising 80% callable and 20% payable) and were issued only to Members, while Class 'B' shares have a par value of USD 4,533.42 each and are issued both to Members and other institutional investors. All ordinary shares paid up 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 5,884.58 (December 2017: 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.

	30 June USD	31 December USD
(c) Dividends on ordinary shares declared and paid:		
Final dividend for 2017: USD 308.67 per share (2016: 304.21 per share)		
-Declared and paid	-	23,293,199
-Declared and not paid/payable	27,406,782	1,056,296
	<u>27,406,782</u>	<u>24,349,495</u>
	=====	=====
(d) Proposed dividends on ordinary shares:		
Dividend for June 2018: NIL (December 2017: USD 308.67 per share)	-	27,406,782
	=====	=====

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and until such approval, they are not recognised as a liability.

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

**30 SHARE CAPITAL (Continued)**

	30 JUNE 2018		31 DECEMBER 2017		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	333,838,488	97,386,938	293,781,436	78,269,503	372,050,939
African Development Bank	-	-	1,047,215	-	1,047,215
National Social Security Fund- Uganda	-	-	-	235,738	235,738
National Pension Fund-Mauritius	-	-	-	244,805	244,805
Rwanda Social Security Board	-	-	-	4,234,215	4,234,215
Banco Nacional de Inversión	-	-	-	117,869	117,869
Africa Reinsurance Corporation	-	-	-	104,269	104,269
OPEC Fund for International Development (OFID)	-	-	-	9,311,645	9,311,645
TDB Staff Provident Fund	-	2,030,972	-	4,170,747	4,170,747
TDB Directors & Select Stakeholders Provident Fund	-	181,336	-	213,071	213,071
Belarus	-	-	1,145,137	-	1,145,137
Burundi	-	-	430,673	-	430,673
China	-	-	1,183,216	-	1,183,216
Comoros	-	-	387,331	485,076	1,668,292
Congo DRC	2,330,279	-	9,628,675	-	387,331
Egypt	-	-	1,858,694	-	9,628,675
Eritrea	-	-	41,761	-	1,858,694
Ethiopia	-	-	1,858,694	-	41,761
Kenya	-	-	1,858,694	-	1,858,694
Madagascar	400,753	-	-	-	1,858,694
Malawi	-	-	457,873	-	-
Mauritius	-	-	838,679	-	457,873
Mozambique	-	-	2,063,604	-	838,679
Rwanda	-	-	953,089	-	2,063,604
Seychelles	-	-	95,201	-	953,089
Somalia	-	-	55,333	-	95,201
South Sudan	-	-	10,000,680	-	55,333
Swaziland	-	-	400,752	-	10,000,680
Tanzania	-	-	1,799,760	-	400,752
Uganda	306,285	-	2,357,368	-	1,799,760
Zambia	-	-	1,594,623	-	2,357,368
	3,037,317	2,212,308	40,057,052	19,117,435	59,174,487
	336,875,805	99,599,246	333,838,488	97,386,938	431,225,426

Payable capital is one fifth of the subscribed capital to Class 'A' shares. The remaining four fifths of the subscribed capital constitutes callable capital. The Bank's Board of Governors may, on the recommendation of the Board of Directors, make a call only when the amount thereof is required to repay existing borrowings or to meet guaranteed commitments. Note 42 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 INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)

31 NOTES TO THE STATEMENT OF CASH FLOWS	30 June 2018 USD	30 June 2017 USD
(a) Reconciliation of profit for the period to cash used in operations:		
Profit for the period	59,423,468	51,964,050
Adjustments:		
Depreciation of property and equipment	445,492	423,143
Impairment provisions	12,254,805	11,167,078
Amortisation of intangible assets	194,756	170,346
Increase in provision for service and leave pay	859,621	549,715
Loss on foreign exchange	1,347,198	(603,080)
Credit risk reserve	17,970,114	-
	<hr/>	<hr/>
Profit before working capital changes	92,495,454	63,673,852
	=====	=====
Movements in:		
Other receivables	(60,231,605)	(68,778,211)
Hedging derivatives- NET	(65,182,217)	66,367,785
Trade finance loans	5,774,977	(26,970,003)
Project loans	(277,192,518)	(358,290,014)
Collection accounts deposits	(65,285,477)	(69,734,292)
Other payables	(29,989,743)	36,695,364
Government securities	-	11,785
Deferred expenditure	-	(7,565,887)
Borrowings	192,131,513	232,751,755
	<hr/>	<hr/>
Net cash used in operations	(207,479,616)	(131,837,866)
	=====	=====
(b) Analysis of changes in borrowings:		
Short term borrowings:		
At beginning of period	2,314,562,284	2,369,322,431
Loans received	644,036,909	433,135,089
Repayments	(659,188,905)	(797,471,490)
	<hr/>	<hr/>
At end of period	2,299,410,288	2,004,986,030
	=====	=====
Long term borrowings:		
At beginning of period	1,708,289,548	794,214,640
Loans received	317,195,599	758,753,173
Repayments	(109,912,090)	(161,665,017)
	<hr/>	<hr/>
At end of period	1,915,573,057	1,391,302,796
	=====	=====

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

		30 June 2018 USD	30 June 2017 USD
31	NOTES TO THE STATEMENT OF CASH FLOWS (Continued)		
	(b) Analysis of changes in borrowings: (Continued)		
	Total borrowings:		
	At beginning of period	4,022,851,832	3,163,537,071
	Loans received	961,232,508	1,191,888,262
	Repayments	(769,100,995)	(959,136,507)
		<hr/>	<hr/>
	At end of period	4,214,983,345	3,396,288,826
		=====	=====
	Increase in total loans	192,131,513	232,751,755
		=====	=====
	(c) Analysis of cash and cash equivalents		
	Cash and balances with other banks - Note 13	1,086,677,741	592,459,800
		=====	=====

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.

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

31 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(d) Facilities available for lending

As at 30 June 2018 the following facilities were available to the Bank for lending:

SHORT TERM FACILITIES	Facilities available	Facilities utilised	Facilities unutilised
LENDER	USD	USD	USD
Syndicated Loan 2016	400,000,000	400,000,000	-
Middle East Syndication 2017 (First Abu Dhabi Bank PJSC )	341,667,619	341,667,619	-
Asian Syndicated Loan 1	340,000,000	340,000,000	-
Standard Chartered Bank	330,000,000	201,594,557	128,405,443
Asian Syndication 11, 2017 (Standard Chartered Bank)	237,000,000	237,000,000	-
Sumitomo Mitsui Banking Corporation	220,000,000	197,412,202	22,587,798
AFREXIM	179,662,500	-	179,662,500
Bank of Tokyo Mitsubishi	150,000,000	150,000,000	-
Cargill Kenya	148,247,850	148,247,850	-
Commerz Bank	119,775,000	5,072,560	114,702,440
ING Bank	107,797,500	-	107,797,500
Louis Dreyfus	99,647,225	99,647,225	-
Societe Generale	95,000,000	-	95,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	29,543,343	60,456,657
Commercial Bank of Africa	80,000,000	-	80,000,000
Mizuho	80,000,000	30,000,000	50,000,000
FBN Bank London	80,000,000	-	80,000,000
BNP Paribas Group	75,000,000	-	75,000,000
Mashreqbank	70,000,000	70,000,000	-
Citibank	65,000,000	31,244,946	33,755,054
Deutsche Bank	60,000,000	-	60,000,000
British Arab Commercial Bank	59,887,500	12,500,000	47,387,500
Africa50	53,589,857	53,589,857	-
Rand Merchant Bank	50,000,000	-	50,000,000
Bunge S.A	48,293,746	48,293,746	-
NIC Bank	40,000,000	-	40,000,000
BHF Bank	35,932,500	5,005,213	30,927,287
Nedbank	35,000,000	5,698,909	29,301,091
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
State Bank of Mauritius	25,000,000	-	25,000,000
Banque BIA, France	23,955,000	-	23,955,000
Bank One	23,301,800	23,301,800	-
Barclays/Absa Bank	20,000,000	5,309,650	14,690,350
DZ Bank	15,158,226	11,940,648	3,217,578
Banque de Commerce de placement	9,993,430	-	9,993,430
Afrasia	9,320,720	9,320,720	-
United Bank Limited	5,000,000	-	5,000,000
African Trade Insurance Agency	3,456,106	3,456,106	-
African Trade Insurance Agency	1,243,996	1,243,996	-
	4,037,761,825	2,461,090,947	1,576,670,878
	=====	=====	=====

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

31 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(d) Facilities available for lending

(i) As at 30 June 2018 the following facilities were available to the Bank for lending:

	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
LONG TERM FACILITIES			
LENDER			
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
KfW- Ipex	133,135,287	133,135,287	-
China Development Bank	122,900,000	122,900,000	-
IDC- Industriial Development Corporation	105,000,000	100,565,184	4,434,816
Exim Bank India	100,000,000	75,000,000	25,000,000
CDC Group	100,000,000	100,000,000	-
Development Bank of South Africa	95,000,000	95,000,000	-
European Investment Bank (EIB)	88,120,000	88,120,000	-
Japan Bank for International Corporation (JBIC)	80,000,000	8,270,767	71,729,233
AFD -Agence Francaise De Development	75,000,000	12,000,000	63,000,000
Private Export Funding Corporation(PEFCO)	60,000,000	60,000,000	-
OFID -Opec Fund for International Development	60,000,000	-	60,000,000
BKB Bank	51,403,510	36,854,139	14,549,371
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	-
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	5,000,000	10,000,000
Exim Bank USA	No limit	-	No limit
	2,940,065,352	2,499,354,932	440,710,420
	=====	=====	=====
TOTAL FACILITIES	6,977,827,177	4,960,445,879	2,017,381,298
	=====	=====	=====

Note:

Facilities utilised include outstanding letters credit for Trade Finance amounting to USD 189,432,852.

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

31 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(d) Facilities available for lending

(ii) As at 30 June 2017 the following facilities were available to the Bank for lending:

	Facilities USD	Facilities USD	Facilities available USD
SHORT-TERM FACILITIES			
LENDER			
Syndication 2	400,000,000	400,000,000	-
Syndication 1	340,000,000	340,000,000	-
Certificate of Deposit	239,750,959	239,750,959	-
Sumitomo Mitsui Banking Corporation	220,000,000	113,682,689	106,317,311
Standard Chartered Bank	180,000,000	81,435,280	98,564,720
AFREXIM	171,429,000	29,039,160	142,389,840
KFW	171,205,608	171,205,608	-
Commerz Bank	114,286,000	28,214,308	86,071,692
ING Bank	102,857,400	52,458,765	50,398,635
Cargill Kenya Limited	100,000,000	100,000,000	-
Mashreqbank	98,144,393	98,144,393	-
Societe Generale	95,000,000	-	95,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	-	90,000,000
Commercial Bank of Africa	80,000,000	-	80,000,000
FBN Bank London	80,000,000	-	80,000,000
Mizuho Bank London	80,000,000	71,465,728	8,534,272
BNP Paribas Group	75,000,000	-	75,000,000
Citibank Nairobi	65,000,000	61,935,005	3,064,995
Deutsche Bank	60,000,000	-	60,000,000
ABC Bank Mauritius	58,314,424	58,314,424	-
British Arab Commercial Bank	57,143,000	6,706,798	50,436,202
Africa50	51,978,736	51,978,736	-
African Finance Corporation	50,000,000	50,000,000	-
Rand Merchant Bank	50,000,000	27,886,430	22,113,570
NIC Bank	40,000,000	-	40,000,000
Nedbank	35,000,000	-	35,000,000
Louis Dreyfus Commodities Kenya	32,891,161	32,891,161	-
CFC Stanbic Bank	30,000,000	-	30,000,000
Natixis	30,000,000	-	30,000,000
BMCE Bank	28,571,500	-	28,571,500
FimBank	28,571,500	14,898,017	13,673,483
KBC Bank	28,571,500	3,485,723	25,085,777
Bank One	25,000,000	25,000,000	-
Banque BIA, France	22,857,200	-	22,857,200
Raw Bank	20,000,000	20,000,000	-
BHF Bank	17,142,900	5,145,962	11,996,938
DZ Bank	15,000,000	-	15,000,000
State Bank of Mauritius	15,000,000	-	15,000,000
Barclays/Absa Bank	10,000,000	-	10,000,000
Industrial and Commercial bank China	10,000,000	10,000,000	-
National Bank of Abhu Dhabi	10,000,000	10,000,000	-
Banque de Commerce de placement	9,993,430	-	9,993,430
United Bank Limited	5,000,000	-	5,000,000
African Trade Insurance Agency	1,560,844	1,560,844	-
	<u>3,535,269,555</u>	<u>2,105,199,990</u>	<u>1,430,069,565</u>
	=====	=====	=====

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

31 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(d) Facilities available for lending

(ii) As at 30 June 2017 the following facilities were available to the Bank for lending:

	Facilities available USD	Facilities utilized USD	Facilities unutilized USD
<b>LONG TERM FACILITIES</b>			
<b>LENDER</b>			
Eurobond	700,000,000	700,000,000	-
African Development Bank	330,000,000	150,000,000	180,000,000
Eurobond	300,000,000	300,000,000	-
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 de Development (AFD)	75,000,000	-	75,000,000
Private Export Funding Corporation(PEFCO)	60,000,000	60,000,000	-
KBC Bank	51,403,510	36,854,140	14,549,370
FMO	50,000,000	50,000,000	-
CDC Group	50,000,000	50,000,000	-
Standard Chartered Bank / USAID	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	16,506,554	16,506,554	-
Japan Bank for International Corporation (JBIC)	12,700,000	-	12,700,000
Exim Bank USA	No limit		No limit
	2,339,630,064	1,866,680,694	472,949,370
	=====	=====	=====
<b>TOTAL FACILITIES</b>			
30 June 2017	5,874,899,619	3,971,880,684	1,903,018,935
	=====	=====	=====

Note:

Facilities utilised include outstanding letters credit for Trade Finance amounting to USD 141,379,857.



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

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.

*Net derivative financial instruments*

Currency swaps, interest rate swaps and currency forward contracts are derivative products valued using a valuation technique with market-observable inputs. The most frequently applied valuation technique is the swap model using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates.

*Financial instruments disclosed at fair value*

Management assessed that the fair value of financial instruments not measured at fair value approximates their carrying amount.

*Fair Value hierarchy*

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

*Level 1:* quoted (unadjusted) prices in active markets for identical assets or liabilities;

*Level 2:* other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

*Level 3:* techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

At 30 June 2018:	Level 1 USD	Level 2 USD	Level 3 USD	Total
<b>ASSETS</b>				
Net Derivative financial instruments	-	60,384,668	-	60,384,668
Equity investments	-	-	51,006,706	51,006,706
	-----	-----	-----	-----
	-	60,384,668	51,006,706	111,391,374
	=====	=====	=====	=====
<b>At 31 December 2017:</b>				
<b>LIABILITIES</b>				
Net Derivative financial instruments	-	4,797,549	-	4,797,549
	-----	-----	-----	-----
	-	4,797,549	-	4,797,549
	=====	=====	=====	=====

The Bank has not designated any loan or receivable or borrowings and payables as at fair value through profit or loss.

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

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Transfers between Level 1, 2 and Level 3:

As at 30 June 2018 and 31 December 2017, there were no transfers between the levels.

Valuation of financial Instruments recorded at fair value:

The Bank uses widely recognised valuation models for determining fair values of interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Level 2. The valuation is done in the Treasury Management System where these instruments are managed.

The Bank invests in private equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Bank contracts experts to value these investments. Valuation is done using International Private Equity Valuation Guidelines for these positions.

Valuations of financial instruments are the responsibility of Management.

The valuation of derivative financial instruments is performed daily in the Treasury Management System, while that of equity investments is performed on a semi-annual basis by consultants who are contracted by the Financial Management Department. The valuations are also subject to quality assurance procedures performed by the Bank's internal and external auditors. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the preceding periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by senior management. Appropriateness of valuation methods and inputs is considered and management may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

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.

The tables below analyse the breakdown of segmental assets, liabilities, income and expenses.

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

33. SEGMENT REPORTING (Continued)

The table below analyses the breakdown of segmental assets, liabilities, income and expenses;

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2018:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	106,611,148	58,375,119	6,728,008	171,714,275
Interest expense	(59,879,521)	(30,085,634)	(6,728,008)	(96,693,163)
Net interest income	46,731,627	28,289,485	-	75,021,112
Fees and commission income	14,341,187	8,909,394	-	23,250,581
Other borrowing and finance costs	(2,195,815)	(1,394,534)	(288,680)	(3,879,029)
Risk mitigation risk	(11,911,347)	(3,913,171)	(1,577,407)	(17,401,925)
Other income	-	-	56,369	56,369
Interest on capital arrears	-	-	1,220,587	1,220,587
Other assets written off	-	(361,250)	-	(361,250)
Other assets recovered	433,793	2,257,097	3,136	2,694,026
Operating expenses	(4,375,625)	(11,056,716)	-	(15,432,341)
Depreciation and amortisation	(165,603)	(474,646)	-	(640,249)
Impairment on loans	(6,723,260)	(5,531,545)	-	(12,254,805)
Foreign exchange gain	7,150,392	-	-	7,150,392
Profit for the year	43,285,349 =====	16,724,114 =====	(585,995) =====	59,423,468 =====
Period ended 30 June 2017:				
Gross interest income	94,487,122	40,642,889	1,137,772	136,267,783
Interest expense	(48,843,669)	(16,295,093)	(1,137,772)	(66,276,534)
Net interest income	45,643,453	24,347,796	-	69,991,249
Fee and commission income	18,588,403	3,490,937	-	22,079,340
Risk mitigation costs	(14,279,170)	-	(1,798,722)	(16,077,892)
Other borrowing and finance costs	(2,875,318)	(153,090)	(244,191)	(3,272,599)
Other income	-	-	265,694	265,694
Other assets recovered	50,000	1,477,011	-	1,527,011
Operating expenses	(6,283,943)	(6,121,042)	-	(12,404,985)
Depreciation and amortisation	(291,392)	(304,697)	-	(596,089)
Impairment on loans	(12,253,082)	1,086,004	-	(11,167,078)
Foreign exchange gain	1,619,399	-	-	1,619,399
Profit for the period	29,918,350 =====	23,822,919 =====	(1,777,219) =====	51,964,050 =====

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

33. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

	Trade finance USD	Project finance USD	Other USD	Total USD
As at 30 June 2018:				
Assets:				
Cash and balances held with other banks	56,296,236	-	1,030,381,505	1,086,677,741
Derivative financial instruments	60,384,668	-	-	60,384,668
Other receivables	-	-	166,709,093	166,709,093
Trade finance loans	2,558,750,043	-	-	2,558,750,043
Project loans	-	1,506,781,123	-	1,506,781,123
Equity investments - at costs	-	51,006,706	-	51,006,706
Investment in Joint Ventures	-	386,994	-	386,994
Property and equipment	-	-	19,900,241	19,900,241
Intangible assets	-	-	1,281,035	1,281,035
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	2,675,430,947	1,558,174,823	1,218,271,874	5,451,877,644
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities:				
Short term borrowings	2,299,410,288	-	-	2,299,410,288
Long term borrowings	-	1,915,573,056	-	1,915,573,056
Collection account deposits	62,510,654	-	-	62,510,654
Provision for service and leave pay	-	-	7,418,309	7,418,309
Other payables	-	-	51,668,725	51,668,725
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,361,920,942	1,915,573,056	59,087,034	4,336,581,032
	<hr/>	<hr/>	<hr/>	<hr/>
Equity	-	-	1,115,296,612	1,115,296,612
	<hr/>	<hr/>	<hr/>	<hr/>
	2,361,920,942	1,915,573,056	1,174,383,646	5,451,877,644
	=====	=====	=====	=====

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

33. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017:	Trade finance USD	Project finance USD	Other USD	Total USD
<b>Assets:</b>				
Cash and balances held with other banks	82,400,556	-	1,150,579,871	1,232,980,427
Investment in Government securities - held to maturity	57,275,058	-	-	57,275,058
Other receivables	-	-	106,477,488	106,477,488
Trade finance loans	2,571,248,280	-	-	2,571,248,280
Project loans	-	1,235,120,149	-	1,235,120,149
Equity investments - at 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
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	2,710,923,894	1,275,747,599	1,278,027,339	5,264,698,832
	=====	=====	=====	=====
<b>Liabilities:</b>				
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
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,447,155,963	1,708,289,548	88,217,155	4,243,662,666
	=====	=====	=====	=====
Equity	-	-	1,021,036,166	1,021,036,166
	<hr/>	<hr/>	<hr/>	<hr/>
	2,447,155,963	1,708,289,548	1,109,253,321	5,264,698,832
	=====	=====	=====	=====

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

	30 June 2018 USD	31 December 2017 USD
<b>34 CONTINGENCIES AND COMMITMENT</b>		
(a) Capital commitments		
Approved but not contracted for	12,127,318 =====	12,841,523 =====
(b) Loans committed but not disbursed		
Project loans	89,542,378	181,024,180
Trade finance loans	237,373,239	513,906,227
	-----	-----
	326,915,617 =====	694,930,407 =====
(c) Contingent liabilities		
<p>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.</p>		
	30 June 2018 USD	31 December 2017 USD
Letters of credit		
- Project loans	16,944,196	7,223,037
- Trade loans	189,432,852	467,904,491
	-----	-----
	206,377,048 =====	475,127,528 =====
(d) Operating lease arrangements		
<p>The Bank as a lessee</p> <p>At period end, the Bank had outstanding commitments under operating leases which fall due as follows:</p>		
Within one year	468,387	446,962
In the second to fifth year inclusive	59,377	199,308
	-----	-----
	527,764 =====	646,270 =====

Operating lease payments represent rentals payable by the Bank for use of its office premises. Leases are negotiated for an average term of 5 years.

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

34 CONTINGENCIES AND COMMITMENT (Continued)

(e) Pending litigation

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes provisions to cater for any adverse effects which the claims may have on its financial standing.

As at 30 June 2018, there were legal proceedings involving the Bank amounting to USD 31,700,000 (December 2017 - USD 25,100,000) that are yet to be determined. No provision has been made as, in the opinion of the Directors and the Bank's lawyers, it is unlikely that any significant loss will crystallise.

35 RELATED PARTY TRANSACTIONS

(a) Membership and Governance

As a supranational development financial institution with a membership comprising: - Class A Shareholders- Twenty three COMESA /African States (the "Member States"), two non-African State and one institutional member;- Class B Shareholders – one non-African State and ten institutional members,- subscription to the capital of the Bank is made by all its Members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each Member of the Bank, who exercise the voting power of the appointing Member. The Board of Directors, which is composed of thirteen (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:-

	30 June 2018 USD	31 December 2017 USD
(b) Loans with Member states		
Outstanding loans at 1 January	1,907,869,877	1,132,314,880
Loans disbursed during the period	453,571,429	844,696,940
Loan repaid during the period	(461,911,869)	(69,141,943)
	<hr/>	<hr/>
Outstanding balances at 30 June/ 31 December	1,899,529,437	1,907,869,877
	=====	=====

Loans to related parties are subject to commercial negotiations on the terms and conditions of varying interest rates and terms. Outstanding balances at period/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 (December 2017: Nil). General provisions have been raised as applicable. The loans are granted for an average period of one year.

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

34 CONTINGENCIES AND COMMITMENT (Continued)

	30 June 2017 USD	31 December 2017 USD
(c) Borrowings from Members		
Outstanding borrowings at beginning of period	266,009,641	321,797,391
Borrowings received during the period	4,010,326	122,903,638
Borrowings repaid during the period	(105,648,702)	(178,691,389)
	<u>                    </u>	<u>                    </u>
Outstanding balances at period end	164,371,265 =====	266,009,640 =====

Borrowings from related parties are subject to commercial negotiations on the terms and conditions. The outstanding balances as at period-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.

	30 June 2018 USD	30 June 2017 USD
(d) Income and Expenses		
- Interest income from loans to Members earned during the period	77,202,851	60,052,094
- Interest expense on borrowings from Members incurred during the period	(4,532,903)	(3,654,930)
	<u>                    </u>	<u>                    </u>
- Fees and commissions	11,710,954 =====	11,677,078 =====
(e) Other related parties		
The remuneration of members of key management staff during the period was as follows:		
Salaries and other short-term benefits	1,953,453	1,314,120
Post-employment benefits	422,932	310,071
Board of Directors' and Board of Governors' allowances	12,361	402,102
	<u>                    </u>	<u>                    </u>
	2,388,746 =====	2,026,293 =====



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

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:

	30 June 2018	31 December 2017
British Pound	0.7622	0.7411
Euro	0.8583	0.9495
United Arab Emirates Dirham	3.6730	3.6730
Zambian Kwacha	9.9875	9.9500
Sudanese Pound	28.8370	19.7015
South Africa Rand	13.7201	12.3075
Ethiopian Birr	27.3967	27.3345
Mauritian Rupee	34.8600	33.5095
Kenya Shilling	101.0000	103.3000
Japanese Yen	110.6600	112.5400
Malawi Kwacha	725.5000	726.0702
Burundi Franc	1791.2385	1757.6050
Tanzania Shilling	2277.6000	2246.0000
Uganda Shilling	3884.4400	3635.7500

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 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 Issuer's performance, risk profile and capital adequacy.

Based on the need to protect against increased credit risks associated with projects and infrastructure financing in developing African economies, the 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 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 for shareholders and benefits for 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 and retained earnings.

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

38 CAPITAL MANAGEMENT (Continued)

Risk-weighted assets are measured by means of a hierarchy of five risk weights classified per 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 computation is provided below.

	30 June 2018 USD	31 December 2017 USD
<b>RISK WEIGHTED ASSETS</b>		
On-statement of financial position assets	3,204,963,733	2,657,945,022
Off-statement of financial position assets	41,275,410	95,025,505
	<u>3,246,239,143</u> =====	<u>2,572,970,527</u> =====
<b>CAPITAL</b>		
Paid up capital	436,475,053	431,225,426
Other reserves	678,821,561	589,810,740
	<u>1,115,296,614</u> =====	<u>1,021,036,166</u> =====
Capital Adequacy Ratio	34.4% =====	39.7% =====

In addition to paid up capital and retained earnings, the Bank has access to additional capital in the form of callable capital. During the periods, the Bank complied with its capital adequacy requirements.

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

39 FINANCIAL INSTRUMENTS CATEGORIES

The table below sets out the Bank's analysis of financial instruments categories.

As at 30 June 2018:	Loans and	At fair value	At fair value	At fair value	Loans and	Held to	Total carrying
	receivables	through profit	through other	through other			
	USD	or loss	comprehensive	comprehensive	USD	maturity	USD
<b>FINANCIAL ASSETS</b>							
Cash and balances held with banks	1,086,677,741	-	-	-	-	-	1,086,677,741
Other receivables	76,760,677	-	-	-	-	-	76,760,677
Trade finance loans	2,558,750,043	-	-	-	-	-	2,558,750,043
Project finance loans	1,506,781,123	-	-	-	-	-	1,506,781,123
Equity investments at cost	-	51,006,706	-	-	-	-	51,006,706
Derivative financial instruments	-	60,384,668	-	-	-	-	60,384,668
<b>Total financial assets</b>	<b>5,228,969,884</b>	<b>111,391,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,340,360,958</b>
<b>FINANCIAL LIABILITIES</b>							
Collection account deposits	-	-	-	-	62,510,654	-	62,510,654
Short term borrowings	-	-	-	-	2,299,410,288	-	2,299,410,288
Long term borrowings	-	-	-	-	1,915,573,056	-	1,915,573,056
Other payables	-	-	-	-	51,617,103	-	51,617,103
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,329,111,101</b>	<b>-</b>	<b>4,329,111,101</b>

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

39 FINANCIAL INSTRUMENTS CATEGORIES (Continued)

The table below sets out the Bank's analysis of financial instruments 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
<b>Financial assets</b>						
Cash and balances held with banks	1,232,980,427	-	-	-	-	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	57,275,058
Other receivables	76,648,951	-	-	-	-	76,648,951
Trade finance loans	2,571,248,280	-	-	-	-	2,571,248,280
Project finance loans	1,235,120,149	-	-	-	-	1,235,120,149
Equity investments at cost	-	-	40,257,957	-	-	40,257,957
<b>Total financial assets</b>	<b>5,115,997,807</b>	<b>-</b>	<b>40,257,957</b>	<b>-</b>	<b>57,275,058</b>	<b>5,213,530,822</b>
<b>Financial liabilities</b>						
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
<b>Total financial liabilities</b>	<b>4,232,254,808</b>	<b>4,797,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,237,052,357</b>

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

40 TRADE FINANCE LOAN PORTFOLIO

Country	As at 30 June 2018		As at 31 December 2017	
	Balance outstanding USD	Amounts due within six-months USD	Balance outstanding USD	Amounts due within six-months USD
Burundi	-	-	-	-
Congo DRC	2,530,000	2,530,000	-	2,530,000
Djibouti	5,140,027	5,140,027	4,948,151	548,684
Egypt	29,333,565	29,333,565	28,168,977	28,168,977
Ethiopia	56,423,171	6,423,171	58,307,075	8,306,721
Kenya	14,315,857	5,208,957	25,708,146	4,591,646
Malawi	321,652,686	162,010,818	241,879,726	118,177,171
Mauritius	13,061,790	13,061,790	43,647,842	43,647,842
Rwanda	150,000,000	-	140,150,914	-
Seychelles	-	-	-	-
Sudan	623,296,288	-	646,441,078	122,706,295
Tanzania	141,435,756	178,731,156	13,952,846	169,760,948
Uganda	121,343,303	77,553,358	177,230,606	69,237,311
Zambia	689,962,084	85,962,084	679,696,821	41,501,167
Zimbabwe	418,831,910	26,481,619	392,350,290	428,159,272
Gross Loans	2,624,621,837	592,936,545	2,646,629,555	566,072,065
Less: Impairment on trade finance loans (note 17)	(65,871,794)	-	(75,381,275)	-
NET LOANS	2,558,750,043	592,436,545	2,571,248,280	566,072,065
	=====	=====	=====	=====
				2,005,176,214
				=====

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

41. PROJECT LOAN PORTFOLIO

Country	As at 30 June 2018				As at 31 December 2017			
	Interest Capitalized		Due within		Balance Outstanding		Due after One year	
	USD	USD	USD	USD	USD	USD	USD	USD
Burundi	40,115,973	35,998,515	26,176,875	1,192,186	12,928,191	13,064,427	2,679,656	10,384,771
Djibouti	2,835,000	2,835,000	2,835,000	-	2,897,288	1,556,990	64,843	1,492,147
DR Congo	84,200,000	84,200,000	44,200,000	-	43,489,545	43,482,291	2,228,958	41,253,333
Eritrea	403,652	403,652	403,652	-	-	-	-	-
Ethiopia	170,664,439	147,164,439	106,980,505	522,176	66,524,389	65,247,817	12,514,129	52,733,688
Kenya	1,041,053,929	992,853,929	955,413,563	1,532,900	722,629,032	412,382,620	51,480,420	360,902,200
Malawi	61,713,723	61,713,723	60,793,337	2,920	-	6,195,495	6,195,497	(2)
Mauritius	137,225,000	122,225,000	93,500,000	-	84,430,757	84,915,046	2,981,158	81,933,888
Rwanda	398,437,297	383,716,760	364,663,799	3,612,691	284,829,390	291,979,537	189,653,714	102,325,823
Seychelles	47,500,000	41,500,000	41,364,276	-	5,001,654	5,698,687	1,380,506	4,318,181
Sudan	78,381,910	78,381,910	45,106,624	12,464,752	35,849,523	34,689,416	20,549,806	14,139,610
Tanzania	311,822,792	270,322,793	191,670,275	682,910	36,081,647	40,124,412	15,513,281	24,611,131
Uganda	254,786,291	241,655,639	229,747,541	6,103,522	82,804,514	80,707,637	29,104,023	51,603,614
Zambia	156,664,661	152,582,934	131,225,914	25,086,069	19,485,361	20,723,986	8,574,675	12,149,311
Zimbabwe	376,590,312	355,884,750	309,591,937	709,655	145,789,370	166,517,153	42,665,435	123,851,718
<b>Gross loans</b>	<b>3,162,394,979</b>	<b>2,971,439,045</b>	<b>2,603,673,298</b>	<b>51,909,781</b>	<b>1,542,740,662</b>	<b>1,267,285,514</b>	<b>385,586,101</b>	<b>881,699,413</b>
<b>Less: Impairment on project loans (note 16)</b>					<b>(35,959,539)</b>	<b>(32,165,365)</b>		<b>(32,165,365)</b>
<b>Net Loans</b>					<b>1,506,781,123</b>	<b>1,235,120,149</b>	<b>385,586,101</b>	<b>849,534,048</b>

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

42 STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 30 June 2018:		Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable capital USD	Instalments payable on 30.06.2018 USD	Instalments paid as at 30.06.2018 USD
Class 'A' Shares	Value USD							
Belarus	1,156	1.50	26,203,052	20,962,442	5,240,610	4,240,542	4,240,542	
Burundi	1,500	1.95	34,000,500	27,200,400	6,800,100	6,800,100	6,800,100	
China	4,150	5.39	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	0.46	8,069,452	6,455,562	1,613,890	1,613,890	1,613,890	
Congo DRC	5,340	6.94	121,041,780	96,833,424	24,208,356	24,208,356	24,208,357	
Egypt	6,518	8.47	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	8.47	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701	
Kenya	6,518	8.47	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701	
Madagascar	442	0.57	10,018,814	8,015,051	2,003,763	400,753	400,753	
Malawi	1,611	2.09	36,516,537	29,213,230	7,303,307	7,303,307	7,303,307	
Mauritius	3,083	4.01	69,882,361	55,905,889	13,976,472	13,976,472	13,976,472	
Mozambique	2,220	2.88	50,320,740	40,256,592	10,064,148	4,063,740	4,063,740	
Rwanda	1,838	2.39	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	0.41	7,208,106	5,766,485	1,441,621	1,441,621	879,919	
South Sudan	2,206	2.87	50,003,402	40,002,722	10,000,680	10,000,680	10,000,680	
Sudan	5,277	6.86	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752	
Swaziland	442	0.57	10,018,814	8,015,050	2,003,764	801,505	400,753	
Tanzania	6,306	8.19	142,938,102	114,350,482	28,587,620	28,587,620	28,587,620	
Uganda	4,830	6.28	109,481,610	87,585,288	21,896,322	21,037,523	21,037,523	
Zambia	5,607	7.28	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774	
Zimbabwe	6,337	8.23	143,640,777	114,912,623	28,728,154	28,728,154	28,728,154	
African Development Bank	3,662	4.76	83,006,554	66,405,243	16,601,311	16,601,311	16,601,311	
	76,968	100	1,744,633,654	1,395,706,925	348,926,729	338,262,185	336,875,805	

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

42 STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

CLASS 'B'

As At 30 June 2018:

	Number of shares	Percentage of total	Payable capital USD	Paid up capital USD	Share premium USD	Total paid USD
Africa Reinsurance Corporation	780	3.55	3,536,068	3,536,068	1,832,411	5,368,479
African Development Bank	3,333	15.17	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Inversión	888	4.04	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.23	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund - Mauritius	1,787	8.13	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund- Uganda	2,880	13.11	13,056,251	13,056,251	11,875,353	24,931,604
OPEC Fund for International Development-OFID	2,054	9.35	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	16.19	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security	2,983	13.58	13,523,193	13,523,193	7,405,065	20,928,258
Seychelles Pension Fund	1,029	4.68	4,664,890	4,664,890	2,343,654	7,008,544
Sacos Group Limited	121	0.55	548,544	548,544	454,304	1,002,848
ZEP-RE PTA Reinsurance Company	1,368	6.23	6,201,719	6,201,719	2,164,873	8,366,592
TDB Directors and Select Stakeholders Provident Fund	87	0.40	394,408	394,408	145,292	539,700
TDB Staff Provident Fund	834	3.80	3,780,873	3,780,873	1,223,127	5,004,000
	21,970	100	99,599,246	99,599,246	53,856,920	153,456,166

Class 'B' shares were first issued in 2013 following an approval by the Board of Governors in December 2012 to increase the Bank's authorized capital from USD 2.0 billion to USD 3.0 billion. This increase was achieved through the creation of 220,584 new Class B shares of a par value of US\$ 4,533.420375 each. Class 'B' shares do not have a callable portion and are paid at once.



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

**42 STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)**

As at 31 December 2017:

CLASS 'A' shares	Shares subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments	
						due as at 31.12.2017 USD	paid as at 31.12.2017 USD
Belarus	1,156	1.51	26,203,052	20,962,442	5,240,610	4,240,542	4,240,542
Burundi	1,500	1.96	34,000,500	27,200,400	6,800,100	6,800,100	6,800,100
China	4,150	5.42	94,068,050	75,254,440	18,813,610	18,813,610	18,813,610
Comoros	164	0.21	3,717,388	2,973,910	743,478	743,478	743,478
Djibouti	356	0.47	8,069,452	6,455,562	1,613,890	1,613,890	1,613,890
Congo DRC	5,340	6.98	121,041,780	96,833,424	24,208,356	24,208,356	21,878,078
Egypt	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Eritrea	240	0.31	5,440,080	4,352,064	1,088,016	1,088,016	664,089
Ethiopia	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Kenya	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Malawi	1,611	2.11	36,516,537	29,213,230	7,303,307	7,303,307	7,303,307
Mauritius	3,083	4.03	69,882,361	55,905,889	13,976,472	13,976,472	13,976,472
Mozambique	2,220	2.90	50,320,740	40,256,592	10,064,148	4,063,740	4,063,740
Rwanda	1,838	2.40	41,661,946	33,329,557	8,332,389	8,332,389	8,332,389
Seychelles	329	0.43	7,457,443	5,965,954	1,491,489	1,491,489	1,491,489
Somalia	318	0.42	7,208,106	5,766,485	1,441,621	1,441,621	879,919
South Sudan	2,206	2.88	50,003,402	40,002,722	10,000,680	10,000,680	10,000,680
Sudan	5,277	6.90	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
Swaziland	442	0.58	10,018,814	8,015,051	2,003,763	801,505	400,753
Tanzania	6,306	8.24	142,938,102	114,350,482	28,587,620	28,587,620	28,587,620
Uganda	4,830	6.31	109,481,610	87,585,287	21,896,323	20,731,238	20,731,238
Zambia	5,607	7.33	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Zimbabwe	6,337	8.28	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,662	4.79	83,006,554	66,405,243	16,601,311	16,601,311	16,601,311
	<b>76,526</b>	<b>100</b>	<b>1,734,614,842</b>	<b>1,387,691,874</b>	<b>346,922,968</b>	<b>337,555,149</b>	<b>333,838,490</b>

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

42 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	3.55	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
African Development Bank	3,333	15.17	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Invermento	888	4.04	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.23	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund—Mauritius	1,787	8.13	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	2,880	13.11	13,056,251	13,056,251	13,056,251	11,875,353	24,931,604
OPEC Fund for International Development (OFID)	2,054	9.35	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	16.19	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	2,983	13.58	13,523,193	13,523,193	13,523,193	7,405,065	20,928,258
Seychelles Pension Fund	1,029	4.68	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
Sacos Group Limited	121	0.55	548,544	548,544	548,544	454,304	1,002,848
TDB Staff Provident Fund	1,368	6.23	6,201,719	6,201,719	6,201,719	2,164,873	8,366,592
TDB Directors and Select Stakeholders Provident Fund	47	0.40	394,408	394,408	394,408	145,292	539,700
ZEP-RE (PTA Reinsurance company)	834	3.80	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	21,970	100	99,599,246	99,599,246	99,599,246	53,856,920	153,456,166